

Annual Report 1997

# NIBE Industrier AB

(publ)



**NIBE**  
INDUSTRIER

1997



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## Dividend

The Board of Directors has resolved to propose to the Annual General Meeting a dividend of SEK 2.00 per share for 1997, corresponding to a total of SEK 11.7 million.

If the proposal is accepted by the Annual General Meeting, it is expected that the dividend will be sent out by the Swedish Securities Register Centre (Värdepapperscentralen VPC AB) on Tuesday, 19 May 1998.

The record day for the share dividend is 12 May 1998.

## Annual General Meeting

The Annual General Meeting will take place on Thursday 7 May 1998 at 5 p.m. at NIBE's Marknadscenter in Markaryd, Sweden.

## Information plan

The complete Annual Report, together with the notice of the Annual General Meeting, is distributed to all shareholders.

The Annual General Meeting; 7 May 1998.  
Interim Report Jan–April; June 1998.  
Interim Report Jan–August; October 1998.

# The NIBE Group – A Summary

- **Turnover increased to SEK 736 million (1996: SEK 617 million)**
- **Profit after tax and allocations improved to SEK 59 million (SEK 32 m)**
- **Equity/assets ratio rose to 47 percent (32 percent)**
- **Profit per share was SEK 7.80 (SEK 4.71)**

## Group Operations

The NIBE Industrier Group's operations are divided into three Business Areas; **NIBE Element**, **NIBE Heating** and **NIBE Stoves**.

### *NIBE Element*

The NIBE Element Business Area develops, manufactures and sells electric tubular heating elements under the Backer and Loyal trademarks and, from March 1998 also under those of Bröderna Håkansson and Meyer. As a complement to these tubular elements the division also produces and markets system components, control equipment, welded tubes and machinery for producing tubular elements. Tubular elements are used, for example, to heat water in dishwashers or to heat air via radiators. The market comprises industrial consumers and component users in Europe. NIBE Element is the market's premier name in Scandinavia and ranks among the leading contenders in the rest of Europe. Sales outside Sweden accounted for 71 percent of the division's total sales which, during 1997, totalled SEK 356.4 million or 48 percent of the group's total sales. The division recorded an operating profit of SEK 32.8 million, corresponding to 45 percent of group profit.

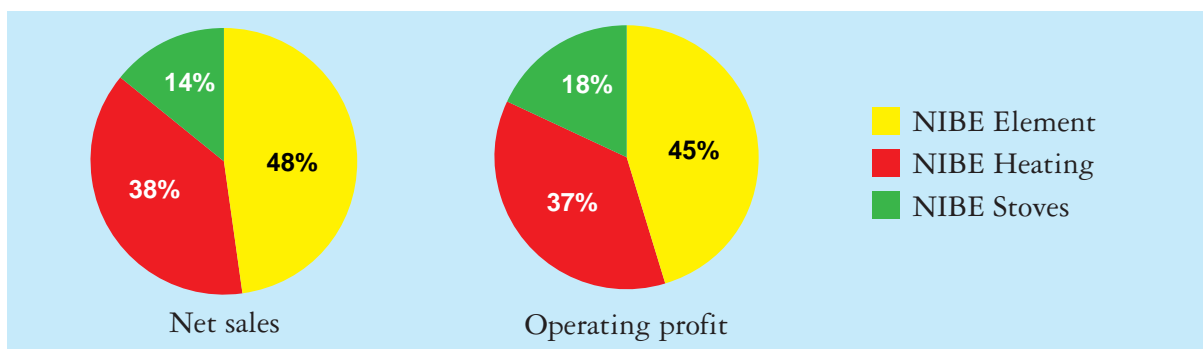
### *NIBE Heating*

The NIBE Heating Business Area develops, manufactures and sells electric boilers, water heaters and heat pumps as well as spares for these products under the NIBE, TMV and Vølund trademarks. The division is also extensively engaged in the sub-contracted production of anti-corrosion pressure vessels. NIBE Heating is the market leader in every one of its priority segments in Sweden. Most demand in Sweden is generated by the so called 'Renovation and Conversion' market, where sales tend to remain more or less stable over the years. As a result of slack demand for new single-family homes, activity in the building sector is currently at an unusually low level in Sweden. Export sales, which have accounted for 25 percent of the division's total turnover over the past twelve months, consist mainly of the sale of water heaters to Denmark, Holland, Germany and Finland. Turnover for NIBE Heating as a whole rose to SEK 281.2 million in 1997 or 38 percent of the group's total sales. Operating profit was SEK 26.1 million, which corresponds to 37 percent of the group total.

### *NIBE Stoves*

The NIBE Stoves Business Area develops, manufactures and sells wood-burning stoves and chimney systems under the Handöl and Contura trademarks. The division, which also has agency agreements in Sweden for the sale of cast-iron stoves from Morsø of Denmark,

*Group net sales and group operating profit for 1997 by Business Area*



Dovre of Belgium and Vermont Castings of the USA is the market leader in Sweden with most of its sales being made to private homes and holiday cottages. Foreign sales accounted for 12 percent of the division's turnover in 1997. NIBE Stoves' sales for the year rose to SEK 104.5 million, equivalent to 14 percent of the group total. The operating profit was SEK 12.5 million or 18 percent of that for the group as a whole.

## Earnings trend

Profitability has remained stable throughout the 1990s even though sales declined during the early years of the decade in the face of a severe recession which brought a dramatic slump in the number of private homes built in Sweden. The continued success of NIBE owes much to unceasing product development work and extensive re-structuring involving rationalisation and cost-cutting programmes. Much of the marked improvement in turnover and results over recent years can be ascribed to the expansive acquisition strategy implemented in 1994. The group, which stands on a firm financial footing with wisely invested assets, is committed to fully exploiting its growth potential by continuing to take over suitable companies, investing in new product lines and developing its foreign interests in both manufacturing and product sales.

## Financial targets

The group's immediate target is to achieve an average year-on-year growth of 20 percent. Return on the group's equity over a business cycle must be at least 20 percent after standard deductions for tax and equity/assets ratio in the group must not fall below 30 percent.

## Result for 1997

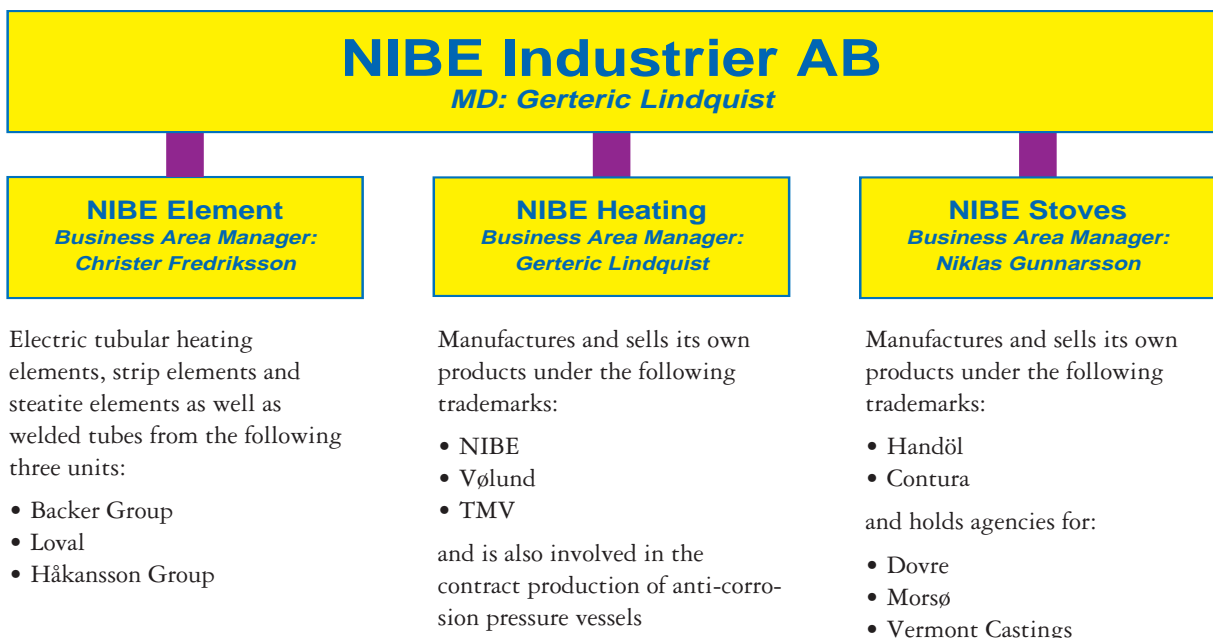
Group net turnover for 1997 totalled SEK 735.8 million (1996: SEK 617.0 million) to produce a profit after tax and allocations of SEK 59.3 million (SEK 32.0 million).

## Prospects for 1998

Incoming orders in the first few months of 1998 have continued to look healthy and, provided business conditions remain favourable, the forecast for 1998 as a whole would appear to be positive.

## Operational structure

Since 1995 the group has been divided into three separate divisions as shown below. Each division is a business area with its own operational management which is responsible for sales and results. Issues such as financing, currency management, corporate takeovers, new establishments, financial control, human resources and insurances are dealt with at group level.



### *“Eight principles that provided the key to success in 1997”*



Gerteric Lindquist.

Prior to our introduction on the Stockholm Stock Exchange in June 1997 we described the NIBE Group by providing an insight into eight key principles which have characterised operations at NIBE ever since the company began.

It is our opinion that it was these ideas that attracted many new shareholders to invest in NIBE and so, for that reason, it seems only fitting for us to take a look at how well we succeeded in living up to these eight key principles – the foundations upon which NIBE stands – in 1997.

#### *Profitability – our number one priority*

*“To date neither Backer nor NIBE has ever had to report an operating loss for their respective activities in any year-end accounts. The profitability requirement that the companies’ employees endeavour to achieve is a net profit of 10 percent on turnover during a complete business cycle.”*

Our budget for 1997 was built on a very substantial increase in volume and profits. With the really tough years of the business

cycle behind us, we felt that the time was ripe for realising our long cherished plans of broadening the ownership of NIBE.

Our initial share offer was preceded by extremely careful work in judging our future results. In retrospect, the SEK 45 million profit forecast in the prospectus may seem over-cautious when compared to the interim forecast of SEK 54 million issued in October and the actual result of SEK 59.3 million. The simple fact of the matter is, however, that the development in volume during the second half of 1997 exceeded even our most optimistic calculations and this did, of course, have a positive effect on the result for the year as a whole.

It also gives me great pleasure to report that all three business areas have improved their operating margins even further over the past year. NIBE Stoves emerged as “Top of the Class” with its 12 percent, followed by NIBE Heating and NIBE Element with 9.3 and 9.2 percent respectively in what was, in principle, a dead heat for second place.



### High productivity

*"The independence of the NIBE Group and its expansion over the years is, to a great degree, a consequence of high productivity based on rational production processes and a workforce motivated by a flexible wage system."*

While flexible wage systems are not without controversy in Sweden, we remain firmly convinced that flexibility is crucial for the continuing success of our entire operation. An efficient production apparatus working at a consistently high pace and motivated by the prospect of improved profits is the impetus behind all the other essential functions in a manufacturing company.

Loval in Finland provides one very gratifying example of what changes in the production system and the introduction of a flexible wage system can do for a company. Productivity at this unit soared in 1997 making Loval the single most profitable company in the entire NIBE Group.

### Our own product development

*"The NIBE Group has constantly demonstrated a strong conviction for developing its own products. This approach not only enables us to react to and cope with demands in an ever-changing market, but it also means that we can offer customers the best solution in every market situation."*

During the course of 1997 NIBE Element has completed the work of developing a tubular element with an in-built thermostat and temperature cut-out. These advances, together with new models in aluminium for radiators, mean that we now feel we have gained a leading position in the European market.

NIBE Heating has developed a totally new water heater which not only uses energy more efficiently, but also has an extended lifespan: this product was awarded the accolade of *Scandinavia's best water heater* in 1997. In addition the past twelve months have also witnessed the introduction of a new generation of ground-source heat pumps and a totally new heat pump using a combination of outside air and exhaust air. As far as boilers are concerned a new generation of wood-fired



Gerteric Lindquist beside the COMPACT SPAR water heater, recently voted 'Best in Show' for energy efficiency in a competition run by Nutek, the Swedish National Board for Industrial and Technical Development.

boilers making use of suction fans has been developed.

NIBE Stoves has been busy too, introducing a brand new tiled stove, a new fire insert and a new chimney.

### Quality-mindedness

*"Backer and NIBE received their ISO 9001 accreditation in 1993, but this was, in practice, little more than the formal acknowledgement of the quality-minded approach which has characterised thinking in these companies since they were set up in 1949 and 1952 respectively."*

Backer OBR, our Polish plant for manufacturing tubular elements was also ISO 9001 accredited in 1997, bringing it into line with all the other major production centres in the NIBE Group. The next stage is to ensure that our operations are certified as complying with the ISO 14000 environmental management system and we estimate that a number of units will receive accreditation for this in the first half of 1999.

### Staff commitment and potential

*"The companies are renowned for having a sterling team spirit. Their non-hierarchical, 'flat' organisations give individual workers considerable freedom under equally considerable responsibility and allow talented people to assume responsible positions early in their careers. At the same time few managers act solely as executive decision-makers, but retain the direct operational involvement that is crucial for an in-depth understanding of their job and that also helps minimise overall payroll costs."*

*"We have always endeavoured 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."*

The dynamic expansion in volumes during the year has meant that we have recruited no less than 200 new employees. The average age among these new recruits is just 25 years. We have made considerable efforts to employ people who, we feel confident, will fit into the scheme of things here at NIBE and make a long-term commitment to the company. This greatly increases our chances of finding tomorrow's managers and leaders among our employees.

### Long-term ownership

*"Continuity in ownership is one of the principal factors behind the success of the companies."*

Our introduction on the Stockholm Stock Exchange has infused the group with a substantial amount of new capital which we will use to continue our active expansion plans. At the end of 1997 we had more than 3,300 new shareholders, 10 percent of whom were group employees.

It is especially rewarding to have been able to broaden ownership in this way at the same time as we have retained our freedom to act independently.

### Concentrating on three core activities

*"We have worked with tubular elements since the start in 1949, with domestic heating since 1952 and wood stoves since 1965. This strategy 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 exposure to risks at a reasonable level."*

In addition to the obvious advantages that this approach has for the activities that already form part of the group, it also serves as an exceptionally valuable instrument when analysing potential takeovers of companies within our three core areas. From the initial evaluation stage it is possible to form a clear picture of what can and must be improved after a possible takeover by comparing figures with our own key ratios.

Our acquisition of the Swedish company, Energi-Produkter of Diö in 1997 and of the Håkansson Group in March of 1998 are examples of takeovers within our core areas where our key ratios have proved invaluable during the all-important evaluation stage.

Our declared intention remains to acquire companies at home and abroad at a pace which may even exceed that which we have maintained up to now, so it is clear that the significance of this analytical instrument will grow even further in the years to come.

### First number one at home – then the leap abroad

*"This philosophy is based on experience. Firstly, a strong position on the domestic market is essential for maintaining credibility abroad. Secondly, venturing abroad is an expensive business which takes a long time, so stable finances generated in the home market are crucial for reaching the ultimate goal. And thirdly, there must be some guarantee of delivery capacity to the new export market when orders 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."*

Today all three of our business areas are market-leaders in Sweden in their respective segments, which explains why, in the years to come, most of our new acquisitions will be made in foreign markets.



## NIBE today

NIBE Industrier was formed in 1989 when a number of senior executives in NIBE and Backer together with two external investors carried out a management buy-out. In the aftermath, efforts to increase internal efficiency and modernise the product range were intensified. The rationalisation and development programmes which resulted from this work not only did much to offset the effects of the recession which struck Sweden with such force in the early 1990s, but they also created the necessary basis for a more concerted attack on the markets abroad. In the autumn of 1994 the takeover of Contura wood stoves in Skänninge, southern Sweden, and the acquisition of one third of the shares in the Polish tubular element manufacturer now known as Backer OBR marked the end of a long tradition of exclusively organic expansion.

In 1995 the group took over Vølund Varmeteknik's water-heater and boiler factory in Denmark and acquired shares in the Finnish tubular element producer, Loyal. This was followed by the takeover of TMV-Pannan in Trelleborg, southern Sweden, in November 1996 – the fourth acquisition within the space of two years – and of Backer OBR in Poland in 1997, a wholly owned subsidiary which formed the basis for the establishment of NIBE Polska which now produces water-heaters. In the same year NIBE also acquired Energi-Produkter, a manufacturer of heat pumps in Diö, southern Sweden, and in March 1998 the Håkansson Group, which, like Loyal, produces tubular elements, was also welcomed into the growing family.

The combined facts that these acquisitions have taken place without any major complications and that the effects are already so clearly apparent in the group's accounts owe much to the close kinship that the newly acquired companies have with the group's core activities and further underscore the wisdom of our strategy of concentrating on what we do best.

At the time of writing the NIBE Group finds itself in a situation where it has been possible to combine the basic ideas described earlier with an aggressive strategy of acquisitions. With a turnover in the region of SEK 800 million and a positive earnings trend, we

have created a favourable climate for continued expansions and even better profitability. It is now important to make sure that organic expansion can be combined with foreign acquisitions in order for us to be able to maintain this momentum.

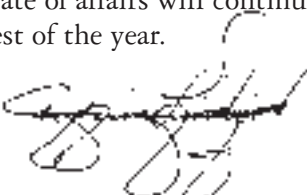
## NIBE tomorrow

The vision of the future that the NIBE Group has is that the principles nurtured over more than 40 years of progress can be merged with a strategy of acquisitive expansion to create a firm platform for continued growth and good profitability.

While export sales already represent 71 per cent of the total turnover for NIBE Element, we feel that, with continued organic growth, the acquisition of companies outside Sweden and the establishment of new manufacturing units, preferably in low-cost countries, the prospects for further expansion appear to be good. NIBE Heating and NIBE Stoves are still only on the threshold of international expansion, so their potential is enormous. Moreover, it is our considered opinion that organic growth in conjunction with takeovers in NIBE Heating's and NIBE Stove's respective segments of the market can lead to expansion here at home in Sweden as well.

At present fewer homes are being built per year in Sweden than at any time since the 1940s, so it seems reasonable to suppose that normal construction will be restored within the next few years and rise to a rate more commensurate with international levels. It is our opinion that, in the longer term, this will bring advantages in all three of the group's business areas. Moreover, we anticipate that the imminent decommissioning of Sweden's nuclear power plants will have further positive effects on the growth of NIBE Heating and NIBE Stoves.

1998 has begun well for all three business areas and we have no reason to doubt that this state of affairs will continue throughout the rest of the year.



*Gerteric Lindquist*

## Net sales

Group net sales increased during 1997 by 19.3 percent to SEK 735.8 million (1996: SEK 617.0 million). The increase has occurred in all Group business areas. The NIBE Stoves division returned the largest increase in relation to its previous volume, 29.7 percent. This increase is primarily due to the substantial growth in demand for all product segments in the Swedish market. The rise of 18.6 percent for NIBE Element is largely the result of increased demand in the German and French markets, while the rise of 16.1 percent for NIBE Heating is attributable mostly to increased sales of heat pumps and domestic boilers.

Group net sales outside Sweden rose by 22.8 percent to SEK 336.6 million (SEK 274.1 million). Foreign net sales amounted to 45.7 percent (44.4 percent) of total net sales.

On the Swedish market, Group net sales increased by 16.4 percent to SEK 399.2 million (SEK 342.9 million).

SEK 29.8 million of the increase in Group total net sales of SEK 118.8 million was attributable to the effect of acquired businesses in the NIBE Heating division.

## Results

Group operating profit in 1997 totalled SEK 63.9 million (39.8 million), an increase of 60.5 percent. The operating margin increased to 8.7 percent (6.4 percent). The increase has taken place in all Group business areas.

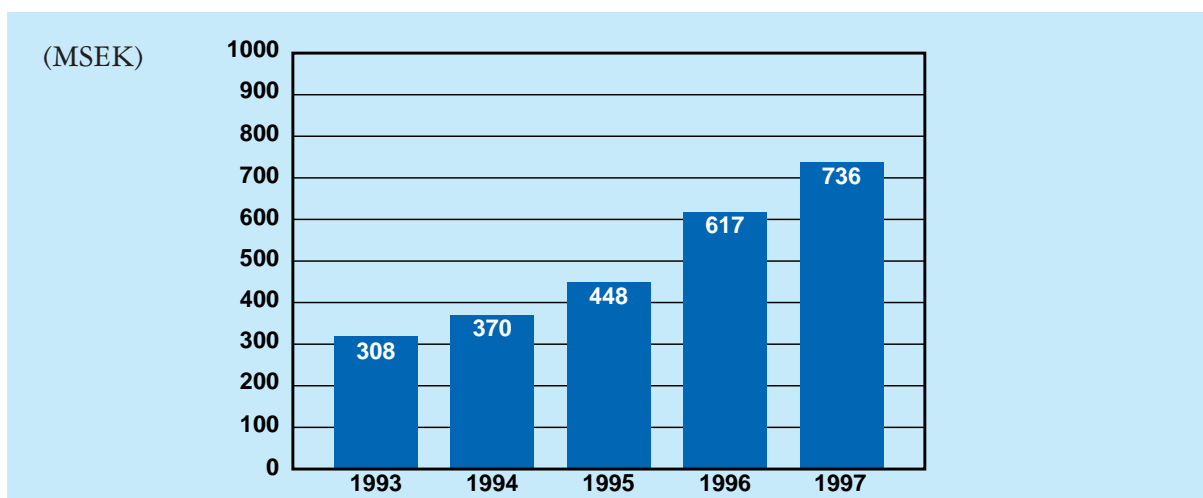
In percentage terms, the improvement in profit has been greatest for NIBE Element, where it amounted to 71.4 percent. For NIBE Heating, the figure was 58.0 percent, and for NIBE Stoves, 46.6 percent. The improvement in results in all business areas is due to a combination of increased volumes and higher productivity. The business areas have been charged with depreciation on both fixed capital and goodwill.

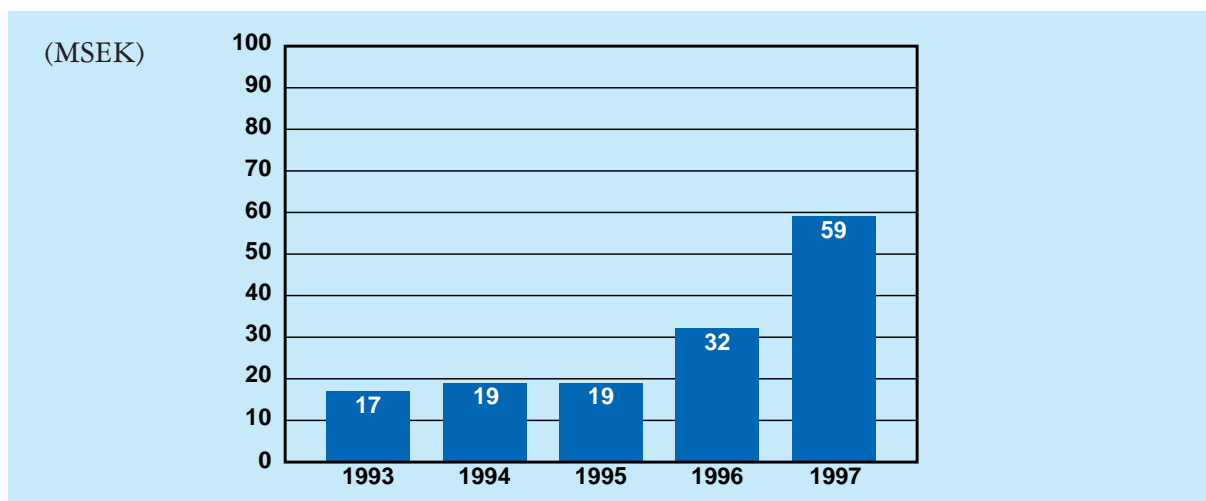
Group net interest income/expense has improved in comparison with the corresponding period in the previous year to a figure of SEK -4.5 million (SEK -6.8 million). This is due both to lower interest rates and also to improved liquidity.

Group profit before tax was SEK 59.3 million (SEK 32.4 million), an increase of 83.2 percent.

Income tax and deferred taxes amounted to SEK 18.1 million (SEK 9.8 million), which is equivalent to a total tax rate of 30.5 percent (30.4 percent). The tax rate in Sweden, Finland and Norway is 28 percent, and in Poland 38 percent.

## Net sales



*Result after financial items***Cash flow and investments**

Group cash flow before changes in working capital amounted to SEK 67.2 million (SEK 47.2 million). Since working capital excluding cash increased by SEK 3.6 million, cash flow after changes in working capital was SEK 63.4 million (SEK 67.0 million). During 1997, the Group invested SEK 34.6 million (SEK 32.2 million) in fixed assets. Of this, SEK 25.2 million (SEK 20.4 million) represented investment in plant and machinery, SEK 0.4 million (SEK 7.7 million) investment in buildings, SEK 8.8 million (SEK 3.9 million) investment in goodwill and SEK 0.2 million (SEK 0.1 million) investment in intangible assets.

Group cash flow after investment amounted to SEK 27.0 million (SEK 36.0 million).

**Financial position**

On 28 April 1997, an Extraordinary General Meeting of NIBE Industrier AB resolved to issue 1,170,000 new shares in connection with the flotation of the company on the Stock Exchange. The new issue, directed to the general public and institutional investors in Sweden, supplied the Group with SEK 79.1 million after deducting the costs of the issue. As a result of the issue, Group liquid funds have increased significantly since the beginning of the year. Group liquid funds on 31 December 1997 were SEK 82.3 million (SEK 18.0 million), not including unutilised bank overdraft facilities of SEK 77.5 million (SEK 66.4 million).

*Credits from financial institutions and pension institutions (in SEK million)*

Loan at variable interest rate and redemption time of 6 years	77.6	(96.8)
Unutilised part of bank overdraft facility granted at variable interest	0.7	(11.7)
Provisions for PRI-pensions	20.5	(19.7)
Total interest-bearing liabilities	98.8	(128.2)
Unutilised overdraft facilities	77.5	(66.4)
Total available credit	176.3	(194.6)

The Group's total interest-bearing liabilities on 31 December 1997 were SEK 98.8 million (SEK 128.2 million). The average interest expense for total interest-bearing liabilities during 1997 was 5.7 percent (6.9 percent).

**Equity/assets ratio**

Due not least to the new issue made during the year, Group solidity (equity/assets ratio) has improved considerably. At 31 December 1997, it stood at 47.0 percent (31.9 percent).

*Collateral provided*

Real estate mortgages of SEK 45.1 million (SEK 46.3 m), chattel mortgages of SEK 79.2 million (SEK 80.7 m) and shares in subsidiaries of SEK 267.0 million (SEK 193.3 million) have been pledged as security for loans and business credits.

## Yield

The Group's yield target is for return on equity in the long term to amount to 20 per cent. In 1997, return on equity was 22.5 per cent (18.8 per cent).

Return on capital employed was 21.8 per cent (16.1 per cent).

For the profit centres in the Group, the profitability target is for operating margin (in other words, operating profit as a proportion of invoicing) to amount, on average over a business cycle, to 10 per cent for each individual profit centre. NIBE Stoves' operating margin during 1997 amounted to 12.0 per cent, NIBE Heating's to 9.3 per cent and NIBE Element's to 9.2 per cent. During 1997, the operating margin for the Group as a whole was 8.7 per cent (6.4 per cent).

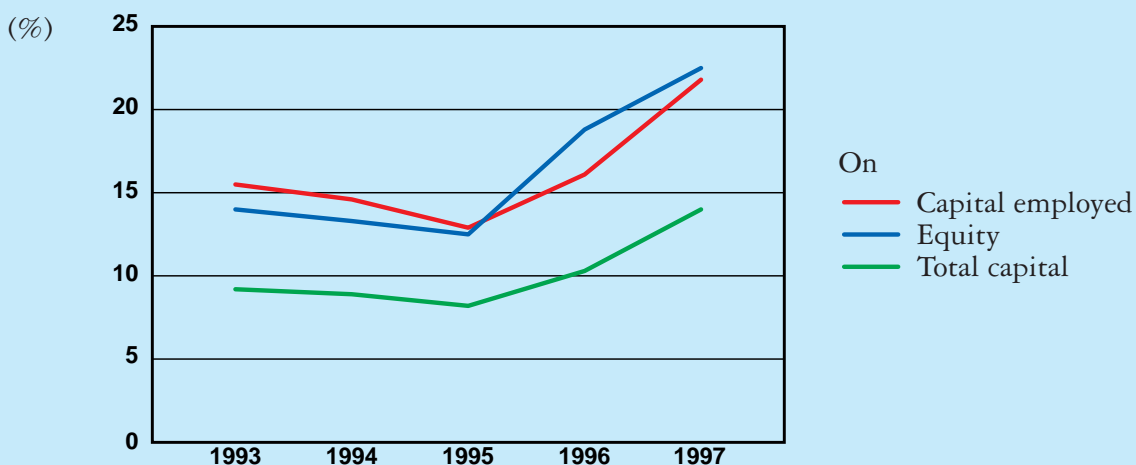
## Currency exposure

### Day-to-day transactions

Group invoicing from Sweden takes place primarily in Swedish kronor. In the event that invoicing and purchasing take place in a different currency, forward cover will be taken out for the estimated net flow on a continuous basis for the subsequent 6-12 months.

Total net flow in 1997 was approximately SEK 107 million. The largest net inflows during the year were DEM 53 million and FRF 33 million, while the largest net outflows were USD 21 million and FIM 21 million.

### Yield



### Investments in foreign currency

The value of foreign net assets according to the consolidated balance sheet on 31 December 1997 amounted to approximately SEK 53 million, of which the kronor equivalent of SEK 25 million consisted of net assets in FIM, 10 million in NOK and 18 million in PLN. Of the net assets in FIM, SEK 16 million has been covered through a loan in FIM. No other hedging has been applied.

## Acquisitions

During 1997, the Group gradually acquired the remaining shares in the tubular element producer Backer OBR in Poland. This means that the percentage of shares held increased from 69 per cent to 100 per cent during the early part of 1997. In May, the Group took over the business of the heat pump manufacturer Energi-Produkter i Diö AB. The company manufactured ground heat pumps, and had an annual turnover of about SEK 6 million. During the autumn of 1997 production was switched to NIBE in Markaryd. The motive for the acquisition was that the product range provided an excellent complement to the rest of NIBE's heat pumps. During March 1998, the shares in the tubular element manufacturer Bröderna Håkansson's Värme AB were acquired. During 1997, that company had sales of SEK 60 million.

## Staff and salaries

Staff trends, salaries, other remuneration and social security contributions are shown in Note 3 of the annual report.

## Key financial ratios

		1997	1996	1995	1994	1993
Invoiced sales (in millions of SEK = MSEK)	(MSEK)	735.8	617.0	448.0	370.1	307.9
Growth	(%)	+ 19.3	+ 37.7	+ 21.1	+ 20.2	- 2.5
Operating income after financial inc./exp.	(MSEK)	59.3	32.4	19.2	18.7	16.9
Investments in buildings and machinery <sup>1)</sup>	(MSEK)	25.6	28.1	16.2	16.9	8.8
Gross margin	(%)	12.3	10.4	10.1	11.0	12.4
Operating margin	(%)	8.7	6.4	5.7	6.3	7.2
Net profit margin	(%)	8.1	5.2	4.3	5.1	5.5
Capital employed	(MSEK)	345.9	262.3	263.5	177.0	165.4
Adjusted equity	(MSEK)	247.1	133.5	114.5	107.0	94.9
Return on capital employed	(%)	21.8	16.1	12.9	14.6	15.5
Return on adjusted equity	(%)	22.5	18.8	12.5	13.3	14.0
Return on total assets	(%)	14.0	10.3	8.2	8.9	9.2
Asset turnover	(times)	1.56	1.50	1.29	1.32	1.18
Equity/assets ratio	(%)	47.0	31.9	28.5	36.5	35.3
Proportion of risk-bearing capital	(%)	54.3	40.8	37.5	48.0	48.2
Interest coverage ratio	(times)	9.7	4.3	3.1	4.0	3.4
Interest-bearing liabilities/Adjusted equity	(%)	40.0	96.0	130.1	65.4	74.3
Number of shares <sup>2)</sup>		5,870,000	4,700,000	4,700,000	4,700,000	4,700,000

All annual figures are adjusted for 28% tax.

<sup>1)</sup> Excluding increments arising from corporate acquisitions in 1995 (SEK 29.0 million) and 1996 (SEK 1.7 million).

<sup>2)</sup> Adjusted for split (1994).

## Definitions

### Growth

Percentage change in invoiced sales compared with previous year.

### Gross margin

Operating profit before depreciation as a percentage of invoiced sales.

### Operating margin

Operating profit after depreciation as a percentage of invoiced sales.

### Net profit margin

Profit after net interest income/expenses as a percentage of invoiced sales.

### Capital employed

Sum of assets minus non interest-bearing liabilities and deferred taxes.

### Adjusted equity

Taxed equity plus untaxed reserves minus tax.

### Return on capital employed

Result after net interest income/expenses plus financial expenses as a percentage of average capital employed.

### Interest-bearing liabilities/Adjusted equity

Interest-bearing liabilities as a percentage of equity.

### Return on adjusted equity

Result after net interest income/expenses minus tax at standard rate (28%) as a percentage of the average equity.

### Return on total assets

Result after net interest income/expenses plus financial expenses as a percentage of average balance sheet total.

### Asset turnover

Invoiced sales divided by average balance sheet total.

### Equity/assets ratio

Assets as a percentage of balance sheet total.

### Proportion of risk-bearing capital

Equity including minority shareholding and deferred taxes as percentage of balance sheet total.

### Interest coverage ratio

Result after net interest income/expenses plus interest expenses divided by interest expenses.



## NIBE shares

NIBE Industrier AB's B-shares were floated on the Stockholm Stock Exchange's OTC list on 16 June 1997, after a new issue of 1,170,000 B-shares. The subscription price was SEK 70 per share.

### Share capital

The share capital of NIBE Industrier AB amounts to SEK 58.7 million, divided into 940,008 A-shares and 4,929,992 B-shares. Every A-share is entitled to 10 votes at the Annual General Meeting and every B-share to 1 vote. All shares have the same right to participate in the Company's assets and profits.

### Trends in market prices

From 16 June to 31 December 1997, NIBE's share price rose from SEK 70 to SEK 173 per share, equivalent to 147 percent. During the same period, the general index rose by 0.7 percent, and the OTC-index by 18.7 percent. NIBE's total market value as at 31 December 1997 amounted to SEK 1,016 million.

### Ownership

On 31 December 1997, NIBE had 3,325 shareholders. The ten largest shareholders held 67.4 percent of the votes and 49.1 percent of the capital. In accordance with the provisions of the prospectus, the shares in Deer Forest have been allotted to individual partners in Merchant Venture Investments (MVI). In connection with this, all Deer Forest's A-shares have been converted to B-shares.

## Ownership structure (source VPC AB Share Book, 30 December 1997)

Name	Number of shares	%-age of votes (%)
Board and senior executives <sup>1)</sup>	1,981,800	53.68
Beleggingen Weberstan BV	235,008	16.40
Allmänna Pensionsfonden, Sjätte	357,400	2.49
Föreningssparbankens Småbolagsfond	314,600	2.20
Svolder AB	257,600	1.80
Other holdings (3,303 shareholders)	2,723,592	23.43
Total	5,870,000	100.00

<sup>1)</sup> For Board of Directors, see also page 36.

## Shareholder statistics (source VPC AB Share Book, 30 December 1997)

Number of shares	Number of shareholders	Share of ownership (%)	Number of shares	Proportion of shares (%)
1 – 500	2,872	86.38	603,490	10.28
501 – 1,000	306	9.20	252,445	4.30
1,001 – 5,000	100	3.01	224,165	3.82
5,001 – 10,000	9	0.27	68,800	1.17
10,001 – 100,000	25	0.75	908,445	15.48
100,001 –	13	0.39	3,812,655	64.95
Total	3,325	100.00	5,870,000	100.00

## Dividend policy

The aim is that in the long term the Company will distribute a dividend equivalent to 25 to 30 percent of Group profit after full tax. For the trading year 1997, the Board of

Directors proposes a dividend of SEK 2 per share, which constitutes 28.5 percent of Group profit after full tax.



## Changes in share capital

Year	Increase in share capital, SEK	Nominal amount, SEK	Total number of shares,	Total share capital, SEK
1990 New issue <sup>1)</sup>	6,950,000	100	70,000	7,000,000
1991 Scrip issue	40,000,000	100	470,000	47,000,000
1994 Split 10:1 <sup>2)</sup>	–	10	4,700,000	47,000,000
1997 New issue	11,700,000	10	5,870,000	58,700,000

<sup>1)</sup> Directed new issue to current shareholders at a subscription price of SEK 100 per share.

<sup>2)</sup> Change in the nominal value of shares from SEK 100 to SEK 10.

## Share data

	1997	1996	1995	1994	1993
Number of shares	5,870,000	4,700,000	4,700,000	4,700,000	4,700,000
Share price 31/12 (SEK)	173.00				
Profit after full tax/share (SEK)	7.80	4.71	3.07	2.60	3.31
Equity/share (SEK)	42.10	28.40	24.36	22.77	20.19
Proposed dividend (SEK)	2.00	1.28	0.64	1.25	0.00
Price/equity	4.11				
Yield (%)	1.16				
Dividend percentage (%)	28.5	27.2	20.8	48.1	0.00
PE-ratio after full tax	22.2				
Market value (SEK million)	1,016				

## Definitions

### Profit after full tax per share

Profit after full tax divided by the average number of shares.

### Equity per share

Equity divided by number of shares.

### Yield

Dividend as %-age of share price at the year end.

### Dividend percentage

Dividend as a percentage of earnings per share at the year end.

### Price / Equity

Share price per share divided by equity per share, both at accounting year end.

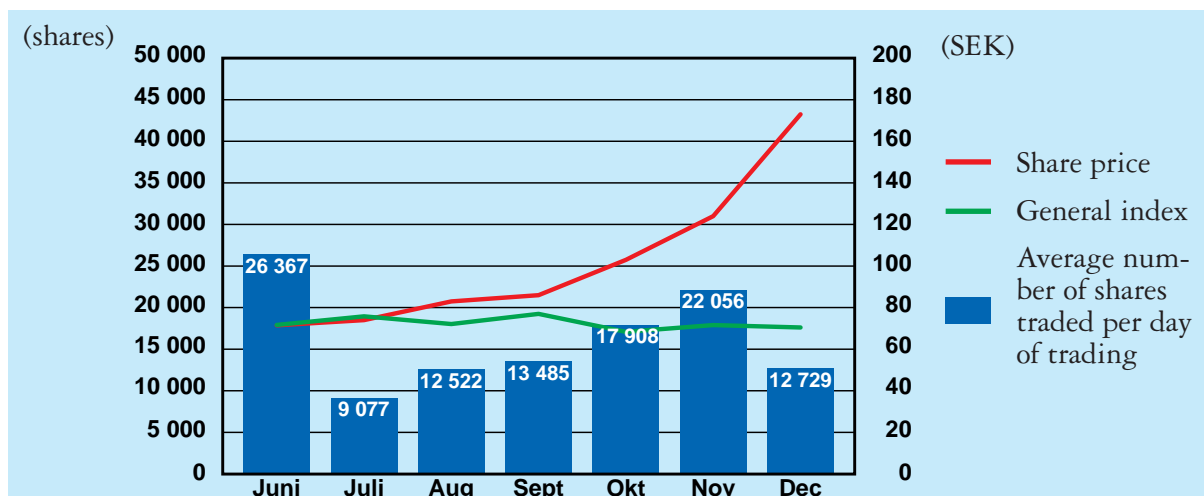
### PE-ratio after full tax

Share price at accounting year end divided by earnings per share.

### Market value

The share price at the accounting year end multiplied by number of shares.

## Shares traded per day with share price and Stockholm General Index





Business Area Manager Christer Fredriksson.

		1997	1996	1995	1994	1993
Net sales	(MSEK)	356.4	300.4	202.4	158.2	125.7
Operating profit <sup>1)</sup>	(MSEK)	32.8	19.1	17.4	17.9	15.8
Operating margin	(%)	9.2	6.4	8.6	11.3	12.5
Number of employees		685	617	521	262	213

<sup>1)</sup> Before costs distributed among the group as a whole.

## Business Concept

NIBE Element develops and produces or purchases for subsequent re-sale to manufacturers and industrial users, electric heating equipment, primarily based on tubular heating elements.

As a complement to tubular elements, the division also produces and markets alternative element technologies, components, control equipment and welded tubes.

## Objective

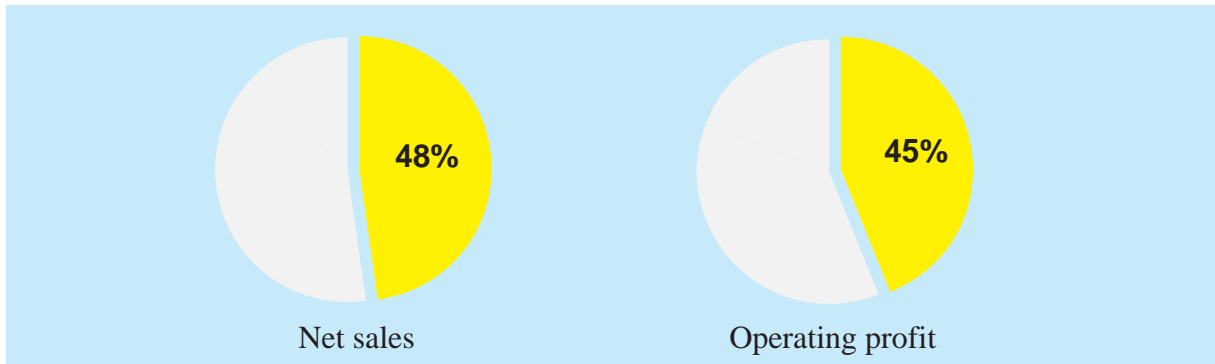
The division aims to achieve a profit of at least 10 percent on turnover during a complete business cycle.

## Strategy

NIBE Element's strategy is to be the market leader within its product area in northern Europe. On the Scandinavian market NIBE Element markets a complete range, has a local presence and canvases the entire market from small industrial customers to major users of components.

On a European level NIBE Element aims to become one of the leading figures. This means that, outside northern Europe, we will concentrate primarily on medium-large and large-scale serial production and special products.

*NIBE Element's contribution to Group sales and operating profit in 1997*



## Structure

The business area comprised two marketing sections in 1997; the Backer Group, which consists of Backer Elektro-Värme in Sösdala (Sweden), Norske Backer (Norway), Backer Elektro OY (Finland) and Backer OBR (Poland), and Loyal, which is based in Lovisa in Finland. During the course of 1997 Backer OBR became a wholly owned subsidiary of Backer Elektro-Värme AB.

In March 1998 NIBE Industrier acquired all the shares in Bröderna Håkansson's Värme AB, the holding company for a group made up of Bröderna Håkansson's Värme AB in Tjörnarps (Sweden), Meyer Vastus OY (Finland) and Brakon Norge A/S (Norway). The Håkansson Group will form a third independent marketing unit within NIBE Element.

With these acquisitions NIBE Element has gained a dominant position in Sweden, Norway and Finland. To safeguard the future of this position and be able to offer our customers alternative solutions, the Backer Group, Loyal and the Håkansson Group will continue to market their products separately within Scandinavia. Outside Scandinavia, on the other hand, marketing measures will be coordinated to consolidate our position and reap the benefits of economies of scale.

The companies in the division are run independently as individual profit centres, co-operating to benefit from advantages of scale in areas such as purchasing, product development, production technology, investments, administrative development and market co-ordinating outside Scandinavia.

## Products

The NIBE Element product range comprises products for electric heating based primarily on tubular elements. The range can be divided into the following groups according to application.

<i>Product group</i>	<i>Example of use</i>
Water heating	– Water-heaters
White goods	– Electric cookers
Space heating	– Infra-heat
Engine pre-heaters	– Car heaters
Special products	– Load resistors for trains
Catalogue standard	– Immersion heaters
System products	– Instantaneous water heating elements
Machines	– Electrical test gear
Components	– Stainless steel welded tubes

While the basic technology behind the tubular element has remained virtually unchanged for a considerable number of years, the products have developed to meet demands for ever higher quality and more cost-effective solutions and production methods together with an increasing degree of customisation.

The product area which has experienced the strongest growth during the year is that for space heating, where the division has now achieved the number one position in Europe. This owes much to the development of a new generation of aluminium-based elements that offer users the advantages of lower temperatures and totally silent operation. They also save energy by offering customers the same ambient comfort at a lower temperature.



*In 1997 NIBE Element introduced a new generation of tubular elements with built-in temperature cut-off devices for safety.*

1997 also saw the final stages in the development of a tubular element with a built-in thermostat and temperature cut-off function. The first commercial orders for this innovation were received towards the end of the year for heating cabins on cruise ships.

The Backer Group uses its Norwegian company to market non-exploding elements for special applications in, for example, the offshore industry. This was another product group that increased its share of the market during the year and the product programme was extended and reinforced.

The market for vacuum soldered elements, which are used, for example, in professional coffee machines, has also developed positively during the year.

The acquisition of the Håkansson Group will enrich NIBE Element with new ideas in technology, new products and, not least, new markets, particularly when it comes to producing elements for the plastics industry.

## The state of the market

NIBE Element is the market leader within its product area in Scandinavia and one of the leading manufacturers in Europe, selling its products both as components to the light engineering industry *OEM* (Original Equipment Manufacturing) and to furnish *industry's own requirements*. The division's operations are international in their emphasis with sales to a number of European countries: 29 percent of the division's total invoiced value derives from Sweden, 15 percent from Norway, 15 percent from Finland and 41 percent from other countries.

Developments on the domestic market have been encouraging in 1997 and export sales to France and Germany have been very positive, thanks not only to new products, but also to growth in volumes among the division's existing customers in these markets.

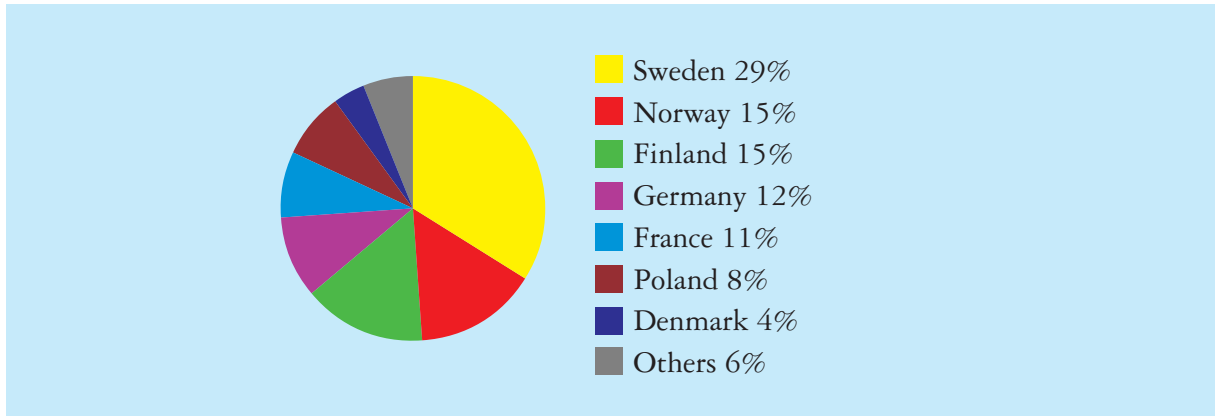


*Tubular elements for space heating, including the new generation with aluminium fins (top right).*



In markets where NIBE is the leading name we sell a complete product range both for *OEM* clients and *industrial users*. Elsewhere our sales efforts are concentrated on products which offer unique features or towards services which reflect our specialised knowledge and products.

*NIBE Element – turnover by geographical market area*



## Production units

*Backer Elektro-Värme AB Sösdala, Sweden*

The factory in Sösdala is the largest in the division and manufactures most of the division’s products. Its specialities include aluminium elements, rheostats and elements with built-in temperature control and cut-off functions. The plant is also home to a unit for Production Technique Development which

supplies equipment to other units within the division. Operations in Sösdala are ISO 9001 accredited and the plant currently employs around 290 people. News from 1997 includes the commissioning of a new production line for aluminium elements.



*Backer Elektro-Värme AB in Sösdala, southern Sweden.*

*Norske Backer A/S Kongsvinger, Norway*

The workforce of some 55 employees in our ISO 9001 accredited Norwegian factory serves industrial clients in Norway with specialities

such as non-exploding elements for the off-shore industry, storage heaters and certain special-purpose elements for heating liquids.



*Norske Backer A/S in Kongsvinger, Norway.*

*Backer Elektro Oy Helsinki, Finland*

This company, which has moved into more suitable premises during the course of the year, is primarily concerned with supplying products to industrial users in Finland. A staff of just six people are highly specialised in customising elements produced at Backer's other plants. A particular speciality is storage heaters.

*Backer – OBR Sp. z o.o. Pyrzyce, Poland*

Production at the Polish plant is concerned chiefly with products for the Polish domestic market and with sub-contracted work from other units within NIBE Element. Previously the 130 or so employees concentrated on finishing-off work for products manufactured elsewhere within the division, but as a result of the positive effects of improved capacity and competitiveness following investments in a complete production line for tubular elements, a decision has now been made to extend the factory. This will increase capacity even further and enable the plant to expand the range of products it manufactures. Backer OBR was accredited in accordance with the ISO 9001 quality management system in 1997.



### *Loval Oy Lovisa, Finland*

With a workforce of some 205 people, this is the second largest manufacturing facility in the division and has the potential to produce most of the products in the range. Its current specialities include high-quality vacuum-

soldered elements, elements for sauna heaters and extra long elements. Operations are ISO 9001 accredited. Capacity has been increased during the year by the introduction of new machinery and the recruitment of new staff.



*Loval OY in Lovisa, Finland.*

## NIBE Element in 1997

NIBE Element's invoiced sales for 1997 rose by 18.6 percent from SEK 300.4 million the year before to a record SEK 356.4 million. Incoming orders and invoicing remained at high levels throughout the entire year thanks not only to a widespread increase in demand from existing customers but also to the fact that NIBE Element gained an even bigger share of the market with new customers and new products. Even so, in the face of continued fierce competition prices are still under pressure and structural changes are the order of the day.

Investments in machinery and buildings rose to SEK 14.4 million, compared to SEK 12.7 million for 1996. This has improved the competitive strengths of our operations, both with regard to the product range and to our capacity. The profit reported by NIBE Element for 1997 was SEK 32.8 million – a clear improvement on the SEK 19.1 million in 1996. Most of this rise is attributable to the substantial growth in volumes at all units and to a highly positive increase in productivity, especially at Loval.

## Prospects for 1998

It is our considered opinion that business for all units will continue to remain buoyant throughout 1998, even though the consequences of the economic crisis in Asia may be somewhat more severe than we first envisaged for a number of our customers. However, provided that these effects are no greater than we now anticipate, the prospects look good for filling the order books at all the division's manufacturing plants in 1998.

While increasingly stiff competition and an industry-wide surplus of capacity will continue to squeeze prices on all markets – a state of affairs further exacerbated by the continuous process of structural change taking place among our customers – we are confident that the division's earnings can rise even higher through increased sales, further rationalisations and improved coordination within the division.

Other positive factors include the gradually expanding activities at our Polish factory, which give us access to additional production capacity at considerably lower manufacturing costs, and the anticipated positive effects on the balance sheet for 1998 of our takeover of Bröderna Håkansson's Värme AB.



*Business Area Manager Gerteric Lindquist in the reception at NIBE Heating.*

		1997	1996	1995	1994	1993
Net sales	(MSEK)	281.2	242.3	185.6	161.0	152.9
Operating profit <sup>1)</sup>	(MSEK)	26.1	16.5	12.3	10.3	11.6
Operating margin	(%)	9.3	6.8	6.6	6.4	7.6
Number of employees		330	269	214	204	193

<sup>1)</sup> Before costs distributed among the group as a whole.

## Business concept

NIBE Heating develops, produces or purchases and markets products that maintain a comfortable indoor temperature in single-family homes and small premises by means of heating, ventilation, cooling and heat recovery, as well as products for heating domestic hot water. The emphasis is on products incorporating pressure vessels lined to resist corrosion.

## Objective

The division aims to achieve an operating profit of at least 10% on its turnover during a complete business cycle.

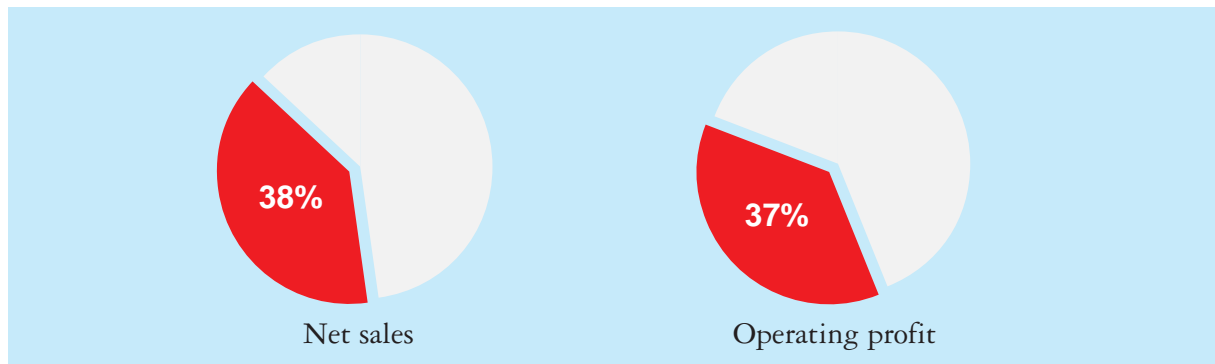
## Strategy

NIBE Heating's strategy is to become the market leader in Sweden and one of the lead-

ing names in our chosen segments of the market in the other Scandinavian countries by selling the right products of the right quality at the right price. We have given priority in this respect to electric water heaters for heating water directly or via some other medium, heat pumps, domestic water heaters and the sub-contracted manufacture of pressure vessels specially designed to withstand corrosion.

Parallel with this work we are also making strenuous efforts to gain ground on a number of key markets outside Scandinavia.

Our aim is to increase foreign sales to constitute one third of the division's turnover in the short term and 50 percent in the long-term. As with our home market, we will concentrate our exports on priority product areas, albeit with any adaptations necessary to make these products suitable for the specific conditions which apply in our major export markets.

*NIBE Heating's contribution to Group sales and operating profit in 1997*

## Structure

Traditionally the Markaryd factory has been the division's sole manufacturing unit with sales being handled by our own marketing and sales organisation in Sweden and by the importers in our export markets.

NIBE Heating is the market leader in Sweden and has, for many years, been among the top names in Finland. Following the takeover of Vølund Varmeteknik in July 1995 much of this Danish company's manufacturing capacity was transferred to Markaryd and the division's former importing agent in Denmark was replaced by our own stockholding branch office, complete with sales and service staff. This step meant that we were well on our way to realising our strategic objective of being among the top names in all the Scandinavian countries – all that now remains is to establish a bridgehead in Norway.

Our acquisition of Vølund Varmeteknik has also boosted our opportunities for exporting anti-corrosion pressure vessels manufactured on a sub-contractor basis to the rest of Europe, as this was a speciality that constituted the lion's share of Vølund's business.

The takeover of TMV Värme AB in Trelleborg, southern Sweden, in November 1996, was prompted by two major factors. Firstly, we needed a further production unit to satisfy demand for domestic boilers; secondly we felt that there was a need to complement the current range with boilers that can be fuelled by wood and pellets. This is a speciality of TMV.

In February 1997 NIBE Polska was formed in Poland and manufacture and sales of this unit's own heating products got underway during the first quarter of 1998. NIBE Polska also secures our access to low-cost production facilities should this later prove necessary in order to compete successfully in other key markets.

The group took over the operations and assets of the heat pump manufacturer Energi-Produkter i Diö AB in May 1997, and in the autumn of the same year production was transferred to NIBE in Markaryd. The market in Sweden for ground-source heat pumps of the kind developed by Energi-Produkter is currently experiencing extremely rapid growth.

## Products

The range consists chiefly of the following types of products sold in a variety of models under the NIBE, Vølund and TMV trademarks;

- small electric water heaters with capacities of between 15 and 100 litres
- modular water heaters based on a 60 x 60 cm standard size with capacities of between 100 and 350 litres
- water heaters for indirect heating in sizes ranging from 55 to 500 litres
- exhaust-air heat pumps
- ground-source heat pumps
- domestic boilers using electric, oil/electric, oil/electric/wood, wood and pellets
- customised water heaters up to 10,000 litres in size, heated by direct electricity or indirectly by other means
- sub-contracted production of anti-corrosion pressure vessels.

Small electric water heaters are found in the majority of weekend homes and summer cottages and in many work-sheds in northern Europe, while the larger modular heaters are common in private year-round homes which are heated by electric radiators. NIBE Heating is probably the only manufacturer in Europe to offer a choice of three alternative types of protection against corrosion in these heaters – copper lining, stove enamelling and stainless steel. These alternatives are necessary because of the growing differences in the chemical make-up of water in different geographical areas.

Water heaters which work by indirect heating are sold primarily to private homes in our export markets, where they are usually ‘docked’ to run together with gas or oil-fired boilers.

The main market for exhaust-air heat pumps is newly built single-family homes where they are installed partly to meet statutory norms for ventilation and partly to recover energy from the ventilated air. The air is forced through the heat pump and cooled to a temperature of around 0° Centigrade before being released outside. The energy removed from the air can then be used to heat domes-

tic hot water and for hot-water radiators or underfloor heating. In this way exhaust-air heat pumps help to maintain a healthy indoor environment while significantly reducing domestic energy costs.

The major market for ground-source heat pumps is large private homes with hot water radiators and high levels of energy consumption where the savings can be substantial. Installation usually takes place either when the heating source needs replacing after a breakdown or as it reaches the end of its life, or when the homeowner chooses to dock a heat pump without a water heater to an existing heat source.

Electric boilers are most common in single-family homes from the 1970s and early 1980s, where they are used to heat domestic hot water and hot-water central heating.

The other types of domestic boilers, which can combine up to four alternative energy sources (oil, electricity, wood and pellets) are most often found in private homes built between the mid 1950s and the mid 1970s, where, like most of our exhaust-air and ground-source heat pumps, they are used to provide not only hot water but also to heat the hot-water central heating system.

Large water heaters are manufactured to order for use in large premises such as schools, hospitals and sports halls. NIBE is also involved as a sub-contractor producing anti-corrosion pressure vessels for other heater and boiler manufacturers in Sweden and abroad.

Finally, mention should be made of the fact that the sale of spares and accessories also accounts for a sizeable portion of the division's total sales.

## The state of the market – Sweden

The diagram below illustrates the geographical spread of the markets for NIBE Heating's products.

However, the market can also be divided into two distinct segments, one being the construction of new homes and the other being the Renovation and Conversion business. In Sweden this latter market is fairly stable with demand generated by the routine replacement of products which have reached the end of their economic lives. The construction of new single-family homes in Sweden last year remained very sluggish compared with the annual average for the previous decade, so at present the Renovation and Conversion market accounts for a disproportionately large share of the division's turnover.

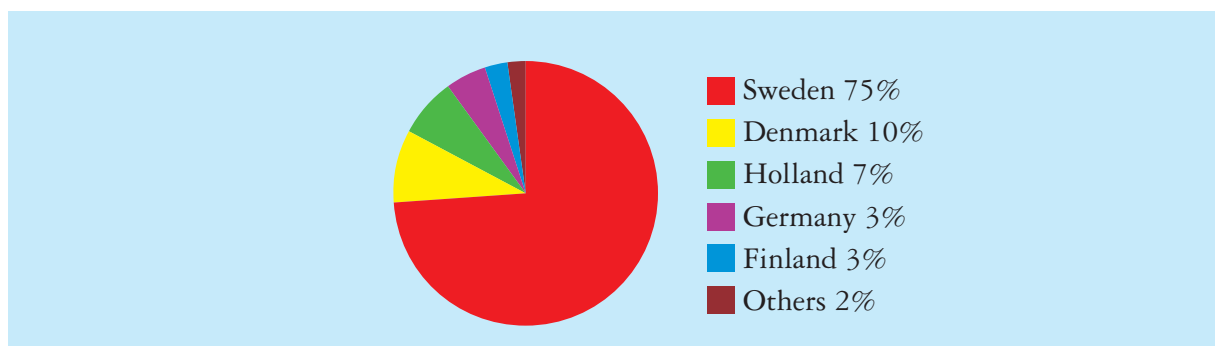
In 1997 sales to the Renovation and Conversion sector represented slightly more than 80 percent of the total. Sales of electric boilers and electric water heaters are, at present, dominated almost entirely by the Renovation and Conversion market, while demand for exhaust-air heat pumps depends to a great degree on the construction of new homes. However, interest in ground-source heat pumps is currently very strong, not least as a result of discussions about the decommissioning of Sweden's nuclear power plants.

NIBE Heating is the market leader for small electric water heaters in Sweden and we have increased our share of the market steadily over recent years. Thanks to the appealing design of our range and the fact that we offer customers a choice of anti-corrosion linings – copper, enamel and, since the spring of 1997, stainless steel – the stage seems set for us to continue making inroads into a market that appears to consist almost exclusively of the replacement of existing heaters.

NIBE Heating also leads the field in the sales of modular heaters in Sweden, another segment in which demand seems to be generated almost solely by the replacement of existing heaters. Once again the advantages of being able to offer a choice of three anti-corrosion linings has helped us to score successes. We have increased our share of the market substantially over the past few years, not least in 1997, and here too the prospects now look good for us to continue to gain ground.

Since 1993 there have been only two names in Sweden for heat pumps, one of which is NIBE. As the construction of new homes is now at what is, historically, a very low level, NIBE Heating is no longer dependent on new projects in a market where around one third of sales currently derives from the need to replace existing pumps.

### *NIBE Heating – turnover by geographical market area*





The market for ground-source heat pumps almost doubled in Sweden in 1997 to become the largest single segment in which NIBE Heating is now active. The market consists on the one hand of homeowners who choose to install a heat pump when it is time to replace their existing heat source and, on the other, of those who choose to use a heat pump alongside their present heat source.

The takeover of Energi-Produkter i Diö AB ensured that NIBE has immediate access to a complete range of tried and tested ground-source heat pumps. Production was transferred to Markaryd in the autumn of 1997 and today, less than one year after the takeover, sales and manufacturing have taken off to such an extent that the division has already established a position for itself as one of the premier names in the market.

NIBE Heating is also a market leader in the field of electric boilers and our share of the market has more than doubled since the launch in 1994 of our new generation of boilers. Here too, as with water heaters, the market is made up almost entirely of the replacement of existing boilers.

The second biggest segment of the market in which NIBE Heating is involved is "other domestic boilers". In view of the fact that no large-scale marketing work was undertaken until the autumn of 1993, it is gratifying to

report that the division is already well placed among the leading names in this area as well. This owes much to the successful launch of two of our own models and to the acquisition of TMV-Pannan in November 1996. Almost all sales in Sweden are for the replacement of existing boilers.

As far as the sub-contracted production of anti-corrosion pressure vessels is concerned, we are, in principle, the only Swedish manufacturer engaged in this business. Such competition as there is comes in the first instance from our Scandinavian neighbours.

## Export markets

The oldest of NIBE Heating's export markets are Finland and the Netherlands, where the NIBE name has now been represented by sole importers for more than thirty years.

In *Finland* NIBE tops the list of imported water heaters. As the Finnish economy continued to show steady signs of improvement throughout 1997 there was a slight increase in volume for the total market for water heaters. NIBE's own position on this market was consolidated during the year and the outlook for 1998 is positive, not least because NIBE Heating will be complementing its existing programme of enamelled modular heaters with a version in stainless steel – by far the most common alternative in Finland today.

In *the Netherlands* too NIBE is the leading name among imported water heaters, although most sales here are for indirect heating; the water heater is connected to a gas or oil-fired boiler and therefore requires a heat exchanger in the form of a coil. Although the market as a whole has stagnated, NIBE's sales soared in 1997. Moreover, there has been a notable increase in interest for exhaust-air heat pumps in Holland over the past twelve months, so there is every reason to anticipate that this year's sales will be even better.



*EMINENT* – a series of electric water heaters with anti-corrosion linings in a choice of copper, stove enamel or stainless steel.



The takeover of Vølund Varmeteknik in July 1995 has established NIBE as one of the leading suppliers of water heaters and domestic boilers in *Denmark*. Operations are run as a branch office, with a stock warehouse and our own sales and service staff. It was inevitable that the closure of the Vølund factory at Videbæk and the transfer of the plant to Markaryd would cause some disturbance, but since the spring of 1996 deliveries have been back on track and, in 1997, intensive marketing and a reliable delivery service helped us to achieve a marked increase in volumes.

*Germany* is one market that holds tremendous potential for NIBE Heating. For just over a year now sales have been handled by a sole importer. Conditions look favourable for selling NIBE water heaters based on both direct and indirect heating principles, and, as German building norms regulating ventilation and energy recovery share much in common with those in Sweden, it seems reasonable to assume that the outlook for exhaust-air heat pumps will be equally bright here too.

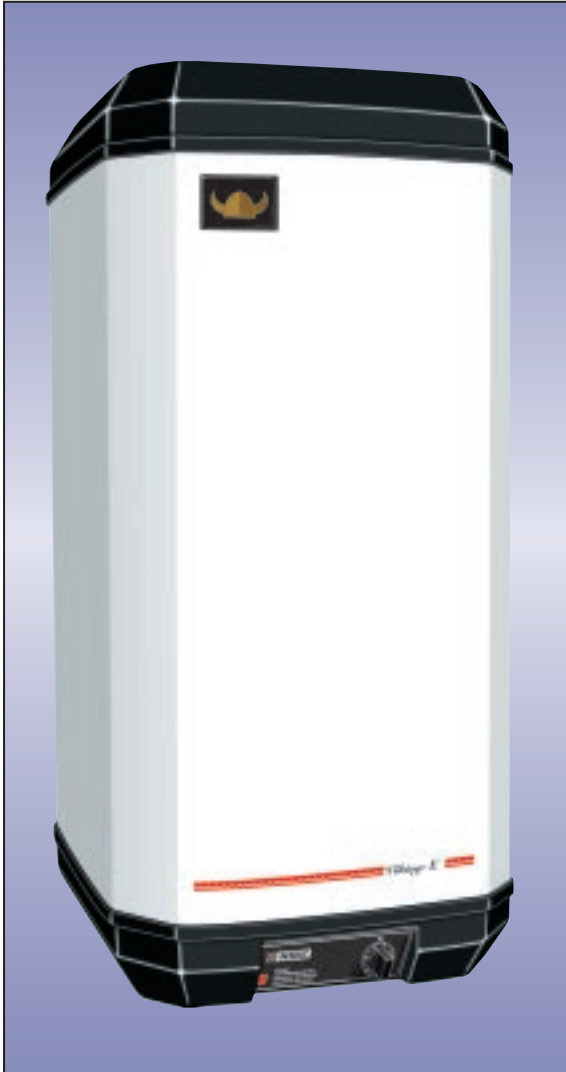
As the demand for water-borne heating systems has traditionally been limited in *Norway* and water heaters there have been made of stainless steel, NIBE Heating chose not to have any permanent representation in Norway until 1996. Since then, however, there has been a burgeoning interest in water-borne central heating used together with exhaust-air heat pumps and traditional boilers and this, coupled with the fact that NIBE now has a stainless steel water heater in its range, has encouraged us to start our marketing drive in earnest.

*Britain* is the one market in Europe which has most steadfastly refused to renounce pressure-free water-heating systems. However, after detecting the first tentative signs of a shift in opinion some years back, we have decided to make Britain a priority market and, for the past two years or so, NIBE Heating has had an exclusive agreement with an

importer who not only markets our water heaters for electric and indirect heating, but also complements them by producing his own range of gas boilers.



FIGHTER 315 – an exhaust-air heat pump specially developed for the German market.



The NIBE VIKING hot-water heater is now produced by NIBE Polska.

*Poland* is often described as Europe's fastest growing economy. In order to capitalise on this and establish a presence for our products on the market, NIBE Heating formed a company in Warnice, south of Szczecin in 1997 and commenced sales and deliveries of locally made water heaters in the first quarter of 1998. In the longer perspective Polish-made domestic boilers and heat pumps will also be marketed from Warnice. In addition to penetrating the Polish market our ambition is also to establish a presence in other Eastern European countries with locally made products. Moreover, the establishment of a manufacturing unit in Poland safeguards access to low-cost production should the competitive situation on other markets so demand.

Along with the work of exporting products to priority markets under our own brand names, a good deal of effort is being invested in selling our sub-contracted production of anti-corrosion pressure vessels. These efforts were considerably advanced with the acquisition of Vølund Varmeteknik, whose speciality lay in this very area.

## Production units

### *NIBE Heating in Markaryd*

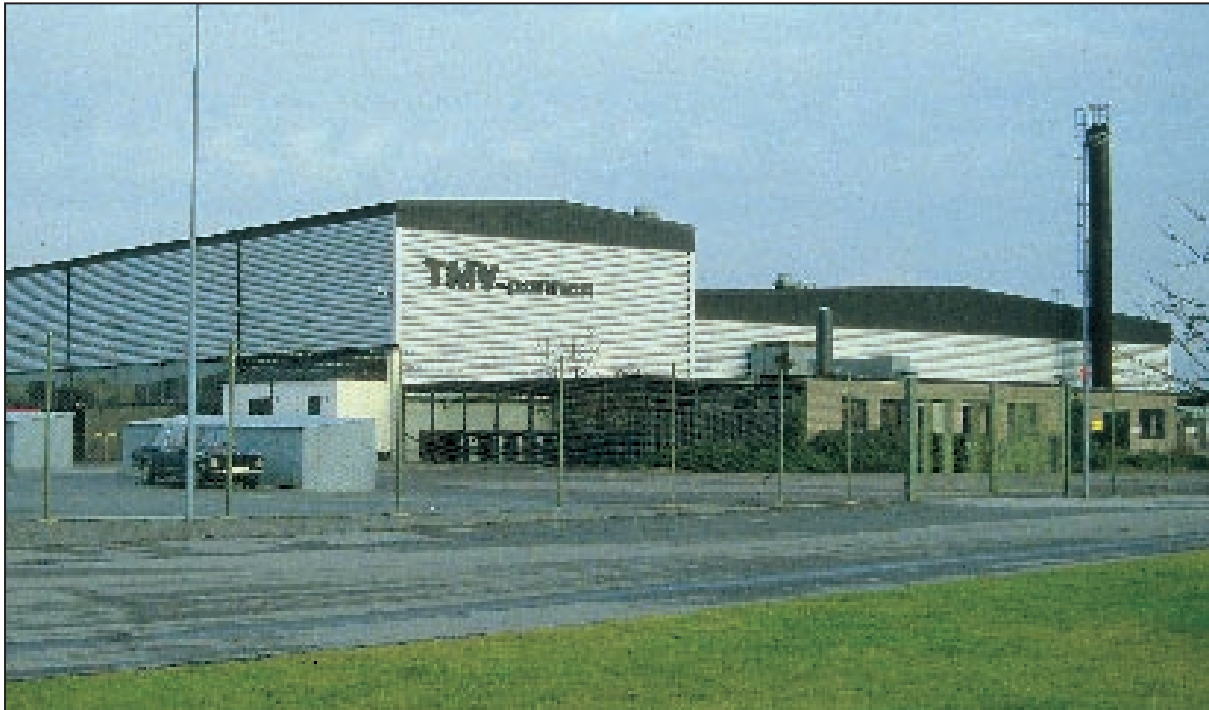


Our plant in Markaryd in the south of Sweden manufactures the majority of products in the NIBE Domestic Heating range as well as all of the components that we produce ourselves for NIBE Wood Stoves. Today the plant, which has been extended gradually over the years, covers 32,000 square metres and employs around 375 people. Operations here have been ISO 9001 accredited since 1993.

About 75 percent of the plant's total capacity was utilised for our production in 1997 and, as our stated aim to raise volumes in 1998 leaves only limited room for further increases in production, a decision has been made to transfer the manufacture of all our boilers to the TMV-Pannan factory in Trelleborg during the course of the year. Plans are also afoot to move the manufacture of heat pumps out into separate premises before the end of 1998.

### *TMV-Pannan in Trelleborg*

The Trelleborg plant, which is currently running at approximately 50% of full capacity, is responsible for manufacturing the full programme of TMV brand boilers. At present some 25 people work on this 5,000 square metre site.



### **NIBE Heating in 1997**

NIBE Heating's invoiced sales for 1997 rose by 16.1 percent over the year from SEK 242.3 million in 1996 to SEK 281.2 million.

While incoming orders and invoicing were fairly slack during the first six months, demand picked up dramatically in the second half of the year thanks both to increased market shares in all our priority product areas and a continued increase in our export sales.

The takeover of Energi-Produkter i Diö AB in May 1997 gave the division immediate access to a complete product range of ground-source heat pumps. Production moved to Markaryd during the autumn and today, less than twelve months after the takeover, sales and production have developed so strongly that we are among Sweden's front-runners in this product area. This is a clear indication that the division's dominant position on the market and the strength of its trademark in Sweden can quickly capture a sizeable share of the market in a new and growing product area. In the wake of discussions about the

decommissioning of Swedish nuclear power plants, the market for ground-source heat pumps in Sweden is currently expanding rapidly.

In June our new COMPACT SPAR water heater was voted the best water heater in Scandinavia in a competition organised by the Swedish National Board for Industrial and Technical Development, NUTEK. The judges' citation emphasised the importance of key criteria such as the heater's energy efficiency, its long service life and a practical micro-processor control system.

Investments in machinery and buildings totalled SEK 11.1 million, as opposed to SEK 17.6 million in 1996. The investments that have been made further bolster the competitiveness of the division.

As a result of improved productivity and the positive development of sales volumes the division recorded an operating profit of SEK 26.1 million, well up on the 1996 figure of SEK 16.5 million.

## Prospects for 1998

Our opinion is that the Swedish market for products from NIBE Heating will show some change in 1998.

While overall market demand for small water heaters and modular heaters is expected to remain at roughly the same level as in 1997, we do anticipate making some gains. This is as a consequence of the fact that NIBE Heating is alone in being able to offer a choice of three different anti-corrosion treatments and that we can now boast what is, officially, the best water heater in Scandinavia, namely COMPACT SPAR.

Even though we anticipate that the market for domestic boilers will shrink slightly in 1998 as ground-source heat pumps gain ground, we intend to increase our volumes in this segment by utilising the advantages of our new generation of wood-fired boilers to win new shares of the market.

It looks unlikely that there will be any marked recovery in the construction of private homes during 1998, so we see little reason to expect any increased demand in exhaust-air heat pumps from this particular segment. However, NIBE Heating now offers the widest programme of such pumps on the market, including one which utilises the energy content of the outside air, so we are optimistic that we will be able to increase our share of the market as a whole and thus increase our volumes. Our hope is that the attractions of our range will motivate the owners of homes already equipped with heat pumps to replace these pumps earlier than planned in order to reap the benefits of greater savings in energy consumption.

As far as ground-source heat pumps are concerned, we are convinced that the market will continue to expand rapidly during 1998. Our takeover of Energi-Produkter has given us a flying start in this respect and we are already one of the leading names in Sweden. What is more, 1998 will also see the launch of new developments in the current range designed to increase our share of the market substantially in the year to come.

All of this, together with the fact that export sales too seem set to rise in all our priority markets, means that NIBE Heating can look forward with confidence to an even better result in 1998 than in 1997.



Business Area Manager Niklas Gunnarsson.

		1997	1996	1995	1994	1993
Net sales	(MSEK)	104.5	80.6	65.6	55.6	31.9
Operating profit <sup>1</sup>	(MSEK)	12.5	8.5	0.2	-1.1	-0.9
Operating margin	(%)	12.0	10.6	0.3	-2.0	-2.8
Number of employees		68	56	47	37	31

<sup>1)</sup> Before costs distributed among the group as a whole.

## Business Concept

NIBE Stoves develops, produces or purchases and markets wood-burning stoves, stove products and chimney systems for heating indoor areas. The emphasis here is on design and efficient combustion processes which minimise the impact on the environment.

## Objective

The division aims to achieve an operating profit of at least 10% on its turnover during a complete business cycle.

## Strategy

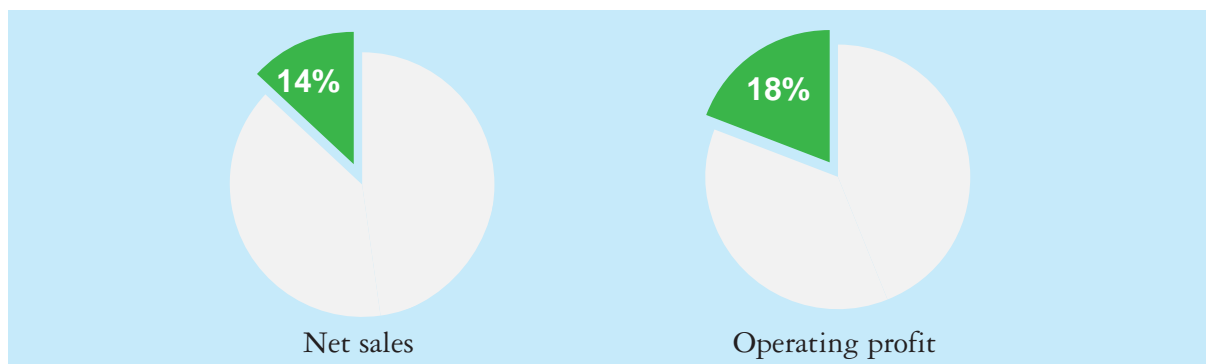
NIBE Stoves' strategy is to offer a wide range as the all-round supplier of wood-stove products to a nationwide network of Swedish retailers – wood-stove specialists, ironmongers, builders' merchants and home improvement centres – as well as direct to Swedish house builders.

Outside Sweden we give priority to established markets where there is good potential for NIBE Stoves' products. Initially, resources will be concentrated on a few, carefully selected markets.

NIBE Stoves is now in the position to offer a wide programme of high quality products for each segment of the market, in addition to a complete modular chimney system. This ambition has been achieved by the unceasing development of new products that combine modern design with environmentally responsible combustion techniques. Certain segments of the



### NIBE Stove's contribution to Group sales and operating profit in 1997



range are complemented where necessary by products for which we have sole rights as agents or distributors. Our products are adapted for export where necessary, but not at the expense of compromising their distinctively Scandinavian look.

The division's strategy aims to consolidate and, where possible, reinforce our position as the market leader in Sweden at the same time as we expand export sales to account for 30% of turnover within the next few years. These aspirations embrace a commitment to continually evaluate the possibility of acquiring new companies and agencies operating in the market segments in which we are active.



Contura Bohus – an attractive masonry stove with glass on three sides.

## Structure

NIBE's current product range has its origins in the Handöl brand of wood stoves. In the early 1990s this range was complemented by exclusive agency agreements for Morsø stoves from Denmark and the American Vermont brand.

With the subsequent takeover of Contura wood stoves in 1994, including the company's own agency for Belgian-made Dovre stoves, NIBE rose to a unique position of pre-eminence in the Swedish market.

The division is supplied with its own brand products from the same manufacturing unit in Markaryd that is responsible for supplying NIBE Heating.

## Products

NIBE Stoves develops and sells its own products under the Handöl and Contura names and has the sole rights in Sweden to sell products from Morsø (Denmark), Vermont (USA) and Dovre (Belgium), companies which are all clear market leaders 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 insets

NIBE Stoves also manufactures a complete modular chimney system specially designed for use with the products mentioned above.

The wood-fired heating products we offer are conceived as a secondary source of heating in domestic properties and summer cottages etc. to complement primary systems such as water-borne heating, direct electricity or other forms of space heating. In addition to their function as a source of reserve heating potential, our wood stoves are designed to be a handsome feature in any home and one which adds a little extra cosiness to the domestic atmosphere.

Most of our wood stoves are manufactured in sheet steel with a modern design incorporating large expanses of glass to make the fire itself more easily visible. Based on the convection principle, they have a double-mantle construction so that the air in the gap between the actual fire-box and the outer mantle is heated and rises rapidly to spread a pleasant, gentle heat through the room. Many of these stoves can be fitted with a fan which further improves the distribution of heat within the room. These stoves are sold under the Handöl and Contura brand names.

Cast-iron stoves are smaller in size, with a rustic look that is often reminiscent of popular designs from days gone by. These are sold under the Vermont, Morsø and Dovre brands, for whom NIBE Stoves is an agent in Sweden.

The tile-faced stove is a hybrid of the wood stove and the tiled stove which combines the fire-box construction of the wood stove with the exterior appearance of the traditional Scandinavian tiled stove. The result is a product which, while similar in appearance to a traditional tiled stove, not only heats up far more rapidly, but is also light enough to be placed directly on most types of wooden floor joists. In recent years there has been much development work as regards designs within this segment and today contemporary styling is available alongside more traditional models, all sold under the Handöl and Contura brands.

NIBE's tiled stoves, marketed under the Contura name, operate on the traditional principle where fumes and heated air pass through a network of flues and channels to gradually heat up a huge bulk of heat-retaining bricks which then transfer

the heat accumulated into the surrounding air over a long period of time.

For customers who prefer an open-fire feel we have developed a range of products in which a prefabricated fire-box in sheet steel or cast iron and a number of prefabricated concrete blocks combine to create the atmosphere of an old-fashioned open fireplace. These so called 'masonry stoves' are marketed under our own Handöl and Contura brand names as well as part of the Dovre agency.

Fire insets are ready-made fire grates usually made of cast iron or sheet steel. Used in existing open fireplaces these products can produce a remarkable tenfold increase in heating efficiency. In principle this raises existing fireplaces to the same high levels of performance as modern wood stoves. The fire insets sold by NIBE Stoves are both our own Handöl brand as well as the Vermont and Dovre brands for which we have exclusive agency agreements in Sweden.



*Handöl Silvia – a new tile-faced stove with a contemporary design.*

To cater for wood-stove customers whose homes do not already have a suitable chimney, NIBE Stoves also offers a modular chimney system: this is what is known as a 'steel shaft construction' and comes complete with all the necessary insulating materials.

## The state of the market – Sweden

Estimates suggest that the market for wood stoves in Sweden during 1997 surged by more than 30 percent, repeating the remarkable increase we experienced in 1996. Much of this surge can be attributed to the intensity of the ongoing debate about energy sources in Sweden, the imminent decommissioning of nuclear power plants and an increase in the use of all types of biofuels. The positive trend was further encouraged by a political decision in the summer the outcome of which means that households heated chiefly by electricity can apply for subsidies to purchase wood stoves and similar products. In the wake of this news, sales rocketed in the autumn, which is already traditionally the peak season for sales of wood stoves, and delivery times grew longer as we approached the end of the year.

As far as we can predict, the rising demand will continue to follow the previously established pattern with perhaps a slight bias towards the low-price end of the market, such as fire inserts for open fires and cast-iron stoves. This has already revealed itself in better sales developments for the Vermont and Morsø products and also for NIBE's own fire insert which is sold under the Handöl brand.

A new Handöl tile-faced stove was launched in 1997. This new stove combines an eye-catching contemporary design with a highly efficient fire-box from our existing range and has been very well received both in Sweden and in Germany.

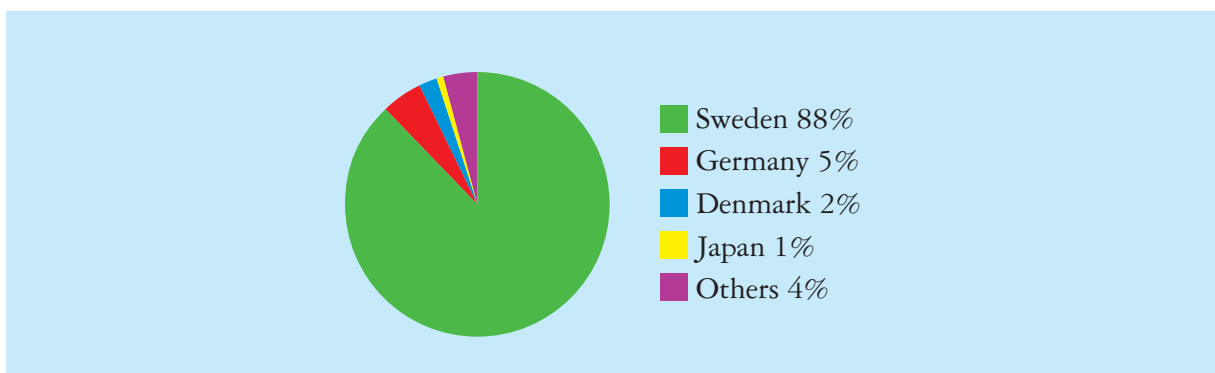
The Handöl fire inset has been improved even further in the form of a new model and, backed up by a highly successful autumn marketing campaign, has made a triumphant entry on the Swedish market, firmly establishing us, together with our different models from the Vermont range, as an attractive alternative for this kind of product.

1997 also saw the introduction of a new, heavier type of chimney. The NIBE Modular Chimney, a prefabricated masonry chimney in easy-to-handle sections, is intended as a complement to our current lightweight steel chimney and helps consolidate our position as an all-round supplier of wood-stove products.

Thanks to this all-round programme, a string of new products and the success of various campaigns run in close conjunction with our retailers and agents, NIBE Stoves has been able to defend its position in 1997 as the premier name in the Swedish market.

Our sales to specialist shops, builders' merchants and home improvement centres have developed in a very positive manner during 1997, increasing by more than the wood-stove market as a whole. Sales to house-builders have, on the other hand, remained more or less static and this is quite simply due to the fact that the construction of new homes has remained at the same level as in 1996.

### *NIBE Stoves – turnover by geographical market area*



## Exports

Export sales rose by 17 percent in 1997 to SEK 12.3 million, boosted chiefly by a strong increase in sales in Germany and Denmark.

Our own models, with designs that differ markedly from those of traditional German and Danish wood stoves, have established a niche for themselves on the big German market, where products with a distinctive look offer the promise of large earnings for specialist dealers struggling to fend off competition from the 'Baumarkt' sector – home improvement superstores selling cut-price copies of wood stoves with characteristic German styling.



*The Handöl fire inset.*

The range sold in Germany comprises selected models from the Handöl and Contura ranges, all sold under the 'NIBE Kaminöfen' name. Product promotion is made easier by adopting single-brand marketing and will, in the long run, be more economical.

At the end of 1998 the division's agreement with our two previous importers was terminated and we began to work directly with the specialist dealers. So far, market reaction has been universally positive. Initially there was a slight decline in sales as a result of this new distribution method, but sales picked up again in the latter half of the year and eventually surpassed those for the corresponding period in 1996.

Most of our efforts over the past year have been concentrated on developing our contacts with major retailers in key positions and towards establishing relationships with new dealers in regions where we have been under-represented or totally absent.

The Vivaldi and Silvia tile-faced stoves have proved to be the most popular models and so these were chosen as the focus of our autumn campaigns.

In Denmark we sell and market our products ourselves through the Handöl and Vermont names via a number of major specialist retailers. Sales developed positively in 1997 and further potential is promised by the extension of our network of retailers and the introduction of the Contura range.

Other markets such as Japan, Italy and Belgium saw sales stagnate in 1997. Here we are working together with importing agents who are carrying out active marketing through their own retailers, but our own direct involvement in these markets remains limited.



## NIBE Stoves in 1997

Invoiced sales for NIBE Stoves rose to SEK 104.5 million in 1997, an increase of 29.7 percent over the 1996 figure of SEK 80.6 million. Much of the increase can be attributed to rising demand on the Swedish market. Exports totalled SEK 12.3 million; while this represents a rise in invoiced values from SEK 10.5 million in 1996, the percentage of overall sales exports slipped slightly from 13 percent in 1996 to 12 percent in 1997.

The improvement in the operating result, SEK 12,5 million compared to SEK 8.5 million in 1996, can be explained principally by the increase in sales in Sweden.

## Prospects for 1998

The current low interest levels in Sweden, increases in consumer spending, rising electricity prices and, over the past 12 months or so, the intense debate about the increased use of biofuels have ensured that the market for wood stoves in Sweden has made a remarkable recovery over the past two years from the low levels of the early 1990s. Even so, the construction of new single-family homes, which remains at a very low level, has not stimulated any new demand in 1997.

In our opinion the market for wood-stove products will stabilise in 1998 at the high level it reached in 1997.

In a market where growth is strong, competition from major foreign companies and smaller, domestic manufacturers is bound to gather momentum. Notwithstanding this, we are confident that we can improve our position in the market even further: NIBE Stoves has a good reputation among Swedish retailers and is in a strong position, being able to offer a variety of well-known names and a number of attractive products in the range.

Development work, which is focused on new models in the Handöl and Contura ranges suitable for both Sweden and the export markets, will be intensified during the year. In addition to this the division also has access to all the new models to which our agency

agreements entitle us, so 1998 looks set to be a year with a host of new and interesting product launches.

While the new distribution system in Germany, supported by a big increase in our marketing work there, has already reaped results, the coming twelve months should be regarded very much as a period of consolidation. There is, however, no doubt that, with a well established network of retailers and a programme of new products, the sales potential in Germany is enormous.

Today NIBE Stoves has a wide range to offer, with many familiar brand names, a strong position in the Swedish market and a healthy trend in earnings. This, together with the stability of our domestic market and a huge potential for this type of product abroad, ensures that prospects look promising and good profits for 1998 seem assured.



*Business Area Manager Niklas Gunnarsson in the NIBE Stoves reception.*



# Board of Directors, Senior Executives and Auditors

## *The Board of Directors*

### **Bengt Hjelm, born 1943.**

Chairman and Board Member since 1989.

Board Member of NIBE AB since 1982 and Backer Elektro-Värme AB since 1983.

Graduate in Business Administration and since 1980 MD in Hjelm & Rohman AB consultancy, specialists in corporate management issues, corporate acquisitions and directorships.

Shareholdings in NIBE Industrier: 94,008 A-shares and 219,352 B-shares.

### **Stephan Clarkson, born 1943.**

Board Member since 1989.

Graduate in Business Administration. MBA.

Shareholdings in NIBE Industrier: 0 shares.

### **Lars Lind, born 1941.**

Board Member since 1989.

Graduate in Business Administration. Founder and Board member of the venture capital company MVI. Board member of Ekman & Co and Helmet Oy.

Shareholdings in NIBE Industrier: 0 shares.

### **Gerteric Lindquist, born 1951.**

Board Member since 1989.

Managing Director and Group Executive Officer.

Board member of NIBE AB and Backer Elektro-Värme AB since 1988.

Shareholdings 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.

Board Member of NIBE AB and Backer Elektro-Värme AB since 1988.

Board Member of Markaryds Sparbank.

Shareholdings in NIBE Industrier: 94,008 A-shares and 192,021 B-shares.

### **Arvid Gierow, born 1943.**

Board Member since april 1997.

Graduate in Business Administration. Other posts include Chairmanship of Svenska Handelsbanken Helsingborg, Svenska Logistikbyrå AB and ALMI Företagspartner Skåne AB.

Shareholdings in NIBE Industrier: 3,400 B-shares.

### **Bill Tunbrant, born 1950.**

Board Member since april 1997.

Civil Engineer. MD of Cramo Instant AB.

Shareholdings in NIBE Industrier: 400 B-shares.

## *Senior Executives*

### **Gerteric Lindquist, born 1951.**

Group Executive Officer.

MD of NIBE Industrier AB, Business Area Manager of NIBE Heating and MD in NIBE AB.

Employed since 1988.

Shareholdings in NIBE Industrier: 94,035 A-shares and 219,415 B-shares.

### **Leif Gustavsson, born 1945.**

Financial Director of NIBE Industrier AB.

Employed since 1966.

Shareholdings in NIBE Industrier: 94,008 A-shares and 192,021 B-shares.

### **Christer Fredriksson, born 1955.**

Business Area Manager of NIBE Element and MD of Backer Elektro-Värme AB.

Employed since 1992.

Shareholdings in NIBE Industrier: 23,490 A-shares and 44,810 B-shares.

### **Niklas Gunnarsson, born 1965.**

Business Area Manager of NIBE Stoves.

Employed since 1987.

Shareholdings in NIBE Industrier: 700 B-shares.

## *Auditors*

### **Alf Carlsson, born 1939.**

Approved Public Accountant.

Öhrlings Coopers & Lybrand AB.

Auditor to the company since 1991.

### **Thomas Olofsson, born 1959.**

Authorised Public Accountant.

Öhrlings Coopers & Lybrand AB.

Auditor to the company since 1996.

## *Deputy Auditors*

### **Sten Hermansson, born 1945.**

Authorised Public Accountant.

Öhrlings Coopers & Lybrand AB.

### **Bertil Lindahl, born 1946.**

Authorised Public Accountant.

Öhrlings Coopers & Lybrand AB.

The Board of Directors and the Managing Director of NIBE Industrier AB (publ), corporate identity number 556374-8309, have pleasure in submitting their Annual Report for the trading year 1997. Information in parentheses refers to the previous year.

In addition to the Parent Company, the Group also consists of the wholly-owned subsidiaries NIBE AB in Markaryd, Backer Elektro-Värme AB in Sösdala, and Loyal Oy in Finland. Backer Elektro-Värme AB in turn owns subsidiaries Norske Backer A/S in Norway and Backer Elektro Oy in Finland, as well as OBR Sp. z o.o. in Poland, in which the percentage of ownership increased during the year from 69 percent to 100 percent. Loyal Oy in Finland owns the subsidiary company Kivaloy Oy in Finland. The Group also includes the wholly-owned dormant subsidiary Handöl-Form AB. During the year, NIBE AB established a wholly-owned subsidiary in Poland, NIBE Polska Sp. z o.o.

## Information on the business

NIBE AB is a light engineering company, the principal production and sales of which consist of water heaters, boilers, exhaust-air heat pumps and wood stoves. In May, the company took over the business assets of the heat pump manufacturer, Energi-Produkter i Diö AB. During the autumn, the operation was moved to Markaryd. NIBE also runs a business in Denmark through its foreign affiliate, Vølund Varmeteknik. The Polish subsidiary, NIBE Polska Sp. z o.o., was established during the year for the manufacture and sale of water heaters on the Polish market.

The Backer Group's main production and sales consist of tubular elements, and, within this sector, the Group is the largest in Scandinavia. Production takes place in Sösdala, Sweden, and also in Norway, in Finland and in Poland. Loyal Oy operates in the same area as the Backer Group, and is another major name on the Scandinavian market.

## Sales

Group net sales amounted to SEK 735,813,000 (SEK 616,976,000). Of the increase in sales of SEK 118,837,000, SEK 89,054,000 relates to comparable units.

## Results

Group profit after financial items amounted to SEK 59,347,000 (SEK 32,391,000). Return on total capital amounted to 14.0 percent (10.3 percent).

## Stock Exchange introduction

On 28 April 1997, an Extraordinary Annual General Meeting of NIBE Industrier AB resolved both to undertake a new issue by issuing 1,170,000 shares, and to float the Company's B-shares after splitting into A-shares and B-shares. The new issue, which was directed to the general public and institutional investors in Sweden, supplied the Group with SEK 79.1 million after deducting the costs of the issue.

## Investments

Group investment amounted to a total of SEK 34,605,000 (SEK 32,192,000), of which the sum of SEK 25,230,000 (SEK 20,448,000) represented investment in plant and machinery, SEK 370,000 (SEK 7,707,000) investment in property, SEK 8,811,000 (SEK 3,938,000) investment in goodwill, SEK 190,000 (SEK 99,000) investment in intangible assets and SEK 4,000 (SEK 0) shares in associated companies.

## Financial position

Through the new issue, Group liquid funds have increased strongly in comparison with the position at the beginning of the year. Group liquid funds amounted to SEK 82,342,000 (SEK 18,012,000). In addition, the Group had unutilised bank overdraft facilities of SEK 77,546,000 (SEK 66,436,000).

## Key events since the start of the year

In March, the tubular element manufacturer, Bröderna Håkansson's Värme AB, of Tjörnarp was acquired. During 1997, this company's sales amounted to over SEK 60 million, and profit before appropriations and tax totalled approximately SEK 4 million. This further strengthened NIBE Element's market position in Europe. The business area's product range was also strengthened by the addition of strip elements and steatite elements.

## Future developments

The inflow of orders at the beginning of 1998 has continued to be excellent, and the outlook for the full year 1998, given unchanged business conditions, is expected to be favourable.

## Group unrestricted equity

Group unrestricted equity at the accounting year end amounted to SEK 110,772,000. Of this, the proposed transfer to restricted reserves will consume SEK 730,000.

## Appropriation of profits

The Board of Directors and the Managing Director propose that the profits at the disposal of the Annual General Meeting of SEK 53,843,000, be appropriated as follows:

Transferred to statutory reserve	730,000
Distributed as dividend	11,740,000
Carried forward	41,373,000
	<hr/>
	53,843,000

Profits and position, as well as funds appear in the following accounts (in thousands of SEK).

# Group Income Statement

(all amounts in thousands of SEK)

	<i>Note 1</i>	1997	1996
Net sales	<i>Note 2</i>	735,813	616,976
Cost of goods sold		- 554,270	- 476,532
<b>Gross profit</b>		<b>181,543</b>	<b>140,444</b>
Selling expenses		- 86,277	- 69,494
Administrative expenses		- 38,025	- 34,221
Other operating income		6,672	3,089
<b>Operating profit</b>	<i>Note 2, 3</i>	<b>63,913</b>	<b>39,818</b>
<b>Result from financial investments</b>			
Interest income and similar profit/loss items	<i>Note 4</i>	2,342	3,014
Interest expense and similar profit/loss items	<i>Note 5</i>	- 6,824	- 9,861
Profit from subsidiaries before acquisitions		- 84	- 580
<b>Profit after financial items</b>		<b>59,347</b>	<b>32,391</b>
Tax on profit for the year		- 18,120	- 9,839
Minority participation in net profit after tax	<i>Note 7</i>	0	- 396
<b>Net profit for the year</b>		<b>41,227</b>	<b>22,156</b>

# Group Balance Sheet

(all amounts in thousands of SEK)

	<i>Note 1</i>	31 Dec 1997	31 Dec 1996
<b>Assets</b>			
<b>Fixed assets</b>			
<b>Intangible fixed assets</b>			
Goodwill	<i>Note 8</i>	29,837	24,879
Other intangible assets	<i>Note 9</i>	264	104
		30,101	24,983
<b>Tangible fixed assets</b>			
Land and buildings	<i>Note 10</i>	91,703	97,402
Plant and machinery	<i>Note 11</i>	72,149	64,602
Investment in machinery in progress	<i>Note 12</i>	2,654	1,999
		166,506	164,003
<b>Financial fixed assets</b>			
Long-term securities holdings		71	69
Receivables from associated companies		1,287	0
Other long-term receivables		458	275
		1,816	344
<b>Total fixed assets</b>		198,423	189,330
<b>Current assets</b>			
<b>Inventories</b>			
Raw materials and consumables		73,292	63,670
Work in progress		29,742	31,433
Finished products and goods for resale		35,493	24,926
		138,527	120,029
<b>Current receivables</b>			
Accounts receivable - trade		100,276	84,903
Other receivables		2,575	2,567
Prepaid expenses and accrued income		3,262	3,379
		106,113	90,849
<b>Cash and bank balances</b>		82,342	18,012
<b>Total current assets</b>		326,982	228,890
<b>Total assets</b>		525,405	418,220

Group Balance Sheet

(all amounts in thousands of SEK)

		31 Dec 1997	31 Dec 1996
<b>Equity and liabilities</b>			
<b>Equity</b>	<i>Note 14</i>		
<b>Restricted Equity</b>			
Share capital		58,700	47,000
Restricted reserves		77,630	8,491
		<b>136,330</b>	<b>55,491</b>
<b>Non-restricted equity</b>			
Non-restricted reserves		69,545	55,828
Net profit for the year		41,227	22,156
		<b>110,772</b>	<b>77,984</b>
<b>Total equity</b>		<b>247,102</b>	<b>133,475</b>
Minority participation in equity		0	633
<b>Provisions</b>			
Provisions for pensions		20,494	19,656
Provisions for tax		38,270	36,683
Guarantee risk reserve		5,499	4,798
<b>Total provisions</b>		<b>64,263</b>	<b>61,137</b>
<b>Long-term liabilities</b>	<i>Note 15</i>		
Bank overdraft facilities	<i>Note 16</i>	732	11,708
Liabilities to credit institutions		60,006	74,035
Pension liabilities		179	179
Other liabilities		563	14,490
<b>Total long-term liabilities</b>		<b>61,480</b>	<b>100,412</b>
<b>Current liabilities</b>			
Liabilities to credit institutions		17,568	16,251
Accounts payable - trade		37,262	38,819
Advance payments from customers		387	189
Income tax liability		9,924	3,759
Other liabilities		25,266	10,337
Accrued expenses and deferred income	<i>Note 17</i>	62,153	53,208
<b>Total current liabilities</b>		<b>152,560</b>	<b>122,563</b>
<b>Total equity and liabilities</b>		<b>525,405</b>	<b>418,220</b>
<b>Pledged assets</b>	<i>Note 18</i>	<b>391,339</b>	<b>320,275</b>
<b>Contingent liabilities</b>	<i>Note 19</i>	<b>1,805</b>	<b>1,781</b>



# Consolidated Funds Statement

(all amounts in thousands of SEK)

	1997	1996
<b>Day-to-day operations</b>		
Operating profit	63,913	39,818
+ depreciation charged to this profit	26,647	24,334
- translation difference - foreign subsidiaries	- 707	666
- minority participation in profits	0	- 396
	<b>89,853</b>	<b>64,422</b>
Interest income and similar profit/loss items	2,342	3,014
Interest expense and similar profit/loss items	- 6,824	- 9,861
Profits in subsidiaries before acquisition	- 84	- 580
Tax on the profit for the year	- 18,120	- 9,839
	<b>67,167</b>	<b>47,156</b>
<b>Cash flow before changes in working capital</b>		
<b>Changes in working capital</b>		
Increase in inventories	- 18,498	- 4,528
Increase in current receivables	- 15,264	- 1,859
Increase in current liabilities	29,997	26,213
	<b>63,402</b>	<b>66,982</b>
<b>Cash flow from day-to-day operations</b>		
<b>Investment activities</b>		
Acquisition of associated companies	- 4	0
Acquisition of plant and machinery	- 25,230	- 20,448
Acquisition of land and buildings	- 370	- 7,707
Acquisition of goodwill	- 8,811	- 3,938
Acquisition of other intangible fixed assets	- 190	- 99
Sale of tangible fixed assets	335	1,246
Reduction in minority interests	- 633	0
Increase in long-term receivables	- 1,470	- 55
	<b>- 36,373</b>	<b>- 31,001</b>
<b>Cash flow from investment activities</b>		
<b>Financing activities</b>		
New issue	79,128	0
Reduction in long-term liabilities and provisions	- 35,806	- 29,934
Change in Group structure	- 5	- 750
Dividend to shareholders	- 6,016	- 3,008
	<b>37,301</b>	<b>- 33,692</b>
<b>Cash flow from financing activities</b>		
	<b>64,330</b>	<b>2,289</b>
<b>Changes in liquid funds</b>		
<b>Liquid funds available</b>		
Liquid funds at the beginning of the year	18,012	15,723
Changes in liquid funds	64,330	2,289
	<b>82,342</b>	<b>18,012</b>
Liquid funds at year end	82,342	18,012
Unutilised bank overdraft facilities	77,546	66,436
	<b>159,888</b>	<b>84,448</b>
<b>Total liquid funds available</b>		

# Parent Company Income Statement

(all amounts in thousands of SEK)

	<i>Note 1</i>	1997	1996
Net sales		0	0
		<u>0</u>	<u>0</u>
Administrative expenses		- 4,363	- 1,065
Other operating income		188	0
<b>Operating profit</b>		<u>- 4,175</u>	<u>- 1,065</u>
<b>Result from financial investment</b>			
Dividends from subsidiaries		5,959	12,524
Interest income and similar profit/loss items	<i>Note 4</i>	2,787	640
Interest expense and similar profit/loss items	<i>Note 5</i>	- 3,656	- 5,841
<b>Profit after financial items</b>		<u>915</u>	<u>6,258</u>
Appropriations	<i>Note 6</i>	6,760	11,992
Tax on the profit for the year	<i>Note 7</i>	- 393	- 1,653
<b>Net profit for the year</b>		<u><u>7,282</u></u>	<u><u>16,597</u></u>

# Parent Company Balance Sheet

(all amounts in thousands of SEK)

	<i>Note 1</i>	31 Dec 1997	31 Dec 1996
<b>Assets</b>			
<b>Fixed assets</b>			
<b>Financial fixed assets</b>			
Shares in subsidiaries	<i>Note 13</i>	192,426	182,477
<b>Total fixed assets</b>		<b>192,426</b>	<b>182,477</b>
<b>Current assets</b>			
<b>Current receivables</b>			
Receivables from group companies		45,028	12,539
Other receivables		968	20
Prepaid expenses and accrued income		108	0
		<b>46,104</b>	<b>12,559</b>
<b>Cash and bank balances</b>		<b>35,871</b>	<b>3,182</b>
<b>Total current assets</b>		<b>81,975</b>	<b>15,741</b>
<b>Total assets</b>		<b>274,401</b>	<b>198,218</b>

Parent Company Balance Sheet

(all amounts in thousands of SEK)

		31 Dec 1997	31 Dec 1996
<b>Equity and liabilities</b>			
Equity	<i>Note 14</i>		
<b>Restricted Equity</b>			
Share capital		58,700	47,000
Share premium reserve		67,428	0
Statutory reserve		6,724	5,064
		<u>132,852</u>	<u>52,064</u>
<b>Non-restricted equity</b>			
Profit brought forward		46,561	37,640
Net profit for the year		7,282	16,597
		<u>53,843</u>	<u>54,237</u>
<b>Total equity</b>		<b>186,695</b>	<b>106,301</b>
<b>Untaxed reserves</b>			
Tax allocation reserve		2,307	1,927
<b>Total untaxed reserves</b>		<b>2,307</b>	<b>1,927</b>
<b>Long-term liabilities</b>			
	<i>Note 15</i>		
Liabilities to Group companies		28,500	28,500
Liabilities to credit institutions		29,927	43,942
Other liabilities		0	4,863
<b>Total long-term liabilities</b>		<b>58,427</b>	<b>77,305</b>
<b>Current liabilities</b>			
Liabilities to credit institutions		9,963	9,963
Accounts payable - trade		207	0
Liabilities to Group companies		0	603
Income tax liability		290	1,511
Other liabilities		14,883	0
Accrued expenses and deferred income	<i>Note 17</i>	1,629	608
<b>Total current liabilities</b>		<b>26,972</b>	<b>12,685</b>
<b>Total equity and liabilities</b>		<b>274,401</b>	<b>198,218</b>
<b>Pledged assets</b>	<i>Note 18</i>	<b>192,313</b>	<b>182,364</b>
<b>Contingent liabilities</b>	<i>Note 19</i>	<b>25,249</b>	<b>25,320</b>

# Parent Company Funds Statement

(all amounts in thousands of SEK)

	1997	1996
<b>Day-to-day operations</b>		
Operating profit	- 4,175	- 1,065
Dividend from subsidiaries	5,959	12,524
Interest income and similar profit/loss items	2,787	640
Interest expense and similar profit/loss items	- 3,656	- 5,841
Tax on the profit for the year	- 393	- 1,653
<b>Cash flow before changes in working capital</b>	<b>522</b>	<b>4,605</b>
<b>Changes in working capital</b>		
Increase in current receivables	- 33,545	- 12,190
Increase in current liabilities	14,287	11,572
<b>Cash flow from day-to-day operations</b>	<b>- 18,736</b>	<b>3,987</b>
<b>Investment activities</b>		
Acquisition of subsidiaries	- 9,949	0
<b>Cash flow from investment activities</b>	<b>- 9,949</b>	<b>0</b>
<b>Financing activities</b>		
New issue	79,128	0
Reduction in long-term liabilities	- 18,878	- 18,873
Group contribution	7,140	13,892
Dividend to shareholders	- 6,016	- 3,008
<b>Cash flow from financing activities</b>	<b>61,374</b>	<b>- 7,989</b>
<b>Changes in liquid funds</b>	<b>32,689</b>	<b>- 4,002</b>
<b>Liquid funds available</b>		
Liquid funds at the beginning of the year	3,182	7,184
Changes in liquid funds	32,689	- 4,002
<b>Total liquid funds available</b>	<b>35,871</b>	<b>3,182</b>



## 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 one part which is recorded as deferred tax liability under the heading of provisions, and one remaining part which 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.

### Accounting for associated companies

For Warpol Sp. z o.o. – in which 47.5 percent of the shares were acquired during the year at a cost of SEK 5,000 – accounting for associated companies has not been used with respect to insignificant amounts.

### Receivables

Receivables and liabilities in foreign currencies have been valued in accordance with the Swedish Accounting Standards Board's recommendation R7.

### 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.

### Inventories

Inventories have been valued at acquisition cost, after which the standard deduction for obsolescence of 3 percent has been made (Sweden).

## 2 Distribution of net sales and operating profits

### Distribution by business area

	Net sales		Operating profit	
	1997	1996	1997	1996
NIBE Element	356,430	300,447	32,799	19,136
NIBE Heating	281,239	242,264	26,053	16,488
NIBE Stoves	104,524	80,555	12,499	8,524
Group adjustments	-6,380	-6,290	-7,438	-4,330
<b>Group total</b>	<b>735,813</b>	<b>616,976</b>	<b>63,913</b>	<b>39,818</b>

### Distribution by geographical market

	Net sales	
	1997	1996
Scandinavia	560,800	482,147
Europe excluding Scandinavia	169,761	128,639
Other markets	5,252	6,190
<b>Group total</b>	<b>735,813</b>	<b>616,976</b>

## 3 Salaries, other remuneration and social security contributions

	1997			1996		
	Salaries and other remunerations	Social security contribs.	(of which pension costs)	Salaries and other remunerations	Social security contribs.	(of which pension costs)
Parent Company	1,897	1,048	(295)	150	49	(0)
Subsidiaries	188,735	72,404	(12,313)	159,954	58,960	(11,460)
<b>Group total</b>	<b>190,632</b>	<b>73,452</b>	<b>(12,608)</b>	<b>160,104</b>	<b>59,009</b>	<b>(11,460)</b>

Of the Parent Company's pension costs, SEK 211,000 (SEK 0) relate to the MD.  
The corresponding sum for the Group is SEK 572,000 (SEK 338,000).

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

	1997		1996	
	Board and MD	Other employees	Board and MD	Other employees
Parent Company	1,172	725	150	0
Subsidiaries in Sweden	809	133,876	1,936	111,131
Norway	400	13,184	378	11,536
Finland	889	33,157	864	29,933
Denmark (affiliate)	0	2,614	0	2,453
Poland	1,074	2,732	70	1,653
<b>Group total</b>	<b>4,344</b>	<b>186,288</b>	<b>3,398</b>	<b>156,706</b>

### Average number of employees

	1997		1996	
	Number of employees	Of which men	Number of employees	Of which men
Parent Company	3	2	0	0
Subsidiaries in Sweden	666	572	587	499
Norway	54	34	55	35
Finland	208	91	190	84
Denmark (affiliate)	7	7	7	7
Poland	129	96	18	14
<b>Group total</b>	<b>1,067</b>	<b>802</b>	<b>857</b>	<b>639</b>

### 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.

**4 Interest income and similar profit/loss items**

	Group		Parent company	
	1997	1996	1997	1996
Interest income, Group companies	0	0	953	497
Interest income, other	1,853	1,401	1,035	143
Other financial income	489	1,613	799	0
	<u>2,342</u>	<u>3,014</u>	<u>2,787</u>	<u>640</u>

**5 Interest expense and similar profit/loss items**

	Group		Parent company	
	1997	1996	1997	1996
Interest expense, Group companies	0	0	1,385	2,151
Interest expense, other	6,427	9,591	2,271	3,690
Other financial expense	397	270	0	0
	<u>6,824</u>	<u>9,861</u>	<u>3,656</u>	<u>5,841</u>

**6 Appropriations**

	Parent company	
	1997	1996
Group contribution received	1,385	2,151
Transfer to tax allocation reserved	2,271	3,690
<b>Total</b>	<u>3,656</u>	<u>5,841</u>

**7 Tax on the profit for the year**

	Group		Parent company	
	1997	1996	1997	1996
Income tax	16,692	9,525	393	1,653
Deferred tax	1,428	314	0	0
<b>Total</b>	<u>18,120</u>	<u>9,839</u>	<u>393</u>	<u>1,653</u>

In the Group, deferred tax for the year, SEK 1,428,000 (SEK 314,000), is recorded as tax expense in the consolidated income statement. SEK 2,736,000 (SEK 982,000) of the deferred tax expense for the year is attributable to changes in untaxed reserves.

Deferred tax liability in the Group amounts to SEK 38,270,000 (SEK 36,683,000) and is recorded in the item Provisions for tax. SEK 22,598,000 (SEK 19,746,000) of the Group's deferred tax liability refers to tax on untaxed reserves.

**8 Goodwill**

	Group	
	1997	1996
<b>Acquisition value</b>		
Acquisition value brought forward	29,302	25,355
Investment for the year	8,811	3,938
Translation differences	-13	9
<b>Accumulated acquisition value carried forward</b>	<u>38,100</u>	<u>29,302</u>
Depreciation brought forward	4,422	1,737
Depreciation for the year	3,861	2,707
Translation differences	-20	-21
<b>Accumulated depreciation carried forward</b>	<u>8,263</u>	<u>4,423</u>
<b>Residual value according to plan carried forward</b>	<u><u>29,837</u></u>	<u><u>24,879</u></u>

## 9 Other intangible assets

	Group	
	1997	1996
<b>Acquisition value</b>		
Acquisition value brought forward	184	89
Investment for the year	190	99
Translation differences	-4	-4
<b>Accumulated acquisition value carried forward</b>	<b>370</b>	<b>184</b>
Depreciation brought forward	80	58
Depreciation for the year	29	23
Translation differences	-3	-1
<b>Accumulated depreciation carried forward</b>	<b>106</b>	<b>80</b>
<b>Residual value according to plan carried forward</b>	<b>264</b>	<b>104</b>

## 10 Land and buildings

	Group	
	1997	1996
<b>Acquisition value</b>		
Acquisition value brought forward	151,813	144,426
Investment for the year	370	7,707
Translation differences	-349	-320
<b>Accumulated acquisition value carried forward</b>	<b>151,834</b>	<b>151,813</b>
Depreciation brought forward	56,294	50,776
Depreciation for the year	5,580	5,659
Translation differences	-111	-142
<b>Accumulated depreciation carried forward</b>	<b>61,763</b>	<b>56,293</b>
Revaluation brought forward	1,882	2,131
Depreciation for the year on revalued amount	-250	-249
<b>Accumulated revaluation carried forward</b>	<b>1,632</b>	<b>1,882</b>
<b>Residual value according to plan carried forward</b>	<b>91,703</b>	<b>97,402</b>
Value assessed for tax purposes (Sweden)	35,951	35,907

## 11 Plant and machinery

	Group	
	1997	1996
<b>Acquisition value</b>		
Acquisition value brought forward	200,399	182,805
Investment for the year	25,230	20,448
Sales and disposals	-5,310	-2,104
Translation differences	-371	-750
<b>Accumulated acquisition value carried forward</b>	<b>219,948</b>	<b>200,399</b>
Depreciation brought forward	135,797	120,791
Sales and disposals	-4,760	-743
Depreciation for the year	16,927	15,945
Translation differences	-165	-196
<b>Accumulated depreciation carried forward</b>	<b>147,799</b>	<b>135,797</b>
<b>Residual value according to plan carried forward</b>	<b>72,149</b>	<b>64,602</b>

## 12 Investment in machinery in progress

	Group	
	1997	1996
Balance brought forward	1,999	276
Accrued expenses during the year	2,654	1,999
Re-allocation carried out during the year	-1,999	-276
<b>Group total</b>	<b>2,654</b>	<b>1,999</b>

## 13 Shares in subsidiaries

Name	Proportion of capital	Number of shares	Book value
NIBE AB	100%	400,000	103,245
Backer Elektro-Värme AB	100%	37,170	49,648
Loyal Oy	100%	768	39,420
Handöl-Form AB	100%	1,000	113
<b>Group total</b>			<b>192,426</b>

## Shares owned via subsidiaries

Name	Proportion of capital	Number of shares
Norske Backer A/S	100%	12,000
Backer Elektro Oy	100%	500
Backer OBR Sp. z o.o.	100%	10,000
Kiloval Oy	100%	33
NIBE Polska Sp. z o.o.	100%	3,080

## 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	Sösdala	Sweden
Loyal Oy		Lovisa	Finland
Handöl-Form AB	556194 - 1393	Markaryd	Sweden
Norske Backer A/S		Kongsvinger	Norway
Backer Elektro Oy		Helsinki	Finland
Backer OBR Sp. z o.o.		Pyrzyce	Poland
Kiloval Oy		Lovisa	Finland
NIBE Polska Sp. z o.o.		Warnice	Poland



## 14 Group equity

	Share capital	Restricted reserves	Non-restr'd reserves	Total equity
Amount at beginning of the year	47,000	8,491	77,984	133,475
Transfer to statutory reserve		1,660	-1,660	
Dividend to shareholders			-6,016	-6,016
New issue *	11,700	67,428		79,128
Shift between restricted and non-restricted capital		56	-56	
Change in Group structure		-5		-5
Translation difference			-707	-707
Net profit for the year			41,227	41,227
<b>Amount at year end</b>	<b>58,700</b>	<b>77,630</b>	<b>110,772</b>	<b>247,102</b>

\* with deduction for issue expenses (SEK 2,772,000)

### Parent company

At the beginning of the year, share capital was divided into 4,700,000 shares with a nominal value of SEK 10 each. At the year end, share capital consisted of 940,008 A-shares and 4,929,992 B-shares, both categories with a nominal value of SEK 10 per share.

	Share capital	Share premium reserve	Statutory reserve	Non-restricted equity	Total equity
Amount at the beginning of the year	47,000	0	5,064	54,237	106,301
Transfer to statutory reserve			1,660	-1,660	
Dividend to shareholders				-6,016	-6,016
New issue *	11,700	67,428			79,128
Net profit for the year				7,282	7,282
<b>Amount at year end</b>	<b>58,700</b>	<b>67,428</b>	<b>6,724</b>	<b>53,843</b>	<b>186,695</b>

\* with deduction for issue expenses (SEK 2,772,000)

## 15 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.

	Group		Parent company	
	1997	1996	1997	1996
Liabilities to credit institutions	12,125	14,049	0	0
Liabilities to Group companies	0	0	28,500	28,500
Pension liabilities	15,448	15,141	0	0
	<b>27,573</b>	<b>29,190</b>	<b>28,500</b>	<b>28,500</b>

## 16 Bank overdraft facilities

The sum of bank overdraft facilities granted amounted to SEK 78,278,000 (SEK 78,144,000) for the Group as a whole.

## 17 Accrued expenses and deferred income

	Group		Parent company	
	1997	1996	1997	1996
Accrued salaries	31,216	24,462	735	0
Accrued social security contributions	16,619	14,683	474	49
Other items	14,318	14,063	420	559
	<b>62,153</b>	<b>53,208</b>	<b>1,629</b>	<b>608</b>

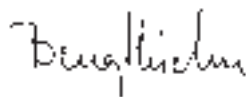
## 18 Pledged assets

	Group		Parent company	
	1997	1996	1997	1996
Real estate mortgages	79,228	80,689	0	0
Chattel mortgages	45,143	46,323	0	0
Shares in subsidiaries	266,968	193,263	192,313	182,364
<b>Total pledged assets</b>	<b>391,339</b>	<b>320,275</b>	<b>192,313</b>	<b>182,364</b>

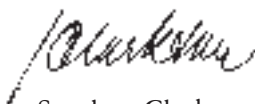
## 19 Contingent liabilities

	Group		Parent company	
	1997	1996	1997	1996
Pension obligations which have not been taken up among liabilities or provisions	1,016	1,040	0	0
Contingent liabilities in favour of other Group companies	0	0	25,249	25,320
Other contingent liabilities	789	741	0	0
<b>Total contingent liabilities</b>	<b>1,805</b>	<b>1,781</b>	<b>25,249</b>	<b>25,320</b>

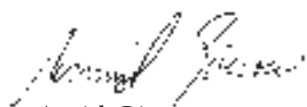
Markaryd, Sweden, 12 March 1998



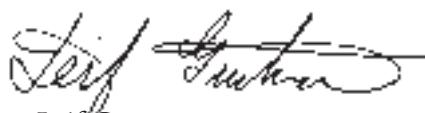
Bengt Hjelm  
Chairman of the Board



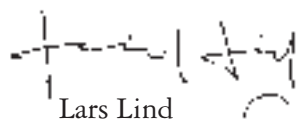
Stephan Clarkson



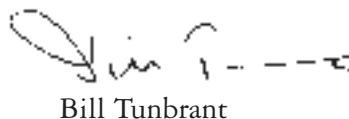
Arvid Gierow



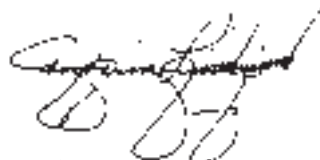
Leif Gustavsson



Lars Lind



Bill Tunbrant

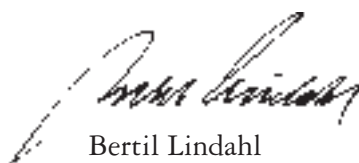


Gerteric Lindquist  
Group Executive Officer & MD

Our Auditors' Report was submitted on 24 March 1998.



Alf Carlsson  
Approved Public Accountant



Bertil Lindahl  
Authorised Public Accountant

## To the General Meeting of Shareholders in NIBE Industrier AB (publ)

Corporate identity number 556374-8309

We have audited the financial statements, the accounts and the administration of the board of directors and the managing director of NIBE Industrier AB for the year 1997. These accounts and the administration of the Company are the responsibility of the board of directors and the managing director. Our responsibility is to express an opinion on the financial statements 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director, as well as evaluating the overall presentation of information in the financial statements. We examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the possible liability to the Company of any board member or the managing director or whether they have in some other way acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

In our opinion, the financial statements have been prepared in accordance with the Annual Accounts Act, and, consequently we recommend

- that the income statement and the balance sheet for the Parent Company and the Group be adopted,

and

- that the profit be dealt with in accordance with the proposal in the Administration Report

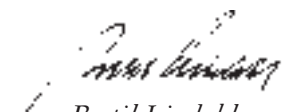
In our opinion, the board members and the managing director have not committed any act or been guilty of any omission, which could give rise to any liability to the Company. We therefore recommend

- that the members of the board of directors and the managing director be discharged from liability for the financial year.

Markaryd, Sweden, 24 March 1998

  
Alf Carlsson

Approved Public Accountant

  
Bertil Lindahl

Authorised Public Accountant

## Group

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