



—bringing warmth to the world—



Annual Report 2003

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Annual General Meeting

The Annual General Meeting of shareholders will be held at the NIBE Marketing Centre (Marknadscenter) in Markaryd in Sweden on Wed. 12 May 2004 at 17.00 (5 pm).

Dividend

The Board of Directors will propose to the Annual General Meeting a dividend of SEK 1.85 per share for the financial year 2003, corresponding to a total payout of SEK 43.4 million. If this proposal is accepted, it is anticipated that the dividend will be despatched from the Swedish Central Securities Depository (VPC AB) on Friday 21 May 2004.

Financial information

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

Shareholders' diary

12 May 2004	Annual General Meeting
12 May 2004	First quarter report: January–March 2004
16 August 2004	Second quarter report: January–June 2004
15 November 2004	Third quarter report: January–September 2004

- Net sales rose to SEK 2,451.1 million (figure for 2002: SEK 1,944.2 million)
- Growth totalled 26.1% (15.9%) of which 14.8% (8.8%) was organic
- Profit after net financial items rose to SEK 217.8 million (SEK 155.0 million)
- Earnings after tax rose to SEK 144.4 million (SEK 105.7 million)
- Operating cash flow totalled SEK 15.6 million (SEK 32.9 million)
- Earnings per share rose to SEK 6.15 (SEK 4.50)
- NIBE share split four-for-one
- The Board of Directors proposes a dividend of SEK 1.85/share (SEK 1.38)
- Six corporate acquisitions were made during 2003 of companies with aggregate annual sales corresponding to approximately SEK 500 million.

Danotherm Electric A/S (80%), a Danish specialist in electric power resistors

Finohm, a small Finnish business active in the same line of business as Danotherm

Sinus Bobé, a Dutch company specialising in industrial elements

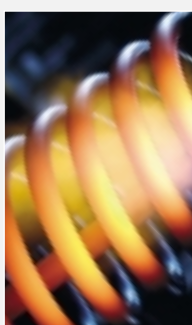
FACSA, a Spanish manufacturer of tubular elements

METRO THERM Group, Denmark's leading manufacturer of water heaters

NETEK, a Danish manufacturer of district-heating products.

2003

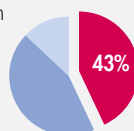
a year of strong growth in profits



NIBE Element

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

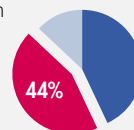
Net sales 2003	SEK 1,058.6 million
Growth	+ 13.5%
Sales outside Sweden	83%
Operating profit	SEK 41.2 million
Operating margin	3.9%



NIBE Heating

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

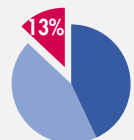
Net sales 2003	SEK 1,100.6 million
Growth	+ 35.0%
Sales outside Sweden	33%
Operating profit	SEK 145.7 million
Operating margin	13.2%



NIBE Stoves

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

Net sales 2003	SEK 311.6 million
Growth	+ 47.4%
Sales outside Sweden	26%
Operating profit	SEK 59.2 million
Operating margin	19.0%



Bringing warmth to the world

NIBE Industrier is a European heating technology company whose business operations are organised in three separate business areas: NIBE Element, NIBE Heating and NIBE Stoves.

- Our vision is to create a world-class heating company.
- Our mission is to offer high-quality, innovative heating products. This work builds on the NIBE Group's wide-ranging expertise in the fields of development, manufacturing and marketing.

The Chief Executive's Report

Strong growth in profits and great optimism

Demand for the products of both NIBE Heating and NIBE Stoves was good in 2003, while NIBE Element operated in a much more subdued market. This situation is reflected in each business area's growth and profitability. While NIBE Heating and NIBE Stoves reported strong volume growth and best-ever operating margins, NIBE Element's volume growth was weak and its operating margin deteriorated substantially.

Our goal of returning NIBE Element to a 10% operating margin by 2007 stands, as does our ambition of being actively involved in the continued restructuring of the European element market.

Extensive investments in capacity expansion were made at both NIBE Heating and NIBE Stoves. Investments at NIBE Element related mainly to rationalisation and the transfer of production to countries with lower labour costs. The Group will be investing heavily in capacity expansion and modernisation again in 2004.

Major investments in expanding capacity mean that the Group's operating cash flow was just SEK 15.6 million in 2003, despite its good results.

We were also able to combine strong organic growth with six strategic acquisitions, of which the METRO THERM Group was our largest ever. The prospects for further acquisitions are believed to be good.

Targets met

Our goal is to generate annual sales growth of 20%, a return on equity of 20% and an operating margin of 10% in each business area, all averaged over a complete business cycle.

In 2003 the Group's net sales grew by 26.1% to SEK 2,451.1 million, of which 14.8% was organic growth. We therefore met the sales target for 2003 of SEK 2,400 million that we set back in 1999. Group earnings after net financial items grew by 40.5% to SEK 217.8 million. Return on equity was up from 21.5% in 2002 to 26.1%. The operating margin was 3.9% for NIBE Element, 13.2% for NIBE Heating and 19.0% for NIBE Stoves.

During the five-year period from 1999 to 2003, volume growth averaged 19.0%, of which 11.3% was organic and 7.7% acquired. During the same period, return on equity averaged 22.5% excluding the effects of SPP pension refunds. Average operating margins were 6.1% for NIBE Element, 11.6% for NIBE Heating and 14.2% for NIBE Stoves.

The Group also performed well during the five-year period from 1994 to 1998. Annual sales growth averaged 27.2% and return on equity 18.6%.

Being ordinary has become unique

After this historical summary of the Group's performance, I thought I might dedicate the rest of this space to some of my personal thoughts and reflections on doing business and the future. I do so safe in the knowledge that readers can find an in-depth presentation of our operations and results elsewhere in this annual report.

NIBE's success is founded largely on an approach which still feels highly relevant today even though it has effectively been the same for more than half a century now: focus on profitability, work hard, be honest.

This approach seems only natural to us within the company, while outside the air is thick with buzzwords almost designed to steal attention from what is self-evident and essential. Outsourcing, redistribution of working hours, autonomous teams – I'm sure you are familiar with these and many more besides. But the common denominator appears always to be that someone else should do the hard graft. This is of course an illusion: we cannot escape the fact that without hard work we are nothing!

That is why, in a recent newspaper interview, I expressed my surprise that we at NIBE have almost become unique simply by being so ordinary.

Time to take the next step

NIBE enjoyed extensive and positive media coverage in 2003. Our strong growth in volumes and earnings, combined with the doubling of our market value, attracted a great deal of publicity. We also won the Stockholm Stock Exchange's prize for "Best Annual Report 2002", and this spring we have been voted "Sweden's Best Listed Company 2003" by business magazine *Veckans Affärer*. The pessimists among us might therefore think that things just can't get any better.

I will concede that a company is at its most vulnerable when it is at its most successful. However, while 2003 was indeed a good year for us at NIBE, it was only one step along the way.

To our mind, 2003 is ancient history – our sales target of SEK 5 billion in 2007 is what matters. The basis for this growth target is exactly the same as for the last ten years: continued annual sales growth of 20%, half organic and half acquired. To the pessimist, this optimism may seem rash. However, as in most other situations we encounter in life, as long as you have your health, it is only your imagination that

limits what you can achieve. And that goes for us at NIBE too!

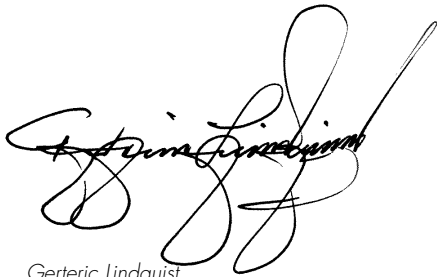
As a group of companies we have never been stronger than we are today. This goes for both our production facilities and product range and our human and financial resources. Our simple recipe for success – focus on profitability, work hard, be honest – is not expected to be any less relevant in the future. So here we have a clear head-start!

A world-class heating company

We estimate that the market for our three business areas is worth around SEK 100 billion in Europe alone – and probably at least SEK 300 billion worldwide. In other words, there is no reason for the market to limit our growth, not even in the very long term.

We therefore hold the keys to our own success. This is reassuring, but naturally it is also a responsibility. Yet, above all, it is an inspiration. To think that we, based here in tiny Markaryd in the backwoods of Sweden, are firmly embarked on the course we have staked out for ourselves to realise our vision of being “a world-class heating company”. Despite still being so ordinary.

Markaryd, Sweden, March 2004



Gerteric Lindquist
Managing Director and Chief Executive Officer



Gerteric Lindquist, MD/CEO

Group Management

The Annual General Meeting gives shareholders the opportunity to express their opinion by voting on issues relating to the Swedish Companies Act and the articles of association of NIBE Industrier AB. Such issues include, for example, the composition of the Board and emoluments paid to board members.

The work of the Board

The Board of NIBE Industrier consists of six directors elected by the Annual General Meeting. Employees of the company may, if necessary, be called in to appear before the Board to explain the background to specific issues or act as an expert resource. At its regular meetings the Board deals with standing items on its agenda, which are reviewed in accordance with its mandate.

During 2003 the Board convened on 14 occasions, nine of which were conducted as telephone conferences. Board meetings were held in connection with the publication of interim reports and the year-end unaudited figures, with the company's budget and with major investments and take-overs. Minutes were taken at all meetings.

In addition the Board has also met for two days of strategic discussions.

Once a month the Board receives a report on the company's financial performance and position. The Managing Director is in continual contact with the Chairman.

The NIBE Group

The Chief Executive Officer of the Group is also appointed Managing Director of the parent company by the Board. He assumes day-to-day control of the Group and it is to him that the three Business Area Managers report.

Financing, currency management, take-overs, start-ups, financial control and information, human resources and other strategic policy issues are dealt with at Group level.

The parent company NIBE Industrier AB has its registered office in Markaryd and its shares have been quoted on the Stockholm Stock Exchange's O list since 1997.

Management of the Business Areas

NIBE Industrier comprises three business areas, each with its own operational management responsible for the business area's financial performance.

Each business area has its own board, chaired by the Group CEO. The boards also include external members with the relevant industry experience. In addition to its responsibility for day-to-day operations each business area is also responsible to the board of NIBE Industrier for its own strategic development. The separate boards for the business areas meet once a quarter.

The decision-making process

The NIBE Industrier Board deals with all matters of import. Issues such as the composition of the Board and directors' fees are dealt with once a year prior to the AGM when the Chairman of the Board contacts major shareholders. The company's auditor makes his report to the Board as a whole, so no committees have been set up.

Remuneration to the Managing Director is a matter determined by the Chairman of the Board. Remuneration to other senior executives is determined by the Managing Director in consultation with the Chairman. These decisions are reported to the Board.

Remuneration

Remuneration to the Board during 2003 totalled SEK 520,000, in accordance with a resolution passed by the AGM. The Chairman received SEK 208,000 of this in accordance with a Board resolution. No remuneration is payable to members of the Board who are otherwise employed in the Group.

During 2003, salary and remuneration totalling SEK 1,613,000 was paid to the CEO. The CEO has the free use of a com-



Diplomas awarded to NIBE for the "Best Annual Report".



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

pany car. Salaries to other senior executives totalled SEK 4,423,000. Senior executives are also entitled to a free company car.

Severance pay

No severance pay or other benefits apply to the Chairman of the Board or Directors, apart from the CEO.

The period of notice for the CEO is six months in the event of the company giving notice. In addition to salary during the period of notice, the CEO is entitled to severance pay equal to 12 months' salary. Other senior executives are entitled to receive their salaries during a period of notice which varies between 6 and 12 months.

Pensions

The Chairman of the Board and the directors receive no retirement benefits in respect of their work on the Board.

Retirement age for the CEO and other senior executives is 65. The CEO has an individual pension insurance arrangement equivalent to ITP (supplementary pensions for salaried employees), which is harmon-

ised with Alecta. For 2003, the premium corresponded to 19% of salary up to 30 basic amounts. For salary in excess of this, a premium payment of 12% is made. This will provide a pension equivalent to the 20–30 basic amount range of the ITP plan, i.e. 32.5% of salary. For other senior executives in the Group, the ITP plan applies for that portion of salary up to 30 basic amounts. For that portion of salary in excess of this, fixed pension benefits are payable, equivalent to the ITP plan's level of 20–30 basic amounts. However, this does not apply to business area managers, who, in their capacity as managing directors, have individual pension arrangements for that portion of their salaries below 30 basic amounts, which are harmonised with Alecta every year.

Incentive scheme

An incentive scheme applies to certain key members of staff, under which they are paid a variable bonus (equivalent to a maximum of three months' salary) if set targets are met. This programme does not extend to the CEO.

Communication with the stock market

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

Earnings and a summary of the Group's financial position are presented quarterly and, like the Annual Report, are issued to all shareholders in written form. All take-overs are announced via press releases.

Full financial information relating to NIBE Industrier is available via our website www.nibe.se. Press releases and reports are posted there at the same time as they are made public.

During the course of the year there have been a number of meetings with financial analysts, the media and Aktiespararna (the National Swedish Shareholders' Association).

NIBE Industrier won the Stockholm Stock Market's prize for "Best Annual Report 2002" after having received one of five distinctions in the same competition the year before.

NIBE Shares

Changes in share capital

Year		Increase in share capital (SEK)	Par value (SEK)	Total number of shares	Total share capital (SEK)
1990	New issue ¹⁾	6,950,000	100.00	70,000	7,000,000
1991	Bonus issue	40,000,000	100.00	470,000	47,000,000
1994	Split 10:1 ²⁾	–	10.00	4,700,000	47,000,000
1997	New issue	11,700,000	10.00	5,870,000	58,700,000
2003	Split 4:1 ³⁾	–	2.50	23,480,000	58,700,000

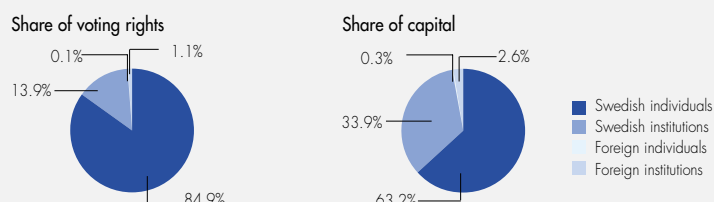
¹⁾ Private placing to existing shareholders at a subscription price of SEK 100 per share.

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

³⁾ Change in the par value of each share from SEK 10 to SEK 2.50.

Shareholder categories

(VPC AB share register 30 Dec 2003)



Major shareholders (Source: VPC AB share register 30 Dec 2003)

Name	Number of shares	Voting share (%)
Current and former board members and senior executives ¹⁾	7,865,740	58.0
Melker Schörling private and via companies	3,003,840	20.0
Livförsäkrings AB SKANDIA	1,107,200	1.9
Lannebo Småbolag	716,400	1.3
Didner & Gerge Aktiefond	650,400	1.1
Roburs Exportfond	602,000	1.0
AMF Pensionsaktiefond (Sweden)	395,200	0.7
AMF Pensionsfond (Global)	316,800	0.6
Robur Småbolagsfond	269,700	0.5
2nd AP-fonden	257,727	0.4
Other holdings (7,893 shareholders)	8,294,993	14.5
Total	23,480,000	100.0

¹⁾ For details of the current Board of Directors, please see page 56.

Shareholder structure (Source: VPC AB share register 30 Dec 2003)

Shareholding	Number of shareholders	Share of ownership (%)	Number of shares	Proportion of shares (%)
1 – 500	5,099	64.4	1,072,090	4.6
501 – 1,000	1,555	19.5	1,288,695	5.5
1,001 – 5,000	1,055	13.3	2,353,428	10.0
5,001 – 10,000	98	1.3	733,864	3.1
10,001 – 15,000	21	0.3	264,600	1.1
15,001 – 20,000	22	0.3	378,493	1.6
20,001 –	73	0.9	17,388,830	74.1
Total	7,923	100.0	23,480,000	100.0

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

Split

A four-for-one split of the company's shares in 2003 reduced the par value from SEK 10 to SEK 2.50 per share at the same time as it quadrupled the number of shares in the company. The first trading day after the split was 13 June 2003. All share data have been recalculated with regard to the split.

Share capital

NIBE Industrier AB has a share capital of SEK 58.7 million, divided into 3,760,032 "A"-shares and 19,719,968 "B" shares, each with a par value of SEK 2.50. Every "A" share carries ten votes at the Annual General Meeting and every "B" share carries one vote. All shares carry the same entitlement to the company's assets and profits. One hundred shares make up a round lot. At the 2003 year-end the company had no outstanding convertible loans or options which could risk diluting the share capital.

Share performance and turnover

During 2003 the NIBE share appreciated in value by 100% from SEK 63.75 to SEK 127.50. The Carnegie Small Companies Index (Small Cap) rose by 42% during the same period. At the end of 2003 the market value of NIBE, based on the latest price paid, amounted to SEK 2,994 million. On 28 February 2004 the share price had backed to SEK 119.50 to give a market value of SEK 2,806 million.

A total of 5,231,819 NIBE shares were traded during 2003, equivalent to a share turnover of 22%.

Dividend policy

The aim is that in the long term the company will pay a dividend equivalent to 25–30% of Group profit after full tax. The Board is proposing a dividend of SEK 1.85 per share for the 2003 financial year, which equates to 30.1% of Group profit after full tax.

Ownership

The number of shareholders more than doubled during the year. NIBE had 7,923 shareholders on 30 December 2003, compared with 3,475 one year previously. The ten largest shareholders held 64.2% of the votes and 37.9% of the capital.

Shareholder value

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

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

Carnegie Björn Enarson,
Tel +46 (0)8-676 88 00

Enskilda Securities Stefan Mattsson,
Tel +46 (0)8-522 295 00

Kaupthing Bank Henrik Alveskog,
Tel +46 (0)8-791 48 00

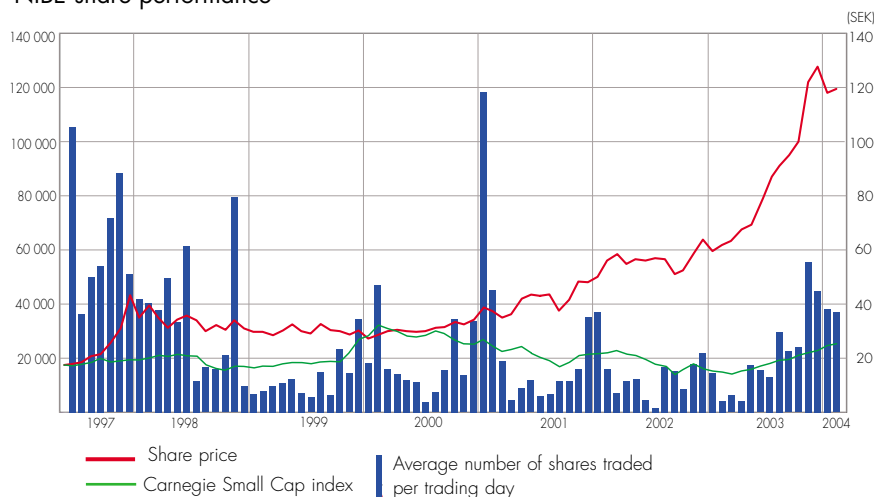
Swedbank Markets Mats Larsson,
Tel +46 (0)8-585 900 00

Acquisition and transfer of own shares

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

The Board will not be placing any new proposal before the annual general meeting concerning the buy-back of shares in the company. It is the opinion of the Board that there will be no need to use the company's own shares when acquiring new companies.

NIBE share performance



Share data

	2003	2002	2001	2000 ²⁾	1999
Number of shares	23,480,000	23,480,000	23,480,000	23,480,000	23,480,000
Year-end share price SEK	127.50	63.75	48.00	34.25	30.25
EPS (after full tax) SEK	6.15	4.50	3.56	3.67 (3.14)	2.73
Equity per share SEK	27.55	23.56	20.58	17.20	14.04
Proposed dividend SEK	1.85	1.38	1.06	0.94	0.75
Price/equity	4.63	2.71	2.33	1.99	2.16
Dividend yield %	1.45	2.16	2.21	2.74	2.48
Operating cash flow/share SEK	0.67	1.40	0.63	-0.37 (-0.56)	1.18
Payout ratio %	30.1	30.5	29.8	25.6 (29.9)	27.5
PE ratio (after full tax)	20.7	14.2	13.5	9.3 (10.9)	11.1
Market value SEK million	2,994	1,497	1,127	804	710
EBIT multiple times	15.3	10.1	10.5	7.7 (8.9)	8.6
EV/sales times	1.46	0.92	0.84	0.77 (0.78)	0.72
Share turnover %	22.3	15.1	17.4	24.0	13.8

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

²⁾ Key ratios in parentheses are computed excluding items affecting comparability (i.e. premium refunds from SPP).

Definitions

EPS (after full tax)

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

Equity per share

Equity divided by total number of shares in issue.

Price/equity

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

Dividend yield

Dividend as percentage of year-end share price.

Operating cash flow per share

Cash flow after investments but before acquisitions of companies/operations divided by the average number of shares in issue.

Payout ratio

Dividends as a percentage of earnings per share.

PE ratio (after full tax)

Year-end share price divided by earnings per share.

Market value

Year-end share price multiplied by the total number of shares in issue.

EBIT multiple

Market value plus net debt (interest-bearing liabilities less financial current assets) plus minority interests divided by operating profit.

EV/sales

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

Share turnover

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

Business Concept

Internationalisation with Sweden as our base

Vision

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

Mission statement

Our mission is to offer high-quality, innovative heating products through our three business areas: NIBE Element, NIBE Heating and NIBE Stoves. This work will build on the NIBE Group's wide-ranging expertise in the fields of development, manufacturing and marketing.

Financial objectives

NIBE Industrier's overriding objective is to combine powerful and sustainable growth with healthy profitability, so creating value for shareholders, providing an interesting and stimulating workplace for employees, and attracting satisfied, loyal, long-term customers who value the peace of mind that the NIBE Group offers them.

The Group has four overall financial targets:

- to achieve average year-on-year growth of 20%, half of which is to be organic
- to report average annual operating profit for each of the three business areas equivalent to at least 10% of net sales over a business cycle
- to achieve an average annual return on equity over a business cycle of at least 20% after standard deductions for tax
- to ensure that the equity/assets ratio does not fall below 30%.



Growth

will be maintained through:

- increasing our share of the market in priority markets
- focusing on new markets and segments, preferably with the help of unique products
- making strategic acquisitions in selected markets, preferably of companies with strong brands, products that complement the existing NIBE range, and new technologies.

Competitiveness

will be improved through:

- the continual development of leading-edge products in cooperation with the market and customers
- continuous rationalisation of production through mechanisation, automation, and the optimum utilisation of working time through flexible wage systems
- standardisation, the coordination of components and modularisation
- economies of scale thanks to large volumes in purchasing and production
- the use of IT support for product development, purchasing, production, sales, marketing and finance
- modern designs that reflect the quality and performance of our products.

Profitability

will be maintained through:

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

Corporate culture

will be further strengthened by:

- training and developing individual employees and the organisation as a whole
- retaining existing key employees and recruiting new ones
- employee shareholding schemes.

Customer satisfaction

will be further improved through:

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

A holistic approach to environmental issues

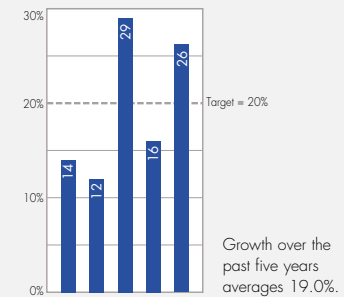
will play a key role in product development, from the choice of materials, through production and use to recycling.

Sincerity and an ethical attitude

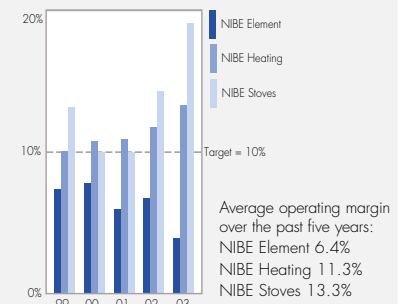
will characterise the company and all its employees both in terms of internal relations, and in dealings with shareholders, customers, suppliers, authorities and society in general.

Objective fulfilment

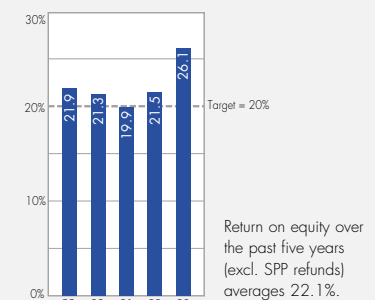
Growth



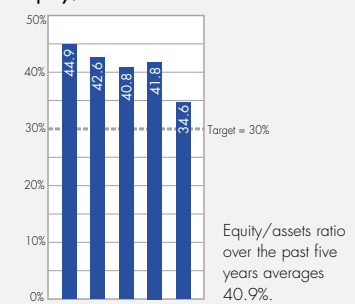
Operating margin (excl. SPP refunds)



Return on equity (excl. SPP refunds)



Equity/assets ratio





Eight factors behind our success

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

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

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

1 Profitability – our number one priority

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

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

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

Furthermore we believe good profitability to be the most important prerequisite for sustained strong growth.

2 High productivity

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

We are convinced that flexible wage systems play a major role in the success of an industrial company. It seems natural to motivate employees who excel in their work with the prospect of higher earnings, which in turn, provides further incentive for even greater efforts on their part.

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

Management Philosophy

3 In-house product development

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

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

Maintaining the highest standards in product development also strengthens the company's image and sends out important signals to competitors and potential takeover candidates.

4 Quality-mindedness and environmental concern

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

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

In the future, environmental awareness will become ever more important as a complement to the quality of the products themselves.

Work is under way on the environmental accreditation of our production units, and a number of operations have already received full ISO 14001 accreditation.

5 Staff commitment and the potential to develop

The companies within the Group are renowned for the excellent team spirit they engender among employees. Their straightforward organisational structure gives individual workers freedom with accountability, allowing talented people to assume responsible positions early in their career. Managers never act solely as executive decision-makers, but retain the direct operational involvement that gives them a crucial insight into their job and helps to minimise overall payroll costs. We endeavour to have a low turn-over of staff, both to maintain levels of skills and flexibility within the company and to safeguard quality and consistency.

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

6 Focus on three core areas

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

Besides the obvious benefits for our existing operations, this focused approach serves as an exceptionally valuable instrument when analysing potential takeovers within our three core areas. From the initial evaluation stage onwards it enables us to form a clear picture of what can be improved following a takeover, by comparing the figures with our own key figures and ratios. This is communicated to the relevant corporate management prior to a takeover to guarantee understanding and facilitate implementation when the time for acquisition is ripe.

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

7 First number one at home – then expansion into markets abroad

This philosophy is based on experience. Firstly, a strong position in the domestic market is essential for creating credibility abroad.

Secondly, venturing abroad is an expensive business which takes a long time, so stable finances generated in the domestic market are crucial for achieving the ultimate goal.

Thirdly, there must be some guarantee of the capacity to fulfil orders from new export markets once they begin to flow in. Trying to build up markets at home and abroad at the same time all too often ends up with domestic customers receiving preferential treatment.

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

We intend to conduct our expansion activities outside Sweden on the basis of the "ripple" effect. This means that, in the first instance, we will focus on our Nordic neighbours, then Europe and, ultimately, other continents.

8 Long-term, clearly defined ownership

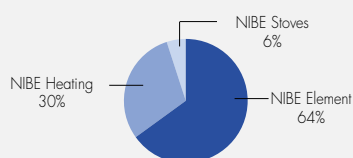
Continuity of ownership is one of the principal factors behind the success of the companies in the NIBE Group, and has enabled the Group to devote itself to developing its various operations.

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

It was important, however, to carry out the flotation in a way which enabled us to retain full independence. This has been demonstrated in conjunction with several acquisitions, where the independence of the NIBE Group and its long-term industrial ambitions have played a crucial role.

Human Resources

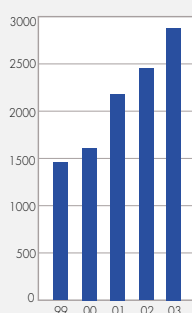
Employees – by business area



Key figures

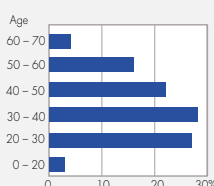
	2003	2002	2001
Average number of employees	2,881	2,444	2,183
administrative staff	% 24	24	25
production staff	% 76	76	75
men	% 69	69	72
women	% 31	31	28
Average age	39	39	40
Average length of employment (years)	8	8,5	9
Workforce turnover	% 4.5	7.3	10
Number of graduates	304	216	113
Employees in Sweden	% 38	42	45
Employees abroad	% 62	58	55

Mean number of employees



The large increases in the number of employees over the past three years are attributable to the acquisition of labour-intensive manufacturing operations in low-cost countries.

Age distribution among employees



Our ambition is to make NIBE an attractive place to work, both for people who are looking for work and for those already working for us.

The values upon which NIBE is founded, – a straightforward, common sense approach and freedom with accountability – together with a performance-based remuneration package with a flexible salary component have attracted many highly competent people to the company and greatly facilitated the recruitment process over recent years.

A company of opportunity

For many people working towards clearly defined targets in a stimulating environment is a positive experience, as demonstrated by the fact that, in marked contrast to general trends, sick leave at NIBE continues to remain low at 6.6% (2002: 6.7%). Workforce turnover is also low at 4.5% (7.3%). This owes much to an unpretentious, hands-on managerial style and a well-established tradition of involvement in various kinds of leisure activities that enables all employees to meet informally. This builds up a team spirit and a common sense of purpose at the same time as it provides an effective form of preventive healthcare.

The rapid pace of the Group's expansion provides plenty of opportunity for internal career advancement. As we place great value on the skills of managers with a detailed knowledge of the business in general and of our products and policies in particular, many of our managers are recruited internally.

An international employer

As NIBE expands abroad an increasing portion of the Group's employees work outside Sweden. At the time of writing NIBE employs more than 3,000 people in twelve countries. Sweden still has most employees and numbers here have risen during 2003. However, over the past three years the proportion of workers in Sweden has fallen to 38%. The second biggest country in terms of NIBE Group employees is now Poland, with 24% of the total Group workforce.

Learning for the future

Equipping employees with the knowledge and attitudes they need to meet the challenges of the future is the underlying aim behind all the training and education that takes place under the NIBE umbrella.

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

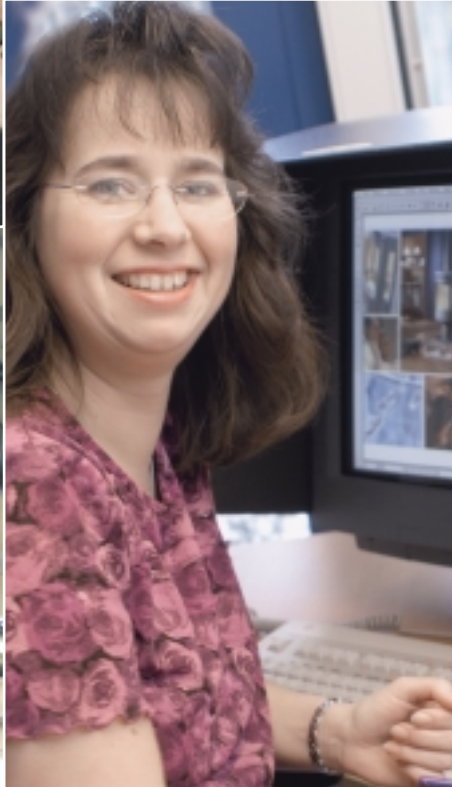
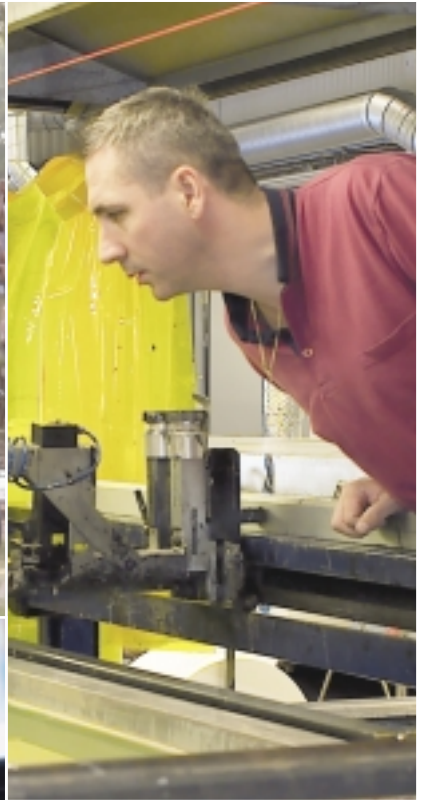
Prioritised areas include IT, project management and logistics, and there are also programmes designed to keep co-workers' specialist professional skills continuously up to date. Another opportunity for training is our induction programme that acquaints new employees with our corporate culture and provides them with different levels of product training depending on their future role in the company.

Using internal resources for teaching when feasible provides a systematic approach to spreading strategic, specific knowledge through the organisation. It also enables co-workers to develop in their own professional roles by instructing others. NIBE also works with external teaching expertise to broaden our horizons and extend our knowledge. To facilitate the integration of acquisitions outside Sweden, training in English is a priority in those companies.

Tomorrow's NIBE employees

We believe that the basis for a successful human resources strategy is to complement a nucleus of efficient, knowledgeable employees who have many years' experience of NIBE with well educated, highly motivated younger recruits. And the unrelenting pace of our expansion ensures a constant influx of new blood into the Group.

One important aspect of our long-term recruitment strategy is our close liaison with universities and technical colleges whose students get to know us via work placement schemes, dissertation work and contact days. Over the past two years, NIBE has recruited almost 200 graduates. We also cooperate closely with local schools and are proud to be able to give pupils of all ages a chance to form their own opinion of working life in a modern manufacturing industry.





Quality

Focusing on the customer and a process of continuous improvement

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

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

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

Continuous improvement is a key concept at NIBE, and is, in part, the responsibility of our quality and project groups. Not only are quantifiable quality targets set and performance regularly monitored, but we also seek to continually develop our operations by setting ourselves new, more ambitious targets. In addition we work closely with customers and suppliers to compare our performance to that of our competitors in a determined effort to ensure that we always lead the way in our three specialist areas.

Product quality is already high, but work is constantly under way to bring about improvements, focusing particularly on areas such as delivery times, delivery reliability, product development and customer service in order to develop our operations to meet market needs for total quality. How successful we are in achieving this will be a key factor behind our continued growth in an increasingly competitive market.

Quality assurance

It is absolutely crucial that products and services supplied by the Group comply with the specifications and wishes – both declared and implicit – of our customers. For this reason, quality assurance work is undertaken within the parameters of integrated quality management systems that incorporate both internal and external checks and audits.

Major manufacturing units within the NIBE Group have already adopted ISO 9001:2000 accredited quality systems. The aim is for all units to be ISO 9001 certified.

The quality management system is used to steer operations and processes in the direction of the aims we have established. Both quality work and constant improvements increasingly focus on the customer in order to meet market demands and expectations, although the emphasis does vary somewhat between business areas as a consequence of the different business areas' own unique conditions.

As a subcontractor to industry, NIBE Element is extremely dependent on maintaining a consistently high product quality, so all products are tested before despatch.

The very highest quality is also an essential prerequisite for products from NIBE Heating, especially in the case of high-tech functions and components that must always perform flawlessly for the end-user. Products are therefore tested after each stage of the manufacturing process and extensive checks and inspections are carried out prior to despatch.

For NIBE Stoves quality means not only functionality and performance, but also the fact that all the components used are of a high standard and that the end product has an impeccable finish.

Environment

Continued growth with reduced environmental impact

A number of units in the NIBE Group are already ISO14001 certified and the rest work in accordance with the principles laid down in this internationally recognised environmental management system.

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

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

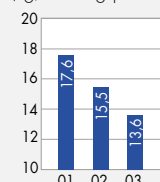
The provision of training and open information encourages staff to contribute to continual improvement, so reducing our impact on the world around us and helping to create the right conditions for long-term sustainable development.

Environmental key figures relating to 100 kilos of manufactured product have been introduced throughout the NIBE Group to enable us to monitor the results of our environmental work and identify any trends. This has already revealed positive and measurable effects in the form of reduced waste, more efficient use of materials and fewer emissions to air and water.

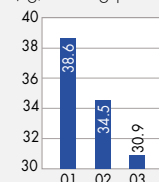
Besides focusing on environmental impact that can be translated into measurable indicators, the Group always takes account of the environment when developing new products or changing its processes. Due consideration is also given to the future recycling potential of new products.

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

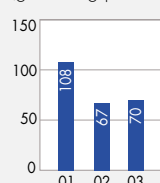
Waste (kg/100 kg product)



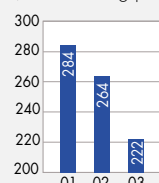
CO₂ emissions (kg/100 kg product)



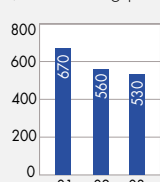
Solvent emissions (g/100 kg product)



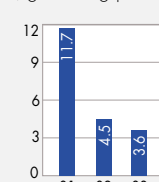
Energy consumption (kWh/100 kg product)



Water consumption (litres/100 kg product)



Chemicals used (kg/100 kg product)



During 2003 NIBE's environmental protection work included the following measures:

- Installation of heat pumps to reduce dependence on oil.
- New, energy-saving systems for heating and ventilation.
- Installation of heat exchangers on machinery and equipment cooled by water to recover heat and recycle water.
- Frequency control of compressors to reduce energy consumption.
- Vacuum evaporation systems installed to minimise hazardous waste and chemicals.
- New metalworking machines to maximise the utilisation of materials.

History

-
- 2004 — NIBE Heating acquires Danish water heater manufacturer METRO THERM and NETEK, a Danish manufacturer of district-heating products.
- 2003 — NIBE Element acquires the unit in Finohm (Finland) that makes power resistors, 80% of the element manufacturer Danotherm in Denmark, Sinus Bobé (Holland) and Facsa in Spain.
- 2002 — NIBE Element acquires the element manufacturing operations of REBA (Italy).
NIBE Stoves acquires a 21.7% stake in Jøtul, a cast-iron stove manufacturer listed on the Norwegian stock market.
- 2001 — NIBE Heating takes over its German importing agent Heise Systemtechnik.
NIBE Element acquires foil element producer Norells (Sweden) and Danish element producer S. A. Nielsen.
NIBE Stoves takes over the fire-inset manufacturer Roslagsspisens.
- 2000 — NIBE Heating takes over Polish water heater manufacturer Biawar.
NIBE Element acquires the element manufacturing operations in FER (Italy), Coates (Norway) and ETA and the element manufacturer Eltop in the Czech Republic.
NIBE Stoves takes over Cronspisen Kakelugnar (tiled stoves).
- 1999 — NIBE Heating acquires the Finnish water heater manufacturer Haato Varaajat.
- 1998 — NIBE Heating acquires the heat pump business of Lodam (Denmark).
NIBE Element acquires tubular heating element manufacturers Bröderna Håkansson and JEVI (Denmark) and the foil element manufacturer Calesco.
- 1997 — NIBE Heating establishes a subsidiary in Poland.
NIBE Heating takes over heat pump manufacturer Energi-Produkter i Diö (Sweden).
OBR becomes a wholly owned subsidiary of NIBE Element.
the NIBE share is introduced on the Stockholm Stock Exchange on 16 June.
- 1996 — NIBE heating takes over boiler manufacturing operations in TMV-Pannan (Sweden).
- 1995 — NIBE Element takes over the Finnish tubular element manufacturer, Loval.
NIBE Heating takes over the Danish water heater and boiler manufacturer Vølund Varmeteknik.
- 1994 — NIBE Stoves acquires the solid-fuel stove manufacturer Contura.
NIBE Element establishes a bridgehead on the Polish market through the acquisition of a 32% stake in the Polish tubular element manufacturer OBR.
- 1989 — **NIBE Industrier is founded by senior executives at NIBE and Backer together with two external investors. NIBE Industrier acquires NIBE and Backer, and today's three business areas begin to take shape.**
- 1980 — NIBE takes over the wood-burning stove manufacturer Handöl.
- 1969 — Backer sets up a subsidiary in Norway.
- 1965 — NIBE begins subcontracted production of Handöl wood-burning stoves.
- 1955 — NIBE starts to manufacture electric water heaters.
- 1952 — **Nils Bernerup establishes NIBE-Verken i Markaryd, in the south of Sweden.**
- 1949 — Nils Bernerup establishes **Backer** in Sösådal, southern Sweden, to manufacture electric tubular heating elements using Christian **Backer's** patent.

Operations



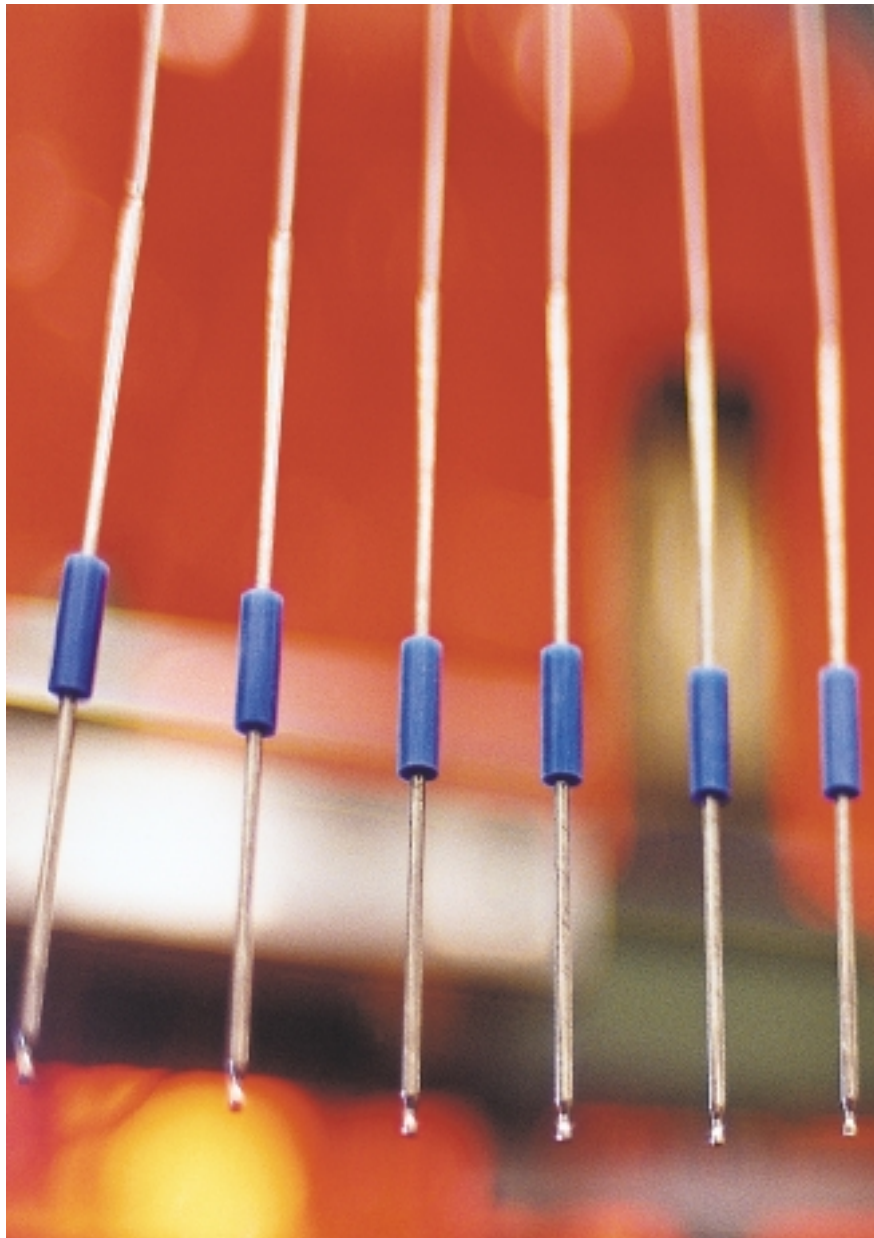
NIBE Element



NIBE Heating



NIBE Stoves



NIBE Element

NIBE Element is the market leader in northern Europe and one of Europe's leading manufacturers of components and systems for electric heating. Its mission is to supply components and systems for electric heating to both manufacturers and users of heating products. The market consists of two main groups: OEM (Original Equipment Manufacturing), where, for example, an element is used as a component in the customer's product, and Industry, where the element is used in the customer's own manufacturing process.

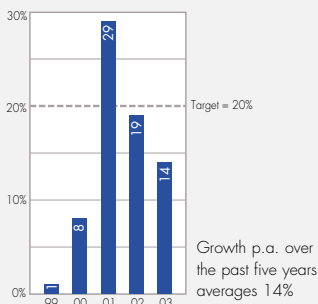
NIBE Element's range includes various technologies to serve the needs of many different of areas of application:

- Tubular elements
- Aluminium elements
- Foil elements
- Thick-film elements
- PTC elements
- High-energy elements
- Heating cables
- Ceramic elements

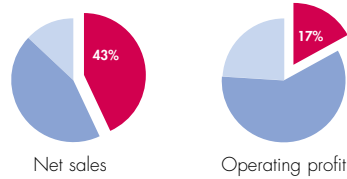
The business area's objective is growth of at least 20% per annum, half of it organic, and an operating profit of at least 10% of sales over a complete business cycle.

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

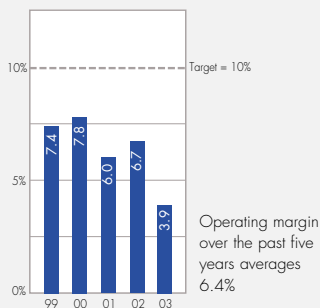
Objective fulfilment – growth



NIBE Element's contribution to Group net sales and operating profit in 2003



Objective fulfilment – operating margin



Business review – 2003

Our domestic market has continued to show signs of stagnating during 2003, chiefly as a result of sluggish demand from industry and the process of structural change that is affecting certain customer segments. Thanks to a number of acquisitions, however, NIBE Element can still report growth of 13.5% for the year.

A number of measures have been taken to meet the market situation and reduce the business area's costs. In several instances labour-intensive production has been transferred to manufacturing units in countries where production costs are lower. For example, the French factory making foil elements has been closed and the process transferred to Poland, where the production plant – already our biggest as regards the number of employees – has been extended in readiness for further restructuring within the business area.

Parallel with these measures, rationalisation work has continued elsewhere. Despite these efforts, however, the combined effects of surplus capacity, unrelenting pressure on prices and restructuring costs have reduced our operating margin by 2.8%.

At the beginning of the year NIBE Element acquired Danotherm. This Danish company is a European leader in the field of power resistors, which are used for several applications in power electronics.

In March we took over the Spanish tubular element manufacturer Facsa, an acquisition which, together with our units in Italy, provides us with a springboard to establishing ourselves as one of southern Europe's leading names for electric heating components.

In the same month we also acquired the assets of the Dutch industrial element manufacturer Sinus-Bobé. This company has a strong market position for electric heating components in the process and oil industries. Operations have subsequently been restructured and integrated into our Danish unit, JEVI.

Outlook for 2004

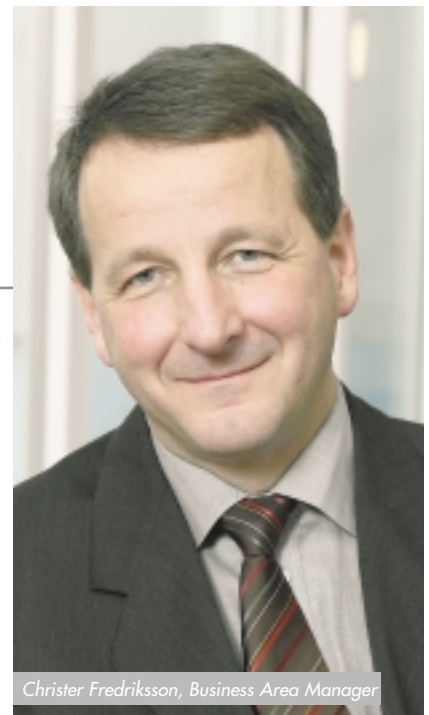
Our opinion that the market will remain stable in 2004 has been borne out by events in the first few months of the year.

There is no sign of any let-up in the price competition in high-volume segments such as household appliances, white goods and the automotive industry. On the contrary, it is highly likely that continued pressure on prices will force a number of competitors to abandon certain segments of the market as unprofitable.

Purchase prices have remained relatively stable during the first months of 2004, but it is difficult to predict how they will develop over the rest of year. We are engaged in intensive efforts to reinforce our competitive strength by reducing material costs and rationalising production, and the coming months will see an increase in the pace of our work of transferring production to our factories in low-cost countries.

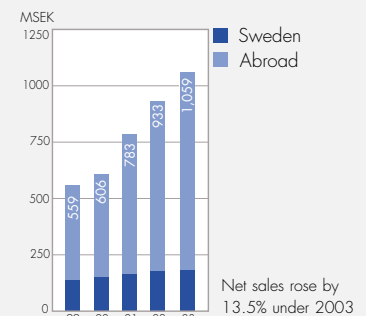
Shortly before the end of 2003 we signed a letter of intent to take over the English tubular element company Shel, which has an annual turnover equivalent to approximately SEK 50 million and manufacturing operations in the UK and China. Provided that certain conditions are met, the take-over is scheduled to take place during the first half 2004, and will give NIBE not only a bridgehead on the important UK market but also access to the market and to manufacturing facilities in China. The Chinese plant will provide us with an opportunity to supply European companies that have established production in China as well as other customers in general in Asia.

We believe that the structural changes and rationalisation measures implemented in 2003 and those planned for 2004 will contribute to a positive development of our business in the course of the year.

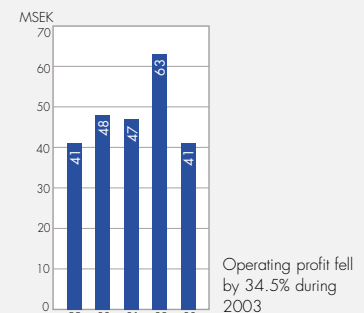


Christer Fredriksson, Business Area Manager

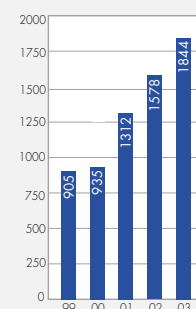
Net sales



Operating profit



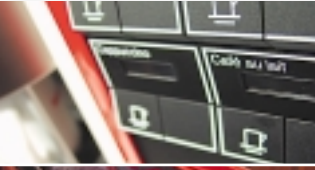



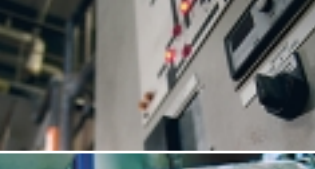




Average number of employees





Industry segments with examples of applications and technologies

	Domestic appliances Irons (Tubular elements)
	White goods Ovens (Wire elements)
	Catering equipment Coffee machines (Vacuum-soldered tubular elements)
	Comfort – air Sauna heaters (Aluminium tubular elements)
	Comfort – water Heat pumps (Tubular elements)
	Vehicles Rear-view mirrors (Foil elements)
	Process industry Heating processes (Tubular elements)
	Maintenance/ spares Extrusion machines (Strip elements)
	Special Load resistors (Aluminium elements)

Market

Over the long term the market for components and systems for electric heating tends to keep pace with national industrial development and the growth in national GDP. As a result growth in most segments has stagnated on several of our domestic markets, even though there are some shining examples to the contrary.

Our goal remains to gradually increase the number of domestic markets by establishing local operations capable of manufacturing small series and providing local technical support. The acquisitions made during the year have added the UK, Holland, Spain and China to our portfolio of “domestic” markets.

In the USA, Germany and France, where the cost of running our own manufacturing operations is prohibitive, we have instead established a presence in the form of a sales office.

Several segments of the market saw the pace of structural change quicken last year. These changes vary from industry to industry. In the highly competitive segment for domestic appliances and certain types of white goods there is an increasing trend towards establishing production in China or buying off-the-shelf products developed and manufactured by Chinese suppliers. This has put increased pressure on prices and volumes in Europe. In the washing machine and electric oven segments, however, the trend is towards specialisation in European production plants at the same time as capacity is being increased in eastern Europe. We believe we are well placed to meet these trends thanks to our units in Poland, the Czech Republic and China.

For manufacturers of equipment for professional caterers and the food processing industry, the trend is different once again. Here production is continuing in existing units, but there is increased interest in buying complete systems from subcontractors.

We are meeting this trend with a wider range of products and increased resources for developing and manufacturing complete systems.

Industry trends

The industry has been buffeted for years by fierce competition on price and shrinking profit margins. Consequently a number of competitors have had to withdraw from certain product segments over the past year, and we believe that this will help prices to stabilise in the medium term.

One of the major underlying trends is the move towards larger corporate groupings. Historically this has been an industry of small and medium-sized family businesses with a strong local presence. In recent years, however, instead of passing from one generation to another, these firms have often been sold as it becomes increasingly difficult to maintain profitability in the current competitive situation. This trend is underpinned by client wishes to limit purchases to as few suppliers as possible.

Several competitors have followed NIBE's lead in establishing production units in low-cost countries in Eastern Europe, and, increasingly, in China.

We believe that the strategy we have adopted is well suited to industry trends, and that it will further strengthen our position and potential in the future.

Products

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

Tubular elements, which remain the most widely used technology, are found in a wide spectrum of applications from mass-produced deep-fat fryers to one-off process heaters for the offshore industry. The basic technology has long remained unchanged, but the products themselves have been

perfected over the years in terms of the materials used, performance, quality and manufacturing technology.

Foil elements, which consist of an etched metallic foil laminated with a layer of insulation, are one rapidly expanding product group. NIBE Element is the world leader in foil elements for wing mirrors, water beds etc., and these elements are also used for special applications in medical technology and electronics.

One of the strategies behind our acquisitions is to complement the basic range with specialist products to make NIBE Element a "one-stop" supplier of all sorts of systems and components for electric heating, including high-energy elements and strip elements for the plastics industry. In some instances technologies within the business area can be used for other applications, such as the vacuum soldering technique employed in the production of heat exchangers.

Research and development

Research and development work at NIBE Element is a four-stage process.

Product development focuses on new types of elements or embedded functions, such as control and regulation. R&D work also aims to improve the qualities of heating elements with regard to temperature limits and insulation. One example of this is the development during the year of a double-insulated element with temperature cut-off features suitable for use in heated towel rails, etc.

Product adaptation is usually carried out in close collaboration with customers to arrive at a solution that suits their specific needs, or, if required, to assume responsibility for

the entire system, as with the development during the year of a thick-film based heating system for waxing skis.

Process development is carried out with the aim of optimising production as regards the choice of material, quality and the technical performance of a product. In 2003 we invested heavily to improve the process for manufacturing aluminium elements from both a quality and technical perspective.

Production engineering development seeks to develop methods and machines that will rationalise the manufacturing process, as demonstrated in 2002 by investments in robots to rationalise the soldering and welding processes for tubular elements used in electric water heaters.

Production

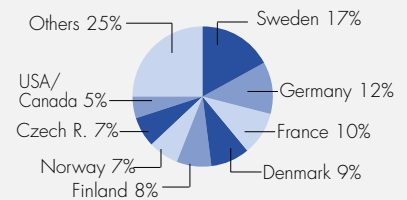
NIBE Element has eighteen manufacturing units in Europe. The main reason behind spreading production across so many countries and factories is that our ability to supply small and medium-sized series quickly is one of our competitive strengths. However, the various units are gradually becoming more specialised when it comes to large series and unique products.

Operations in our French foil element plant were wound up during the year. Production was transferred instead to the Polish plant, a strategic move that also reflected the fact that production of a number of product groups has been moved to countries where labour costs are lower.

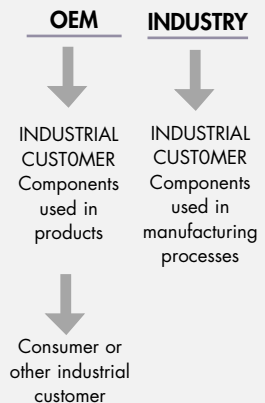
The Swedish foil element plant has been extended to be able to handle the goods flow generated by increased volumes and to facilitate the establishment of a separate unit for special elements.

NIBE Element

Sales by geographical market



Distribution



Opportunities and threats

- + Industry restructuring and expansion through acquisitions
- + Purchasing and production synergies
- + Market position on domestic markets allows marketing of a broader range of products
- + Strong brands
- + Rational, flexible production
- + Access to rational, low-cost production
- + Market position as one of the leading manufacturers in Europe
- + Intensive product development
- New technologies
- Greater competition
- Cost trends in Scandinavia
- Low-price competition
- Product liability and series faults



NIBE Heating

NIBE Heating, Sweden's biggest manufacturer of domestic heating products, is a market leader in northern Europe in the electric water heater and heat pump segments. Its mission is to supply homes with products that provide domestic hot water and ensure a comfortable indoor climate. Over the years the range has developed from fairly basic products to high-tech solutions for heating, cooling, ventilation and heat recovery. In 2003 the range was expanded even further to include district-heating products.

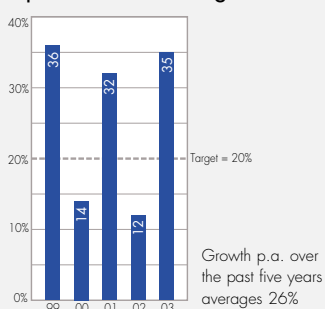
Sales can be divided into the following six product areas

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

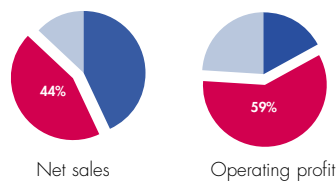
The business area's objective is growth of at least 20% per annum, half of it organic, and an operating profit of at least 10% of sales over a complete business cycle.

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

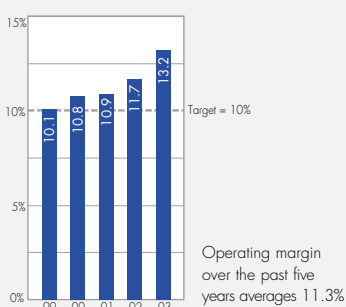
Objective fulfilment – growth



NIBE Heating's contribution to Group net sales and operating profit in 2003



Objective fulfilment – operating margin



Business review – 2003

Demand for heating products has grown in Sweden during the year and we have also increased our market share in virtually all of our product areas, making us the undisputed market leader in Sweden. Sales have also risen in our foreign markets.

Consumer interest in energy-saving and environmentally benign heating products remains strong and the heat pump market in Sweden continued its vigorous expansion in 2003, bolstered by an increase in the number of new houses being built, rising demand in conjunction with renovations and an expanding market for replacements.

The Swedish markets for water heaters and domestic boilers have also increased during the year, with the wood-fired boilers accounting for the biggest proportional improvement.

Demand for NIBE heat pumps has risen in all the Nordic markets, fuelling good growth and capturing market share from our competitors. Outside the Nordic region, the best growth has been recorded in Poland, Germany, Ireland and the Czech Republic.

Strategically, the most significant event in 2003 was the takeover of the Danish water heater manufacturer METRO THERM A/S. This consolidates our position in the market in northern Europe at the same time as it extends our product range with products for the district-heating segment. METRO THERM's annual sales total some SEK 340 million and the Group has 250 employees in five companies.

Shortly before the end of the year we reinforced our new district-heating operations with the acquisition of another Danish company, NETEK Odense A/S, whose annual sales equate to around SEK 13 million.

Operations in Poland have developed positively to report a clear improvement in sales growth and profitability.

The brisk inflow of orders has meant, however, that we have been unable to meet delivery times on certain lines, despite building up stocks to relatively high levels during the spring and greatly increasing production capacity in the autumn.

Outlook for 2004

Demand in Sweden continues to be brisk at the start of 2004 with high energy prices driving market interest in energy recovery and alternatives to traditional heating products. Heat pumps, for instance, are classified as using renewable energy, which is a priority increasingly in focus both in Sweden and abroad.

We believe that the Swedish markets for domestic boilers and water heaters will remain stable throughout 2004.

Although the prospects for our foreign markets vary, we see great potential for continued expansion. The reinforcements we have made to our well oiled marketing departments will strengthen our position in prioritised markets in the Nordic countries, Germany, Poland, the Netherlands and the UK. We will also move into new markets in Europe as part of our strategy of meeting growth targets and reducing dependence on our domestic Swedish market.

The integration of the newly acquired METRO THERM business will continue this year with the aim of developing operations in terms of both sales and operating margin.

Against the background of the strong development in sales last year and during the first few months of 2004 we look to the future confident that we will be able to continue to expand at home and abroad without jeopardising our good profitability.

Market

Sweden

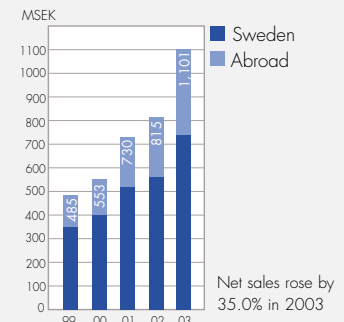
The Swedish market, NIBE Heating's operational base, can be divided into two segments: the construction of new single-family homes and the home improvement or RMI sector (Renovation, Maintenance, Improvement), which currently accounts for the lion's share of sales.

Today's low interest rates encourage the construction of new homes as well as the renovation of existing properties. In 2003 the number of new constructions of private homes in Sweden rose from 8,000 to around 9,000 and this figure is expected to rise even higher in 2004.

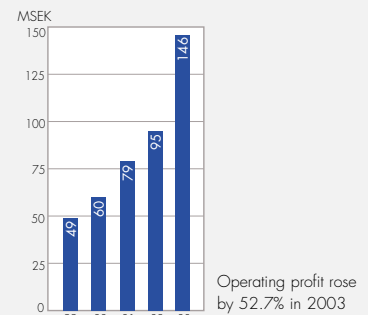


Kjell Ekermo, Business Area Manager

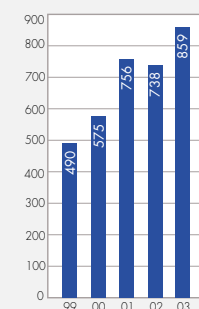
Net sales



Operating profit



Average number of employees





At the same time as exhaust-air heat pumps are being installed in the majority of newly built domestic properties, older heating products in need of replacement are increasingly being superseded by more modern, environmentally superior alternatives. At present this market segment is dominated by ground-source heat pumps.

Foreign markets

The sales potential for our products in Europe is enormous. We may be a leading name in northern Europe, but we remain merely a minor player in the south in segments such as electric water heaters, heating and domestic climate control.

In our Nordic domestic markets we sell a complete range of products adapted to local requirements under local brand names. Here sales of water heaters are stable and the interest in heat pumps is increasing continually.

Despite the fact the German economy remains weak and the number of new private homes being built continues to fall, interest in energy-efficient heating products such as heat pumps is rising. Even so, such alternatives still account for only a small share of the market, where gas and oil are maintaining their dominant position.

In Poland, one of our major foreign markets, the economy and purchasing power have been weak for years. NIBE-BIAWAR is a market leader for electric water heaters in Poland, and the company also serves as the basis for the cost-effective manufacture of products in segments that are subjected to especially keen price competition in a number of other European markets.

Interest for energy-efficient, environmentally benign heating alternatives is also taking off in countries such as Ireland and the Czech Republic. After maintaining a presence in these markets for a number of years, we are now able to report a much improved increase in growth.

Industry trends

NIBE is actively involved in the process of structural rationalisation that is taking place in the European heating and sanitation industry, an industry consisting of a large

number of players of varying sizes. Our expertise in heat pump technology together with our breadth in manufacturing electric water heaters are two decisive factors in this process that speak loudly in our favour.

Product design and distribution channels differ from country to country, but most markets show a clear trend towards more energy-efficient, environmentally adapted solutions. At the same time requirements for ventilation and heat recovery in newly built properties are becoming tougher than ever. The process of drawing up common standards and regulations for the entire EU is now under way, but much remains to be done in a situation where local norms and conventions still frequently dictate the technical properties of saleable products.

Increased competition and the pressure on prices that this brings have seen many companies set up factories in low-cost countries. With its rational and recently modernised plants both in Sweden and several other countries NIBE Heating stands well equipped to assert itself on tomorrow's hotly contested European market.

Products

NIBE Heating has a wide range of domestic heating products enabling end-users to choose a solution that best suits their needs. Our unique ability to offer, for example, water heaters with a choice of three types of corrosion protection – stainless steel, copper or enamel – underscores our resolve to satisfy the personal requirements of each and every customer.

The hallmarks of our products are:

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

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

During the year we have launched a new generation of ground-source heat pumps which include a "peace-of-mind package" for the end-user. A new, upgraded exhaust

NIBE Heating

air heat pump with improved performance and communication facilities has also met with great success. At the same time further development of our outdoor-air heat pump concept has broadened the scope of the range, while the introduction of domestic boilers and water heaters in new designs, has, as always, been an ongoing process throughout the year.

The range has also been extended with water heaters and district-heating products from the product portfolio of the recently acquired METRO THERM Group. District-heating is a new product area for us. Although we are still only a minor player, our ambition is clear: to increase our insights and expertise in this segment and to continue to expand.

Research and development

The market's demands for better energy efficiency and environmentally sound, cost-effective heating solutions make great demands on our R&D work as it becomes apparent that the products of the future must be characterised by:

- improved efficiency/better energy use
- improved control options (remote communication/control)
- convertability (heating in winter/cooling in summer)
- recyclability/environmental adaptation
- continuous improvements in design
- better all-round economy.

A substantial portion of our development resources is allocated to the heat pump business, where much of the work is innovation-driven. Market demands are highly varied and the ambition is to meet different wishes with a basic concept that is as standardised as possible, yet offers the potential to make market adaptations.

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

Environmental considerations are crucial, especially for domestic boilers where

optimising combustion and minimising emissions are important criteria in the development process.

During the year we have rationalised working procedures in the product development process and also increased development resources in order to add extra muscle to our already strong competitive advantages on the technical side.

Production

We have seven production plants in Sweden, Poland, Denmark, Norway and Finland. Three plants were acquired as a result of the METRO THERM takeover.

All production units are continuously engaged in rationalising production and modernising processes by investing in new machinery and production equipment.

Major investments have been carried out over the past three years at the plant in Markaryd, Sweden, which is NIBE Heating's largest.

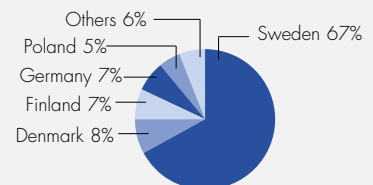
A far-reaching reorganisation of the production process for water heaters is now under way. This involves investment in new equipment and an extension to the existing premises. In a first step, a brand new metalworking shop has been opened. Extensions to the heat pump factory were also completed in 2003, increasing the business area's capacity for these products.

New acquisitions in Norway and Denmark with hypermodern facilities for enamelled and stainless steel water heaters are being integrated into the rest of the business.

Ongoing investment in the Polish factory will improve the cost-efficiency of manufacturing products for the Polish market and segments elsewhere that are subject to fierce competition on price.

As we firmly believe that one path to success lies in passing on to customers the results of our own improved efficiency, we have continued our policy of gradually reducing the price levels of several of our products over the year.

Sales by geographical market



Distribution

SWEDEN



Wholesaler



Installation engineer



End-user

EXPORT



Importer or subsidiary



Wholesaler/
Inst. engineer



End-user

Opportunities and threats

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

NIBE Stoves

NIBE Stoves is the biggest manufacturer of wood-burning stoves in Sweden and the clear market leader in the country. Its mission is to supply the market with space heating solutions for indoor areas in the form of efficient, environmentally friendly solid fuel stoves and chimney systems.

The basis of the range is a series of products with a distinctive Scandinavian design that have been adapted to meet the requirements of our prioritised foreign markets, in terms of both appearance and combustion technology.

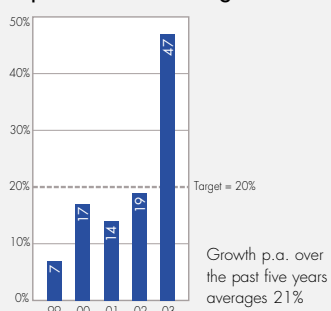
- Solid fuel stoves in sheet steel, or with surrounds of soapstone, tiles etc.
- Masonry stoves
- Cast-iron stoves
- Tiled stoves
- Fire inserts

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

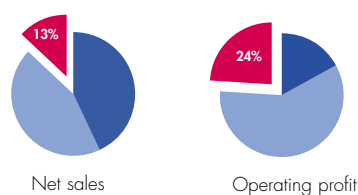
NIBE Stoves' strategy is to supply a wide and complete range of wood-burning products in order to confirm and consolidate its position as the market leader in Sweden. Foreign sales will be developed in stages to reach an initial target of 30% of total sales.



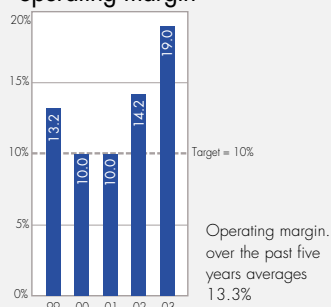
Objective fulfilment – growth



NIBE Stoves' contribution to Group net sales and operating profit in 2003



Objective fulfilment – operating margin



Business review – 2003

Demand for the business area's products has been exceptionally good throughout the year. High energy prices and continued interest among consumers for renovating and extending their properties reflects positively in the earnings for NIBE Stoves, and these factors have contributed to a further consolidation of our position as the market leader in Sweden.

The market in Norway has reacted in the same way, with demand fuelled chiefly by the high price of electricity. Both here and in Germany, where demand in general has stagnated as a result of the recession in Europe, we have increased both our sales and our share of the market significantly.

In the first half of the year we launched a new series of wood-burning stoves under the Contura brand to meet demand in a big product segment on all European markets. These new models, designed to appeal to international tastes, have been a major success: last autumn the Swedish Consumer Agency voted the Contura 500 the most efficient stove on the market.

New investments in production equipment, the optimum utilisation of the shift system and an extensive recruitment drive have seen our production capacity increase steadily over the past twelve months. In spite of these forceful measures, however, the production lines have not been able to keep pace with the brisk demand. This led to poorer delivery reliability than usual during the peak period and abnormally long delivery times. Fortunately, we have succeeded in working off the backlog and have caught up with demand during the first quarter of 2004.

Sales increases for the products we manufacture ourselves, the streamlining of the range, a relatively uniform production rate throughout the year and the full impact of earlier rationalisations that have been made in our production plants have all played their part in helping us to improve our earnings over the past twelve months.

Outlook for 2004

After last year's dramatic rise in demand in Sweden, it is our opinion that orders will continue to remain at a high level, and we anticipate that our wide range and strong market position will provide us with the potential to increase our share of the market in Sweden during 2004.

Broadening our range with products that have a more international appeal has attracted customers in Europe. Bolstered by more intensive marketing, this should increase our sales outside Sweden, even if the state of the economy in Europe as a whole remains rather poor.

At present production capacity is well suited to meet demand, but it will be expanded during the first half of the year in order to guarantee reliable and acceptable delivery times during the next peak period.

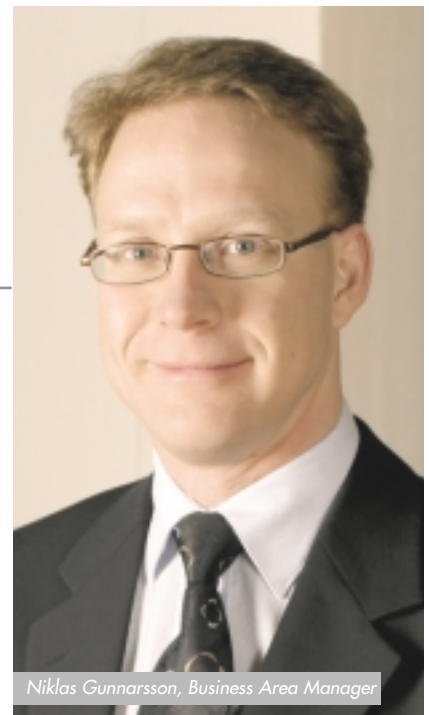
Our minority stake in the Norwegian cast-iron stove manufacturer, Jøtul, has been a tale of many twists and turns. Until mid-March everything suggested that operations in Jøtul would be taken over by American venture capitalists, but they have now withdrawn from the deal. At the time of writing we are awaiting further information from the Jøtul board and the majority shareholders.

All in all, the prospects appear bright for NIBE Stoves to be able to continue to develop positively and profitably.

Market

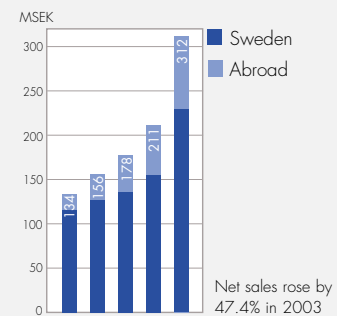
Sweden

The market for wood-burning stoves tends to follow the business cycle, with sales of capital items rising during times of economic prosperity. However, energy prices and government energy policies also impact on sales. Demand for wood-burning stoves has increased constantly since the mid 1990s as a result of escalating energy costs and economic policies that have given Swedish households more scope for consumption.

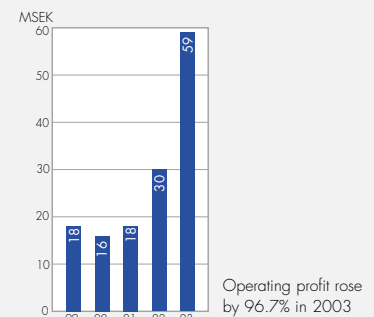


Niklas Gunnarsson, Business Area Manager

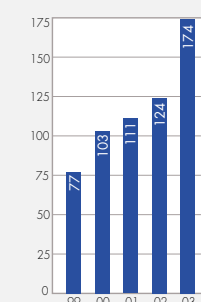
Net sales



Operating profit



Average number of employees





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

Thanks to its broad and comprehensive range of products, NIBE Stoves is the undisputed market leader in Sweden. Our aim is to defend and strengthen this position by proactive marketing and a steady stream of attractive, new products.

Abroad

Demand in our export markets is governed by the same factors as those in Sweden. While the increasingly frail health of the European economy over recent years has had a negative impact on demand, especially in Germany and among its neighbours, our own sales have developed in a very positive direction on all the markets where we are active. In Scandinavia, particularly Norway, this owes much to the spiralling prices of electricity.

Demand varies from country to country in terms of product design, materials and technology. The Swedish market is dominated by stoves with a Swedish design, manufactured in steel plate. Finnish consumers tend to favour warm-body stoves finished in stone or tiles, while the Norwegians prefer cast-iron models or cast-iron inserts with a masonry surround. Germans and Danes share relatively similar tastes for lightweight, steel-plate stoves with contemporary styling. Such variations in taste are generally the result of the fact that a specific style has been established in a market by domestic manufacturers.

Several markets, however, are now showing a much greater willingness than before to accept new products in a new design from foreign manufacturers.

Industry trends

Over the past ten years the structure of the Swedish market has been totally transformed from a large number of small manufacturers to a handful of big names. NIBE has been a driving force behind this development, acquiring many of the

market's best-known brands and setting a trend among competitors to build up large ranges to cater for all tastes.

In our neighbouring Scandinavian markets, however, the situation is somewhat different: Norway has only a few domestic stove-builders and the market is dominated by just one big name, Finland has several fairly large companies, mostly specialising in heavy, warm-body stoves, while Denmark has many small or medium-size manufacturers, almost all of them producing stoves in steel plate and many with a long tradition of supplying the German market. There are also a number of manufacturers of all sizes in Central Europe, for whom wood-burning stoves are just one of many different types of product in their range. It seems likely, therefore, that there will be some kind of structural change on several European markets in the near future.

In most markets the trend is away from big, bulky, heat-accumulating products towards relatively inexpensive, lightweight stoves. It is here that we believe tomorrow's growth is to be found – in the product segment where companies have proved their ability to offer modern design in combination with a competitive price.

Today most companies producing wood-burning stoves invest in their own product development, but some successful models are plagiarised, produced in low-cost countries and sold at low prices, first and foremost by the big European multiples. This suggests that in future it will be more than product technology alone that determines a manufacturer's success. The long-term planning of a company, its financial stability, environmental reputation and ability to show the proper concern for its dealers and end-customers will all grow in significance over the years to come.

By the same token, our brands and trademarks, which send out certain signals about product quality to our customers, will also become increasingly important. Today NIBE Stoves owns several well-known and highly respected brands and has a clear strategy for strengthening, integrating and developing these in the future.

NIBE Stoves

Products

NIBE Stoves develops and sells its own products under the Handöl, Contura, Cronspisen and Roslagsspisen brands, and has sole rights in Sweden for the sale of products from Morsø (Denmark), which enjoys a dominant position in its own domestic market. As these brands are so strong, particularly on the domestic market, all have been protected as trademarks.

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

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

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

Research and development

NIBE Stoves has a long tradition of product development. Substantial resources are allocated to developing combustion technology, primarily to minimise the impact of our products on the environment and to improve their efficiency.

As proof of this, NIBE Stoves has become the first stove manufacturer in Sweden to have a number of its products "P-marked" in accordance with criteria for enhanced quality and environmental certification drawn up by SP (the Swedish Testing and Research Institute). These guarantee that the stove's heat output can be regulated and that the stove produces low emissions and delivers high efficiency.

Moreover, our products have consistently shown the highest rate of heating efficiency

in comparison with competing products in a number of officially conducted performance tests in Sweden.

Product design accounts for much of our development work, as fashions in wood-burning stoves tend to mirror home furnishing trends. To this end, our development department works in close collaboration with external industrial designers both in Sweden and abroad.

To maintain an attractive and profitable range in both the short and the long term, development projects are created around both existing fire-boxes and totally new combustion chambers and models. We have a very clear strategy governing what we believe a successful range of models should look like, and the sales performance of all our models is continuously assessed with an eye to profitability.

The general trend is for new models to be developed and launched with increasing rapidity, and thanks to our rational product development process, where much of the work is carried out in a 3D computer environment supported by prototype testing in our state-of-the-art laboratory, we have been able to reduce development times significantly.

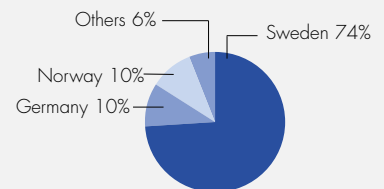
As we owe much of our success to the appeal of our designs among consumers, we endeavour always to protect the design of new models by registering them with the relevant authorities.

Production

The majority of our own products are made at the company's modern production plant in Markaryd, inaugurated in the summer of 2002. The facilities here are continually being updated to improve productivity and to ensure that the plant is equipped to meet increases in future volumes.

Cronspisen tiled stoves are manufactured at a separate factory in Emmaboda in the south of Sweden as the production process is entirely different to the one used for our other wood-burning stoves.

Sales by geographical market



Distribution



Opportunities and threats

- + Sales potential in some segments of the domestic market
- + Very large export market
- + Strong, in-house product development
- + Strong brands
- + Broad range of products
- + Many different types of products to satisfy a broad customer segment minimise exposure to risk
- + Rational production
- + Expansion through acquisitions
- Hastily introduced energy policies
- Local authority decisions on restrictions relating to wood-burning products
- Low-price competition
- General economic climate



Leif Gustavsson, Financial Director

Five-year Review

Consolidated Income Statement

Income Statement over five years

Over the past five years sales and profits have risen steadily. The target has been annual growth of 20%. During the five-year period 1999–2003, sales have risen from SEK 1,026.8 million to SEK 2,451.1 million. This is partly the result of organic growth and partly the consequence of an aggressive acquisitions strategy that has seen the Group take over more than twenty companies and lines of business.

Over the period, growth has averaged 19.0%, of which 11.3% is attributable to organic growth and 7.7% to acquired sales.

The profit target has been for each of the Group's business areas to achieve, on average, an operating margin of at least 10%, over a business cycle and for the Group's return on equity to average 20%.

Average operating margins for the Group's business areas over the five-year period are 6.1% for NIBE Element, 11.6% for NIBE Heating and 14.2% for NIBE Stoves.

Over the same period, the Group's return on equity has averaged 22.5% excluding SPP, and 22.9% including SPP.

Income Statements

(in millions of SEK)	2003	2002	2001	2000	1999
Net sales	2,451.1	1,944.2	1,677.1	1,304.2	1,168.2
Cost of goods sold	- 1,736.3	- 1,389.3	- 1,242.7	- 959.5	- 864.6
Gross profit	714.8	554.9	434.4	344.7	303.6
Selling expenses	- 360.5	- 281.0	- 221.5	- 175.9	- 150.8
Administrative expenses	- 144.8	- 108.3	- 92.3	- 67.5	- 62.6
Items affecting comparability ¹⁾	-	-	-	+ 17.4	-
Other income	+ 24.3	+ 12.1	+ 13.6	+ 12.3	+ 7.7
Operating profit	233.8	177.7	134.2	131.0	97.9
Net financial items	- 16.0	- 22.7	- 11.9	- 7.0	- 3.8
Profit after net financial items	217.8	155.0	122.3	124.0	94.1
Tax	- 72.9	- 49.7	- 38.9	- 37.9	- 29.8
Minority participation in profit after tax	- 0.5	+ 0.4	+ 0.2	-	- 0.2
Net profit for the year	144.4	105.7	83.6	86.1	64.1
<i>Includes the following amounts for depreciation according to plan</i>	<i>89.5</i>	<i>70.9</i>	<i>58.7</i>	<i>46.3</i>	<i>41.4</i>

¹⁾ Refers to premium surplus from SPP pension insurance.

Income Statement 2003

Net sales

The NIBE Group's net sales for 2003 rose 26.1% to SEK 2,451.1 million (2002: SEK 1,944.2 million), with volumes rising in all three business areas. The 13.5% rise for NIBE Element was attributable solely to organic growth. NIBE Heating reported an increase of 35.0%, with 23.3% attributable to organic growth and the remaining 11.7% deriving from acquisitions. For NIBE Stoves growth was 47.4%, all of which was organic.

The Group's net sales outside Sweden rose by SEK 246.3 million to SEK 1,313.0 million (SEK 1,066.7 million). As such, net sales abroad accounted for 53.6% (54.9%) of total net sales. Group net sales in the Swedish market climbed by 29.7% to SEK 1,138.1 million (SEK 877.5 million).

Organic growth accounted for SEK 287.0 million of the total SEK 506.9 million increase in Group net sales. The remaining SEK 219.9 million came from acquisitions, with SEK 124.5 million of this figure attributable to NIBE Element and SEK 95.4 million to NIBE Heating.

Operating profit

Group operating profit for 2003 rose to SEK 233.8 million (SEK 177.7 million), which is an increase of 31.6% on last year's figure. The operating margin was 9.5% (9.1%).

The greatest cash increase in operating profit was the SEK 50.3 million reported by NIBE Heating, an improvement of

52.7% on the previous year. The greatest proportional increase was the 96.7% reported by NIBE Stoves, which corresponded to an extra SEK 29.1 million in earnings. Profits for NIBE Element, on the other hand, fell by 34.5% to SEK 21.7 million.

Goodwill

Operating profit was charged with goodwill amortisation of SEK 19.1 million (SEK 14.8 million).

Goodwill for operations acquired during the year is included from the date of the acquisition. On a full-year basis this equates to SEK 22.4 million.

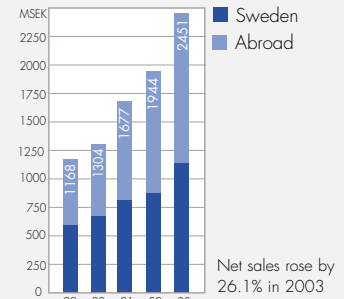
Profit after financial items

Profit after financial items rose by 40.5% to a figure of SEK 217.8 million (SEK 155.0 million), equivalent to a net profit margin of 8.9% (8.0%). Net interest expenses for the Group decreased from SEK 22.7 million in 2002 to SEK 16.0 million in 2003. About half of the improvement of SEK 6.7 million is due to exchange rate gains and share dividends.

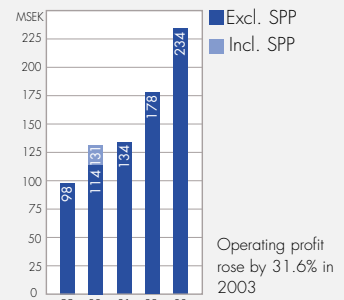
Tax

The tax charged for 2003 amounted to SEK 72.9 million (SEK 49.7 million), equivalent to an effective tax rate of 33.5% (32.1%). The nominal tax rate in Sweden is 28%. The main reason for the higher effective tax rate is primarily non-deductible goodwill amortisation charges and unutilised loss carry-forwards, but also the fact that some of the earnings were generated by foreign subsidiaries liable to pay higher tax rates.

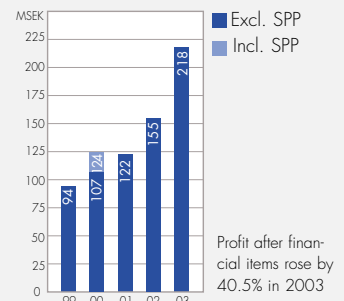
Net sales 1999–2003



Operating profit 1999–2003

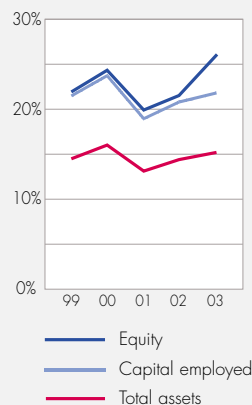


Profit after financial items 1999–2003

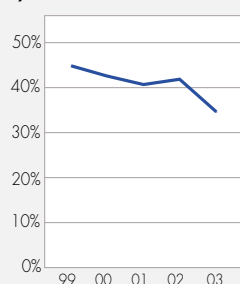


Consolidated Balance Sheet and Key Ratios

Returns 1999–2003



Equity/assets ratio 1999–2003



Balance Sheet over five years

Over the five-year period 1999–2003 the balance sheet total has risen from SEK 671.2 million to SEK 1,870.8 million.

Inventories and current receivables, which consist mainly of accounts receivable relating to trade, make up just over 50% of the balance sheet total. Both these items are, in principle, directly related to sales, and, thereby, to growth. Intangible assets consist chiefly of goodwill arising in connection with the acquisition of companies or operations. Standard depreciation for goodwill is over 10 years, but strategic acquisitions may be written off over 20 years. One such strategic acquisition is the takeover of METRO THERM A/S carried out in 2003. Apart from that, all goodwill is being depreciated over 10 years.

The increase of SEK 44.0 million in financial assets over the past five years is made up almost exclusively of shares in the Norwegian company Jøtul AS.

Provisions relate mainly to pension liabilities, guarantee risk reserves and deferred taxation. Long-term and current interest-bearing liabilities are exclusively loans

from banks and other financial institutions. In the latest five-year period these have risen from SEK 140.0 million to SEK 631.8 million. The increase arose partly through the expansion of existing units in the NIBE Group, and partly through interest-bearing liabilities already incurred by companies or operations acquired. Almost 80% of current non-interest-bearing liabilities, which have increased from SEK 167.0 million to SEK 422.6 million over the past five years, consists of accrued expenses and traditional trade creditors, both of which are directly related to the expansion of the business.

The Group's target is for equity ratio not to fall below 30%. Over the five-year period, equity/assets ratio has averaged 39.9%.

Balance Sheet 2003

Equity ratio and return

The Group's equity ratio at the yearend was 34.6% (41.8%). The Group's equity including minority shareholdings in other companies totalled SEK 649.1 million (SEK 554.4 million).

Balance Sheets

(in millions of SEK)	2003	2002	2001	2000	1999
Intangible assets	191.6	99.7	84.8	77.5	68.7
Tangible assets	659.3	426.9	394.5	303.6	219.1
Financial assets	47.2	43.4	26.2	10.2	1.4
Total fixed assets	898.1	570.0	505.5	391.3	289.2
Inventories	445.6	377.7	331.6	289.8	223.7
Current liabilities	443.3	306.1	289.2	232.2	186.4
Current investments	2.3	0.9	3.1	0.7	0.9
Cash and bank	81.5	67.1	53.4	34.3	34.1
Total current assets	972.7	751.8	677.3	557.0	445.1
Total assets	1,870.8	1,321.8	1,182.8	948.3	734.3
Equity	646.9	553.2	483.2	403.9	329.6
Minority participation	2.2	1.2	3.0	4.4	0.6
Provisions	160.8	124.2	102.4	92.0	78.6
Long-term liabilities, non-interest-bearing	6.5	7.4	0.2	0.2	0.2
Long-term liabilities, interest-bearing	576.1	294.8	274.1	190.5	122.1
Current liabilities, non-interest-bearing	422.6	299.6	282.7	237.3	185.8
Current liabilities, interest-bearing	55.7	41.4	37.2	20.0	17.4
Total equity and liabilities	1,870.8	1,321.8	1,182.8	948.3	734.3

The Group's target is for a long-term return on equity of 20%. During 2003, return on equity was 26.1% (21.5%). The return on capital employed was 21.8% (20.8%). For the business areas, the profitability target is that the operating margin over an economic cycle should average at least 10% for each profit centre. The operating margin in 2003 for NIBE Element

was 3.9% (6.7%), for NIBE Heating 13.2% (11.7%), and for NIBE Stoves 19.0% (14.2%). The operating margin for the Group as a whole was 9.5% (9.1%).

Liquid resources

The Group's liquid resources at the end of 2003 amounted to SEK 81.5 million (SEK 67.1 million), to which should be added

unutilised bank overdraft facilities totalling SEK 259.1 million (SEK 196.1 million). During the year, the Group's overdraft facilities increased by SEK 115.9 million, of which SEK 90.3 million was added through acquisitions.

Key ratios		2003	2002	2001	2000 ¹⁾	2000 ²⁾	1999
Net sales	MSEK	2,451.1	1,944.2	1,677.1	1,304.2	1,304.2	1,168.2
Growth	%	+ 26.1	+ 15.9	+ 28.6	+ 11.6	+ 11.6	+ 13.8
Profit after net financial items	MSEK	217.8	155.0	122.3	106.6	124.0	94.1
Net investments in fixed assets	MSEK	350.6	136.3	151.0	124.6	132.9	58.8
Gross margin	%	13.2	12.8	11.5	12.3	13.6	11.9
Operating margin	%	9.5	9.1	8.0	8.7	10.0	8.4
Net profit margin	%	8.9	8.0	7.3	8.2	9.5	8.1
Capital employed	MSEK	1,307.5	918.0	823.7	629.4	641.9	492.7
Equity	MSEK	646.9	553.2	483.2	391.4	403.9	329.6
Return on capital employed	%	21.8	20.8	19.0	20.9	23.7	21.5
Return on equity	%	26.1	21.5	19.9	21.3	24.3	21.9
Return on total assets	%	15.2	14.4	13.1	14.1	16.0	14.5
Asset turnover	times	1.54	1.55	1.57	1.57	1.55	1.66
Equity/assets ratio	%	34.6	41.8	40.8	42.0	42.6	44.9
Proportion of risk-bearing capital	%	39.6	47.4	46.4	48.3	48.7	51.5
Operating cash flow	MSEK	15.6	32.9	14.7	- 13.3	- 8.7	27.5
Interest cover	times	9.6	7.0	8.1	11.1	12.8	13.4
Interest-bearing liabilities/Equity	%	101.8	65.7	69.9	59.7	57.8	49.3
Average number of employees		2,881	2,444	2,183	1,617	1,617	1,475

¹⁾ Excluding SPP premium refunds ²⁾ Including SPP premium refunds

Definitions

Growth

Percentage change in net sales compared with previous year.

Gross margin

Operating profit before depreciation as a percentage of net sales.

Operating margin

Operating profit as a percentage of net sales.

Net profit margin

Pre-tax profit as a percentage of net sales.

Capital employed

Total assets minus non-interest-bearing liabilities and deferred taxes.

Equity

Taxed equity plus untaxed reserves minus tax.

Return on capital employed

Profit after net financial items plus financial expenses as a percentage of average capital employed.

Return on equity

Profit after net financial items minus tax at standard rate (28%) as a percentage of average equity.

Return on total assets

Profit after net financial items plus financial expenses as a percentage of average balance sheet total.

Asset turnover

Net sales divided by the average balance sheet total.

Equity/assets ratio

Assets as a percentage of balance sheet total.

Proportion of risk-bearing capital

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

Operating cash flow

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

Interest cover

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

Interest-bearing liabilities / Equity

Interest-bearing liabilities as a percentage of equity.



Consolidated Cash Flow Statements

Cash Flow over five years

Cash flow before changes in working capital

Over the latest five-year period, cash flow from day-to-day operations has shown a positive trend.

Working capital

The Group requires that working capital, measured as current assets minus current liabilities, is within the range of 20–25% of sales for all units. Over the past five years, the Group's working capital has averaged around 21% of sales.

Investment in existing operations

Between 2000 and 2002 investment in existing operations was around SEK 100 million, rising to SEK 170 million over the past year. Most of these funds have been invested in the Group's plants in Markaryd, Sweden, where most of the production facilities for NIBE Heating and NIBE Stoves are concentrated. Investments have also been made in connection with the restructuring of the Swedish foil element factories.

Acquisition of businesses

Over the years, NIBE Industrier has pursued an aggressive acquisitions strategy. In the five-year period, nineteen takeovers of companies and lines of business have been made, of which eleven were in the NIBE Element business area, six in NIBE Heating and two in NIBE Stoves. It is the company's intention to continue its acquisitions strategy in the future.

Financing

In connection with the company's flotation on the Stockholm Stock Exchange in 1997, a new issue was made, which realised SEK 79.1 million. The funds from the new issue, together with internally generated cash flow and traditional bank financing, were used for acquisitions and investment in existing operations over the five-year period.

Share dividends

NIBE Industrier aims to pay share dividends of 25–30% of the net profit for the year after full tax. Over the five-year period, share dividends have accounted for between 27.5% and 30.5% of the net profit for the year after full tax, excluding the effect of any premium refunds from the SPP pensions insurance scheme.

Cash Flow Statement

(in millions of SEK)	2003	2002	2001	2000	1999
Cash flow before change in working capital	240.7	176.0	134.5	139.3	101.9
Change in working capital	- 54.7	- 34.5	- 11.6	- 48.6	- 31.5
Cash flow from operating activities	186.0	141.5	122.9	90.7	70.4
Investments in current operations	- 170.3	- 108.6	- 108.2	- 99.4	- 42.9
Operating cash flow	15.7	32.9	14.7	- 8.7	27.5
Acquisition of companies	- 180.3	- 27.7	- 42.8	- 33.5	- 15.9
Cash flow after investments	- 164.6	5.2	- 28.1	- 42.2	11.6
Financing	212.8	34.6	67.4	59.5	2.8
Dividend to shareholders	- 32.3	- 25.0	- 22.0	- 17.6	- 14.7
Cash flow for the year	15.9	14.8	17.3	- 0.3	- 0.3
Liquid funds at the beginning of the year	67.1	53.4	34.3	34.1	36.2
Exchange rate difference in liquid funds	- 1.5	- 1.1	1.8	0.5	- 1.8
Liquid funds at year-end	81.5	67.1	53.4	34.3	34.1

Cash Flow 2003

Cash flow from day-to-day activities

The consolidated cash flow for 2003 after changes in working capital amounted to SEK 186.0 million (SEK 141.5 million).

Investment

Group acquisitions of subsidiary companies/lines of business totalled SEK 180.3 million (SEK 27.7 million). Investment in existing units totalled SEK 170.3 million (SEK 108.6 million), allocated as follows:

(SEK million)	2003	2002
Machinery and equipment	92.8	67.6
Properties	41.0	24.7
Construction in progress	19.8	- 10.0
Other fixed assets	16.7	26.3
	170.3	108.6

Consequently, cash flow after investment activities was SEK - 164.6 million (SEK 5.2 million).

Operating cash flow (i.e. after investment but excluding acquisitions of subsidiary companies/lines of business) totalled SEK 15.7 million (SEK 32.9 million).

Credits from finance institutions and pensions funds etc.

(SEK million)	2003	2002
Loan with floating interest and repayments over 10 yrs	507.2	264.5
Utilised portion of overdraft facilities with floating rate of int.	124.6	71.7
Pensions provisions	26.5	27.5
Total interest-bearing liabilities	658.3	363.7
Unutilised overdraft facilities	259.1	196.1
Total credit available	917.4	559.8

The Group's total interest-bearing liabilities at the year-end amounted to SEK 658.3 million (SEK 363.7 million). The average interest expense for the total of interest-bearing liabilities was 4.6% (6.6%).

The Group's net liabilities (i.e. interest-bearing liabilities minus cash and bank and short-term investments) totalled SEK 574.5 million (SEK 295.7 million).

Acquisitions

During 2003 six acquisitions were made, all outside Sweden;

Danotherm Electric A/S, Denmark (80%), with annual sales of around SEK 70 million, consolidated with effect from January 2003.

Finohm, Finland (load resistor operations), with annual sales of around SEK 2 million, consolidated with effect from January 2003.

Sinus Bobé, Netherlands, with annual sales of around SEK 27 million, consolidated with effect from March 2003.

Facsas, Spain, with annual sales of around SEK 57 million, consolidated with effect from March 2003.

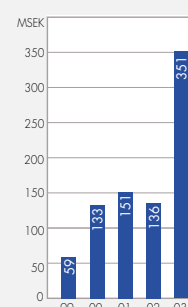
METRO THERM A/S, Denmark, with annual sales of around SEK 340 million, consolidated with effect from October 2003.

Netek, Denmark, with annual sales of around SEK 13 million, consolidated with effect from January 2004.

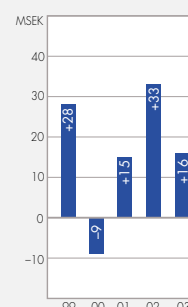
Cash flow effect on acquisitions

(SEK million)	2003	2002
Intangible assets	- 99.1	- 22.8
Tangible assets	- 161.0	- 15.8
Financial assets	- 2.6	0.0
Current receivables	- 78.3	- 8.5
Inventories	- 85.5	- 9.0
Cash and bank	- 7.2	0.0
Provisions	25.7	0.0
Liabilities	220.5	28.4
Purchase price	- 187.5	- 27.7
Liquid assets in companies acquired	7.2	0.0
Effect on the Group's cash and cash equivalents	- 180.3	- 27.7

Net investments in fixed assets 1999-2003



Operating cash flow 1999-2003





Risk Management

Dependence on customers

All three business areas work with a wide range of customers. None are so dependent on any one customer or group of customers that the loss of that customer/group could seriously impair the profitability of the business area in question.

Bad debt losses

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

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

Dependence on suppliers

All components in the products sold by the Group's three business areas are manufactured by a large number of suppliers in Europe and the rest of the world. When selecting suppliers, a thorough review is made of the supplier's ability to meet the Group's requirements. We always have alternative suppliers for all the components we use.

In our judgement, the Group would not suffer any serious harm as a result of an individual supplier being unable to meet our stipulated requirements.

Material prices

A fairly significant proportion of the NIBE Group's products consist of materials priced in US dollars and quoted on the London Metal Exchange. In order to counteract any over-dependence on individual currencies and markets, the purchasing process has been globalised.

Other operating expenses

Other operating expenses follow price trends in the markets in which the Group operates.

Currency risks

Day-to-day transactions

66.6% (63.4%) of Group invoicing from Sweden is in Swedish kronor (SEK). For invoicing and purchasing denominated in another currency, the Group hedges the estimated future net flow over the year for a period of 6–12 months. The total net flow of foreign currency translated into Swedish kronor (SEK) in 2003 was approximately SEK 301 million. The largest net inflows during the year arose in euros (SEK 176 million) and in Norwegian kroner (SEK 51 million), while the largest outflow was in Danish kroner (SEK 12 million).

Investments in foreign currency

The value of foreign net assets according to the consolidated balance sheet as at 31 December 2003, totalled around SEK 329 million, of which amounts corresponding to SEK 109 million represented net assets in Danish kroner, SEK 65 million in euros, SEK 65 million in Polish zloty, SEK 61 million in Norwegian kroner, SEK 28 million in Czech koruny and SEK 1 million in US dollars.

If the value of the Swedish krona were to fall by 1% against these currencies, this would mean that Group equity would increase by SEK 3.3 million. If the Swedish krona were to appreciate in value by 1% against the same currencies, there would be an equivalent decrease in equity.

Interest rate risks

Group interest-bearing liabilities amounted to SEK 658.3 million at the year-end. The average interest rate was 4.6%. A change in interest rates of 1%, with liabilities otherwise remaining constant, would entail an improvement/deterioration in results of SEK 6.6 million for the Group.

Sensitivity analysis

The Group is exposed to a number of risk factors that affect earnings trends. Several of the risks are outside the Group's control. The table shows the effect of a variety of changes on the Group's result, based on the income statement for 2003.

Future capital requirements

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

In any particular year, the total capital requirement may exceed internal cash flow. It is expected that any shortfall will be met partly through the traditional banking system and partly through the stock market.

Risks relating to disputes over patents and other matters

The Group holds few patents and only for components which form part of its finished products. However, NIBE does have a number of registered designs and registered trademarks. As far as we are aware, we have not infringed any third party's patent. None of the Group's operating companies is involved in any material legal disputes.

Other risks

It is our considered opinion that the Group has adequate cover in respect of traditional insurance risks such as fire, theft, liability and so on. The excess on our policies is between one and five times the so called "basic amount" prescribed in Sweden for calculations of this kind.

Within the Group's product area, there is always a risk that a series fault could lead to product recalls, through faults in materials or for other reasons. These risks are minimised by the fact that the majority of Group companies are certified in accordance with ISO 9001. Certification means that there are control procedures for internal processes and manufacturing as well as for the use of components manufactured by other suppliers. Insurance policies have been taken out as additional risk cover for similar events.

Sensitivity analysis

	Base for calc. SEK m	Change %	Impact SEK m
Net sales (margin constant)	2,451.1	+/- 1.0	9.6
Operating margin (volume constant)		+/- 0.1	2.5
Material costs	950.4	+/- 1.0	9.5
Payroll expenses	672.6	+/- 1.0	6.7
Interest-bearing liabilities (interest constant)	658.3	+/- 10.0	3.0
Interest rate % (interest-bearing liabilities constant)	4.6%	+/- 1.0	6.6

Based on Income Statement 2003

Sensitivity to currency movements in foreign net assets

	SEK change %	Impact SEK m
Swedish krona rises against all currencies in which NIBE Industrier has net assets	+ 1.0	- 3.3
Swedish krona falls against all currencies in which NIBE Industrier has net assets	- 1.0	+ 3.3

Based on net assets 31 December 2003.

Administration Report

The Board of Directors and Managing Director of NIBE Industrier AB (publ) hereby present their report for the 2003 financial year. (Figures in brackets relate to the previous financial year.)

Principal activities

The NIBE AB Group consists of engineering companies whose production and sales consist mainly of ground-source heat pumps, exhaust-air heat pumps, water heaters, boilers and stoves. Production takes place in Markaryd, Trelleborg and Emmaboda in Sweden, and in Finland and Poland. NIBE AB also operates through branches in Denmark and Finland.

The METRO THERM A/S Group's production and sales consist of water heaters and district-heating consumer units. Production takes place in Denmark and Norway. There are also sales subsidiaries in Sweden and Finland.

The BACKER Group's production and sales consist mainly of tubular elements. Production takes place in Sösdala and Tjörnarp in Sweden, and in Norway, Finland, Denmark, Poland, the Czech Republic, Italy and Spain. Loval Oy, Jevi A/S and Svend A. Nielsen A/S operate in the same field as the Backer Group and are the largest players in the Finnish and Danish markets respectively.

Calesco Foil AB, including the Norells Group, produces and sells foil elements. Production takes place in Kolbäck in Sweden and in Poland. There is also a sales subsidiary in the USA.

Sales

The Group's net sales amounted to SEK 2,451.1 million (SEK 1,944.2 million). Of the total sales growth of SEK 506.9 million, SEK 287.0 million relates to comparable units.

Earnings

Group profit after net financial items was SEK 217.8 million (SEK 155.0 million). Return on equity was 15.2% (14.4%).

Investments

The Group's net investments totalled SEK 350.7 million (SEK 136.3 million), of which SEK 180.3 million (SEK 27.7 million) in businesses, SEK 92.8 million (SEK 67.6 million) in machinery and equipment, SEK 41.0 million (SEK 24.7 million) in buildings and land, SEK 19.8 million (SEK -10.0 million) in construction in progress, SEK 15.0 million (SEK 9.3 million) in goodwill, SEK 0.4 million (SEK -0.2 million) in other intangible assets, SEK -0.6 million (SEK 39.3 million) in associated companies and other long-term securities, and SEK 2.0 million (SEK -22.1 million) in long-term receivables.

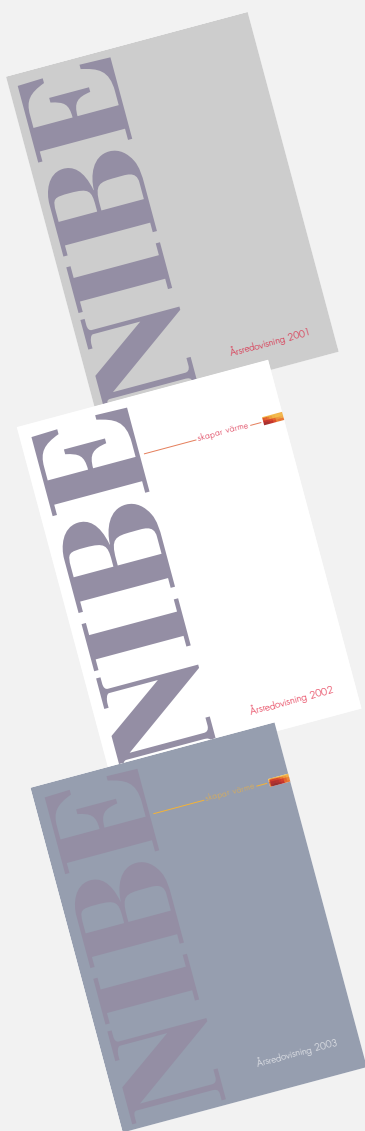
Financial position

The Group's liquid assets, including current investments, amounted to SEK 83.8 million (SEK 68.0 million). The Group also had committed unused credit facilities of SEK 259.1 million (SEK 196.1 million). The Group's bank overdraft facilities grew by SEK 115.9 million during the year, of which SEK 90.3 million through acquisitions.

Important events during the year

Six acquisitions were made during the year, all outside Sweden. Acquired full-year sales totalled around SEK 500 million, for which the METRO THERM Group in Denmark accounts for the the largest proportion.

The NIBE share was split four-for-one during the year.



Important post-balance-sheet events

An agreement was entered into at New Year on the acquisition of UK tubular element company Shel, which also has activities in China.

Outlook

NIBE has continued to strengthen its position in priority markets. The prospects for continued growth in market share are believed to be good in all three business areas. Work on improving internal efficiency is constantly under way in order to increase competitiveness. The prospects for a number of further acquisitions are believed to be good, and confidence in NIBE's performance in 2004 is again strong.

Transition to IFRS in 2005

Listed companies in the EU are to apply International Financial Reporting Standards (IFRS) in their reporting from 2005. NIBE will begin reporting in line with IFRS from 31 March 2005 with comparative figures for 2004.

Gradual adjustments have been made through the introduction of new recommendations from the Swedish Financial Accounting Standards Council. Its recommendation on employee benefits will be implemented in 2004.

Work on identifying differences between current accounting standards and IFRS has been ongoing for some time. The goal is for restated figures for the first quarter of 2004 to be ready after the summer of 2004, and for information on additional notes to the accounts to be completed in May 2004.

The Board's work

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

During 2003 the Board convened on 14 occasions, nine of which were conducted as telephone conferences. Board meetings were held in connection with the publication of interim reports and the year-end unaudited figures, with the company's budget and with major investments and takeovers. Minutes were taken at all meetings.

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

The Group's non-restricted equity

The Group had non-restricted equity of SEK 451.2 million at the year-end. There are no proposals for transfers to restricted reserves.

Appropriation of profits

The Board of Directors and Managing Director propose that the profits of SEK 106.9 million at the disposal of the Annual General Meeting be appropriated as follows:

Dividend	SEK 43.4 million
Carried forward	SEK 63.5 million
Total	SEK 106.9 million

Legal structure

NIBE Industrier AB

NIBE AB

(Sweden)
Subsidiaries in
Netherlands, Poland,
Germany

METRO THERM A/S

(Denmark)
Subsidiaries in
Denmark, Finland,
Norway, Sweden

Backer BHV AB

(Sweden)
Subsidiaries in
Denmark, Finland, Italy,
Norway, Poland, Spain,
Czech Republic

Calesco Foil AB

(Sweden)
Subsidiaries in
Sweden, USA

Loval Oy

(Finland)

Jevi A/S

(Denmark)
Subsidiary in
Netherlands

S. A Nielsen A/S

(Denmark)



Annual Accounts 2003

Income Statements

(in millions of SEK)		Group		Parent company	
		2003	2002	2003	2002
Net sales	Note 1	2,451.1	1,944.2	2.1	3.2
Cost of goods sold		- 1,736.3	- 1,389.3	-	-
Gross profit		714.8	554.9	2.1	3.2
Selling expenses		- 360.5	- 281.0	-	-
Administrative expenses	Note 3	- 144.8	- 108.3	- 11.1	- 10.8
Other operating income		24.3	+ 12.1	-	0.4
Operating profit	Notes 1 - 6	233.8	177.7	- 9.0	- 7.2
Profit from financial investments					
Profit from participations in Group companies	Note 7	-	-	53.2	52.3
Profit from participations in associated companies	Note 7	3.7	-	3.7	-
Interest income and similar profit/loss items	Note 8	5.6	3.0	7.1	4.1
Interest expenses and similar profit/loss items	Note 9	- 25.3	- 25.7	- 8.7	- 11.7
Profit after financial items		217.8	155.0	46.3	37.5
Appropriations	Note 10	-	-	0.0	1.5
Tax on the profit for the year	Note 11	- 72.9	- 49.7	- 0.3	- 0.4
Minority participation in profit after tax		- 0.5	0.4	-	-
Profit for the year		144.4	105.7	46.0	38.6
<i>Includes these amounts for depreciation according to plan</i>		89.5	70.9	0.0	0.0
<i>Number of shares at year-end¹⁾</i>		23,480,000	5,870,000		
<i>Earnings per share in SEK²⁾</i>		6.15	4.50		
<i>Proposed dividend per share in SEK²⁾</i>		1.85	1.38		

1) In June 2003 a four-for-one split was carried out.

2) Net profit and proposed dividends have been recalculated with regard to the 4:1 split.

Quarterly Data

Consolidated Income Statement

(in millions of SEK)	2003				2002			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	508.5	555.8	574.1	812.7	428.9	449.3	475.6	590.4
Operating expenses	- 475.6	- 520.4	- 508.2	- 713.1	- 401.9	- 422.5	- 427.2	- 514.9
Operating profit	32.9	35.4	65.9	99.6	27.0	26.8	48.4	75.5
Net financial items	- 2.8	- 0.3	- 5.7	- 7.2	- 5.2	- 4.3	- 7.2	- 6.0
Profit after net financial items	30.1	35.1	60.2	92.4	21.8	22.5	41.2	69.5
Tax	- 10.3	- 12.1	- 19.2	- 31.3	- 8.7	- 7.5	- 12.9	- 20.6
Minority share of profit after tax	+ 0.1	- 0.1	- 0.1	- 0.4	+ 0.2	+ 0.2	- 0.1	+ 0.1
Net profit for the year	19.9	22.9	40.9	60.7	13.3	15.2	28.2	49.0

Net sales – by business area

(in millions of SEK)	2003				2002			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
NIBE Element	258.9	260.3	247.1	292.3	236.5	223.6	216.8	255.7
NIBE Heating	185.7	242.0	262.6	410.3	156.1	193.4	213.6	252.3
NIBE Stoves	68.1	58.8	69.1	115.6	40.8	35.9	48.2	86.4
Group eliminations	- 4.2	- 5.3	- 4.7	- 5.5	- 4.5	- 3.6	- 3.0	- 4.0
Group	508.5	555.8	574.1	812.7	428.9	449.3	475.6	590.4

Operating profit – by business area

(in millions of SEK)	2003				2002			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
NIBE Element	14.0	4.5	11.0	11.7	15.1	10.4	14.1	23.3
NIBE Heating	15.0	28.6	43.8	58.3	11.6	16.7	30.3	36.8
NIBE Stoves	6.6	6.1	13.4	33.1	2.8	2.8	6.4	18.1
Group eliminations	- 2.7	- 3.8	- 2.3	- 3.5	- 2.5	- 3.1	- 2.4	- 2.7
Group	32.9	35.4	65.9	99.6	27.0	26.8	48.4	75.5

Balance Sheets

(in millions of SEK)	Group		Parent company		
	31 Dec 2003	31 Dec 2002	31 Dec 2003	31 Dec 2002	
Assets					
Fixed assets					
Intangible assets					
Goodwill	Note 12	187.1	98.0	-	-
Other intangible assets	Note 13	4.5	1.7	-	-
Total		191.6	99.7	-	-
Tangible assets					
Land and buildings	Note 14	291.7	186.4	-	-
Machinery and equipment	Note 15	325.2	216.9	0.2	0.3
Construction in progress	Note 16	42.4	23.6	-	-
Total		659.3	426.9	0.2	0.3
Financial assets					
Shares in subsidiaries	Note 17	-	-	457.4	296.7
Receivables from Group companies		-	-	58.9	64.6
Shares in associated companies	Note 18	39.6	39.3	39.6	39.3
Long-term securities held		0.1	0.1	-	-
Deferred income taxes recoverable	Note 11	3.6	0.8	-	-
Other long-term receivables		3.9	3.2	-	-
Total		47.2	43.4	555.9	400.6
Total assets		898.1	570.0	556.1	400.9
Current assets					
Inventories					
Raw materials and consumables		238.7	188.1	-	-
Work in progress		83.7	71.2	-	-
Finished products and goods for resale		123.2	118.4	-	-
Total		445.6	377.7	-	-
Current receivables					
Accounts receivable – trade		392.7	266.7	-	-
Receivables from Group companies		-	-	0.3	0.2
Income taxes recoverable		8.1	5.0	0.5	-
Other receivables		30.9	23.6	0.2	0.2
Prepaid expenses and accrued income		11.6	10.8	0.1	0.1
Total		443.3	306.1	1.1	0.5
Current investments	Note 19	2.3	0.9	-	-
Cash and bank		81.5	67.1	0.3	0.1
Total current assets		972.7	751.8	1.4	0.6
Total assets		1,870.8	1,321.8	557.5	401.5

(in millions of SEK)	Group		Parent company	
	31 Dec 2003	31 Dec 2002	31 Dec 2003	31 Dec 2002
Equity and liabilities				
Equity				
Restricted equity				
Share capital <i>Note 20</i>	58.7	58.7	58.7	58.7
Restricted reserves	137.0	108.0	74.9	74.9
Total	195.7	166.7	133.6	133.6
Non-restricted equity				
Non-restricted reserves	306.8	280.8	60.9	54.6
Profit for the year	144.4	105.7	46.0	38.6
Total	451.2	386.5	106.9	93.2
Total equity	646.9	553.2	240.5	226.8
Minority participation in equity	2.2	1.2	-	-
Untaxed reserves				
Tax allocation reserves	-	-	1.6	1.6
Accelerated depreciation	-	-	0.1	0.1
Total untaxed reserves	-	-	1.7	1.7
Provisions				
Provisions for pensions <i>Note 21</i>	29.5	27.5	-	-
Provisions for taxes <i>Note 11</i>	91.1	71.8	-	-
Guarantee risk reserve	34.7	11.5	-	-
Other provisions, non-interest-bearing <i>Note 22</i>	5.5	13.4	-	-
Total provisions	160.8	124.2	-	-
Long-term liabilities <i>Note 23</i>				
Bank overdraft facilities <i>Note 24</i>	124.6	71.7	-	-
Liabilities to Group companies	-	-	43.3	38.4
Liabilities to credit institutions	451.4	223.1	237.7	113.5
Other liabilities, interest-bearing	0.1	-	-	-
Other liabilities, non-interest-bearing	6.5	7.4	3.8	3.8
Total long-term liabilities	582.6	302.2	284.8	155.7
Current liabilities				
Liabilities to credit institutions	55.7	41.4	27.1	14.1
Accounts payable – trade	150.3	113.0	-	0.1
Advance payments from customers	1.3	0.9	-	-
Liabilities to Group companies	-	-	0.1	0.2
Liabilities to associated companies	0.3	-	-	-
Tax liability	23.4	10.4	-	0.1
Other liabilities	65.6	31.1	0.1	0.1
Accrued expenses and deferred income <i>Note 25</i>	181.7	144.2	3.2	2.7
Total current liabilities	478.3	341.0	30.5	17.3
Total equity and liabilities	1,870.8	1,321.8	557.5	401.5
Pledged assets <i>Note 26</i>	1,003.8	822.2	253.2	253.2
Contingent liabilities <i>Note 27</i>	8.8	3.4	24.9	25.2

Change in Equity

(in millions of SEK)	Share-capital	Restricted reserves	Non-restricted equity	Total equity
Group				
Equity 31 Dec 2001	58.7	86.8	337.7	483.2
Exchange rate differences		- 1.2	- 9.5	- 10.7
Adjustment between restricted and non-restricted equity		22.4	- 22.4	-
Profit for the year			105.7	105.7
Dividend			- 25.0	- 25.0
Equity 31 Dec 2002	58.7	108.0	386.5	553.2
Exchange rate differences		- 0.7	- 17.7	- 18.4
Adjustment between restricted and non-restricted equity		29.7	- 29.7	-
Profit for the year			144.4	144.4
Dividend			- 32.3	- 32.3
Equity 31 Dec 2003	58.7	137.0	451.2	646.9
Parent company				
Equity 31 Dec 2001	58.7	74.9	79.6	213.2
Profit for the year			38.6	38.6
Dividend			- 25.0	- 25.0
Equity 31 Dec 2002	58.7	74.9	93.2	226.8
Profit for the year			46.0	46.0
Dividend			- 32.3	- 32.3
Equity 31 Dec 2003	58.7	74.9	106.9	240.5
Specification of the year's exchange rate difference in equity				
The year's exchange rate difference for foreign subsidiaries recomputed in accordance with the current method				- 10.6
Other exchange rate differences expensed against equity				- 7.8
Total exchange rate difference for the period				- 18.4
Specification of accumulated exchange rate difference when recomputing figures for foreign subsidiaries				
Accumulated exchange rate difference at start of year				6.9
Exchange rate difference for the year in foreign subsidiaries				- 10.6
Accumulated exchange rate difference at year-end				- 3.7

Cash Flow Statements

(in millions of SEK)	Group		Parent company	
	2003	2002	2003	2002
Operating activities				
Operating profit	233.8	177.7	-9.0	-7.2
+ depreciation charge to this profit	89.5	70.9	0.0	0.0
- minority participation in profits	-0.4	0.4	-	-
Total	322.9	249.0	-9.0	-7.2
Interest received and similar items	10.5	4.4	10.8	4.2
Interest paid and similar items	-25.7	-25.9	-8.7	-11.6
Tax paid	-67.0	-51.5	-0.9	0.0
Cash flow before change in working capital	240.7	176.0	-7.8	-14.6
Change in working capital				
Change in inventories	9.2	-41.9	-	-
Change in current receivables	-67.1	-8.1	0.0	1.0
Change in current liabilities	3.2	15.5	13.3	2.6
Cash flow from operating activities	186.0	141.5	5.5	-11.0
Investment activities				
Net investments in associated companies and other long-term securities	0.6	-39.3	-0.3	-39.3
Net investment in machinery and equipment	-92.8	-67.6	-	-
Net investment in buildings and land	-41.0	-24.7	-	-
Change in construction in progress	-19.8	10.0	-	-
Net investment in goodwill	-15.0	-9.3	-	-
Net investment in other intangible fixed assets	-0.4	0.2	-	-
Change in long-term receivables	-2.0	22.1	5.8	-1.8
Cash flow from investment activities	-170.4	-108.6	5.5	-41.1
Operating cash flow ¹⁾	15.6	32.9	11.0	-52.1
Acquired companies/lines of business ¹⁾	-180.3	-27.7	-160.8	-17.7
Financing activities				
Change in minority interest	1.2	-1.5	-	-
Profit from participation in Group companies	-	-	53.2	52.3
Amortisation of long-term loans	-124.1	-38.9	-13.7	-11.1
Other changes in long-term liabilities and provisions	335.8	75.0	142.8	53.7
Shareholders' dividend	-32.3	-25.0	-32.3	-25.0
Cash flow from financing activities	180.6	9.6	150.0	69.9
Cash flow for the year	15.9	14.8	0.2	0.1
Liquid funds ant the beginning of the year	67.1	53.4	0.1	0.0
Exchange rate difference in liquid funds	-1.5	-1.1	-	-
Liquid funds at year-end	81.5	67.1	0.3	0.1

¹⁾ For further information about operating cash flow and the acquisition of companies, please refer to page 35.

Accounting and Valuation Principles

NIBE Group accounts comply with the Swedish Annual Accounts Act and the Swedish Financial Accounting Standards Council's recommendations. Recommendations that have come into force during 2003 have had no effect on the Group's income statement and balance sheets.

Consolidated accounts

The consolidated accounts cover the parent company NIBE Industrier AB (publ) and subsidiaries in which NIBE Industrier directly or indirectly holds more than 50% of the votes, or has a dominating influence. Companies acquired/sold are included in the Group income statement for the period during which they were owned.

The consolidated accounts have been drawn up in accordance with the purchase method, using recommendation RR1:00 of the Swedish Financial Accounting Standards Council.

Foreign subsidiaries are classified as independent businesses, so their income statements and balance sheets are translated using the current method. This means that the assets and liabilities of foreign subsidiaries are translated at the closing day rate, while all income statement items are translated at the average rate for the year. Translation differences are booked directly against Group equity.

Recommendation RR1:00 means that equity in an acquired company is determined on the basis of a market valuation of assets and liabilities on the date of acquisition. Such market valuations constitute the 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 subsidiary's unrestricted equity that can be allotted to the parent company without a need to write down the shares, is included in Group non-restricted equity.

In the consolidated balance sheet, untaxed reserves are divided into deferred tax liability under "Provisions" and non-distributable funds under "Restricted equity". Appropriations involving changes in untaxed reserves are omitted from the consolidated balance sheet. The tax portion of the changes is recorded with the tax expense for the year in the

income statement and the equity portion is included in the profit for the year. The rate for calculating deferred tax in Swedish subsidiaries is 28%, and for foreign subsidiaries, the relevant tax rate in the respective country. The required provisions have been made for intra-group profits.

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

Associated companies

Companies in which NIBE Industrier AB has a long-term shareholding equivalent to between 20 and 50 percent of the votes or those in which it has a significant influence over operations and financial management in some other way are classified in the accounts as associated companies.

Group contributions

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

Cash flow statement

The cash flow statement is drawn up in accordance with the Swedish Financial Accounting Standards Council's recommendation RR7. The indirect method has been used: accrual basis net profit is thus adjusted for transactions which have not given rise to receipts or disbursements during the period, as well as for any income and expense attributable to cash flow from investment or financing operations. Cash (and cash equivalents) includes cash and bank balances.

Revenue recognition

Revenue on the sale of goods is recognised on delivery, in accordance with the terms of sale and delivery. Sales are recorded net after the deduction of VAT and discounts.

Accounting of income tax

Income tax accounting has been carried out using recommendation RR9 of the Swedish Financial Accounting Standards Council.

Reported income tax includes actual tax, adjustments for the previous year's actual tax and changes in deferred tax. Income tax liabilities and income taxes recoverable are valued at the nominal amount in accordance with the tax regulations and tax rates approved or announced, and which there is good reason to believe will be confirmed.

For items reported in the income statement, the associated tax effects are also reported in the income statement. Tax is accounted for directly against equity if the tax is attributable to items which are accounted for directly against equity.

Deferred tax is calculated in accordance with the balance sheet method for all essential temporary differences that arise between the value in the accounts and the value for tax purposes of assets and liabilities. Such temporary differences have arisen mainly through untaxed reserves.

Due to the connection between accounting and taxation, the deferred tax liability on untaxed reserves is reported in the accounts of the parent company, as part of untaxed reserves.

Hedging of commercial flows

On the basis of forecast volumes, the Group signs forward contracts to hedge future commercial flows. Gains or losses on contracts are recognised concurrently with the result of the hedged flow.

Leasing

The Group follows the Swedish Financial Accounting Standards Council's recommendation RR6 in respect of finance leasing. Leased assets classified as finance leases are recorded as fixed assets, and future lease charges as interest-bearing liabilities. For leased assets classified as operating leases, annual lease expenses are recorded as an operating expense in the income statement.

Borrowing costs

In recognising borrowing costs, the benchmark treatment is applied. This means that borrowing costs are treated as expenses for the period to which they relate.

Goodwill

The estimated economic life of goodwill is based both on the financial history of the companies and businesses acquired and their future prospects from the point of view of market strategy. Together with the potential for the companies' product range and current distribution systems, which are normally linked to well-known agents and dealers occupying positions in the leading ranks of the market, this motivates an economic life of 10–20 years for goodwill.

Other intangible assets

According to RR15 "Intangible Assets", expenditure on the development of new products is recognised as intangible assets if it is probable that this expenditure will yield future economic benefits for the enterprise.

The NIBE Industrier Group employs a number of people in each of its business areas to improve product quality and develop new products. In NIBE Heating and NIBE Stoves, products are developed for the end-customer, while in NIBE Element, development is, as a rule, carried out in partnership with the company's industrial customers.

NIBE Industrier sets extremely strict criteria for the recognition of expenditure as assets. Development work within NIBE Element is not entered on the balance sheet on principle, since the business area does not work with end-customers. For NIBE Heating and NIBE Stoves, it is probable that economic benefits will not flow until a later stage, for which reason no expenditure has been recognised as an asset for 2002 or 2003.

Valuation principles – depreciation of tangible and non-tangible 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	5 – 10%
Other intangible assets	10 – 20%
Buildings	2.5 – 5%
Land improvements	3.75 – 5%
Machinery and equipment	10 – 25%
Fixtures and fittings in premises	4%

Inventories

Inventories are valued at the lower of acquisition value or replacement cost for raw materials, consumables and finished goods, and at manufacturing cost for manufactured goods. In no case are stocks entered above actual value. Interest is not included in stock values. Deliveries between Group companies are priced at market prices. Intra-group profits on Group company inventories are eliminated in the consolidated accounts. These eliminations affect operating profit/loss.

Receivables

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

Receivables and liabilities in foreign currencies

Receivables/liabilities in foreign currencies are valued according to the Swedish Financial Accounting Standards Council's recommendation RR8 "Accounting for the effects of changes in exchange rates".

Impairment of assets

The carrying amount for the Group's assets is evaluated at every accounting year-end if there is any indication that impairment may be required.

Provisions

Provisions are entered in the accounts when the Group has, or may be considered to have, an obligation as a result of circumstances arising and when it is probable that payments will be necessary in order to satisfy this obligation. A further condition is that it must be possible to reliably estimate the amount that will be disbursed.

Pensions

The Group's pension obligations are largely hedged through various pension plans. These vary as a result of differences in legislation and agreements relating to occupational pension systems in the countries in which the Group operates. The consolidated accounts follow each country's local legislation in respect of the recognition and valuation of the Group's pension commitments.

Recommendation 29 of the Swedish Financial Accounting Standards Council relating to "Remuneration to Employees" has been applied with effect from 1 January 2004.

This recommendation differentiates between premium-defined and benefit-defined pensions. Benefit-defined pensions shall include a calculation of the pensions liability with regard to, among other things, future salary increases and the rate of inflation.

All pensions in the Group's foreign subsidiaries are premium-based. In Sweden there is a handful of benefit-defined pensions in addition to the ITP plan. These are administered by Alecta/PRI.

At the time of writing Alecta is unable to provide NIBE with the information required to calculate pension liabilities in accordance with the new recommendation. As a result of this, for the purpose of these accounts, the ITP plan is regarded as if it were a premium-defined plan, although it is benefit-defined during the first quarter of 2004.

The Group's pension liabilities will be recomputed for the 2004 accounts, with the change in the liability as at 1 January 2004 being entered directly against equity.

Notes

Note 1 Net sales and operating profit by segment

Net sales and operating profit by business area

(in millions of SEK)	Net sales		Operating profit	
	2003	2002	2003	2002
NIBE Element	1,058.6	932.6	41.2	62.9
NIBE Heating	1,100.6	815.4	145.7	95.4
NIBE Stoves	311.6	211.3	59.2	30.1
Group adjustments	- 19.7	- 15.1	- 12.3	- 10.7
Group total	2,451.1	1,944.2	233.8	177.7

Net sales and operating profit by geographical market

(in millions of SEK)	Net sales	
	2003	2002
Scandinavia	1,610.8	1,237.9
Europe excluding Scandinavia	769.4	632.2
Other markets	70.9	74.1
Group total	2,451.1	1,944.2

Note 2 Information about the business areas

(in millions of SEK)	Element		Heating		Stoves		Elimination		Total	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
Income										
External sales	1,095.7	962.4	1,151.1	853.9	311.6	211.3	-	-	2,558.4	2,027.6
Internal sales	- 37.1	- 29.8	- 50.5	- 38.5	0	0	- 19.7	- 15.1	- 107.3	- 83.4
Total earnings	1,058.6	932.6	1,100.6	815.4	311.6	211.3	- 19.7	- 15.1	2,451.1	1,944.2
Profit										
Profit per business area	41.2	62.9	145.7	95.4	59.2	30.1	- 3.3	- 3.5	242.8	184.9
Undistributed costs									- 9.0	- 7.2
Operating profit									233.8	177.7
Financial income									9.3	3.0
Financial expenses									- 25.3	- 25.7
Tax for the year									- 72.9	- 49.7
Minority participation in profit after tax									- 0.5	0.4
Net profit for the year									144.4	105.7
Other information										
Assets	798.1	660.8	875.9	484.6	208.5	175.1	- 569.2	- 400.2	1,313.3	920.3
Undistributed assets									557.5	401.5
Total assets									1,870.8	1,321.8
Liabilities	690.9	534.4	548.9	236.1	100.5	99.2	- 435.6	- 276.9	904.7	592.8
Undistributed liabilities									317.0	174.7
Total liabilities									1,221.7	767.5
Investment	124.0	66.9	281.8	43.2	16.5	51.9				
Depreciation/amortisation	46.6	37.2	32.0	24.1	7.6	6.3				

Note 3 Payments to the auditors

In 2003 the Group paid SEK 2.2 million for auditing services (parent company SEK 0.1 million) and SEK 0.5 million for financial services other than auditing (parent company SEK 0.1 million).

(in millions of SEK)	2003		2002	
	Auditing	Other services	Auditing	Other services
SET Revisionsbyrå AB	1.1	0.3	0.6	0.1
Other accountants	1.1	0.2	1.1	0.2
Group total	2.2	0.5	1.7	0.3

Note 4 Salaries, average number of employees and numbers of men/women in senior positions

Salaries and other remunerations

(in millions of SEK)	2003	2002
Parent company	3.6	4.4
Subsidiaries	543.7	442.6
Group total	547.3	447.0

(in millions of SEK)	2003		2002	
	Social security contrib's	(of which pension expenses)	Social security contrib's	(of which pension expenses)
Parent company	2.5	1.0	2.4	0.7
Subsidiaries	170.8	30.2	144.1	24.3
Group total	173.3	31.2	146.5	25.0

Of parent company pension costs SEK 0.3 million (2002: SEK 0.3 million) relate to the MD/CEO. The parent company has no outstanding pension obligations to the Board/CEO. The corresponding sum for the Group is SEK 1.4 million (SEK 1.4 million). Outstanding Group pensions to the previous Board/CEO total SEK 1.4 million (SEK 1.2 million).

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

(in millions of SEK)	2003		2002	
	Board and MD	Other employees	Board and MD	Other employees
Parent company	2.1	1.5	2.1	2.3
Subsidiaries in				
Sweden ¹⁾ (0.2 and 0.2)	2.8	277.6	3.1	255.3
Norway	1.0	20.2	0.7	16.5
Finland	1.6	60.8	1.3	58.2
Denmark ¹⁾ (0 and 0.1)	4.0	90.0	2.3	49.3
France	–	5.3	–	5.4
Germany	1.0	3.9	0.9	2.7
Poland ¹⁾ (0.1 and 0)	2.3	24.7	3.2	18.9
Czech R ¹⁾ (0.5 and 0.3)	1.8	12.4	0.9	12.2
Italy	0.9	12.1	0.9	9.3
Netherlands	0.4	2.8	–	–
Spain	0.9	15.5	–	–
USA ¹⁾ (0.2 and 0)	1.0	0.7	0.4	1.1
Group total	19.8	527.5	15.8	431.2

¹⁾ (of which bonus in millions of SEK)

Agreement on severance pay

Applies only to the Managing Director in the parent company (CEO) for whom an agreement has been reached on severance pay amounting to one year's salary.

Note 4 cont'd

Average numbers of employees and gender distribution

	2003		2002	
	Number of employees	Men	Number of employees	Men
Parent company	4	2	4	2
Subsidiaries in				
Sweden	1,094	906	1,017	833
Norway	62	50	47	36
Finland	278	157	272	148
Denmark	263	175	140	98
France	15	2	31	5
Germany	15	12	13	10
Poland	689	430	575	364
Czech Republic	311	170	287	147
Italy	62	33	55	34
Netherlands	14	9	–	–
Spain	70	48	–	–
USA	4	2	3	1
Group total	2,881	1,996	2,444	1,678

Gender distribution at board/management level

	2003	
	Number	Men
Company board		
Parent company	6	6
Subsidiaries	36	35
Corporate management		
Parent company	2	2
Subsidiaries	68	61

Note 5 Exchange rate difference

Exchange gains relating to operations are entered under "Other operating income". Exchange losses are entered under "Cost of goods sold".

(in millions of SEK)	Group		Parent company	
	2003	2002	2003	2002
Exchange gains affecting operating profit/loss	6.8	3.5	–	–
Exchange losses affecting operating profit/loss	– 3.5	– 2.8	–	–
Net exchange rate difference affecting operating profit/loss	3.3	0.7	–	–

Under the provisions of the Group's currency hedging policy, operating sales and purchases that take place in foreign currency or are associated with fluctuations in foreign currency must be hedged on a rolling 12-month plan within the range 60–100 % of the estimated flows. The degree of security of future flows determines where in the range the proportion will be.

At the end of 2003, the Group had outstanding contracts in EUR, DKK, NOK, USD, GBP and CHF. The contracts must be exercised during the period Jan–Dec 2004. The total net value of the contracts, translated into SEK at the closing rate of exchange at year-end 2003 is SEK 153.4 million.

The difference between the total contract sums translated into SEK at the contract exchange rates and the total contract sums translated into SEK at the closing rates of exchange at year-end 2003 represents an unrealised exchange gain of SEK 2.8 million.

Note 6 Leasing

During the year, Group expenses relating to finance leasing agreements totalling SEK 0.8 million (SEK 0.8 million) were capitalised. Leasing charges amounting to SEK 2.2 million (SEK 2.1 million) in respect of operating leases in the Group were expensed. The parent company has no leasing agreements. The value of the Group's agreed future leasing charges, relating to agreements for which the remaining term exceeds one year, are distributed as follows:

(in millions of SEK)	Financial leases Current value	Operating leases Nominal value
Due for payment 2004	0.4	2.4
Due for payment 2005–2008	0.4	5.4
Due for payment 2009 –	–	4.4
Total	0.8	12.2

Note 7 Result of participations in Group companies and associated companies

Result of participations in Group companies

(in millions of SEK)	Group		Parent company	
	2003	2002	2003	2002
Group contributions	–	–	8.0	15.0
Dividend	–	–	45.2	37.3
Total	–	–	53.2	52.3

Result of participations in associated companies

(in millions of SEK)	Group		Parent company	
	2003	2002	2003	2002
Dividend	3.7	–	3.7	–
Total	3.7	–	3.7	–

Note 8 Interest income and similar profit/loss items

(in millions of SEK)	Group		Parent company	
	2003	2002	2003	2002
Interest income, Group co's	–	–	2.9	4.0
Interest income, other	1.5	2.0	0.2	0.1
Other financial income	4.1	1.0	4.0	–
Total	5.6	3.0	7.1	4.1

Note 9 Interest expense and similar profit/loss items

(in millions of SEK)	Group		Parent company	
	2003	2002	2003	2002
Interest expense, Group co's	–	–	1.8	1.4
Interest expense, other	23.4	23.0	6.7	8.8
Other financial expenses	1.9	2.7	0.2	1.5
Total	25.3	25.7	8.7	11.7

Note 10 Appropriations

(in millions of SEK)	Parent company	
	2003	2002
Reversal of tax allocation reserve	0.4	1.9
Transfer to tax allocation reserve	– 0.4	– 0.4
Change in tax allocation reserve	0.0	1.5
Difference between booked depreciation and depreciation according to plan	0.0	0.0
Total	0.0	1.5

Note 11 Tax

(in millions of SEK)	Group		Parent company	
	2003	2002	2003	2002
Actual tax for the year	58.9	41.5	0.3	0.4
Actual tax attrib. to preceding yrs	– 0.5	– 0.9	–	–
Deferred tax	14.5	9.1	–	–
Total	72.9	49.7	0.3	0.4

Deferred tax expenses/tax recoverable for the year

(in millions of SEK)	Group		Parent company	
	2003	2002	2003	2002
Tax expenses relating to temporary differences	17.8	11.6	–	–
Tax recoverable relating to temporary differences	– 3.3	– 2.5	–	–
Total	14.5	9.1	–	–

Tax in respect of items charged directly against equity

(in millions of SEK)	Group		Parent company	
	2003	2002	2003	2002
Deferred tax attributable to exchange rate differences on transactions in foreign currencies	1.6	0.4	–	–

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

(in millions of SEK)	Group		Parent company	
	2003	2002	2003	2002
Reported profit before tax	217.8	155.0	46.3	39.0
Tax at current rate	61.0	43.4	13.0	10.9
Depreciation of goodwill	3.9	3.1	–	–
Non-deductible expenses	1.9	0.4	0.0	0.0
Non-taxable earnings	– 1.2	– 0.2	–	– 0.1
Dividends from subsidiaries	–	–	– 12.7	– 10.4
Adjusted tax for preceding years	– 0.6	– 0.9	–	–
Deficit deductions not carried fwd	6.6	2.5	–	–
Effect of foreign tax rates	0.8	0.8	–	–
Other factors	0.5	0.6	–	–
Reported tax expenses	72.9	49.7	0.3	0.4

Tax rate

The current tax rate has been calculated on the basis of the tax rate which applies for the parent company and amounts to 28% (28%).

Note 11 cont'd

Temporary differences

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

Deferred tax liability

(in millions of SEK)	Group		Parent company	
	2003	2002	2003	2002
Group surplus value in fixed assets	10.1	11.0	–	–
Untaxed reserves	73.8	59.3	–	–
Other factors	7.2	1.5	–	–
Total	91.1	71.8	–	–

Deferred tax recoverable

(in millions of SEK)	Group		Parent company	
	2003	2002	2003	2002
Provisions for pension commitments	0.5	0.5	–	–
Fixed assets	2.0	0.3	–	–
Loss carry-forwards	0.4	–	–	–
Other factors	0.7	–	–	–
Total	3.6	0.8	–	–

Deferred tax liabilities in respect of temporary differences attributable to investments in subsidiary companies are not reported as the parent company can determine the date for the reversal of the temporary differences.

Note 12 Goodwill

(in millions of SEK)	Group	
	2003	2002
Acquisition value		
Acquisition value brought fwd	157.5	127.8
Acquisition value in companies acquired	23.5	–
Investment for the year	87.5	31.9
Sales and divestments	–	– 0.8
Reclassifications	– 1.3	– 0.1
Translation differences	– 2.6	– 1.3
Accumulated acquisition value carried forward	264.6	157.5
Amortisation		
Amortisation brought forward	59.5	45.8
Amortisation in companies acquired	0.2	–
Sales and divestments	–	– 0.8
Reclassifications	– 0.4	–
Amortisation for the year	19.1	14.8
Translation differences	– 0.9	– 0.3
Accumulated amortisation carried forward	77.5	59.5
Book value carried forward	187.1	98.0

Note 13 Other intangible assets

Rights of tenancy, patents, licences, trademarks etc.

(in millions of SEK)	Group	
	2003	2002
Acquisition value		
Acquisition value brought fwd	3.5	4.2
Acq. value in companies acq'd	3.0	–
Investment for the year	2.1	0.1
Sales and divestments	–	– 0.5
Reclassifications	0.1	0.0
Translation differences	– 0.3	– 0.3
Accumulated acquisition value carried forward	8.4	3.5
Amortisation		
Amortisation brought forward	1.8	1.4
Amortisation in companies acq'd	0.8	–
Sales and divestments	–	– 0.2
Amortisation for the year	1.6	0.7
Translation differences	– 0.3	– 0.1
Accumulated amortisation carried forward	3.9	1.8
Book value carried forward	4.5	1.7

Note 14 Land and buildings

(in millions of SEK)	Group	
	2003	2002
Acquisition value		
Acquisition value brought fwd	295.9	251.9
Acq. value in companies acq'd	115.4	24.0
Investment for the year	43.2	25.3
Sales and divestments	– 0.3	– 1.0
Translation differences	– 7.4	– 4.3
Accumulated acquisition value carried forward	446.8	295.9
Depreciation		
Depreciation brought forward	109.9	89.7
Depreciation in companies acq'd	36.2	11.0
Sales and divestments	0.0	– 0.3
Depreciation for the year	11.3	9.8
Translation differences	– 1.5	– 0.3
Accumulated depreciation carried forward	155.9	109.9
Revaluation brought forward	0.4	0.6
Revaluations in companies acq'd	0.6	–
Depreciation for the year on the revalued amount	– 0.2	– 0.2
Accumulated revaluation carried forward	0.8	0.4
Book value carried forward	291.7	186.4
of which, land	25.4	10.4
Book value carried forward of land and buildings in Sweden	108.1	74.4
Assessed tax value (Sweden)	55.6	54.7
of which, land	10.4	10.4

New construction, renovations and rebuilds during 2003 have not yet been assessed for tax purposes.

Note 15 Machinery and equipment

(in millions of SEK)	Group		Parent company	
	2003	2002	2003	2002
Acquisition value				
Acquisition value brought fwd	517.2	457.9	0.3	0.3
Acq. value in companies acq'd	216.2	9.3	-	-
Investment for the year	100.4	70.9	-	-
Sales and divestments	- 28.8	- 15.7	-	-
Reclassifications	0.9	0.1	-	-
Translation differences	- 12.8	- 5.3	-	-
Accumulated acquisition value carried forward	793.1	517.2	0.3	0.3
Depreciation				
Depreciation brought forward	300.3	261.4	-	-
Depreciation in companies acq'd	141.8	7.8	-	-
Sales and divestments	- 26.8	- 13.1	-	-
Reclassifications	0.3	0.1	-	-
Depreciation for the year	57.4	45.4	0.1	0.0
Translation differences	- 5.1	- 1.3	-	-
Accumulated depreciation carried forward	467.9	300.3	0.1	0.0
Book value carried forward	325.2	216.9	0.2	0.3

Note 16 Construction in progress

(in millions of SEK)	Group	
	2003	2002
Amount at start of year	23.6	35.2
Expenses during the year	76.9	30.1
Re-allocations during the year	- 57.0	- 40.1
Translation differences	- 1.1	- 1.6
Amount at year-end	42.4	23.6

Note 17 Shares in subsidiaries

(in millions of SEK)	Proportion of capital	Number of shares	Book value
Backer BHV AB	100%	37,170	55.3
Bröderna Håkansson Värme AB	100%	15,000	13.4
Calesco Foil AB	100%	10,500	37.5
Handöl-Form AB	100%	1,000	0.1
Jevi A/S	100%	1	29.9
Loval Oy	100%	768	39.5
METRO THERM A/S	100%	3,400	160.8
NIBE AB	100%	400,000	103.2
Nielsen A/S. Svend A.	100%	13	17.7
Group total			457.4

Shares owned via subsidiaries

	Proportion of capital	Number of shares
Archi Form Nemi GmbH	100.0%	
Backer Elektro CZ s.r.o.	100.0%	
Backer Facsa S.L.	100.0%	34,502
Backer Fer s.r.l.	100.0%	
Backer OBR Sp. z.o.o.	100.0%	10,000
Cronspisen Kakelugnar AB	100.0%	5,500
Danotherm Electric A/S	80.0%	800
Eltop Praha s.r.o.	100.0%	
Höiax A/S	100.0%	1,000
Kiloval Oy	100.0%	33
KVM-Conheat A/S	100.0%	600
METRO THERM AB	100.0%	1,000
METRO THERM AB. Oy	100.0%	15
Meyer Vastus AB. Oy	100.0%	20
NIBE-BIAWAR Sp. z.o.o.	100.0%	83,962
NIBE Energietechnik B.V.	100.0%	180
NIBE Systemtechnik GmbH	100.0%	
Norells Automotive Inc	100.0%	100
Norells France SA	99.8%	12,405
Norells Sweden AB	100.0%	3,250
Norske Backer A/S	100.0%	12,000
SinusJevi Electric Heating B.V.	100.0%	180

Note 17 cont'd

Details of subsidiaries

	Corporate ID number	Registered office
Archi Form Nemi Gmbh	HRB1490	Elmshorn, Germany
Backer BHV AB	556053-0569	Hässleholm, Sweden
Backer Elektro CZ s.r.o.	60469617	Hlinsko, Czech Rep
Backer Facsa S.L.	B-62.928.361	Aiguafreda, Spain
Backer FER s.r.l.	REA: 1613120 (Ferrara)	Sant'Agostino, Italy
Backer OBR Sp. z.o.o.	8358936	Pyrzyce, Poland
Bröderna Håkansson Värme AB	556108-0259	Höör, Sweden
Calesco Foil AB	556000-5034	Hallstahammar, Swe.
Cronspisen Kakekugnar AB	556480-3806	Markaryd, Sweden
Danotherm Electric A/S	10 12 60 61	Rödovre, Denmark
Eltop Praha s.r.o.	44795751	Miretice, Czech Rep.
Handöl-Form AB	556194-1393	Markaryd, Sweden
Höiax A/S	936 030 327	Fredrikstad, Norway
Jevi A/S	12 85 42 77	Vejle, Denmark
Kiloval Oy	438.072	Lovisa, Finland
KVM-Conheat A/S	14 46 85 87	Vissenbjerg, Denmark
Loval Oy	379.654	Lovisa, Finland
METRO THERM AB	556554-1603	Kalmar, Sweden
METRO THERM AB, Oy	9314276	Espoo, Finland
METRO THERM A/S	20 56 71 12	Helsingør, Denmark
Meyer Vastus AB, Oy	224.101	Monninkylä, Finland
NIBE AB	556056-4485	Markaryd, Sweden
NIBE-BIAVVAR Sp. z.o.o.	KRS 30931	Białystok, Poland
NIBE Energietechnik B.V.	20111793	Willemstad, Netherlands
NIBE Systemtechnik GmbH	HRB 5879	Celle, Germany
Nielsen A/S, Svend A.	42 16 59 13	Graested, Denmark
Norells Automotive Inc	Id#36-4044600	Chicago, USA
Norells France SA	91379344781	Dieuze, France
Norells Sweden AB	556184-3581	Västerås, Sweden
Norske Backer A/S	919 799 064	Kongsvinger, Norway
Sinusjevi Electric Heating B.V.	37106129	Medemblik, Netherlands

Note 18 Shares in associated companies

Shares in associated companies held by the Group/Parent company

Name	Corporate identity number	Registered office	Number of shares
Jøtul AS	942 674 465	Fredrikstad, Norway	638,300
MZUE Zelmech S.A.	273617536	Mysowice, Poland	11,108
Linmet Glas-Keramik GmbH	HRB42968	Berlin, Germany	-

(in millions of SEK)	Share of equity	Book value	Group share of profit after tax 2003	Group share of equity 2003
Jøtul AS	21.7%	39.6	8.0	43.8
MZUE Zelmech S.A.	40.2%	0.0	- 0.2	0.2
Linmet Glas-Keramik GmbH	33.3%	0.0	0.0	0.0

As Jøtul AS had not published details of its earnings for the year when NIBE Industrier AB issued the summary of its annual report, its contribution has been entered in the consolidated accounts using the acquisition value method. The market value of Jøtul's shares was SEK 78.2 million as at 31 Dec 2003.

Note 19 Current investments

(in millions of SEK)	Acquisition value	Market value	Book value
Listed securities	2.3	2.3	2.3
Total	2.3	2.3	2.3

Note 20 Share capital

	Par value (SEK)	Number of A shares	Number of B shares	Total shares
At start of year	10.00	940,008	4,929,992	5,870,000
Split 4:1 -13 June 2003	2.50	2,820,024	14,789,976	17,610,000
At year-end	2.50	3,760,032	19,719,968	23,480,000

The dividend for 2003 proposed but not yet resolved of SEK 1.85 per share, corresponds to a total payout of SEK 43.4 million.

Each class "A" share entitles the holder to ten votes at the Annual General Meeting. Each class "B" share entitles the holder to one vote. All shares give the same right to dividends.

At the end of 2003 there were no convertible bonds or options that can dilute the share capital.

Note 21 Pension provisions

(in millions of SEK)	Group	
	2003	2002
FPG/PRI pensions	24.9	25.7
Other pensions	4.6	1.8
Amount at year-end	29.5	27.5

Note 22 Other provisions

(in millions of SEK)	Group		
	Staff-related provisions	Other provisions	Total
Amount at start of year	5.1	8.3	13.4
Change during the year	0.4	- 8.3	- 7.9
Amount at year-end	5.5	0.0	5.5

Note 23 Long-term liabilities

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

(in millions of SEK)	Group		Parent company	
	2003	2002	2003	2002
Liabilities to credit institutions	234.3	95.2	100.2	26.5
Liabilities to Group companies	–	–	28.5	28.5
Other liabilities	–	0.1	–	–
Amount at year-end	234.3	95.3	128.7	55.0

Note 24 Bank overdraft facilities

The sum of bank overdraft facilities granted in the Group as a whole amounted to SEK 383.7 million (SEK 267.8 million). During the year these have risen by SEK 115.9 million, of which SEK 90.3 million have been added as a result of acquisitions.

Note 25 Accrued expenses and deferred income

(in millions of SEK)	Group		Parent company	
	2003	2002	2003	2002
Accrued salaries	79.8	59.5	1.0	0.9
Accrued social security contribs.	38.1	32.9	1.2	0.9
Other items	63.8	51.8	1.0	0.9
Amount at year-end	181.7	144.2	3.2	2.7

Markaryd, Sweden, 19 March 2004



Arvid Gierow
Chairman of the Board



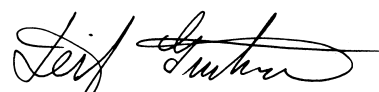
Sam Strömersten



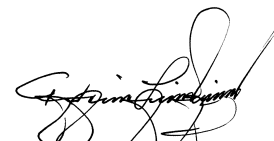
Georg Brunstam



Bill Tunbrant



Leif Gustavsson



Gerter Lindquist
MD and Chief Executive Officer

Note 26 Pledged assets

(in millions of SEK)	Group		Parent company	
	2003	2002	2003	2002
Floating charges	134.5	108.8	–	–
Real estate mortgages	181.1	91.3	–	–
Equipment, fixtures etc. with retention of title	2.2	5.4	–	–
Receivables	–	3.2	–	–
Shares in subsidiaries ¹⁾	686.0	613.5	253.2	253.2
Total pledged assets	1,003.8	822.2	253.2	253.2

¹⁾ Liabilities for which shares have been pledged as collateral

Group	Parent company
2003	2002
49.2	62.0
31.9	42.6

Note 27 Contingent liabilities

(in millions of SEK)	Group		Parent company	
	2003	2002	2003	2002
Pension obligations which have not been taken up among liabilities or provisions	0.5	1.6	–	–
Contingent liabilities in favour of other companies	–	–	24.9	25.2
Other contingent liabilities	8.3	1.8	–	–
Total contingent liabilities	8.8	3.4	24.9	25.2

The balance sheets and income statements will be presented for approval at the Annual General Meeting on 12 May 2004.

Auditor's Report

To the General Meeting of Shareholders in NIBE Industrier AB (publ)
Corporate identity number 556374-8309

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the Managing Director of NIBE Industrier AB for the financial year 2003. These accounts and the administration of the Company are the responsibility of the Board and the Managing Director. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board and the Managing Director, as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the liability, if any, to the Company of any Board Member or the Managing Director. We also examined whether any Board

Member or the Managing Director has, in any other way, acted in contravention of the Swedish Companies Act, the Annual Accounts Act, or the articles of association of the company. We believe that our audit provides reasonable basis for our opinion set out below.

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

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

Markaryd, Sweden 23 March 2004

SET Revisionsbyrå AB



Willard Möller
Authorised Public Accountant



Board of Directors

Arvid Gierow (born 1943)

Chairman since 2003 and board member since 1997. Graduate in business administration. Chairman of the Boards of ALMI Företagspartner Skåne AB, Marka Pac AB, Pronea Miljöteknik AB and board member of Bong Ljungdahl AB, SHB, Stortorget, Helsingborg and Qualidus AB. Shareholding in NIBE Industrier: 21,600 B shares.



Arvid Gierow



Gerteric Lindquist

Gerteric Lindquist (born 1951)

Board member since 1989. Chief Executive. MD, NIBE Industrier AB and NIBE AB. Graduate in engineering and business administration. NIBE employee since 1988. Shareholding in NIBE Industrier: 376,140 A shares and 890,860 B shares.



Sam Strömersten



Georg Brunstam

Georg Brunstam (born 1957)

Board member since 2003. Graduate in engineering. Group President and Managing Director of Nolato AB. Shareholding in NIBE Industrier: 0.

Leif Gustavsson (born 1945)

Board member since 1994. Financial Director, NIBE Industrier AB. Economics graduate. NIBE employee since 1966. Board member of Markaryd Sparbank savings bank. Shareholding in NIBE Industrier: 376,032 A shares and 763,328 B shares.



Bill Tunbrant



Leif Gustavsson

Sam Strömersten (born 1955)

Board member since 2001. Graduate in engineering. Business Area Manager, Tetra Pak Processing Systems. Shareholding in NIBE Industrier: 0.

Bill Tunbrant (born 1950)

Board member since 1997. Graduate in engineering. Group Director Cramo Holding BV and MD for Cramo Instant AB. Shareholding in NIBE Industrier: 1,600 B shares.

Senior Executives

Gerteric Lindquist (born 1951)

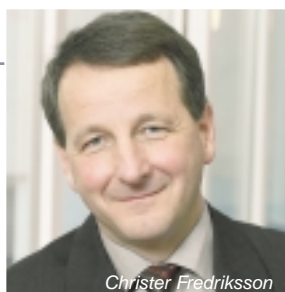
Please refer to Board profile above.

Leif Gustavsson (born 1945)

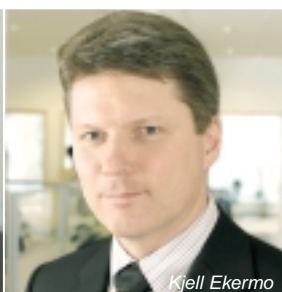
Please refer to Board profile above.

Christer Fredriksson (born 1955)

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



Christer Fredriksson



Kjell Ekermo



Niklas Gunnarsson

Kjell Ekermo (born 1956)

Graduate in engineering. Business Area Manager for NIBE Heating. NIBE employee since 1998. Shareholding in NIBE Industrier: 26,800 B shares.

Niklas Gunnarsson (born 1965)

Engineer. Business Area Manager for NIBE Stoves. NIBE employee since 1987. Shareholding in NIBE Industrier: 26,800 B shares

Auditor

SET Revisionsbyrå AB

Auditor-in-Chief

Willard Möller (born 1943)

Authorised Public Accountant.



Willard Möller

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