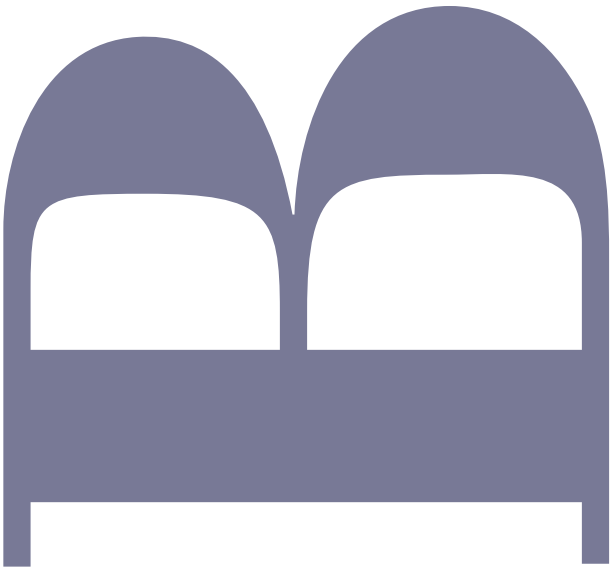




— bringing warmth to the world —



Annual Report 2002

NIBE brings warmth to the world

NIBE Industrier is a European heating technology company whose business operations are organised in three separate business areas:



NIBE Element

components and systems
for electric heating



NIBE Heating

for domestic heating products



NIBE Stoves

for wood-burning stoves
and related products

Our vision is to create a world-class heating technology 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 NIBE share has been listed on the Stockholm Stock Exchange's O list since 1997.

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A large, illuminated sign for NIBE INDUSTRI is the central focus of the page. The sign features the word "NIBE" in large, white, serif capital letters on a red rectangular background. Below this, the word "INDUSTRI" is written in smaller, white, sans-serif capital letters on a white background. The sign is supported by a dark, angled post. The background is a dark blue twilight sky with some blurred lights from street lamps or buildings in the distance.

NIBE INDUSTRI

Information

Annual General Meeting

The Annual General Meeting of shareholders will take place at NIBE's Marknadscenter in Markaryd, Sweden, on Thursday 15 May 2003 at 5 pm.

Dividend

The Board of Directors will propose to the Annual General Meeting a dividend of SEK 5.50 per share for the financial year 2002, equivalent to a total pay-out of SEK 32.3 million. If this proposal is accepted, the dividend should be despatched from the Swedish Central Securities Depository (Värdepapperscentralen VPC AB) on Friday, 23 May 2003.

Financial information

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

Shareholders' diary

15 May 2003	Annual General Meeting
15 May 2003	First quarter report January – March 2003
18 August 2003	Second quarter report January – June 2003
17 Nov 2003	Third quarter report January – Sept 2003



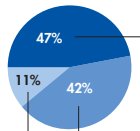
Summary of the Financial Year

2002 – yet another strong year

- Net sales rose to SEK 1,944.2 million (figure for 2001: SEK 1,677.1 million)
- Growth totalled 15.9% (of which 8.8% was organic)
- Profit after net financial items rose to SEK 155.0 million (SEK 122.3 million)
- Operative cash flow totalled SEK 32.9 million (SEK 14.7 million)
- Earnings per share rose to SEK 18.01 (SEK 14.24)
- The Board of Directors proposes a dividend of SEK 5.50 per share (SEK 4.25)
- The NIBE Group acquired a 21.7% stake in Jøtul ASA of Norway
- Three corporate acquisitions were made during 2002 and the first weeks of 2003 of companies with aggregate annual sales totalling approximately SEK 75 million:
 - REBA, a specialist manufacturer of elements for the engineering industry
 - Danotherm Electric A/S (80%) – power resistors for the electronics industry
 - Finohm, a small company operating in the same field as Danotherm.

The NIBE Group at a Glance

NIBE Industrier comprises 3 business areas, each with its own operational management responsible for financial performance. Financing, currency management, take-overs, start-ups, financial control, human resources and other policy issues are dealt with at Group level. The parent company NIBE Industrier AB (registered office in Markaryd, Sweden) has been quoted on the Stockholm Stock Exchange's O list since 1997. Market value on 31 December, 2002 was SEK 1,497 million.



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 2002	SEK 932.6 million
Growth	+ 19.1%
Export sales	81%
Operating profit	SEK 62.9 million
Operating margin	6.7%

NIBE Heating is the market leader in Sweden and a leading manufacturer of domestic heating products in Scandinavia and Poland. Customers are the RMI sector (Renovation, Maintenance, Improvement) and the new housing market.

Net sales 2002	SEK 815.4 million
Growth	+ 11.6%
Export sales	31%
Operating profit	SEK 95.4 million
Operating margin	11.7%

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

Net sales 2002	SEK 211.3 million
Growth	+ 18.8%
Export sales	27%
Operating profit	SEK 30.1 million
Operating margin	14.2%



Gerteric Lindquist, Managing Director and CEO

The Chief Executive's Report

Profit is the proof of a sound performance

The impressive progress made by the respective business areas in 2002 is described in detail later in this annual report, so I would like to take the opportunity to use these two pages to share with you some of my own personal ideas about business and entrepreneurship in general.

We are all aware of the fact that continuous improvement is the only way for a football team or a symphony orchestra, for example, to defend and consolidate its leading position. Well, as I see it, there are many parallels between a company and a football team or an orchestra.

We can – and we must – do everything better today than we did yesterday. But that's not all: to achieve the very best results, all the separate functions in a company need to perform consistently at the peak of their individual ability at the same time as they work well together. Faults must be put right without delay, while what works well today may need to be modified to cope better with the new situations that arise tomorrow. And there must always be room for new ideas and new ways of doing things.

While most of us willingly accept that the need to perform well and to win is crucial in music and sports, there is still a tendency to criticise business for putting too much emphasis on profit. And this, despite the fact that profit in a company subjected to the laws of competition is nothing more than a measure of efficiency of the entire organisation's performance. Profits are to companies what league positions are to football teams or the length of the queues outside the concert hall are to the great symphony orchestras of the world.

For most of us it is also natural to explain the success of a football team or a world-class orchestra by pointing out how each individual performs at the height of his or

Continued growth and good earnings

Our objectives are to expand by 20% a year and to report an average annual return on equity of 20% and an average annual operating margin for each business area of 10% over a complete business cycle.

During 2002 Group net sales rose by 15.9% to SEK 1,944.2 million, of which 8.8% was organic growth. Earnings after net financial items improved by 26.7% to SEK 155.0 million. Return on equity was up from 19.9% in 2001 to 21.5% last year. All three business areas improved their operating margins in 2002: NIBE Element to 6.7%, NIBE Heating to 11.7% and NIBE Stoves to 14.2%.

In the five years between 1998 and 2002 the average growth in volume was 21.5% per annum, of which 11.9% has been organic and 9.6% acquired. During the same period return on equity has averaged 21.0% excluding the effect of SPP pensions refunds. The average operating margin for the various business areas has been 7.1% for NIBE Element, 10.7% for NIBE Heating and 12.0% for NIBE Stoves.

The Group also performed well in the five years between 1993 and 1997, when growth averaged 18.4% per annum and return on equity 17.2%.

her ability, while together they complement one another's individual talents. So it is all the more perplexing that many people still stubbornly believe that business success can be bought simply by implementing a new, often unproven way of doing things. Hence the unfounded faith in buzzwords such as "outsourcing", the hysteria around business systems, the IT doctrine or the subordination of profit to expansion and market dominance.

My point is that business management is the subject of all too much philosophising and all too many new and often inconclusively documented get-rich-quick ideas.

Running a successful business means adopting a holistic approach

In my opinion, there are no short-cuts to success in business, just as there are none in sport or music.

Hard work and determination from all employees in all parts of the company are the only route to success, and good profitability is by far the most reliable measure of how far along this path a company has travelled. Profit sends out a signal to both employees and the world around us that we are making every effort to ensure that targets are reached and the company is on the right course.

NIBE's success owes much to the fact that we have always seen business as a team effort. We have always understood that every employee must do his or her best, that all the different departments must work efficiently on their own and cooperate effectively with their neighbours – and that profits are the best indicator of our overall performance. But more than that, profits are the only guarantee that our jobs will still be here tomorrow, the only opportunity to ensure that both the company and the individuals it comprises can continue to develop. Against the background of this holistic approach, it soon becomes natural to measure efficiency in virtually all the

processes in the company, to constantly develop new products incorporating state-of-the-art technology and to do everything in our power to give our customers the very best quality.

For more than half a century this simple – simplistic even – approach has been a guiding principle for the two original companies in the NIBE Group, Backer and NIBE. Personally I believe that it is also the main reason why both companies have maintained an unblemished record of profitability ever since they first started.

Hard work and job satisfaction go hand in hand

Those of us who continue to enjoy your confidence in leading the NIBE Group are aware that it is vital that we succeed in the challenge of communicating our winning business concept and our successful management philosophy to all the new co-workers who are constantly joining the NIBE family via recruitment initiatives and corporate acquisitions.

No one must ever be left in any doubt as to the NIBE business concept and the NIBE management philosophy – one of the reasons why every NIBE annual report always includes a thorough presentation (this year on pages 8–11) of the foundations upon which the Group is built.

Potential employees are required to form their own opinion of the Group's underlying values and objectives from their very first interview with the company. Once employed, their familiarity with these will be expanded and enriched by more detailed information. In the same way, customers, suppliers, current and prospective shareholders and the owners of companies who are considering joining the NIBE Group must be able to form their own opinions of what we stand for.

I sincerely hope that the picture they get is one of a group that accepts the future with

open arms at the same time as it steadfastly refuses to relinquish what no one can deny has worked so well over the past fifty years.

In stark contrast to what is often heard in the social debate, there need be no conflict between entrepreneurship, hard work and job satisfaction. On the contrary, I believe that they complement one another.

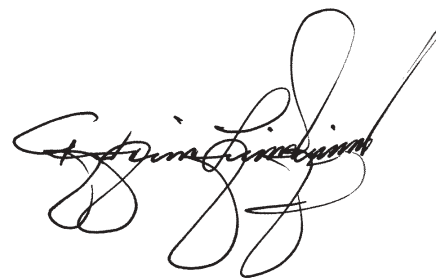
The future

Our targets as far as growth and profitability are concerned stand fast. We estimate that the total market for our three business areas is worth SEK 90–100 billion in Europe alone.

The opportunities for continued expansion, both via acquisitions and organic growth would therefore appear to be very good.

This, coupled with the vitality of the organisation, continuous improvements in efficiency, intensive product development, a firm focus on quality at all levels and a heartening sense of commitment among employees, provides a good platform for the continued development of both sales and profits.

Markaryd, Sweden – April, 2003



*Gerteric Lindquist
Managing Director and Chief Executive*

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	70,000	7,000,000
1991	Bonus issue	40,000,000	100	470,000	47,000,000
1994	Split 10:1 ²⁾	–	10	4,700,000	47,000,000
1997	New issue	11,700,000	10	5,870,000	58,700,000

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

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

NIBE share performance



Share data

		2002	2001	2000	¹⁾	1999	1998
Number of shares		5,870,000	5,870,000	5,870,000		5,870,000	5,870,000
Year-end share price	SEK	255.0	192.00	137.00		121.00	124.00
EPS (after full tax)	SEK	18.01	14.24	14.67	(12.54)	10.92	8.56
Equity per share	SEK	94.24	82.31	68.81		56.14	49.52
Proposed dividend	SEK	5.50	4.25	3.75		3.00	2.50
Price/equity		2.71	2.33	1.99		2.16	2.50
Dividend yield	%	2.16	2.21	2.74		2.48	2.02
Operating cash flow/share	SEK	5.60	2.50	- 1.49	(- 2.26)	4.70	- 1.59
Payout ratio	%	30.5	29.8	25.6	(29.9)	27.5	29.2
PE ratio after full tax		14.2	13.5	9.3	(10.9)	11.1	14.5
Market value	SEK million	1,497	1,127	804		710	728
EBIT multiple	times	10.1	10.5	7.7	(8.9)	8.6	10.3
EV/sales	times	0.92	0.84	0.77	(0.78)	0.72	0.83
Share turnover	%	15.1	17.4	24.0		13.8	36.7
Beta value		0.44	0.45	0.41		0.51	0.57
Volatility		31.6	27.1	29.5		31.4	40.3

¹⁾ Key ratios in parentheses are computed excluding items affecting comparability (i.e. premium refunds from SPP).

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

Share capital

NIBE Industrier AB has a share capital of SEK 58.7 million, divided into 940,008 "A" shares and 4,929,992 "B" shares, each with a par value of SEK 10. Every "A" share carries ten votes at the Annual General Meeting and every "B" share carries one vote. All shares carry the same entitlement to the company's assets and profits. Fifty shares make up a round lot. At the close of 2002 the company had no outstanding convertible loans or options which could risk diluting the share capital.

Share performance and turnover

During 2002 the NIBE share appreciated in value by 33% from SEK 192 to SEK 255. During the same period the Carnegie Small Companies Index fell by 25%. At the end of 2002 the market value of NIBE, based on the latest price paid, amounted to SEK 1,497 million. On 28 February 2003 the share price had backed to SEK 247 to give a market value of SEK 1,450 million.

A total of 881,337 NIBE shares were traded during 2002, equivalent to a share turnover rate of 15%.

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 5.50 per share for the 2002 financial year, which equates to 30.5% of Group profit after full tax.

Ownership

NIBE had 3,475 shareholders on 31 December 2002. The ten largest shareholders held 64.5% of the votes and 42.2% 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 is continually striving to develop and improve the financial information relating to the company by taking an active role in meetings with analysts, investors and the media.

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

D. Carnegie Gustav Heyman,
Tel +46 (0)8-676 88 00

Enskilda Securities Leif Pettersson,
Tel +46 (0)8-522 295 00

JP Nordiska 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

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

The Board will place a new proposal before the annual general meeting concerning the buy-back of up to 10% of the shares in the company.

Major shareholders

(Source: VPC AB share register 30 Dec 2002)

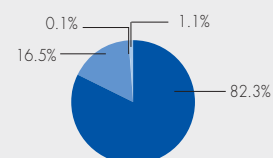
Name	Number of shares	Voting share (%)
Board and senior executives ¹⁾	1,689,883	45.7
Melker Schörling private and via companies	750,960	20.0
AMF Pensionsaktiefond - Sweden	325,000	2.3
Livförsäkrings AB SKANDIA	306,000	2.1
Didner & Gerge Aktiefond	284,650	2.0
óth Allmänna Pensionsfonden	195,700	1.4
Roburs Exportfond	150,500	1.1
AMF Pensionsfond (worldwide)	110,000	0.8
Other holdings (3,451 shareholders)	2,057,307	24.6
Total	5,870,000	100.0

¹⁾ For Board of Directors, see also page 52.

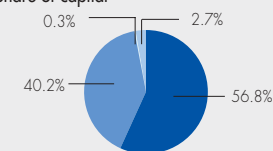
Shareholder categories

(VPC AB share register 30 Dec 2002)

Share of voting rights



Share of capital



■ Swedish individuals
■ Swedish institutional investors
■ Individuals resident outside Sweden
■ Foreign institutional investors

Shareholder structure (Source: VPC AB share register 30 Dec 2002)

Shareholding	Number of shareholders	Share of ownership (%)	Number of shares	Proportion of shares (%)
1 – 500	3,012	86.7	528,423	9.0
501 – 1,000	255	7.3	215,233	3.7
1,001 – 5,000	144	4.2	321,103	5.5
5,001 – 10,000	20	0.6	149,409	2.5
10,001 – 15,000	3	0.1	39,508	0.7
15,001 – 20,000	5	0.1	86,834	1.5
20,001 –	36	1.0	4,529,490	77.1
Total	3,475	100.0	5,870,000	100.00

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 a percentage of the year-end share price.

Operating cash flow per share

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

Payout ratio

Dividends as a percentage of earnings per share.

PE ratio (after full tax)

Year-end share price divided by earnings per share.

Market value

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

EBIT multiple

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

EV/sales

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

Share turnover

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

Beta value

Correlation between the share price and the Stockholm Stock Exchange all-share index.

Volatility

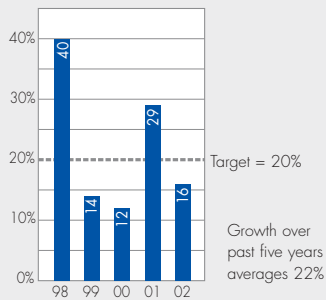
The standard deviation in the share's closing price each month.

Business Concept

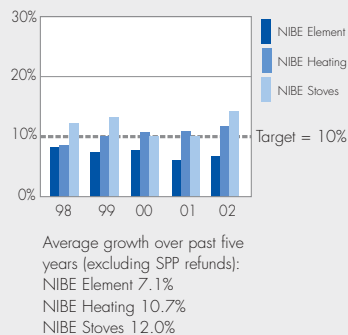
The way forward

Objective fulfilment

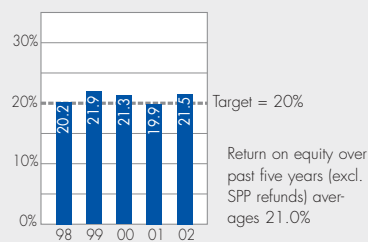
Growth



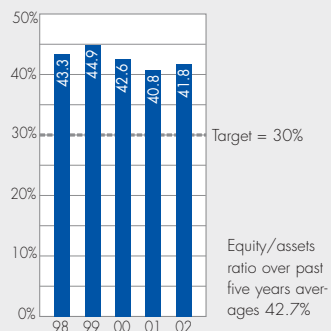
Operating margin (excl. SPP refunds)



Return on equity (excl. SPP refunds)



Equity/Assets ratio



Vision

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

Mission statement

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

Objectives

NIBE Industrier's 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 with strong brands and complementary products.

Competitiveness

will be improved through

- the continual development of leading-edge products in cooperation with the market and customers
- 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 the amount of tied-up capital and consistently 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.



Management Philosophy



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:

- Profitability – our number one priority
- High productivity
- In-house product development
- Quality-mindedness and environmental consideration
- Staff commitment and the potential to develop
- Concentration on three core areas
- First number one at home – then expansion into markets abroad
- Long-term, clearly defined ownership.

Eight factors behind our success

1 Profitability – our number one priority

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

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

We are also convinced that healthy profitability is the largest single factor contributing to 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 firmly convinced that flexible wage systems play a major role in the success of an industrial company. It seems only natural to motivate employees who excel in their work with the prospect of higher earnings, and this, 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.

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, but 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 consideration

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 NIBE AB has already received full ISO 14001 accreditation.

5 Staff commitment and the potential to develop

The companies in 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 Concentration 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

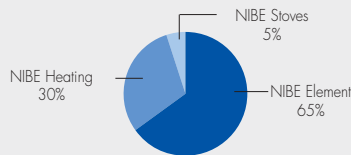
Continuity of ownership is one of the principal factors behind the success of the companies in the NIBE Group, and has enabled the Group to devote itself to developing its various operations.

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

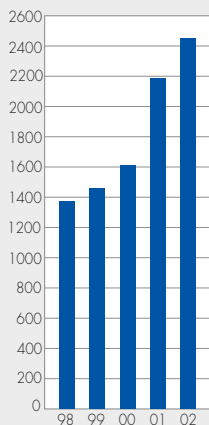
Employees – by business area



Key figures

	2002	2001	2000
Average number of employees	2,444	2,183	1,617
administrative staff	24%	25%	25%
production staff	76%	75%	75%
males	69%	72%	74%
females	31%	28%	26%
Average age	39	40	40
Average length of employment (years)	8.5	9	10
Workforce turnover	7.3%	10%	8%
Number of graduates	216	113	85
Employees in Sweden	42%	45%	61%
Employees abroad	58%	55%	39%

Average number of employees



The large increases in the numbers of employees in 2001 and 2002 are attributable to the acquisition of labour-intensive manufacturing operations in low-cost countries.

Our ambition is to attract people who are looking for work and to retain 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 has attracted many highly competent people to the company and greatly facilitated the recruitment process over recent years.

A wealth of opportunity

For many people working resolutely towards clearly defined targets in a stimulating environment is a positive experience, as demonstrated by our low levels of absenteeism (6.7%) and workforce turnover (7.3%). We believe that 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 staff to meet naturally in an informal context. This helps build 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, and, as we put 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.

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.

Using internal resources for teaching skills whenever this is feasible spreads knowledge that is important and specific to NIBE through the organisation in an active, methodical manner. Many co-workers have the opportunity to develop in their own professional roles by instructing others. Such external teaching resources as are used provide a natural complement to our own in-house tutors and contribute to broadening our horizons and extending our knowledge. Areas that are accorded priority include computer training, logistics and language-learning. Parallel with these, there are also programmes designed to keep co-workers' specialist professional skills continuously up to date.

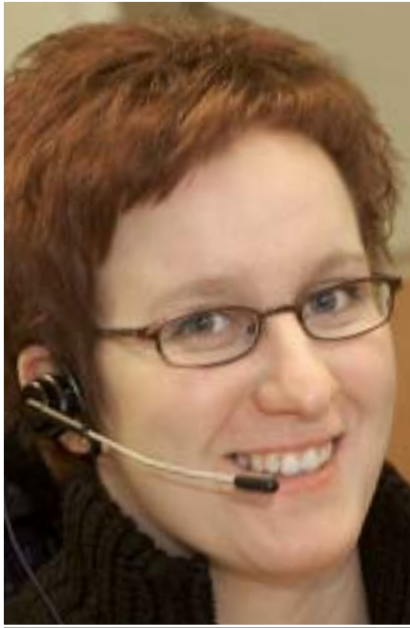
To facilitate the integration of businesses acquired outside Sweden, training in English is a priority in those companies.

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 the broad-based interface we have with universities and technical colleges whose students get to know us via work placement schemes, dissertation work and contact days. Over the past 12 months, for example, around 100 new graduates have been recruited.

We also cooperate closely with local schools and are proud to be able to give pupils of all ages the opportunity to form their own objective impressions of what working life is like in a modern manufacturing industry.





Quality

Total quality increasingly important

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. Quantifiable quality targets have been set and performance is monitored regularly. We work closely with customers and suppliers to develop our operations, and frequently compare our performance with that of our competitors and others in our endeavours to ensure that we 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

Major manufacturing units within the NIBE Group already have well established ISO 9001 accredited quality systems and are currently working towards recertification in accordance with ISO 9001:2000. The aim is for all units, regardless of size, to be ISO 9001 certified over the coming years.

The quality management system is used to steer operations in the direction of the aims we have established. 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.

The 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:

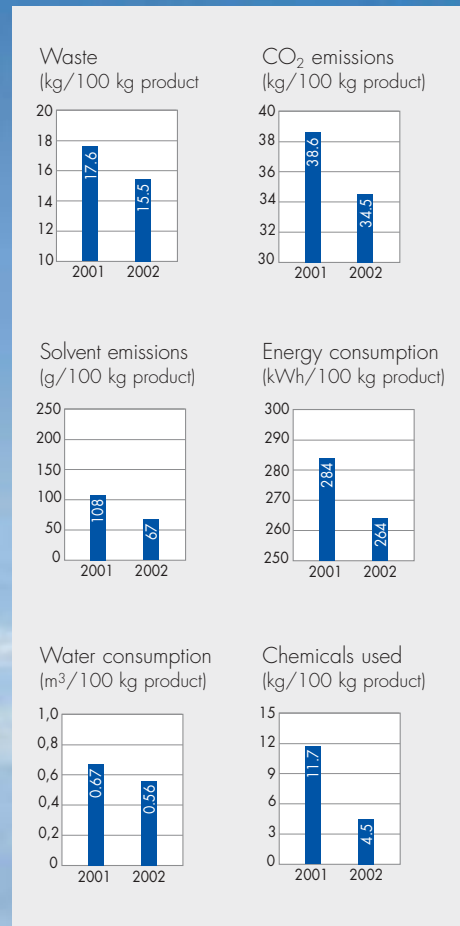
- reducing emissions
- reducing waste
- increasing energy efficiency
- reducing the use of environmentally harmful chemicals
- using natural resources more efficiently.

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.



During 2002 NIBE took the following measures to help protect the environment:

- Installation of heat-pumps to reduce dependence on oil
- New closed-system plant for used nitric acid and rinsing baths to minimise waste
- Laser cutters and press/cutting-shops optimise the use of metal raw materials
- New purification plant for recycling chlorinated solvents
- Installation of heat-exchangers for heat recovery to reduce oil consumption.

Group history

1949	Nils Bernerup establishes Backer in Sösdala (Sweden) to manufacture electric tubular heating elements using Christian Backer's patent.
1952	Nils Bernerup establishes NIBE-Verken in Markaryd in the south of Sweden.
1955	NIBE starts manufacturing electric water-heaters.
1965	NIBE begins subcontracted production of Handöl wood-burning stoves.
1969	Backer sets up a subsidiary in Norway.
1980	NIBE takes over the wood-burning stove manufacturer Handöl.
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 distinct business areas gradually take shape.
1994	NIBE Element gains a foothold in the Polish market through the acquisition of a 32% stake in the Polish tubular element manufacturer OBR. NIBE Stoves takes over the wood-burning stove manufacturer Contura.
1995	NIBE Heating takes over the Danish water-heater and boiler manufacturer Vølund Varmeteknik. NIBE Element takes over the Finnish tubular element manufacturer Loval.
1996	NIBE Heating takes over TMV-Pannan's boiler manufacturing operations (Sweden).
1997	The NIBE share is introduced on the Stockholm Stock Exchange on 16 June. OBR becomes a wholly owned subsidiary of NIBE Element. NIBE Heating takes over heat-pump manufacturer Energi-Produkter in Diö (Sweden). NIBE Heating establishes a subsidiary in Poland.
1998	NIBE Element takes over foil element manufacturer Calesco (Sweden) and tubular heating element manufacturers Bröderna Håkansson (Sweden) and JEVl (Denmark). NIBE Heating takes over the heat-pump operations of Lodam (Denmark).
1999	NIBE Heating takes over the Finnish water-heater manufacturer Haato Varaajat.
2000	NIBE Stoves takes over Cronspisen Kakelugnar (tiled stoves). NIBE Element acquires the element manufacturing operations of FER (Italy), Coates (Norway), and ETA and Eltop in the Czech Republic. NIBE takes over the Polish water-heater manufacturer Biawar.
2001	NIBE Stoves takes over the fire-insert manufacturer Roslagsspisen. NIBE Element takes over the foil element manufacturer Norells (Sweden) and the Danish element producer S.A. Nielsen. NIBE Heating takes over its German importing agent Heise Systemtechnik.
2002	NIBE Stoves acquires a 21.7% stake in Jøtul, a cast-iron stove manufacturer listed on the Norwegian stock market. NIBE Element acquires the element manufacturing operations of REBA (Italy).
2003	NIBE Element acquires 80% of the element manufacturer Danotherm in Denmark and the unit in Finohm (Finland) that manufactures power resistors.

Operations



NIBE Element



NIBE Heating



NIBE Stoves



Christer Fredriksson, Business Area Manager

NIBE Element

Business review – 2002

Despite the fact that the European market for elements stagnated during 2002, NIBE Element enjoyed organic growth of around 5% in Europe. The positive sales trend in other markets raised total organic growth to 6.1% and ensured that NIBE Element once again increased its share of the market during the year.

The business area's US sales company has been reinforced to facilitate an increase in the sales of niche products in the US market.

Throughout the year work continued on restructuring operations to make production more efficient and to reduce manufacturing costs for certain labour-intensive volume products. The two foil manufacturing units, Calesco and Norells, were merged into a single operation, and labour-intensive assembly work was transferred to our Polish production plant. At the same time high-tech basic production has now been centralised in new premises in Sweden.

Thanks to the success of internal rationalisation measures the business area's operating margin improved from 6.0% in 2001 to 6.7% in 2002 – despite the ever tighter squeeze on prices.

Roughly halfway through the year NIBE Element took over the Milan-based industrial element manufacturer REBA, which has annual sales corresponding to around SEK 8 million. This acquisition will strengthen our position in the "industry" segment of the Italian market as REBA specialises in elements for the plastics industry.

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 statement 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 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.

Outlook for 2003

The first months of the year have seen a fall in demand in several segments of the market, particularly in Western Europe. The situation in the USA and Eastern Europe is more positive, although there are no signs yet of any let-up in the fierce price competition in volume products for use in electrical appliances, white goods and the automotive industry.

On the whole purchase prices remain stable at present, and intensive efforts are being made to optimise products and minor components in order to reduce manufacturing costs.

Early in 2003 an agreement was signed with the Danish company Danotherm to acquire 80% of Danotherm's shares, with an option on the remaining 20%. NIBE Element has a long history of close co-operation with Danotherm, a specialist in loading resistors which are used for a variety of applications within the power electronics industry. The company has an annual turnover equivalent to roughly SEK 65 million. January 2003 also saw the acquisition of a small company in Finland working in the same area of operations, with a turnover in the region of SEK 2 million per year. These two acquisitions will make us one of the leading names in this product area in Europe.

Notwithstanding the fact that the market as a whole is expected to shrink slightly, we believe that the effects of our investments in productivity and our development initiatives will mean that the year as a whole develops positively.

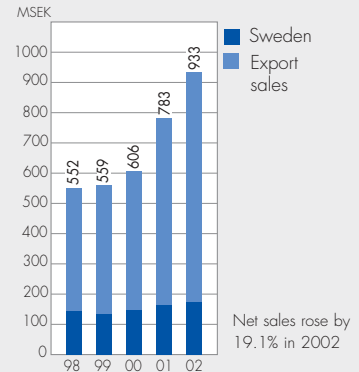
The market

Over the long term the market for components and systems for electric heating tends to keep pace with the national GDP in most countries, while in the short term it follows general economic trends. Generally this means that we can expect an increase in demand in Eastern Europe over the next few years, as various industries transfer labour-intensive production to these countries to make use of the more favourable level of costs. This means that our units in Poland and the Czech Republic will acquire an increasingly important role, supplying not only their own domestic markets, but also labour-intensive products and industrial components for other markets.

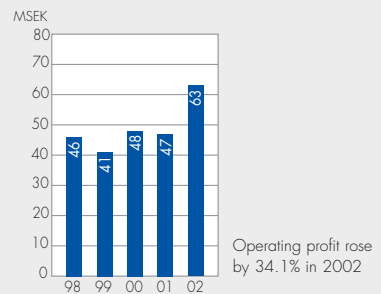
The goal in Western Europe is partly to continue our policy of acquisitions in order to increase the number of domestic markets on which we operate, and partly to market a wide range which can be adapted to the specific industrial profile in the relevant domestic market. The takeovers made during 2002 and the first months of 2003 have improved our opportunities for realising this ambition.

The process of structural change among our customers and their increasing tendency to cluster into ever larger groups, eager to create economies of scale by concentrating purchases to a "one-stop" supplier who can deliver in various markets is good news for us, as we are represented in a number of national markets. The same applies also to the tendency for customers to seek more highly developed logistical solutions with "just-in time" deliveries direct to their production lines.

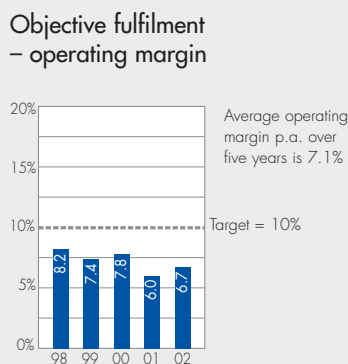
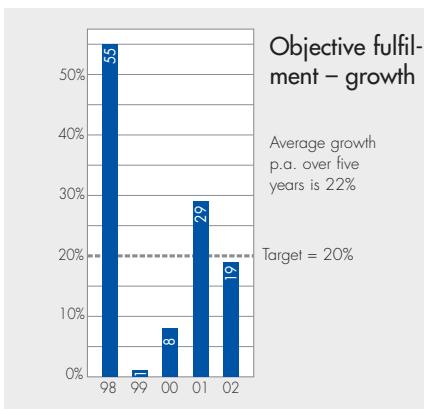
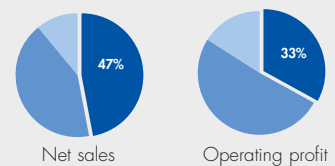
Net sales



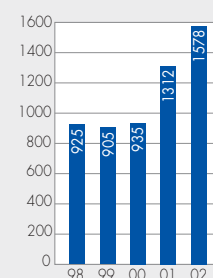
Operating profit

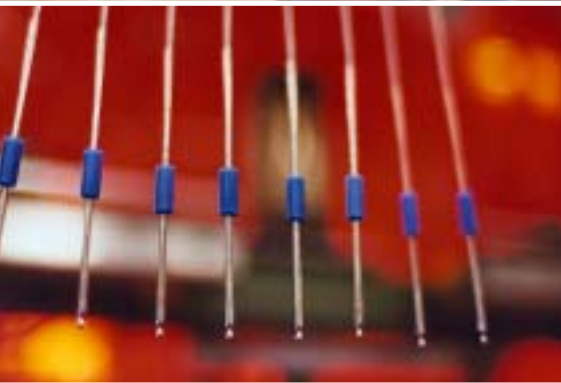


NIBE Element's contribution to Group net sales and operating profit – 2002



Average number of employees





NIBE Element

Many customers are also more interested than before in buying complete systems. This too presents us with new business opportunities, and it goes hand in hand with the trend to integrate heating elements with some kind of temperature control.

Industry trends

The element industry is undergoing a series of structural changes towards ever 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 means that the industry is gradually evolving towards a nucleus of suppliers who operate throughout the whole of Europe and can offer a wide range of products. These suppliers are, however, complemented by a number of specialists and smaller manufacturers who are still working with local industrial clients.

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

All in all we believe that these developments in the industry strengthen the standing of NIBE Element and improve the potential for growth.

Products

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

Tubular elements – the most widely used technology – are found in a wide spectrum of applications from mass-produced electric irons to customised 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 performance, quality and manufacturing cost. One example of our ongoing product development work is the production of a range for use in the offshore industry, where the risk of explosion must always be considered and eliminated.

Foil elements – an etched metallic foil laminated with a layer of insulation, – are one rapidly expanding product group. NIBE Element is one of the world's leading manufacturers of foil elements, which in addition to everyday uses in wing mirrors, water beds etc., also have a range of special applications in medical technology and outdoor electronics.

One of the strategies behind our acquisitions is to complement the basic range with specialist products and 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.

NIBE Element's business can be divided into the following segments/product areas according to the technology involved and the areas of application:

Product segment	Application	Technology
Household appliances	Irons	Tubular elements
White goods (domestic)	Ovens	Tubular elements
White goods (catering)	Coffee machines	Foil elements
Climate control (air)	Electric radiators	Aluminium elements
Climate control (water)	Heat pumps	Tubular elements
Vehicles	Rear-view mirrors	Foil elements
Process industry	Process heating	Explosion-proof tubular elements
Wholesale/spares	Extrusion machines	High-energy elements
Special products	Load resistors	Ceramic elements

NIBE Element

In some instances the business area's technologies can be used for other applications than heating. Resistors, for example, are used for power electronics in elevators/lifts and railway equipment, alongside traditional tubular and ceramic elements.

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. Basic R&D work is also aimed at improving the qualities of heating elements with regard to temperature limits and insulation. One example of this is the development during the year of a new generation of electronically regulated elements for water beds.

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 of instantaneous water-heating elements.

Product optimisation focuses on the choice of material and a product's technical performance. In 2002 we invested heavily to improve the foil manufacturing process from an environmental and technical perspective.

Production engineering development seeks to develop methods and machines that will rationalise manufacture, as demonstrated

in 2002 by investments in automation equipment and machines to reduce the waste generated during cutting processes.

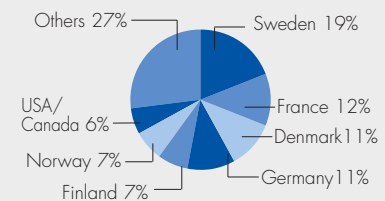
Production

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

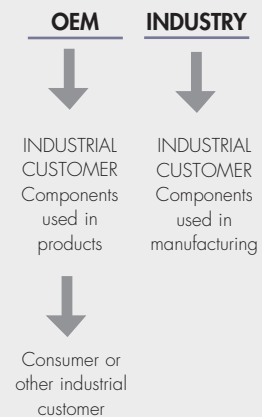
Operations in our two Swedish foil manufacturing units were merged during the year, and a modern production plant was established in Kolbäck (Sweden). At the same time labour-intensive assembly work was transferred to Poland. Parallel with these changes intensive efforts were made to stabilise and improve the production process for a number of new products.

The Polish and Czech units provide access to low-cost production in modern factories, which is essential to maintain our competitiveness. During the year the production areas in these plants were extended.

Sales by geographical market



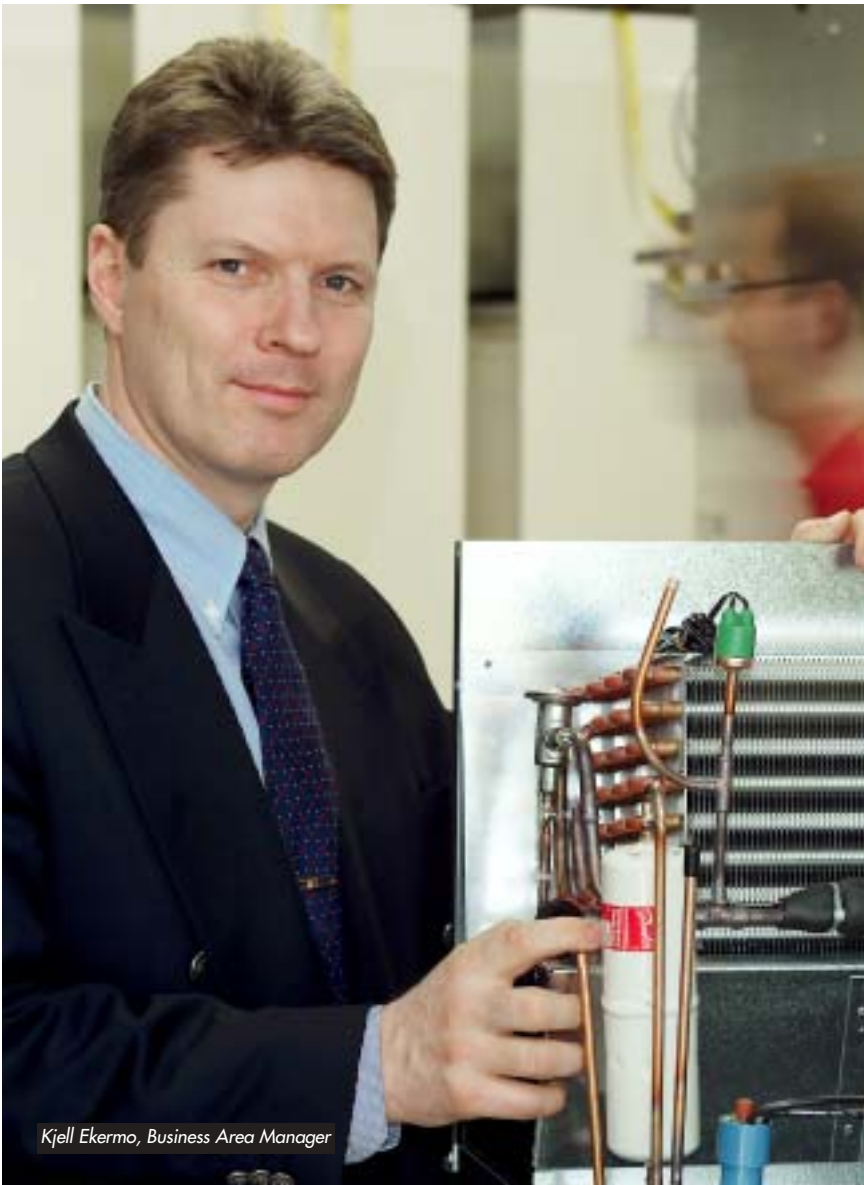
Distribution



Opportunities and threats

- + Industry restructuring and expansion through acquisitions
- + Purchasing and production und 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





Kjell Ekermo, Business Area Manager

NIBE Heating

Business review – 2002

Sales of heat pumps continued to rise in Sweden throughout the year, increasing our share of the market and strengthening our position in what is Europe's biggest market for heat pumps. Interest in heat pumps has also increased dramatically among users outside Sweden and we have seen our market share rise throughout Europe.

The fall in the market for domestic boilers in Sweden seems to have bottomed out, so that today – despite increased interest in alternative heating sources as a result of spiralling oil and electricity prices – there is now a steady demand for these boilers.

The Swedish market for water heaters remains stable and we have been able to further consolidate our position here as the market leader.

Developments in the other Scandinavian countries, especially Finland, have also been positive. In a short time reinforcements to our sales organisation there have accelerated the pace of growth for both water heaters and heat pumps, helping us to strengthen our standing in the Finnish market.

The takeover of our former sales agent in Germany proved highly successful and has contributed to making the country our largest export market. At the same time, escalating interest in heat pumps there fuelled growth for us despite a downward trend in the German market as a whole.

After a sluggish start, operations in Poland have developed positively since we first arrived on the scene in 2000. Our modernised production plant there now manufactures heating products both for internal consumption and export, although the Polish economy and consumer spending still remain weak.

The investments in warehousing made in the spring improved productivity and increased delivery reliability during the autumn, while the effects of rationalisation work in our modernised product manufacturing facilities also played their part in improving our operating margin.

NIBE Heating is Sweden's biggest manufacturer of domestic heating products and a leading name in Scandinavia. We 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, ventilation, cooling and heat recovery.

Sales can be divided into the following five product areas

- heat pumps
- domestic boilers
- 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 the market leader in Sweden and Poland, to improve its already strong position in the rest of Scandinavia and to gradually develop new domestic markets elsewhere in Europe.

NIBE Heating

Outlook for 2003

We believe that the market for heat pumps in Sweden will remain at the same level as last year, but our ambition is to capture new shares of the market, especially for heat pumps that recover energy from the ground or bedrock and indoor/outdoor air. With no sign of any relief from the current high prices of oil and electricity in Sweden, interest in heating based on alternative technologies remains strong.

Overall the Swedish market for domestic boilers and water heaters is expected to remain stable during 2003.

Our expansion into Europe continues, with the focus now turning to Germany, Poland, the Netherlands and the UK, in addition to our "domestic" Scandinavian markets. While there is not expected to be any major changes in the state of the economy in Germany, Poland and Denmark, we will improve the business area's potential for growth by developing not only our current organisation, but also the product range and our distribution systems.

Sales have developed well in the first few months of 2003, and our main objective for the remainder of the year is to continue our expansion without compromising our good profitability.

The Market

Sweden

The Swedish market, which is NIBE Heating's operational base, can be divided into two segments: the construction of new single-family homes and the home improve-

ment or RMI sector (= Renovation, Maintenance, Improvement), which currently accounts for the lion's share of sales.

Despite what are, in a historical perspective, currently extremely low rates of interest, there was no significant increase in the numbers of new, single-family homes built in 2002. The figure of 8,000 is roughly one third of the record levels of around ten years ago, and no major changes are expected for 2003.

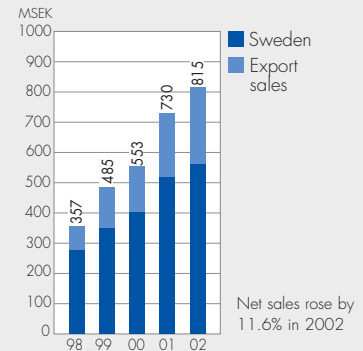
The widespread interest in investing in the home that has blossomed in recent years has led to an increase in the RMI market at the same time as escalating energy prices have created a brisk demand for cost-efficient heating alternatives.

Export markets

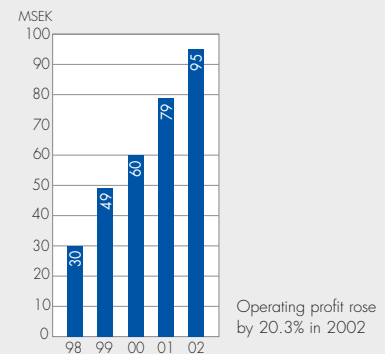
Following our takeover of our German importing agent and strong organic growth there during the year, Germany has developed into our biggest export market. Despite the fact that the German economy is still weak and the number of new construction projects has plummeted over recent years, we have succeeded in increasing sales of heat pumps to this sector, thanks in no small measure to a highly competitive product range and considerable interest for this alternative source of heating.

In Poland, also one of our major export markets, the economy and purchasing power among our customers remains weak. We have added extra muscle to the organisation in our Polish subsidiary, Biawar, at the same time as we have implemented investment and rationalisation programmes to maintain competitiveness in this market.

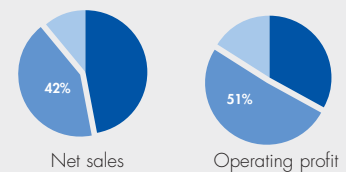
Net sales



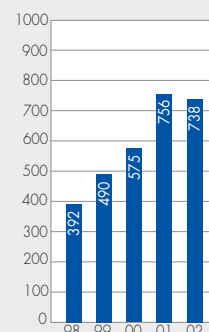
Operating profit



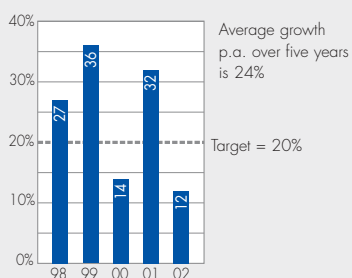
NIBE Heating's contribution to Group net sales and operating profit – 2002



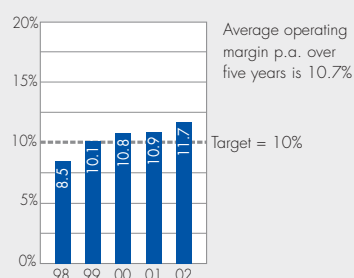
Average number of employees



Objective fulfilment – growth



Objective fulfilment – operating margin





NIBE Heating

Today Biawar also serves as the basis for the cost-effective manufacture of products that help us expand in segments subject to keen price competition in other European markets.

In our neighbouring Scandinavian markets of Finland and Denmark we sell a complete range of products adapted to local requirements under local brand names. While interest in energy-efficient heating solutions such as heat pumps etc. is constantly increasing, sales in these markets are still dominated by traditional domestic boilers and electric water-heaters.

Industry trends

There is a lively debate taking place in most of our markets about reducing total energy consumption by making better use of economic and environmentally friendly heating alternatives.

In Sweden as in the rest of Europe the trend is towards environmentally adapted products which can be recycled at the end of their useful life. Today there are more standards and statutory regulations aimed at governing the efficiency of the combustion process and minimising emissions than ever before, and the requirements for ventilation and heat recovery in new properties are tougher than ever. The process of drawing up common standards and regulations for the entire EU area is now under way, but a great deal still remains to be done.

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

There is a large number of companies of all sizes in Europe which manufacture electric heaters and domestic boilers. Many of these are now setting up factories in low-cost countries to fight the keen competition on price, and NIBE Heating's modernised production plants in Sweden and Poland provide excellent opportunities for the company to assert itself on tomorrow's hotly contested European market.

NIBE is actively involved in the process of structural rationalisation that the European heating and sanitation industry is currently

undergoing, and 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.

Products

NIBE Heating has a wide range of domestic heating products that enables each end-user to choose a solution that best suits his or her needs. Our unique ability to offer a choice of three different types of protection against corrosion – 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.

Numerous launches and product improvements in 2002, both in Sweden and on other selected markets included:

- a new heat pump for recovering energy from outdoor air
- an exhaust-air module which can be bolted on to a ground-source heat pump to recover energy both from the air indoors and from the soil/bedrock
- an upgraded exhaust-air heat pump with enhanced performance and communication facilities
- a new domestic boiler for pellets
- a new electric boiler
- a solution for using a ground-source heat pump to combine heating and energy recovery with active and passive cooling of domestic properties
- a patented new product design for heating, cooling, ventilation and energy recovery in conference premises etc., where good air quality and heating economy are essential.

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 and better energy use
- improved control options (remote communication/control)
- convertability (heating in winter/cooling in summer)
- recyclability and environmental adaptations
- 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 the end-user.

Environmental considerations are crucial, especially for domestic boilers where optimising combustion and minimising emissions are important criteria. We are also working hard to develop insulation materials for water heaters that are better suited to recycling.

And finally, IT is becoming increasingly important even in domestic heating products, where embedded systems now regulate energy consumption and control the indoor climate.

Production

Over recent years production has been divided up into a number of workshops in order to streamline, rationalise and modernise the manufacturing process.

Most of the products in the NIBE Heating range are manufactured at our plant in Markaryd (Sweden), but some water heaters are also produced in Finland and Poland. All domestic boilers are made at the production unit in Trelleborg (Sweden).

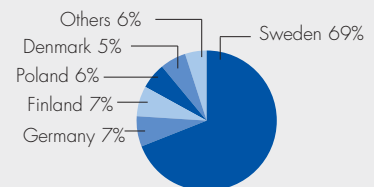
The investment in a new, highly efficient heat-pump factory has been fully vindicated as this now forms the platform for our expansion towards a leading role in the European market as a whole. The new plant is widely considered to be the most modern in Europe and has been built to cater for large-scale manufacturing with rational production flows in what is an extremely clean environment. An extension is already under construction to support our future expansion plans.

The Polish production plant was modernised and rationalised during the year to provide access to low-cost manufacturing facilities both for the Polish domestic market and for market segments that are subject to fierce price competition elsewhere.

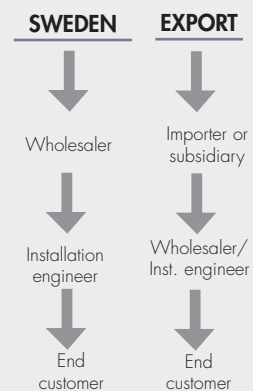
A new phase in the optimisation of our production facilities in Markaryd (Sweden) began in 2002 with the modernisation of heater production and the metal-working shop. This project, which will run throughout 2003, will facilitate our expansion in a number of European markets.

And, as we firmly believe that one path to success lies in passing on to our customers the results of internal improvements in our own efficiency, we have continued our initiative of gradually reducing the price levels of several of our products over the year.

Sales by geographical market



Distribution



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/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



Niklas Gunnarsson, Business Area Manager

NIBE Stoves

Business review – 2002

The already good demand for stoves and related products in Sweden accelerated dramatically towards the end of the year, partly as a manifestation of an increased consumer willingness to invest in capital goods and partly as a result of an escalating interest in energy-saving products – underlined by the extremely high level of electricity prices as the year drew to a close.

In the summer we launched a totally new, lightweight, stainless steel chimney. Thanks to powerful marketing campaigns in connection with the launch, this product, which offers outstanding value for money, rapidly established itself as a major sales success in Sweden and boosted sales of the entire range of lightweight stoves.

NIBE Stoves also pioneered the way in Sweden as the first manufacturer to offer a wide selection of "P-marked"* stoves. This has already reinforced our position as a market leader and will continue to do so over the years to come.

It is our belief that the total market for wood-burning stoves increased in Sweden in 2002 and that NIBE Stoves continued to consolidate its position as the market leader in all product areas.

Demand abroad as a whole has been considerably weaker than previous years, but thanks to the continued appeal of our new series of stoves specially designed for the export market, our total export sales have developed favourably. This is particularly true of Germany and Norway, where we have our own well established retail networks, but sales in other countries where our interests are served by importing agents have also developed in the right direction.

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

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 both in appearance and combustion technology.

- Wood-burning stoves in sheet steel or with soapstone/tiled surrounds
- Masonry stoves
- Cast-iron stoves
- Tiled stoves
- Fire inserts

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 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.

* P-marking. Enhanced quality and environmental certification from SP (the Swedish Testing and Research Institute) guaranteeing that the heat output of the stove can be regulated and that the stove produces low emissions and delivers high efficiency.

NIBE Stoves

By building up stocks of selected models in spring we were, by and large, able to satisfy demand in the autumn.

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

Other measures which have contributed to this are the transfer to Markaryd of the manufacture of Roslagsspisen fire-inserts and the fact that Cronspisen operations have now been fully integrated into our other businesses as far as sales, product development and production control are concerned.

During the year NIBE acquired 21.7% of the shares in Jøtul ASA. Our long-term interest in this company, which is quoted on the Norwegian stock market, remains.

At the start of 2003 NIBE Stoves terminated its agency agreement with the American company, Vermont Castings.

Outlook for 2003

Spiralling electricity prices and an unusually cold winter have ensured that demand for wood-burning stoves and related products has been brisk in the early months of 2003, and we believe that demand will remain strong throughout the year.

On the other hand, the generally weak levels of economic activity in Europe sug-

gest that development of our prioritised markets will continue to be sluggish.

Notwithstanding this, we anticipate a positive trend in our sales figures for 2003. The year will see a number of new product launches and marketing campaigns in both Sweden and our prioritised export markets – all designed to create a favourable climate for continued profitability.

The Market

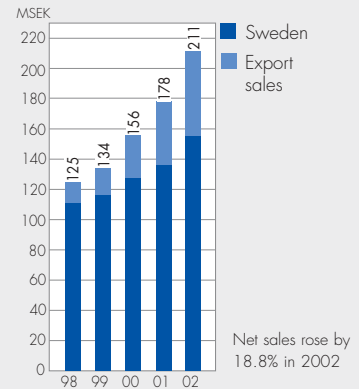
Sweden

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 thanks to the positive economic situation and increased consumption of Swedish households.

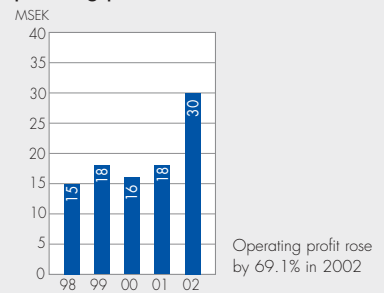
While the main bulk of sales is still to homeowners and people with weekend cottages, sales to new housing are rising constantly as more and more house-buyers choose a wood-burning stove as an additional source of heat for their new home.

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.

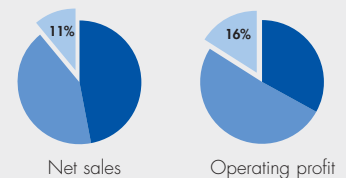
Net sales



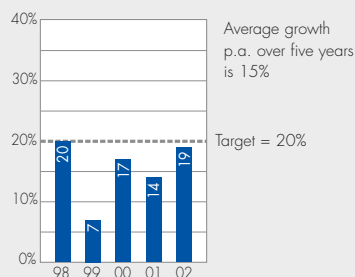
Operating profit



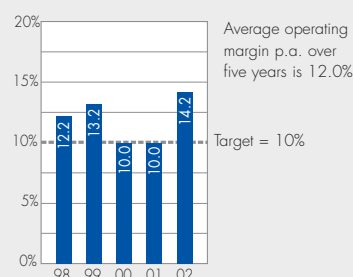
NIBE Stoves' contribution to Group net sales and operating profit – 2002



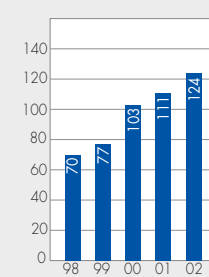
Objective fulfilment – growth



Objective fulfilment – operating margin



Average number of employees





NIBE Stoves

Export markets

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 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 and tend to choose lightweight, steel-plate stoves with contemporary styling. Such variations in taste are generally the result of a specific style having been established in a market by domestic 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 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.

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.

In Sweden and the rest of Scandinavia most of our sales are made via specialist dealers who have their own showrooms. These specialist stores stock well-known names and good quality products and sell on the basis of their expertise and high levels of service.

In Europe, on the other hand, a new distribution channel has evolved over the past ten years or so to complement the existing specialist showrooms. Here the gigantic European multiples and DIY chains are able to sell wood-burning stoves at very low prices. These products are almost always made in low-cost countries and the better-known brands are rarely found in superstores like these.

Today many companies producing wood-burning stoves have their own substantial resources for research and development, but notwithstanding this, 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.

Although each national market still tends to be dominated by products manufactured locally, products are clearly becoming more and more similar in Europe in terms of function and design. We believe that the current, international design trend for light-weight 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 success of our new series 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 improve their efficiency.

Proof of this is provided by the fact that 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 heat output of the stove can be regulated and that the stove

produces low emissions and delivers high efficiency.

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.

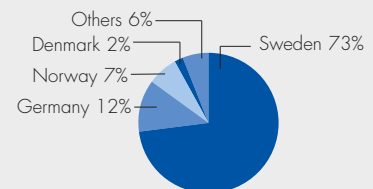
As we owe much of our success to the appeal of our designs among consumers, we endeavour always to protect the design of new models by registering them with the relevant authorities.

Production

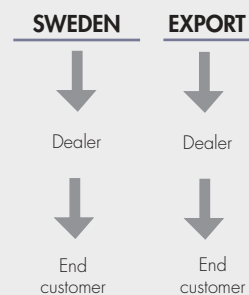
The majority of our own products are made at the company's modern production plant in Markaryd. Since its inauguration a few years ago the plant has been continuously adapted to improve productivity and ensure that it is ready to meet rises in future demand. Roslagsspisen products are also now manufactured in Markaryd.

Cronspisen tiled stoves are manufactured at a separate factory in Emmaboda in southern Sweden as the production process involved is entirely different from that 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
- + Different types of products for different customer preferences and needs reduce 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, sales have risen from SEK 735.8 million to SEK 1,944.2 million. This is partly the result of organic growth, and partly the consequence of an aggressive acquisitions strategy that has seen over twenty corporate and operational takeovers.

Over the five-year period, growth has averaged 21.5%, of which 11.9% is attributable to organic growth and 9.6% 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%.

NIBE Element's operating margin over the five-year period amounts to 7.1% on average. NIBE Heating's operating margin averages 10.7% over the period, while NIBE Stoves' average operating margin is 12.0%.

Over the five-year period, the Group's return on equity has averaged 21.0% excluding SPP, and 21.6% including SPP.

Income Statements

(in millions of SEK)	2002	2001	2000	1999	1998
Net sales	1,944.2	1,677.1	1,304.2	1,168.2	1,026.8
Cost of goods sold	- 1,389.3	- 1,242.7	- 959.5	- 864.6	- 781.6
Gross profit	554.9	434.4	344.7	303.6	245.2
Selling expenses	- 281.0	- 221.5	- 175.9	- 150.8	- 116.2
Administrative expenses	- 108.3	- 92.3	- 67.5	- 62.6	- 53.5
Items affecting comparability ¹⁾	-	-	+ 17.4	-	-
Other operating incomes	+ 12.1	+ 13.6	+ 12.3	+ 7.7	+ 7.1
Operating profit	177.7	134.2	131.0	97.9	82.6
Net financial items	- 22.7	- 11.9	- 7.0	- 3.8	- 7.1
Profit after net financial items	155.0	122.3	124.0	94.1	75.5
Tax	- 49.7	- 38.9	- 37.9	- 29.8	- 25.1
Minority participation in profit after tax	+ 0.4	+ 0.2	-	- 0.2	- 0.1
Profit for the year	105.7	83.6	86.1	64.1	50.3
<i>Includes the following amounts of depreciation according to plan</i>	<i>70.9</i>	<i>58.7</i>	<i>46.3</i>	<i>41.4</i>	<i>34.6</i>

¹⁾ Refers to premium surplus from SPP pensions insurance

Income Statement 2002

Net sales

The NIBE Group's net sales for 2002 rose 15.9% to SEK 1,944.2 million (2001: SEK 1,677.1 million), with volumes rising in all three business areas. Business for NIBE Element showed an increase of 19.1%, of which 6.1% was attributable to organic growth and 13.0% to acquisitions. NIBE Heating reported an increase of 11.6%, with 9.3% attributable to organic growth and the remaining 2.3% deriving from acquisitions. For NIBE Stoves growth totalled 18.8%, of which 18.4% was organic and 0.4% acquired.

The Group's net sales outside Sweden rose by SEK 200.3 million to SEK 1,066.7 million (SEK 866.4 million). As such, net sales abroad accounted for 54.9% (51.7%) of total net sales. Group net sales in the Swedish market climbed by 8.2% to SEK 877.5 million (SEK 810.7 million).

Organic growth accounted for SEK 147.2 million of the total SEK 267.1 million increase in Group net sales. The remaining SEK 119.9 million came from acquisitions, with SEK 102.2 million of this figure attributable to NIBE Element, SEK 16.9 million to NIBE Heating and SEK 0.8 million to NIBE Stoves.

Operating profit

Group operating profit for 2002 rose to SEK 177.7 million (SEK 134.2 million), which is an increase of 32.4% on last year's figure. The operating margin was 9.1% (8.0%).

The greatest cash increase in operating profit was the SEK 16.1 million reported by NIBE Heating, an improvement of

20.3% on the previous year. For NIBE Element the increase was SEK 16.0 million (34.1%), while NIBE Stoves' earnings rose by SEK 12.3 million, which is no less than 69.1%.

Goodwill

Operating profit was charged with goodwill amortisation of SEK 14.8 million (SEK 11.7 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 15.4 million.

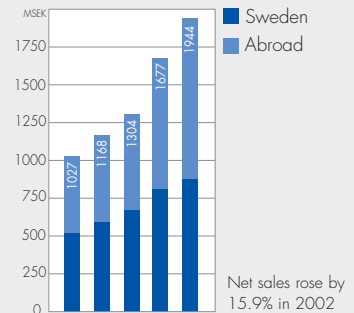
Profit after financial items

Profit after financial items rose by 26.7% in 2002 to a figure of SEK 155.0 million (SEK 122.3 million), equivalent to a net profit margin of 8.0% (7.3%). Net interest expenses for the Group rose from SEK 11.9 million in 2001 to SEK 22.7 million. About one third of the increase of SEK 10.8 million is due to rising interest rates, one third to an increased need for borrowing and one third to exchange rate changes on loans taken out in local currencies at the time investments were made.

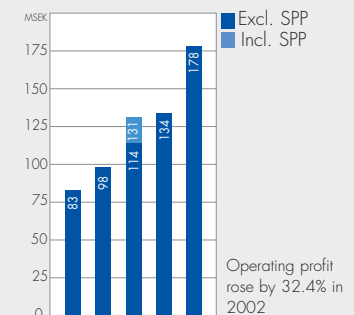
Tax

The tax charged for 2002 amounted to SEK 49.7 million (SEK 38.9 million), equivalent to an effective tax rate of 32.1% (31.8%). 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.

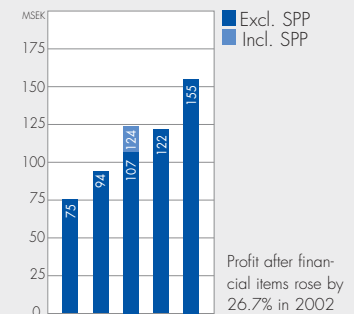
Net sales 1998 – 2002



Operating profit 1998 – 2002

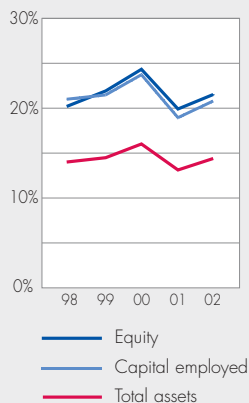


Profit after financial items 1998 – 2002

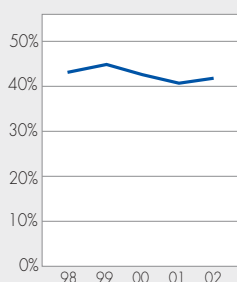


Consolidated balance sheet and key ratios

Return 1998 – 2002



Equity/assets ratio 1998 – 2002



Balance sheet over five years

Over the five-year period, the balance sheet total has risen from SEK 525.4 million to SEK 1,321.8 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. All goodwill to date is being depreciated over 10 years.

The increase in financial assets between 1999 and 2000 is made up largely of the present value of future payments of surplus funds from SPP. 2001 and 2002 have seen the reimbursement of SEK 15.6 million from the total surplus with SPP of SEK 17.4 million in the form of reductions in pensions premium payments during these

years. The increase in financial assets between 2000 and 2001 consists of deposits for takeovers after the start of the year and for the acquisition of shares in Jøtul ASA.

Provisions relate mainly to pension liabilities 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 rose from SEK 78.3 million to SEK 336.2 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.

The Group's target is for equity ratio not to fall below 30%. Over the five-year period, the equity ratio has averaged 42.4%.

Balance Sheet 2002

Equity ratio and return

The Group's equity ratio at the yearend was 41.8% (40.8%). Equity including minority shares amounted to SEK 554.4 million (SEK 486.2 million).

Balance sheets

(In millions of SEK)	2002	2001	2000	1999	1998
Intangible assets	99.7	84.8	77.5	68.7	69.0
Tangible assets	426.9	394.5	303.6	219.1	208.0
Financial assets	43.4	26.2	10.2	1.4	3.2
Total fixed assets	570.0	505.5	391.3	289.2	280.2
Inventories	377.7	331.6	289.8	223.7	199.7
Current liabilities	306.1	289.2	232.2	186.4	151.5
Current investments	0.9	3.1	0.7	0.9	3.6
Cash and bank	67.1	53.4	34.3	34.1	36.2
Total current assets	751.8	677.3	557.0	445.1	391.0
Total assets	1,321.8	1,182.8	948.3	734.3	671.2
Equity	553.2	483.2	403.9	329.6	290.7
Minority participation	1.2	3.0	4.4	0.6	0.5
Provisions	124.2	102.4	92.0	78.6	72.4
Long-term liabilities, non-interest bearing	7.4	0.2	0.2	0.2	0.6
Long-term liabilities, interest bearing	294.8	274.1	190.5	122.1	124.5
Current liabilities, non-interest bearing	299.6	282.7	237.3	185.8	167.0
Current liabilities, interest-bearing	41.4	37.2	20.0	17.4	15.5
Total equity and liabilities	1,321.8	1,182.8	948.3	734.3	671.2

The Group's target is for a long-term return on equity of 20%. During 2002, return on equity was 21.5% (19.9%). The return on capital employed was 20.8% (19.0%). 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 2002 for NIBE Element was 6.7% (6.0%), for NIBE Heating 11.7% (10.9%), and for NIBE Stoves 14.2% (10.0%). The operating margin for the Group as a whole was 9.1% (8.0%).

Liquid resources

The Group's liquid resources at the end of 2002 amounted to SEK 67.1 million (SEK 53.4 million), to which should be added unutilised bank overdraft facilities totalling SEK 196.1 million (SEK 129.4 million). During the year, the Group's overdraft facilities increased by SEK 75.6 million, of which SEK 6.2 million was added through acquisitions.

Key figure and ratios		2002	2001	2000 ¹⁾	2000 ²⁾	1999	1998 ³⁾
Net sales	MSEK	1,944.2	1,677.1	1,304.2	1,304.2	1,168.2	1,026.8
Growth	%	+ 15.9	+ 28.6	+ 11.6	+ 11.6	+ 13.8	+ 39.5
Profit after net financial items	MSEK	155.0	122.3	106.6	124.0	94.1	75.5
Net investments in fixed assets	MSEK	136.3	151.0	124.6	132.9	58.8	127.4
Gross margin	%	12.8	11.5	12.3	13.6	11.9	11.4
Operating margin	%	9.1	8.0	8.7	10.0	8.4	8.0
Net profit margin	%	8.0	7.3	8.2	9.5	8.1	7.4
Capital employed	MSEK	918.0	823.7	629.4	641.9	492.7	453.4
Equity	MSEK	553.2	483.2	391.4	403.9	329.6	290.7
Return on capital employed	%	20.8	19.0	20.9	23.7	21.5	21.0
Return on equity	%	21.5	19.9	21.3	24.3	21.9	20.2
Return on total assets	%	14.4	13.1	14.1	16.0	14.5	14.0
Asset turnover	times	1.55	1.57	1.57	1.55	1.66	1.72
Equity/assets ratio	%	41.8	40.8	42.0	42.6	44.9	43.3
Proportion of risk-bearing capital	%	47.4	46.4	48.3	48.7	51.5	50.0
Operating cash flow	MSEK	32.9	14.7	- 13.3	- 8.7	27.5	- 9.3
Interest cover	times	7.0	8.1	11.1	12.8	13.4	10.0
Interest bearing liabilities/equity	%	65.7	69.9	59.7	57.8	49.3	55.8
Average number of employees		2,444	2,183	1,617	1,617	1,475	1,390

¹⁾ Excluding SPP ²⁾ Including SPP ³⁾ The Swedish Financial Accounting Standards Council's recommendation RR 8 (Accounting for the effects of changes in exchange rates) has been used.

Definitions

Growth

Percentage change in net sales compared with previous year.

Gross margin

Operating profit before depreciation as a percentage of net sales.

Operating margin

Operating profit as a percentage of net sales.

Net profit margin

Pre-tax profit as a percentage of net sales.

Capital employed

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

Equity

Taxed equity plus untaxed reserves minus tax.

Return on capital employed

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

Return on equity

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

Return on total assets

Profit after net financial items plus financial expenses as a percentage of 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 analysis

Five-year cash flow

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

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

Investment in existing operations

Over the past two years, investment in existing operations has been significantly greater than in previous years. The construction of new production plants for NIBE Heating and NIBE Stoves, along with the restructuring of the Swedish foil element factories has led to increased investment.

Acquisition of businesses

Over the years, NIBE Industrier has pursued an aggressive acquisitions strategy. In the five-year period, eighteen corporate

and operational acquisitions have been made, of which twelve were in the NIBE Element business area, four in NIBE Heating and two in NIBE Stoves. It is the company's intention to continue with this aggressive 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's aim is that share dividends should amount to 25–30% of the net profit for the year after full tax. Over the five-year period, share dividends have accounted for between 27% and 30% 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 analysis

(in millions of SEK)	2002	2001	2000	1999	1998
Cash flow before change in working capital	176.0	134.5	139.3	101.9	82.8
Change in working capital	- 34.5	- 11.6	- 48.6	- 31.5	- 43.9
Cash flow from operating activities	141.5	122.9	90.7	70.4	38.9
Investments in current operations	- 108.6	- 108.2	- 99.4	- 42.9	- 48.2
Operational cash flow	32.9	14.7	- 8.7	27.5	- 9.3
Acquisition of companies	- 27.7	- 42.8	- 33.5	- 15.9	- 79.2
Cash flow after investments	5.2	- 28.1	- 42.2	11.6	- 88.5
Financing	34.6	67.4	59.5	2.8	52.7
Dividend to shareholders	- 25.0	- 22.0	- 17.6	- 14.7	- 11.7
Cash flow for the year	14.8	17.3	- 0.3	- 0.3	- 47.5
Liquid funds at the beginning of the year	53.4	34.3	34.1	36.2	82.3
Exchange rate difference in liquid funds	- 1.1	1.8	0.5	- 1.8	1.4
Liquid funds at year-end	67.1	53.4	34.3	34.1	36.2

Cash Flow 2002

Cash flow from day-to-day activities

The consolidated cash flow for 2002 after changes in working capital amounted to SEK 141.5 million (SEK 122.9 million).

Investment

The Group's acquisitions of operations/subsidiary companies totalled SEK 27.7 million (SEK 42.8 million). Investment in existing units totalled SEK 108.6 million (SEK 108.2 million), allocated as follows:

SEK million	2002	2001
Machinery and equipment	67.6	60.1
Properties	24.7	8.6
Construction in progress	- 10.0	23.5
Other fixed assets	26.3	16.0
	108.6	108.2

Consequently, cash flow after investment activities amounted to SEK 5.2 million. By way of comparison the figure for 2001 was SEK -28.1 million.

Operating cash flow (i.e. after investment but excluding acquisitions of operations/subsidiary companies) totalled SEK 32.9 million (SEK 14.7 million).

Credit from financial institutions and pension institutions

SEK million	2002	2001
Loans at variable interest rates (repayment period: 10 years)	264.5	248.4
Utilised part of bank overdraft facilities with variable interest rates	71.7	62.9
Provisions for pensions	27.5	26.2
Total interest-bearing liabilities	363.7	337.5
Unutilised bank overdraft facilities	196.1	129.4
Total credit available	559.8	466.9

The Group's total interest-bearing liabilities at the year-end amounted to SEK 363.7 million (SEK 337.5 million). The average interest expense for the total of interest-bearing liabilities was 6.6% (5.7%).

The Group's net liabilities (i.e. interest-bearing liabilities minus cash and bank and short-term investments) totalled SEK 295.7 million (SEK 281.0 million).

Acquisitions

During 2002 and the first few months of 2003 three acquisitions were made, all outside Sweden:

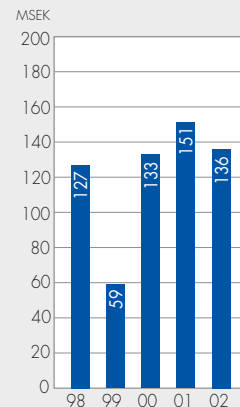
REBA, with annual sales of around SEK 8 million, consolidated with effect from July 2002.

Danotherm Electric A/S (80% stake), with annual sales of around SEK 65 million, consolidated with effect from January 2003.

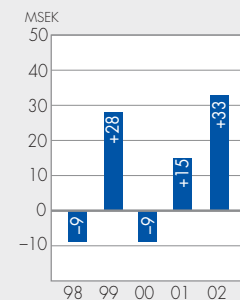
Finohm (power resistor business), with annual sales of around SEK 2 million, consolidated with effect from January 2003.

Also successive acquisitions adding up to 21.7% of the shares in the Norwegian company **Jøtul ASA** were made in 2002. Jøtul is Europe's biggest manufacturer of cast-iron stoves.

Net investment in fixed assets 1998 – 2002



Operational cash flow 1998 – 2002





The Group's risk management activities

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

63.4% (68.2%) 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 2002 was approximately SEK 373 million. The largest net inflows during the year arose in euros (SEK 218 million) and in Danish kroner (SEK 40 million), while the largest outflow was in Japanese yen (SEK 13 million).

Investments in foreign currency

The value of foreign net assets according to the consolidated balance sheet as at 31 December 2002, totalled around SEK 267 million, of which amounts corresponding to SEK 101 million represented net assets in Polish zloty, SEK 74 million in euros, SEK 43 million in Czech koruny, SEK 23 million in Norwegian kroner, SEK 25 million in Danish kroner 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 2.7 million. If the Swedish krona were to appreciate in value by 1% against the named currencies, there would be an equivalent decrease in equity.

Interest rate risks

Group interest-bearing liabilities amounted to SEK 363.7 million at the year-end. The average interest rate was 6.6%. A change in interest rates of 1%, with liabilities remaining constant, would entail an improvement/deterioration in results of SEK 3.6 million for the Group.

Sensitivity analysis

The Group is exposed to a number of risk factors which affect the earnings trend. Several of these risks are outside the Group's control. The table shows the effect of various changes on the Group's result. The changes are based on the income statement for 2002.

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 aggressive policy with respect to the acquisition of operations. 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

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

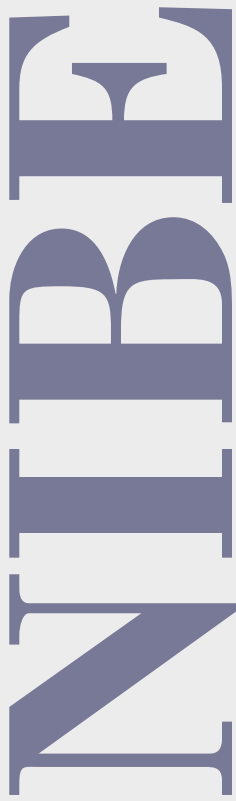
	Basis for calc. SEK m	Change %	Impact SEK m
Net sales (margin constant)	1,944.2	+/- 1.0	7.8
Operating margin (volume constant)		+/- 0.1	1.9
Material costs	779.0	+/- 1.0	7.8
Payroll expenses	594.0	+/- 1.0	5.9
Interest-bearing liabilities (interest rate constant)	363.7	+/- 10.0	2.4
Interest rate % (interest-bearing liabilities constant)	6.6%	+/- 1.0	3.6

Based on Income Statement 2002

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	- 2.7
Swedish krona falls against all currencies in which NIBE Industrier has net assets	- 1.0	+ 2.7

Based on net assets 31 December 2002



Annual Accounts 2002

Income Statements

(in millions of SEK)	Note 1	Group		Parent company	
		2002	2001	2002	2001
Net sales	Note 2	1,944.2	1,677.1	3.2	1.5
Cost of goods sold		- 1,389.3	- 1,242.7	-	-
Gross profit		554.9	434.4	3.2	1.5
Selling expenses		- 281.0	- 221.5	-	-
Administrative expenses	Note 3	- 108.3	- 92.3	- 10.8	- 8.0
Other operating income		+ 12.1	13.6	0.4	-
Operating profit	Notes 2 – 6	177.7	134.2	- 7.2	- 6.5
Profit from financial investments					
Profit from participation in Group companies	Note 7	-	-	52.3	40.2
Interest income and similar items	Note 8	3.0	5.3	4.1	3.4
Interest expenses and similar items	Note 9	- 25.7	- 17.2	- 11.7	- 6.9
Profit after financial items		155.0	122.3	37.5	30.2
Appropriations	Note 10	-	-	1.5	- 0.1
Tax on the profit for the year	Note 11	- 49.7	- 38.9	- 0.4	- 0.1
Minority participation in profit after tax		+ 0.4	0.2	-	-
Profit for the year		105.7	83.6	38.6	30.0
<i>Includes depreciation according to plan as follows:</i>		70.9	58.7	0.0	0.0
Average number of shares		5,870,000	5,870,000		
Earnings per share, SEK		18.01	14.24		

Quarterly data

Consolidated Income Statement

(in millions of SEK)	2002				2001			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	428.9	449.3	475.6	590.4	355.7	389.5	397.6	534.3
Operating expenses	- 401.9	- 422.5	- 427.2	- 514.9	- 336.4	- 366.9	- 362.2	- 477.4
Operating profit	27.0	26.8	48.4	75.5	19.3	22.6	35.4	56.9
Net financial items	- 5.2	- 4.3	- 7.2	- 6.0	- 3.1	- 3.7	- 4.2	- 0.9
Pre-tax profit	21.8	22.5	41.2	69.5	16.2	18.9	31.2	56.0
Tax	- 8.7	- 7.5	- 12.9	- 20.6	- 5.0	- 7.9	- 9.5	- 16.5
Minority share of profit for the year after tax	+ 0.2	+ 0.2	- 0.1	+ 0.1	-	+ 0.1	-	+ 0.1
Net profit for the year	13.3	15.2	28.2	49.0	11.2	11.1	21.7	39.6

Net sales – by business area

(in millions of SEK)	2002				2001			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
NIBE Element	236.5	223.6	216.8	255.7	183.3	187.9	169.7	241.8
NIBE Heating	156.1	193.4	213.6	252.3	144.3	173.0	186.0	227.0
NIBE Stoves	40.8	35.9	48.2	86.4	31.7	32.0	44.7	69.4
Group eliminations	- 4.5	- 3.6	- 3.0	- 4.0	- 3.6	- 3.4	- 2.8	- 3.9
Group	428.9	449.3	475.6	590.4	355.7	389.5	397.6	534.3

Operating profit – by business area

(in millions of SEK)	2002				2001			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
NIBE Element	15.1	10.4	14.1	23.3	12.3	9.6	6.9	18.1
NIBE Heating	11.6	16.7	30.3	36.8	9.4	14.6	25.2	30.1
NIBE Stoves	2.8	2.8	6.4	18.1	- 0.3	1.4	5.6	11.1
Group eliminations	- 2.5	- 3.1	- 2.4	- 2.7	- 2.1	- 3.0	- 2.3	- 2.4
Group	27.0	26.8	48.4	75.5	19.3	22.6	35.4	56.9

Balance Sheets

(in millions of SEK)	Note 1	Group		Parent company	
		31 Dec 2002	31 Dec 2001	31 Dec 2002	31 Dec 2001
Assets					
Fixed assets					
Intangible assets					
Goodwill	Note 12	98.0	82.0	-	-
Other intangible assets	Note 13	1.7	2.8	-	-
Total		99.7	84.8	-	-
Tangible assets					
Land and buildings	Note 14	186.4	162.8	-	-
Machinery and equipment	Note 15	216.9	196.5	0.3	0.3
Construction in progress	Note 16	23.6	35.2	-	-
Total		426.9	394.5	0.3	0.3
Financial assets					
Shares in subsidiaries	Note 17	-	-	296.7	279.0
Receivables from Group companies		-	-	64.6	47.1
Shares in associates	Note 18	39.3	-	39.3	-
Long-term securities held		0.1	0.1	-	-
Deferred income taxes recoverable	Note 11	0.8	0.9	-	-
Other long-term receivables		3.2	25.2	-	15.7
Total		43.4	26.2	400.6	341.8
Total fixed assets		570.0	505.5	400.9	342.1
Current assets					
Inventories					
Raw materials and consumables		188.1	183.8	-	-
Work in progress		71.2	66.3	-	-
Finished products and goods for resale		118.4	81.5	-	-
Total		377.7	331.6	-	-
Current receivables					
Accounts receivable – trade		266.7	255.1	-	-
Receivables from Group companies		-	-	0.2	1.4
Income taxes recoverable		5.0	1.6	-	0.2
Other receivables		23.6	22.6	0.2	0.1
Prepaid expenses and accrued income		10.8	9.9	0.1	0.1
Total		306.1	289.2	0.5	1.8
Current investments	Note 19	0.9	3.1	-	-
Cash and bank		67.1	53.4	0.1	-
Total current assets		751.8	677.3	0.6	1.8
Total assets		1,321.8	1,182.8	401.5	343.9

(in millions of SEK)	Group		Parent company	
	31 Dec 2002	31 Dec 2001	31 Dec 2002	31 Dec 2001
Equity and liabilities				
Equity				
Restricted equity				
Share capital	58.7	58.7	58.7	58.7
Restricted reserves	108.0	86.8	74.9	74.9
Total	166.7	145.5	133.6	133.6
Non-restricted equity				
Non-restricted reserves	280.8	254.1	54.6	49.6
Profit for the year	105.7	83.6	38.6	30.0
Total	386.5	337.7	93.2	79.6
Total equity	553.2	483.2	226.8	213.2
Minority participation in equity	1.2	3.0	-	-
Untaxed reserves				
Tax allocation reserves	-	-	1.6	3.0
Accelerated depreciation	-	-	0.1	0.1
Total untaxed reserves	-	-	1.7	3.1
Provisions				
Provisions for pensions	27.5	26.2	-	-
Provisions for taxes	71.8	62.4	-	-
Guarantee risk reserve	11.5	10.0	-	-
Other provisions	13.4	3.8	-	-
Total provisions	124.2	102.4	-	-
Long-term liabilities				
Bank overdraft facilities	71.7	62.9	-	-
Liabilities to Group companies	-	-	38.4	28.5
Liabilities to credit institutions	223.1	211.2	113.5	84.7
Other liabilities	7.4	0.2	3.8	-
Total long-term liabilities	302.2	274.3	155.7	113.2
Current liabilities				
Liabilities to credit institutions	41.4	37.2	14.1	11.1
Accounts payable – trade	113.0	113.1	0.1	-
Advance payments from customers	0.9	1.0	-	-
Liabilities to Group companies	-	-	0.2	0.2
Tax liability	10.4	8.1	0.1	-
Other liabilities	31.1	34.3	0.1	-
Accrued expenses and deferred income	144.2	126.2	2.7	3.1
Total current liabilities	341.0	319.9	17.3	14.4
Total equity and liabilities	1,321.8	1,182.8	401.5	343.9
Pledged assets	822.2	763.1	253.2	251.2
Contingent liabilities	3.4	1.8	25.2	24.7

Cash Flow Statements

(in millions of SEK)	Group		Parent company	
	2002	2001	2002	2001
Operating activities				
Operating profit	177.7	134.2	-7.2	-6.5
+ depreciation charged to this profit	70.9	58.7	-	-
- minority participation in profits	0.4	0.2	-	-
Total	249.0	193.1	-7.2	-6.5
Interest received and similar items	4.4	5.3	4.2	3.3
Interest paid and similar items	-25.9	-17.9	-11.6	-6.9
Tax paid	-51.5	-46.0	-	-0.3
Cash flow before change in working capital	176.0	134.5	-14.6	-10.4
Change in working capital				
Change in inventories	-41.9	-17.0	-	-
Change in current receivables	-8.1	-30.8	1.0	-1.1
Change in current liabilities	15.5	36.2	2.6	2.5
Cash flow from operating activities	141.5	122.9	-11.0	-9.0
Investment activities				
Net investment in associates and other long-term securities	-39.3	-	-39.3	-
Net investment in machinery and equipment	-67.6	-60.1	-	-0.3
Net investment in land and buildings	-24.7	-8.6	-	-
Change in construction in progress	10.0	-23.5	-	-
Net investment in goodwill	-9.3	-	-	-
Net investment in other intangible fixed assets	0.2	-1.4	-	-
Change in long-term receivables	22.1	-14.6	-1.8	-1.4
Cash flow from investment activities	-108.6	-108.2	-41.1	-1.7
Operational cash flow ¹⁾	32.9	14.7	-52.1	-10.7
Acquired companies/lines of business	-27.7	-42.8	-17.7	-
Financing activities				
Change in minority interest	-1.5	-2.0	-	-
Profit from participation in Group companies	-	-	52.3	40.2
Amortisation of long-term loans	-38.9	-25.1	-11.1	-9.6
Other changes in long-term liabilities and provisions	75.0	94.5	53.7	2.1
Shareholders' dividend	-25.0	-22.0	-25.0	-22.0
Cash flow from financing activities	9.6	45.4	69.9	10.7
Cash flow for the year	14.8	17.3	0.1	0.0
Liquid funds at the beginning of the year	53.4	34.3	0.0	-
Exchange rate difference in liquid funds	-1.1	1.8	-	-
Liquid funds at year-end	67.1	53.4	0.1	0.0

¹⁾ For further information about operational cash flow, please refer to page 35.

Notes

Note 1 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 2002 have had no effect on the Group's income statement and balance sheet.

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 individual countries. 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.

Associates

Companies in which NIBE Industrier AB has a long-term shareholding equivalent to between 20 and 50 percent of the number of votes are classified as associates.

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 accord-

ance 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.

Pensions

The Group's pension obligations are largely hedged through various pension plans. These vary as a result of the different 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.

Borrowing costs

In recognising borrowing costs, the benchmark treatment is applied: i.e. borrowing costs are treated as expenses for the period they relate to.

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 is recognised as an asset for 2002.

Fixed assets

Depreciation according to plan has been based on acquisition value and is calculated with reference to the estimated economic life.

The following depreciation rates have been used:

Goodwill	10%
Other intangible assets	10 – 20%
Buildings	3.33 – 5%
Land improvements	3.75 – 5%
Machinery and equipment	10 – 25%
Fixtures and fittings in premises	4%

Note 1 (continued)

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 years for goodwill.

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 account year-end if there is any indication that impairment may be required.

Note 2 Distribution of net sales and operating profit

Distribution by business area

(in millions of SEK)	Net sales		Operating profit	
	2002	2001	2002	2001
NIBE Element	932.6	782.7	62.9	46.9
NIBE Heating	815.4	730.3	95.4	79.3
NIBE Stoves	211.3	177.8	30.1	17.8
Group adjustments	- 15.1	- 13.7	- 10.7	- 9.8
Group total	1,944.2	1,677.1	177.7	134.2

Distribution by geographical market

(in millions of SEK)	Net sales	
	2002	2001
Scandinavia	1,237.9	1,143.2
Europe excluding Scandinavia	632.2	509.1
Other markets	74.1	24.8
Group total	1,944.2	1,677.1

Note 3 Payments to the auditors

In 2002 the NIBE Group paid SEK 1.7 million for auditing services (parent company SEK 0.1 million), and SEK 0.3 million for financial services other than auditing (parent company SEK 0.1 million).

(in millions of SEK)	Auditing	Other assignments
SET Revisionsbyrå AB	0.6	0.1
Other auditors	1.1	0.2
Group total	1.7	0.3

Note 4 Salaries, remunerations and social security contributions

Salaries and other remunerations

(in millions of SEK)	2002	2001
Parent company	4.4	3.1
Subsidiaries	442.6	375.6
Group total	447.0	378.7

(in millions of SEK)	2002		2001	
	Social security contribs.	(of which pension expenses)	Social security contribs.	(of which pension expenses)
Parent company	2.4	0.7	1.8	0.6
Subsidiaries	144.1	24.3	124.6	19.5
Group total	146.5	25.0	126.4	20.1

Of parent company pension costs, SEK 0.3 million (SEK 0.3 million) relate to the MD. The parent company has no outstanding pension obligations to the Board/MD. The corresponding sum for the Group is SEK 1.4 million (SEK 1.2 million). Outstanding Group pensions to the previous Board/MD total SEK 0.2 million (SEK 0.2 million).

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

(in millions of SEK)	2002		2001	
	Board and MD	Other employees	Board and MD	Other employees
Parent company	2.1	2.3	1.8	1.3
Subsidiaries in				
Sweden ¹⁾ (0.2 : 0.2)	3.1	255.3	2.2	227.8
Norway	0.7	16.5	0.5	15.0
Finland	1.3	58.2	1.4	58.8
Denmark ¹⁾ (0.1 : 0)	2.3	49.3	0.9	28.9
France	-	5.4	-	1.9
Germany	0.9	2.7	-	-
Poland	3.2	18.9	3.3	17.4
Czech Rep. ¹⁾ (0.3 : 0)	0.9	12.2	0.6	8.7
Italy	0.9	9.3	0.9	7.0
USA	0.4	1.1	-	0.3
Group total	15.8	431.2	11.6	367.1

¹⁾ (of which bonus in millions of SEK)

Note 4 (continued)

Average number of employees	2002		2001	
	Number of employees	Males	Number of employees	Males
Parent company	4	2	4	2
Subsidiaries in				
Sweden	1,017	833	968	788
Norway	47	36	48	35
Finland	272	148	290	150
Denmark	140	98	94	63
France	31	5	11	1
Germany	13	10	–	–
Poland	575	364	464	340
Czech Rep.	287	147	266	161
Italy	55	34	37	23
USA	3	1	1	–
Group total	2,444	1,678	2,183	1,563

Agreement on severance pay:

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

Note 5 Exchange rate differences

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	
	2002	2001	2002	2001
Exchange gains affecting operating profit/loss	3.5	4.1	–	–
Exchange losses affecting operating profit/loss	– 2.8	– 5.1	–	–
Net exchange rate difference affecting operating profit/loss	0.7	– 1.0	–	–

Note 6 Leases

During the year, Group expenses relating to finance leasing agreements totalling SEK 0.8 million were capitalised. Leasing charges amounting to 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 leasing Current value	Operational leasing Nominal value
Due for payment 2003	0.5	1.8
Due for payment 2004 – 2007	0.5	1.7
Total	1.0	3.5

Note 7 Result from participations in Group companies

(in millions of SEK)	Parent company	
	2002	2001
Group contributions	15.0	10.2
Dividend	37.3	30.0
Total	52.3	40.2

Note 8 Interest income and similar items

(in millions of SEK)	Group		Parent company	
	2002	2001	2002	2001
Interest income, Group companies	–	–	4.0	3.4
Interest income, others	2.0	2.1	0.1	–
Other financial income	1.0	3.2	–	–
Total	3.0	5.3	4.1	3.4

Note 9 Interest expenses and similar items

(in millions of SEK)	Group		Parent company	
	2002	2001	2002	2001
Interest expenses, Group companies	–	–	1.4	1.3
Interest expenses, others	23.0	16.3	8.8	5.6
Other financial expenses	2.7	0.9	1.5	–
Total	25.7	17.2	11.7	6.9

Note 10 Appropriations

(in millions of SEK)	Parent company	
	2002	2001
Reversal of tax allocation reserve	1.9	–
Transfer to tax allocation reserve	– 0.4	–
Change in tax allocation reserve	1.5	–
Difference between booked depreciation and depreciation according to plan	–	– 0.1
Total	1.5	– 0.1

Note 11 Tax

From 1 January 2001, the Group and parent company adopted the Swedish Financial Accounting Standards Council's recommendation RR9 on income taxes. The adjustment to the accounts is not deemed to constitute a change in accounting principles.

Tax on profit for the year (in millions of SEK)	Group		Parent company	
	2002	2001	2002	2001
Actual tax for the year	41.5	31.6	0.4	-
Actual tax attrib. to preceding yrs	- 0.9	0.1	-	0.1
Deferred tax	9.1	7.2	-	-
Total	49.7	38.9	0.4	0.1

Deferred tax expenses/tax recoverable for the year

(in millions of SEK)	Group		Parent company	
	2002	2001	2002	2001
Tax expenses relating to temporary differences	11.6	10.0	-	-
Taxes recoverable relating to temporary differences	- 2.5	- 2.8	-	-
Total	9.1	7.2	-	-

Tax in respect of items charged directly against equity

(in millions of SEK)	Group		Parent company	
	2002	2001	2002	2001
Deferred tax attributable to exchange rate differences on transactions in foreign currencies	0.4	- 1.3	-	-

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

(in millions of SEK)	Group		Parent company	
	2002	2001	2002	2001
Reported profit before tax	155.0	122.3	39.0	30.1
Tax at current tax rate	43.4	34.2	10.9	8.4
Depreciation of goodwill	3.1	2.5	-	-
Non-deductible expenses	0.4	1.7	-	-
Non-taxable earnings	- 0.2	- 1.6	- 0.1	-
Dividends from subsidiaries	-	-	- 10.4	- 8.4
Adjusted tax for preceding yrs	- 0.9	0.1	-	0.1
Deficit deductions not c'd fwd	2.5	2.7	-	-
Effect of foreign tax rates	0.8	0.4	-	-
Other factors	0.6	- 1.1	-	-
Reported tax expense	49.7	38.9	0.4	0.1

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 (continued)

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 liabilities

(in millions of SEK)	Group		Parent company	
	2002	2001	2002	2001
Group surplus value in fixed assets	11.0	11.9	-	-
Untaxed reserves	59.3	49.8	-	-
Other factors	1.5	0.7	-	-
Total	71.8	62.4	-	-

Deferred tax recoverable

(in millions of SEK)	Group		Parent company	
	2002	2001	2002	2001
Provision for pension commitments	0.5	0.6	-	-
Other factors	0.3	0.3	-	-
Total	0.8	0.9	-	-

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	
	2002	2001
Acquisition value		
Acquisition value b/f	127.8	109.1
Investment for the year	31.9	14.1
Sales and disposals	- 0.8	-
Reclassifications	- 0.1	0.5
Translation differences	- 1.3	4.1
Accumulated acquisition value carried forward	157.5	127.8
Depreciation		
Depreciation brought forward	45.8	33.5
Sales and disposals	- 0.8	-
Reclassifications	-	0.2
Depreciation for the year	14.8	11.7
Translation differences	- 0.3	0.4
Accumulated depreciation carried forward	59.5	45.8
Book value carried forward	98.0	82.0

Note 13 Other intangible assets

Rights of tenancy, patents, licences, trademarks etc.

(in millions of SEK)	Group	
	2002	2001
Acquisition value		
Acquisition value b/f	4.2	2.4
Investment for the year	0.1	1.5
Sales and disposals	- 0.5	- 0.1
Translation differences	- 0.3	0.4
Accumulated acquisition value carried forward	3.5	4.2
Depreciation		
Depreciation brought forward	1.4	0.5
Sales and disposals	- 0.2	- 0.1
Depreciation for the year	0.7	0.9
Translation differences	- 0.1	0.1
Accumulated depreciation carried forward	1.8	1.4
Book value carried forward	1.7	2.8

Note 14 Land and buildings

(in millions of SEK)	Group	
	2002	2001
Acquisition value		
Acquisition value b/f	251.9	231.6
Acquisition value in acquired companies	24.0	-
Investment for the year	25.3	14.2
Sales and disposals	- 1.0	- 0.6
Translation differences	- 4.3	6.7
Accumulated acquisition value carried forward	295.9	251.9
Depreciation		
Depreciation brought forward	89.7	79.9
Depreciation in acquired companies	11.0	-
Sales and disposals	- 0.3	- 0.5
Depreciation for the year	9.8	8.4
Translation differences	- 0.3	1.9
Accumulated depreciation carried forward	109.9	89.7
Revaluation brought forward	0.6	0.9
Depreciation for the year on revalued amount	- 0.2	- 0.3
Accumulated revaluation carried forward	0.4	0.6
Book value carried forward	186.4	162.8
of which, land	10.4	8.9
Book value carried forward of land and buildings in Sweden	74.4	62.4
Assessed tax value (Sweden)	54.7	49.8
of which, land	10.4	10.5

New construction, renovations and rebuilds during 2002 have not yet been assessed for tax purposes.

Note 15 Machinery and equipment

(in millions of SEK)	Group		Parent company	
	2002	2001	2002	2001
Acquisition value				
Acquisition value b/f	457.9	358.3	0.3	-
Acquisition value in acquired companies	9.3	23.9	-	-
Investment for the year	70.9	81.1	-	0.3
Sales and disposals	- 15.7	- 15.4	-	-
Reclassifications	0.1	- 0.5	-	-
Translation differences	- 5.3	10.5	-	-
Accumulated acquisition value carried forward	517.2	457.9	0.3	0.3
Depreciation				
Depreciation brought forward	261.4	216.8	-	-
Depreciation in acquired companies	7.8	12.3	-	-
Sales and disposals	- 13.1	- 8.6	-	-
Reclassifications	0.1	- 0.1	-	-
Depreciation for the year	45.4	37.5	-	-
Translation differences	- 1.3	3.5	-	-
Accumulated depreciation carried forward	300.3	261.4	-	-
Book value carried forward	216.9	196.5	0.3	0.3

Note 16 Construction in progress

(in millions of SEK)	Group	
	2002	2001
Amount at start of year	35.2	9.5
Expenses during the year	30.1	37.6
Re-allocations during the year	- 40.1	- 13.2
Translation differences	- 1.6	1.3
Amount at year-end	23.6	35.2

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
Loyal Oy	100%	768	39.6
NIBE AB	100%	400,000	103.2
Nielsen A/S. Svend A.	100%	13	17.7
Group total			296.7

Note 17 (continued)

Shares owned via subsidiaries

	Proportion of capital	Number of shares
Backer Elektro CZ s.r.o.	100.0 %	
Backer FER s.r.l.	100.0 %	
Backer OBR SP z.o.o.	100.0 %	10,000
Cronspisen Kakelugnar AB	100.0 %	5,500
Eltop Praha s.r.o.	100.0 %	
Kiloval Oy	100.0 %	33
Meyer Vastus AB. Oy	100.0 %	20
NIBE Biawar SP z.o.o.	91.4 %	76,807
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

Details of subsidiaries

	Corporate identity number	Registered office
Backer BHV AB	556053 - 0569	Hässleholm, Sweden
Backer Elektro CZ s.r.o.	60469617	Prague, Czech Rep.
Backer FER s.r.l.	REA: 173478 (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 Kakelugnar AB	556480-3806	Markaryd, Sweden
Eltop Praha s.r.o.	44795751	Miretice, Czech Rep.
Handöl-Form AB	556194 - 1393	Markaryd, Sweden
Jevi A/S	12 85 42 77	Vejle, Denmark
Kiloval Oy	438.072	Lovisa, Finland
Loval Oy	379.654	Lovisa, Finland
Meyer Vastus AB. Oy	224.101	Monninkylä, Finland
NIBE AB	556056 - 4485	Markaryd, Sweden
NIBE Biawar SP z.o.o.	KRS 30931	Białystok, Poland
NIBE Systemtechnik GmbH	HRB 5879	Celle, Germany
Nielsen A/S. Svend A.	42 16 59 13	Græsted, 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

Note 18 Shares in associate

Shares in associate held by the Group and the Parent Company

Name	Corporate ID no.	Registered Office	Number of shares
Jøtul ASA	942 674 465	Fredrikstad, Norway	638,300

Note 18 (continued)

(in millions of SEK)	Share of equity	Book value	Group share of profit after tax 2002	Group share of equity 2002
Jøtul ASA	21.7%	39.3	9.1	42.4

The associated company had not published its annual results when NIBE Industrier AB released its accounting report. It is, therefore, entered in the consolidated accounts in accordance with the acquisition cost method.

Note 19 Current investments

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

Note 20 Equity

Group

(in millions of SEK)	Share-capital	Restr'd reserves	Non-restr'd reserves	Profit for yr	Total-equity
Amount at beginning of year	58.7	86.8	254.1	83.6	483.2
Transfer to profit carried fwd.			83.6	- 83.6	-
Shareholders' dividend			- 25.0		- 25.0
Change in accumulated translation difference			- 6.5		- 6.5
Transfer between restricted and non-restricted equity		22.4	- 22.4		-
Exchange rate differences charged directly against equity		- 1.2	- 3.0		- 4.2
Profit for the year				105.7	105.7
Amount at year-end	58.7	108.0	280.8	105.7	553.2

Accumulated translation difference

Amount at beginning of year	13.4
Change during the period in accumulated translation difference	- 6.5
Amount at year-end	6.9

Parent company

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

(in millions of SEK)	Share capital	Share premium reserve	Statutory reserve	Non-restr'd equity	Total equity
Amount at beginning of year	58.7	67.4	7.5	79.6	213.2
Shareholders' dividend				- 25.0	- 25.0
Profit for the year				38.6	38.6
Amount at year-end	58.7	67.4	7.5	93.2	226.8

Note 21 Other provisions

Group (in millions of SEK)	Provisions relating to personnel costs		Others	Total
	2002	2001		
Amount at beginning of year	3.8	–	–	3.8
Increase in other provisions	1.3	–	8.3	9.6
Amount at year-end	5.1	–	8.3	13.4

Note 22 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	
	2002	2001	2002	2001
Liabilities				
to credit institutions	95.2	97.1	26.5	14.6
to Group companies	–	–	28.5	28.5
Other liabilities	0.1	0.1	–	–
Amount at year-end	95.3	97.2	55.0	43.1

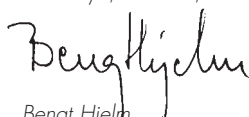
Note 23 Bank overdraft facilities

The sum of bank overdraft facilities granted in the Group as a whole amounted to SEK 267.8 million (SEK 192.2 million). During the year these have risen by SEK 75.6 million, of which SEK 6.2 million have been added as a result of acquisitions.

Group non-restricted equity

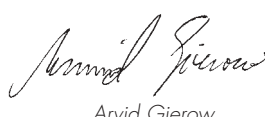
The NIBE Group's non-restricted equity totalled SEK 386.5 million at the end of 2002. On this occasion there is no proposal to transfer any funds to restricted reserves.

Markaryd, Sweden, 19 March 2003

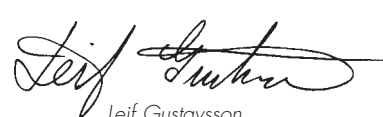

Bengt Hjelm

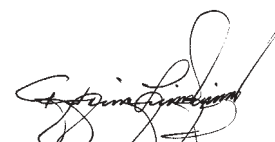
Chairman of the Board


Sam Strömersten


Arvid Gierow


Bill Tunbrant


Leif Gustavsson


Gerteric Lingquist

Chief Executive Officer and MD

Note 24 Accrued expenses and deferred income

(in millions of SEK)	Group		Parent company	
	2002	2001	2002	2001
Accrued salaries	59.5	53.6	0.9	1.1
Accrued social security contribs.	32.9	29.9	0.9	0.8
Other items	51.8	42.7	0.9	1.2
Amount at year-end	144.2	126.2	2.7	3.1

Note 25 Pledged assets

(in millions of SEK)	Group		Parent company	
	2002	2001	2002	2001
Floating charges	108.8	125.7	–	–
Real estate mortgages	91.3	81.8	–	–
Equipment, fixtures etc. with retention of title	5.4	3.7	–	–
Receivables	3.2	19.2	–	15.6
Shares in subsidiaries ¹⁾	613.5	532.7	253.2	235.6
Total pledged assets	822.2	763.1	253.2	251.2

¹⁾ Liabilities for which shares have been pledged as collateral

62.0

97.1

42.6

38.7

Note 26 Contingent liabilities

(in millions of SEK)	Group		Parent company	
	2002	2001	2002	2001
Pension obligations which have not been taken up among liabilities or provisions	1.6	1.6	–	–
Contingent liabilities in favour of other Group companies	–	–	25.2	24.7
Other contingent liabilities	1.8	0.2	–	–
Total contingent liabilities	3.4	1.8	25.2	24.7

Appropriation of profits

The Board of Directors and Managing Director propose that the profits at the disposal of the Annual General Meeting of Shareholders, namely the sum of SEK 93,260,000 be appropriated as follows:

Shareholders' dividend	32,285,000
Carried forward	60,975,000
	<u>93,260,000</u>



Standing left to right:
 Gerteric Lindquist,
 Bill Tunbrant,
 Leif Gustavsson.
 Standing left to right:
 Sam Strömersten,
 Bengt Hjelm,
 Arvid Gierow.

The Board of Directors and Senior Executives

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 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 2002 the Board convened on 13 occasions, eight of which were conducted as telephone conferences. Board meetings were held in connection with the publication of interim reports and the year-end unaudited figures, with the company's budget and with major investments and takeovers. Minutes were taken at all meetings.

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

The Decision-making process

The 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 annual general meeting 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 and severance pay

Remuneration to the Board during 2002 totalled SEK 500,000, in accordance with a resolution of the general meeting. The Chairman received SEK 200,000 of this in accordance with a Board resolution. No remuneration is payable to members of the Board who are employed in the Group.

During 2002, salary and remuneration totalling SEK 1,626,000 was paid to the President, of which SEK 138,000 related retrospectively to remuneration for 2001. The President is entitled to a free company car. Salaries to other senior executives totalled SEK 4,228,000, of which SEK 86,000 related retrospectively to remuneration for 2001. Senior executives are also entitled to a free company car.

No severance pay or other benefits apply to the Chairman of the Board or Directors apart from the President. The period of notice for the President is six months, in the event of the company giving notice. In addition to salary during the period of notice, the President 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 President and other senior executives is 65. The President has an individual insurance pension arrangement equivalent to ITP (supplementary pensions for salaried employees), which is harmonised with Alecta. For 2002, 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 of 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 20–30 basic amounts level. 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 bonus (equivalent to a maximum of three months' salary) if set targets are met.

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 2002. 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, 26 March 2003

SET Revisionsbyrå AB



Willard Möller
Authorised Public Accountant



Board of Directors

Bengt Hjelm (born 1943)

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



Gerteric Lindquist



Bengt Hjelm

Gerteric Lindquist (born 1951)

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



Arvid Gierow



Sam Strömersten

Arvid Gierow (born 1943)

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, Qualidus AB and Inhvena AB. Shareholding in NIBE Industrier: 5,400 B shares.

Leif Gustavsson (born 1945)

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



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. MD for Cramo Instant AB. Shareholding in NIBE Industrier: 400 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: 23,490 A shares and 44,810 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: 700 B shares.

Niklas Gunnarsson (born 1965)

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

Auditor

SET Revisionsbyrå AB

Chief Auditor
Willard Möller (born 1943)
Authorised Public Accountant.



Willard Möller

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