

# Interim Report

1 January – 30 June 2000



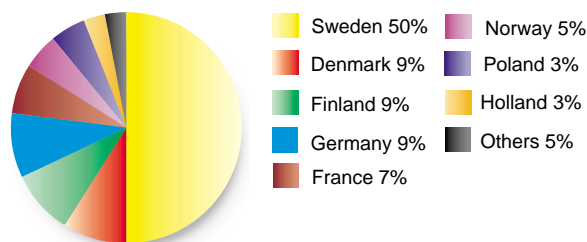
- *Continued growth – net turnover increases to SEK 582.3 million (SEK 544.2 million)*
- *Half-year profit after net interest items rises to SEK 49.3 million, including SEK 16.1 million in refunds from SPP insurance – equivalent to SEK 33.2 million (SEK 28.8 million) without SPP*
- *Expansion into Europe is intensified – four out of five acquisitions made outside Sweden*
- *Earnings per share over the last 12 months amount to SEK 13.47 including refunds from SPP, or SEK 11.49 (SEK 9.06) without SPP*

## NIBE Industrier – Group

Key figures		2000 Q1+2	1999 Q1+2	Past 12 months	Full year 1999
Net turnover	(MSEK)	582.3	544.2	1,206.3	1,168.2
Growth	(%)	+ 7.0	+ 28.4	+ 5.1	+ 13.8
...of which acquired	(%)	+ 1.6	+ 19.8	- 1.5	+ 5.7
Operating profit	(MSEK)	51.7*	30.0	119.6*	97.9
Operating margin	(%)	8.9*	5.5	9.9*	8.4
Income after net items	(MSEK)	49.3*	28.8	114.6*	94.1
Net profit margin	(%)	8.5*	5.3	9.5*	8.1

\* Including SPP surplus of SEK 16.1 million

## Turnover for the NIBE Group by geographical market January – June 2000



## The Chief Executive's Report

First-half profits for the Group, excluding refunds from the SPP pensions insurance company surplus, have improved by 15%.

**NIBE Element's** increase in turnover is largely attributable to the general improvement in the economy and to the decision to specialise in a limited number of products. As an active participant in the structural rationalisation of the European electric element industry, NIBE Element has already acquired operations in Norway and Italy this year, and is currently engaged in takeover negotiations in the Czech Republic.

The increase in turnover and an ongoing process of rationalisation have resulted in a substantial improvement in operating profit.

**NIBE Heating** continues to expand its volumes, thanks in the main to the further improvements in market share that have been achieved by intensive efforts in both product development and marketing.

Serial production has now started in the new heat pump plant, paving the way for the supply of products for which demand is rapidly growing, not only in Sweden, but also in several of our export markets. The takeover of Poland's leading manufacturer of water heaters also marks a major strategic success in our ongoing plans for expansion in Europe.

Despite one-off costs in connection with the commissioning of the new heat-pump plant, the business area has managed to improve its operating margin.

For **NIBE Stoves** turnover on the domestic market remained at last year's high level while export sales have continued to increase.

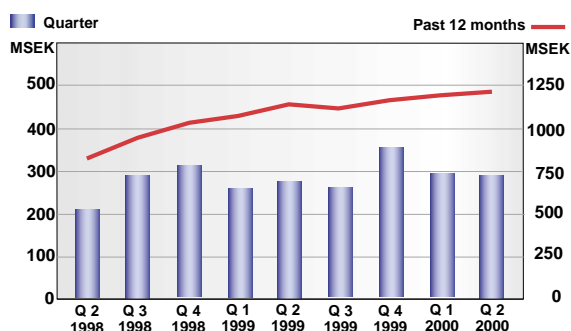
With the acquisition of Cronspisen early in the year the business area's product range is now considered complete as far as the Swedish market is concerned. As a consequence of this, and with the ambition of boosting growth abroad, the focus during the first half of the year has now shifted firmly to product development and marketing.

Investment in these endeavours, together with one-off costs involved in commissioning the new production plant, has meant that the operating margin has slipped compared with the corresponding period last year.

### Refunds from SPP pensions insurance surplus

The NIBE Group's share of surplus funds held by the SPP pensions insurance company amounts to SEK 18 million. Rules for the refund of these monies have now finally been drawn up by SPP, who estimate that repayments will be made over a period of slightly more than six years. The current value of the expected repayments is SEK 16.1 million, which has been entered in the second quarter's accounts as an item affecting comparability.

### Net turnover for the NIBE Group over the past 9 quarters



## The NIBE Group

### Turnover

Group turnover from January to June amounted to SEK 582.3 million (SEK 544.2 million) which is equivalent to 7.0% growth.

Of the total increase in turnover of SEK 38.1 million, SEK 8.9 million derives from companies acquired during the period, all of which come under the NIBE Stoves business area.

### Profits

Operating profit for the period after net financial items amounted to SEK 49.3 million – 71.1% up on the figure for the corresponding period in 1999. Profit after net financial items, excluding the SPP surplus, rose to SEK 33.2 million (SEK 28.8 million), which is equivalent to a 15.3% increase in profits when compared to the corresponding period in 1999.

Return on equity was 21.1%, or 14.5% (14.4%) excluding the SPP surplus.

### Investments

During the period January to June of the current year, the Group invested SEK 69.0 million (SEK 36.5 million) in fixed assets.

Of this investment, SEK 6.0 million (SEK 15.6 million) relates to company acquisitions. The remaining SEK 63.0 million (SEK 20.9 million) refers to investments in machinery and equipment and in buildings in existing units.

### Financial position

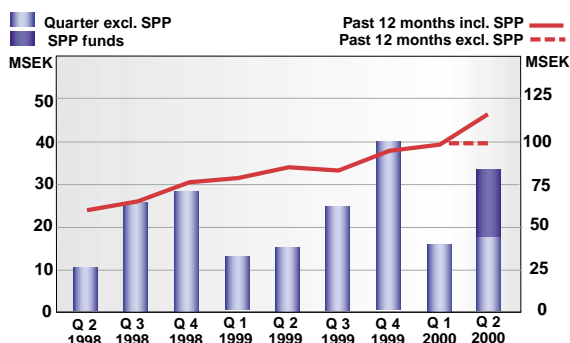
Group liquid assets at the end of June totalled SEK 129.8 million as against SEK 149.8 million at the start of the year.

Solidity (measured as equity/assets ratio) at the end of the period was 42.3%, compared with 44.9% at the beginning of the year.

### The NIBE Group's objectives

- Average year-on-year growth of 20%
- Operating profit for each business area of at least 10% of turnover over a business cycle
- Return on equity over a business cycle of at least 20% after standard deductions for tax
- Equity/assets ratio above 30% at all times.

### The NIBE Group's profit after financial items over the past 9 quarters



## NIBE Element

Key figures	2000 Q1+2	1999 Q1+2	Past 12 months	Full year 1999
Net turnover (MSEK)	291.6	277.1	572.9	558.5
Growth (%)	+ 5.2	+ 26.1	- 6.0	+ 1.1
Operating profit excl SPP (MSEK)	19.3	14.9	45.5	41.1
Operating margin (%)	6.6	5.4	7.9	7.4

## NIBE Element

### Turnover

The economic upturn throughout Europe as a whole helped to bring invoiced sales for the period up to SEK 291.6 million, compared with SEK 277.1 million for the corresponding period in 1999. This 5.2 % growth in sales was totally organic in nature.

### Profits

First-half operating profit rose by 6.6% (1999: 5.4%) to SEK 19.3 million from the corresponding figure of SEK 14.9 million for January to June 1999. This brought the business area's operating margin over the past 12 months to 7.9%.

### The market

Thanks to the economic upturn in Europe as a whole, the last quarter has seen the market develop in a positive way. Sales of both consumer-related products and industrial products have risen, but there is still pressure on prices in several segments of the market. For NIBE Element growth is greatest in the segments where we carry out our own product development and where we have been able to launch unique special products over the past few years.

### Cost trends

NIBE Element is tireless in its efforts to continually improve productivity. A decision was made in the second quarter to restructure the production of foil elements by transferring labour-intensive production from the manufacturing unit in Kolbäck, west of Stockholm, to the business area's plant in Poland.

Increased sales in combination with improved productivity during the first six months of the year have offset the unfavourable effect of exchange rate developments and rising raw material costs.

### Acquisitions

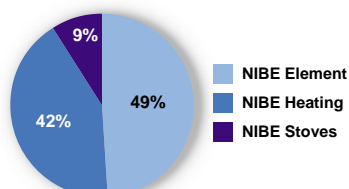
In accordance with our declared intention to establish a local presence on key markets, we have signed an agreement concerning the acquisition of electric element production in the Italian company, Elettromeccanica F.E.R. Ferrara S.r.l. NIBE Element has previously sold very little to the Italian market, despite the fact that it is one of the largest in Europe for electric elements. The intention is that, after the agreement comes into force on 1 September, the company will market both its own range and products from other units' ranges in Italy.

June also saw the acquisition of element production in Coates A/S of Norway. This business, which mainly supplies the plastics industry, will form part of the operations of the business area's Norwegian subsidiary and supplement our current product range in Norway.

On 14 August a declaration of intent was signed concerning the acquisition of electric element production in the Czech ETA company, a manufacturer of household appliances. It is anticipated that the takeover will take place around the end of September after customary due diligence.

The new acquisitions have an annual turnover of approximately SEK 55 million.

**Business areas' contribution to turnover**  
Jan – June 2000 \*)



## NIBE Heating

Key figures	2000 Q1+2	1999 Q1+2	Past 12 months	Full year 1999
Net turnover (MSEK)	235.3	220.6	500.0	485.3
Growth (%)	+ 6.7	+ 41.8	+ 18.5	+ 36.0
Operating profit excl SPP (MSEK)	17.2	14.4	51.7	48.8
Operating margin (%)	7.3	6.5	10.3	10.1

## NIBE Heating

### Turnover

An increase in market share, in both the Swedish domestic market and abroad, resulted in a 6.7% rise in first-half sales to SEK 235.3 million, compared with SEK 220.6 million for the corresponding period in 1999. This growth is entirely organic.

### Profits

First-half operating profit rose by 7.3% (1999: 6.5%) to SEK 17.2 million from the corresponding figure of SEK 14.4 million for January to June 1999. This brought the business area's operating margin over the past 12 months to 10.3%.

### The market

Following a slight fall in demand during the early part of the year, the Swedish market has developed positively. The introduction of new products and the implementation of upgrades to existing ones have further strengthened our position in the market.

NIBE Heating has expanded its market share in a number of key areas during the first half of 2000. There has been a marked rise in sales of exhaust-air heat pumps and water heaters, while, on the other hand, oil price increases have had a negative effect on the demand for certain types of boilers.

The positive trend that has seen the construction of more new owner-occupied homes is expected to continue throughout 2000, although work on major home construction projects has yet to start in earnest. Since the start of the year sales of all NIBE products in Finland have been made via our own branch office, Haato Varaajat. The outcome of this positive move is that Haato now holds a strong position at the forefront of the market within the hot-water heater segment.

Interest in heat pumps has blossomed in several European markets. Germany and Holland have now joined the Scandinavian countries as markets with well established sales of these products, and work is taking place to arouse interest in new markets.

### Capacity

All our heat pumps are now manufactured in the efficient, new purpose-built factory in Markaryd, Sweden. Concentrated efforts have been made throughout the first half of the year to bolster NIBE Heating's production capacity in order to meet expansion plans. Both the fine-tuning of the heat pump production facilities and the efforts to increase capacity have resulted in increased costs, but these are of a one-off nature.

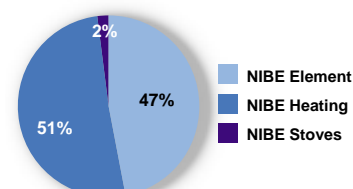
### Acquisitions

An agreement was signed in May to acquire a majority stake in the Polish company BIAWAR. Once the agreement comes into force in August, we will be the market leader for hot-water heaters in Poland.

As a result of the current negotiations for the takeover of a Czech electric element producer, NIBE Heating will also acquire a range of instantaneous water heaters and the right to use the highly respected ETA trademark in the Czech Republic and Slovakia.

The new acquisitions have an annual turnover of approximately SEK 70 million.

**Business areas' contribution to profits**  
Jan – June 2000 \*)



\*) The lion's share of business for both NIBE Heating and NIBE Stoves traditionally comes in the third and fourth quarters of the year.

## NIBE Stoves

Key figures		2000 Q1+2	1999 Q1+2	Past 12 months	Full year 1999
Net turnover	(MSEK)	60.2	50.3	143.4	133.6
Growth	(%)	+19.6	-3.5	+16.6	+7.0
Operating profit excl SPP	(MSEK)	4.0	5.1	16.5	17.6
Operating margin	(%)	6.7	10.1	11.5	13.2

## NIBE Stoves

### Turnover

Invoiced sales for January to June totalled SEK 60.2 million, compared with SEK 50.3 million for the corresponding period in 1999. SEK 8.9 million of this amount can be attributed to acquired companies, which means that organic growth was 2.0%.

### Profits

First-half profit was SEK 4.0 million, compared with SEK 5.1 million during the corresponding period last year. The fall in profits is due mainly to higher costs for development and marketing in connection with a concentrated effort to increase sales of NIBE Stoves products abroad. Operating profit was also affected during the second quarter by the costs involved in building new production facilities. The result was that the operating margin for the business area slipped back from last year's 10.1% to a figure of 6.7%. The operating margin over the past 12 months is, however, 11.5%.

### The market

Demand for wood-burning stoves and other stoves has continued to remain at a high level throughout the second quarter. At present demand is governed less by a desire to economise on energy than by product design. The effect of this has been that sales of more expensive products have risen, both in the wood-burning stove range and among Cronspisen's tiled stoves.

The second quarter saw the launch of a completely new soapstone stove and a new masonry stove under the Contura brand. The first deliveries of these models, which now mean that the Contura family is as complete as the Handöl range, will be made in the third quarter. These new products are also considered especially attractive for our priority foreign markets.

Sales trends on our top-priority foreign markets continue to remain positive. The fire-box for the new Contura 450 model is the first with glass on three sides to be approved for sale in Norway and this heralds a significant breakthrough for NIBE Stoves in that country.

The new, purpose-built NIBE Stoves marketing centre was officially opened in June. In addition to offices, the premises include an attractive showroom, a modern research and development centre and a completely new production unit.

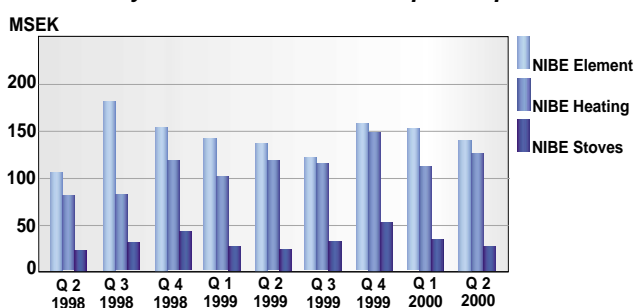
### Capacity

We expect the new stove production plant built up during the second quarter to be fully operational by the end of the third. This will increase capacity and flexibility substantially, enabling us to adapt the pace of production to meet market demands much better.

### Acquisitions

The acquisition of Cronspisen, a manufacturer of tiled stoves with an annual turnover of SEK 25 million has further reinforced NIBE Stoves' position as a full-range supplier for the Swedish market.

### Turnover by business area over the past 9 quarters



## Prospects for 2000

Demand for all three business areas looks set to remain strong throughout the rest of the year.

Exchange rate developments, the price of raw materials and the costs involved in fine-tuning the new manufacturing units in Markaryd, do, however, make it difficult to forecast costs with any great accuracy.

Even so, the situation is such that we remain positive in our assessment of the financial year 2000 as a whole, both as regards the growth of the group and the profits.

## Financial information

16 November 2000; Interim report, January – September 2000

15 February 2001; Summary of Annual Report 2000

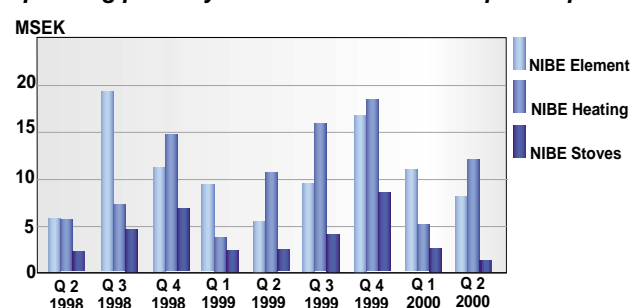
These reports will be made available via the NIBE Industrier website: [www.nibe.se](http://www.nibe.se) under the heading "Financial Information" on the same day on which they are released.

Markaryd, Sweden, 17 August 2000

*Gerteric Lindquist*

*Managing Director and Chief Executive*

### Operating profit by business area over the past 9 quarters



## Consolidated Income Statement *(in millions of SEK)*

	Jan – June 2000	Jan – June 1999	Past 12 months	Full year 1999
Net sales	582.3	544.2	1,206.3	1,168.2
Cost of goods sold	- 439.2	- 416.1	- 887.7	- 864.6
<b>Gross profit</b>	<b>143.1</b>	<b>128.1</b>	<b>318.6</b>	<b>303.6</b>
Selling expenses	- 80.8	- 71.2	- 160.4	- 150.8
Administrative expenses	- 33.3	- 29.9	- 65.9	- 62.6
Items affecting comparability <sup>1)</sup>	+ 16.1	0	+ 16.1	0
Other income	+ 6.6	+ 3.0	+ 11.2	+ 7.7
<b>Operating profit</b>	<b>51.7</b>	<b>30.0</b>	<b>119.6</b>	<b>97.9</b>
Net financial items	- 2.4	- 1.2	- 5.0	- 3.8
<b>Profit after net financial items</b>	<b>49.3</b>	<b>28.8</b>	<b>114.6</b>	<b>94.1</b>
Estimated tax	- 15.5	- 10.0	- 35.3	- 29.8
Minority participation in net profit after tax	- 0.1	- 0.1	- 0.2	- 0.2
<b>Net profit</b>	<b>33.7</b>	<b>18.7</b>	<b>79.1</b>	<b>64.1</b>
<i>Totals include following amounts of depreciation according to plan</i>	<i>22.3</i>	<i>20.2</i>	<i>43.4</i>	<i>41.4</i>

## Consolidated balance sheet in summary *(in millions of SEK)*

	30 June 2000	30 June 1999	31 Dec 1999
Fixed assets	334.2	288.3	289.2
Non-financial current assets	439.0	392.6	410.2
Financial current assets	36.3	23.8	34.9
<b>Total assets</b>	<b>809.5</b>	<b>704.7</b>	<b>734.3</b>
Equity	342.2	287.7	329.6
Minority interest	0.6	0.5	0.6
Provisions	84.8	77.3	78.6
Long-term non-interest-bearing liabilities	0.2	0.6	0.2
Long-term interest-bearing liabilities	175.0	144.4	122.1
Current non-interest-bearing liabilities	189.4	178.2	185.8
Current interest-bearing liabilities	17.3	16.0	17.4
<b>Total equity and liabilities</b>	<b>809.5</b>	<b>704.7</b>	<b>734.3</b>

## Cash flow analysis *(in millions of SEK)*

	Jan – June 2000	Jan – June 1999	Full year 1999
Cash flow from trading activities	+ 51.3	+ 26.7	+ 101.9
Change in working capital	- 18.5	- 14.6	- 31.5
Investment activities	- 69.8	- 36.5	- 58.8
Financing activities	+39.0	+ 10.5	-11.9
Exchange rate difference in liquid assets	- 0.4	- 1.3	- 1.8
<b>Change in liquid assets</b>	<b>+ 1.6</b>	<b>- 15.2</b>	<b>- 2.1</b>

## Key figures and ratios

		Jan – June 2000	Jan – June 1999	helår 1999
Growth	(%)	+ 7.0	+ 28.4	+ 13.8
Operating margin	(%)	8.9 (6.1)	5.5	8.4
Net profit margin	(%)	8.5 (5.7)	5.3	8.1
Investments in fixed assets	(MSEK)	69.0	36.5	58.8
Unappropriated liquid assets	(MSEK)	129.8	132.8	149.8
Working capital, including cash and bank	(MSEK)	268.4	222.2	241.7
Interest-bearing liabilities/Equity	(%)	63.0	63.5	49.3
Solidity (Equity/assets ratio)	(%)	42.3	40.8	44.9
Return on capital employed	(%)	20.4 (14.5)	14.1	21.5
Return on equity	(%)	21.1 (14.5)	14.4	21.9
EPS (net earnings per share: total number of shares 5,870,000)	(SEK)	5.74 (3.76)	3.19	10.92
Equity per share	(SEK)	58.30	49.00	56.14
Closing day share price	(SEK)	119.00	120.00	121.00

<sup>1)</sup> Refers to current estimated value of future repayments made from the SPP surplus.

<sup>2)</sup> Key figures/ratios in parentheses have been calculated excluding items affecting comparability, namely repayments from the SPP surplus.

## Quarterly summary

NIBE Group (in millions of SEK)

Income statement	2000		1999				1998		
	Q 1	Q 2	Q 1	Q 2	Q 3	Q 4	Q 2	Q 3	Q 4
Net turnover	292.9	289.4	267.6	276.6	265.9	358.1	209.0	289.4	313.7
Operating expenses	- 276.4	- 270.3	- 253.9	- 260.3	- 238.8	- 317.3	- 197.5	- 260.5	- 283.1
Items affecting comparability <sup>1)</sup>	0	+ 16.1	0	0	0	0	0	0	0
<b>Operating profit</b>	<b>16.5</b>	<b>35.2</b>	<b>13.7</b>	<b>16.3</b>	<b>27.1</b>	<b>40.8</b>	<b>11.5</b>	<b>28.9</b>	<b>30.6</b>
Net financial items	- 0.4	- 2.0	- 0.4	- 0.8	- 2.2	- 0.4	- 1.4	- 1.0	- 2.5
Profit in subsidiaries, before acquisition	0.0	0.0	0.0	0.0	0.0	0.0	0.0	- 1.8	- 0.1
<b>Pre-tax profit</b>	<b>16.1</b>	<b>33.2</b>	<b>13.3</b>	<b>15.5</b>	<b>24.9</b>	<b>40.4</b>	<b>10.1</b>	<b>26.1</b>	<b>28.0</b>
Tax	- 5.1	- 10.4	- 4.7	- 5.3	- 7.9	- 11.9	- 3.4	- 8.4	- 9.4
Minority share of profit for the year	0.0	- 0.1	- 0.1	0.0	0.0	- 0.1	0.0	- 0.1	+ 0.1
<b>Profit after tax</b>	<b>11.0</b>	<b>22.7</b>	<b>8.5</b>	<b>10.2</b>	<b>17.0</b>	<b>28.4</b>	<b>6.7</b>	<b>17.6</b>	<b>18.7</b>

<sup>1)</sup> Refers to current estimated value of future repayments made from the SPP surplus.

Business areas (in millions of SEK)

Net turnover	2000		1999				1998		
	Q 1	Q 2	Q 1	Q 2	Q 3	Q 4	Q 2	Q 3	Q 4
NIBE Element	152.3	139.3	141.4	135.7	122.3	159.1	106.0	177.8	154.9
NIBE Heating	110.3	125.1	101.3	119.3	115.9	148.8	80.1	82.8	118.4
NIBE Stoves	32.8	27.4	26.8	23.5	30.8	52.5	24.7	30.5	42.2
Elimination of group transactions	- 2.5	- 2.4	- 1.9	- 1.9	- 3.1	- 2.3	- 1.8	- 1.7	- 1.8
<b>Group</b>	<b>292.9</b>	<b>289.4</b>	<b>267.6</b>	<b>276.6</b>	<b>265.9</b>	<b>358.1</b>	<b>209.0</b>	<b>289.4</b>	<b>313.7</b>

Operating profit	2000		1999				1998		
	Q 1	Q 2	Q 1	Q 2	Q 3	Q 4	Q 2	Q 3	Q 4
NIBE Element	11.0	8.3	9.4	5.5	9.5	16.7	5.9	19.1	11.1
NIBE Heating	5.1	12.1	3.8	10.6	15.9	18.5	5.8	7.2	14.7
NIBE Stoves	2.7	1.3	2.5	2.6	4.0	8.5	2.2	4.6	6.9
Elimination of group transactions <sup>2)</sup>	- 2.3	+ 13.5	- 2.0	- 2.4	- 2.3	- 2.9	- 2.4	- 2.0	- 2.1
<b>Group</b>	<b>16.5</b>	<b>35.2</b>	<b>13.7</b>	<b>16.3</b>	<b>27.1</b>	<b>40.8</b>	<b>11.5</b>	<b>28.9</b>	<b>30.6</b>

<sup>2)</sup> Eliminations include the effect on profits on future repayments from the SPP surplus totalling SEK 16.1 million.