

NIBE

bringing warmth to the world

- Sales rise to SEK 800.9 million (Jan–March 2004: SEK 693.9 m)
- Profit after financial items rises to SEK 60.6 million (SEK 53.4 m)
- Profit after tax rises to SEK 41.5 million (SEK 39.9 m)
- Earnings per share amount to SEK 1.75 (1.70)

interim report

1 January – 31 March 2005



Continued growth

THE CHIEF EXECUTIVE'S REPORT

The first quarter of 2005 brought sales growth of 15.4%, a much more modest rate of growth than the 36.5% seen in the first quarter last year.

This year organic growth was 5.3%, compared with 16.7% from January to March in 2004. This is due primarily to the fact that first-quarter figures last year benefited from extraordinary production measures to reduce the backlog from autumn 2003, but also to a slight tapering off in demand.

Operating profit grew by 16.8% and profit after financial items by 13.5%.

NIBE Element continues to grow its share of a particularly difficult market, thanks mainly to successful product development and aggressive marketing. The business area's lower operating margin was due principally to ongoing rises in material prices and non-recurring costs for the transfer of production from Western Europe to countries with lower labour costs.

NIBE Heating generated less organic volume growth than in the first quarter last year, due partly to lower growth in the market as a whole and partly to the fact that orders in hand at the beginning of the year receded to normal levels after the substantial backlog from 2003. The operating margin remained strong, thanks in part to the two most recent acquisitions, Metro Therm and Kaukora.

It is also gratifying to see our aggressive product development work in heat pumps resulting in another world first – a coefficient of performance of more than 5.0 for our ground-source heat pumps, confirming once again the business area's leading position in this area of technology.

NIBE Stoves recorded what appears at first glance to be modest volume growth compared to the first quarter last year, but this is due primarily to the effect on the 2004 figures of a substantial backlog of orders at the end of 2003. The market as a whole in Sweden and Germany has also levelled off, and has actually contracted slightly in Norway.

The operating margin remains good. The new range of wood-burning stoves with a striking, contemporary design that has been launched in the first quarter also contributes to our optimism about continued growth in market share.

Prospects for 2005

Given our expectations of sustained strong demand and the investments we have made to increase production capacity and improve efficiency, we remain confident about the future.

The economic cycle appears to have peaked during the spring in both Sweden and the rest of Europe – our two principal markets – which makes it somewhat harder to predict short-term movements in demand for our products. Assuming that the slowdown is not too dramatic, however, we expect to continue to go from strength to strength in 2005.

Financial targets

- Average annual sales growth of 20%
- Average annual operating profit of at least 10% of sales over a full business cycle in each business area
- Average annual return on equity of at least 20% after standard deductions for tax over a full business cycle
- Equity/assets ratio of at least 30%.

Financial information

17 August 2005: Interim report, January–June 2005

15 November 2005: Interim report, January–September 2005

These financial reports will be posted on the NIBE Industrier website (www.nibe.se) under *The Group/Financial info* on the same day on which they are made public.

Markaryd, Sweden – 11 May 2005

Gerteric Lindquist
Managing Director and Chief Executive Officer

Transition to International Financial Reporting Standards (IFRS)

This interim report for the first quarter of 2005 is the NIBE Group's first financial report to be presented in accordance with International Financial Reporting Standards (IFRS). It has been prepared on the basis of IAS 34 (Interim Financial Reporting), which corresponds to the requirements set out in the Swedish Financial Accounting Standards Council's recommendation RR 31 (Interim Reporting for Groups).

The accounting principles applied in this interim report are detailed on pages 52–54 of NIBE's annual report for 2004, which state that IFRS applies with effect from 2005 and that the comparative figures for 2004 are to be restated in line with the new principles, except where the transitional rules for financial instruments dictate otherwise.

All accounting data and key figures in this interim report affected by the transition to IFRS have been restated. The effects of restating the comparative figures for both the first quarter of 2004 and for 2004 as a whole are presented on page 7 of this report.

The most significant transition effect will be in respect of depreciation on goodwill. Goodwill will no longer be depreciated, but will instead be subject to an annual impairment test. The goodwill items underwent an impairment test in 2004, and in no case was the carrying amount found to exceed the recoverable amount.

Minority interests have been reclassified so as to be included under equity in the balance sheet and in net profit in the income statement.

In line with the rules for first-time adoption of IFRS, the new principles for financial instruments are being applied only to those parts of the accounts that relate to 2005.

IFRS 1 requires reporting to comply with the IFRS in force on 31 December 2005. Given that the approval process in the EU is not yet complete, there may yet be changes to IFRS which could impact on the information presented in this report.

Sales

The Group generated net sales of SEK 800.9 million in the first quarter of 2005 (corresponding figure for January–March 2004: SEK 693.9 million). This equates to growth of 15.4%, of which 5.3% was organic.

Of the total sales increase of SEK 107.0 million, SEK 69.9 million derived from acquisitions.

Earnings

Profit for the period after financial items was SEK 60.6 million, up 13.5% from the total of SEK 53.4 million for January to March 2004.

Return on equity was 19.0% (22.6%).

Investments

The Group invested SEK 45.4 million (SEK 46.2 million) in fixed assets during the period. These investments were made in existing units.

Cash flow and financial position

Cash flow from operating activities amounted to SEK 43.0 million (SEK 38.4 million) before changes in working capital and SEK –63.3 million (SEK –11.0 million) after these changes. The increase in working capital of SEK 106.3 million (SEK 49.4 million) during the period was due primarily to stockbuilding ahead of the busy autumn period.

Interest-bearing liabilities totalled SEK 933.7 million at the end of the period, up from SEK 812.5 million at the beginning of the year. The increase was due to investments in the Group's production facilities and stockbuilding ahead of the autumn.

The Group had liquid funds of SEK 424.2 million at the end of March 2005, compared with SEK 382.6 million at the beginning of the year. The Group's overdraft facilities were extended by SEK 141.9 million during the period.

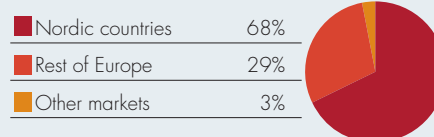
The equity/assets ratio was 35.8% at the end of the period, compared with 35.7% at the beginning of the year and 34.5% at the end of March last year.

Parent company

The parent company's activities comprise Group executive management functions, certain shared Group functions and financing for acquisitions. The first quarter brought sales of SEK 0.6 million (SEK 0.8 million) and a loss after financial items of SEK 4.7 million (SEK –4.3 million). Liquid funds totalled SEK 250.5 million at the end of the period, compared with SEK 222.4 million at the beginning of the year.

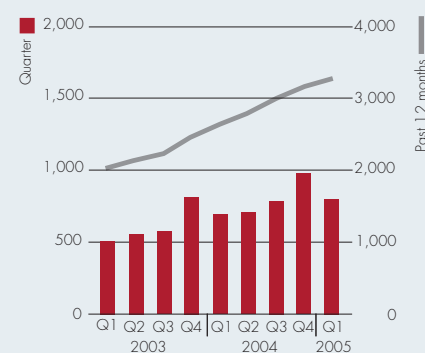
Group sales by geographic region

Jan – March 2005



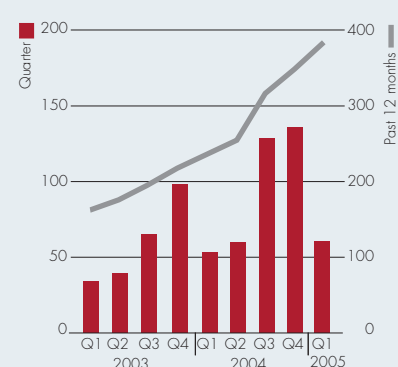
Net sales

(Past nine quarters, in millions of SEK)



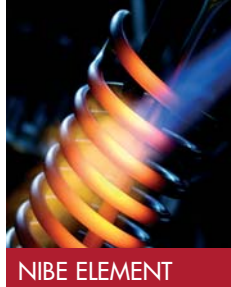
Profit after financial items

(Past nine quarters, in millions of SEK)



NIBE Industrier – Group

Key figures		2005 Q1	2004 Q1	Past 12 months	Full year 2004
Net sales	(MSEK)	800.9	693.9	3,268.0	3,161.0
Growth	(%)	15.4	36.5	24.0	29.0
of which acquired	(%)	10.1	19.8	12.3	14.5
Operating profit	(MSEK)	69.5	59.5	375.4	365.4
Operating margin	(%)	8.7	8.6	11.5	11.6
Profit after net fin's	(MSEK)	60.6	53.4	384.4	377.2
Net profit margin	(%)	7.6	7.7	11.8	11.9



NIBE ELEMENT



NIBE HEATING

Sales and earnings

Sales totalled SEK 304.1 million, compared with SEK 275.9 million for the corresponding period last year. Of the total sales increase of SEK 28.2 million, SEK 15.1 million derived from acquisitions, which means that organic growth was 4.7%.

Operating profit was SEK 11.7 million, compared with SEK 18.3 million last year. The operating margin for the period fell from 6.6% in the first quarter of 2004 to 3.8%, but the operating margin for the year to 31 March was 5.3%.

Market

The market as a whole remained stable during the first quarter, but there were some major variations from segment to segment.

The market for elements for the professional sector was stable, while growing direct imports of finished consumer products from China had a negative impact on sales of elements for small appliances and other consumer products.

However, high oil prices have led to increased investment in the oil industry, boosting sales of system products (i.e. components) for companies in this sector. The market for various types of load resistor also grew.

The downturn in the US motor industry had a negative impact on sales of rear-view mirror elements.

Interest in buying more complete products has grown in several segments. We are therefore gradually expanding our technical capacity and intensifying our product development work in order to be able to offer customers new technical solutions within our product areas.

Operations

To offset increasing pressure on prices, it was decided last year to greatly expand production capacity in Poland. The extension of the factory in Pyrzyce and the construction of a new production plant in Stargard have now been completed, and both units were inaugurated at the end of April. Products subject to strong price competition will gradually be transferred to these new units from our production plants in Western Europe during the course of the year.

Raw material prices continued to rise in the first quarter, squeezing margins in several product segments. The other main reason for the lower operating margin was start-up costs relating to the transfer of production to low-cost countries. We are working hard to sustain productivity and ensure product quality during the transfer of production.

NIBE Element		2005	2004	Past	Full year
Key figures		Q1	Q1	12 months	2004
Net sales	(MSEK)	304.1	275.9	1,174.8	1,146.6
Growth	(%)	10.2	6.6	9.2	8.3
Operating profit	(MSEK)	11.7	18.3	61.7	68.3
Operating margin	(%)	3.8	6.6	5.3	6.0
Assets	(MSEK)	1,054.9	859.7	1,054.9	970.8
Liabilities	(MSEK)	966.4	735.1	966.4	844.2
Investm. (fixed assets)	(MSEK)	29.0	26.3	130.7	128.0
Depreciation	(MSEK)	10.9	8.5	38.5	36.1

Sales and earnings

Sales totalled SEK 394.2 million, compared with SEK 321.9 million for the corresponding period last year. Of the total sales increase of SEK 72.3 million, SEK 54.8 million derived from acquisitions, which means that organic growth was 5.4%.

Operating profit was SEK 41.6 million, compared with SEK 28.3 million last year. The operating margin for the period rose from 8.8% in the first quarter of 2004 to 10.6%, while the operating margin for the year to 31 March was 13.4%.

Market

Interest in energy-saving products is picking up both in Sweden and abroad, and the heat pump market is constantly expanding. Global growth in the use of renewable energy is also favouring the use of heat pumps. NIBE Heating is building an ever stronger market position for itself and maintains a firm focus on the development of new high-performance products. A heat pump's coefficient of performance is considered to be the most important parameter in this product area.

Sales of NIBE Heating products went well in the first quarter, although the rate of growth was down on the same period last year. The Swedish heat pump market continues to grow slightly, while the market for conventional domestic boilers is continuing to decline as a result of persistently high oil prices. The market for water heaters and district-heating products remains stable.

NIBE Heating continued to perform well in its export markets, with the exception of Germany where the economic slowdown has undermined sales growth. The strongest growth is currently being seen in Finland, Denmark and Ireland.

Operations

As a result of spiralling raw material prices, some price increases have been introduced both in Sweden and abroad.

NIBE Heating took part very successfully in the international ISH fair in Frankfurt in March. The stand (our largest ever at international level) elicited a highly positive response. In connection with the fair, the business area became the first and only heat pump manufacturer to present a new ground-source heat pump with a coefficient of performance in excess of 5.0. This means that the heat pump's compressor generates more than five times the amount of energy it consumes.

The increase in NIBE Heating's operating margin was due partly to continued earnings growth at the Metro Therm group and high capacity utilisation in the increasingly efficient production facilities in Markaryd. The newly acquired Kaukora group in Finland also got off to a good start in terms of both sales and earnings.

NIBE Heating		2005	2004	Past	Full year
Key figures		Q1	Q1	12 months	2004
Net sales	(MSEK)	394.2	321.9	1,665.4	1,593.1
Growth	(%)	22.5	73.3	34.7	44.7
Operating profit	(MSEK)	41.6	28.3	222.7	209.4
Operating margin	(%)	10.6	8.8	13.4	13.1
Assets	(MSEK)	1,416.7	932.8	1,416.7	1,347.1
Liabilities	(MSEK)	1,038.3	583.0	1,038.3	937.3
Investm. (fixed assets)	(MSEK)	10.5	6.4	298.8	294.7
Depreciation	(MSEK)	15.1	10.7	51.4	47.0



NIBE STOVES

Sales and earnings

Sales grew to SEK 109.9 million from SEK 104.2 million for the corresponding period last year. The whole of the sales increase of SEK 5.7 million was organic, which means that organic growth totalled 5.5%.

Operating profit was SEK 19.5 million, compared with SEK 16.1 million last year. The operating margin rose from 15.5% in the first quarter of 2004 to 17.7%, which equates to an operating margin for the year to 31 March of 23.2%.

Market

After several years of constant growth, demand for wood-burning stoves in Sweden has inevitably stagnated in line with a general slowdown in consumption. Demand nevertheless remains strong, especially for attractively designed, lightweight wood-burning stoves combined with a chimney system, which is our forte.

Sales growth in Sweden was good compared with the same period last year, when a substantial proportion of sales derived from a backlog of orders from 2003.

Our marketing drives in Denmark and Finland have been highly successful, proving the underlying logic of a distribution strategy based on a strong local presence and competitive retail prices.

Although the market for wood-burning stoves has shrunk somewhat in Norway, we managed to increase our sales there in comparison with the same period last year.

Sales in Germany also grew during the first quarter, even though overall demand for wood-burning stoves is believed to have been unchanged.

Operations

A new range of wood-burning stoves was launched under the Handöl brand in several European markets during the first quarter. With their innovative design and bold lines, the five models will broaden our overall product portfolio and enable us to reach new customer groups in both existing and new markets. The new range will be launched in the Nordic markets in the middle of the second quarter, with the first deliveries to consumers in the autumn.

Stocks of finished products are currently being built up in order to meet the levels of demand anticipated during the peak season for sales. Steady levels of production throughout the year also promote high standards of productivity and product quality.

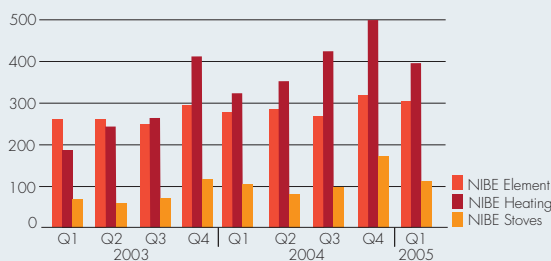
The first quarter also saw investment in production equipment and the outsourcing of production to other units in the Group so as to further expand production capacity.

NIBE Stoves Key figures	2005 Q1	2004 Q1	Past 12 months	Full year 2004
Net sales (MSEK)	109.9	104.2	457.7	452.0
Growth (%)	5.5	53.0	31.6	45.1
Operating profit (MSEK)	19.5	16.1	106.4	103.0
Operating margin (%)	17.7	15.5	23.2	22.8
Assets (MSEK)	279.3	231.3	279.3	296.6
Liabilities (MSEK)	74.6	118.7	74.6	80.8
Investm. (fixed assets) (MSEK)	9.8	12.8	47.5	50.5
Depreciation (MSEK)	2.5	2.3	10.3	10.1

BUSINESS AREAS

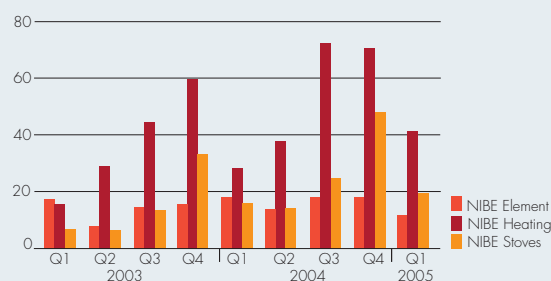
Sales by business area

over the past 9 quarters (in millions of SEK)



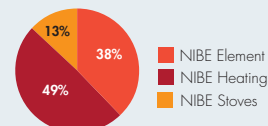
Operating profit by business area

over the past 9 quarters (in millions of SEK)



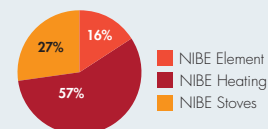
Business areas' contribution to sales

January – March 2005



Business areas' contribution to operating profit

January – March 2005



SHARE PERFORMANCE





THE NIBE GROUP – FINANCIAL TRENDS

Consolidated Income Statement

(in millions of SEK)	Jan – Mar 2005	Jan – Mar 2004	Past 12 months	Full year 2004
Net sales	800.9	693.9	3,268.0	3,161.0
Cost of goods sold	- 570.4	- 494.6	- 2,246.6	- 2,170.8
Gross profit	230.5	199.3	1,021.4	990.2
Selling expenses	- 122.1	- 102.1	- 491.1	- 471.1
Administrative expenses	- 50.1	- 47.1	- 180.0	- 177.0
Other income	11.2	9.4	25.1	23.3
Operating profit	69.5	59.5	375.4	365.4
Net financial items	- 8.9	- 6.1	9.0	11.8
Profit after net financial items	60.6	53.4	384.4	377.2
Tax	- 19.1	- 13.5	- 103.3	- 97.7
Net profit	41.5	39.9	281.1	279.5
<i>Minority participation in profit after tax</i>	<i>0.4</i>	<i>0.1</i>	<i>1.4</i>	<i>1.1</i>
<i>Includes depreciation according to plan as follows:</i>	<i>29.3</i>	<i>22.4</i>	<i>103.4</i>	<i>96.5</i>

Consolidated Balance Sheet summary

(in millions of SEK)	31 March 2005	31 March 2004	31 Dec 2004
Intangible assets	308.6	194.4	304.7
Tangible assets	893.3	684.2	875.7
Financial assets	13.6	51.8	10.6
Total fixed assets	1,215.5	930.4	1,191.0
Inventories	762.6	549.0	690.2
Current receivables	578.3	466.5	525.4
Investments	1.0	2.6	0.9
Cash and bank	72.3	74.0	88.6
Total current assets	1,414.2	1,092.1	1,305.1
Total assets	2,629.7	2,022.5	2,496.1
Equity	940.3	697.0	891.6
Provisions	197.3	163.9	192.7
Long-term liabilities, non-interest bearing	27.2	2.3	34.1
Long-term liabilities, interest bearing	817.9	632.4	708.6
Current liabilities, non-interest bearing	553.0	472.9	586.9
Current liabilities, interest bearing	94.0	54.0	82.2
Total equity and liabilities	2,629.7	2,022.5	2,496.1

Cash flow analysis

(in millions of SEK)	Jan – Mar 2005	Jan – Mar 2004	Full year 2004
Cash flow from trading activities	43.0	38.4	381.8
Change in working capital	- 106.3	- 49.4	- 82.0
Investment activities	- 45.4	- 46.3	- 305.1
Financing activities	90.8	49.2	11.4
Exchange rate diff. in liquid assets	1.6	0.6	1.0
Change in liquid assets	- 16.3	- 7.5	7.1

Data per share

	Jan – Mar 2005	Jan – Mar 2004	Full year 2004
Net profit per share (total 23,480,000 shares)	SEK 1.75	1.70	11.86
Equity per share	SEK 39.89	29.59	37.83
Closing day share price	SEK 247.00	119.50	184.00

Change in equity

(in millions of SEK)	Jan – Mar 2005	Jan – Mar 2004	Full year 2004
Equity brought forward	891.6	646.9	646.9
Effect of change in accounting principles ¹⁾	3.3	5.5	5.5
Adjusted equity brought fwd	894.9	652.4	652.4
Shareholders' dividend	0.0	0.0	- 43.4
Market value of commercial future currency contracts after deductions for tax	- 4.2	0.0	0.0
Translation difference ²⁾	8.1	4.7	3.1
Profit for the period	41.5	39.9	279.5
Equity carried forward ³⁾	940.3	697.0	891.6

¹⁾ The new recommendation IAS 39 (Financial Instruments) applies with effect from 1 January 2005. As a result of this Equity brought forward has risen by SEK 3.3 million after deductions for tax. Adjustments relating to 2004 are explained under the heading "The effect of IFRS on equity 2004" on page 7.

2) Breakdown of translation difference (in millions of SEK)	Jan – Mar 2005	Jan – Mar 2004	Full year 2004
Translation of foreign subsidiaries	9.9	7.1	2.9
Loans to subsidiaries	1.2	0.0	- 1.4
Currency hedging	- 3.0	- 2.4	1.6
Total	8.1	4.7	3.1

³⁾ Minority participations totalled SEK 3.7 million at the end of the reporting period as compared to SEK 3.3 million at the start of the financial year.

Key figures

	Jan – Mar 2005	Jan – Mar 2004	Full year 2004
Growth	% 15.4	36.5	29.0
Operating margin	% 8.7	8.6	11.6
Net profit margin	% 7.6	7.7	11.9
Investments in fixed assets	MSEK 45.4	46.2	418.9
Unappropriated liquid assets	MSEK 424.2	297.4	382.6
Working capital, incl. cash + bank	MSEK 767.2	565.2	636.0
Interest-bearing liabilities/Equity	% 99.3	101.7	91.1
Solidity (Equity/Assets ratio)	% 35.8	34.5	35.7
Return on capital employed	% 15.6	17.6	27.1
Return on equity	% 19.0	22.6	34.8

QUARTERLY DATA

Consolidated Income Statement

(in millions of SEK)	2005		2004				2003			
	Q1	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Net sales	800.9	693.9	704.6	785.0	977.5	508.5	555.8	574.1	812.7	
Operating expenses	- 731.4	- 634.4	- 643.0	- 673.0	- 845.2	- 471.4	- 515.9	- 503.6	- 707.3	
Operating profit	69.5	59.5	61.6	112.0	132.3	37.1	39.9	70.5	105.4	
Net financial expenses	- 8.9	- 6.1	- 1.8	+ 16.4	+ 3.3	- 2.8	- 0.3	- 5.7	- 7.2	
Profit after net financial expenses	60.6	53.4	59.8	128.4	135.6	34.3	39.6	64.8	98.2	
Tax	- 19.1	- 13.5	- 17.9	- 27.6	- 38.7	- 10.6	- 12.4	- 19.6	- 31.8	
Net profit	41.5	39.9	41.9	100.8	96.9	23.7	27.2	45.2	66.4	

Net sales – Business Areas

(in millions of SEK)	2005		2004				2003			
	Q1	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
NIBE Element	304.1	275.9	284.4	268.2	318.1	258.9	260.3	247.1	292.3	
NIBE Heating	394.2	321.9	350.9	422.7	497.6	185.7	242.0	262.6	410.3	
NIBE Stoves	109.9	104.2	79.4	97.7	170.7	68.1	58.8	69.1	115.6	
Elimination of Group transactions	- 7.3	- 8.1	- 10.1	- 3.6	- 8.9	- 4.2	- 5.3	- 4.7	- 5.5	
Group	800.9	693.9	704.6	785.0	977.5	508.5	555.8	574.1	812.7	

Operating profit – Business Areas

(in millions of SEK)	2005		2004				2003			
	Q1	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
NIBE Element	11.7	18.3	13.9	18.1	18.0	17.4	8.1	14.7	15.7	
NIBE Heating	41.6	28.3	38.0	72.5	70.6	15.6	29.2	44.5	59.9	
NIBE Stoves	19.5	16.1	14.2	24.7	48.0	6.8	6.4	13.6	33.3	
Elimination of Group transactions	- 3.3	- 3.2	- 4.5	- 3.3	- 4.3	- 2.7	- 3.8	- 2.3	- 3.5	
Group	69.5	59.5	61.6	112.0	132.3	37.1	39.9	70.5	105.4	

Effects of the transition to IFRS

The effect of IFRS on equity 2004

(in millions of SEK)	Jan – Mar 2004	Jan – Mar 2004	Full year 2004	Full year 2004
	acc. to IFRS	acc. to quarterly report	acc. to IFRS	acc. to annual report
Equity brought forward (1 Jan 2004)	646.9	646.9	646.9	646.9
Effect of change in accounting principles ¹⁾	3.3	0.0	3.3	3.3
Effect of change in accounting principles ²⁾	2.2	0.0	2.2	0.0
Adjusted equity brought fwd (1 Jan 2004)	652.4	646.9	652.4	650.2
Shareholders' dividend	0.0	0.0	- 43.4	- 43.4
Translation difference	4.7	4.7	3.1	3.1
Profit for the period ³⁾	39.9	34.6	279.5	255.3
Equity carried forward	697.0	686.2	891.6	865.2

¹⁾ Equity has risen by SEK 3.3 million as a result of applying IAS 19 (Employee benefits).

²⁾ Equity has risen by SEK 2.2 million as a result of the reclassification of minority participations.

³⁾ The effect of IFRS on the profit for the period is shown by the table below.

	Jan – Mar 2004	Full year 2004
Profit for the period acc. to Swedish accounting principles	34.6	255.3
Depreciation of goodwill	5.6	24.8
Minority shareholding	0.1	1.1
Deferred tax on IFRS adjustments	- 0.4	- 1.7
Profit for the period acc. to IFRS	39.9	279.5

This Interim Report has not been the subject of a special audit by the company's auditors. For information concerning definitions, please refer to the Annual Report for NIBE Industrier for 2004.

NIBE – bringing warmth to the world

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

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



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