

Markaryd, Sweden, 20 Sept. 2007

NIBE Industrier implements programme to reduce stocks and cut costs and revises its full-year forecast

“The background to this is that prior to the 2007 financial year we made preparations to meet an increase in volumes in line with the substantial growth experienced over the past few years. It was our opinion that the market would continue to develop positively for all three of our business areas,” says Gerteric Lindquist, CEO of NIBE Industrier.

During the first six months of the year sales trends for NIBE Element and NIBE Heating did indeed develop positively. Sales for NIBE Stoves, on the other hand, did not show the same strong growth as in recent years, chiefly as a result of the fact that the markets as a whole in both Germany and Denmark contracted significantly.

“Until now we have been of the opinion that the second half of the year would continue to see NIBE Element and NIBE Heating develop well at the same time as NIBE Stoves showed a strong recovery.

However, with just over three months of 2007 to go, we now believe that this year’s increase in sales for the NIBE Group will be less than previously estimated. This is a consequence of a notable weakening in demand in the overall heat pump market in Sweden and slower than anticipated growth in the heat pump market in Germany. Despite a marked rise in demand for the products of NIBE Stoves over recent months, it is now our opinion that sales for the year as a whole will remain more or less on a par with those for 2006.

“This means that both our current rate of production and the levels of stocks in our warehouses are too high, both for heat pumps and wood-burning stoves. Consequently we must reduce our production rate over the remainder of the year. The fixed cost base must also be reduced to correspond better to the lower rate of growth.”

In terms of manpower this means a reduction of approximately 100 employees in Markaryd. Negotiations in accordance with the terms of Sweden’s law on co-determination in the workplace will begin immediately.

An intensive project to save materials has already been in place for some time in the NIBE Group: material costs have been rising more quickly than we have been able to compensate ourselves for through increased prices.

The cost-cutting programme aims to reduce the fixed cost base at the Markaryd unit by SEK 50 million in 2008 compared to today’s levels.

“For 2007 as a whole we believe that the increase in sales for the NIBE Group will amount to around 10%, while the pre-tax profit is expected to be approximately 10% less than in 2006,” says Gerteric Lindquist.

“The weakening trend that we have now noted has, however, not changed our view of the NIBE Group’s future opportunities for growth. NIBE’s long-term objectives remain unchanged. This means, for example, that by 2011 at the latest we will have increased annual sales to SEK 10 billion while still maintaining good profitability.”

Yours sincerely,
NIBE Industrier AB

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PRESS release

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***NIBE Industrier AB**, which has its head office in Markaryd in the south of Sweden, currently employs 5,500 people and has annual sales of some SEK 5 billion (approx. EUR 542 million). The company has been listed on the Stockholm Stock Exchange (Mid Cap) since 1997.*

NIBE Industrier consists of three business areas: NIBE Element, NIBE Heating and NIBE Stoves, all engaged in product development, manufacturing and marketing. Production currently takes place in Sweden, Norway, Finland, Denmark, Poland, the Czech Republic, Italy, Spain, the Netherlands, England and China. The product range is as follows:

***NIBE Element:** components and systems for electric heating applications, primarily tubular and foil elements.*

***NIBE Heating:** heat pumps, water heaters, biofuel products and district-heating equipment.*

***NIBE Stoves:** wood-burning stoves and chimney systems sold under the Handöl, Contura, Cronspisen, Roslagsspisen, Nordpeis and Varde Ovne brands.*

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