

NIBE

bringing warmth to the world

- First-quarter sales rise to SEK 1,033.8 million (Jan – Mar 2005: SEK 800.9 m)
- Profit after financial items rises to SEK 89.3 million (SEK 60.6 m)
- Profit after tax increases to SEK 62.5 million (SEK 41.5 m)
- Earnings per share amount to SEK 2.64 (SEK 1.75)
- Acquisition of
 - Varde Ovne A/S, Denmark
 - DMS Wasser-Wärmetechnik GmbH, Germany
 - Naturenergi Iwabo AB, Sweden



interim report

1 January – 31 March 2006



Strong growth for all business areas

THE CHIEF EXECUTIVE'S REPORT

Sales increased during the first quarter by 29.1%, of which 21.7% was organic. This is a substantial increase over the rate of growth in the first quarter of last year, when total growth was 15.4%, of which 5.3% was organic.

In a strong performance, all three business areas continued to take market share, achieving organic growth in excess of 20%. Contributory factors to this excellent result include the generally improved economic situation throughout Europe as a whole, and the grants available to private customers in Sweden for installing ground-source heat pumps. There were also some 5% more working days in this year's first quarter compared to the same period in 2005.

Operating profits showed an improvement of 45.2%, and profit after net financial items rose by 47.4%.

NIBE Element continues to demonstrate an impressive ability to capture new shares of the market. The ongoing restructuring programme is running according to schedule, and despite absorbing a considerable amount of resources, it has not had a negative impact on either product development or marketing. The improved profit margin is further confirmation that we are on the right track.

Increases in material prices continue to cause concern with regard to a number of key components and materials. We intend to offset these cost increases as far as possible by raising our prices.

NIBE Heating's satisfactory sales growth is attributable to the continuing positive trend in market share in a total market which is expanding both in Sweden and abroad. Sales growth has also benefited from the grants for geothermal heat pumps and other equipment introduced in Sweden at the beginning of the year.

The trend in operating margin remained satisfactory.

The business area confirmed its leading position in the heat pump sector with the launch of variable-frequency geothermal pumps midway through the year.

To accelerate our expansion in Germany and give the business area full coverage on the biofuels side, agreements were reached in April to acquire DMS in Germany and Naturenergi Iwabo in Sweden, following the customary due diligence.

NIBE Stoves continues to increase its share of a European market which is showing strong growth. The operating margin also remains excellent. To meet future demand for stove products, a decision has been made to invest in a totally new production plant in Markaryd. This is expected to be ready by mid-2007.

During the first quarter, the business area acquired the Danish company, Varde Ovne, which has a very strong position in Denmark and Germany and a high-quality product range with an international appeal. The acquisition also gives us access to a number of new distribution channels.

Prospects for 2006

Our assessment is that demand will remain high for the products of all three business areas. We expect our strong market position and solid technological base to generate further increases in our share of these market segments.

The measures taken at NIBE Element have also laid the foundations for a clear and continuing improvement in results for 2006 and onwards.

Given this, we expect that the Group will perform well in 2006 – a view reinforced by the excellent start we have made to the year.

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 2006; Interim report, January – June 2006

15 November 2006; Interim report, January – September 2006

These financial reports will be posted on the NIBE Industrier website (www.nibe.se) on the same day on which they are made public.

Markaryd, Sweden – 11 May 2006

Gert Eric Lindqvist

Managing Director and Chief Executive Officer

Sales

The Group generated net sales of SEK 1,033.8 million from January to March (SEK 800.9 million for the corresponding period in 2005). This equates to growth of 29.1%, of which 21.7% was organic. Of the total sales increase of SEK 232.9 million, SEK 59.0 million derived from acquisitions.

Earnings

Profit for the period after financial items was SEK 89.3 million. This is an increase of 47.4% over the same period in 2005, when profit after financial items totalled SEK 60.6 million. Return on equity was 24.2% (19.0%).

Acquisitions

In January, the Jämä brand was acquired from the Finnish boiler manufacturer, Jämatek. This is one of the oldest boiler brands in Finland, and will be used together with our existing Jäspi brand.

March saw the acquisition of the Danish Varde group, with annual sales of around SEK 95 million and pre-tax profits of SEK 6 million. Varde, which develops, manufactures and markets solid-fuel stoves, now forms part of the NIBE Stoves business area. The company is market leader in its product area in Denmark, and also has significant sales on the German market. Operations were consolidated into the NIBE Group on 1 January.

Investments

Between January and March, the Group invested SEK 103.5 million (SEK 45.4 million). SEK 59.3 million (SEK 0.0 million) of this represented corporate acquisitions. The remaining SEK 44.2 million (SEK 45.4 million) relates primarily to investment in plant and machinery and in buildings in existing operations.

Cash flow and financial position

Cash flow from operating activities before changes in working capital amounted to SEK 63.3 million (SEK 43.0 million). Cash flow after changes in working capital was SEK -11.7 million (SEK -63.3 million).

Interest-bearing liabilities totalled SEK 1,287.0 million at the end of the period. At the start of the year, equivalent liabilities amounted to SEK 1,143.7 million. The increase since the start of the year is due to stock-building in preparation for the peak season and to investment.

The Group had liquid funds at the end of March of SEK 531.5 million, as against SEK 595.4 million at the start of the year. During the period, the Group's overdraft facilities were extended by SEK 22.3 million.

The equity/assets ratio was 32.9% at the end of the period, compared with 33.0% at the start of the year and 35.8% at the corresponding point of last year.

Important events after the close of the report period

In April, agreements in principle were reached to acquire DMS Wasser-Wärmetechnik GmbH in Germany and Naturenergi Iwabo AB in Sweden. The agreements are conditional on customary due diligence, which is expected to be completed during the second quarter.

Parent company

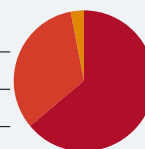
The parent company's activities comprise Group executive management functions, certain shared Group functions and financing for acquisitions. During the period January – March, sales totalled SEK 0.6 million (SEK 0.6 million) with a loss after financial items of SEK 5.8 million (SEK -4.7 million). At the end of the period, the parent company had liquid funds of SEK 264.3 million, compared with SEK 334.6 million at the start of the year.

GROUP

Group sales by geographic region

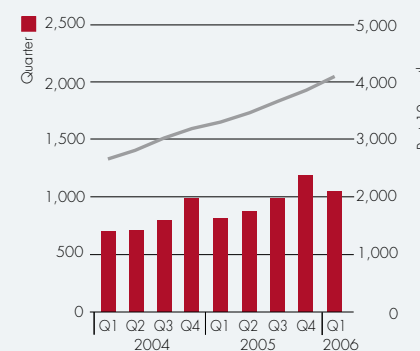
(January – March 2006)

Nordic countries	64%
Rest of Europe	33%
Other markets	3%



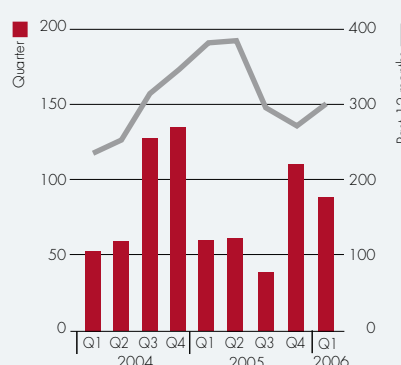
Net sales

(Past nine quarters, in millions of SEK)



Profit after financial items

(Past nine quarters, in millions of SEK)



NIBE Industrier – Group

Key figures		2006 Q1	2005 Q1	Past 12 months	Full year 2005
Net sales	(MSEK)	1,033.8	800.9	4,052.0	3,819.1
Growth	(%)	29.1	15.4	24.0	20.8
of which acquired	(%)	7.4	10.1	7.3	7.9
Operating profit	(MSEK)	100.9	69.5	341.5	310.1
Operating margin	(%)	9.8	8.7	8.4	8.1
Profit after net fin's	(MSEK)	89.3	60.6	302.3	273.6
Net profit margin	(%)	8.6	7.6	7.5	7.2



Sales and earnings

Sales amounted to SEK 377.4 million, compared with SEK 304.1 million for the corresponding period in 2005. The full SEK 73.3 million increase is organic, which means that organic growth was 24.1%.

Operating profit for the period totalled SEK 19.1 million, compared with SEK 11.7 million for the corresponding period in 2005. This represents an operating margin of 5.1% compared with the preceding year's figure of 3.8%.

Operating profit in the previous year was affected by a transfer of SEK 70.0 million to the restructuring reserve in September: this brings the operating margin to -3.0% for the most recent 12-month period. The operating margin before the transfer to the restructuring reserve was 2.1% for the equivalent 12-month period.

During the first quarter of the year, SEK 5.3 million from the restructuring reserve was utilised for the changes in progress. After the first quarter of 2006, SEK 54.9 million remains in the restructuring reserve

Market

Growth has been very good within a number of market segments during the first quarter. As with last year, segments which benefit from higher oil prices have done especially well, including the heat pump business and the oil extraction sector. In addition, both the industrial sector and the white goods sector have enjoyed generally satisfactory growth.

Sectors which remained weak are elements for the automotive industry and certain consumer products, such as small appliances.

Overall, however, we consider that we have consolidated our market position and further increased market share.

Operations

Operations have been affected by last year's decision to adopt a restructuring programme, particularly the transfer to our units in eastern Europe and Asia of products equivalent to 200 full-time production jobs. The implementation period is scheduled to extend over a period of 18 – 24 months from its adoption in summer 2005. Prices for certain of our most important raw materials have continued to rise sharply during the first quarter, and are now at historically extremely high levels. As far as possible, we will offset these rising costs through price increases.

NIBE Element		2006 Q1	2005 Q1	Past 12 months	Full year 2005
Key figures					
Net sales	(MSEK)	377.4	304.1	1,371.0	1,297.7
Growth	(%)	24.1	10.2	16.7	13.2
Operating profit	(MSEK)	19.1	11.7	- 41.6	- 49.0
Operating margin	(%)	5.1	3.8	- 3.0	- 3.8
Assets	(MSEK)	1,238.7	1,054.9	1,238.7	1,305.7
Liabilities	(MSEK)	1,189.4	966.4	1,189.4	1,265.2
Investm. (fixed assets)	(MSEK)	9.0	29.0	57.2	77.2
Depreciation	(MSEK)	12.1	10.9	43.8	42.6

Sales and earnings

Sales totalled SEK 478.1 million, compared with SEK 394.2 million for the corresponding period last year. All of the SEK 83.9 million increase in sales is organic, which means that organic growth amounted to 21.3%.

Operating profit for the period was SEK 50.4 million, compared with SEK 41.6 million for the corresponding period last year. Operating margin was 10.6%, the same as for the first quarter of 2005. The operating margin for the most recent 12-month period is 12.7%.

Market

Government grants for conversion from heating with direct electricity and oil to the use of heat pumps and other methods became available in Sweden from 1 January. While contributing to the growth of the overall Swedish market for ground-source heat pumps/geothermal heat pumps in the first quarter, this has not fully offset the fall in the market during the last quarter of 2005 after the grants had been announced. The full effect of the postponement of demand will not be reversed until Q2. Other types of heat pumps have also experienced a growing market. During the period, our own sales of heat pumps rose sharply in comparison with the corresponding period last year.

The market for electric water heaters, domestic water heaters and district heating products in Sweden is relatively stable. Interest in heating using biofuels is increasing all the time.

Growth in foreign markets continues. Sales have been exceptionally good in Germany's expansive heat pump market and we have seen a sharp increase in sales in several other European markets.

A subsidiary has been established in the UK, as a natural stage in satisfying the increased demand there within several of our product areas.

Operations

At the beginning of the year, NIBE Heating was the first market player to launch a variable speed ground-source/geothermal heat pump. This represents a major technological breakthrough.

In late April, agreements were signed for the acquisition of the German heating-technology company, DMS Wasser-Wärmetechnik GmbH and the Swedish pellet boiler manufacturer, Naturenergi Iwabo AB. The intention behind the DMS acquisition is to strengthen NIBE Heating's position in both the district-heating and water-heating markets in Germany. The acquisition of Naturenergi Iwabo is part of our increased investment in biofuels. The acquisitions are conditional on customary due diligence, which will be carried out before the acquisitions are finalised.

NIBE Heating		2006 Q1	2005 Q1	Past 12 months	Full year 2005
Key figures					
Net sales	(MSEK)	478.1	394.2	2,052.8	1,968.8
Growth	(%)	21.3	22.5	23.3	23.6
Operating profit	(MSEK)	50.4	41.6	260.3	251.4
Operating margin	(%)	10.6	10.6	12.7	12.8
Assets	(MSEK)	1,591.0	1,416.7	1,591.0	1,571.8
Liabilities	(MSEK)	1,089.0	1,038.3	1,089.0	1,102.0
Investm. (fixed assets)	(MSEK)	25.9	10.5	111.4	96.0
Depreciation	(MSEK)	16.8	15.1	63.2	61.5



NIBE STOVES

Sales and earnings

Sales totalled SEK 192.7 million, compared with SEK 109.9 million for the corresponding period last year. Of the total increase of SEK 82.8 million, SEK 59.0 million was attributable to acquired businesses, which means that organic growth amounted to 21.7%.

Operating profit for the period was SEK 34.4 million, as against SEK 19.5 million for the corresponding period in 2005. This represents an operating margin of 17.9%, compared with 17.7% in the preceding year. The operating margin for the most recent 12-month period is 20.7%.

Market

Demand for solid-fuel stove products in Sweden remains high and stable. The market is driven partly by rising energy prices and partly by the generally favourable economic situation.

Demand in the Norwegian market for stove products remains at more or less the same level as last year. Our extensive retailer network, which includes both specialist retailers and builders' merchants, combined with the broad range we offer in Norway, gives us a very strong market position.

Demand for stove products is high in Denmark. Through our recent acquisition of Varde Ovne in Denmark, we have gained access to the Danish builders' merchants' distribution network, which is an excellent complement to our already strong position in the specialist trade.

The considerably increased demand for stove products in Germany last year continued into the early part of the current year, and the rate of growth of our own sales has been highly satisfactory during the first quarter.

In other markets in Europe, demand for stove products has been generally good, and our own sales trends have been highly positive.

Operations

Our production plant in Markaryd, which specialises in sheet-metal stoves, is operating at a very high level of capacity utilisation. To ensure that production capacity will be sufficient to meet continued volume expansion, a new production plant will be built in Markaryd. This is expected to be ready to produce its first stoves in the second half of 2007.

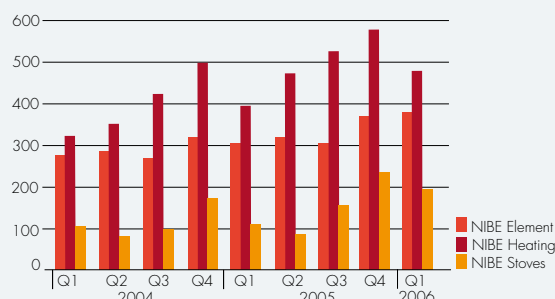
In order to satisfy the expected increase in volume for the current year, all production units currently in the business area are continuously taking action to expand capacity.

NIBE Stoves		2006	2005	Past 12	Full year
Key figures		Q1	Q1	months	2005
Net sales	(MSEK)	192.7	109.9	667.5	584.6
Growth	(%)	75.3	5.5	45.8	29.3
Operating profit	(MSEK)	34.4	19.5	138.5	123.6
Operating margin	(%)	17.9	17.7	20.7	21.1
Assets	(MSEK)	655.9	279.3	655.9	562.6
Liabilities	(MSEK)	378.9	74.6	378.9	307.9
Investm. (fixed assets)	(MSEK)	8.9	9.8	27.7	28.6
Depreciation	(MSEK)	4.5	2.5	15.7	13.7

BUSINESS AREAS

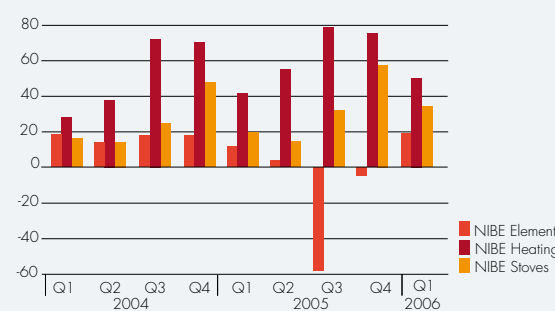
Sales by business area

over the past 9 quarters (in millions of SEK)



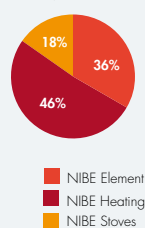
Operating profit by business area

over the past 9 quarters (in millions of SEK)



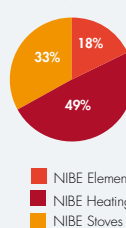
Business areas' contribution to sales

January – March 2006



Business areas' contribution to operating profit

January – March 2006



SHARE PERFORMANCE





THE NIBE GROUP – FINANCIAL TRENDS

Consolidated Income Statement

(in millions of SEK)

	Jan – Mar 2006	Jan – Mar 2005	Past 12 months	Full year 2005
Net sales	1,033.8	800.9	4,052.0	3,819.1
Cost of goods sold	– 723.5	– 570.4	– 2,917.0	– 2,763.9
Gross profit	310.3	230.5	1,135.0	1,055.2
Selling expenses	– 166.1	– 122.1	– 622.0	– 578.0
Administrative expenses	– 60.2	– 50.1	– 234.1	– 224.0
Other income	16.9	11.2	62.6	56.9
Operating profit	100.9	69.5	341.5	310.1
Net financial items	– 11.6	– 8.9	– 39.2	– 36.5
Profit after net financial items	89.3	60.6	302.3	273.6
Tax	– 26.8	– 19.1	– 97.6	– 89.9
Net profit	62.5	41.5	204.7	183.7
Minority participation in profit after tax	0.5	0.4	1.8	1.7
Includes depreciation according to plan as follows:	33.4	29.3	125.2	121.1

Consolidated Balance Sheet summary

(in millions of SEK)

	31 Mar 2006	31 Mar 2005	31 Dec 2005
Intangible assets	514.7	308.6	458.5
Tangible assets	1,016.4	893.3	1,015.2
Financial assets	36.8	13.6	36.0
Total non-current assets	1,567.9	1,215.5	1,509.7
Inventories	957.2	762.6	831.1
Current receivables	663.6	578.3	651.2
Current investments	1.5	1.0	1.1
Cash equivalents	129.4	72.3	132.2
Total current assets	1,751.7	1,414.2	1,615.6
Total assets	3,319.6	2,629.7	3,125.3
Equity	1,091.6	940.3	1,031.0
Non-current liabilities, non-interest bearing	246.8	202.8	265.2
Non-current liabilities, interest bearing	1,157.3	839.6	1,025.8
Current liabilities, non-interest bearing	694.2	553.0	685.4
Current liabilities, interest bearing	129.7	94.0	117.9
Total equity and liabilities	3,319.6	2,629.7	3,125.3

Cash flow analysis

(in millions of SEK)

	Jan – Mar 2006	Jan – Mar 2005	Full year 2005
Cash flow from operating activities	63.3	43.0	312.6
Change in working capital	– 75.0	– 106.3	– 109.4
Investment activities	– 103.5	– 45.4	– 375.7
Financing activities	112.6	90.8	225.7
Exchange rate diff. in liquid assets	– 0.2	1.6	– 9.6
Change in liquid assets	– 2.8	– 16.3	43.6

Data per share

	Jan – Mar 2006	Jan – Mar 2005	Full year 2005
Net profit per share (total 23,480,000 shares)	SEK 2.64	1.75	7.75
Equity per share	SEK 46.25	39.89	43.69
Closing day share price	SEK 268.00	247.00	243.00

Change in equity

(in millions of SEK)

	Jan – Mar 2006	Jan – Mar 2005	Full year 2005
Equity brought forward	1,031.0	891.6	891.6
Effect of change in accounting principles ¹⁾	0.0	3.3	3.3
Adjusted equity brought fwd	1,031.0	894.9	894.9
Shareholders' dividend	0.0	0.0	– 70.4
Market value of commercial future currency contracts after deductions for tax	1.2	– 4.2	– 5.3
Translation difference ²⁾	– 3.1	8.1	28.1
Profit for the period	62.5	41.5	183.7
Equity carried forward ³⁾	1,091.6	940.3	1,031.0

¹⁾ The new recommendation IAS 39 (Financial Instruments) applies with effect from 1 January 2005. As a result of this, Equity brought forward in 2005 has risen by SEK 3.3 million after deductions for tax.

2) Breakdown of translation difference (in millions of SEK)	Jan – Mar 2006	Jan – Mar 2005	Full year 2005
Translation of foreign subsidiaries	– 1.7	9.9	33.6
Loans to subsidiaries	– 1.0	1.2	2.4
Currency hedging	– 0.4	– 3.0	– 7.9
Total	– 3.1	8.1	28.1

³⁾ Minority participations totalled SEK 5.7 million at the end of the reporting period compared to SEK 5.2 million at the start of the financial year.

Key figures

		Jan – Mar 2006	Jan – Mar 2005	Full year 2005
Growth	%	29.1	15.4	20.8
Operating margin	%	9.8	8.7	8.1
Net profit margin	%	8.6	7.6	7.2
Investments in fixed assets	MSEK	103.5	45.4	375.7
Unappropriated liquid assets	MSEK	531.5	424.2	595.4
Working capital, incl. cash + bank	MSEK	927.8	767.2	812.3
Interest-bearing liabilities/Equity	%	117.9	99.3	110.9
Solidity (Equity/Assets ratio)	%	32.9	35.8	33.0
Return on capital employed	%	17.9	15.6	16.4
Return on equity	%	24.2	19.0	20.4

QUARTERLY DATA

Consolidated Income Statement

(in millions of SEK)	2006	2005				2004			
	Q1	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	1,033.8	800.9	868.9	977.5	1,171.8	693.9	704.6	785.0	977.5
Operating expenses	- 932.9	- 731.4	- 800.3	- 928.5	- 1,048.8	- 634.4	- 643.0	- 673.0	- 845.2
Operating profit	100.9	69.5	68.6	49.0	123.0	59.5	61.6	112.0	132.3
Net financial expenses	- 11.6	- 8.9	- 6.3	- 9.9	- 11.4	- 6.1	- 1.8	16.4	3.3
Profit after net financial expenses	89.3	60.6	62.3	39.1	111.6	53.4	59.8	128.4	135.6
Tax	- 26.8	- 19.1	- 19.9	- 17.8	- 33.1	- 13.5	- 17.9	- 27.6	- 38.7
Net profit	62.5	41.5	42.4	21.3	78.5	39.9	41.9	100.8	96.9

Net sales – Business Areas

(in millions of SEK)	2006	2005				2004			
	Q1	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
NIBE Element	377.4	304.1	319.4	305.2	369.0	275.9	284.4	268.2	318.1
NIBE Heating	478.1	394.2	471.9	525.4	577.3	321.9	350.9	422.7	497.6
NIBE Stoves	192.7	109.9	85.3	154.6	234.8	104.2	79.4	97.7	170.7
Elimination of Group transactions	- 14.4	- 7.3	- 7.7	- 7.7	- 9.3	- 8.1	- 10.1	- 3.6	- 8.9
Group	1,033.8	800.9	868.9	977.5	1,171.8	693.9	704.6	785.0	977.5

Operating profit – Business Areas

(in millions of SEK)	2006	2005				2004			
	Q1	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
NIBE Element	19.1	11.7	3.7	- 58.9	- 5.5	18.3	13.9	18.1	18.0
NIBE Heating	50.4	41.6	55.4	79.0	75.4	28.3	38.0	72.5	70.6
NIBE Stoves	34.4	19.5	14.4	31.9	57.8	16.1	14.2	24.7	48.0
Elimination of Group transactions	- 3.0	- 3.3	- 4.9	- 3.0	- 4.7	- 3.2	- 4.5	- 3.3	- 4.3
Group	100.9	69.5	68.6	49.0	123.0	59.5	61.6	112.0	132.3

Accounting principles

NIBE Industrier's interim report for the first quarter of 2006 has been drawn up in accordance with IAS 34, "Interim Financial Reporting". The accounting policies adopted are as described on pages 53–56 of the annual report for 2005.

The IFRS standards which came into force during 2006 have had no effect on this interim report.

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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