

NIBE

bringing warmth to the world

- Sales rise to SEK 3,819.1 million (2004: SEK 3,161.0 m)
- Operating profit before allocations to restructuring reserve rises by 4.0%
- Transfers to restructuring reserve for NIBE Element total SEK 70.0 million
- Profit after financial items falls to SEK 273.6 million (SEK 377.2 m)
- Profit after tax falls to SEK 183.7 million (SEK 279.5 m)
- Earnings per share of SEK 7.75 (SEK 11.86)
- The board proposes a shareholder's dividend of SEK 3.00 (SEK 3.00) per share
- The board proposes a 4:1 split of the company's shares.
- Acquisition of Northstar A/S

Summary of Annual Report

2005



2005 – a strong year, but a tough market for NIBE Element

THE CHIEF EXECUTIVE'S REPORT

The Group continues to report good volume growth: 20.8% overall, with a figure of 12.9% for organic growth. This compares with 29% and 14.5% respectively for 2004.

All three business areas report organic growth in excess of 10% thanks to strong overall demand for the Group's products and the success of product development and marketing measures.

Acquired growth is attributable to Shel Ltd and Kaukora Oy, both taken over in 2004, and to Northstar A/S, which was taken over in 2005.

The positive development of sales in 2005 supports our conviction that the NIBE Group will achieve its objective of annual sales of five billion Swedish kronor by the end of 2007.

Operating profits continue to develop positively for NIBE Heating and NIBE Stoves, thanks mainly to buoyant sales and the success of productivity-enhancing measures. However, transfers in September of SEK 70 million to the restructuring reserve for NIBE Element reduced Group profits after financial items by 27.5% compared to 2004. In this context, it should also be remembered that profits after net financial items in 2004 included "one-off" earnings of SEK 43.2 million from the sale of the Group's shares in Jätul.

If these non-recurring items are removed from the equation to give a truer picture of the Group's performance over the past two years, the effect is that consolidated profit after net financial items has actually improved by 2.9%.

NIBE Element has had a tough year from start to finish. Restructuring costs charged directly against the balance sheet during the first six months, increases in the cost of raw materials that have been impossible to offset in the form of higher selling prices, and temporary slowdowns in productivity among manufacturing units transferred to our plants in eastern Europe have combined to reduce operating profit by more than SEK 50 million.

Despite these difficulties, however, the entire business area is now firmly focused on implementing the restructuring programme for which reserves of SEK 70 million have already been earmarked. On completion, the net annual effect is expected to bring savings of around SEK 40 million.

Parallel with these restructuring measures, intensive product development and marketing work is taking place. An operating margin of 10% remains our firm aim, but this can only realistically be achieved once an effective solution has been found to the current problem of high material prices.

NIBE Heating has continued to strengthen its position during the year on the Nordic market and in Europe, at the same time as it has maintained an operating margin at a good level. Outside the Nordic countries the rate of expansion is now beginning to pick up. In addition to well established and rapidly expanding markets in Germany and Holland, there is increasing demand from markets such as the UK, France, Ireland and the Baltic states, particularly for heat pumps, but also for electric water heaters and district heating equipment.

The business area's commitment to product development work has also borne fruit. The year saw the launch of a new generation of ground-source/geothermal heat pumps offering the best performance on the market. And another world first – a ground source/geothermal heat pump with stepless inverter speed control – was unveiled at the Nordbygg Construction Industry Fair in Stockholm in January 2006. Innovations like this enable NIBE Heating to confirm its position at the cutting edge of developments in the industry in terms of heat pump technology and performance.

The extensive investment programme which has focused chiefly on units in Markaryd is now almost complete, and the rate of investment is expected to decline over the next few years.

In late November the Swedish government delayed until 1 January 2006 its promise to subsidise the purchase of heat pumps. (Part of a government drive to convert properties heated by oil and direct electricity.) Not surprisingly, this virtually killed the market, as consumers postponed their purchases and orders by a couple of months.

NIBE Stoves continues to gain new shares of the market in both Scandinavia and Germany.

The business area has also successfully launched a new series of wood-burning stoves. These futuristic designs under the Handöl name open up totally new customer segments.

It is also gratifying to report that the business area's delivery reliability levels are extremely high, despite unexpectedly brisk demand from markets abroad during the second half of the year.

The acquisition of Northstar, with its complementary range, its strong market position in Norway and elsewhere, and its manufacturing unit in Poland, has also proved to be a strategically sound move. So far the high expectations we have of this operation have been fully met in terms of both sales and earnings.

Prospects for 2006

It is our considered opinion that demand will remain good for all three business areas' products. With our strong position, both in the market and in terms of our technological expertise, we believe we can capture new shares of the market during the year.

The measures taken by NIBE Element have laid the foundations for improved results for the business area from 2006 onwards.

Against this background, we believe that the NIBE Group will develop strongly in 2006 – a conviction already underpinned by the positive start to the year.

Shareholders' dividend

The Board of Directors has resolved to propose to the Annual General Meeting a dividend for 2005 of SEK 3.00 per share, corresponding to a total pay-out of SEK 70.4 million.

Annual General Meeting

The Annual General Meeting of Shareholders will take place at 17.00 (5.00 p.m.) on Thursday 11 May 2006 at the NIBE Marketing Centre (Marknadscenter) in Markaryd, Sweden.

At its meeting today the Board of Directors resolved to lay before the AGM a proposal to carry out a 4:1 split of the company's shares. By means of a change to the company's articles of association, net worth per share will be reduced to SEK 0.625 at the same time as the number of shares in the company is quadrupled.

Sam Strömersten has decided to vacate his seat on the board of NIBE Industrier at the AGM in May in order to be able to devote more time to his other activities. Work to recruit a successor is under way. Further details will be provided together with the formal notice of the AGM.

Financial information

April 2006	Annual Report for 2005
11 May 2006	Interim report, January–March 2006
11 May 2006	Annual General Meeting
17 August 2006	Interim report, January–June 2006
15 November 2006	Interim report, January–Sept 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 – 14 February 2006

Göran Lindquist

Managing Director and Chief Executive Officer

Sales

Net sales for the NIBE Group totalled SEK 3,819.1 million in 2005 (2004: SEK 3,161.0 million), equivalent to overall growth of 20.8%, of which 12.9% was organic. Of the total increase in sales of SEK 658.1 million, the sum of SEK 249.3 million was acquired.

Transfer to restructuring reserve

Following a decision in August to restructure the NIBE Element business area, the sum of SEK 70.0 million was transferred to a restructuring reserve. This has had a marked effect on most of the key figures quoted.

Earnings

Profit for the year after net financial items was SEK 273.6 million – 27.5% less than the earnings for 2004. This is due in part to the SEK 70 million transfer to the restructuring reserve mentioned above, and in part to the capital gain and extra dividend paid on the sale of the Group's stake in the Jøtul company, which had a positive effect of SEK 43.2 million on the result for 2004. If these items are excluded, operating profit improved by 4.0% and profit after net financial items by 2.9%.

Return on equity was 20.4% (34.8%).

Business acquisitions

On 1 August 2005 NIBE acquired 100% of the shares in the Norwegian Northstar Group with operations in Norway and Poland. The company, which manufactures and sells fire-boxes and concrete surrounds for solid fuel stoves, now forms part of the NIBE Stoves business area. In 2005 Northstar's operations contributed SEK 73.2 million to sales and SEK 11.8 million in net profits

Investments

The NIBE Group's investments in fixed assets during the year totalled SEK 406.6 million (SEK 305.1 million): SEK 156.7 million in corporate acquisitions (SEK 125.6 million), and SEK 249.9 million in plant, machinery and buildings in existing units (SEK 179.5 million).

Cash flow and financial position

Cash flow from operating activities before the change in working capital totalled SEK 351.2 million (SEK 381.8 million). Cash flow after the change in working capital was SEK 232.0 million (SEK 299.8 million).

Interest-bearing liabilities at the year-end totalled SEK 1,143.7 million. The corresponding figure at the start of the year was SEK 812.5 million. The increase over the year is due to investments in the Group's production facilities and corporate acquisitions.

Group liquid assets rose from SEK 382.6 million at the start of 2005 to SEK 595.4 million at the year-end. During the year Group overdraft facilities were increased by SEK 292.3 million.

The equity/assets ratio at the year-end was 33.0% compared to 35.7% at the start of the year.

Parent company

The activities of the parent company include Group executive management functions, certain shared Group functions and the financing of take-overs and acquisitions. Parent company sales during the year totalled SEK 2.4 million (SEK 2.1 million) and profit after net financial items was SEK 71.1 million (SEK 94.0 million). Liquid assets rose from SEK 222.4 million at the start of the year to SEK 334.6 million at the year-end.

Financial objectives

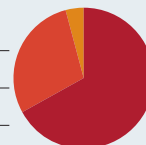
- Average growth of 20% per year
- Operating profit for each business area of at least 10% of sales over a complete business cycle
- Return on equity over a business cycle of at least 20% after standard deductions for tax
- Equity/assets ratio in the Group in excess of 30% at all times.

THE NIBE GROUP

Group sales by geographic region

2005

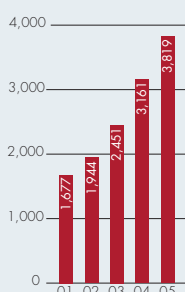
Nordic countries	67%
Rest of Europe	29%
Other markets	4%



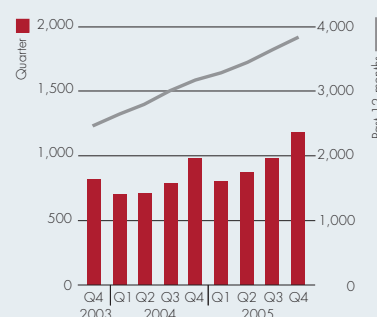
Net sales

(in millions of SEK)

2001 – 2005



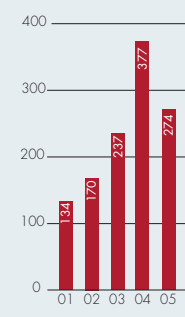
Past nine quarters



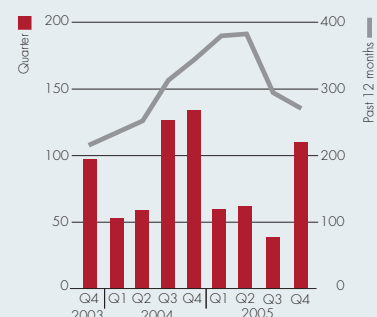
Profit after financial items

(in millions of SEK)

2001 – 2005



Past nine quarters



NIBE Industrier – Group

Key figures		2005	2004
Net sales	(MSEK)	3,819.1	3,161.0
Growth	(%)	20.8	29.0
of which acquired	(%)	7.9	14.5
Operating profit	(MSEK)	310.1	365.4
Operating margin	(%)	8.1	11.6
Profit after net fin's	(MSEK)	273.6	377.2
Net profit margin	(%)	7.2	11.9



NIBE ELEMENT

Sales and profits

Invoiced sales for the year totalled SEK 1,297.7 million compared to SEK 1,146.6 million in 2004. Of the overall increase of SEK 151.1 million, SEK 31.3 million is attributable to acquisitions, which means that the figure for organic growth is 10.4%.

In September a transfer of SEK 70 million was made to a restructuring reserve as previously advised in the Group's first-half financial report. The restructuring programme, which is scheduled for completion within 18 to 24 months, should have a positive effect of around SEK 40 million in the accounts.

Operating profit before transfers to the restructuring reserve fell to SEK 21.0 million (SEK 68.3 million). Approximately SEK 12 million of this fall is due to restructuring costs, which were entered under general operating activities during the first half of the year. Approximately SEK 20 million relates to price increases for materials that we have been unable to pass on to our customers and a further SEK 20 million to temporary falls in productivity in conjunction with the transfer and build-up of capacity in our eastern European plants. The operating margin fell from 6.0% in 2004 to 1.6%. During the year SEK 11.7 million of the reserve has been used for ongoing restructuring measures. The business area reported an operating loss after transfers to the restructuring reserve of SEK 49.0 million for the period, giving an operating margin of -3.8% over the past twelve months.

The year in brief

A number of significant developments have affected the market over the course of the year.

Steep rises in oil prices have prompted a flurry of investment among oil exploration and refining companies. This, in turn, has increased sales of explosion-proof equipment.

Parallel with this development, demand for heating elements has risen sharply among companies working with alternative forms of heating, such as heat pumps and pellet burners.

Elsewhere, there is a growing trend towards transferring the manufacture of small consumer appliances and white goods to low-cost countries. This means that while certain customers in western Europe have downscaled operations, new opportunities are opening up in eastern Europe and in Asia. As we and our competitors move production to low-cost countries, overall price levels continue to fall. At the same time raw material prices remained at the same high level in 2005 as in 2004. These two factors have combined to dramatically reduce our margins during the past twelve months, a situation which has been compounded by the costs of transferring production.

Restructuring plans made in 2005 to transfer 200 jobs from units in western Europe to eastern Europe and Asia are proceeding according to schedule. By the end of June 2006 all our products for small consumer appliances and white goods will be manufactured in low-cost countries.

NIBE Element

Key figures		2005	2004
Net sales	(MSEK)	1,297.7	1,146.6
Growth	(%)	13.2	8.3
Operating profit	(MSEK)	-49.0	68.3
Operating margin	(%)	-3.8	6.0
Assets	(MSEK)	1,305.7	970.8
Liabilities	(MSEK)	1,265.2	844.2
Investm. in fixed assets	(MSEK)	77.2	128.0
Depreciation	(MSEK)	42.6	36.1



NIBE HEATING

Sales and profits

Invoiced sales for the year totalled SEK 1,968.8 million compared to SEK 1,593.1 million in 2004. Of the overall increase of SEK 375.7 million, SEK 144.8 million is attributable to acquisitions, which means that the figure for organic growth is 14.5%.

Operating profit was SEK 251.4 million (2004: SEK 209.4 million). This gives an operating margin of 12.8%, compared to 13.1% last year.

The year in brief

In Sweden further increases in the price of energy and a rise in the number of new homes being built contributed to growth in the overall market for heat pumps during 2005.

However, sales of ground-source/geothermal heat pumps were badly hit in the last few months of the year after the Swedish government announced that subsidies would be made available in 2006 for homeowners seeking to convert from oil-fired heating and direct electricity to district heating and other alternatives such as heat pumps. This announcement effectively postponed all new orders until after the start of the new year. The subsidies, which will be available over the next five years, should help to boost demand during 2006 and for some years to come.

The market for water heaters and district-heating products remained stable, while demand for conventional domestic boilers continued to shrink. However, consumer interest in pellets burners and wood-fired boilers is increasing.

Intensive marketing measures and new product launches have further reinforced our positions in the Nordic markets in several product segments during the year. Our Norwegian subsidiary Høiax has launched a new sales channel with full-concept solutions for heating based on a new design of heat pump.

These positive developments have been mirrored in virtually all of our foreign markets. Spiralling gas and oil prices mean that interest in energy-saving heating and ventilating products continues to increase, paving the way for our continued expansion in Europe. We are, for example, making inroads into the growing French heat pump market, where our presence so far has been only marginal.

One of NIBE Heating's major marketing activities in 2006 was linked to the launch of a new generation of ground-source/geothermal heat pumps which offer the biggest savings of any heat pumps on the market. Results of the campaign have been highly positive, contributing to a steep rise in sales and the capture of new market shares during the second half of the year.

The effects of our extensive investment and rationalisation programme have also contributed to a good operating margin.

NIBE Heating

Key figures		2005	2004
Net sales	(MSEK)	1,968.8	1,593.1
Growth	(%)	23.6	44.7
Operating profit	(MSEK)	251.4	209.4
Operating margin	(%)	12.8	13.1
Assets	(MSEK)	1,571.8	1,347.1
Liabilities	(MSEK)	1,102.0	937.3
Investm. in fixed assets	(MSEK)	96.0	294.7
Depreciation	(MSEK)	61.5	47.0



NIBE STOVES

Sales and profits

Invoiced sales for the year totalled SEK 584.6 million compared to SEK 452.0 million in 2004. Of the overall increase of SEK 132.6 million, SEK 73.2 million relates to acquired businesses, which means that the figure for organic growth is 13.1%.

Operating profit was SEK 123.6 million (2004: SEK 103.0 million), with the operating margin backing slightly from 22.8% in 2004 to 21.1%.

The year in brief

Demand for wood stoves and related products has remained good in Sweden, where the market as a whole seems to have stabilised at a relatively high level. Thanks to regular product launches and consistency in our marketing strategy, our own position in the market continues to be very strong.

In Germany interest in wood-burning stoves escalated sharply in the autumn in the wake of steep increases in the price of oil, and our sales developed extremely well. It was the same story in Denmark, where our own sales developed considerably better than the market as a whole as we captured new shares of the market.

In Norway we continue to increase sales despite the fact that the overall market for wood stoves, etc. shrank slightly during 2005. Earnings have also been boosted by the success of products from the newly acquired Northstar company, sold under the Nordpeis brand.

In Finland the decision to expand our dealer network has already borne fruit in the form of increased sales and presented us with good potential for future growth.

The launch and sale of our new series of wood-burning stoves under the Handöl name has also been a success. The bold new design has broadened the appeal of our range and attracted totally new target groups. More new models are waiting in the wings at the same time as marketing campaigns are being rolled out to reinforce the values of the Handöl brand.

Production capacity has been stepped up gradually throughout the year and productivity has been high. During the first half of the year we also stockpiled merchandise and, as a result, delivery capacity remained good throughout almost all of the second-half high season. It was not until the end of the fourth quarter that, as a result of unexpectedly strong demand from markets outside Sweden, delivery times became slightly longer than the target we had set.

In terms of both sales and earnings the acquisition of Northstar is fully in line with the high expectations we have of this company. At the same time, Northstar has given us access to highly competitive production facilities in Poland and contributed to strong growth, primarily in Norway, but also in the Baltic states.

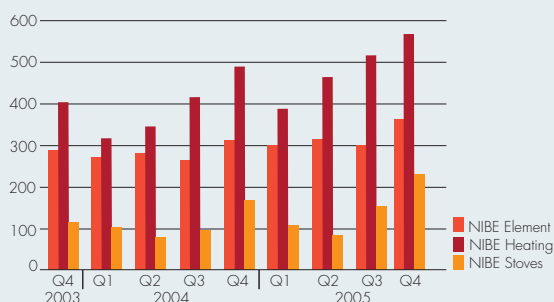
NIBE Stoves

Key figures		2005	2004
Net sales	(MSEK)	584.6	452.0
Growth	(%)	29.3	45.1
Operating profit	(MSEK)	123.6	103.0
Operating margin	(%)	21.1	22.8
Assets	(MSEK)	562.6	296.6
Liabilities	(MSEK)	307.9	80.8
Investm. in fixed assets	(MSEK)	28.6	50.5
Depreciation	(MSEK)	13.7	10.1

BUSINESS AREAS

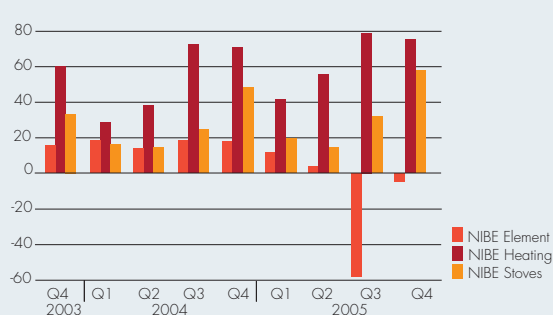
Sales by business area

(in millions of SEK, past nine quarters)



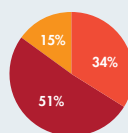
Operating profit by business area

(in millions of SEK, past nine quarters)



Contribution to sales

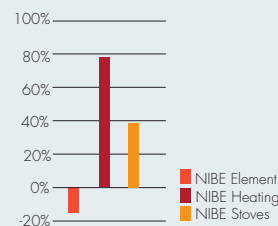
2005



■ NIBE Element
■ NIBE Heating
■ NIBE Stoves

Contribution to profits

2005



■ NIBE Element
■ NIBE Heating
■ NIBE Stoves

SHARE PERFORMANCE





THE NIBE GROUP – FINANCIAL TRENDS

Consolidated Income Statement

(in millions of SEK)	2005	2004
Net sales	3,819.1	3,161.0
Cost of goods sold	- 2,763.9	- 2,170.8
Gross profit	1,055.2	990.2
Selling expenses	- 578.0	- 471.1
Administrative expenses	- 224.0	- 177.0
Other income	56.9	23.3
Operating profit	310.1	365.4
Net financial items	- 36.5	11.8
Profit after net financial items	273.6	377.2
Tax	- 89.9	- 97.7
Net profit	183.7	279.5
Minority participation in profit after tax	1.7	1.1
Includes depreciation according to plan as follows:	121.1	96.5

Change in equity

(in millions of SEK)	2005	2004
Equity brought forward	891.6	646.9
Effect of change in accounting principles ¹⁾	+ 3.3	+ 5.5
Adjusted equity brought fwd	894.9	652.4
Shareholders' dividend	- 70.4	- 43.4
Market value of commercial future currency contracts after deductions for tax	- 5.3	0.0
Translation difference ²⁾	+ 28.1	+ 3.1
Profit for the year	+ 183.7	+ 279.5
Equity carried forward ³⁾	1,031.0	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 in 2005 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.

(MSEK)	2005	2004
Translation of foreign subsidiaries	33.6	2.9
Loans to subsidiaries	2.4	- 1.4
Currency hedging	- 7.9	1.6
Total	28.1	3.1

³⁾ Minority participations totalled SEK 5.2 million at the end of the year as compared to SEK 3.3 million at the start of the year.

Key figures

	2005	2004	2003	2002	2001
Growth (%)	+ 20.8	+ 29.0	+ 26.1	+ 15.9	+ 28.6
Operating margin (%)	8.1	11.6	10.3	9.9	8.7
Net profit margin (%)	7.2	11.9	9.7	8.7	8.0
Investments (MSEK)	406.6	305.1	350.6	136.3	151.0
Unappropriated liquid assets (MSEK)	595.4	382.6	340.6	263.2	182.8
Working capital, incl. cash and bank (MSEK)	812.3	636.0	492.9	409.7	356.5
Interest-bearing liabilities/Equity (%)	110.9	91.1	98.7	64.0	67.9
Solidity (Equity/Assets ratio) (%)	33.0	35.7	35.3	42.5	41.6
Return on capital employed (%)	16.4	27.1	23.2	22.1	20.4
Return on equity (%)	20.4	34.8	27.6	23.1	21.3

Consolidated Balance Sheet summary

(in millions of SEK)	31 Dec 2005	31 Dec 2004
Intangible assets	458.5	304.7
Tangible assets	1,015.2	875.7
Financial assets	36.0	10.6
Total fixed assets	1,509.7	1,191.0
Inventories	831.1	690.2
Current receivables	651.2	525.4
Investments	1.1	0.9
Cash and bank	132.2	88.6
Total current assets	1,615.6	1,305.1
Total assets	3,125.3	2,496.1
Equity	1,031.0	891.6
Long-term liabilities and provisions		
non-interest bearing	265.2	205.1
interest bearing	1,025.8	730.3
Current liabilities and provisions		
non-interest bearing	685.4	586.9
interest bearing	117.9	82.2
Total equity and liabilities	3,125.3	2,496.1

Cash flow analysis

(in millions of SEK)	2005	2004
Cash flow from trading activities	351.2	381.8
Change in working capital	- 119.2	- 82.0
Investment activities	- 406.6	- 305.1
Financing activities	225.7	11.4
Exchange rate diff. in liquid assets	- 7.5	1.0
Change in liquid assets	43.6	7.1

Data per share ⁴⁾

	2005	2004	2003	2002	2001
Net profit per share (total 23,480,000 shares) (SEK)	7.75	11.86	6.90	5.09	4.02
Equity per share (SEK)	43.69	37.83	28.30	24.15	21.04
Closing day share price (SEK)	243.00	184.00	127.50	63.75	48.00

⁴⁾ All key figures per share recomputed with regard to the 4:1 split made in June 2003.

QUARTERLY DATA

Consolidated Income Statement

(in millions of SEK)	2005				2004				2003
	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 4
Net sales	800.9	868.9	977.5	1,171.8	693.9	704.6	785.0	977.5	812.7
Operating expenses	- 731.4	- 800.3	- 928.5	- 1,048.8	- 634.4	- 643.0	- 673.0	- 845.2	- 707.3
Operating profit	69.5	68.6	49.0	123.0	59.5	61.6	112.0	132.3	105.4
Net financial expenses	- 8.9	- 6.3	- 9.9	- 11.4	- 6.1	- 1.8	+ 16.4	+ 3.3	- 7.2
Profit after net financial expenses	60.6	62.3	39.1	111.6	53.4	59.8	128.4	135.6	98.2
Tax	- 19.1	- 19.9	- 17.8	- 33.1	- 13.5	- 17.9	- 27.6	- 38.7	- 31.8
Net profit	41.5	42.4	21.3	78.5	39.9	41.9	100.8	96.9	66.4

Net sales – Business Areas

(in millions of SEK)	2005				2004				2003
	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 4
NIBE Element	304.1	319.4	305.2	369.0	275.9	284.4	268.2	318.1	292.3
NIBE Heating	394.2	471.9	525.4	577.3	321.9	350.9	422.7	497.6	410.3
NIBE Stoves	109.9	85.3	154.6	234.8	104.2	79.4	97.7	170.7	115.6
Elimination of Group transactions	- 7.3	- 7.7	- 7.7	- 9.3	- 8.1	- 10.1	- 3.6	- 8.9	- 5.5
Group	800.9	868.9	977.5	1,171.8	693.9	704.6	785.0	977.5	812.7

Operating profit – Business Areas

(in millions of SEK)	2005				2004				2003
	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 4
NIBE Element	11.7	3.7	- 58.9	- 5.5	18.3	13.9	18.1	18.0	15.7
NIBE Heating	41.6	55.4	79.0	75.4	28.3	38.0	72.5	70.6	59.9
NIBE Stoves	19.5	14.4	31.9	57.8	16.1	14.2	24.7	48.0	33.3
Elimination of Group transactions	- 3.3	- 4.9	- 3.0	- 4.7	- 3.2	- 4.5	- 3.3	- 4.3	- 3.5
Group	69.5	68.6	49.0	123.0	59.5	61.6	112.0	132.3	105.4

Accounting principles

This Summary of the Annual Report for 2005 for NIBE Industrier has been drawn up in accordance with IAS 34 "Interim Financial Reporting", to comply with the requirements of recommendation RR31 ("Interim Reports for Groups") of the Swedish Financial Accounting Standards Council.

The accounting principles adopted for this summary are described in the company's Annual Report for 2004 (pp. 52–54). This states, among other things, that International Financial Reporting Standards (IFRS) will be implemented with effect from 2005 and that comparisons relating to 2004 will be recomputed in accordance with the new principles. The only exception refers to financial instruments, for which special transition rules apply.

All figures and key figures, etc. in this interim report that are affected by the transition to IFRS have been recomputed. The effects of the changes in the full-year figures for 2004 are described on the right. The most significant impact of the change relates to the amortisation of goodwill. Goodwill will no longer be amortised, but will instead be tested annually for impairment. The Group's goodwill items were tested for impairment in 2005, but in no instance has the book value been found to exceed the recoverable amount. Minority interest has been reclassified so that it now forms one of the components of equity on the balance sheet and of the net result on the income statement.

In accordance with the transition rules to IFRS, the new principles for financial instruments apply solely to those parts of the accounts that refer to 2005.

Review Report

I have reviewed this summary in accordance with the recommendation issued by FAR (the institute for the accounting profession in Sweden). A review is considerably limited in scope compared with an audit. Nothing has come to my attention that causes me to believe that the summary does not comply with the requirements of the Exchange and Clearing Operations Act and the Annual Accounts Act in Sweden.

Markaryd, Sweden – 14 February 2006
Willard Möller, Authorised Public Accountant
SET Revisionsbyrå AB

Effects of the transition to IFRS

The effect of IFRS on equity 2004 (in millions of SEK)	Full year 2004 acc. to IFRS	Full year 2004 acc. to Annual Report
Equity brought forward (1 Jan 2004)	646.9	646.9
Effect of change in accounting principles ¹⁾	3.3	3.3
Effect of change in accounting principles ²⁾	2.2	0.0
Adjusted equity brought fwd (1 Jan 2004)	652.4	650.2
Shareholders' dividend	- 43.4	- 43.4
Translation difference	3.1	3.1
Profit for the period ³⁾	279.5	255.3
Equity carried forward	891.6	865.2
	Full year 2004	
Profit for the period acc. to Swedish accounting principles		255.3
Amortisation of goodwill		24.8
Minority shareholding		1.1
Deferred tax on IFRS adjustments		- 1.7
Profit for the period acc. to IFRS		279.5

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 indicated in the table below.

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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