

# NIBE

– world-class solutions in sustainable energy



- **SALES** totalled SEK 10,478 million (SEK 9,511 million)
- **PROFIT AFTER NET FINANCIAL ITEMS** was SEK 1,217 million (SEK 1,058 million)
- **PROFIT AFTER TAX** was SEK 898 million (SEK 813 million)
- **EARNINGS** per share before and after dilution were SEK 2.04 (SEK 1.84)
- **ACQUISITION OF**
  - North American company Heatron Inc.
  - remaining 40% of shares in British company Stovax Heating Group Ltd.
  - 50% of shares in Air Site AB
  - operations of the Italian company ATE Electronics
  - North American company Climate Control Group Inc.
  - conditional agreement on acquisition of parts of the British Enertech Group (October)
  - North American company Omni Control Technology Inc. (November)
  - 65% of shares in Canadian company FPI Fireplace Products International Ltd. (November)
- **NEW SHARE ISSUE**
  - injecting SEK 3,024 million before issue expenses was implemented in October

Interim report 3 · 2016



CEO Gerteric Lindquist's report

## Continued good performance and successful rights issue

Group sales growth for the first nine months of the year was 10.2%, including organic growth of 1.4%. Organic sales growth has weakened because of the Swedish krona's relative strengthening compared with the corresponding period last year. In recent months, however, the difference was smaller.

In the NIBE Climate Solutions business area the biggest event was the acquisition of the US company Climate Control Group (CCG). The acquisition means that we are now well represented with sustainable energy solutions in commercial properties in North America. Efforts to improve the margin that started immediately after regulatory approval of the acquisition by the anti-trust authorities are proceeding as planned.

Immediately after the third quarter NIBE announced the conditional agreement to acquire the majority of the British company Enertech Group, whose operations are mostly found in Sweden under the CTC brand. The acquisition is conditional on approval by both the German and the Swedish anti-trust authorities. The main objective of the acquisition is to offer sustainable energy solutions on an even broader front, especially in export markets.

In the NIBE Element business area, margin improvements continue in a convincing manner and the operating margin is now at 11.0% based on the last 12 months. This is the result of a very long-term effort to offer a comprehensive, high-quality product range, a good market presence on all the major industrialised continents and a distinct sustainability profile through increased investments. In November, American company Omni Control Technology Inc. was acquired. Together with American company Heatron Inc. and Italian company ATE Electronics, which were both acquired earlier this year, this acquisition further strengthens the business area's presence in the commercial and industrial sectors.

NIBE Stoves continues its successful efforts on the European market. Even though a substantial weakening of the British pound and the unusually mild weather at the beginning of autumn have been troublesome, a good operating margin is being maintained. Due to the partial acquisition of the Canadian company FPI Fire-place Products International Ltd., which was announced today, the NIBE Stoves business area now has a platform in the North American market, which really seems like a good fit. FPI is one of the leading players in our industry in North America and has a complete range of stove products for gas, wood and pellets.

Our ambitions in terms of acquisitions remain high. So far this year acquisitions with combined annual sales of just over SEK 4 billion have been carried out, including the conditional acquisition of the majority of Enertech Group. The scope for further major acquisitions was determined to be limited after these acquisitions, so

a preferential rights issue was announced at the Annual General Meeting in May. The rights issue was formally approved at the Extraordinary General Meeting on 3 October. On 28 October, we were pleased to note that the rights issue was more than fully subscribed with an oversubscription of 50%. The Company has thus strengthened its equity by just over SEK 3 billion.

Investments in existing operations amounted to SEK 251 million for the first nine months of the year compared with last year's SEK 257 million, and the rate of depreciation was SEK 386 million. Investments for the full year are also estimated to continue to be lower than the rate of depreciation.

Operating profit for the period improved by 15.9% compared with the first nine months last year and the operating margin improved from 11.9% to 12.5%.

Profit after financial items improved by 15.0% in the period compared with the first nine months last year, leading to a profit margin of 11.6% versus 11.1% for the same period last year.

### Outlook for 2016

- Our corporate philosophy and our strong range of products, with their focus on sustainability and energy efficiency, are in tune with the times in which we are living.
- We are well-prepared to be proactive on acquisitions.
- Our internal efforts to enhance efficiency, combined with our rigorous cost control measures, will guarantee persistently healthy margins.

#### Previous wording

- As with previous years, it is hard to predict how economic trends, currency concerns and the currently low energy prices will affect the Group, but we remain cautiously positive about the year overall.

#### New wording

- As with previous years, it is hard to predict how economic trends, currency concerns, the currently low energy prices and the political turbulence in several parts of the world will affect the Group, but we remain cautiously positive about the year overall.

Markaryd, 17 November 2016

Gerteric Lindquist  
Managing Director and CEO

## Sales

Group net sales totalled SEK 10,478 million (SEK 9,511 million). This corresponds to growth of 10.2%, of which 1.4% was organic. Acquired operations accounted for SEK 833 million of the total SEK 967 million increase in sales.

## Earnings

Profit for the period after net financial items was SEK 1,217 million. This equates to a 15.0% increase in earnings compared with the same period in 2015. Back then, profit after net financial items amounted to SEK 1,058 million. Profit for the period was charged with acquisition expenses of SEK 41 million versus SEK 7 million for the previous year. Return on equity was 17.5% (17.3%).

## Acquisitions

The North American company Heatron Inc. was acquired in the first quarter. It mainly produces foil elements, high power elements and thick film elements for high-tech industries in the North American market. The company has sales of approximately SEK 250 million and employs around 240 people. The company's operations were consolidated under the NIBE Element business area as of March 2016. The acquisition value is still provisional.

During the first quarter, the remaining 40% of shares in the British company Stovax Heating Group Ltd. were acquired. The company has a market-leading position on the British stove market.

A 50% stake in Swedish company Air-Site AB was acquired in April. The company, which has sales of SEK 26 million, is a ventilation knowledge company and was consolidated under the NIBE Climate Solutions business area as of April 2016. The acquisition value is still provisional.

The operations of the Italian resistor manufacturer ATE Electronics were acquired in June. The company has sales of SEK 30 million and was consolidated under the NIBE Element business area as of June 2016. The acquisition value is still provisional.

The North American company Climate Control Group Inc. was acquired at the beginning of July. The company has sales of approximately SEK 2,300 million, an operating margin of approximately 7.3% and around 1,250 employees. Climate Control Group Inc. is one of North America's leading manufacturers in the field of heating, ventilation and air conditioning of both commercial buildings and detached homes and was consolidated under the NIBE Climate Solutions business area as of July 2016. The acquisition value is still provisional. For further information, see page 5.

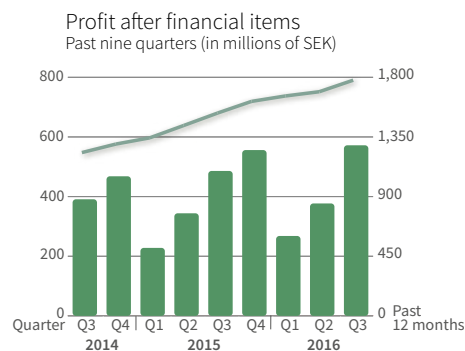
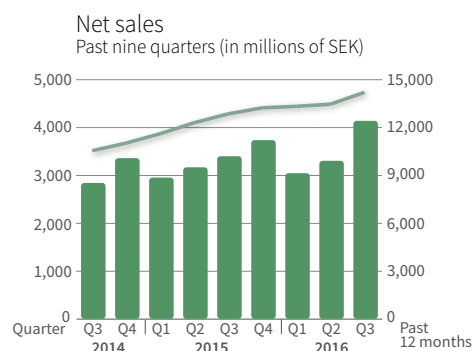
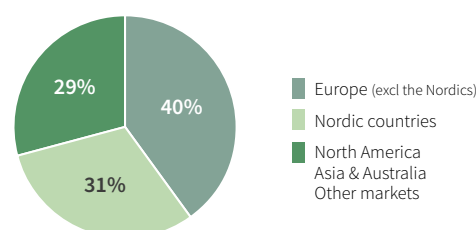
At the end of September, a conditional agreement on acquisition of parts of the British Enertech Group was made. The operations, which are primarily based in Sweden under the CTC trademark, have sales of just over SEK 800 million with an operating margin of 4.8% and the Group has 460 employees. The transaction is subject to approval by the anti-trust authorities in Sweden and Germany.

## Significant events after the end of the period

Following a resolution at an Extraordinary General Meeting held on 3 October, a preferential rights issue was implemented. The company's shareholders were offered the opportunity to buy shares at a discounted price of SEK 48 per share. The issue injected SEK 3,024 in the company less issue expenses. As a result of the share issue, the number of shares has increased by 63,002,070 as 7,391,566 new class A shares and 55,610,504 new class B shares were issued. After the issue, the number of shares totals 504,016,622, of which 59,132,590 class A shares (which entitle the holder to ten votes each) and 444,884,032 class B shares (which entitle the holder to one vote each).

NIBE Group Key ratios		2016 Q1-3	2015 Q1-3	Past 12 mths	2015 Full year
Net sales	SEK m	10,478	9,511	14,210	13,243
Growth	%	10.2	23.9	10.4	20.0
of which acquired	%	8.8	12.7	7.0	9.5
Operating profit	SEK m	1,313	1,133	1,880	1,700
Operating margin	%	12.5	11.9	13.2	12.8
Profit after net financial items	SEK m	1,217	1,058	1,773	1,614
Profit margin	%	11.6	11.1	12.5	12.2
Equity ratio	%	35.4	37.2	35.4	39.9
Return on equity	%	17.5	17.3	17.7	18.0

Group sales by geographical region



In early November, the North American element company Omni Control Technology Inc. was acquired. The company develops and manufactures control panels for heating railway switches and other uses. The company has about 40 employees, annual sales of approximately SEK 100 million and an operating margin of just over 13%. The business will be consolidated in the NIBE Element business area as of November 2016.

In November, 65% of the shares in the Canadian stove company FPI Fireplace Products International Ltd. were also acquired with an option to acquire the remaining 35% of the shares until 2022. Through its 380 employees in Canada, the US and Australia, the company conducts its own product development, production and marketing. With annual sales of approximately SEK 600 million and an operating margin of approximately 13%, the operations will be consolidated into the NIBE Stoves business area as of November 2016.

### Investments

During the period, the Group made investments totalling SEK 3,730 million (SEK 377 million). A total of SEK 3,479 million (SEK 120 million) of the investments relate to acquisitions of operations. The remaining SEK 251 million (SEK 257 million) is mainly investments in machinery and equipment in existing operations. The investment amount with regard to acquisitions is based on initial purchase prices as well as an estimate of additional consideration to be paid.

### Cash flow and financial position

Cash flow from operating activities before changes in working capital amounted to SEK 1,295 million (SEK 1,175 million). Cash flow

after changes in working capital amounted to SEK 924 million (SEK 877 million).

Interest-bearing liabilities at the end of the period amounted to SEK 10,896 million, compared with SEK 7,282 million at the start of the year. At the end of June, a bank credit of SEK 3,000 million was raised, under the existing credit agreement, to finance the acquisition of Climate Control Group Inc. After amortisation of SEK 249 million, the credit was recognised as a current interest-bearing liability in the consolidated balance sheet. At the end of September the Group had cash and cash equivalents of SEK 2,209 million as against SEK 2,195 million at the start of the year. The equity ratio at the end of the period was 35.4%, compared with 39.9% at the start of the year and 37.2% at the corresponding point last year.

### Parent

Parent activities comprise Group executive management functions, certain shared Group functions and the financing of corporate acquisitions. Sales for the period totalled SEK 6 million (SEK 7 million) and profit after financial items was SEK 565 million (SEK 773 million). At the beginning of the year, the parent transferred all its receivables from subsidiaries and all of its liabilities to credit institutions to the wholly owned subsidiary NIBE Treasury AB. The parent's bank balances were also transferred, so at the end of the reporting period available cash and cash equivalents totalled SEK 0 million compared with SEK 266 million at the start of the year. The parent's non-current interest-bearing liabilities now consist of bond loans and liabilities to NIBE Treasury AB.

### NIBE shares

NIBE's class B shares are listed on the NASDAQ OMX Stockholm Exchange, Large Cap list, with a secondary listing on the SIX Swiss Exchange in Zürich. The NIBE share's closing price on 30 September 2016 was SEK 72.81.

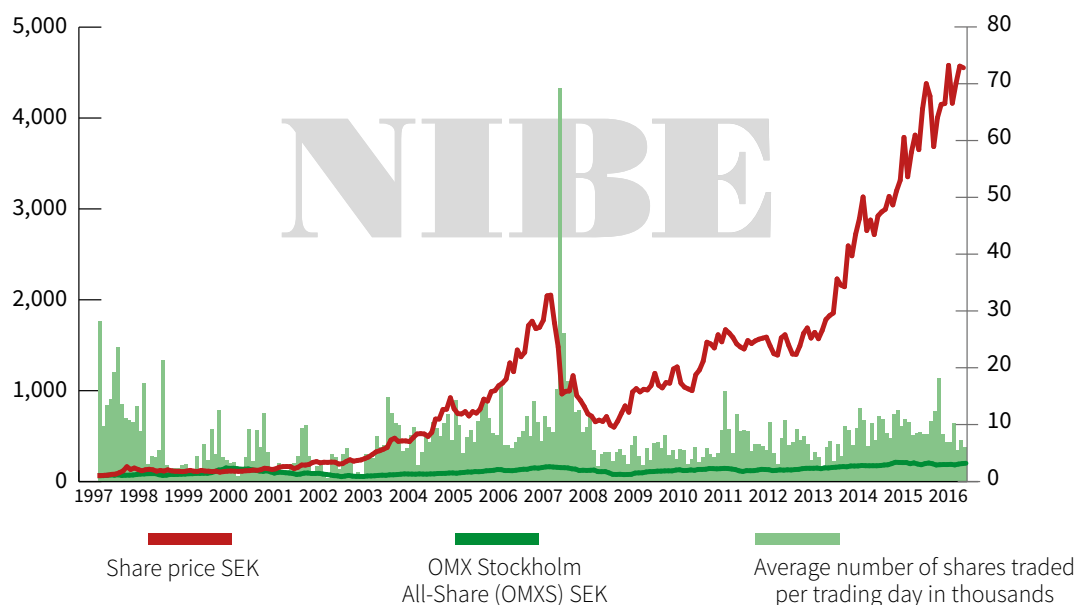
A 4:1 split was implemented on 31 May 2016. In the first nine months of 2016, NIBE's share price rose by 7.3%, from SEK 67.83 to SEK 72.81. During the same period, the OMX Stockholm All-Share (OMXS) increased by 2.5%.

This means that, at the end of September 2016, the market capitalisation of NIBE, based on the latest price paid, amounted to SEK 32,110 million.

A total of 102,065,145 NIBE shares were traded, which corresponds to a share turnover of 30.9% in the first three quarters of 2016. All figures were recalculated following the 4:1 split implemented in May 2016.

Number of shares traded per trading day in thousands

Share price in SEK



## Climate Control Group Inc.

At the end of June, NIBE acquired Climate Control Group Inc. (CCG) and six of its wholly owned subsidiaries from the listed US Group LSB Industries Inc. The price paid was approximately USD 364 million (SEK 3,055 million translated at the average rate for USD as at 30 September) in cash on a cash-free and debt-free basis. CCG was consolidated under the NIBE Climate Solutions business area as from July 2016. The acquisition value is still provisional.

CCG develops, manufactures and markets air-conditioning, ventilation, heating and heat pump systems and products for cooling applications, principally for commercial properties but also for single-family homes. The products are mainly sold under its own brands, but are also available as OEM products for other HVAC\* producers.

The acquisition means expansion of the business area through:

- a stronger presence on the North American market for indoor climate comfort
- access to the commercial property segment in North America
- top-level technical expertise and new HVAC\* products

\*HVAC stands for 'heating, ventilation and air conditioning'

Consideration consists of the following

(SEK m)	
Fair value of net assets acquired	1,353
Goodwill	1,702
<b>Cash consideration</b>	<b>3,055</b>
Cash and cash equivalents in acquired companies	- 36
<b>Effect on the Group's cash and cash equivalents</b>	<b>3,019</b>

Goodwill is attributable to the profitability of the operations acquired, as well as to the synergy effects, particularly in material supply and distribution, that are anticipated within the Group.

The acquired net assets are as follows:

(SEK m)	Fair values	Acquired carrying amounts
Market positions	336	-
Brands and trademarks	336	-
Other intangible assets	192	16
Property, plant and equipment	210	210
Financial assets	1	1
Current receivables	426	426
Inventories	213	213
Cash and equivalents	36	36
Liabilities	- 397	- 397
<b>Net assets acquired</b>	<b>1,353</b>	<b>505</b>

Acquired current receivables comprise SEK 426 million, of which SEK 426 million is expected to be settled.



ClimateMaster's HVAC system solutions are well suited to restaurants, among other things. Diners expect a high level of comfort in terms of temperature and air quality. Large quantities of ventilating air and good temperature control are required both in the dining area and in the kitchen.



# NIBE Climate Solutions business area

## Sales and profit

Sales for the period totalled SEK 6,478 million, compared with SEK 5,751 million for the corresponding period last year. The increase in sales was SEK 727 million with acquired sales accounting for SEK 603 million of this sum, which means that organic growth was 2.2%.

Operating profit for the period totalled SEK 930 million, compared with SEK 823 million the previous year. This equates to an operating margin of 14.4% compared with 14.3% for the previous year. This means that the operating margin for the past 12 months is 15.0%.

## Market

The positive market development in several European countries is continuing, primarily in the DACH countries (Germany, Austria, Switzerland) and the Nordic region. We have also increased our market share. The debate on the energy policy for the future, with long-term objectives to reduce the use of fossil fuels is in our favour, but the change process seems slow. The potential for heat pump technology remains very high, principally in Germany and the UK, but high taxes on electricity combined with low oil and gas prices are preventing faster conversion. However, the German subsidy programme for heat pump installations is having a positive impact on developments. The trend is also positive in Finland, a major European market for heat pumps, after more cautious developments in recent years. The weaker economic conditions in Eastern Europe are producing cautious market growth and a consequent lower rate of expansion in our local operations. However, with our wide product range we have been able to compensate for the market downturns considerably.

After strong market growth on the Swedish market during the first half of the year, growth was slightly weaker during the third quarter. This is probably attributable to some extent to the replacement market and the reduced home improvement subsidy. However, the increased construction of single-family homes has a positive impact on us, and our market share in heat pumps continues to grow. Demand for energy-efficient product solutions for large properties is also increasing. There is stable growth on the other Scandinavian markets and we have also enhanced our market positions there.

On the North American market, great interest has been expressed in increased use of renewable energy but this is not really happening yet as low gas and oil prices are preventing rapid conversion to greener alternatives. Demand for energy-efficient product solutions for large properties remains good and, with our recent acquisition of Climate Control Group, we are considerably enhancing our presence in heat pumps for the commercial property sector. We are maintaining our position as the market leader for heat pumps for single-family homes, although this market is currently stagnant due to the low oil and gas prices. Our North American chiller application operations continue to be strong with good growth.

For traditional electric water-heaters, performance in the Nordic and other European markets is stable, while sales of pellet stoves are growing. Tougher energy efficiency requirements are also driving demand for heat pump installations for hot water only.

## Operations

The integration of the North American Climate Control Group (CCG), which was acquired in early July, is proceeding to plan. The business area's four North American operations are also working with our European heat pump units to enhance the long-term future opportunities for the heat pump industry in North America as well.

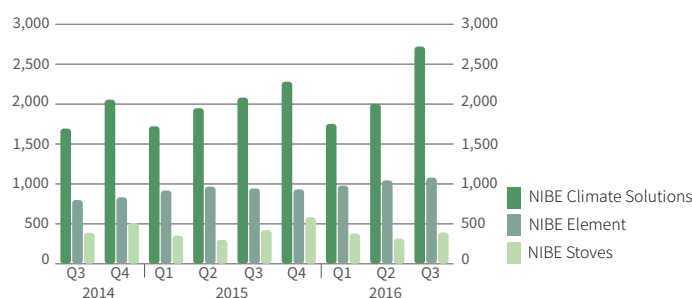
Development work with our partially acquired Swedish ventilation company Air-Site AB has been intensified. The combination of ventilation expertise and heat pump technology permits us to present concept solutions designed for large properties with both technologies integrated. We will therefore further enhance our market presence in this segment.

We work constantly to enhance the opportunities for international expansion. In the autumn, we will supplement our organisation with new employees who have great experience of international business development.

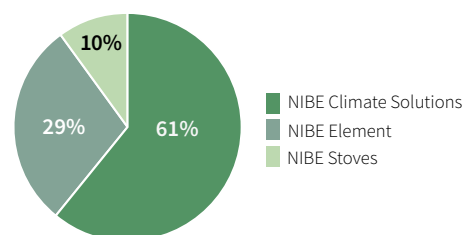
Our production capacity and delivery capability fully satisfy market expectations and we note that our internal quality management work, which has been a top priority, continues to result in improved product quality. We continue to prioritise maintaining our operating margin, which involves introducing cost-saving measures in both production and other areas of the business.

## Business area trends

Sales per business area, last nine quarters (SEK million)



Each business area's share of total sales (Q1-Q3 2016)



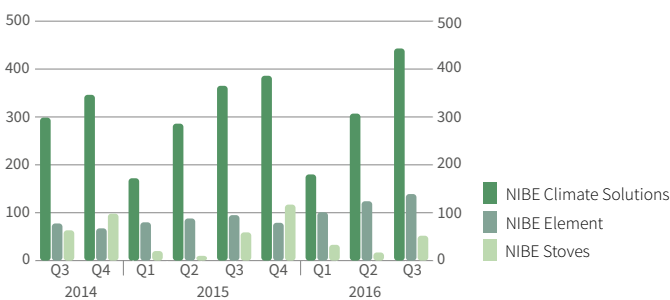


On both the international market and the Swedish domestic market, the reception given to our new inverter-controlled NIBE F2120 outdoor air heat pump exceeded our expectations. The product generates record high energy savings, operates silently and produces high supply temperatures even in harsh winter climates.

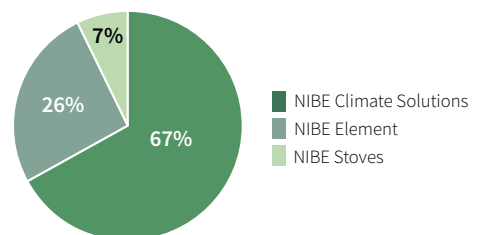
#### NIBE Climate Solutions

Key ratios		2016 Q1-3	2015 Q1-3	Past 12 mths	2015 Full year
Net sales	SEK m	6,478	5,751	8,759	8,031
Growth	%	12.7	29.2	12.2	23.4
of which acquired	%	10.5	19.7	8.1	13.9
Operating profit	SEK m	930	823	1,316	1,209
Operating margin	%	14.4	14.3	15.0	15.1
Assets	SEK m	17,635	13,422	17,635	13,107
Liabilities	SEK m	1,914	1,468	1,914	1,468
Investments in non-current assets	SEK m	155	158	229	232
Depreciation	SEK m	254	232	333	311

Operating profit per business area, last nine quarters (SEK million)



Each business area's share of total profit (Q1-Q3 2016)



# NIBE Element business area

## Sales and profit

Sales for the period totalled SEK 3,103 million, compared with SEK 2,826 million for the corresponding period last year. The increase in sales was SEK 277 million with acquired sales accounting for SEK 230 million of this sum, which means that organic growth was 1.7%.

Operating profit for the period totalled SEK 364 million, compared with SEK 263 million the previous year. This equates to an operating margin of 11.7% compared with 9.3% for the previous year. This means that the operating margin for the past 12 months is 11.0%.

## Market

Overall, demand on the international element market has grown throughout the year.

The European element market has grown slightly, with the German market enjoying good growth over an extended period of time. Both consumer products and products for the automotive industry and commercial equipment have grown. On the other hand, we note a further reduction in order intake for oil and gas industry products as a result of considerably lower levels of investment in this industry due to low oil and gas prices. The market for rail-based traffic continues to display healthy growth within both infrastructure and vehicles.

Our control and measurement investments have produced good results, particularly in relation to inverter control of electric motors, which contributes to increased energy efficiency. The acquisition of the Italian resistor company ATE Electronics, complet-



To ensure stable achievement of our operating margin target of 10%, further investments are being made in robotisation and automation, as well as productivity enhancement measures.

## NIBE Element

Key ratios		2016 Q1-3	2015 Q1-3	Past 12 mths	2015 Full year
Net sales	SEK m	3,103	2,826	4,035	3,758
Growth	%	9.8	19.7	10.3	17.7
of which acquired	%	8.1	4.2	7.4	4.4
Operating profit	SEK m	364	263	443	342
Operating margin	%	11.7	9.3	11.0	9.1
Assets	SEK m	4,070	3,444	4,070	3,360
Liabilities	SEK m	818	756	818	738
Investments in non-current assets	SEK m	80	78	120	118
Depreciation	SEK m	92	86	119	114

ed in the second quarter, means that we are continuing to expand our range of railway and power electronics products.

The North American market displayed stable growth in a number of product segments. This applies to the domestic appliance and comfort segment as well as products for the automotive industry and commercial applications. The oil and gas industry grew slowly in North America as well. The acquisition of the North American element company Heatron, which was completed during the first quarter, has opened up a number of interesting new business opportunities in several high-tech market segments and we have also received some large project orders in this company.

The Asian market has also experienced healthy growth. As we can see a trend towards relocating production from Asia to Europe and North America, particularly due to rising costs in China, we are gradually focusing our Asian production units more on the domestic market in Asia.

Auto industry products are generally growing well, partly due to the generally high level of demand and partly because demand for several products is driven by stricter environmental requirements and the development of electric vehicles and hybrid solutions.

## Operations

We are continuing our work to change our profit centres' focus and activities to ensure that they remain competitive in their respective market segments. To ensure stable achievement of our operating margin target of 10%, further investments are also being made in robotisation and automation, as well as productivity enhancement measures.

In addition to the acquisitions of Heatron and ATE Electronics, during the year we have also made a few small supplementary acquisitions of operations that we have been able to incorporate in our existing units. This has produced several positive effects as we expand our product range and our customer base, while also gaining better capacity utilisation in the production unit in which the operations are incorporated. These small supplementary acquisitions have mainly concerned operations with a high technology content that are focused on the commercial and industrial sectors.

In early November, the North American element company Omni Control Technology Inc. was acquired. The company develops and manufactures control panels for heating railway switches and other uses.

Raw material prices and exchange rates remain turbulent, with a considerable effect on pricing and competitiveness. Raw material prices are historically low. In this business climate, having a globalised organisation with production units in different currency zones gives us a clear advantage.



# NIBE Stoves business area

## Sales and profit

Sales for the period totalled SEK 1,086 million, compared with SEK 1,071 million for the corresponding period last year. Since the comparison is not affected by any acquisitions, this means organic growth of SEK 15 million, or 1.3%.

Operating profit for the period totalled SEK 102 million, compared with SEK 89 million the previous year. This equates to an operating margin of 9.4% compared with 8.3% for the previous year. This means that the operating margin for the past 12 months is 13.2%.

## Market

Demand for stove products in Scandinavia remains good, while markets such as Germany and France generally continue to grow less well. Total demand also fell slightly in the UK, although from a high level. Sales during the start of the important autumn season were negatively affected by the unusually warm weather in September on all the markets on which we operate.

Our assessment is that we have further enhanced our market position on the markets on which we are active. This is the result of the previous year's successful product launches and continued marketing initiatives.

Demand for stove products in Sweden and Norway so far this year remains at a relatively low level. High interest in DIY property renovation, good economic growth, low interest rates and increased construction of single-family homes are positive factors driving demand.

Demand in Denmark has increased sharply since the government decided, at the end of last year, to introduce subsidies to phase out old stove products with poor combustion. The effect was greatest at the beginning of the year and will disappear at the end of the year when the total amount set aside for the subsidies will probably have been exhausted.

In the UK, the trend from last year continues, with a clear shift in demand from wood-fired to gas-fired products as a result of the current low price of gas. The overall assessment is that the market as a whole has declined so far this year and there is current uncertainty about the future growth in demand due to the outcome of the EU referendum earlier in the year.

The market situation in Germany and France remains weak as a result of low gas and oil prices. Demand in France has shifted from wood-fired products with classic design to products with modern design and pellet-fired products.

## NIBE Stoves

Key ratios		2016 Q1-3	2015 Q1-3	Past 12 mths	2015 Full year
Net sales	SEK m	1,086	1,071	1,667	1,652
Growth	%	1.3	10.2	5.3	11.4
of which acquired	%	0.0	0.0	0.0	0.0
Operating profit	SEK m	102	89	219	206
Operating margin	%	9.4	8.3	13.2	12.5
Assets	SEK m	1,860	1,878	1,860	1,814
Liabilities	SEK m	272	276	272	265
Investments in non-current assets	SEK m	29	24	38	34
Depreciation	SEK m	41	42	55	56

## Operations

We are continuing our long-term investments in product development and market communication, combined with sustainable, efficient production. A stable profitability platform also gives us good opportunities to further enhance our position on the otherwise very fragmented European market for stove products.

In product development, we are focusing on further expanding our range of products and adapting it to customer wishes and requirements, which vary greatly from market to market. In parallel, we are working to constantly improve product performance. Our marketing initiatives are directed at strengthening our brands and trademarks and improving the exposure of our products in our well developed network of retailers.

So far this year, we have had a relatively high, steady rate of production in our production facilities to ensure good delivery reliability and high delivery capacity during the autumn season. Higher capacity utilisation combined with rationalisation has also resulted in improved productivity.

Through the acquisition of Canadian company FPI Fireplace Products International Ltd., we now also have platforms in both the North American and Australian markets with well-known brands such as Regency, Hampton and Excalibur, and a complete range of products for gas, wood and pellets.



With glass on three sides and a spacious combustion chamber, the Contura i51 is perfect for the modern home. The model series has been expanded this year with a white model which has been welcomed by the market. The white colour enhances our clean, modern Scandinavian design.

## Income Statement summaries

(SEK m)	Group						Parent	
	Q3 2016	Q3 2015	Jan-Sept 2016	Jan-Sept 2015	Past 12 mths	Full year 2015	Jan-Sept 2016	Jan-Sept 2015
Net sales	4,135	3,396	10,478	9,511	14,210	13,243	6	7
Cost of goods sold	-2,654	-2,151	-6,746	-6,117	-9,090	-8,461	0	0
<b>Gross profit</b>	<b>1,481</b>	<b>1,245</b>	<b>3,732</b>	<b>3,394</b>	<b>5,120</b>	<b>4,782</b>	<b>6</b>	<b>7</b>
Selling expenses	-658	-573	-1,814	-1,731	-2,454	-2,371	0	0
Administrative expenses	-244	-198	-699	-621	-916	-838	-45	-53
Other operating revenue	31	30	94	91	130	127	0	0
<b>Operating profit</b>	<b>610</b>	<b>504</b>	<b>1,313</b>	<b>1,133</b>	<b>1,880</b>	<b>1,700</b>	<b>-39</b>	<b>-46</b>
Net financial items	-38	-18	-96	-75	-107	-86	604	819
<b>Profit after net financial items</b>	<b>572</b>	<b>486</b>	<b>1,217</b>	<b>1,058</b>	<b>1,773</b>	<b>1,614</b>	<b>565</b>	<b>773</b>
Tax	-154	-112	-319	-245	-451	-377	12	0
<b>Net profit</b>	<b>418</b>	<b>374</b>	<b>898</b>	<b>813</b>	<b>1,322</b>	<b>1,237</b>	<b>577</b>	<b>773</b>
<b>Net profit attributable to Parent shareholders</b>	<b>418</b>	<b>374</b>	<b>898</b>	<b>813</b>	<b>1,322</b>	<b>1,237</b>	<b>577</b>	<b>773</b>
Includes depreciation according to plan as follows	144	121	386	360	506	480	0	0
Net profit per share before and after dilution in SEK	0.95	0.85	2.04	1.84	3.00	2.80		

## Statement of comprehensive income

<b>Net profit</b>	<b>418</b>	<b>374</b>	<b>898</b>	<b>813</b>	<b>1,322</b>	<b>1,237</b>	<b>577</b>	<b>773</b>
<b>Other comprehensive income</b>								
<b>Items that will not be reclassified to profit or loss</b>								
Actuarial gains and losses in retirement benefit plans	-69	0	-69	0	-77	-8	0	0
Tax	15	0	15	0	17	2	0	0
	<b>-54</b>	<b>0</b>	<b>-54</b>	<b>0</b>	<b>-60</b>	<b>-6</b>	<b>0</b>	<b>0</b>
<b>Items that may be reclassified to profit or loss</b>								
Cash flow hedges	1	-6	15	-3	16	-2	9	-2
Hedge of net investment	-44	27	-68	-416	-25	-373	0	-410
Exchange differences	297	-115	564	455	338	229	0	0
Tax	9	-4	12	93	0	81	-2	91
	<b>263</b>	<b>-98</b>	<b>523</b>	<b>129</b>	<b>329</b>	<b>-65</b>	<b>7</b>	<b>-321</b>
<b>Total other comprehensive income</b>	<b>209</b>	<b>-98</b>	<b>469</b>	<b>129</b>	<b>269</b>	<b>-71</b>	<b>7</b>	<b>-321</b>
<b>Total comprehensive income</b>	<b>627</b>	<b>276</b>	<b>1,367</b>	<b>942</b>	<b>1,591</b>	<b>1,166</b>	<b>584</b>	<b>452</b>
<b>Total comprehensive income attributable to Parent shareholders</b>	<b>627</b>	<b>276</b>	<b>1,367</b>	<b>942</b>	<b>1,591</b>	<b>1,666</b>	<b>584</b>	<b>452</b>

## Balance Sheet in summary

(SEK m)	Group			Parent		
	30/09/2016	30/09/2015	31/12/2015	30/09/2016	30/09/2015	31/12/2015
Intangible assets	13,415	10,355	10,209	0	0	0
Property, plant and equipment	2,496	2,141	2,117	0	0	0
Financial assets	529	483	467	8,674	9,656	9,755
<b>Total non-current assets</b>	<b>16,440</b>	<b>12,979</b>	<b>12,793</b>	<b>8,674</b>	<b>9,656</b>	<b>9,755</b>
Inventories	2,755	2,283	2,115	0	0	0
Current receivables	2,796	2,172	1,901	108	129	269
Current investments	22	292	347	0	0	0
Cash and bank balances	1,783	1,621	1,448	0	534	266
<b>Total current assets</b>	<b>7,356</b>	<b>6,368</b>	<b>5,811</b>	<b>108</b>	<b>663</b>	<b>535</b>
<b>Total assets</b>	<b>23,796</b>	<b>19,347</b>	<b>18,604</b>	<b>8,782</b>	<b>10,319</b>	<b>10,290</b>
Equity	8,426	7,204	7,428	4,169	3,839	3,954
Untaxed reserves	0	0	0	1	1	1
Non-current liabilities and provisions, non-interest-bearing	1,865	1,645	1,605	291	167	204
Non-current liabilities and provisions, interest-bearing	7,918	7,847	7,118	4,298	5,794	5,657
Current liabilities and provisions, non-interest-bearing	2,608	2,418	2,289	23	343	376
Current liabilities and provisions, interest-bearing	2,979	233	164	0	175	98
<b>Total equity and liabilities</b>	<b>23,796</b>	<b>19,347</b>	<b>18,604</b>	<b>8,782</b>	<b>10,319</b>	<b>10,290</b>

## Key ratios

		Jan-Sept 2016	Jan-Sept 2015	Full year 2015
Growth	%	10.2	23.9	20.0
Operating margin	%	12.5	11.9	12.8
Profit margin	%	11.6	11.1	12.2
Net investments in fixed assets	SEK m	3,730	377	531
Cash and equivalents	SEK m	2,209	2,364	2,195
Working capital, incl. cash and bank balances as share of net sales	SEK m	4,748	3,950	3,522
	%	33.4	30.7	26.6
Working capital, excl. cash and bank balances as share of net sales <sup>1)</sup>	SEK m	2,943	2,037	1,727
	%	20.7	15.8	13.0
Interest-bearing liabilities/Equity	%	129.3	112.2	98.0
Equity ratio <sup>2)</sup>	%	35.4	37.2	39.9
Return on capital employed <sup>3)</sup>	%	11.4	11.6	12.1
Return on equity <sup>4)</sup>	%	17.5	17.3	18.0
Net debt/EBITDA <sup>5)</sup>	times	3.8	2.9	2.5
Interest coverage ratio <sup>6)</sup>	times	9.7	10.7	12.3

A pro forma income statement for the latest 12-month period, including Climate Control Group with an income statement for the past 12 months, provides more accurate key figures as follows:

- 1) Working capital, excluding cash and bank balances, would amount to approx. 18.5%
- 2) Equity ratio would be approx. 35.7%
- 3) Return on capital employed would be approx. 12.1%
- 4) Return on equity would be approx. 18.4%
- 5) Net debt/EBITDA would be approx. 3.5 times
- 6) Interest coverage ratio would be approx. 10.1 times

## Data per share

		Jan-Sept 2016	Jan-Sept 2015	Full year 2015
Net profit per share (total 441,014,552 shares)	SEK	2.04	1.84	2.80
Equity per share	SEK	19.11	16.34	16.84
Closing day share price	SEK	72.81	58.39	67.83

All key ratios per share were recalculated following the 4:1 split implemented in May 2016. As a result of the preferential rights issue implemented with a discount for shareholders (see page 3), the historical share prices were also reduced by approximately 4.6%.

## Statement of cash flow – summaries

(SEK m)	Jan-Sept 2016	Jan-Sept 2015	Full year 2015
Cash flow from operating activities	1,295	1,175	1,717
Change in working capital	- 371	- 298	222
Investment activities	- 3,944	- 397	- 555
Financing activities	2,996	- 601	- 1,600
Exchange difference in cash and cash equivalents	34	53	30
<b>Change in cash and cash equivalents</b>	<b>10</b>	<b>- 68</b>	<b>- 186</b>

## Financial instruments recognised at fair value

(SEK m)	30 Sept 2016	30 Sept 2015	31 Dec 2015
<b>Current receivables</b>			
Currency futures	1	1	2
Commodity futures	1	0	0
<b>Total</b>	<b>2</b>	<b>1</b>	<b>2</b>
<b>Financial assets</b>			
Interest rate derivatives	25	1	6
<b>Current liabilities and provisions, non-interest-bearing</b>			
Currency futures	7	15	14
Commodity futures	0	7	7
<b>Total</b>	<b>7</b>	<b>22</b>	<b>21</b>

No instruments have been offset in the statement of financial position, therefore all instruments are recognised at their gross value. For a detailed account of the measurement process, see Note 2 in the Annual Report for 2015. In respect of other financial assets and liabilities in the Group, the carrying amounts represent a reasonable approximation of their fair value. A specification of the financial assets and liabilities involved is given in Note 7 in the Annual Report for 2015.

## Change in equity – summaries

(SEK m)	Jan-Sept 2016	Jan-Sept 2015	Full year 2015
Equity brought forward	7,428	6,560	6,560
Shareholders' dividend	- 369	- 298	- 298
Comprehensive income for the period	1,367	942	1,166
<b>Equity carried forward</b>	<b>8,426</b>	<b>7,204</b>	<b>7,428</b>

## Alternative performance measures

Alternative performance measures are financial measures that are used by the company's management and by investors to evaluate the Group's profit and financial position using calculations that cannot be directly derived from the financial statements. The alternative performance measures provided in this report may be calculated using methods that differ from those used to produce similar measures that are used by other companies.

### Net investments in fixed assets

(SEK m)	Jan- Sept 2016	Jan- Sept 2015	Full year 2015
Acquisition of fixed assets	3,765	385	539
Disposal of fixed assets	- 35	- 8	- 8
<b>Net investments in fixed assets</b>	<b>3,730</b>	<b>377</b>	<b>531</b>

### Working capital, including cash and bank balances

(SEK m)	Jan- Sept 2016	Jan- Sept 2015	Full year 2015
Total current assets	7,356	6,368	5,811
Current liabilities and provisions, non-interest-bearing	- 2,608	- 2,418	- 2,289
<b>Working capital, including cash and bank balances</b>	<b>4,748</b>	<b>3,950</b>	<b>3,522</b>
Net sales in the past 12 months	14,210	12,866	13,243
<b>Working capital, including cash and bank balances, in relation to net sales, %</b>	<b>33.4</b>	<b>30.7</b>	<b>26.6</b>

### Return on capital employed

(SEK m)	Jan- Sept 2016	Jan- Sept 2015	Full year 2015
Profit after net financial items in the past 12 months	1,773	1,526	1,614
Financial expenses in the past 12 months	175	203	143
Profit before financial expenses	1,948	1,729	1,757
Capital employed at the start of the period	14,710	14,411	14,411
Capital employed at the end of the period	19,323	15,284	14,710
Average capital employed	17,016	14,848	14,561
<b>Return on capital employed, %</b>	<b>11.4</b>	<b>11.6</b>	<b>12.1</b>

### Net debt/EBITDA

(SEK m)	Jan- Sept 2016	Jan- Sept 2015	Full year 2015
Non-current liabilities and provisions, interest-bearing	7,918	7,847	7,118
Current liabilities and provisions, interest-bearing	2,979	233	164
Cash and bank balances	- 1,783	- 1,621	- 1,448
Current investments	- 22	- 292	- 347
Net debt	9,092	6,167	5,487
Operating profit in the past 12 months	1,880	1,633	1,700
Depreciation/amortisation and impair- ment in the past 12 months	506	467	480
EBITDA	2,386	2,100	2,180
<b>Net debt/EBITDA, times</b>	<b>3.8</b>	<b>2.9</b>	<b>2.5</b>

### Cash and equivalents

(SEK m)	Jan- Sept 2016	Jan- Sept 2015	Full year 2015
Cash and bank balances	1,783	1,621	1,448
Current investments	22	292	347
Unutilised overdraft facilities	404	451	400
<b>Cash and equivalents</b>	<b>2,209</b>	<b>2,364</b>	<b>2,195</b>

### Working capital, excluding cash and bank balances

(SEK m)	Jan- Sept 2016	Jan- Sept 2015	Full year 2015
Inventories	2,755	2,283	2,115
Current receivables	2,796	2,172	1,901
Current liabilities and provisions, non-interest-bearing	- 2,608	- 2,418	- 2,289
<b>Working capital, excluding cash and bank balances</b>	<b>2,943</b>	<b>2,037</b>	<b>1,727</b>
Net sales in the past 12 months	14,210	12,866	13,243
<b>Working capital, excluding cash and bank balances, in relation to net sales, %</b>	<b>20.7</b>	<b>15.8</b>	<b>13.0</b>

### Return on equity

(SEK m)	Jan- Sept 2016	Jan- Sept 2015	Full year 2015
Profit after net financial items in the past 12 months	1,773	1,526	1,614
Standard rate tax, %	22.0	22.0	22.0
Profit after net financial items, after tax	1,383	1,190	1,259
Equity at the start of the period	7,428	6,560	6,560
Equity at the end of the period	8,426	7,204	7,428
Average equity	7,927	6,882	6,994
<b>Return on equity, %</b>	<b>17.5</b>	<b>17.3</b>	<b>18.0</b>

### Interest coverage ratio

(SEK m)	Jan- Sept 2016	Jan- Sept 2015	Full year 2015
Profit after net financial items	1,217	1,058	1,614
Financial expenses	141	109	143
<b>Interest coverage ratio, times</b>	<b>9.7</b>	<b>10.7</b>	<b>12.3</b>



## Quarterly data

Consolidated income statements (SEK m)	2016			2015				2014	
	Q1	Q2	Q3	Q1	Q2	Q3	Q4	Q3	Q4
Net sales	3,042	3,301	4,135	2,950	3,165	3,396	3,732	2,839	3,356
Operating expenses	-2,744	-2,896	-3,525	-2,687	-2,799	-2,892	-3,165	-2,423	-2,856
<b>Operating profit</b>	<b>298</b>	<b>405</b>	<b>610</b>	<b>263</b>	<b>366</b>	<b>504</b>	<b>567</b>	<b>416</b>	<b>500</b>
Net financial items	-30	-28	-38	-35	-22	-18	-11	-24	-32
<b>Profit after net financial items</b>	<b>268</b>	<b>377</b>	<b>572</b>	<b>228</b>	<b>344</b>	<b>486</b>	<b>556</b>	<b>392</b>	<b>468</b>
Tax	-67	-98	-154	-58	-75	-112	-132	-88	-121
<b>Net profit</b>	<b>201</b>	<b>279</b>	<b>418</b>	<b>170</b>	<b>269</b>	<b>374</b>	<b>424</b>	<b>304</b>	<b>347</b>
<b>Net sales, business areas</b>									
NIBE Climate Solutions	1,752	2,004	2,722	1,722	1,948	2,081	2,280	1,693	2,056
NIBE Element	979	1,045	1,079	917	966	943	932	799	832
NIBE Stoves	378	316	392	351	299	421	581	388	511
Elimination of Group transactions	-67	-64	-58	-40	-48	-49	-61	-41	-43
<b>Group total</b>	<b>3,042</b>	<b>3,301</b>	<b>4,135</b>	<b>2,950</b>	<b>3,165</b>	<b>3,396</b>	<b>3,732</b>	<b>2,839</b>	<b>3,356</b>
<b>Operating profit, business areas</b>									
NIBE Climate Solutions	180	307	443	172	286	365	386	299	346
NIBE Element	101	124	139	80	88	95	79	78	67
NIBE Stoves	33	17	52	20	10	59	117	64	98
Elimination of Group transactions	-16	-43	-24	-9	-18	-15	-15	-25	-11
<b>Group total</b>	<b>298</b>	<b>405</b>	<b>610</b>	<b>263</b>	<b>366</b>	<b>504</b>	<b>567</b>	<b>416</b>	<b>500</b>

### Accounting policies

NIBE Industrier's consolidated accounts are drawn up in accordance with the International Financial Reporting Standards (IFRS). NIBE Industrier's interim report for the third quarter of 2016 has been drawn up in accordance with IAS 34 "Interim Financial Reporting". For the Group, the same accounting policies as those adopted for this report are described on pages 66-68 of the company's Annual Report for 2015. Reporting for the Parent follows the Swedish Annual Accounts Act and recommendation RFR 2 of the Swedish Financial Accounting Standards Council ("Reporting for Legal Entities").

The Parent's accounting policies are unchanged compared with those described on pages 66-68 of the Annual Report for 2015, except for exchange differences on loans that hedge net investments in foreign currency, which in the Parent are recognised in the income statement instead of as previously in the fair value reserve. This change has been applied retroactively. In the case of transactions with associates, these have taken place to the same extent as in the previous year and the same accounting policies apply as those described on page 66 of the company's Annual Report for 2015.

### Risks and uncertainties

NIBE Industrier is an international industrial group that is represented in around 40 countries. As such, it is exposed to a number of business and financial risks. Risk management is therefore an important process with regard to the goals that the company has set up. Throughout the NIBE Group, efficient risk management routines are an ongoing process within the framework of the Group's operational management and a natural part of the continual follow-up of activities. It is our opinion that no significant risks or uncertainties have arisen in addition to those described in NIBE Industrier's Annual Report for 2015.

This interim report provides an accurate picture of the business activities, financial position and earnings of the Parent and the Group, and describes any significant risks and uncertainties faced by the Parent and the companies that comprise the Group.

Markaryd, 17 November 2016




Hans Linnarson  
Chairman of the Board



Georg Brunstam  
Director



Eva-Lotta Kraft  
Director



Anders Pålsson  
Director



Helene Richmond  
Director



Gerteric Lindqvist  
Managing Director and CEO

#### Review report

We have reviewed the summary interim financial information (interim report) of NIBE Industrier AB as of 30 September 2016 and the nine-month period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

#### Scope of review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, for the Group in accordance with IAS 34 and the Annual Accounts Act and for the Parent Company in accordance with the Annual Accounts Act.

Markaryd, 17 November 2016  
KPMG AB



Dan Kjellqvist

Authorised Public Accountant  
Senior Auditor

For other information on definitions, please refer to the company's Annual Report for 2015.

## Calendar

### **17 November 2016**

11:00 (C.E.T) Teleconference (in English);

Presentation of Interim Report 3 2016 and opportunity to ask questions.

Registration on our website [www.nibe.com](http://www.nibe.com) is required in order to access the presentation images during the conference.

To listen to the presentation by phone, call +46 8 566 426 97.

### **16 February 2017**

Year-end report 2016

### **April 2017**

Annual Report 2016

### **11 May 2017**

Interim Report 1, Jan – March 2017

Annual General Meeting 2017

## Financial targets

- Average annual sales growth of 20%
- An operating margin of at least 10% of sales over a business cycle in each business area
- Average annual return on equity of at least 20% after standard deductions for tax over a business cycle
- Group equity ratio of at least 30%.



NIBE is an international heating technology company with business operations organised in three separate business areas: NIBE Climate Solutions, NIBE Element and NIBE Stoves. Our vision is to create world-class solutions in sustainable energy. Our mission is to offer energy technology products and solutions that combine high quality with innovation. This work builds on the NIBE Group's wide-ranging expertise in product development, manufacturing and marketing.

NIBE Industrier AB is obliged by Swedish law (The Securities Market Act and/or The Financial Instruments Trading Act) to publish the information in this interim report. This information was made available to the media for publication at 08:00 (C.E.T.) on 17 November 2016.

Please email any questions you have with regard to this report to:  
Gerteric Lindquist, MD and Group CEO, [gerteric.lindquist@nibe.se](mailto:gerteric.lindquist@nibe.se)  
Hans Backman, CFO, [hans.backman@nibe.se](mailto:hans.backman@nibe.se)

**NIBE**

NIBE Industrier AB (publ)  
Box 14, SE-285 21 Markaryd SWEDEN Tel +46 433 - 73 000  
[www.nibe.com](http://www.nibe.com) · Corporate ID number: 55 63 74 - 8309