



–world-class solutions in sustainable energy



- **SALES** totalled SEK 19,009 million (SEK 15,348 million)
- **PROFIT AFTER NET FINANCIAL ITEMS** amounted to SEK 2,182 million (SEK 1,871 million)
- **PROFIT AFTER TAX** amounted to SEK 1,703 million (SEK 1,376 million)
- **EARNINGS** per share before and after dilution, based on average number of shares outstanding during the period, were SEK 3.38 (SEK 2.93)
- **ACQUISITION OF**
 - majority of British Enertech Group
 - 50% of shares in Canadian CGC Group of Companies Inc.
 - 80% of shares in Italian element company HT S.p.A.
 - 65% of shares in Canadian ventilation company Tempeff North America Ltd.
 - 45% of shares in Italian ventilation company Rhoss S.p.A.
 - 60% of shares in US element company Gaumer Company Inc.
 - 60% of shares in US element company BriskHeat Corp. (January 2018)
- **THE BOARD OF DIRECTORS** proposes a dividend of SEK 1.05/share (SEK 0.88/share)

Year-end report • 2017



Yet another strong year — the 20 billion intermediate target feels very close

Like recent years, 2017 was also characterised by continued organic growth and a continued high rate of acquisition.

Entirely in line with our adopted strategies, we continued to invest heavily in sustainable product development and consistent marketing to set the stage for future organic growth. Parallel to this, we continued to improve both productivity and quality to permit long-term strong margins.

Group sales grew by 23.9% (15.9%) in 2017, including organic growth of 4.4% (3.3%). For the year as a whole, the currency effect was negligible.

Including all the acquired companies, Group sales calculated on a rolling 12-month basis are now just over SEK 19.5 billion. Our current intermediate target of achieving sales of SEK 20 billion by 2020 should therefore reasonably be achieved before then.

As soon as we have passed the SEK 20 billion target, the next interim target is SEK 40 billion. We launched this interim target when we published the annual report for 2016, and our ambition is to achieve it within four to seven years after we have passed 20 billion.

NIBE Climate Solutions' position as a comprehensive supplier of intelligent, sustainable climate control solutions for single-family homes remains strong and is estimated to have good growth potential. We are also focusing on becoming a leading comprehensive supplier of sustainable climate control solutions for commercial properties. As usual, our expansion in both market segments will be via both organic and acquired growth.

We are generally confident about the future development of our system solutions. During the year, we were able to note several good signs in terms of the transition to a more sustainable, fossil-free society in the slightly longer term.

The year also saw another four strategically important acquisitions. The partial acquisitions of the Canadian CGC Group of Companies Inc. and Tempeff North America Ltd, along with the US Climate Control Group (CCG), strengthen the business area's position in North America for intelligent sustainable turnkey solutions for climate control of commercial properties.

Correspondingly, the acquisition of 45% of the shares in the Italian ventilation and air conditioning company Rhoss S.p.A represents a further step in the same direction in Europe. The acquisition of Enertech Group is an important step towards further internationalisation of intelligent, sustainable climate control solutions primarily intended for single-family homes in Europe.

The business area's slightly weaker operating margin is due primarily to two circumstances: the two large most recently acquired companies have still not achieved the target operating margin and the discontinuation of subsidies for the installation

of heat pumps in single-family homes in the US has resulted in a considerable decline in sales in this market segment. Another factor is that we were not able to fully compensate for all material price increases during the year.

Efforts to improve the operating margin in the two companies mentioned is proceeding according to plan and is expected to be finished in 2018. Regarding the decline in heat pumps for single-family homes in the US, we estimate that it has now levelled off, and we will see some level of recovery in 2018.

A few days ago, we were happy to see that the US budget agreement of 9 February reintroduced the US Geo Tax Credits retroactively from 1 January 2017, effective through 2021. This is certainly a huge win for the industry, whose intensive and determined lobbying efforts convinced the politicians in Washington of the necessity of investing in renewable energy.

It is gratifying to see NIBE Element's persistently positive performance in terms of its volume and operating margin. Our comprehensive range of intelligent, sustainable, high-quality system solutions is a strong recipe for success.

The year also saw more strategically important acquisitions. With the acquisition of the Italian HT S.p.A., we are further consolidating our presence in the European industrial element sector. Just before year-end, we acquired the US Gaumer Company Inc., which reinforces our position on the North American market for process heating. The acquisition of BriskHeat Corporation, completed just after year-end 2017, gives the business area an entirely new product group in the form of cloth heating jackets, in which the company is a world leader.

To maintain our competitiveness and thus ensure a continued good operating margin for NIBE Element, all our manufacturing units are focusing intensively on rationalisation and automation.

NIBE Stoves continued to enjoy stable growth during the year. Operations were largely characterised by the fact that many new products under all brands were successfully launched, which further strengthened our market share.

In addition, the integration of Canadian Fireplace Products Inc. (FPI), acquired at the end of 2016, went according to plan, and the business area now has a better geographical balance than ever before in terms of sales.

As the market leader, we also have a responsibility to be at the cutting edge of future sustainable stove technologies. An example of this is that we are now investing heavily in finding solutions to reduce particle emissions from wood firing to a minimum. We are doing this despite the fact that we already comply with the stricter new rules that will be introduced in 2022.

The slight fall in the operating margin is primarily attributable to the exchange rate between EUR and GBP, which has been unfavourable for the business area, and to the fact that we have not been able to fully compensate for rises in material prices.

The level of investment in the Group's existing businesses in 2017 amounted to SEK 536 million (SEK 412 million), compared with a depreciation rate of SEK 640 million (SEK 542 million).

Operating profit improved by 18.4% compared with the previous year, while the operating margin fell slightly from 12.9% to 12.3%. For logical reasons, the improved operating profit is primarily a function of the acquired sales. The slightly lower operating margin is due primarily to the slightly lower operating margin of NIBE Climate Solutions, for reasons described earlier. Both operating profit and operating margin in the Group's other underlying operations are satisfactory.

Profit after net financial items improved by 16.7% compared with the previous year. However, the profit margin fell slightly from last year's 12.2% to 11.5%.

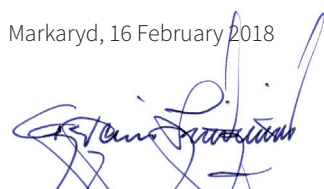
In terms of staff, we underwent a major change as of 1 January 2018 as our business area manager for NIBE Climate Solutions, Kjell Ekermo, decided to step down after nearly 20 years in this role and after having led the business area through an exceptional period of growth.

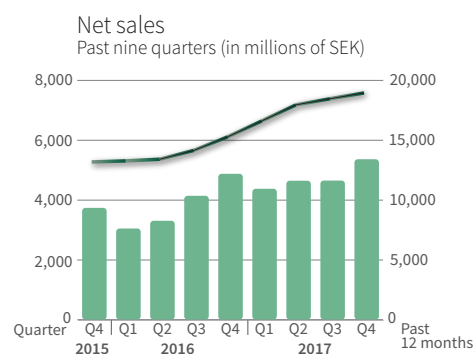
However, the process was very smooth as his successor, Klas Dahlberg, was recruited internally. Klas is 53, was born on the Kullahalvön peninsula and is an engineering graduate from Lund University's Faculty of Engineering. Klas came to NIBE in autumn 2016 and was responsible for the business area's international development. He had previously enjoyed a successful international career at Scania for 30 years, most recently as Senior Vice President in the Buses and Coaches business area.

Outlook for 2018

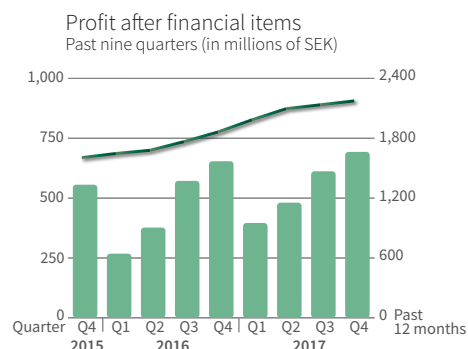
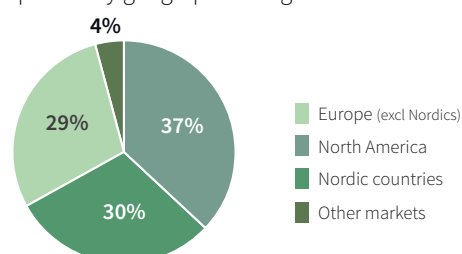
- Our corporate philosophy and our strong range of products, with their focus on sustainability and energy efficiency, are in tune with the times in which we are living.
- We are well prepared to be proactive on acquisitions.
- Our internal efforts to enhance efficiency, combined with our rigorous cost control measures, will guarantee persistently healthy margins.
- Our wide geographical distribution makes us a stable Group that is less sensitive to fluctuations in local demand.
- Despite all the uncertainties, we remain cautiously positive about the year as a whole.

Markaryd, 16 February 2018


Gerteric Lindquist
Managing Director and CEO



Group sales by geographical region



Calendar

16 February 2018

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

Presentation of the 2017 Year-end Report and opportunity to ask questions.

Registration on our website 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 65.

April 2018

2017 Annual Report

16 May 2018

Interim Report 1, Jan – March 2018

Annual General Meeting

2017 in brief

Sales

Group net sales totalled SEK 19,009 million (SEK 15,348 million). This corresponds to growth of 23.9%, of which 4.4% was organic. Acquired operations accounted for SEK 2,989 million of the total SEK 3,661 million increase in sales.

Earnings

Profit for the year after net financial items was SEK 2,182 million. This equates to a 16.6% increase in earnings compared with 2016. In 2016, profit after net financial items amounted to SEK 1,871 million. Profit for the year was charged with acquisition expenses of SEK 34 million (SEK 60 million). The tax expense for the year was SEK 479 million (SEK 495 million), which gives an effective tax rate of 22.0% (26.5%). The reduction is primarily due to a new tax reform in the US from December 2017 that reduced consolidated tax expense by SEK 57 million in the fourth quarter. Return on equity was 13.7% (14.9%).

Acquisitions

The acquisition of the majority of British Enertech Group was approved by the Swedish Competition Authority in January. Operations, which are primarily based in Sweden under the CTC trademark, generate annual sales of just over SEK 800 million with an operating margin of 4.8% and were consolidated into NIBE Climate Solutions as of March 2017.

In February, 50% of the shares in the Canadian heat pump company CGC Group of Companies Inc. was acquired with an agreement to acquire the remaining 50% of shares by 2022. The company has around 80 employees, annual sales of approximately SEK 120 million and an operating margin of 19%. Operations have been consolidated under the NIBE Climate Solutions business area as of February 2017.

In early May, 80% of the shares in Italian element company HT S.p.A. was acquired, with an agreement to acquire the remaining 20% of shares in 2020. The business, which has around 330 employees, has production facilities in Italy and Romania and annual sales of some SEK 220 million, with an operating margin of roughly 14%. The products are chiefly aimed at the industrial and indoor comfort sector. Operations were consolidated into the NIBE Element business area as of May 2017. The acquisition value is still provisional.

In early June, 65% of the shares in the Canadian ventilation company Tempeff North America Ltd. was acquired, with an agreement to acquire the remaining 35% of shares by 2021. The business has about 50 employees, annual sales of approximately SEK 70 million and an operating margin exceeding 10%. It was consolidated into the NIBE Climate Solutions business area as of June 2017. The acquisition value is still provisional.

At the end of November, an agreement was made to acquire 45% of shares in the Italian ventilation and air conditioning company Rhoss S.p.A., one of Italy's leading manufacturers for commercial applications, with annual sales of approximately SEK 670 million and just over 300 employees. The acquisition was completed in January 2018 but will not be consolidated in 2018. NIBE also has an option to acquire the remaining 55% of the shares.

In December, an agreement was made to acquire 60% of shares in the US element company Gaumer Company Inc., one of North America's leading manufacturers of electric heating solutions in power generation and the oil, gas and petrochemical industries. The share acquisition was completed in January 2018 and means that the company, which has annual sales of approximately SEK 200 million, will be consolidated into the NIBE Element business area as of January 2018. NIBE also has an agreement to acquire the remaining 40% of shares at a later

NIBE Group		2017	2016	2015	2014	2013
Key ratios						
Net sales	SEK m	19,009	15,348	13,243	11,033	9,834
Growth	%	23.9	15.9	20.0	12.2	7.0
of which acquired	%	19.5	12.6	9.5	5.7	9.3
Operating profit	SEK m	2,344	1,980	1,700	1,385	1,179
Operating margin	%	12.3	12.9	12.8	12.6	12.0
Profit after net financial items	SEK m	2,182	1,871	1,614	1,292	1,117
Profit margin	%	11.5	12.2	12.2	11.7	11.4
Equity ratio	%	45.8	46.6	39.9	36.2	43.0
Return on equity	%	13.7	14.9	18.0	16.6	16.7

stage.

Significant events after the end of the financial year

In January 2018, NIBE acquired 60% of shares in the US element company BriskHeat Corporation, which also operates in Vietnam, China, Taiwan and the Netherlands. With 650 employees and annual sales of around SEK 320 million, BriskHeat is the world leader in cloth heating jackets. The company will be consolidated into the NIBE Element business area as of January 2018. NIBE also has an agreement to acquire the remaining 40% of shares at a later stage.

Investments

During the year, the Group made investments totalling SEK 2,026 million (SEK 5,156 million). A total of SEK 1,490 million (SEK 4,744 million) of the investments relates to acquisitions of operations. The remaining SEK 536 million (SEK 412 million) is mainly investments in machinery and equipment in existing operations. The investment amount relating 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 2,307 million (SEK 2,045 million). Cash flow after changes in working capital amounted to SEK 2,123 million (SEK 1,771 million).

Interest-bearing liabilities at year-end amounted to SEK 8,976 million compared with SEK 8,536 million at the start of the year. Since one of the Group's credit agreements expires in the first half of 2018, the liabilities covered by this agreement were recognised as current interest-bearing liabilities in the consolidated balance sheet. At the end of the period, the Group had cash and cash equivalents of SEK 3,803 million as against SEK 2,926 million at the start of the year. The increase is partly attributable to loans raised in December for acquisitions in early 2018. The equity ratio at year-end was 45.8%, compared with 46.6% at the start of the year.

Parent

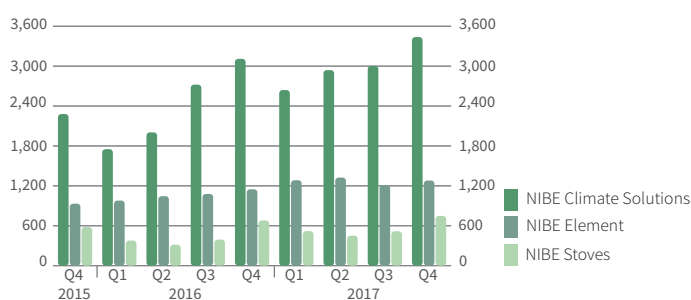
Parent activities comprise Group executive management functions, certain shared Group functions and the financing of corporate acquisitions. Sales for the year totalled SEK 9 million (SEK 7 million) and profit after financial items was SEK 303 million (SEK 474 million).

Business area trends

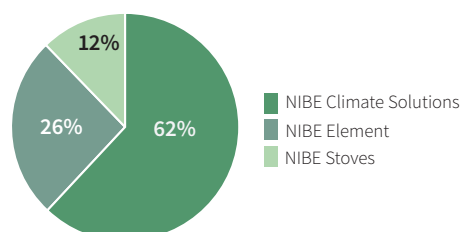
Quarterly data

Consolidated income statements (SEK m)	2017				2016				2015
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q4
Net sales	4,370	4,639	4,644	5,356	3,042	3,301	4,135	4,870	3,732
Operating expenses	- 3,944	- 4,110	- 3,981	- 4,630	- 2,744	- 2,896	- 3,525	- 4,203	- 3,165
Operating profit	426	529	663	726	298	405	610	667	567
Net financial items	- 30	- 48	- 51	- 33	- 30	- 28	- 38	- 13	- 11
Profit after net financial items	396	481	612	693	268	377	572	654	556
Tax	- 103	- 123	- 130	- 123	- 67	- 98	- 154	- 176	- 132
Net profit	293	358	482	570	201	279	418	478	424
Net sales, business areas									
NIBE Climate Solutions	2,640	2,940	3,003	3,437	1,752	2,004	2,722	3,110	2,280
NIBE Element	1,285	1,325	1,212	1,280	979	1,045	1,079	1,149	932
NIBE Stoves	520	451	517	748	378	316	392	680	581
Elimination of Group transactions	- 75	- 77	- 88	- 109	- 67	- 64	- 58	- 69	- 61
Group total	4,370	4,639	4,644	5,356	3,042	3,301	4,135	4,870	3,732
Operating profit, business areas									
NIBE Climate Solutions	256	356	460	523	180	307	443	466	386
NIBE Element	142	158	149	114	101	124	139	109	79
NIBE Stoves	45	31	69	130	33	17	52	121	117
Elimination of Group transactions	- 17	- 16	- 15	- 41	- 16	- 43	- 24	- 29	- 15
Group total	426	529	663	726	298	405	610	667	567

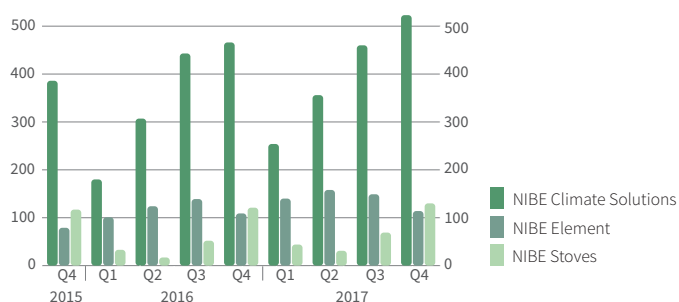
Sales per business area, last nine quarters (SEK million)



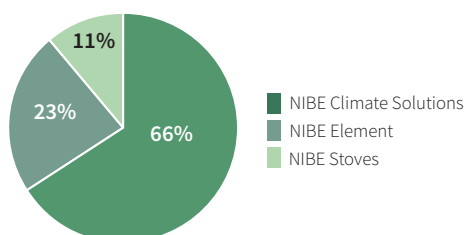
Each business area's share of total sales (Q1-Q4 2017)



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



Each business area's share of total profit (Q1-Q4 2017)



NIBE Climate Solutions business area

Sales and profit

Sales amounted to SEK 12,020 million, compared with SEK 9,588 million for 2016. Of the increase in sales of SEK 2,432 million, acquired sales accounted for SEK 2,101 million, which means that organic growth was 3.5%.

Operating profit for the year totalled SEK 1,595 million, compared with SEK 1,396 million the previous year. This equates to an operating margin of 13.3% compared with 14.6% for the previous year.

The year in brief

In 2017, we further strengthened our international position as the market leader for environmentally sustainable, intelligent, energy-efficient solutions for indoor climate comfort. By having taken a clear initiative on climate issues and arguing for our sustainable indoor comfort solutions in all types of property, we have been able to achieve our business objectives. At the same time, we have helped accelerate the conversion of old technology to new product solutions for indoor climate comfort using renewable energy.

We have reinforced our market position in North America through new strategic acquisitions that expand our operations in terms of both market presence and product offerings. We have also worked to methodically integrate and improve profitability in the acquisitions that were completed in 2016 so that they are on a par with the rest of the business area and thus help achieve our targets.

At the start of the year, NIBE acquired the Canadian heat pump company CGC Group of Companies Inc., which primarily caters for the market for commercial properties with well-known brands such as Bulldog Heat Pump. With the US market leader in heat pumps for commercial properties, Climate Master in the Climate Control Group, which was acquired in 2016, we have created a product offering for large commercial property projects throughout North America.

Just before the end of the first half of the year, NIBE acquired the Canadian Tempeff North America Ltd., which is a leading manufacturer of ventilation products with a high degree of energy recovery that are made for commercial, institutional and industrial applications, especially in cold climates. The acquisition is entirely in line with our strategy to expand our range of climate control products for large properties, and together with our US ventilation company Climate Craft in the Climate Control Group, gives us opportunities for continued expansion on the North American market.

During the last quarter of the year, NIBE acquired 45% of shares in the Italian ventilation and air conditioning company Rhoss S.p.A., with an option to also acquire the remaining 55% of shares. The acquisition means that we are also expanding our range of climate control products for large properties in Europe, and are thus increasing our presence in this strategically important segment.

An increase in housing construction in Europe, combined with a growing interest among political decision-makers in several countries in addressing global environmental and climate challenges, has contributed to considerable market expansion. For example, the governments in the United Kingdom, the Netherlands

and Norway have, in different ways, made clear their ambitions to phase out the use of heating products that use the fossil energy sources oil and gas in the long term. Norway has come the furthest, with a total ban on oil-fired boilers from 2020. The ban already applies to new construction. Similar decisions in the United Kingdom and the Netherlands will gradually mean demand for alternatives to gas-fired boilers, which currently dominate the European heating market for single-family houses. NIBE Climate Solutions has increased its participation in the debate by continuously informing decision-making politicians in the EU and North America about heat pump technology, which is relatively unknown to many of them, and its efficient extraction of stored renewable solar energy.

We have further strengthened our market position on the growing European heat pump market, which has contributed to our good organic growth in the region. The Netherlands and Germany are the countries with the highest growth, but Switzerland and Austria have also performed well. All the Nordic markets have also continued to grow, which benefits us as the market leader in each country. The countries in Eastern Europe have also enjoyed positive growth, resulting in relatively good expansion for our units. In addition to increased demand, systematic and successful marketing has resulted in increased market share.

The good volume growth in Europe has necessitated a major expansion of production capacity, primarily at NIBE in Markaryd, where additional staff have been combined with shift work and weekend work. This has worked well, but at the same time there were delays in delivery in the autumn, primarily due to a shortage of components. Thanks to the flexibility of being able to increase production volumes and close collaboration between the marketing departments and production, we still achieved our highest ever sales figures on most markets.

The decision in the US to end the state subsidy for installation of geothermal heat pumps in single-family houses from 2017 resulted in an anticipated decline in the heat pump market for single-family houses. Low prices for domestically produced natural gas also enhanced the market downturn. The organisation and overheads have been adjusted in operations that were negatively affected by the end of the state subsidy. In parallel, a number of marketing activities have been implemented to alleviate the effect of the end of subsidies and boost demand. With our experience from the European market, we have also participated actively in influencing the North American market to convert from fossil fuels to renewable alternatives for indoor climate comfort in homes and other properties. This also influenced a decision that was recently made in the US to reintroduce the US Geo Tax Credits. Market growth for the commercial property market has been more stable, contributing to positive growth in our sales to large commercial property projects.

With our ambition to lead the way in terms of product development, we are constantly investing in our ability to introduce new high-performance products in all application areas. The rate of product launches remained high in all our markets in 2017. In addition to heat pumps, new products were introduced in areas such as ventilation, cooling and water heating. The launch of the new NIBE F2120 outdoor air heat pump in 2016 produced excellent results in 2017. The product has been a commercial success

and helped us increase our market share in the important air/water heat pumps segment.

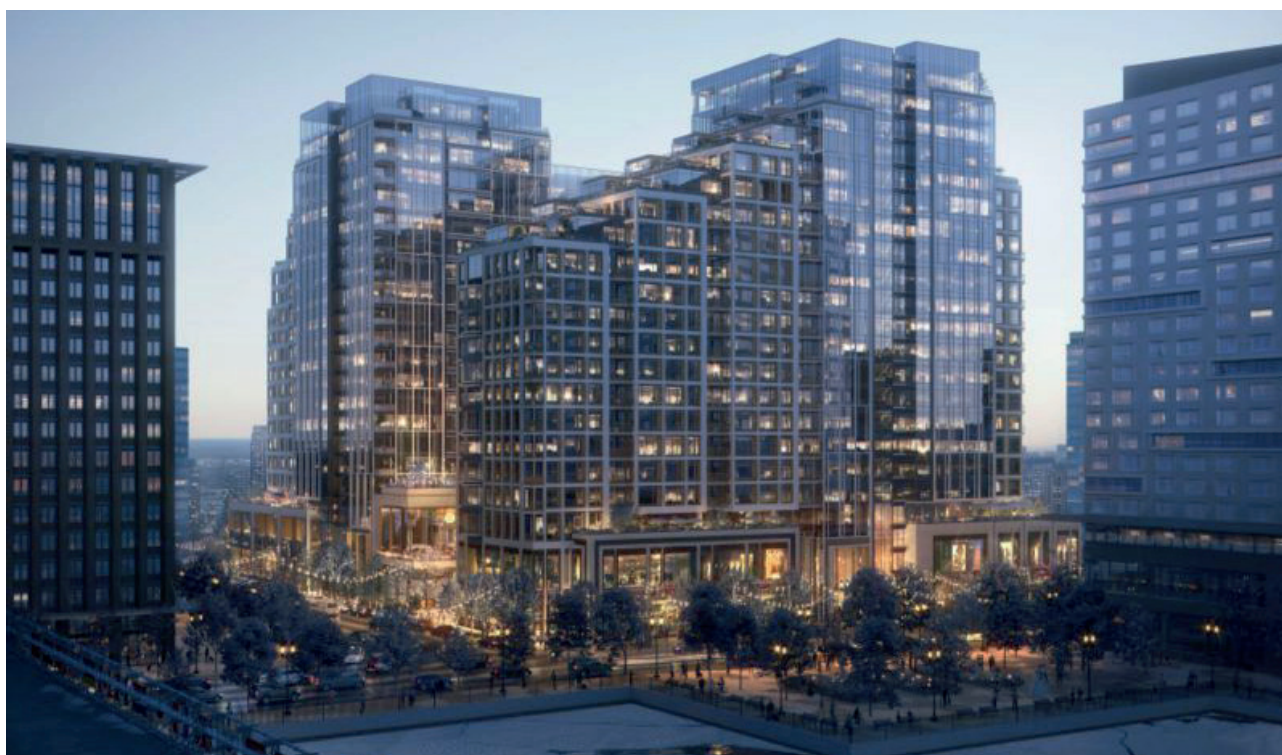
Demand for traditional water heaters remained stable in both the Nordics and the rest of Europe. Under the Ecodesign Directive, these products are subject to stricter requirements for better insulation and control. We are already compliant thanks to our focus on product development. Water heaters that provide for an entire household's hot-water needs must also be supplied with a heat-pump module to meet the standard requirements.

As far as district-heating products are concerned, demand from the Nordic and other European markets has remained relatively stable, while sales of pellet-fired products and conventional domestic boilers have continued to be sluggish.

Increased costs of materials, acquisitions of several companies with lower profitability than the previously existing operations and slower market growth for heat pumps for single-family houses in the US have contributed to a slightly lower operating margin. The price increases introduced have gradually compensated for the increases in material costs, and efforts to improve the operating margin in the acquired units is going according to plan, but is only expected to take full effect in 2018. However, with continuous cost efficiency enhancements in both production and the rest of operations, we have been able to maintain our underlying good operating margin.

NIBE Climate Solutions

Key ratios		2017	2016	2015	2014	2013
Net sales	SEK m	12,020	9,588	8,031	6,507	5,740
Growth	%	25.4	19.4	23.4	13.4	-2.7
of which acquired	%	21.9	14.6	13.9	8.2	0.7
Operating profit	SEK m	1,595	1,396	1,209	984	844
Operating margin	%	13.3	14.6	15.1	15.1	14.7
Assets	SEK m	18,707	18,103	13,107	12,512	8,099
Liabilities	SEK m	2,603	2,357	1,468	1,361	1,068
Investments in non-current assets	SEK m	322	239	232	208	186
Depreciation/amortisation	SEK m	425	362	311	249	240



CGC Group of Companies will supply over 1,400 of their unique Bulldog heat pumps to the prestigious Echelon Seaport project in Boston, USA. Commercial properties represent a very interesting market for our heat pumps in North America.

NIBE Element business area

Sales and profit

Sales amounted to SEK 5,102 million, compared with SEK 4,252 million for 2016. Of the increase in sales of SEK 850 million, acquired sales accounted for SEK 447 million, which means that organic growth was 9.5%. Sales have been positively affected by a few major project orders.

Operating profit for the year totalled SEK 563 million, compared with SEK 473 million the previous year. This equates to an operating margin of 11.0% compared with 11.1% for the previous year.

The year in brief

In 2017, we continued to achieve our business objective of becoming a global supplier of components and solutions for intelligent heating and control via both acquisitions and organic growth. By means of structural measures and consistent work to systematically improve productivity, we have created competitive units in their respective market segments. This has resulted in our achieving our long-term target of an operating margin of at least 10% in 2017 as well.

To create the conditions for further organic growth and synergies between the companies in the business area, general initiatives have been implemented to create shared digital platforms for both technical exchanges between companies and shared international marketing. This provides our subsidiaries with further opportunities to increase their sales of specialist products.

The acquisitions made in recent years have grown according to plan and, to build a foundation for continued profitable international growth, several additional acquisitions were made in 2017. In the spring, NIBE acquired one of the leading companies for industrial elements in Italy, HT S.p.A, which has production in both Italy and Romania and gives us access to another country for low cost production in Europe. We have also reinforced our market-leading position in Europe in heating and control of railway points with the acquisition of Heatpoint, the market leader in the Netherlands in this segment.

We consider it valuable to spread our production capacity across several countries in Asia as well, from both a cost perspective and a risk perspective. After the summer, we therefore acquired the element manufacturer Grand Heater in Thailand, whose customers include several global companies in HVAC and home appliances.

In our efforts to be one of the market leaders on the industrial market in North America, we acquired Gaumer just before year-end 2017 and BriskHeat just after the year-end, both in the US. Gaumer's operations focus on process heating for the energy sector and the petrochemicals industry. BriskHeat is the world

NIBE Element

Key ratios		2017	2016	2015	2014	2013
Net sales	SEK m	5,102	4,252	3,758	3,193	2,822
Growth	%	20.0	13.1	17.7	13.2	20.8
of which acquired	%	10.5	9.9	4.4	2.0	18.2
Operating profit	SEK m	563	473	342	280	217
Operating margin	%	11.0	11.1	9.1	8.8	7.7
Assets	SEK m	5,916	4,294	3,360	3,122	2,758
Liabilities	SEK m	943	828	738	632	548
Investments in non-current assets	SEK m	164	125	118	87	83
Depreciation/amortisation	SEK m	139	122	114	98	92

leader in its segment in the manufacture of cloth heating jackets, primarily for the semiconductor industry but also for laboratories and research equipment. BriskHeat has production in both the US and Vietnam.

In order to stably maintain our target operating margin of 10%, we have continued to transform our units' focus and activities, while implementing production engineering action plans that gradually strengthen the competitiveness of the units. In parallel, we have also invested in automation and robotisation in both high-cost and low-cost units to counteract increased staff costs and staff shortages.

To meet increased demand in the foil element product area, our base production plant in Kolbäck, Sweden is being extended. At the same time, a new production unit is being established in Vietnam to guarantee capacity and a competitive cost level in this product segment.

Overall, the international element market enjoyed positive growth during the year, with some variation between market segments. The white goods industry and commercial products grew slightly during the year. With efficient volume production located in a number of countries with competitive pay levels, we have had a good opportunity to meet global white goods companies' demand for high-quality products at competitive prices.

Market segments linked to saving energy and sustainable development continued to perform well during the year. We also contributed innovative new products in the area that produced good growth. The automotive industry is also developing fast in the direction of increased sustainability and environmentally sound products, with a growing trend towards electrification of both cars and commercial vehicles, offering new applications for our technologies and products.

Market growth in rail-based transport has remained good in both infrastructure and vehicles and we have successfully established ourselves as a global supplier in these interesting market segments.

Our focus on increasing our added value by supplying products with intelligent control developed well over the year, above all for inverter controls for the HVAC* industry.

Raw material prices and exchange rates have remained volatile, which is having a considerable effect on competitiveness. Significant price rises for certain raw materials and input goods have necessitated gradual price adjustments in a number of market and product segments.

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

By means of acquisition, we have established ourselves as the world-leading supplier of cloth heating jackets that are used in a number of high-tech applications.



NIBE Stoves business area

Sales and profit

Sales amounted to SEK 2,236 million, compared with SEK 1,766 million for 2016. Of the increase in sales of SEK 470 million, acquired sales accounted for SEK 441 million, which means that organic growth was 1.6%.

Operating profit for the year totalled SEK 275 million, compared with SEK 223 million the previous year. This equates to an operating margin of 12.3% compared with 12.7% for the previous year.

The year in brief

2017 was characterised by the launches of many new products under all brands in all our markets in Europe. We also took another strategic step in our international expansion with the Canadian company Fireplace Products International (FPI), which has given us a stable market platform in North America.

In the highly fragmented stove industry in Europe, it is important that we continuously launch different types of products under our various brands with the objective of further strengthening our market position. Starting in the first quarter, we implemented strong launches of all our new products, both by participation in international fairs and with a number of events for retailers on each market. Through our consistent marketing and investments in product development, we have been able to increase our market share on most markets.

The acquisition of FPI, which was completed at the end of 2016, has given us another strong platform on which to develop the business area in both North America and Australia, while decreasing our dependence on the European stove market. FPI developed well during the year and is one of the leading companies in North America, with a complete range of products for gas, wood and pellets. Sales are via a well-developed network of retailers in the US and Canada, and via its own sales company in Australia, where we also see good growth potential.

In addition to the production of new stove models based on existing technology, we have continuously invested significant resources in the development of combustion technology to meet the demands of the consumers of the future. Our products already meet the future Ecodesign requirements, which will be introduced in 2022, but our ambition is to make our products even better in terms of emissions of particles from wood firing. We have therefore intensified our work to find solutions to eventually produce a commercially viable product with minimum particle emissions.

Demand for stove products has fallen slightly overall in Europe, but with differences in trends for different product types. While demand for wood-fired products has generally fallen on most markets, products for gas and pellets have continued to see increased demand, particularly on the markets on which they traditionally have a large share.

In Sweden, demand for stove products fell slightly despite increased construction and a generally good economic climate. An investment in your own fireplace at home is still a high priority but such an investment also competes with other rarely bought items and experiences. The growth in demand for stove products in Norway remained stable during the past year, while the market in Denmark fell substantially after the removal of subsidies to stimulate the replacement of older products. All in all, we still have a very strong market position in Scandinavia.

Demand for stove products in Germany fell for the fourth year in a row and is at a historical low. The decrease has primarily

NIBE Stoves

Key ratios		2017	2016	2015	2014	2013
Net sales	SEK m	2,236	1,766	1,652	1,483	1,395
Growth	%	26.6	6.9	11.4	6.3	31.1
of which acquired	%	25.0	7.3	0.0	2.9	36.9
Operating profit	SEK m	275	223	206	180	152
Operating margin	%	12.3	12.7	12.5	12.1	10.9
Assets	SEK m	2,958	3,274	1,814	1,768	1,592
Liabilities	SEK m	364	387	265	249	206
Investments in non-current assets	SEK m	48	42	34	18	27
Depreciation/amortisation	SEK m	77	59	56	55	53

been in the DIY* sector, while our main distribution channel, the traditional specialist trade, remained stable with some growth, which was in our favour. The trend in France reversed after several years of reduced demand, and several product segments saw growth, above all for pellet-fired products.

Demand for gas-fired products continued to grow in the United Kingdom, while wood-fired products fell slightly. This is mainly due to the current low price of gas and also the user-friendliness of a gas-fired product. Stovax, which has a complete range of gas-fired products under the brand Gazco and a strong position on the market, has dealt with the changed market situation well.

In North America, a generally healthy economic climate and the relatively cold winter last year contributed to increased demand for stove products, particularly for gas-fired products.

During the year, we were affected by significantly increased material prices in a number of areas. We were able to compensate for this by gradually raising our prices, which led to some negative effects on the operating margin for the year.



Contura 600 was introduced back in 2001 and quickly became a trendsetter in the industry with its simple Scandinavian design. During the year, the model series was upgraded with new technical solutions such as cool handles and a patented ignition function.

* DIY sector = Do It Yourself sector

Income statement summaries

(SEK m)	Group				Parent	
	Q4 2017	Q4 2016	2017	2016	2017	2016
Net sales	5,356	4,870	19,009	15,348	9	7
Cost of goods sold	- 3,479	- 3,071	- 12,446	- 9,817	0	0
Gross profit	1,877	1,799	6,563	5,531	9	7
Selling expenses	- 852	- 851	- 3,140	- 2,664	0	0
Administrative expenses	- 345	- 342	- 1,240	- 1,042	- 54	- 64
Other operating revenue	46	61	161	155	0	0
Operating profit	726	667	2,344	1,980	- 45	- 57
Net financial items	- 33	- 13	- 162	- 109	348	531
Profit after net financial items	693	654	2,182	1,871	303	474
Appropriations	0	0	0	0	90	772
Tax	- 123	- 176	- 479	- 495	0	- 144
Net profit	570	478	1,703	1,376	393	1,102
Net profit attributable to Parent shareholders	570	478	1,703	1,376	393	1,102
Includes depreciation according to plan as follows	145	156	640	542	0	0
Net profit per share before and after dilution in SEK	1.13	0.97	3.38	2.93		

Statement of comprehensive income

Net profit	570	478	1,703	1,376	393	1,102
Other comprehensive income						
Items that will not be reclassified to profit or loss						
Actuarial gains and losses in retirement benefit plans	41	39	41	- 30	0	0
Tax	- 9	- 9	- 9	6	0	0
	32	30	32	- 24	0	0
Items that may be reclassified to profit or loss						
Cash flow hedges	- 9	4	3	19	0	9
Hedge of net investment	- 17	- 21	59	- 89	0	0
Exchange differences	306	275	- 742	839	0	0
Tax	- 8	- 71	67	- 59	0	- 1
	272	187	- 613	710	0	8
Total other comprehensive income	304	217	- 581	686	0	8
Total comprehensive income	874	695	1,122	2,062	393	1,110
Comprehensive income attributable to Parent shareholders	874	695	1,122	2,062	393	1,110

Balance sheet summaries

(SEK m)	Group		Parent	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Intangible assets	14,744	14,716	0	0
Property, plant and equipment	3,043	2,820	0	0
Financial assets	331	389	12,781	11,772
Total fixed assets	18,118	17,925	12,781	11,772
Inventories	3,247	2,799	0	0
Current receivables	3,203	2,798	323	620
Investments in securities, etc.	90	160	0	0
Cash and bank balances	3,332	2,342	0	0
Total current assets	9,872	8,099	323	620
Total assets	27,990	26,024	13,104	12,392
Equity	12,807	12,129	7,652	7,703
Untaxed reserves	0	0	0	1
Non-current liabilities and provisions, non-interest-bearing	2,859	2,763	219	255
Non-current liabilities and provisions, interest-bearing	6,960	5,858	5,016	4,254
Current liabilities and provisions, non-interest-bearing	3,348	2,596	217	179
Current liabilities and provisions, interest-bearing	2,016	2,678	0	0
Total equity and liabilities	27,990	26,024	13,104	12,392

Financial instruments recognised at fair value

(SEK m)	31 Dec 2017	31 Dec 2016
Current receivables		
Currency futures	0	3
Commodity futures	6	2
Total	6	5
Financial assets		
Interest rate derivatives	18	22
Current liabilities and provisions, non-interest-bearing		
Currency futures	5	6
Commodity futures	0	0
Total	5	6

No instruments have been offset in the statement of financial position, so all instruments are recognised at their gross value. For a detailed account of the measurement process, see Note 2 in the Annual Report for 2016. 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 2016.

Statement of cash flow – summaries

(SEK m)	2017	2016
Cash flow from operating activities	2,307	2,045
Change in working capital	– 184	– 274
Investing activities	– 1,358	– 4,769
Financing activities	259	3,629
Exchange difference in cash and cash equivalents	– 104	76
Change in cash and cash equivalents	920	707

Change in equity – summaries

(SEK m)	2017	2016
Equity brought forward	12,129	7,428
New share issue	0	3,024
Transaction cost of new issue	0	– 16
Shareholders' dividend	– 444	– 369
Comprehensive income for the period	1,122	2,062
Equity carried forward	12,807	12,129

Key ratios

		2017	2016	2015	2014	2013
Growth	%	23.9	15.9	20.0	12.2	7.0
Operating margin	%	12.3	12.9	12.8	12.6	12.0
Profit margin	%	11.5	12.2	12.2	11.7	11.4
Investments in non-current assets	SEK m	2,026	5,156	531	3,098	912
Cash and equivalents	SEK m	3,803	2,926	2,195	2,735	2,372
Working capital, incl. cash and bank balances as share of net sales	SEK m	6,523	5,503	3,522	4,084	3,236
	%	34.3	35.9	26.6	37.0	32.9
Working capital, excl. cash and bank balances as share of net sales	SEK m	3,101	3,001	1,727	2,103	1,645
	%	16.3	19.6	13.0	19.1	16.7
Interest-bearing liabilities/Equity	%	70.1	70.4	98.0	119.7	82.3
Equity ratio	%	45.8	46.6	39.9	36.2	43.0
Return on capital employed	%	11.5	11.8	12.1	12.1	12.4
Return on equity	%	13.7	14.9	18.0	16.6	16.7
Net debt/EBITDA	times	1.9	2.4	2.5	3.3	1.9
Interest coverage ratio	times	9.6	9.6	12.3	7.6	12.4

Data per share

		2017	2016	2015	2014	2013
Net profit per share (total 504,016,622 shares)	SEK	3.38	2.93	2.67	2.12	1.86
Equity per share	SEK	25.41	24.06	16.06	14.19	12.06
Closing day share price	SEK	78.60	71.80	67.83	47.90	34.57

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 in 2016 with a discount for shareholders, both the historical key ratios and price per share were also reduced by approximately 4.8%.

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 non-current assets

(SEK m)	2017	2016
Acquisition of non-current assets	2,058	5,185
Disposal of non-current assets	- 32	- 29
Net investments in non-current assets	2,026	5,156

Working capital, including cash and bank balances

(SEK m)	2017	2016
Total current assets	9,872	8,099
Current liabilities and provisions, non-interest-bearing	- 3,348	- 2,596
Working capital, including cash and bank balances	6,524	5,503
Net sales in the past 12 months	19,009	15,348
Working capital, including cash and bank balances, in relation to net sales, %	34.3	35.9

Return on capital employed

(SEK m)	2017	2016
Profit after net financial items in the past 12 months	2,182	1,871
Financial expenses in the past 12 months	255	216
Profit before financial expenses	2,437	2,087
Capital employed at start of period	20,665	14,710
Capital employed at end of period	21,783	20,665
Average capital employed	21,224	17,687
Return on capital employed, %	11.5	11.8

Net debt/EBITDA

(SEK m)	2017	2016
Non-current liabilities and provisions, interest-bearing	6,960	5,858
Current liabilities and provisions, interest-bearing	2,016	2,678
Cash and bank balances	- 3,332	- 2,342
Investments in securities, etc.	- 90	- 160
Net debt	5,554	6,034
Operating profit in the past 12 months	2,344	1,980
Depreciation/amortisation and impairment, past 12 months	640	542
EBITDA	2,984	2,522
Net debt/EBITDA, times	1.9	2.4

Cash and equivalents

(SEK m)	2017	2016
Cash and bank balances	3,332	2,342
Investments in securities, etc.	90	160
Unutilised overdraft facilities	381	424
Cash and equivalents	3,803	2,926

Working capital, excluding cash and bank balances

(SEK m)	2017	2016
Inventories	3,247	2,799
Current receivables	3,203	2,798
Current liabilities and provisions, non-interest-bearing	- 3,348	- 2,596
Working capital, excluding cash and bank balances	3,102	3,001
Net sales past 12 months	19,009	15,348
Working capital, excluding cash and bank balances, in relation to net sales, %	16.3	19.6

Return on equity

(SEK m)	2017	2016
Profit after net financial items past 12 months	2,182	1,871
Standard rate tax, %	22.0	22.0
Profit after net financial items, after tax	1,702	1,459
Equity at start of period	12,129	7,428
Equity at end of period	12,807	12,129
Average equity	12,468	9,779
Return on equity, %	13.7	14.9

Interest coverage ratio

(SEK m)	2017	2016
Profit after net financial items	2,182	1,871
Financial expenses	255	216
Interest coverage ratio, times	9.6	9.6

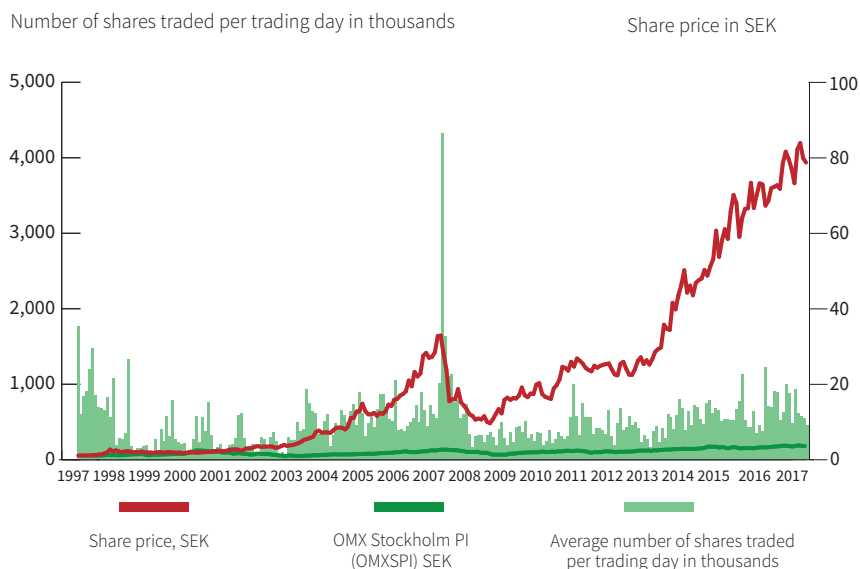
NIBE shares

NIBE's class B shares are listed on the NASDAQ Nordic Large Cap list in Stockholm, with a secondary listing on the SIX Swiss Exchange in Zurich. The NIBE share's closing price at 31 December 2017 was SEK 78.60.

In 2017, NIBE's share price rose by 9.5%, from SEK 71.80 to SEK 78.60. During the same period, the OMX Stockholm PI (OMXSPI) increased by 6.4%.

This means that, at the end of 2017, the market capitalisation of NIBE, based on the latest price paid, amounted to SEK 39,616 million.

In 2017, a total of 177,071,000 NIBE shares were traded, which corresponds to a share turnover of 35.1% over the year. All figures were recalculated following the 4:1 splits implemented in 2003, 2006 and May 2016, and the dilution effect of the preferential rights issue in October 2016.



Accounting policies

NIBE Industrier's consolidated accounts are drawn up in accordance with International Financial Reporting Standards (IFRS). NIBE Industrier's year-end report for 2017 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 72-75 of the company's Annual Report for 2016. 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).

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 73 of the company's Annual Report for 2016.

New IFRS and interpretations that have not yet been applied

IFRS 15 Revenue from Contracts with Customers takes effect on 1 January 2018. According to our analysis, this standard will not have any significant effect on the consolidated reports.


IFRS 9 – Financial Instruments enters into force on 1 January 2018. The new standard contains, above all, new rules for classifying financial assets. The standard also entails new requirements for the measurement of financial assets. The new measurement requirements have had no impact on this report and are not expected to have any significant impact on future reports.

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 2016.

This year-end 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 make up the Group.

Markaryd, 16 February 2018



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

The information in this report has not been subjected to scrutiny by the company's auditors.

For other information on definitions, please refer to the company's Annual Report for 2016.



NIBE – a global group with operations and sales on five continents

NIBE is a global group with solutions for indoor climate and comfort as well as components and solutions for measurement, control and electrical heating that help make the world more sustainable. NIBE has more than 60 years of experience in manufacturing products for both household and commercial use. From its beginnings in the Småland city of Markaryd, NIBE has grown and now has operations and sales on five continents.

NIBE has developed a culture of entrepreneurship and a passion for running businesses. Investments in sustainable product development and acquisitions have helped the NIBE Group expand significantly, resulting in sales of over SEK 19 billion in 2017. Operations are conducted in three business areas: NIBE Climate Solutions, NIBE Element and NIBE Stoves – with more than 15,000 employees in Europe, North America, Asia and Australia.

NIBE has been listed under the name NIBE Industrier on Nasdaq Stockholm, Large Cap list, since 1997, with a secondary listing on the SIX Swiss Exchange since 2011.

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 year-end report. This information was made available to the media for publication at 08:00 (C.E.T.) on 16 February 2018.

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

NIBE

NIBE Industrier AB (publ)
Box 14, SE-285 21 Markaryd, Sweden Tel +46 433 - 27 30 00
www.nibe.com · Corporate ID number: 55 63 74 - 8309