



– world-class solutions in sustainable energy



- **SALES** totalled SEK 16,018 million (SEK 13,653 million)
- **PROFIT AFTER NET FINANCIAL ITEMS** amounted to SEK 1,790 million (SEK 1,489 million)
- **PROFIT AFTER TAX** was SEK 1,383 million (SEK 1,133 million)
- **EARNINGS** per share before and after dilution, based on average number of shares outstanding during the period, were SEK 2.74 (SEK 2.25)
- **ACQUISITION OF**
  - 60% of shares in US element company BriskHeat Corp.
  - Alfa Laval's business for district heating/cooling systems (Cetetherm)
  - 51% of shares in British stove company CK Fires Ltd.
  - 51% of shares in Turkish element company EMIN Group
  - Remaining 55% of shares in Italian ventilation company Rhoss S.p.A. (October)

Interim Report 3 · 2018

# Good performance continues

The Group's growth in sales during the first nine months of the year was 17.3%, of which 10.9% was organic. Compared with the same period last year, the impact of Swedish currency in the first six months was negligible, while it had a greater impact in the last three months of the period.

We continue to enjoy relatively good general demand in Europe, North America and Asia. However, there is more obvious international uncertainty against the background of both political tension and downright trade barriers. Nevertheless, low interest rates remain a factor that is decisive to the relatively good economic situation. Another increasingly manifest positive factor is the transition of our society to a more sustainable outlook, creating entirely new markets on which we are well positioned.

The integration of acquired companies is proceeding according to plan, as are ongoing efforts to improve productivity, quality and our sustainability ethos. Combined with our strict performance requirements, this creates a good basis for product development and marketing.

The NIBE Climate Solutions business area is working purposefully and successfully to strengthen its position as a leading comprehensive provider of intelligent, sustainable climate control solutions designed for single-family homes. Intensive, targeted work is also in progress to establish the business area in a similar position on the commercial property market.

It is also gratifying to see the clear improvement in the operating margin. This is mainly due to organic growth, successful integration work and improved market conditions for heat pumps in both the US and several European countries. However, some work remains to be done on prices to achieve full compensation for the sharp increases in materials prices.

The NIBE Element business area successfully continues to offer the market a comprehensive range of intelligent system solutions with a sustainability profile. This approach is based on both local presence in many countries and coordination of the units' respective strengths in systems solutions.

Wide geographical distribution also offers good opportunities for coping with both currency fluctuations and trade barriers. However, this model requires constant rationalisation and automation of the many production units, while ensuring that health and safety remain top priorities.

The slightly lower operating margin is due partly to some large project orders with good operating margins in the first half of last year and partly to a slightly less favourable product mix.

The NIBE Stoves business area continues its stable growth, despite reduced demand due to the extremely hot weather in the spring and summer, primarily in Europe. To meet our high sustainability requirements, we are focusing our development resources on improved combustion efficiency and lower emissions. We also see this as a natural undertaking for a market leader.

The lower operating margin is primarily because we have still not seen the full effects of the price increases that we were forced to implement due to the dramatic increases in the prices of our inputs. Increased development costs are also having a negative impact on the operating margin.

Our acquisition rate remains high. In the first quarter, we acquired 60% of the shares in the US element company BriskHeat, Alfa Laval's business for district heating/cooling systems (Cetetherm) and several small bolt-on acquisitions. At the beginning of July, we acquired 51% of the shares in CK Fires, known under the brand Evonic fires, which is one of the fastest growing electric stove companies in the UK. A contract was signed in August to acquire 51% of the shares in the element company EMIN Group, which has operations in Turkey and Serbia. The company's products include coupling systems for fluids. At the start of October, the remaining 55% of the shares in the Italian ventilation and air conditioning company Rhoss were acquired.

The level of investment in our existing businesses amounted to SEK 460 million during the first nine months of the year, compared with SEK 431 million in the previous year, and the rate of depreciation was SEK 518 million compared with SEK 495 million last year.

## Calendar

### 16 November 2018

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

Presentation of Interim Report 3 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 by phone, call +46 8 566 42 700.

### 15 February 2019

Year-end report 2018

### 14 May 2019

Interim report 1, Jan – March 2019

17:00 C.E.T. Annual General Meeting

## Financial targets

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



Using our experience from the sharp increase in demand in the second half of 2017, when we struggled to live up to targeted delivery reliability, we built up stocks of both inputs and finished goods during the first half of the year to avoid similar problems in the peak season in the third and fourth quarters. We managed to get through the third quarter without delivery problems and estimate that the remaining volume of stocks is sound for the remainder of the year.

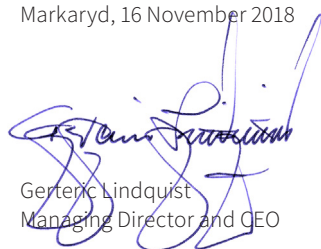
Operating profit for the first nine months of the year improved by 18.9% compared with the corresponding period last year and the operating margin rose from 11.9% last year to 12.0%. The most significant contributing factor to the improved operating profit is organic by nature, but acquired sales also help, as well as the weakened Swedish currency, to some extent.

Profit after financial items improved by 20.2% in the period, compared with the corresponding period last year, leading to a profit margin of 11.2% versus 10.9% for the same period last year. The reason why net financial items only decreased marginally despite an increase in interest expenses is solely due to exchange rates.

#### 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 for being proactive on acquisitions.
- Our internal efforts to enhance efficiency, combined with our rigorous cost control measures, will guarantee persistently healthy margins.
- As with previous years, the effects of economic trends, currency concerns, volatile energy prices and political turbulence in some parts of the world are hard to predict, but we remain cautiously positive about the year overall.

Markaryd, 16 November 2018



Gert Eric Lindquist  
Managing Director and CEO

NIBE Group Key ratios		2018 Q1-3	2017 Q1-3	Past 12 months	2017 Full year
Net sales	SEK m	16,018	13,653	21,374	19,009
Growth	%	17.3	30.3	15.4	23.9
of which acquired	%	6.4	23.5	7.5	19.5
Operating profit	SEK m	1,924	1,618	2,650	2,344
Operating margin	%	12.0	11.9	12.4	12.3
Profit after net financial items	SEK m	1,790	1,489	2,483	2,182
Profit margin	%	11.2	10.9	11.6	11.5
Equity ratio	%	46.4	44.2	46.4	45.8
Return on equity	%	14.1	13.9	14.6	13.7

#### Sales

Group net sales totalled SEK 16,018 million (SEK 13,653 million). This corresponds to growth of 17.3%, of which 10.9% was organic. The weakening of the Swedish krona during the year had a positive effect on organic growth. Acquired operations accounted for SEK 867 million of the total SEK 2,365 million increase in sales.

#### Earnings

Profit for the period after net financial items was SEK 1,790 million. This equates to a 20.2% increase in earnings compared with the same period in 2017, when profit after net financial items amounted to SEK 1,489 million. Profit for the period was charged with acquisition expenses of SEK 15 million (SEK 20 million). Return on equity was 14.1% (13.9%).

#### Acquisitions

In January, NIBE acquired 60% of the shares in 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 was consolidated into the NIBE Element business area as of January 2018. Agreement has also been reached on the acquisition of the remaining 40% of shares in the company in 2021. The acquisition value is still provisional.

Alfa Laval's operations involving district heating/cooling systems (Cetetherm) were acquired in March. The operations generate sales of approximately SEK 300 million, employ around 60 people in Sweden, France, Russia, the Czech Republic, Finland, the UK and Slovakia, and were consolidated into the NIBE Climate Solutions business area as of June 2018. The acquisition value is still provisional.

At the beginning of July, NIBE acquired 51% of the shares in the UK company CK Fires Ltd, which has a wide range of electric stoves under the brand name Evonic fires. The company, which has sales of approximately SEK 70 million, was consolidated into the NIBE Stoves business area as of July 2018. Agreement has also been reached on the acquisition of the remaining 49% of shares in the company by 2026. The acquisition value is still provisional.

A contract was signed in August to acquire 51% of the shares in the element company EMIN Group, which has operations in Turkey and Serbia. Operations consist partly in the production of coupling systems for fluids. Sales are approximately SEK 140 million, with an operating margin of over 10%. The acquisition is dependent in part on approval by the Turkish competition authority. NIBE has an option to acquire a further 29% of shares in 2025.

#### Significant events after the end of the period

At the start of October, a contract was signed to acquire the remaining 55% of the shares in the Italian ventilation and air conditioning company Rhoss S.p.A. in January 2019. The company, which has sales of approximately SEK 670 million, will be consolidated into the NIBE Climate Solutions business area as of January 2019.

#### Investments

During the period, the Group made investments totalling SEK 1,994 million (SEK 1,868 million). A total of SEK 1,534 million (SEK 1,437 million) of the investments relates to acquisitions of operations. The remaining SEK 460 million (SEK 431 million) is mainly investments in machinery and equipment in existing operations. The investment amount relating to acquisitions is based on initial considerations as well as an estimate of additional considerations to be paid.

#### Cash flow and financial position

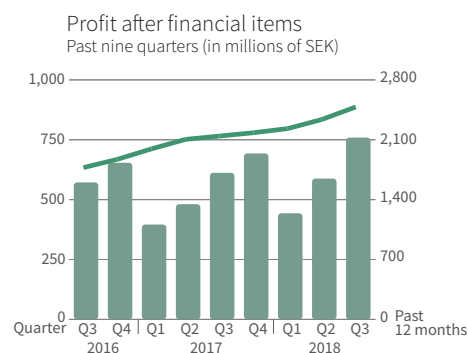
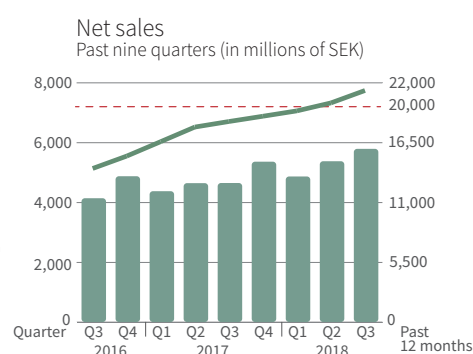
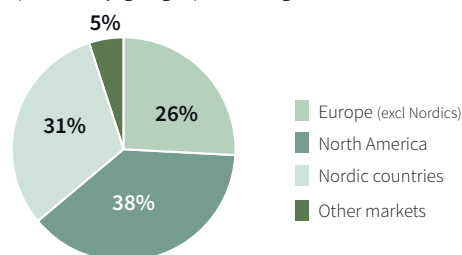
Cash flow from operating activities before changes in working capital amounted to SEK 1,994 million (SEK 1,643 million). Cash flow after changes in working capital amounted to SEK 657 million (SEK 1,234 million). The main reason for the weaker cash flow is stockbuilding ahead of the peak season.

Interest-bearing liabilities at the end of the period amounted to SEK 9,340 million compared with SEK 8,976 million at the start of the year. At the end of the period, the Group had cash and cash equivalents of SEK 2,723 million as against SEK 3,803 million at the start of the year. The equity ratio at the end of the period was 46.4%, compared with 45.8% at the start of the year and 44.2% at the corresponding point last year.

#### Parent

Parent activities comprise Group executive management functions, certain shared Group functions and financing. Sales for the period totalled SEK 11 million (SEK 9 million) and profit after financial items was SEK 566 million (SEK 288 million). The wholly owned subsidiary NIBE Energy Systems WFE AB was merged with the Parent during the period.

#### Group sales by geographical region

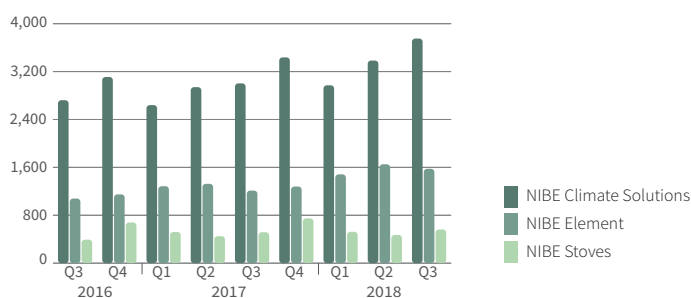


## Business area trends

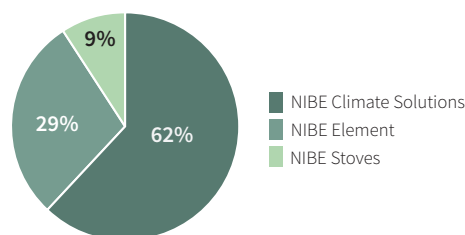
### Quarterly data

Consolidated income statements (SEK m)	2018			2017				2016	
	Q1	Q2	Q3	Q1	Q2	Q3	Q4	Q3	Q4
Net sales	4,862	5,371	5,785	4,370	4,639	4,644	5,356	4,135	4,870
Operating expenses	- 4,365	- 4,739	- 4,990	- 3,944	- 4,110	- 3,981	- 4,630	- 3,525	- 4,203
<b>Operating profit</b>	<b>497</b>	<b>632</b>	<b>795</b>	<b>426</b>	<b>529</b>	<b>663</b>	<b>726</b>	<b>610</b>	<b>667</b>
Net financial items	- 54	- 44	- 36	- 30	- 48	- 51	- 33	- 38	- 13
<b>Profit after net financial items</b>	<b>443</b>	<b>588</b>	<b>759</b>	<b>396</b>	<b>481</b>	<b>612</b>	<b>693</b>	<b>572</b>	<b>654</b>
Tax	- 107	- 148	- 152	- 103	- 123	- 130	- 123	- 154	- 176
<b>Net profit</b>	<b>336</b>	<b>440</b>	<b>607</b>	<b>293</b>	<b>358</b>	<b>482</b>	<b>570</b>	<b>418</b>	<b>478</b>
<b>Net sales, business areas</b>									
NIBE Climate Solutions	2,971	3,384	3,752	2,640	2,940	3,003	3,437	2,722	3,110
NIBE Element	1,483	1,652	1,576	1,285	1,325	1,212	1,280	1,079	1,149
NIBE Stoves	524	471	563	520	451	517	748	392	680
Elimination of Group transactions	- 116	- 136	- 106	- 75	- 77	- 88	- 109	- 58	- 69
<b>Group total</b>	<b>4,862</b>	<b>5,371</b>	<b>5,785</b>	<b>4,370</b>	<b>4,639</b>	<b>4,644</b>	<b>5,356</b>	<b>4,135</b>	<b>4,870</b>
<b>Operating profit, business areas</b>									
NIBE Climate Solutions	308	436	590	256	356	460	523	443	466
NIBE Element	154	198	164	142	158	149	114	139	109
NIBE Stoves	45	23	59	45	31	69	130	52	121
Elimination of Group transactions	- 10	- 25	- 18	- 17	- 16	- 15	- 41	- 24	- 29
<b>Group total</b>	<b>497</b>	<b>632</b>	<b>795</b>	<b>426</b>	<b>529</b>	<b>663</b>	<b>726</b>	<b>610</b>	<b>667</b>

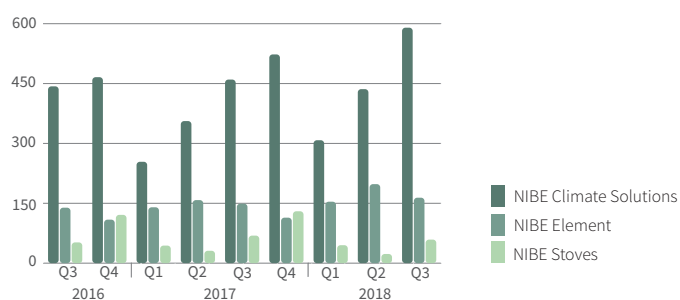
Sales per business area, last nine quarters (SEK million)



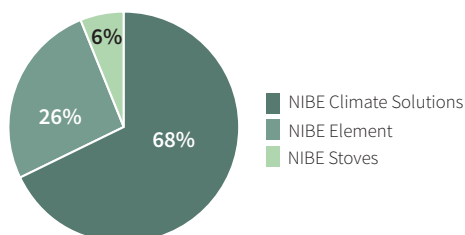
Each business area's share of total sales (Q1-Q3 2018)



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



Each business area's share of total profit (Q1-Q3 2018)





# NIBE Climate Solutions business area

## Sales and profit

Sales for the period totalled SEK 10,107 million, compared with SEK 8,583 million for the corresponding period last year. Of the increase in sales of SEK 1,524 million, acquired sales accounted for SEK 272 million, which means that organic growth was 14.6%.

Operating profit for the period totalled SEK 1,334 million, compared with SEK 1,072 million the previous year. This equates to an operating margin of 13.2% compared with 12.5% for the previous year. This means that the operating margin for the past 12 months is 13.7%.

## Market

The European market for heat pumps continues to grow. The principal reasons are increased construction of new single-family houses, government subsidies for fossil-free solutions and increased interest in products using renewable energy. Several environment-related government decisions are being taken with the aim of phasing out the use of indoor climate comfort products that use the fossil fuels oil and gas. Special decisions have been taken in Norway, the Netherlands and now also the United Kingdom. This means great future market potential for our sustainable indoor climate comfort products that will benefit us and our industry in both the short and long terms.

Demand for heat pumps for single-family houses in the US has been positively affected by the reintroduction of government subsidies for the installation of geothermal heat pumps at the start of the year, and our market share is estimated to have grown further during the year. Both the US and Canadian markets for products for commercial properties have stable growth. Acquisitions have given us good market presence, and we intend to reinforce this with proactive product development and marketing.

Essentially all European markets are growing, except for a few that are stable. All Nordic markets continue to experience good growth, which benefits most of our operations with market-leading positions in their respective countries. Our units in Eastern Europe, for example Poland and the Czech Republic, are expanding relatively fast, primarily in heat pumps with government subsidies as the catalyst, and in water heaters.

Positive developments in the Swedish domestic market for heat pumps has continued, and we are increasing our market share in all product segments. The replacement market is leading the growth, while construction of new single-family houses has slowed somewhat, partly due to tighter financing requirements. Demand for energy-efficient product solutions and systems for larger properties is increasing, and we are continuing to strengthen our sales organisation to further expand within this area.

## NIBE Climate Solutions

Key ratios		2018 Q1-3	2017 Q1-3	Past 12 months	2017 Full year
Net sales	SEK m	10,107	8,583	13,544	12,020
Growth	%	17.8	32.5	15.8	25.4
of which acquired	%	3.2	26.9	5.4	21.9
Operating profit	SEK m	1,334	1,072	1,857	1,595
Operating margin	%	13.2	12.5	13.7	13.3
Assets	SEK m	20,748	18,507	20,748	18,707
Liabilities	SEK m	2,565	2,425	2,565	2,603
Investments in non-current assets	SEK m	273	241	353	322
Depreciation	SEK m	336	332	428	425

## Operations

Product development and the introduction of new high-performance products in all application areas are ongoing activities. This is fundamental to our continued expansion and to strengthening our profile as a market leader in intelligent, energy-efficient, environmentally sustainable product solutions for indoor comfort based on renewable energy.

Good growth in volume in Europe and North America has made it necessary to dramatically increase the workforce in our manufacturing units. This, combined with extensive stockbuilding during the first six months of the year, has enabled us to maintain good delivery capacity. Low unemployment in North America has made it difficult to re-employ production staff who were laid off in 2017 due to the market downturn.

Autumn 2017 saw an intensive, relatively expensive campaign in the US to persuade political decision-makers to reintroduce government subsidies for heat pumps, putting them on an equal footing with subsidies for solar cells. The subsidies were placed on an equal footing in early 2018.

Starting in the fourth quarter and for a long period ahead, an information campaign will be conducted on the US market to increase awareness of geothermal heat pumps as a sustainable solution for climate control in single-family houses. The objective is to reduce our dependence on government subsidies in the long term.



*It is important today to have both marketing and information activities that demonstrate all the benefits of heat pumps as a non-fossil energy system compared with fossil alternatives both for newbuilds and when replacing energy systems.*

The integration of Cetetherm, which focuses on district heating and cooling systems and hot water systems for commercial use, is continuing according to plan since the acquisition was completed in the second quarter.

With the acquisition of the remaining 55% of the shares in the Italian ventilation and air conditioning company Rhoss, we are increasing the rate of our investment in climate control of large properties and our presence on this interesting market via our own, well-established platform in Europe. We will also take the usual measures to improve the operating margin to achieve the Group target of 10% within an 18-24 month period.

The EU F-gas Regulation continues to affect the entire European heat pump industry. Intensive product development is under way to switch most of our products over to natural refrigerants with the imperative that efficiency, quality and service life be maintained and, preferably, further improved.

Our internal quality control work, which has been a top priority, continues to result in improved product quality. We are also continuing to implement cost-saving measures both in production and other operations, so we can maintain our healthy underlying operating margin.

We have not yet been able to compensate fully for the dramatic materials price increases, but we estimate our own price adjustments will enable us to catch up within the coming two quarters.

# NIBE Element business area

## Sales and profit

Sales for the period totalled SEK 4,711 million, compared with SEK 3,822 million for the corresponding period last year. Of the increase in sales of SEK 889 million, acquired sales accounted for SEK 579 million, which means that organic growth was 8.1%. It is worth mentioning that the previous year's sales were positively affected by a few large project orders.

Operating profit for the period totalled SEK 516 million, compared with SEK 449 million the previous year. This equates to an operating margin of 11.0% compared with 11.8% for the previous year. This means that the operating margin for the past 12 months is 10.5%.

## Market

Overall, the international element market enjoyed growth, but with significant variation between market segments. Good economic growth on most of our geographical markets is benefitting us as a global supplier, and the transition to more sustainable solutions is generating growth in several market segments.

Several strategic acquisitions during the previous year and at the start of this year have boosted both the geographical distribution and the product offering of the business area, including a wide range focusing on the interesting semiconductor industry.

We are seeing a dramatic increase in international uncertainty based on the current discussions and activities relating to changes in tariffs and trade rules. In line with the increase in uncertainty, our international customers are also unsure where they should locate their production facilities. With these developments, we benefit greatly from having our production sites in many different countries, making it easier for us to ride out changes in trade patterns.

Demand for consumer products has enjoyed relatively stable growth. In some product segments, our launches of new products to meet stricter performance and safety requirements have boosted sales. With our decentralised local organisations, we are well placed to follow the various geographical markets' needs for technical solutions and products to meet specific requirements.

Markets linked to the construction sector have continued to



*The main products of the acquired EMIN Group are various types of coupling systems for fluids such as braided hoses in which the braided jacket prevents wear and permits higher pressure.*

## NIBE Element

Key ratios		2018 Q1-3	2017 Q1-3	Past 12 months	2017 Full year
Net sales	SEK m	4,711	3,822	5,991	5,102
Growth	%	23.3	23.2	20.5	20.0
of which acquired	%	15.2	10.9	13.9	10.5
Operating profit	SEK m	516	449	630	563
Operating margin	%	11.0	11.8	10.5	11.0
Assets	SEK m	7,431	5,134	7,431	5,916
Liabilities	SEK m	1,128	889	1,128	943
Investments in non-current assets	SEK m	125	115	173	164
Depreciation	SEK m	125	104	160	139

grow. This applies particularly to products focusing on sustainable energy solutions. We are also increasing our product range in this segment via our own product development and acquisitions.

In the automotive industry, there seems to be a fall in demand for certain traditional product groups and market segments. At the same time, our customers have many ongoing development projects because of both stricter requirements for environmental performance and conversion to electric and hybrid solutions. The evolution towards more advanced safety systems also entails new needs for heating solutions.

Our offering with complete solutions that include control and measurement is performing well, particularly inverter control of electric motors, which allows our customers to deliver products with better energy efficiency. The resistors product segment is also continuing to perform well, especially in the energy and infrastructure market segments.

The oil and gas industry market remains cautious and is at a historically low level. However, a greater number of planned new projects have recently been noted.

## Operations

We continue to work intensively to improve the competitiveness of our units in each market segment. This includes further investments in areas such as industrial robots and automation, along with measures to boost productivity. This is essential if we are to maintain a stable operating margin at the established target of 10%. Labour shortages and higher costs in several of our units in low-cost countries are also increasing the need to implement productivity-boosting projects. Meanwhile, we are taking several measures to further improve health and safety. Establishment in additional Asian markets outside of China also gives us access to alternative low-cost production.

A contract was signed in August to acquire 51% of the shares in EMIN Group, which has operations in Turkey and Serbia, and 340 employees. The products are mainly coupling systems for fluids, and annual sales are approximately SEK 140 million.

Exchange rates remain volatile, with a considerable effect on pricing and competitiveness. Substantial price increases for certain metals and inputs during the year necessitate price adjustments in most market and product segments. Shortages of certain inputs and extended delivery schedules also require several measures be taken to secure our materials supply. In this situation, having a globalised organisation with production units in different currency zones gives us a clear advantage. Overall, however, changes in the business environment and the product mix are having a combined negative impact on the operating margin.



# NIBE Stoves business area

## Sales and profit

Sales for the period totalled SEK 1,558 million, compared with SEK 1,488 million for the corresponding period last year. Of the increase in sales of SEK 70 million, acquired sales accounted for SEK 17 million, which means that organic growth was 3.6%.

Operating profit for the period totalled SEK 127 million, compared with SEK 145 million the previous year. This equates to an operating margin of 8.2% compared with 9.8% for the previous year. This means that the operating margin for the past 12 months is 11.2%.

## Market

The trend for generally weaker demand for stove products in Europe became more marked on several markets in the third quarter. The unusually hot weather during the summer, which continued into the autumn, has also depressed demand to some extent. Despite the very tough market conditions, we have succeeded in increasing our own sales and have taken market shares in all our main markets.

In North America, demand so far this year has increased both for gas-fired and wood-fired products, which is down to a generally healthy economic trend and the previous relatively cold winter in large parts of the US and Canada.

Growth has been somewhat mixed in Scandinavia, with increased demand in Norway and lower demand in Sweden. Although a stove product remains high on many wish lists, competition with other durable goods and experiences is on the rise in a generally good economic climate. Demand has continued to fall in Denmark, but this is likely to be reversed as the authorities are expected to reintroduce subsidies for the replacement of old stoves with new, greener models.

Demand for gas-fired products continues to grow in the United Kingdom. This is mainly due to the current low price of gas and the user-friendliness of a gas-fired product. The recent negative debate about wood firing has also affected consumers' product choices, contributing to a more cautious market for wood-fired products. A gradual transition to greater demand for modern new products that meet the future Ecodesign requirements for 2022 should have a positive impact on the growth of the industry.

Demand for stove products in France has enjoyed stable growth so far this year for both wood-fired products and pellet-fired products, which now represent a significant proportion of the total market. In Germany, the market has continued to con-

## NIBE Stoves

Key ratios		2018 Q1-3	2017 Q1-3	Past 12 months	2017 Full year
Net sales	SEK m	1,558	1,488	2,305	2,236
Growth	%	4.7	37.0	6.3	26.6
of which acquired	%	1.1	34.8	3.7	25.0
Operating profit	SEK m	127	145	257	275
Operating margin	%	8.2	9.8	11.2	12.3
Assets	SEK m	3,436	3,124	3,436	2,958
Liabilities	SEK m	390	330	390	364
Investments in non-current assets	SEK m	61	40	68	48
Depreciation	SEK m	57	60	74	77

tract, while the assessment is that the traditional specialist trade has strengthened its position, which is to our advantage as this is our primary distribution channel.

## Operations

The acquisition of the UK company Evonic fires, one of the fastest growing electric stove brands in the UK, has meant that we have increased our range in this segment and have assumed a market-leading position. We see great growth potential in this area on the domestic market and on several other markets in Europe and North America. To meet the higher demand, we have taken measures including a significant increase in production capacity for Evonic fires.

Thanks to a steady, high rate of production in our manufacturing units, our delivery capacity so far this year has been very good, and we have built up well-balanced stocks ahead of the peak season. We therefore expect continued good delivery capacity during the crucial final quarter of the year.

The lower operating margin is primarily due to our price increases not yet being able to fully compensate for the dramatic price increases in raw materials and inputs. Our long-term investment in the development of new products which meet even stricter environmental requirements than those in force today, plus significant marketing initiatives to consolidate our strong market position on our main markets, also have an impact on the operating margin.



Our new acquisition, the UK company Evonic fires, has invested in the latest LED technology in its new E-series, and has won a design award. The built-in units are controlled using a smartphone app.

## Income Statement summaries

(SEK m)	Group						Parent	
	Third quarter 2018	Third quarter 2017	Jan-Sept 2018	Jan-Sept 2017	Past 12 months	Full year 2017	Jan-Sept 2018	Jan-Sept 2017
Net sales	5,785	4,644	16,018	13,653	21,374	19,009	11	9
Cost of goods sold	- 3,868	- 3,029	- 10,726	- 8,967	- 14,205	- 12,446	0	0
<b>Gross profit</b>	<b>1,917</b>	<b>1,615</b>	<b>5,292</b>	<b>4,686</b>	<b>7,169</b>	<b>6,563</b>	<b>11</b>	<b>9</b>
Selling expenses	- 831	- 723	- 2,488	- 2,288	- 3,340	- 3,140	0	0
Administrative expenses	- 359	- 275	- 1,053	- 895	- 1,398	- 1,240	- 45	- 39
Other operating revenue	68	46	173	115	219	161	0	0
<b>Operating profit</b>	<b>795</b>	<b>663</b>	<b>1,924</b>	<b>1,618</b>	<b>2,650</b>	<b>2,344</b>	<b>- 34</b>	<b>- 30</b>
Net financial items	- 36	- 51	- 134	- 129	- 167	- 162	600	318
<b>Profit after net financial items</b>	<b>759</b>	<b>612</b>	<b>1,790</b>	<b>1,489</b>	<b>2,483</b>	<b>2,182</b>	<b>566</b>	<b>288</b>
Tax	- 152	- 130	- 407	- 356	- 530	- 479	0	0
<b>Net profit</b>	<b>607</b>	<b>482</b>	<b>1,383</b>	<b>1,133</b>	<b>1,953</b>	<b>1,703</b>	<b>566</b>	<b>288</b>
<b>Net profit attributable to Parent shareholders</b>	<b>607</b>	<b>482</b>	<b>1,383</b>	<b>1,133</b>	<b>1,953</b>	<b>1,703</b>	<b>566</b>	<b>288</b>
Includes depreciation according to plan as follows:	177	163	518	495	663	640	0	0
Net profit per share before and after dilution in SEK	1.21	0.96	2.74	2.25	3.87	3.38		

## Statement of comprehensive income

<b>Net profit</b>	<b>607</b>	<b>482</b>	<b>1,383</b>	<b>1,133</b>	<b>1,953</b>	<b>1,703</b>	<b>566</b>	<b>288</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	10	0	0	0	41	41	0	0
Tax	- 2	0	0	0	- 9	- 9	0	0
	<b>8</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>32</b>	<b>32</b>	<b>0</b>	<b>0</b>
<b>Items that may be reclassified to profit or loss</b>								
Cash flow hedges	12	- 2	2	12	- 7	3	0	0
Hedge of net investment	4	42	- 69	76	- 86	59	0	0
Exchange differences	- 122	- 597	1,148	- 1,048	1,454	- 742	0	0
Tax	10	30	- 57	75	- 65	67	0	0
	<b>- 96</b>	<b>- 527</b>	<b>1,024</b>	<b>- 885</b>	<b>1,296</b>	<b>- 613</b>	<b>0</b>	<b>0</b>
<b>Total other comprehensive income</b>	<b>- 88</b>	<b>- 527</b>	<b>1,024</b>	<b>- 885</b>	<b>1,328</b>	<b>- 581</b>	<b>0</b>	<b>0</b>
<b>Total comprehensive income</b>	<b>519</b>	<b>- 45</b>	<b>2,407</b>	<b>248</b>	<b>3,281</b>	<b>1,122</b>	<b>566</b>	<b>288</b>
<b>Comprehensive income attributable to Parent shareholders</b>	<b>519</b>	<b>- 45</b>	<b>2,407</b>	<b>248</b>	<b>3,281</b>	<b>1,122</b>	<b>566</b>	<b>288</b>

## Balance sheet in summary

(SEK m)	Group			Parent		
	2018-09-30	2017-09-30	2017-12-31	2018-09-30	2017-09-30	2017-12-31
Intangible assets	16,904	14,634	14,744	0	0	0
Property, plant and equipment	3,288	2,952	3,043	0	0	0
Financial assets	497	381	331	14,247	12,782	12,781
<b>Total non-current assets</b>	<b>20,689</b>	<b>17,967</b>	<b>18,118</b>	<b>14,247</b>	<b>12,782</b>	<b>12,781</b>
Inventories	4,359	3,208	3,247	0	0	0
Current receivables	4,182	3,451	3,203	59	186	323
Current investments	106	64	90	0	0	0
Cash and bank balances	2,294	2,311	3,332	48	0	0
<b>Total current assets</b>	<b>10,941</b>	<b>9,034</b>	<b>9,872</b>	<b>107</b>	<b>186</b>	<b>323</b>
<b>Total assets</b>	<b>31,630</b>	<b>27,001</b>	<b>27,990</b>	<b>14,354</b>	<b>12,968</b>	<b>13,104</b>
Equity	14,690	11,933	12,807	7,693	7,547	7,652
Untaxed reserves	0	0	0	0	1	0
Non-current liabilities and provisions, non-interest-bearing	3,972	3,096	2,859	371	272	219
Non-current liabilities and provisions, interest-bearing	7,334	7,349	6,960	5,361	5,018	5,016
Current liabilities and provisions, non-interest-bearing	3,628	3,231	3,348	29	130	217
Current liabilities and provisions, interest-bearing	2,006	1,392	2,016	900	0	0
<b>Total equity and liabilities</b>	<b>31,630</b>	<b>27,001</b>	<b>27,990</b>	<b>14,354</b>	<b>12,968</b>	<b>13,104</b>

## Key ratios

		Jan-Sept 2018	Jan-Sept 2017	Full year 2017
Growth	%	17.3	30.3	23.9
Operating margin	%	12.0	11.9	12.3
Profit margin	%	11.2	10.9	11.5
Investments in non-current assets	SEK m	1,994	1,868	2,026
Cash and cash equivalents	SEK m	2,723	2,761	3,803
Working capital, incl. cash and bank balances as share of net sales	%	34.2	31.3	34.3
Working capital, excl. cash and bank balances as share of net sales	%	23.0	18.5	16.3
Interest-bearing liabilities/Equity	%	63.6	73.3	70.1
Equity ratio	%	46.4	44.2	45.8
Return on capital employed	%	12.2	11.8	11.5
Return on equity	%	14.1	13.9	13.7
Net debt/EBITDA	times	2.1	2.2	1.9
Interest coverage ratio	times	7.5	7.7	9.6

## Data per share

		Jan-Sept 2018	Jan-Sept 2017	Full year 2017
Net profit per share (total 504,016,622 shares)	SEK	2.74	2.25	3.38
Equity per share	SEK	29.14	23.68	25.41
Closing day share price	SEK	106.50	82.05	78.60

## Financial instruments recognised at fair value

(SEK m)	30 Sept 2018	30 Sept 2017	31 Dec 2017
<b>Current receivables</b>			
Currency futures	1	9	0
Commodity futures	2	1	6
<b>Total</b>	<b>3</b>	<b>10</b>	<b>6</b>
<b>Financial assets</b>			
Interest rate derivatives	11	15	18
<b>Current liabilities and provisions, non-interest-bearing</b>			
Currency futures	0	0	5
Commodity futures	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>5</b>

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 2017. For 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 2017.

## Statement of cash flow – summaries

(SEK m)	Jan-Sept 2018	Jan-Sept 2017	Full year 2017
Cash flow from operating activities	1,994	1,643	2,307
Change in working capital	– 1,337	– 409	– 184
Investing activities	– 1,380	– 1,220	– 1,358
Financing activities	– 449	– 11	259
Exchange difference in cash and cash equivalents	150	– 130	– 104
<b>Change in cash and cash equivalents</b>	<b>– 1,022</b>	<b>– 127</b>	<b>920</b>

## Change in equity – summaries

(SEK m)	Jan-Sept 2018	Jan-Sept 2017	Full year 2017
Opening equity	12,807	12,129	12,129
Shareholders' dividend	– 529	– 444	– 444
Dividend to non-controlling interest	– 1	0	0
Change in non-controlling interest	6	0	0
Comprehensive income for the period	2,407	248	1,122
<b>Closing equity</b>	<b>14,690</b>	<b>11,933</b>	<b>12,807</b>

## Group sales by geographical region

(SEK m)	NIBE Climate Solutions	NIBE Element	NIBE Stoves	Elimina- tion	Total
Nordic countries	3,267	806	416	– 235	4,254
Europe (excl. Nordics)	3,821	1,625	749	– 109	6,086
North America	2,892	1,726	319	– 14	4,923
Other countries	127	554	74	0	755
<b>Total</b>	<b>10,107</b>	<b>4,711</b>	<b>1,558</b>	<b>– 358</b>	<b>16,018</b>

## Time of accounting for sales

(SEK m)	NIBE Climate Solutions	NIBE Element	NIBE Stoves	Elim- ina- tion	Total
Shipments taken up as income once	9,928	4,711	1,558	– 358	15,839
Shipments taken up as income gradually	179	0	0	0	179
<b>Total</b>	<b>10,107</b>	<b>4,711</b>	<b>1,558</b>	<b>– 358</b>	<b>16,018</b>

### SERVICE CONTRACTS

For certain products in Climate Solutions, NIBE offers customers the opportunity to sign one-year service contracts, under which NIBE undertakes to perform maintenance service and remedy certain defects that are not covered by the warranty provided. The scope of defects cannot be reliably predicted, for which reason pricing is based on experience. Payment is received from customers annually in advance, so deferred income will be taken up as income gradually over the coming 12-month period.

### EXTENDED WARRANTY PERIOD CONTRACTS

For certain products in Climate Solutions, NIBE offers customers the opportunity to sign contracts for warranty periods that exceed those provided as standard. Standard warranty periods depend both on the type of product and the market in question. The longest contracts expire within six years. The scope of defects cannot be reliably predicted, for which reason pricing is based on experience. Payment is received from customers in connection with delivery of goods. Deferred income will be taken up as revenue gradually over the coming 6-year period.



## 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)	Jan-Sept 2018	Jan-Sept 2017	Full year 2017
Acquisition of non-current assets	1,998	1,892	2,058
Disposal of non-current assets	- 4	- 24	- 32
<b>Net investments in non-current assets</b>	<b>1,994</b>	<b>1,868</b>	<b>2,026</b>

### Working capital, including cash and bank balances

(SEK m)	Jan-Sept 2018	Jan-Sept 2017	Full year 2017
Total current assets	10,941	9,034	9,872
Current liabilities and provisions, non-interest-bearing	- 3,628	- 3,231	- 3,348
<b>Working capital, including cash and bank balances</b>	<b>7,313</b>	<b>5,803</b>	<b>6,524</b>
Net sales in the past 12 months	21,374	18,523	19,009
<b>Working capital, including cash and bank balances, in relation to net sales, %</b>	<b>34.2</b>	<b>31.3</b>	<b>34.3</b>

### Return on capital employed

(SEK m)	Jan-Sept 2018	Jan-Sept 2017	Full year 2017
Profit after net financial items in the past 12 months	2,483	2,143	2,182
Financial expenses in the past 12 months	308	297	255
Profit before financial expenses	2,791	2,440	2,437
Capital employed at start of period	21,783	20,665	20,665
Capital employed at end of period	24,031	20,674	21,783
Average capital employed	22,907	20,670	21,224
<b>Return on capital employed, %</b>	<b>12.2</b>	<b>11.8</b>	<b>11.5</b>

### Net debt/EBITDA

(SEK m)	Jan-Sept 2018	Jan-Sept 2017	Full year 2017
Non-current liabilities and provisions, interest-bearing	7,334	7,349	6,960
Current liabilities and provisions, interest-bearing	2,006	1,392	2,016
Cash and bank balances	- 2,294	- 2,311	- 3,332
Current investments	- 106	- 64	- 90
Net debt	6,940	6,366	5,554
Operating profit in the past 12 months	2,650	2,285	2,344
Depreciation and impairment in the past 12 months	663	652	640
EBITDA	3,313	2,937	2,984
<b>Net debt/EBITDA, times</b>	<b>2.1</b>	<b>2.2</b>	<b>1.9</b>

### Cash and cash equivalents

(SEK m)	Jan-Sept 2018	Jan-Sept 2017	Full year 2017
Cash and bank balances	2,294	2,311	3,332
Current investments	106	64	90
Unutilised overdraft facilities	323	386	381
<b>Cash and cash equivalents</b>	<b>2,723</b>	<b>2,761</b>	<b>3,803</b>

### Working capital, excluding cash and bank balances

(SEK m)	Jan-Sept 2018	Jan-Sept 2017	Full year 2017
Inventories	4,359	3,208	3,247
Current receivables	4,182	3,451	3,203
Current liabilities and provisions, non-interest-bearing	- 3,628	- 3,231	- 3,348
<b>Working capital, excluding cash and bank balances</b>	<b>4,913</b>	<b>3,428</b>	<b>3,102</b>
Net sales in the past 12 months	21,374	18,523	19,009
<b>Working capital, excluding cash and bank balances, in relation to net sales, %</b>	<b>23.0</b>	<b>18.5</b>	<b>16.3</b>

### Return on equity

(SEK m)	Jan-Sept 2018	Jan-Sept 2017	Full year 2017
Profit after net financial items in the past 12 months	2,483	2,143	2,182
Standard tax rate, %	22.0	22.0	22.0
Profit after net financial items, after tax	1,937	1,672	1,702
Equity at start of period	12,807	12,129	12,129
Equity at end of period	14,685	11,933	12,807
Average equity	13,746	12,031	12,468
<b>Return on equity, %</b>	<b>14.1</b>	<b>13.9</b>	<b>13.7</b>

### Interest coverage ratio

(SEK m)	Jan-Sept 2018	Jan-Sept 2017	Full year 2017
Profit after net financial items	1,790	1,489	2,182
Financial expenses	275	222	255
<b>Interest coverage ratio, times</b>	<b>7.5</b>	<b>7.7</b>	<b>9.6</b>

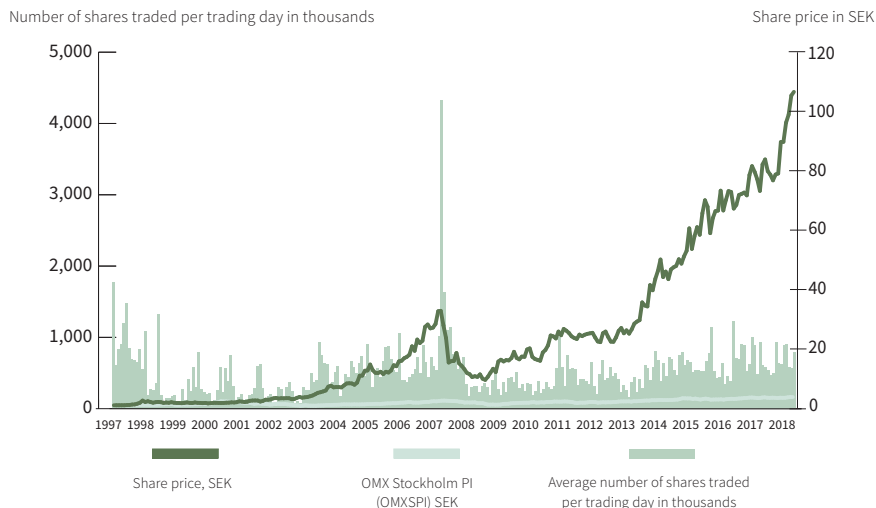
## NIBE shares

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 on 30 September 2018 was SEK 106.50.

In the first nine months of 2018, NIBE's share price rose by 35.5%, from SEK 78.60 to SEK 106.50. During the same period, the OMX Stockholm PI (OMXSPI) increased by 7.7%.

This means that, at the end of September 2018, the market capitalisation of NIBE, based on the latest price paid, amounted to SEK 53,678 million.

A total of 133,450,847 NIBE shares were traded, which corresponds to a share turnover of 35.3% in the first three quarters of 2018. 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 the International Financial Reporting Standards (IFRS). NIBE Industrier's interim report for the third quarter of 2018 has been drawn up in accordance with IAS 34 Interim Financial Reporting. Disclosures in accordance with IAS 34 16A are presented in the financial statements and related note information as well as in other parts of the interim report.

### IFRS 9 – Financial Instruments

IFRS 9 entered into force on 1 January 2018 and replaced IAS 39 Financial Instruments. Compared with IAS 39, IFRS 9 provides for changes in the classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting. These changes have had an insignificant impact on the Group's reports.

### IFRS 15 – Revenue from Contracts with Customers

IFRS 15 entered into force on 1 January 2018 and replaced previous accounting standards relating to revenue such as IAS 18 Revenue. The introduction of IFRS 15 has not had any material impact on the Group's accounting of revenue.

### IFRS 16 – Leases

IFRS 16 enters into force on 1 January 2019. For lessees, IFRS 16 means that the current division into financial and operating leases is withdrawn and is replaced with a model in which assets and liabilities for all leases must be recognised in the balance sheet. There are exceptions for leases with low value and leases with a term of no more than 12 months. De-

preciation/amortisation must be recognised in the income statement separately from interest expenses attributable to the lease liability. NIBE is currently preparing for the application of IFRS 16 within the Group. At present, however, there is insufficient documentation to quantify the effect of IFRS 16.

In other respects, the same accounting policies as those adopted for this report are described on pages 80-83 of the company's Annual Report for 2017. 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 80 of the company's Annual Report for 2017.

## Risks and uncertainties

NIBE Industrier is an international industrial group that is represented in around 40 countries. As such, it is exposed to several business and financial risks. Risk management is therefore an important process relative 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 2017.

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.

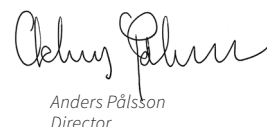
Markaryd, 16 November 2018



Hans Linnarson  
Chairman of the Board



Georg Brunstam  
Director



Anders Pålsson  
Director



Helene Richmond  
Director



Jenny Sjö Dahl  
Director



Gerteric Lindqvist  
Managing Director and CEO

### Review report

We have reviewed the summary interim financial information (interim report) for NIBE Industrier AB as of 30 September 2018 and the nine-month period then ended. The Board of Directors and the CEO 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.

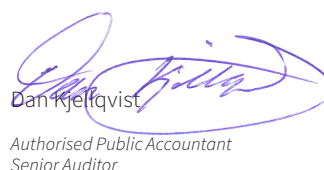
### Scope of review

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 in accordance with the Annual Accounts Act.

Markaryd, 16 November 2018  
KPMG AB



Dan Kjellqvist  
Authorised Public Accountant  
Senior Auditor

For other information on definitions, please refer to the company's Annual Report for 2017.



## NIBE Group – a global Group with companies and a presence worldwide

NIBE Group is a global organisation that contributes to a smaller carbon footprint and better utilisation of energy. In our three business areas – Climate Solutions, Element and Stoves – we develop, manufacture and market a wide range of eco-friendly, energy-efficient solutions for indoor climate comfort in all types of property, plus components and solutions for intelligent heating and control in industry and infrastructure.

From its beginnings in the Småland city of Markaryd more than 60 years ago, NIBE has grown into an international company with 14,300 (11,900) employees and a presence worldwide. From the very start, the company was driven by a strong culture of entrepreneurship and a passion for responsible business operation. Its success factors are long-term investments in sustainable product development and strategic acquisitions. Combined, these factors have brought about strong, targeted growth, which generated sales of just over SEK 19 (15) billion in 2017.

NIBE has been listed under the name NIBE Industrier AB on the NASDAQ OMX Nordic Exchange, 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 interim report. This information was made available to the media for publication at 08.00 (C.E.T.) on 16 November 2018.

Please email any questions you have about 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)