

# NIBE

– world-class solutions in sustainable energy



- **SALES** totalled SEK 22,516 million (SEK 19,009 million)
- **PROFIT AFTER NET FINANCIAL ITEMS** amounted to SEK 2,667 million (SEK 2,182 million)
- **PROFIT AFTER TAX** was SEK 2,072 million (SEK 1,703 million)
- **EARNINGS** per share before and after dilution, based on average number of shares outstanding during the period, were SEK 4.11 (SEK 3.38)
- **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)
- **THE BOARD OF DIRECTORS** proposes a dividend of SEK 1.30/share (SEK 1.05/share)

Year-end report · 2018

# Yet another strong year

Interim target of SEK 20 billion in sales achieved – next interim target SEK 40 billion

Continued good organic growth and a high rate of acquisition persisted in 2018.

General demand remains relatively good in Europe, North America and Asia. However, there is more obvious international uncertainty, considering both political tension and downright trade barriers. Nevertheless, a decisive factor for the relatively good economic situation is naturally the continued low interest rate level.

Another increasingly obvious positive factor is society's transition to a more sustainable outlook and behaviours, creating entirely new markets in which we feel well positioned.

Considering this, and entirely in line with our adopted strategies, we continued to determinedly invest heavily in sustainable product development and consistent marketing to create the best possible conditions for future organic growth. At the same time, we continued to boost productivity, quality and product performance to facilitate strong margins in the long term.

The acquired units are also being integrated as planned, verifying once again that a recently acquired company can improve its profit considerably within a 24-month period by coordinating purchasing, exchanging production experience and intensifying collaboration on product development.

Group sales grew by 18.5% (23.9%) in 2018, including organic growth of 12.5% (4.4%). For the full year, the currency effect was positive for growth. During the first half of the year, the effect was negligible, while it was more marked in the second half, primarily in the third quarter.

It also gives us great satisfaction to note that we passed our interim target of SEK 20 billion in sales by a good margin during the year.

Consequently, we now have a new interim target of SEK 40 billion in sales to be achieved preferably within four years, but no more than seven years, depending to a great extent on global economic trends.

**The NIBE Climate Solutions business area** continues to work purposefully and successfully to constantly strengthen its position as the leading supplier of intelligent, sustainable, high-performance end-to-end solutions designed for single-family homes. The business area is also working intensively and purposefully to establish itself in a similar position for commercial properties.

It is satisfying to note the business area's good sales growth as

well as the clear improvement in its operating margin. The main reasons for the good growth are the well-positioned, high-performance product range and the positive market conditions for heat pumps in both the US and several European countries. The improvement in operating margin is primarily due to organic growth and successful integration efforts, particularly of the two major acquisitions completed in 2016/2017. However, some work remains to be done to fully compensate for the dramatic increases in material prices.

During the year, another two strategic acquisitions were made. The acquisition of Alfa Laval's business for district heating/cooling systems is a good addition to the business area's already strong and wide range of heat pumps. The acquisition of the remaining 55% of shares in the Italian ventilation and air conditioning company Rhoss is another step towards seriously establishing ourselves in the commercial climate control segment.

**The NIBE Element business area** continues its successful concept of offering the market a comprehensive, reasonably priced range of intelligent, sustainable, high-quality system solutions. This concept is based on both local presence in many countries and coordination of the units' respective strengths in systems solutions.

The lower operating margin is due partly to the delivery of a few large project orders with a good operating margin in the first six months of last year and partly to the less favourable product mix.

The business area's wide geographical distribution also means there is good capacity to cope with both currency fluctuations and trade barriers. However, the model requires constant rationalisation and automation of the manufacturing units. Health and safety are also a top priority.

Another two large acquisitions and several small bolt-on acquisitions were completed during the year. The acquisition of the US company BriskHeat, along with two small acquisitions in the same area, have made us the world leader in cloth heating jackets, which are primarily intended for the semiconductor industry. With the acquisition of the EMIN Group, which mainly produces coupling systems for fluids and operates in Turkey and Serbia, the business area has further strengthened its offering, particularly for customers in the climate control segment. A small bolt-on acquisition was also completed in the Czech Republic.

**The NIBE Stoves business area** continues its stable growth, although the hot summer in Europe generally reduced overall demand. Thanks to our position as market leader, strong brands and an attractive product range, we were nevertheless able to improve both sales and market share.

To truly meet our own high sustainability requirements, we continue to focus our development resources on further improving combustion efficiency and even lower emissions. As a market leader, we also see this as a continuous work in progress.

The lower operating margin is primarily due to major long-term investments in product development and marketing, while the implemented price increases have not yet fully compensated for the price increases on input material.

During the year, one strategic acquisition was made. As one of the leading suppliers of electric stoves, the British company CK Fires favourably expands the business area's product offering.

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## Calendar

### 15 February 2019

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

Presentation of Year-end Report 2018 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 42 703.

### April 2019

2018 Annual Report

### 14 May 2019

Interim report 1, Jan – March 2019

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



To achieve our target for delivery reliability in Q3 and Q4, when the traditional high season occurs, stocks of inputs and finished products were built up in the first half of the year in all three business areas. We can now conclude that we coped well with the high season with no delivery problems and that our stockbuilding was sound.

The level of investment in the Group's continuing operations amounted to SEK 776 million (SEK 536 million) in 2018, compared with a depreciation rate of SEK 691 million. The level of investment over the next few years is expected to be just greater than or equal to the depreciation rate.

Operating profit improved by 20.7% compared with the previous year and the operating margin increased from 12.3% to 12.6%. The most significant contributing factor to the improved operating profit is organic growth, but acquired sales also help, and, to some extent, the weakened Swedish currency. The improvement in the operating margin is due to recovery of the operating margin in the NIBE Climate Solutions business area.

Profit after net financial items improved by 22.2% compared with the previous year. As a result, the profit margin improved to 11.8% from 11.5% in the previous year.

#### Outlook for 2019

- 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 continue to be 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, 15 February 2019

Gerteric Lindquist  
Managing Director and CEO

#### NIBE Group

Key ratios		2018	2017	2016	2015	2014
Net sales	SEK m	22,516	19,009	15,348	13,243	11,033
Growth	%	18.5	23.9	15.9	20.0	12.2
of which acquired	%	6.0	19.5	12.6	9.5	5.7
Operating profit	SEK m	2,829	2,344	1,980	1,700	1,385
Operating margin	%	12.6	12.3	12.9	12.8	12.6
Profit after net financial items	SEK m	2,667	2,182	1,871	1,614	1,292
Profit margin	%	11.8	11.5	12.2	12.2	11.7
Equity ratio	%	47.7	45.8	46.6	39.9	36.2
Return on equity	%	14.8	13.7	14.9	18.0	16.6

#### Sales

Group net sales totalled SEK 22,516 million (SEK 19,009 million). This corresponds to growth of 18.5%, of which 12.5% was organic. The weakening of the Swedish krona during the year had a positive effect on organic growth. Acquired operations accounted for SEK 1,146 million of the total SEK 3,507 million increase in sales.

#### Earnings

Profit for the year after net financial items was SEK 2,667 million. This equates to a 22.2% increase in earnings compared with 2017, when profit after net financial items amounted to SEK 2,182 million. Profit for the year was charged with acquisition expenses of SEK 15 million (SEK 34 million). Return on equity was 14.8% (13.7%).

#### 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.

Alfa Laval's business for district heating/cooling systems (Cet-therm) was 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 Tur-

key and Serbia. Operations consist partly of production of coupling systems for fluids. Sales are approximately SEK 140 million, with an operating margin of over 10%. After approval by the Turkish competition authority, operations were consolidated into the NIBE Element business area as from December 2018. NIBE has an option to acquire a further 29% of shares in 2025. The acquisition value is still provisional.

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 year, the Group made investments totalling SEK 2,479 million (SEK 2,026 million). A total of SEK 1,703 million (SEK 1,490 million) of the investments relates to acquisitions of operations. The remaining SEK 776 million (SEK 536 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

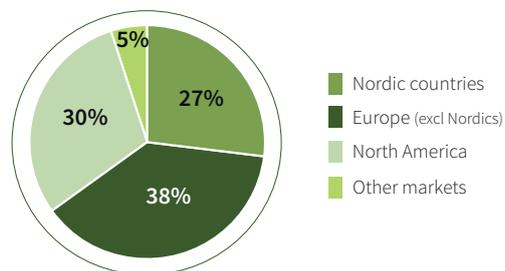
Cash flow from operating activities before changes in working capital amounted to SEK 2,651 million (SEK 2,307 million). Cash flow after changes in working capital amounted to SEK 1,887 million (SEK 2,123 million).

Interest-bearing liabilities at year-end amounted to SEK 9,239 million compared with SEK 8,976 million at the start of the year. At the end of the year the Group had cash and cash equivalents of SEK 3,562 million as against SEK 3,803 million at the start of the year. The equity/assets ratio at the end of the year was 47.7%, compared with 45.8% at the start of the year.

### Parent

Parent activities comprise Group executive management functions, certain shared Group functions and financing. Sales for the period totalled SEK 14 million (SEK 9 million) and profit after financial items was SEK 533 million (SEK 303 million). The wholly owned subsidiary NIBE Energy Systems WFE AB was merged with the Parent during the year.

### Group sales by geographical region

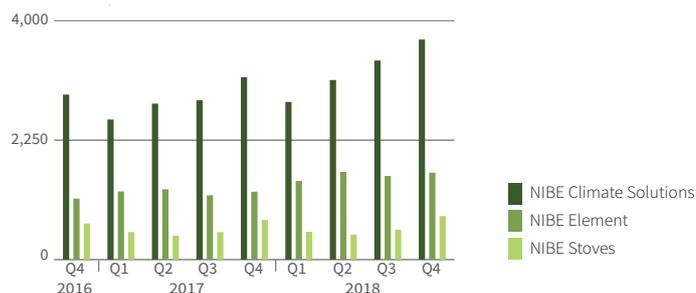


## Business area trends

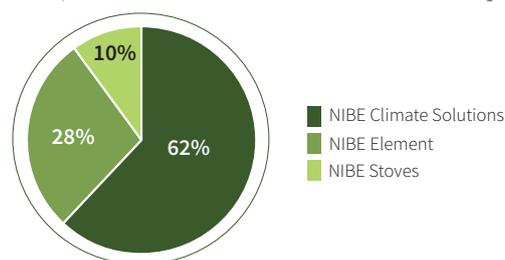
### Quarterly data

Consolidated income statements (SEK m)	2018				2017				2016
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q4
Net sales	4,862	5,371	5,785	6,498	4,370	4,639	4,644	5,356	4,870
Operating expenses	-4,365	-4,739	-4,990	-5,593	-3,944	-4,110	-3,981	-4,630	-4,203
<b>Operating profit</b>	<b>497</b>	<b>632</b>	<b>795</b>	<b>905</b>	<b>426</b>	<b>529</b>	<b>663</b>	<b>726</b>	<b>667</b>
Net financial items	-54	-44	-36	-28	-30	-48	-51	-33	-13
<b>Profit after net financial items</b>	<b>443</b>	<b>588</b>	<b>759</b>	<b>877</b>	<b>396</b>	<b>481</b>	<b>612</b>	<b>693</b>	<b>654</b>
Tax	-107	-148	-152	-188	-103	-123	-130	-123	-176
<b>Net profit</b>	<b>336</b>	<b>440</b>	<b>607</b>	<b>689</b>	<b>293</b>	<b>358</b>	<b>482</b>	<b>570</b>	<b>478</b>
<b>Net sales, business areas</b>									
NIBE Climate Solutions	2,971	3,384	3,752	4,147	2,640	2,940	3,003	3,437	3,110
NIBE Element	1,483	1,652	1,576	1,638	1,285	1,325	1,212	1,280	1,149
NIBE Stoves	524	471	563	821	520	451	517	748	680
Elimination of Group transactions	-116	-136	-106	-108	-75	-77	-88	-109	-69
<b>Group total</b>	<b>4,862</b>	<b>5,371</b>	<b>5,785</b>	<b>6,498</b>	<b>4,370</b>	<b>4,639</b>	<b>4,644</b>	<b>5,356</b>	<b>4,870</b>
<b>Operating profit per business area</b>									
NIBE Climate Solutions	308	436	590	628	256	356	460	523	466
NIBE Element	154	198	164	134	142	158	149	114	109
NIBE Stoves	45	23	59	138	45	31	69	130	121
Elimination of Group transactions	-10	-25	-18	5	-17	-16	-15	-41	-29
<b>Group total</b>	<b>497</b>	<b>632</b>	<b>795</b>	<b>905</b>	<b>426</b>	<b>529</b>	<b>663</b>	<b>726</b>	<b>667</b>

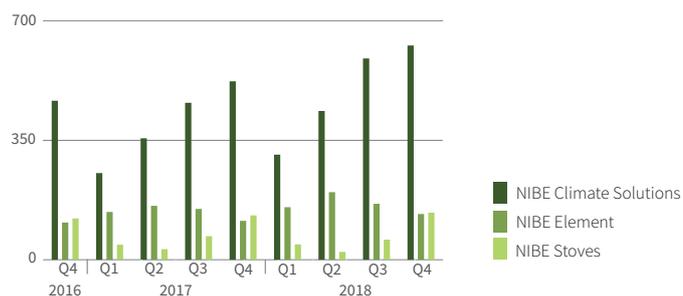
Sales per business area, last nine quarters (SEK million)



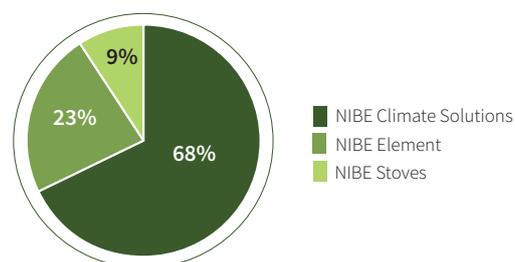
Each business area's share of total sales (Q1-Q4 2018)



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



Each business area's share of total profit (Q1-Q4 2018)



# NIBE Climate Solutions business area

## Sales and profit

Sales amounted to SEK 14,255 million, compared with SEK 12,020 million for 2017. Of the increase in sales of SEK 2,235 million, acquired sales accounted for SEK 325 million, which means that organic growth was 15.9%.

Operating profit for the year totalled SEK 1,962 million, compared with SEK 1,595 million the previous year. This equates to an operating margin of 13.8% compared with 13.3% for the previous year.

## The year in brief

In 2018, we reinforced our international market position and took a clear initiative on climate issues with our sustainable solutions for indoor climate comfort in all types of property. In our major marketing initiatives in both Europe and North America, we purposefully strengthened our profile as a full-service supplier of energy-efficient, eco-friendly, intelligent product solutions for indoor climate comfort that accelerate conversion to renewable energy. NIBE Climate Solutions is also actively involved in continuously informing decision-making politicians in the EU and in North America about the still relatively unknown heat pump technology and its use of stored renewable solar energy.

On the North American market, the reintroduction of state subsidies for the installation of geothermal heat pumps in single-family houses in the US was crucial to the positive market trend during the year. The market decline in 2017 was a direct consequence of the removal of the subsidies. To reduce dependence on state subsidies and boost market expansion in North America in the long term, we have decided to invest significant resources in a long-term consumer campaign to raise awareness of geothermal heat pumps as a sustainable solution for climate control in single-family houses.

The market for climate control products designed for commercial properties continued to grow in both North America and Europe. With Climate Control Group, which was acquired in 2016, along with our other operations, we are well established in this area in North America. Investment in the commercial segment in Europe was intensified during the year. With the acquisition of the remaining shares in the Italian ventilation and air conditioning company Rhoss, we now have a wholly owned subsidiary that will represent the platform for our commercial initiatives in Europe. On the Swedish market, a separate sales organisation with expertise in climate control of large properties has been established.

With the acquisition of Alfa Laval's business for district heating/cooling systems, we have gained access to a high-quality product range under the well-known brands Cetetherm and Uranus. The products are a good addition to our operations and we also see potential in investing in 'cold district heating networks' in which the products can be combined with our existing heat pump range, yet another sustainable climate control solution that we can offer in densely built-up areas.

## NIBE Climate Solutions

### Key ratios

		2018	2017	2016	2015	2014
Net sales	SEK m	14,255	12,020	9,588	8,031	6,507
Growth	%	18.6	25.4	19.4	23.4	13.4
of which acquired	%	2.7	21.9	14.6	13.9	8.2
Operating profit	SEK m	1,962	1,595	1,396	1,209	984
Operating margin	%	13.8	13.3	14.6	15.1	15.1
Assets	SEK m	20,637	18,707	18,103	13,107	12,512
Liabilities	SEK m	2,463	2,603	2,357	1,468	1,361
Investments in non-current assets	SEK m	404	322	239	232	208
Depreciation	SEK m	448	425	362	311	249

On the Western European market, there is growing interest among political decision-makers in several countries in tackling global environmental and climate challenges. This has helped spur the market expansion for heat pumps forward. The governments in countries such as the United Kingdom, the Netherlands and Norway have, in various ways, highlighted their countries' ambitions to phase out oil and gas for heating in the long term. The aim is to lower harmful carbon dioxide emissions from combustion and thus improve the environment. On the large German market, the proportion of heat pumps being installed in new buildings is now higher than the proportion of gas-fired boilers, which must be considered a new trend on a market that has long been dominated by gas. We have reinforced our market position in Western Europe, which has also affected our organic growth.

Market growth in Eastern Europe also remained strong during the year. We have experienced growth in and strengthened our market position for product concepts for indoor climate comfort, primarily heat pumps and water heaters, particularly in Poland, the Czech Republic and the Baltic states.

The positive market growth for heat pumps on the Swedish domestic market has continued. The replacement market is growing above all, while the market for new builds of single-family houses decreased slightly. Demand for energy-efficient product solutions and systems for larger properties also rose. We continue to defend our strong market position and are actively involved as a referral body for Boverket, the National Board of Housing, Building and Planning. Their proposed limit values continue to favour the use of heat pumps and, as a further step towards zero energy buildings, we can also offer solar panels in combination with heat pumps.

As far as traditional electric water heaters and district heating products are concerned, demand from the Nordic and European markets has remained relatively stable, while sales of pellet-fired products and conventional domestic boilers were relatively weak,



*Bell Canada in Montreal, Canada's biggest telecommunications company, chose CGC's Bulldog brand for its installation of heat pumps for climate control of 100,000 square metres of office space. With our other operations, we are now well established on the market for commercial properties, a market which has continued to grow both in North America and in Europe. Major investments were made in the European commercial segment during the year.*

except for the Danish market. Stricter energy-saving requirements in Europe entail stricter requirements for product insulation and control, which we already meet thanks to our focus on product development. The market for heat pumps designed for only heating tap water is growing, and this is an area in which we are well positioned.

Our production capacity and delivery capacity were fully able to meet market expectations despite relatively high-volume growth on the European market. In North America, there was an increase in production capacity during the year to meet the growing demand for geothermal heat pumps for single-family homes.

The integration of the European Enertech Group is going as planned and its main business, the Swedish company CTC, has now, after the synergy efficiency enhancement programme was implemented, achieved the first interim target for the operating margin, which was set at the time of acquisition.

The EU F-gas Regulation has affected the entire European heat pump industry. Intensive product development is in progress to convert most of our products to more environmentally friendly refrigerants that meet the requirements for retaining efficiency, quality and service life. After dramatic price increases for refrigerants at the start of the year, prices stabilised slightly towards the end of the year.

We also note that our internal quality control work, which has been a top priority, has continued to result in further improved product quality. With ongoing cost efficiency measures in both production and in other operations, we have been able to improve our underlying operating margin, which was already good.

# NIBE Element business area

## Sales and profit

Sales amounted to SEK 6,349 million, compared with SEK 5,102 million for 2017. Of the increase in sales of SEK 1,247 million, acquired sales accounted for SEK 780 million, which means that organic growth was 9.1%. It is worth mentioning that the previous year's sales were positively affected by a few large project orders.

Operating profit for the year totalled SEK 650 million, compared with SEK 563 million the previous year. This equates to an operating margin of 10.2% compared with 11.0% for the previous year.

## The year in brief

In 2018, we continued to realise our strategy and objective of becoming a global supplier of components and solutions for intelligent heating and control. This was achieved through both acquisitions and organic growth. By means of structural measures and consistent efforts to systematically improve productivity, we have created competitive units in their respective market segments. This resulted in us once again achieving our long-term target of an operating margin of at least 10% in 2018.

Acquisitions completed in recent years have developed as planned and, to generate further conditions for continued profitable international growth, several acquisitions were also made in 2018. In our efforts to be one of the market leaders on the industrial market in North America, the year began with the acquisition of BriskHeat in the US, the world leader in its segment, focusing on cloth heating jackets, primarily for the semiconductor industry but also for laboratories and research equipment. Right after that, through the acquisition of the small companies Hemi Heating in Sweden and Cellnergy in Singapore, both of which operate in the same area, we have established ourselves as one of the world's leading companies in this interesting market segment.

In early autumn, NIBE acquired the Czech industrial company Elektron Etto, further reinforcing our market position on the interesting industrial market in the Czech Republic and Slovakia. Later in the autumn, NIBE acquired the EMIN Group, which operates in Turkey and Serbia. The products are primarily coupling systems for fluids and are an excellent supplement to the business area's range in the HVAC field. As a result of the acquisition, we are now established in two more interesting countries for low-cost production.

To provide the stability to maintain our operating margin target of 10%, we have continued to change and improve our units' focus and operations. At the same time as we have implemented traditional action programmes related to production, further investments have been made in automation and robotisation. These



Backer Calesco's new factory in Vietnam boosts competitiveness and production capacity for our manufacture of foil elements for the automotive industry.

## NIBE Element

Key ratios		2018	2017	2016	2015	2014
Net sales	SEK m	6,349	5,102	4,252	3,758	3,193
Growth	%	24.4	20.0	13.1	17.7	13.2
of which acquired	%	15.3	10.5	9.9	4.4	2.0
Operating profit	SEK m	650	563	473	342	280
Operating margin	%	10.2	11.0	11.1	9.1	8.8
Assets	SEK m	7,655	5,916	4,294	3,360	3,122
Liabilities	SEK m	1,177	943	828	738	632
Investments in non-current assets	SEK m	214	164	125	118	87
Depreciation	SEK m	166	139	122	114	98

measures are also being taken in our low-cost units to balance higher staff costs, staff turnover and staff shortages, and to attract more qualified employees to our type of industry.

At the start of the year, we opened our new foil elements factory for the automotive industry in Vietnam. This plant boosts our competitiveness and capacity in this interesting segment and gives us additional flexibility. Two industrial companies in the UK and US have moved into modern new premises, laying the foundation for an increase in both productivity and capacity in 2019. In Finland, we have established a new unit for the manufacture of heat exchangers. This will improve our competitiveness in this product segment considerably.

Overall, the international element market grew during the year, but with variation between market segments. The domestic appliance industry and commercial products grew slightly during the year. With effective volume production located in several competitive countries, we have good potential to meet global customers' demand for high-quality products at competitive prices.

Market segments linked to saving energy and sustainable development continued to grow well during the year. We have also launched innovative new products in this area, contributing to good growth.

Although the automotive industry has experienced reduced demand in certain traditional product segments, the pace of development is high in terms of greater sustainability and environmental friendliness. This applies to both cars and commercial vehicles. The growing trend towards electric vehicles offers a wealth of new applications for our technologies and products. There was continued good growth in the market for rail-based transport, for both infrastructure and vehicles.

The increase in electrification is also boosting demand for sustainable generation and distribution of electricity, contributing to continued good growth for the resistor product segment. Our strategy to increase our added value by also supplying intelligent controls for our products developed well during the year, particularly in relation to inverter controls for the HVAC industry.

Raw material prices and exchange rates have remained volatile, which is having a considerable effect on pricing and competitiveness. In this situation, having a global presence with production units in different currency zones gives us a clear advantage. Dramatic price increases for some input materials meant that we were also forced to increase our own prices in several market segments.

# NIBE Stoves business area

## Sales and profit

Sales amounted to SEK 2,379 million, compared with SEK 2,236 million for 2017. Of the increase in sales of SEK 143 million, acquired sales accounted for SEK 42 million, which means that organic growth was 4.5%.

Operating profit for the year totalled SEK 265 million, compared with SEK 275 million the previous year. This equates to an operating margin of 11.2% compared with 12.3% for the previous year.

## The year in brief

The trend in 2018 was for generally weaker demand for stove products in Europe, but with variation between product segments and markets. With a broad range of products and well-developed retailer networks for our strong brands, we were able to increase sales and market share on all main markets despite difficult market conditions.

Demand in North America for stove products increased in 2018, which may be due to a generally positive economic situation. Gas-fired products dominate the market and the trend is towards products with highly visible flames and low heat output. Our Regency brand offers an attractive range of such products. Demand for traditional wood-burning products, which are sold almost exclusively in central and northern North America, was stable.

We are continuously launching new products in all companies. In 2018, one of the higher profile new products was a brand-new stove concept under the Nordpeis brand, one of the leading suppliers on the Norwegian market. The model series is called 'ME' and has a brand-new, fresh design with many combination options. It has been very positively received on all our main markets.

In July, NIBE acquired the British company Evonic Fires, one of the fastest growing brands in electric stoves in the UK. The acquisition has given us a business focusing fully on electric stoves in a clearly growing market both in the UK and elsewhere.

Demand in Europe for wood-burning products decreased generally on most markets, while products for gas and pellets continued to experience growth in demand, particularly in the markets in which they traditionally have a strong presence.

In the Nordic region, which continues to account for a considerable part of the business area, demand for stove products varied. In Sweden, the market declined despite a high level of construction and a generally good economic climate. Investments in housing are increasingly competing with other durable goods and experiences. The Danish market was also weaker but is expected to

## NIBE Stoves

### Key ratios

		2018	2017	2016	2015	2014
Net sales	SEK m	2,379	2,236	1,766	1,652	1,483
Growth	%	6.4	26.6	6.9	11.4	6.3
of which acquired	%	1.9	25.0	7.3	0.0	2.9
Operating profit	SEK m	265	275	223	206	180
Operating margin	%	11.2	12.3	12.7	12.5	12.1
Assets	SEK m	3,304	2,958	3,274	1,814	1,768
Liabilities	SEK m	407	364	387	265	249
Investments in non-current assets	SEK m	80	48	42	34	18
Depreciation	SEK m	77	77	59	56	55

recover as the authorities have decided to reintroduce subsidies to stimulate the decommissioning of old stoves. Replacing old products that have poor combustion technology with products that have modern technology and lower emissions is an efficient way of rapidly improving air quality. Demand for stove products in Norway increased. Interest in stoves and the well-being they generate, combined with Norwegian consumers' high awareness of the fact that a stove is an alternative heat source, for example in a power cut, is stimulating demand.

The markets for wood-burning stove products in Germany and the UK continue to grow slowly. More widespread discussion of wood burning and the unusually mild autumn weather are factors that had a negative impact on demand in the autumn. Demand in France, however, was relatively good compared with recent years and demand for pellet-fired products grew significantly. Products with a traditional French design are declining, while more minimalist products with a modern design are gaining ground on the large French stove market.

Demand for gas-fired products in the UK continued to grow. Our British brand Gazco has a full range of gas-fired products and a strong position in the market. To meet the increased demand, we gradually increased production capacity in our British production facility.

Although our products meet the future Ecodesign requirements, which will be introduced in 2022, our sustainability requirements are much stricter. We invest heavily in development to ensure that we meet the requirements of the consumers of the future for high combustion efficiency and low emission levels, and we see this as a natural task for us as the market leader.

We have continued to invest in productivity-boosting measures in production facilities and work constantly to enhance the cost efficiency of our operations. Long-term investments, primarily in product development and marketing, had a negative impact on the operating margin, while the price increases introduced did not fully compensate for the increases in material prices during the first half of the year.



*The Norwegian company Nordpeis has launched a round stove in several different models, including one suspended from the ceiling and another on a glass stand. The stove is a success, and the design, based on a simple circle, is both timeless and innovative.*

## Income Statement summaries

(SEK m)	Group				Parent	
	Q4 2018	Q4 2017	2018	2017	2018	2017
Net sales	6,498	5,356	22,516	19,009	14	9
Cost of goods sold	- 4,328	- 3,479	- 15,054	- 12,446	0	0
<b>Gross profit</b>	<b>2,170</b>	<b>1,877</b>	<b>7,462</b>	<b>6,563</b>	<b>14</b>	<b>9</b>
Selling expenses	- 944	- 852	- 3,432	- 3,140	0	0
Administrative expenses	- 400	- 345	- 1,453	- 1,240	- 71	- 54
Other operating revenue	79	46	252	161	0	0
<b>Operating profit</b>	<b>905</b>	<b>726</b>	<b>2,829</b>	<b>2,344</b>	<b>- 57</b>	<b>- 45</b>
Net financial items	- 28	- 33	- 162	- 162	590	348
<b>Profit after net financial items</b>	<b>877</b>	<b>693</b>	<b>2,667</b>	<b>2,182</b>	<b>533</b>	<b>303</b>
Appropriations	0	0	0	0	107	90
Tax	- 188	- 123	- 595	- 479	- 6	0
<b>Net profit</b>	<b>689</b>	<b>570</b>	<b>2,072</b>	<b>1,703</b>	<b>634</b>	<b>393</b>
Net profit attributable to Parent shareholders	691	570	2,074	1,703	634	393
Net profit attributable to non-controlling interest	- 2	0	- 2	0	0	0
<b>Net profit</b>	<b>689</b>	<b>570</b>	<b>2,072</b>	<b>1,703</b>	<b>634</b>	<b>393</b>
Includes depreciation according to plan as follows:	173	145	691	640	0	0
Net profit per share before and after dilution in SEK	1.37	1.13	4.11	3.38		

## Statement of comprehensive income

<b>Net profit</b>	<b>689</b>	<b>570</b>	<b>2,072</b>	<b>1,703</b>	<b>634</b>	<b>393</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	40	41	40	41	0	0
Tax	- 9	- 9	- 9	- 9	0	0
	<b>31</b>	<b>32</b>	<b>31</b>	<b>32</b>	<b>0</b>	<b>0</b>
<b>Items that may be reclassified to profit or loss</b>						
Cash flow hedges	- 1	- 9	1	3	0	0
Hedge of net investment	10	- 17	- 59	59	0	0
Exchange differences	5	306	1,153	- 742	0	0
Tax	- 16	- 8	- 73	67	0	0
	<b>- 2</b>	<b>272</b>	<b>1,022</b>	<b>- 613</b>	<b>0</b>	<b>0</b>
<b>Total other comprehensive income</b>	<b>29</b>	<b>304</b>	<b>1,053</b>	<b>- 581</b>	<b>0</b>	<b>0</b>
<b>Total comprehensive income</b>	<b>718</b>	<b>874</b>	<b>3,125</b>	<b>1,122</b>	<b>634</b>	<b>393</b>
Comprehensive income attributable to Parent shareholders	721	874	3,128	1,122	634	393
Comprehensive income attributable to non-controlling interest	- 3	0	- 3	0	0	0
<b>Total comprehensive income</b>	<b>718</b>	<b>874</b>	<b>3,125</b>	<b>1,122</b>	<b>634</b>	<b>393</b>

## Balance sheet in summary

(SEK m)	Group		Parent	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Intangible assets	17,029	14,744	0	0
Property, plant and equipment	3,410	3,043	0	0
Financial assets	589	331	14,224	12,781
<b>Total non-current assets</b>	<b>21,028</b>	<b>18,118</b>	<b>14,224</b>	<b>12,781</b>
Inventories	4,106	3,247	0	0
Current receivables	3,968	3,203	158	323
Current investments	166	90	0	0
Cash and bank balances	3,023	3,332	51	0
<b>Total current assets</b>	<b>11,263</b>	<b>9,872</b>	<b>209</b>	<b>323</b>
<b>Total assets</b>	<b>32,291</b>	<b>27,990</b>	<b>14,433</b>	<b>13,104</b>
Equity	15,421	12,807	7,761	7,652
Non-current liabilities and provisions, non-interest-bearing	3,972	2,859	319	219
Non-current liabilities and provisions, interest-bearing	7,357	6,960	5,360	5,016
Current liabilities and provisions, non-interest-bearing	3,659	3,348	93	217
Current liabilities and provisions, interest-bearing	1,882	2,016	900	0
<b>Total equity and liabilities</b>	<b>32,291</b>	<b>27,990</b>	<b>14,433</b>	<b>13,104</b>

## Key ratios

		2018	2017	2016	2015	2014
Growth	%	18.5	23.9	15.9	20.0	12.2
Operating margin	%	12.6	12.3	12.9	12.8	12.6
Profit margin	%	11.8	11.5	12.2	12.2	11.7
Investments in non-current assets	SEK m	2,479	2,026	5,156	531	3,098
Cash and cash equivalents	SEK m	3,562	3,803	2,926	2,195	2,735
Working capital, incl. cash and bank balances as share of net sales	SEK m	7,604	6,524	5,503	3,522	4,084
	%	33.8	34.3	35.9	26.6	37.0
Working capital, excluding cash and bank balances as share of net sales	SEK m	4,416	3,102	3,001	1,727	2,103
	%	19.6	16.3	19.6	13.0	19.1
Interest-bearing liabilities/Equity	%	60.0	70.1	70.4	98.0	119.7
Equity ratio	%	47.7	45.8	46.6	39.9	36.2
Return on capital employed	%	13.0	11.5	11.8	12.1	12.1
Return on equity	%	14.8	13.7	14.9	18.0	16.6
Net debt/EBITDA	times	1.7	1.9	2.4	2.5	3.3
Interest coverage ratio	times	8.8	9.6	9.6	12.3	7.6

## Data per share

		2018	2017	2016	2015	2014
Net profit per share (total 504,016,622 shares)	SEK	4.11	3.38	2.93	2.67	2.12
Equity per share	SEK	30.57	25.41	24.06	16.06	14.19
Closing day share price	SEK	90.92	78.60	71.80	67.83	47.90

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%.

## Statement of cash flow – summaries

(SEK m)	2018	2017
Cash flow from operating activities	2,652	2,307
Change in working capital	- 764	- 184
Investing activities	- 1,778	- 1,358
Financing activities	- 500	259
Exchange difference in cash and cash equivalents	157	- 104
<b>Change in cash and cash equivalents</b>	<b>- 233</b>	<b>920</b>

## Change in equity – summaries

(SEK m)	2018	2017
Opening equity	12,807	12,129
Shareholders' dividend	- 529	- 444
Dividend to non-controlling interest	- 1	0
Change in non-controlling interest	19	0
Comprehensive income for the period	3,125	1,122
<b>Closing equity</b>	<b>15,421</b>	<b>12,807</b>

## Group sales by geographical region

(SEK m)	NIBE Climate Solutions	NIBE Element	NIBE Stoves	Elimi- nation	Total
Nordic countries	4,742	1,095	632	- 311	6,158
Europe (excl. Nordics)	5,352	2,155	1,148	- 138	8,517
North America	3,992	2,345	508	- 16	6,829
Other countries	168	754	91	- 1	1,012
<b>Total</b>	<b>14,254</b>	<b>6,349</b>	<b>2,379</b>	<b>- 466</b>	<b>22,516</b>

## Time of accounting for sales

(SEK m)	NIBE Climate Solutions	NIBE Element	NIBE Stoves	Elimina- tion	Total
Shipments taken up as income once	14,049	6,349	2,379	- 466	22,311
Shipments taken up as income gradually	205	0	0	0	205
<b>Total</b>	<b>14,254</b>	<b>6,349</b>	<b>2,379</b>	<b>- 466</b>	<b>22,516</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.

## Financial instruments recognised at fair value

(SEK m)	31 Dec 2018	31 Dec 2017
<b>Current receivables</b>		
Currency futures	4	0
Commodity futures	0	6
<b>Total</b>	<b>4</b>	<b>6</b>
<b>Financial assets</b>		
Interest rate derivatives	13	18
<b>Current liabilities and provisions, non-interest-bearing</b>		
Currency futures	0	5
Commodity futures	2	0
<b>Total</b>	<b>2</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.

## 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)	2018	2017
Acquisition of non-current assets	2,493	2,058
Disposal of non-current assets	- 14	- 32
<b>Net investments in non-current assets</b>	<b>2,479</b>	<b>2,026</b>

### Working capital, including cash and bank balances

(SEK m)	2018	2017
Total current assets	11,263	9,872
Current liabilities and provisions, non-interest-bearing	- 3,659	- 3,348
<b>Working capital, including cash and bank balances</b>	<b>7,604</b>	<b>6,524</b>
Net sales in the past 12 months	22,516	19,009
<b>Working capital, including cash and bank balances, in relation to net sales, %</b>	<b>33.8</b>	<b>34.3</b>

### Return on capital employed

(SEK m)	2018	2017
Profit after net financial items in the past 12 months	2,667	2,182
Financial expenses in the past 12 months	341	255
Profit before financial expenses	3,008	2,437
Capital employed at start of period	21,783	20,665
Capital employed at end of period	24,660	21,783
Average capital employed	23,221	21,224
<b>Return on capital employed, %</b>	<b>13.0</b>	<b>11.5</b>

### Net debt/EBITDA

(SEK m)	2018	2017
Non-current liabilities and provisions, interest-bearing	7,357	6,960
Current liabilities and provisions, interest-bearing	1,882	2,016
Cash and bank balances	- 3,023	- 3,332
Current investments	- 166	- 90
Net debt	6,050	5,554
Operating profit in the past 12 months	2,829	2,344
Depreciation and impairment in the past 12 months	691	640
EBITDA	3,520	2,984
<b>Net debt/EBITDA, times</b>	<b>1.7</b>	<b>1.9</b>

### Cash and cash equivalents

(SEK m)	2018	2017
Cash and bank balances	3,023	3,332
Current investments	166	90
Unutilised overdraft facilities	373	381
<b>Cash and cash equivalents</b>	<b>3,562</b>	<b>3,803</b>

### Working capital, excluding cash and bank balances

(SEK m)	2018	2017
Inventories	4,106	3,247
Current receivables	3,968	3,203
Current liabilities and provisions, non-interest-bearing	- 3,659	- 3,348
<b>Working capital, excluding cash and bank balances</b>	<b>4,415</b>	<b>3,102</b>
Net sales in the past 12 months	22,516	19,009
<b>Working capital, excluding cash and bank balances, in relation to net sales, %</b>	<b>19.6</b>	<b>16.3</b>

### Return on equity

(SEK m)	2018	2017
Profit after net financial items in the past 12 months	2,667	2,182
Standard rate tax, %	22.0	22.0
Profit after net financial items, after tax	2,080	1,702
Equity at start of period	12,807	12,129
Equity at end of period	15,406	12,807
Average equity	14,107	12,468
<b>Return on equity, %</b>	<b>14.8</b>	<b>13.7</b>

### Interest coverage ratio

(SEK m)	2018	2017
Profit after net financial items	2,667	2,182
Financial expenses	341	255
<b>Interest coverage ratio, times</b>	<b>8.8</b>	<b>9.6</b>

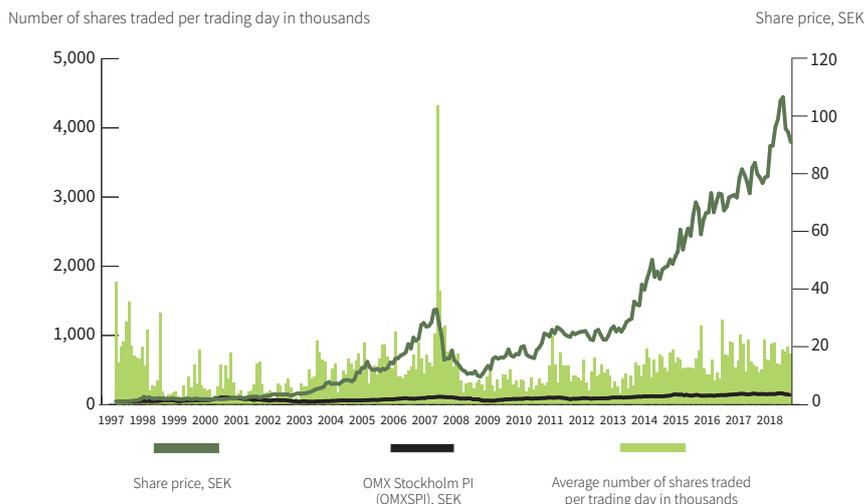
## NIBE shares

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 at 31 December 2018 was SEK 90.92.

In 2018, NIBE's share price rose by 15.7%, from SEK 78.60 to SEK 90.92. During the same period, the OMX Stockholm PI (OMXSPI) decreased by 7.7%.

This means that, at the end of December 2018, the market capitalisation of NIBE, based on the latest price paid, amounted to SEK 45,825 million.

A total of 181,816,664 NIBE shares were traded, which corresponds to a share turnover of 36.1% for 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 the International Financial Reporting Standards (IFRS). NIBE Industrier's year-end report for 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. Depreciation/amortisation must be recognised in the income statement separately from interest expenses attributable to the lease liability. NIBE is currently carrying out a project to prepare for the application of IFRS 16 within the Group. At present, how-

ever, there is insufficient documentation to quantify the effect of IFRS 16. In the transition to the new standard, NIBE has chosen to apply the modified retroactive approach with the option of, on 1 January 2019, recognising the right-of-use assets at an amount equivalent to the lease liability at the time, but adjusted for any prepaid or accrued lease payments. The selected transition method means that comparative periods are not recalculated. The new standard is expected to increase the Group's assets and interest-bearing liabilities by approximately SEK 840 million, of which just over SEK 200 million is expected to be short-term. No material effect on consolidated earnings before tax is expected.

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 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, 15 February 2019



Hans Linnarson  
Chairman of the Board



Georg Brunstam  
Director



Anders Pålsson  
Director



Helene Richmond  
Director



Jenny Sjödahl  
Director



Gerteric Lundquist  
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 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 16,900 (14,300) 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 22 (19) billion in 2018.

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 year-end report. This information was made available to the media for publication at 08:00 (C.E.T.) on 15 February 2019.

Please email any questions you have about this report to:  
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**NIBE**

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