NIBE

– world-class solutions in sustainable energy

Annual Report 2017

NIBE creates world-class solutions in sustainable energy

Contents

Calendar

16 May 2018
Interim Report 1, January – March 2018
Annual General Meeting, Markaryd, Sweden, 17:00

17 August 2018
Interim Report 2, January – June 2018

16 November 2018
Interim Report 3, January – September 2018

2017 in brief

NIBE

A continued high rate of acquisitions boosts business

Several acquisitions in 2017 kept the rate of acquisition high, primarily in North America and Europe. Acquisitions added total annual sales of just over SEK 1.7 billion to the Group, of which just under SEK 1.1 billion impacted 2017 sales.

NIBE Climate Solutions

Enertech Group in the UK, which has several well-known brands such as the Swedish heat pump manufacturer CTC, has sales of just over SEK 800 million.

The CGC Group of Companies in Canada (50% of shares), which manufactures heat pumps for commercial properties, has sales of approximately SEK 120 million.

Tempeff North America Ltd in Canada (65% of shares), which manufactures ventilation products specially adapted to colder climates, has sales of approximately SEK 70 million.

Rhoss S.p.A. in Italy (45% of shares), which manufactures ventilation and air conditioning products, has sales of approximately SEK 670 million. Not consolidated in 2017.

NIBE Element

HT S.p.A. in Italy (80% of shares), which manufactures high-tech heating solutions, has sales of approximately SEK 220 million.

Gaumer Company Inc in the US (60% of shares), which manufactures electronic heating solutions in power generation, has sales of approximately SEK 200 million.

BriskHeat Corporation (60% of shares), the world leader in cloth heating jackets, has sales of approximately SEK 320 million (January 2018).

Financial ratios		2017	2016	2015	2014	2013
Net sales	SEK million	19,009	15,348	13,243	11,033	9,834
Growth	%	23.9	15.9	20.0	12.2	7.0
Operating profit	SEK million	2,344	1,980	1,700	1,385	1,179
Profit after net financial items	SEK million	2,182	1,871	1,614	1,292	1,117
Operating margin	%	12.3	12.9	12.8	12.6	12.0
Return on equity	%	13.7	14.9	18.0	16.6	16.7
Equity/assets ratio	%	45.8	46.6	39.9	36.2	43.0
Proportion of risk-bearing capital	%	49.2	50.7	44.5	40.8	47.2

Please refer to page 73 for definitions.

In addition to the acquisitions, 2017 was characterised by continued solid organic growth with good profitability, together ensuring good future growth.

SEK 19,009 million
in sales (SEK 15,348 million)

23.9%
growth (15.9%), of which 4.4% (3.3%) was organic

12.3%
operating margin (12.9%)

SEK 2,182 million
in profit after net financial items (SEK 1,871 million)

SEK 1,703 million
in profit after tax (SEK 1,376 million)

45.8%
equity/assets ratio (46.6%)

SEK 3.38
in earnings per share before and after dilution, based on average number of shares outstanding during the year (SEK 2.93)

SEK 1.05/share
in dividend proposed by the Board of Directors (SEK 0.88/share)

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

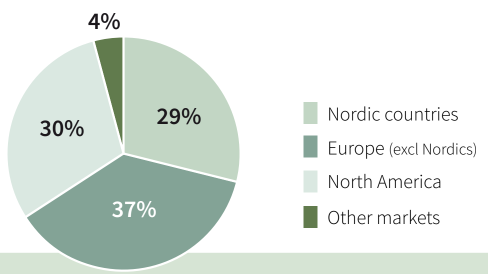
NIBE Group is a global organisation that contributes to a smaller carbon footprint and better utilisation of energy. In our three business areas – Climate Solutions, Element and Stoves – we develop, manufacture and market a wide range of eco-friendly, energy-efficient solutions for indoor climate comfort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

From its beginning in Markaryd, in the province Småland 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 Nordic Large Cap list since 1997, with a secondary listing on the SIX Swiss Exchange since 2011.

Sales, geographical distribution

SEK 19,009 million in sales, geographical distribution



NIBE adds value

in the home

NIBE helps reduce energy consumption in the home, giving our customers comfort, convenience and peace of mind. With intelligent world-class solutions in sustainable energy, we help make society more sustainable.

Find out more on page 24

in large properties

NIBE also heats, air-conditions and ventilates large properties with intelligent world-class energy solutions. The bigger the building, the more important it is to choose the right indoor comfort equipment in terms of reliability, cost and the climate.

Find out more on page 25

in the industry

NIBE is an important industrial partner for many companies in a range of sectors that require different components and solutions for intelligent heating and control.

Find out more on page 26

for a better climate

It is natural for NIBE and its products to play a key role in international ambitions to switch to a fossil-free society with lower energy consumption. At the same time, we are gradually reducing our own impact on the climate and the environment throughout our added-value chain.

Find out more on page 27

Focus on three core businesses

The wide range of the Group's products, marketed under many brand names, forms a platform for further expansion with profitability, both internationally and nationally.

NIBE Climate Solutions

Eco-friendly, intelligent and energy-efficient products for climate control, greater indoor climate comfort and hot water.

NIBE Climate Solutions offers a wide range of eco-friendly, intelligent, energy-efficient indoor climate comfort solutions, including heating, air conditioning, heat recovery and hot water for homes, apartment blocks and other large properties.

The climate impact of buildings is dramatically reduced with our products, with no reduction in comfort.

NIBE Element

An industrial partner with customised components and intelligent heating and control solutions that are focused on sustainability.

The NIBE Element product range comprises components and solutions for intelligent heating and control designed for both industrial and consumer products.

A common feature of most products is that they enhance energy efficiency, optimise energy consumption and help reduce our carbon footprint.

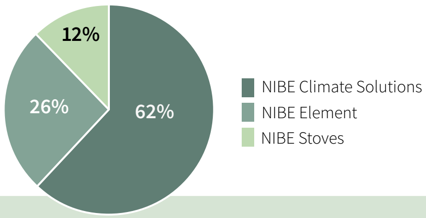
NIBE Stoves

Energy-efficient stoves for various heating needs and design requirements.

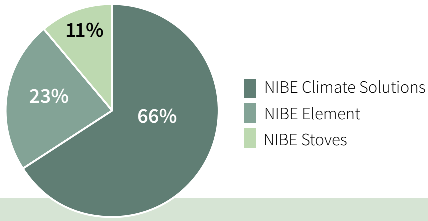
NIBE Stoves' product range comprises stoves of various sizes and designs to suit both houses and commercial properties. They are developed to achieve optimum environmental performance with high combustion efficiency and low particulate emissions.

Increasing the exchange of old stoves for new ones with modern technology quickly has a positive effect on the environment.

Business areas' shares of sales in 2017



Business areas' shares of operating profit in 2017



NIBE Climate Solutions

Intelligent indoor climate comfort solutions

Major development resources are being invested in the heat pump product segment in terms of technology, performance, quality and design. The heat pumps of today are both energy-efficient and eco-friendly and blend in well with their environment. Heat pumps can also be controlled digitally, which makes it even easier to control heat, ventilation and air conditioning locally or remotely.

Find out more on page 40

Ratios	2017	2016
Net sales	SEK 12,020 m	SEK 9,588 m
Growth	25.4%	19.4%
Operating profit	SEK 1,595 m	SEK 1,396 m
Operating margin	13.3%	14.6%
Average number of employees	5,379	4,075

NIBE Element

Energy efficiency always on the agenda

In global ambitions for sustainable development, there is a growing need to enhance energy efficiency in all areas. Through both our own product development and acquisitions of companies with innovative products, we are now able to offer a wide range of energy-efficient element products and intelligent system solutions based on several different technologies.

Find out more on page 48

Ratios	2017	2016
Net sales	SEK 5,102 m	SEK 4,252 m
Growth	20.0%	13.1%
Operating profit	SEK 563 m	SEK 473 m
Operating margin	11.0%	11.1%
Average number of employees	7,522	6,741

NIBE Stoves

Heating comfort with focus on Ecodesign

Our stoves have been developed into energy-efficient heat sources for various energy types and already meet the future requirements for eco-friendliness and efficiency in the Ecodesign Directive. As a stove is largely an interior design feature, we offer a wide range of models to suit all tastes and requirements.

Find out more on page 56

Ratios	2017	2016
Net sales	SEK 2,236 m	SEK 1,766 m
Growth	26.6%	6.9%
Operating profit	SEK 275 m	SEK 223 m
Operating margin	12.3%	12.7%
Average number of employees	1,362	1,045

A strong 2017 – the 20 billion target feels very close

Gerteric Lindquist, Managing Director & CEO

Another year of good growth

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

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

Group sales grew by 23.9% (15.9%) in 2017, including organic growth of 4.4% (3.3%). Currency effects were negligible for the year.

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

Strong growth for all three business areas

NIBE Climate Solutions

NIBE Climate Solutions' position as a comprehensive supplier of intelligent, sustainable climate control solutions for single-family homes remains strong and is estimated to have good growth potential. We are also focusing on becoming a leading comprehensive supplier of sustainable climate control solutions for commercial properties.

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

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

The business area's slightly weaker operating margin is due primarily to two circumstances: the two large, most recently acquired companies, have not yet achieved the target operating margin and the discontinuation of subsidies for the installation of heat pumps in single-family homes in the US has resulted in a considerable decline in sales in this market segment. Another factor is that we were not able to fully compensate for all material price increases during the year.

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

In early February, we were also pleased to learn that the US budget settlement means that US Geo Tax Credits will be reintroduced retroactively from 1 January 2017 and will apply until the end of 2021.

NIBE Element

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

The year also saw more strategically important acquisitions. With the acquisition of the Italian HT S.p.A., we are further consolidating our presence in the European industrial element sector. Just before year-end, we acquired the US Gaumer Company Inc., which reinforces our position on the North American market for process heating. The acquisition of BriskHeat Corporation, completed just after the 2017/18 year-end, gives the business area an entirely new product group in the form of cloth heating jackets, of which the company is a world leader.

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

> *“If we consider the conversion to sustainability that will take place worldwide, our opportunities seem almost infinite.*

NIBE Stoves

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

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

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

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

Level of investment reflects rate of growth

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

Investments are expected to increase further in 2018 and be roughly on the level of depreciations according to plan.

Good earnings performance

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

Profit after net financial items improved by 16.6% compared with the previous year. However, the profit margin fell slightly from last year's 12.2% to 11.5%.

Smooth succession at NIBE Climate Solutions

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

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

Good profitability, sustainability and a long-term approach – an unbeatable combination

Our business concept, which we have gradually developed over the years, is based on a few clearly formulated objectives (see pages 14-17) and has proven both successful and robust over time.

Parallel to this, awareness of the need to make the transition to a more sustainable, fossil-free society has increased exponentially.

Against this background, we are entirely confident about the future of the Group.

Now that our sales target of 20 billion is so very close, we have started to prepare for the next target, i.e. 40 billion. We launched this new target when we published the 2016 annual report, and our ambition is to achieve it preferably within four years and no more than seven years after we have reached 20 billion.

As usual, our expansion will be through both organic and acquired growth.

The traditional markets on which our three business areas operate present no obstacle at all to our future expansion.

If we also consider the conversion to sustainability that will take place worldwide, our opportunities seem almost infinite.

Our continued growth and success naturally depend ultimately on the willingness of all our employees, both today and in the future, to continue to accept, gladly and passionately, all the challenges that our company expansion entails, following our well-established guiding principles. If we succeed in this respect, we will continue to be unbeatable.

Outlook for 2018

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

Markaryd, Sweden – March 2018

Gerteric Lindquist
Managing Director and CEO

How NIBE adds value

We at NIBE work actively to create products and systems that are adapted to modern requirements for sustainable solutions. The aim is to increase energy efficiency and the proportion of renewable energy and thus create long-term value, both for our customers and for the climate. Like all international companies, we are affected by global trends that we constantly monitor and evaluate.

Driving forces and trends

Climate change – the greatest challenge of our age

One of the biggest challenges involved in achieving a global sustainable community is to reduce emissions of greenhouse gases and slow down the rate of climate change.

There is great international awareness of how climate change, which causes natural disasters and extreme weather conditions, is threatening our living conditions, biodiversity and social stability.

The international ambition is to reduce global warming to less than 2 degrees Celsius. This requires a reduction in greenhouse gas emissions of 70% by 2050 compared with the level in 2010, an annual reduction of 6.5%. Unfortunately, research indicates that even greater reductions in greenhouse gases are required to stop climate change.

Population growth and growing cities

According to the latest UN calculations, the population of the earth will have grown from approximately 7.5 billion today to almost 10 billion by 2050. Today, 55% of the world's population live in major cities and this figure is expected to increase to 70% by 2050.

Infrastructure and clean technology

As the population grows and is concentrated in cities, the infrastructure becomes overloaded and the demand for resources, above all energy, increases. Cities currently account for 75% of world energy consumption and nearly 80% of carbon dioxide emissions. Demand for technology that supports the switch from fossil fuels will grow and, as this technology becomes more available and the market grows, the prices will fall, contributing in turn to even greater demand.

Properties

All the buildings in the world currently account for around 40% of total energy use and around one third of global emissions of greenhouse gases, most of which when the buildings are in use. As buildings are used for many years, the energy-related product choices made today are important because they can affect the environment for several decades to come.

Globalisation

Population growth and urbanisation boost demand for the transportation of goods and people. The transport sector is regarded as one of the greatest challenges as it is responsible for a significant proportion of greenhouse gas emissions and energy consumption. A great deal of research and development are being carried out in energy optimisation and renewable energy. We believe that we are at the cutting edge of our industry.

Digitalisation

The increasing pace of digitalisation with the Internet of Things (IoT) is an important driver for future business, offering the potential for greater customer benefit, deeper customer relationships and new business opportunities. If the trend continues, 50 billion devices will be connected to the internet by 2020.

External factors

Apart from major global trends, there are several factors that directly affect our business development.

Demand for sustainable solutions

One of the very strongest driving forces behind our business is the growing demand for components, products and systems that enhance energy efficiency and are sustainable.

Economic trends

Economic trends affect willingness to invest in new products and solutions that enhance energy efficiency. In times of prosperity, it is, of course, easier to justify investments in new technology and improvements to reduced climate impact. In a recession, an energy-saving investment can always be justified as it lowers operating expenses for a long time into the future.

Energy prices

The cost of fossil-based energy generation often affects the choice of new investments in sustainable energy solutions. Low oil and gas prices are an inhibiting factor for new investments in solutions using renewable energy such as heat pumps, primarily in regions with a high level of gas-based heating systems.

Political stability

Political stability is worth striving for as it creates predictability. But we live in a world in which political stability is constantly challenged. As an international company, we are affected by the geopolitical situation and growing nationalism and protectionism in many countries, which may entail restrictions to free trade.
Growing interest among political decision-makers in various countries to accept global environmental and climate challenges is contributing to market expansion. At the same time, national economic policy instruments for switching to lower energy use and increasing the proportion of renewable energy are having a great impact on our markets. Sudden changes in these instruments create a volatile market with a risk of short-term decisions that do not promote sustainable development.

Financing

Access to capital and the cost of financing are affected by interest rates. There is now also a clear trend among most investors and lenders to assess companies from a sustainability perspective. The willingness to finance projects is directly proportional to our resources in implementing specific sustainability measures as well as the clarity of our long-term sustainability strategy.

Competition

NIBE's markets can generally be described as fragmented. Competition is primarily local and regional. As we become an increasingly important presence in the global climate control industry, we encounter new international players and must compete with them accordingly.

Influx of new expertise

The fast pace of technological development in renewable energy, energy conservation and requirements for strong environmental performance throughout the value chain in our industry mean that organisations must focus on technological expertise and innovation. We need to be an attractive employer so that we can attract the best talent and advance them within the company.

Our position

A large market with room for growth

NIBE has a strong market position in Europe and North America in all three of the Group's business areas. Our ambitious growth target is based on the great potential we continue to see for acquisition-driven growth on a global level.

The total market size for NIBE is significant and is currently estimated to be nearly SEK 600 billion. The biggest market is that for domestic heating/air conditioning and ventilation, the NIBE Climate Solutions market worth just over SEK 500 billion, followed by the NIBE Element market, worth just over SEK 50 billion, and the NIBE Stoves market, worth just over SEK 30 billion.

A healthy corporate culture

Our background in Småland, Sweden, with a long tradition of high productivity, good quality and efficient cost control, means that we have a trust-based, decentralised organisation that has great flexibility to successfully meet the new or varied demands and conditions of the market.

Our business focus will achieve our vision

By concertedly developing our product portfolio to enable us to make an active contribution to the switch to fossil-free technologies and higher energy efficiency, we have good opportunities to meet demand and achieve our vision – to create 'world-class solutions in sustainable energy'.

Our three business areas all have a market presence on several continents, and we consider that we have a strong position to continue our global growth with the presence we have on industrialised markets worldwide. At the same time, we are boosting our ability to meet demand on several continents, spread our business risks and create the conditions for further growth.

Well-proven acquisition methods

We have completed many acquisitions in the last quarter century and have used a well proven acquisition process for analysis, implementation and integration. As our markets are globally fragmented with many operators, we still have good potential for further acquisitions. Our acquisition-driven growth takes place within the framework of strong, healthy finances.

NIBE's operational control

Vision

Our vision is to create world-class solutions in sustainable energy.

Mission

Our mission is to offer the market high-quality, innovative, energy-efficient products and system solutions through our three business areas. This work builds on the NIBE Group's wide-ranging capabilities in product development, manufacturing and marketing.

Financial targets · page 14

%

10 Operating margin

20 Growth

20 Return on equity

30 Equity/assets ratio

Sustainability targets · page 16

%

55 LCE classification

0 Accidents

100 ISO certification

30 Energy use

Global goals · page 35

In line with its operational priorities and where it was considered possible to exert influence, NIBE has chosen to prioritise 6 of the 17 global development goals included in Agenda 2030.

Management philosophy

Our business principles are deeply rooted in eight fundamental ideas that constitute the foundation of all our operations and create the conditions for our continued success.

Our values are an important part of our management philosophy and our corporate culture and emphasise that we want to act as a responsible company in relation to the people near us, our external stakeholders and the environment. Our values are firmly rooted in our long and proud tradition of responsible entrepreneurship.

Find out more on page 18

Three core businesses

Our focus on world-class solutions in sustainable energy contributes to the global goal to reduce emissions of greenhouse gases into the atmosphere. This is a feature of all activities in all our three business areas. Our entire value chain, from vision to end customers, must be based on the principles of sustainability in our management philosophy.

Find out more on pages 40, 48 and 56

Strategic focus areas

To achieve our goals and targets, we focus on five tried and tested strategic areas based on our business principles:

- Increased market share
- Frequent product launches
- Cost control
- Flexible, efficient production
- Sustainability throughout the added-value chain

Find out more on page 20

Management and follow-up

Long-term profitable growth and sustainable value creation require professional, structured management and effective follow-up. We work with clear targets that are linked to both finances and sustainability and follow up on all levels of the organisation.

Find out more on page 14

Risk management

As a global supplier, we face both commercial opportunities and risks of various types. We define our risks and work systematically to minimise them.

Find out more on page 78

Corporate governance

Our objective is to create long-term confidence in our company by providing accurate information and being transparent.

Against this background, NIBE applies the Swedish Code of Corporate Governance (the Code) to its corporate governance.

Find out more on page 108

NIBE's responsibility

Our focus on world-class solutions in sustainable energy contributes to the global goal to reduce emissions of greenhouse gases into the atmosphere. Our entire value chain, from vision to end customers, must be based on the principles of sustainability in our management philosophy. We are responsible not only for the financial results of our operations but also for their social and environmental impact. NIBE's responsibility is the Group's framework for the sustainability work in four different areas:

• Responsibility in business • Responsibility for employees • Local social responsibility • Environmental responsibility

Find out more on page 28

NIBE's resources

Financial

- Working capital, including cash and bank balances SEK 6,524 million
- Investments in non-current assets SEK 2,058 million, of which acquisitions SEK 1,490 million

Operations

- 66 manufacturing units
- 37 sales offices
- 26 countries

Natural resources

- 139,000 tonnes of raw materials and inputs
- 357,300 m³ of water
- 0.2 TWh of energy (218 GWh)

Intellectual capital

- 14,300 employees
- more than 70 brands

Business relationships

- Customers
- 6,000 suppliers of direct materials
- 40,000 shareholders
- Lenders
- More than 50 local communities

NIBE's operations

Product development

Aggressive product development focused on innovation for sustainable development adds value for customers, society and the environment. Fossil-free technologies, higher energy efficiency and reduced impact on the environment are the factors guiding all product development.

Purchasing

Responsible purchasing subject to criteria for quality, ethical business principles and sustainability adds value for our suppliers, their employees and their subcontractors. Materials purchasing is coordinated within and between business areas if there are obvious benefits to be gained from joint purchasing.

Production

High productivity, efficient resource utilisation, minimum environmental impact and a good working environment add value in the form of optimum quality for both products and employees.

Sales

Honest marketing of sustainable products and solutions lays the foundations for customer satisfaction, long-term relationships and stable earnings. By arguing in favour of our sustainable products and solutions, we are also taking a clear initiative on climate issues.

Products in use

Our products add value for our customers year after year in the form of reduced energy costs, reduced climate impact and better functionality. This also means that customers contribute to the switch to a more sustainable future.

NIBE adds value

Stakeholders	Financial value	
Customers	Sales	SEK 19,009 m
Suppliers	Payments	SEK 11,235 m
Shareholders	Dividend	SEK 444 m
Employees	Salaries and social security contributions	SEK 4,844 m
Public sector	Taxes	SEK 510 m
Local communities	Sponsorship, donations	SEK 2 m
Lenders	Interest	SEK 129 m
Long-term approach	Investments	SEK 2,058 m

For more details about our environmental impact, see our GRI Appendix (www.nibe.com/gri2017)

NIBE's impact

Products

- Percentage of LCE-classified products: 51.2%**
- Heat pumps, renewable energy
- Solar products, renewable energy
- Heat exchangers, energy recovery, energy optimisation
- Components, energy conservation
- Stoves, renewable energy

Environment

- 29,070 tonnes of waste, of which 78% to external recycling
- 16,900 tonnes CO_2 emissions into the air

***FTSE LCE ICS™ (Financial Times Stock Exchange Low Carbon Economy Industrial Classification System) is a quantitative model designed to permit investors to assess a company's ability to adapt its business to requirements for reduced climate impact and depletion of resources.*

Financial targets for long-term positive development

Operating margin

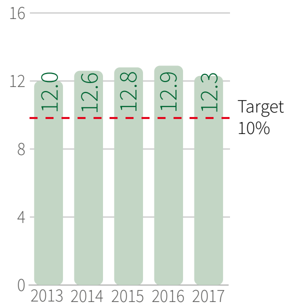
The operating profit for each business area and for the Group shall be at least 10% of sales over a full business cycle.

Target

10%

Target achievement

12.3% Group



The operating margin must be at least 10% to give operations stability and prepare them for both acquisitions and rapid changes in the business environment. This is one of the cornerstones to ensure long-term positive development and continuous growth. During the past five years, the average operating margin for the Group has been 12.5%.

Operating profit in 2017 improved by 18.4% compared with the previous year, while the operating margin fell from 12.9% to 12.3%. The completed acquisitions had some negative impact on the operating margin.

Because of the acquired companies' varying levels of profitability and seasonal patterns, a full 12-month period is required before a completely accurate operating profit can be recognised. Administrative acquisition expenses amounted to SEK 34 million (SEK 60 million) during the year and costs were recognised for acquisition processes that were discontinued.

Growth

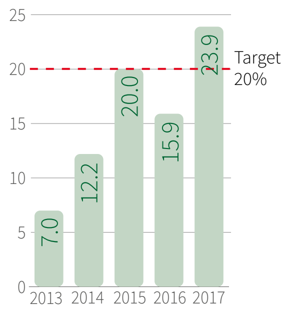
Average year-on-year growth shall be 20%, half organic and half acquired.

Target

20%

Target achievement

23.9% Group



Half of the targeted average year-on-year growth should be organic over time. Stagnating growth is a threat to the maintenance of good, sustainable profitability. Historically, acquired growth has balanced organic growth in that it has usually been lower than organic growth in good times and higher in difficult times. During the past five years, total average growth has been 15.6%.

The companies acquired in 2017 injected combined annual sales of just over SEK 1.7 billion into the Group, of which just under SEK 1.1 billion impacted 2017 sales. Including all the acquired companies and calculated on a rolling 12-month basis, consolidated sales are now at SEK 19.6 billion, meaning that the sales target of SEK 20 billion should be achievable by 2020.

Return on equity

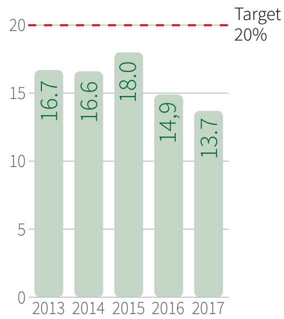
The average annual return on equity over a business cycle shall be at least 20% after standard deductions for tax.

Target

20%

Target achievement

13.7% Group



Good return on equity contributes to a stable ownership structure and share price and enhances our ability to attract further capital. During the past five years, the average return on equity has been 15.5%.

The lower return on equity in 2017 is due to equity being higher in relation to profit after net financial items. This is mainly explained by the new share issue for SEK 3 billion which was held in November 2016.

At year-end, equity was SEK 12.8 billion, an increase of SEK 0.7 billion on 2016.

Equity/assets ratio

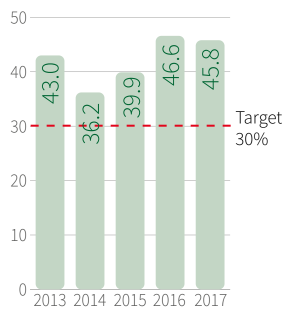
The equity/assets ratio shall not fall below 30%.

Target

30%

Target achievement

45.8% Group



A good equity/assets ratio shows that the Group has a strong financial position. This is also a necessity in a Group with strong growth. During the past five years, the average equity/assets ratio has been 42.9%.

During the past year, equity increased by 6% while total assets increased by 8%, which means that the equity/assets ratio fell slightly.

Sustainability targets for responsible entrepreneurship

Increased climate benefit in our product portfolio

The target is for 55% of our sales to consist of LCE classified products* by the end of 2018.

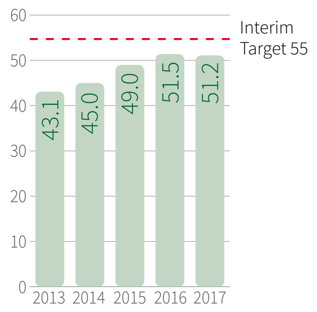
Target

55%

Target achievement

51.2% Group

Percentage LCE-classified products (%)



Our products largely use renewable energy and much of our product portfolio helps customers make the switch to more energy-efficient use with lower carbon dioxide emissions at home, in large properties and in industry. Of our total 2017 sales, 51.2% (51.5%) consisted of LCE-classified products.

**FTSE LCE ICS™ (Financial Times Stock Exchange Low Carbon Economy Industrial Classification System) is a quantitative model designed to permit investors to assess a company's ability to adapt its business to the requirements related to reduced climate impact and depletion of resources.*

A safe workplace with no accidents

Our long-term goal is zero accidents, of course, even though this is difficult to achieve. The interim target is an accident frequency of fewer than six accidents* per million hours worked by the end of 2020.

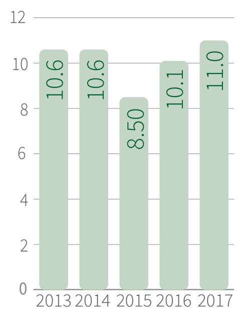
Target

0

Target achievement

11.0 Group

Accident frequency per million hours worked (number)



A new health and safety policy was introduced in the Group in 2017. Companies with more than 15 employees and an accident frequency of more than 10 accidents per million hours worked must draw up a written action plan for how they will achieve the Group target. This will be monitored regularly at Board meetings and via site visits in 2018–2019.

Due to developments in 2016 and 2017, the period for achieving the interim target of six accidents was extended to the end of 2020. The effect of the improved reporting by the companies will initially be an increase in the number of accidents reported until the effects of the measures employed are seen.

**Accident here means accidents that result in an injury that is serious enough to cause at least one day off work after the date of the accident.*

Guaranteed systematic quality control and environmental work

The long-term target is for 100% of our production units to have certified management systems for ISO 9001 and 14001.

Target

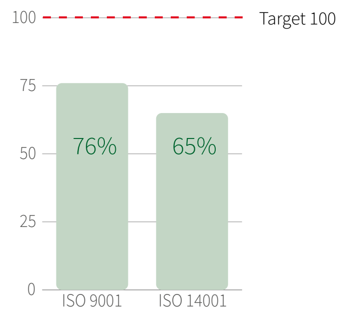
100%

Target achievement

ISO 9001	ISO 14001
76%	65%

Certified management

Number of companies certified



We are working to introduce certified quality and environmental management systems for all our production units with more than 10 employees. Acquired production units have a time frame of 2-3 years before certification must have been implemented.

Processes for certification are under way in 13 companies for ISO 9001 and 18 companies for ISO 14001. Five new certificates were obtained in 2017.

Continuous reduction in energy consumption

The target is to reduce energy consumption by 30% by 2020 from 2013 (measured as MWh/SEK million in sales).

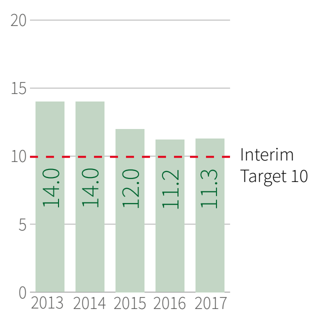
Target

30%

Target achievement

11.3% Group

Power consumption (MWh/SEK m)



In addition to energy conservation, we have minimised the use of oil to heat our properties by increasing the use of heat pumps. We are also considering the possibility of generating our own electricity via solar panels in the future. Read more about this in our GRI Appendix (www.nibe.com/gri2017). Ongoing energy audits in all our units both within and outside the EU indicate a possible further energy saving of 5-10% through various investments and changes in behaviour.

Our business principles

Our management philosophy is deeply rooted in eight fundamental ideas that constitute the foundation of all our operations and create the conditions for our continued success.

Good profitability

Good profitability is and always has been our tradition and is the most fundamental and important factor behind long-term success and sustained growth. It ensures freedom of action and independence, generates well-being and security for employees and makes us an attractive employer when we recruit new employees.

High productivity

High productivity is essential to good competitiveness, and our productivity philosophy is based on the belief that everything can always be improved and that, if you can't measure it, you can't improve it. Performance-based salary systems based on methods-time measurements (MTM) encourage optimisation of working time and promote high productivity and fair salaries.

Aggressive product development

Aggressive product development is crucial to good organic growth and establishing a foothold in new markets. Our focus is on leading the way in energy-efficient, environmentally-friendly products that help mitigate climate impact and promote sustainable development.

Quality in everything – focus on the customer

We must be a secure partner on which customers can always rely. NIBE must have certified quality and environmental management systems in place in its production facilities. NIBE must be available to help its customers when needed and deal with them in a professional manner so that they can choose the right solutions that will help reduce both their costs and their environmental impact.

Market-oriented expansion

Continuous growth is essential to our development. A combination of good organic growth and prudent acquisitions is the best possible way to constantly breathe new life into the organisation. Expansion into new markets must be carefully considered and consistently implemented.

Focus on three core businesses

A clear focus on three business areas creates clarity both internally and externally. It also spreads risk and results in reasonable risk exposure. Another benefit is the constant increase in knowhow in each area, which gives us an analytical advantage that can be used for acquisitions.

Committed employees

Commitment is created by clear, sincere leadership that sets a good example. Shared values, simple organisational forms and development opportunities for all create a culture characterised by initiative, humility and common sense in which everyone can thrive.

A long-term approach

A long-term approach means that responsibility, resilience and continuity will always triumph in the long run. Changes are only implemented after careful consideration and testing, and our ambition to create long-term relationships, internally as well as with customers and suppliers, provides the platform for truly sustainable business activities.

Our values

Our values are an important part of our management philosophy and our corporate culture and emphasise that we want to act as a responsible company in relation to the people near us, our external stakeholders and the environment. Our values are firmly rooted in our long and proud tradition of responsible entrepreneurship.

Respect for human rights

Our most fundamental undertaking is to respect the people who are affected by our operations and their human rights.

Good working conditions

The working environment in our operations must maintain a high standard and contribute to employee well-being and development. Our suppliers and other partners must also share this approach.

Reduced environmental impact

A holistic approach to environmental issues must play a key role in everything from product development activities, manufacturing and choice of materials to transport, product functionality and recycling at the end of a product's useful life.

Product liability

Our basic principle is that NIBE will pay due regard to all factors which have a bearing on the quality, safety and environmental performance of products.

Sound business ethics

We must comply with applicable legislation and have zero tolerance for bribery and corruption. We must also communicate honestly.

Transparency

To build trust and create relationships, we must be open and honest in our communication and follow rules and standards.

Responsible purchasing

We must prioritise suppliers that apply the same principles as we do in terms of code of conduct, quality requirements and business principles.

Social responsibility

We must be good citizens in the local communities in which we operate by supporting local initiatives and contributing to positive development.

Our Working Methods

Our business principles and our values create a solid platform for our sustainable development work.

Although our top priority is profitability, which is essential to our ability to operate, we will never compromise on our values to achieve it. Our attitude is that long-term profitability can only be based on respect for legislation, honesty, good relations and transparency.

We work consistently to communicate our core values to all employees in the Group.

Our Working Methods

'Our Working Methods' provides guidance in our day-to-day work and describes how we can best convert our resources into earnings. It is based on five basic principles concerning: *Workflows, Collaboration, Efficiency, Good habits and Standardisation.*

Strategic focus areas for good profitability and sustainable value creation

Our goals are focused sharply on profitable growth and sustainable value creation with healthy finances. Our strategies for achieving our goals are tried and tested and based on our business principles, focusing on five strategic areas: increased market share, cost control, frequent product launches, flexible, efficient production and sustainability throughout the added-value chain.

Growth

Sustainable growth creates conditions for good profitability. The aim is that half of our total average growth target of 20% a year should be achieved by organic growth and half by strategic acquisitions.

Organic growth

Our focus on world-class solutions in sustainable energy contributes to the global goal to reduce emissions of greenhouse gases into the atmosphere and thus helps produce a better, more climate-friendly world. Our entire value chain, from vision to end customers, must be based on the principles of sustainability in our business principles and our values.

Operations take place within the framework of energy solutions in three business areas – Climate Solutions, Element and Stoves.

Product development

Always being at the cutting edge with the most attractive product range is key to profitable growth. With a high rate of product development, based on research and new technology, we can offer products and solutions that are attractive to the market and help reduce customers' environmental impact. We constantly challenge ourselves to find the solutions that can best contribute to a faster transition to a fossil-free society.

Commercialisation

Our brands are kept strong by products that are characterised by quality, innovation that supports sustainable development and competitive prices. With carefully considered marketing, we are perfectly placed to increase our market share on existing markets and expand into new markets.

A decentralised organisation means greater proximity to and understanding of the market. Strong business relationships are built with a high level of customer knowledge and factual marketing. Our customers must feel secure in the knowledge that our products are safe and manufactured responsibly, ethically and sustainably. We make a great effort to be available and offer good service and effective customer support.

Acquired growth

We prioritise the acquisition of strong brands and products that complement our existing range, and markets that reinforce our global position.

Decisive assessment criteria for acquisitions

For a potential acquisition to be interesting, it must add new technology, enable us to establish a presence in new geographical markets and/or increase our share in existing markets.

We apply the acquisition model below. The basic requirements are that a company must have:

- a strong position in terms of the market and technology
- competent management
- a real entrepreneurial spirit
- development potential within the framework of NIBE's strategies
- sound finances, and, if profitability is not satisfactory, it must have the potential for improvement within a reasonable time.

Continued independence after acquisition

By actively encouraging continued curiosity, creativity and commitment, we motivate acquired companies to remain entrepreneurial. This is essential to their future potential.

Permitting acquired companies to retain their identity and brands creates continuity on local markets. In many instances, keeping companies intact with the full management in the locations and environments where they were originally established provides the best conditions for them to realise their full potential. Companies can also continue to play a vital, responsible role in their community.

The objectives and management philosophy of the NIBE Group are always implemented, but otherwise new companies in the Group retain a high level of independence. Integration into the NIBE Group is about exploiting the benefits of belonging to a much larger cluster of companies.

Acquisition model

ANALYSIS	IMPLEMENTATION	INTEGRATION
The analysis phase is precise but fast. Our three sectors are well defined and with our history we have a good idea of the objects that exist and access to relevant ratios for conducting comparisons and analyses.	In the implementation phase, there is always complete transparency about our intentions with the acquisition. We are always very clear and open about the information we provide on our management philosophy and strategy, which often facilitates the process.	In the integration phase, we aim to retain not only brands, but also skilled employees at every level. We quickly begin to realise obvious synergies, for example in purchasing and knowledge transfer to improve operations.

Synergies and economies of scale

Joint purchasing

The cost of materials is a significant expense item for many companies. Coordinated purchasing, both in each business area and between business areas, rapidly produces noticeable advantages such as efficient use of resources and reduced costs. Collaboration with newly acquired companies starts immediately to quickly reduce both direct and indirect costs.

We purchase responsibly by evaluating our suppliers. In addition to specific requirements for product quality, ability to supply, commercial terms and conditions and environmental performance, suppliers are evaluated based on the Global Compact's international principles relating to human rights, working conditions and anti-corruption. This initially entails a time-consuming analysis but reduces the risk of interruptions in material flow and events that may harm our reputation.

By means of efficient use of resources and resource management, for example reduced waste volumes and increased recycling, we reduce our environmental impact as well as our costs.

Efficient production

High productivity is crucial to good competitiveness. Our productivity philosophy is based on the belief that everything can always be improved and that, if you can't measure it, you can't improve it. MTM data provides a sound basis for accurate costings and calculations, efficient production planning, reliable investment data and opportunities to follow up on business activities correctly. Performance-based salary systems based on accurate MTMs also help encourage optimisation of working time and promote high productivity and fair salaries. Newly acquired companies are offered the chance to learn from our knowledge and experience, which is highly appreciated and builds up good relationships and trust.

With a requirement for environmental certification in all companies, we guarantee continuous activities to reduce environmental impact and we eliminate risks in the working environment.

Shared digital platforms

Modern climate control solutions are becoming increasingly smart and demand for remote control via digital platforms is constantly growing.

These rapid developments require significant development resources. To enhance the efficiency of the development process in our companies, we are creating shared digital platforms that can be used in the companies to lower the hurdle of starting to use new technology.

Employee commitment

Motivated, committed employees are essential to continued success. We ensure that our expertise is continually enhanced via training and personal development.

Leadership is very important in maintaining our corporate culture based on diligence and job satisfaction. Internal recruitment plays an important part in filling leadership and other key roles, while we also recruit externally to add new expertise.

Management and follow-up

Long-term profitable growth and sustainable value creation require professional, structured management and effective follow-up. Our management is based on decentralisation in our three business areas with clear responsibility for profits in well-defined profit centres.

Management by objectives is important. Clear objectives linked to both finances and sustainability create a firm framework for business development and responsibility in each profit centre. Our management strategy is based on a combination of values, business ethics and respect for common standards.

Follow-up takes place efficiently at all levels of the organisation via the Group's shared reporting and consolidation systems. Deviations from assumptions made can then be quickly followed up and dealt with.

Long-term thinking and continuity

Clear shared values and long-term ownership are behind the continuity and stability in the Group. Since the beginning in 1949, we have created a global Group with operations and sales on five continents and a good platform for further expansion with profitability.

Organic growth forms the basis for expansion

The Group's growth is based on the development of innovative products.

1949 sees the start of manufacture of a new heating component that could easily be applied in both the home and industry. With a resistance wire in the centre of an empty conduit filled with magnesium oxide, the tubular element is created.

In 1965, NIBE sub-contracts to manufacture stoves under the Handöl trademark. Handöl's entire operations were subsequently acquired.

1949 1952 1965 1981

In 1952, the manufacture of NIBE's water heaters starts, in the same year as the Act requiring farmers to have hot water in milking parlours enters into force.

In 1981, the very first heat pump from NIBE, Fighter Twin, is premièred at the heating and plumbing show, and manufacture of heat pumps begins in Markaryd.

Committed, innovative managers

Committed, innovative founders and managers have been the backbone of NIBE's stable expansion and solid financial development.

Based on Christian Backer's patent for tubular elements, Nils Bernerup establishes Backer Elektro-Värme AB in Sösdala, Sweden, in 1949 to manufacture what came to be called the 'Backer element'.

Nils Bernerup establishes NIBE-Verken AB in Markaryd in 1952 through the acquisition of Ebe-Verken, with its 3 employees. The initial letters of his first name and surname form the company name, NIBE.

Gerteric Lindquist is appointed to succeed Rune Dahlberg in 1988. With his international experience and passion for business, he lays the foundation for international expansion with good profitability.

1949 1952 1956 1961 1988 1989

Sven Christensson is appointed MD of Backer-Elektro Värme AB in 1956 and over his 25 years with the company it grows into one of Europe's leading manufacturers of tubular elements.

Rune Dahlberg is appointed MD of NIBE-Verken AB in 1961. With a strong focus on quality and rational production, he successfully runs the company up to his retirement in 1987.

The Bernerup family decides to dispose of the two companies Backer Elektro-Värme AB and NIBE-Verken AB in 1989. Several employees and two external investors form NIBE Industrier AB and acquire the companies. Gerteric Lindquist is appointed MD and Group CEO.

Market-oriented expansion through acquisitions

To allow for further expansion and to broaden ownership, new shares are issued in 1997 and NIBE Industrier AB is listed on the Stockholm stock exchange. Good profits and stock exchange listing create the conditions for an intensive era of acquisitions and development into a global Group.

1997 2017

Acquisitions in the Nordic region

The era of acquisitions begins on the Nordic markets. Around 30 acquisitions in all three business areas are completed in 1997-2010.

Some benefits of the acquisitions

- new technologies
- new products
- new markets
- new production capacity

Acquisitions in the rest of Europe

Around 15 acquisitions were completed on the European market in the period up to 2011. The largest acquisition in NIBE's history to date is made in 2011, when the Group takes over the Swiss listed Schulthess Group AG.

Another seven European acquisitions and seven smaller additional acquisitions are completed in the period 2012-2016.

The acquisitions make us

- a major European heat pump operator
- the market leader for stoves in Europe

Acquisitions in North America

Eleven strategically important acquisitions were completed in North America in all three business areas in the years 2011-2016.

The acquisitions mean

- that we are the market leader in North America in heat pumps for both single-family homes and commercial properties
- that we are one of the world-leading element suppliers
- that we have a stable platform in North America for stoves

Acquisitions in 2017

There continued to be many acquisition discussions in 2017 and a high rate of acquisition, including a further seven acquisitions in North America and Europe.

The acquisitions mean

- that our industrial element range has been expanded and we have further strengthened our European presence in the industrial element sector
- that we have taken further steps towards being a leading turnkey supplier of sustainable climate control solutions for both single-family homes and commercial properties

Calesco Foil AB was acquired in 1998 – what happened next?

"We can design heating"

VLT (Photo: Magnus Östin/VLT)

Calesco started as a test lab in the Swedish wire manufacturing Group Kanthal. A separate company under the name of Calesco was formed in 1992 to manufacture heating foil.

The first products were piglet heaters and heater elements for water beds. The company, located in Kolbäck in central Sweden, worked with development, sales and production. NIBE acquired the company in 1998 but core operations remain in Kolbäck. The difference is that Calesco now also has operations in Poland, China and as of 2018 Vietnam, where a new factory was recently opened. There are also sales offices in France and the US. The company is part of the NIBE Element business area and is now called Backer Calesco.

It makes flexible foil heaters with integrated control, aerials, sensors, etc. that are used in everything from cars, aeroplanes and trains to advanced medical devices. Nearly all products are customised, and more than 10,000 design drawings are in storage. For example, in medicine, foil elements are used for heaters for operating tables, anaesthesia equipment, infusion liquids and defibrillators.

"You wouldn't think that our products are needed for modern electronics to function. Our ambition is to introduce our technologies in places where old solutions are not always effective. We can design heating so that it is applied in exactly the right place," says Johan Harder, divisional manager at Backer Calesco.

When NIBE took over Calesco, sales were SEK 78 million. Sales in Kolbäck alone are now SEK 350 million. Worldwide sales have increased by 15-20% every year and around 300 people are currently working on foil elements. SEK 28 million was invested in expanded premises and new production equipment in 2017 to permit the Kolbäck unit to increase its capacity by 50%. Backer Calesco is one of the biggest manufacturers in the world of rear-view mirror heaters for cars. After the expansion, its capacity for rear-view mirror heaters will be increased by over 30%.

NIBE adds value – in the home

Comfort, convenience and peace of mind

NIBE wants to help reduce energy consumption for our customers and for society at large by developing world-class solutions in sustainable energy. Much of what we experience as comfort, convenience and peace of mind in our modern homes comes from equipment that uses energy to heat, air-condition, ventilate or otherwise achieve a comfortable indoor climate. NIBE is involved with most of these types of equipment, either as a manufacturer of a product or system solution or as a manufacturer of one or more components in a product.

Good indoor climate comfort

A heat pump from NIBE is one of the most energy-efficient ways to heat your home and causes lower carbon dioxide emissions than traditional heating with fossil fuels. This both reduces costs and saves the environment for current and future generations. Combined with waterborne underfloor heating, it also produces a comfortable indoor climate.

Making life simpler and more convenient

Constant access to hot water is an important part of our quality of life. NIBE offers households peace of mind with its reliable, energy-efficient water heaters. Washing machines and tumble dryers, which make life easier for many of us, also need to be energy-efficient. They contain several components made by NIBE.

Cosy up to a stove

A stove from NIBE makes a house cosy. It gently heats and becomes a natural place to gather on winter days and evenings. A stove saves money and, as combustion is very efficient, and wood is a renewable energy source, it helps save the planet too.

The kitchen – the heart of the home

Our modern kitchens today contain many appliances that are used frequently. Most of them, such as toasters, coffee makers, ovens and dishwashers, incorporate components produced by NIBE, which helps them be as energy-efficient as possible when they are used.

NIBE adds value – in large properties

We heat, air-condition and ventilate

The bigger the building, the higher the investment in indoor climate comfort equipment and the more important it is to make the right choices in terms of reliability, cost and the climate. NIBE has the knowledge, experience and technical solutions to achieve the best concept for any type of property, whether it is an apartment block, an industrial building, a farm, a hotel, a church or a country house.

Apartment blocks
In apartment blocks, each apartment may have shared or individual heating, but in both cases the building can have a shared control and monitoring centre with NIBE concept solutions. These make it possible to optimise energy use in the property. Heat pumps produce heat, hot water and air conditioning.

Hotels

Heat, air conditioning and ventilation are some of the biggest cost items and some of the biggest environmental aspects of large hotels. The entire indoor climate comfort system can be automated and controlled remotely using NIBE's online solutions. Heat pumps save energy even when idle, and the units have active cooling modules that produce excellent air conditioning.

Public buildings

Public buildings have traditionally been heated with oil, gas or coal. Many buildings are still heated in this way, and they need to switch to cleaner, more modern, greener technology. NIBE offers climate control solutions based on technology such as geothermal energy, which is good for the environment and saves costs.

Renovation of old buildings

Old country houses and mansions present a challenge when it comes to reducing heating costs. Consequently, it makes financial sense to invest in a modern heating system when they are renovated. NIBE can offer knowhow and the latest renewable energy technology, which permits old properties to be climate-friendly without losing their charm and beauty.

NIBE adds value – in the industry

We offer intelligent heating and control

NIBE is a partner to many companies in a wide range of industries, developing and manufacturing components and solutions for intelligent heating and control that offer various solutions for a host of specific products.

Resistors have many areas of application

NIBE is a major manufacturer of resistors, which are an important balancing component in electronic systems and products. NIBE resistors are used for controlling and regulating wind turbines, industrial robots, lifts and electric motors and a wealth of other applications across a broad spectrum of industries.

Comfort requirements of car owners

The requirements for comfort in various types of vehicle are constantly becoming stricter. This has generated a great need for new applications based on element technology. One of the latest applications is heated windscreen wipers from NIBE. This will probably be a standard feature of vehicles in the future.

Equipment that saves lives

Developments are rapid in the medtech industry and new solutions save lives. NIBE contributes by being at the cutting edge of product development based on foil elements for various applications such as operating tables, sterilisation equipment, DNA analysis and respirators.

Hybrid vehicles

New hybrid vehicle models are constantly being launched for both passengers and commercial use. NIBE plays an active part in the development of products for efficient energy utilisation, for example delivering elements for battery heaters and interior heaters using sources such as braking energy.

NIBE adds value – for a better climate

We promote energy efficiency enhancement and sustainable development

It is natural for NIBE, with its products, to play a key role in international ambitions to achieve sustainability. We see it as our responsibility to focus on creating a product portfolio that supports the transition to a fossil-free society with reduced energy consumption. We also reduce our own impact on the climate and the environment in all stages from production to suppliers.

Heat pump modules

Heat pump technology has also begun to make its mark in industry. By utilising the Group's expertise in heat pump technology, NIBE can offer heat pump modules in industrial processes and commercial products. For example, in professional kitchens and laundries, heat pump modules are used both in machinery and to cool and dehumidify the air, producing a better working environment and enhancing energy efficiency.

Frequency control

Frequency-controlled compressors in heat pumps optimise energy use and reduce strain on the electricity grids. NIBE's production of inverters meets very strict requirements for purity, accuracy and quality.

Solar cells

With solar cells on the roof, property owners can produce electricity for their own use and any surplus is supplied to the grid. This is good for the climate and produces a significant gain, whichever form of heating is already used in the property. The most efficient solution is to combine solar cells with a heat pump system.

Major investments in rail-based transport

The use of private cars and heavy goods vehicles on roads presents a major challenge when it comes to reducing carbon dioxide emissions. Several countries are therefore currently implementing major projects to improve infrastructure, particularly that of rail-based transport. NIBE is contributing by supplying equipment both for vehicles and for heating rails and points, which are controlled and regulated automatically.

NIBE takes responsibility

Our focus on world-class solutions in sustainable energy contributes to the global goal to reduce emissions of greenhouse gases into the atmosphere. Our entire value chain, from vision to end customers, must be based on the principles of sustainability in our business principles. We are responsible not only for the financial results of our operations but also for their social and environmental impact. NIBE's responsibility forms the Group's framework for sustainability efforts in four different areas.

Responsibility in business

Find out more on page 29

Responsibility for the environment

Find out more on page 32

Responsibility for employees

Find out more on page 30

Local social responsibility

Find out more on page 31

Responsibility in business

Products and development of new products

International estimates predict an increase in energy demand of nearly 40% by 2040. This means that the rate of global energy efficiency enhancement must be doubled.

We have modern research centres in several countries and collaborate with organisations worldwide to ensure that our products and solutions are at the cutting edge. In 2017, we allocated SEK 502 million (409 million) to research and development. We continue to focus on fossil-free technologies, energy conservation and reducing carbon dioxide emissions.

By working actively with digital tools, in both products and the development process, we can have a global business with a local presence. This also helps reduce our impact on the environment.

Acquisitions and local development

Due to acquisitions and our increased global presence, the number of local production units worldwide is also increasing. Our main principle is to continue to operate businesses where they were founded, thus benefiting the local community in terms of jobs and purchases from local companies and entrepreneurs.

Anti-corruption

Our values and business principles entail zero tolerance to corruption in all its forms. This is communicated clearly in all contracts with suppliers and other business partners.

In addition to mandatory training in anti-corruption, which all exposed employees must attend regularly, we encourage our employees to be vigilant, to ask for advice in situations in which they feel uncertain and to report all incidents in which they have been subject to any form of attempt at bribery or any other unethical action. Two matters were referred to the Group's department for whistleblowing in 2017. One was classed as an HR matter and managed according to the standard procedures. The other matter was investigated and concluded within the whistleblowing system.

Examples of products that benefit the environment

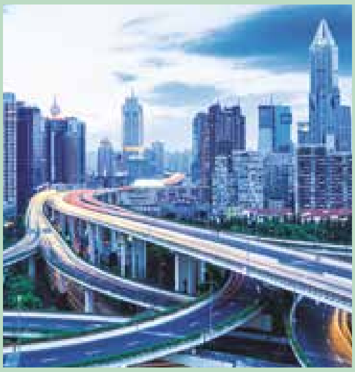
Heat pumps reduce energy consumption by up to 80% and can be operated with renewable energy

Solar cells transform renewable energy that can be made available everywhere

Heat exchangers optimise and recover energy, reducing demand for supplied energy

Wood-fired stoves radiate heat and create well-being. They use renewable energy and meet COP 22 environmental requirements

Components that increase energy efficiency in products help make products better with lower energy consumption and reduce costs for energy use and the need for fossil energy



Components that defrost and heat sensitive parts of automated systems and make transport systems, communication systems and other parts of infrastructure function reliably

Responsible purchasing

We have strict requirements for our suppliers in terms of product quality, reliability of supply, compliance with legislation and environmental performance. We also have a responsibility to work with our suppliers to improve their internal working conditions and terms of employment and work towards transparency and ethical business practices. When we evaluate our suppliers, we apply our code of conduct, which is based on the ten principles of the UN Global Compact.

Where we see nonconformities, we agree on an action plan. If we identify unacceptable risks in exceptional cases, or a lack of desire to make improvements, we may ultimately stop working with a supplier. In 2017, we received no reports of child labour, forced labour or other serious violations of labour law principles.

We buy materials directly from around 6,000 suppliers. In 2017, 47.3% of the value of purchasing was spent in the local country.

Around 578 (600) new suppliers were added in 2017 and 248 (348) of these were evaluated for quality, 168 for the environment and 140 for social accountability.

NIBE supports the Agenda 2030 goals by

Increasing the proportion of products based on renewable energy and meeting market demand for energy-efficient, clean energy solutions. (Goal 7)

Supplying resource-efficient, climate-adapted components, products and solutions that contribute to sustainable cities and safe infrastructure. (Goal 11)

Responsibility for employees

Committed employees

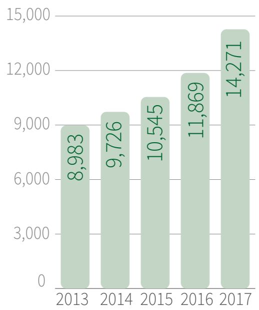
We want all our 14,300 (11,900) employees to thrive, develop and feel proud of their work.

Via our shared values and a clear code of conduct, which guide our decisions and day-to-day operations, we can maintain simple organisational structures with independent operational leadership. This inspires commitment in our employees and an incentive to develop and make use of their potential.

If you want to thrive at NIBE, initiative, humility and common sense are a winning combination. We must treat each other with respect, and managers must set a good example in terms of honesty and straightforward communication.

Our operations are knowledge-intensive and under constant development. We continuously offer our employees the opportunity to develop their skills, and a total of 250,200 (190,000) hours of training were conducted in various areas in 2017. This is equivalent to approximately 18 (16) hours of training per employee.

Average number of employees
past five years



Working environment

We work hard to improve the working environment at all our plants to create safe workplaces and reduce ill-health. Our goal is workplaces where no accidents occur. The interim target is to have an accident rate of fewer than six accidents for every million hours worked by the end of 2020.

Greater focus on accident reporting has resulted in more companies improving their reporting. The initial effect is that the accident figures have a visibly negative trend before the effects of the measures taken are reported.

Diversity and equal treatment

Our employees, with their unique experience, knowledge and talents, add great value to our operations. We try to work in a way that guarantees tolerance to differences and want to give everyone the same opportunities for development, training and careers.

A new policy for diversity and equal treatment was published in 2017, and it will be implemented in all companies in 2018. It will be monitored at Board meetings and via site visits. In 2017, there was 1 (0) report of an incident involving discrimination.

Our industry is traditionally male-dominated. However, women still make up 36% (38%) of the workforce.

Summary of ratios	2017	2016
Average number of employees	14,271	11,869
Europe	56%	61%
Asia	7%	8%
North America	37%	31%
Percentage of women	36%	38%
Percentage of salaried employees	30%	31%
Percentage of graduates	12%	14%
Hours of training/employee	18	16
Employee turnover*	6.7%	6.6%
Percentage of employees who attend performance reviews	69%	60%
are covered by collective agreements	55%	49%
are represented by safety committees	87%	87%
Average age	39	39
Average period of employment, years	7.9	8.0
Accident rate, no. per million hours worked	11.0	10.1
Sickness absence	3.6%	3.8%

**Employee turnover is calculated based on permanent employees who voluntarily end their employment. The 6.7% figure is based on just over 100 NIBE companies worldwide. As in 2015 and 2016, plants in Mexico and China have not been included in the statistics as the traditionally high level of mobility in these countries deviates considerably from that in other countries. Employee turnover is 46%.*

NIBE supports the Agenda 2030 goals by

Promoting a safe, secure working environment, protecting employee rights, ensuring decent working conditions both in our own operations and in the supply chain, and safeguarding employment and growth. (Goal 8)

Local social responsibility

Working conditions

We expect all companies in the Group to comply with statutory requirements, agreements and contracts and our shared principles and values, regardless of the type of society in which they are based.

We regularly ensure that working conditions in our operations meet our standards. Site visits are conducted at which management is asked to present how the Group's values are implemented and how they work on the areas included in the agenda. Any need for improvement or nonconformities are documented and reported to the company, the business area managers and Group management. Each business area manager is responsible for ensuring that measures proposed are taken.

No serious nonconformities were reported in 2017. However, there were minor nonconformities that primarily concerned deficiencies in the physical working environment or lack of maintenance of machinery and buildings.

We see a heightened risk of conflict resulting from shortages of resources, drinking water and food. As a company, we do what we can locally where we are established to act as a responsible member of the community. Our values help us decide in each case what priorities are needed to look after our employees and their families and protect our interests.

Local partnerships for the future

We work with several schools to ensure a good influx of employees to our businesses in the long term. Young people of all ages are invited to visit our companies to learn about the opportunities available and encourage them to study.

We also have firmly established partnerships with universities and institutes of higher education, offering opportunities for joint development projects, degree projects and work experience both locally and internationally.

Support for a school for girls

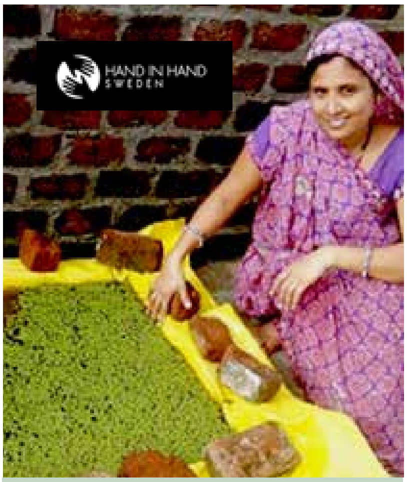
In addition to our new village project with Hand in Hand, we are also supporting a girls' school in the same area which is also run by Hand in Hand. It offers schooling for girls with very poor or single parents or girls who have been found abandoned. Most of them have very sporadic schooling, if they have any at all. In addition to their normal schooling, children are encouraged to take part in physical activities to identify their talents and uniqueness, build up their self-confidence and allow them to be children.

Support for others

Many of our companies are major employers in the local communities in which they operate. Each company has great freedom, within the framework of our values, to decide how it wants to contribute to the development of its community. In 2017, local initiatives relating to culture, sport, health and young people were sponsored to the tune of SEK 2.3 million (1.8 million).

As an international company, we also want to contribute to international initiatives that are close to our heart. Children are our future, which is why we have decided to support SOS Children's Villages with financial contributions that go towards homes, education and better living conditions for vulnerable children.

Since 2015, we have also been working with the organisation Hand in Hand, becoming a sponsor for a village project. The aim is to lift an entire village out of poverty. Women are trained in groups of 20 in entrepreneurship and finance. They can then apply for microloans to run their own companies.



Our involvement in Hand in Hand's village project in Sunarkhedi has produced results

Just over 50 women have been trained in entrepreneurship and have started companies. This will change the lives of the same number of families. There has been a major focus on children, schooling and health. It has been important to motivate and inform everyone about the importance of school and finishing your education, which makes a long-term difference. The village is now certified as being free of child labour, and 32 children who previously worked are now back at school.

Hand in Hand 2018-2020

Over the next three years, we will continue to support Hand in Hand in a new village. It is called Thandarai and is around three hours by car from Chennai in the province of Tamil Nadu in south-eastern India.

NIBE supports the Agenda 2030 goals by

Respecting and maintaining national and international legislation and working actively to prevent corruption in all its forms.

Creating systems for internal control of compliance with legislation and ethical business principles. (Goal 16)

Responsibility for the environment

Climate impact

There is increasing international concern about negative environmental impact, primarily climate change. If we are to have a chance of limiting our climate impact, we must have a global, long-term perspective and not generate more emissions from fossil fuels than we do today. This is helping our products, with energy-efficient use of renewable energy, find more widespread acceptance.

Switch to renewable energy

Our total energy use (excluding transport) was 218.9 (167) GWh, of which 5.0 (3.1) GWh was own-produced electricity, heating and air conditioning. Our indirect energy use, i.e. purchased electricity and district heating, was 143.7 (112) GWh, of which 135.8 (105) GWh was origin-certified electricity from renewable sources.

The consumption of petrol and diesel in our own vehicle fleet was 2.0 (3.2) and 19.7 (20.3) GWh, respectively. In 2018, we will draw up a new company car policy with the ambition of reducing the use of fossil fuels in our fleet.

Environmental impact

Our biggest direct environmental impact consists of the use of raw materials such as metals and other materials, energy consumption, emissions of carbon dioxide and generation of waste. There are also some other impacts on the air, soil and water.

The biggest indirect environmental impact comes from transportation and environmental impact in our supply chain.

Inputs

Our inputs largely consist of metals such as iron, copper and brass, which account for a total of 73% (73%). Examples of other inputs are minerals, rock, concrete and enamel.

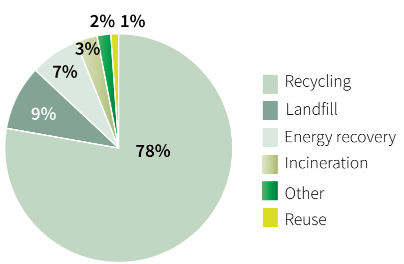
Chemicals

We are working to phase out all chemicals that may be harmful to health or give rise to hazardous waste.

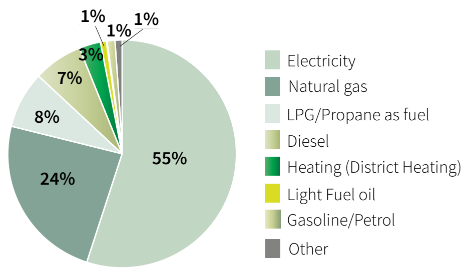
We used a total of 849 (760) tonnes of chemicals in 2017 for process materials, lubricants and plastics and for welding, soldering and surface treatment of metals.

Continuous checks are made to ensure correct use and storage and that the right protective equipment is used, where there is a risk of exposure.

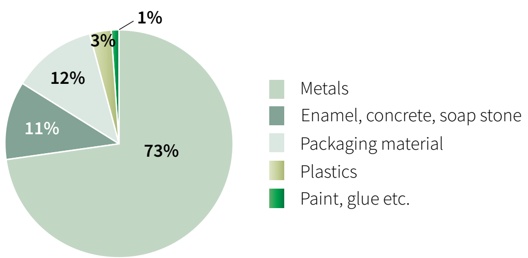
Waste categories % of total use



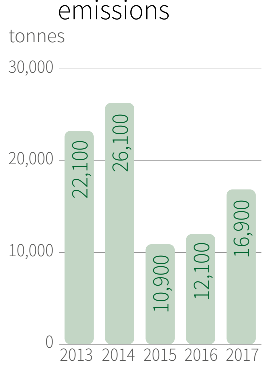
Energy sources % of total energy consumtion



Overview of major materials % of total use



Carbon dioxide emissions



For more details about our environmental impact, see our GRI Appendix (www.nibe.com/gri2017)

Refrigerants

To reduce the global impact of refrigerants, technologies are currently being changed to use refrigerants with a lower GWP in our products. In 2017, we used 369 (139) tonnes to fill our products. The increase in refrigerants is due to newly acquired companies' consumption and a slightly different reporting method.

Packaging

Packaging material consisting of wood, board, plastic and steel equivalent to 12% of our material use was used. This is the same percentage as in 2016.

Waste

In 2017, we recycled a total of 78% (73%) of our waste. We also recovered energy from a further 7% (11%) by incineration. A total of 29,070 (17,390) tonnes of waste were generated, 1,470 (760) tonnes of which were hazardous waste.

Carbon dioxide

Emissions of carbon dioxide from our own production were 16,900 (12,100) tonnes in 2017, including purchased energy. The increase is because several of the newly acquired companies largely use gas as an energy source. Carbon dioxide emissions from our own vehicles were 5,300 (5,800) tonnes.

We lack sufficient data at present for purchased transportation and business travel, so these components are not included.

Water

Clean water will be in short supply globally in the future. Our units' water consumption in 2017 was 357,300 m3. We reduce emissions from our processes by employing various forms of recirculation and cleaning equipment. These are areas which will be increasingly important in the future.

New targets for increased recycling and reduced waste to landfill

A large part of our environmental impact comes from waste generation. Consequently, recycling is a very important matter. A new target has been set, increasing the proportion of recycling from the current value of 78% of the total volume of waste in the Group to 80%. Consequently, the volume of waste to landfill, currently 9% of the total volume of waste, can be reduced further.

The greatest challenge to succeeding in increasing recycling and reducing waste to landfill is in countries that do not yet have systems and infrastructure for sorting waste. In such cases, we make every effort to create our own solutions, while also influencing society to assume greater responsibility for its waste management.

NIBE supports the Agenda 2030 goals by

Making production more sustainable by employing resources efficiently, using clean, environmentally-friendly technologies and setting aside funds for research and development. (Goal 9)

Supplying resource-efficient, climate-adapted components, products and solutions that contribute to sustainable cities and safe infrastructure. (Goal 12)

Energy audits

Since 2015, we have systematically conducted energy audits of all our production units.

In the EU, large companies are required to conduct systematic energy audits, but we have extended this to our production units outside the EU as well. By systematically conducting audits with external certified resources, we have now audited around 80% of our energy use.

We have identified many opportunities to make small and large improvements to air conditioning, heating and ventilation in our properties. We have since systematically made investments and improvements with our own products, achieving higher energy efficiency. Other examples of improvements are sealed compressed air systems, replacement of lighting and reduced no-load losses.

The results of the improvement work are monitored, and the energy auditing continues. Savings identified to date are in the order of 5-10% of our energy use.

Stakeholders and materiality analysis

Continued dialogue with our stakeholders

To ensure that we have identified our most important sustainability areas and that we continue to focus on the right things, we maintain a dialogue with our stakeholders. The biggest groups of stakeholders are shareholders, B2B customers in various sectors, end customers, installers, employees, suppliers, representatives of the financial sector and public authorities.

In 2016, we conducted a major dialogue with a selection of stakeholders from most of these groups. In addition to sending a targeted survey to around 300 representatives of various stakeholder groups, we conducted several interviews and gathered data from analyses of the company.

In 2017, we supplemented this data by continuously gathering additional information in connection with natural contacts with various stakeholder groups.

There have been no dramatic changes in stakeholders' expectations of and views on the company. However, there is increased interest in diversity, particularly for women on boards and in management groups.

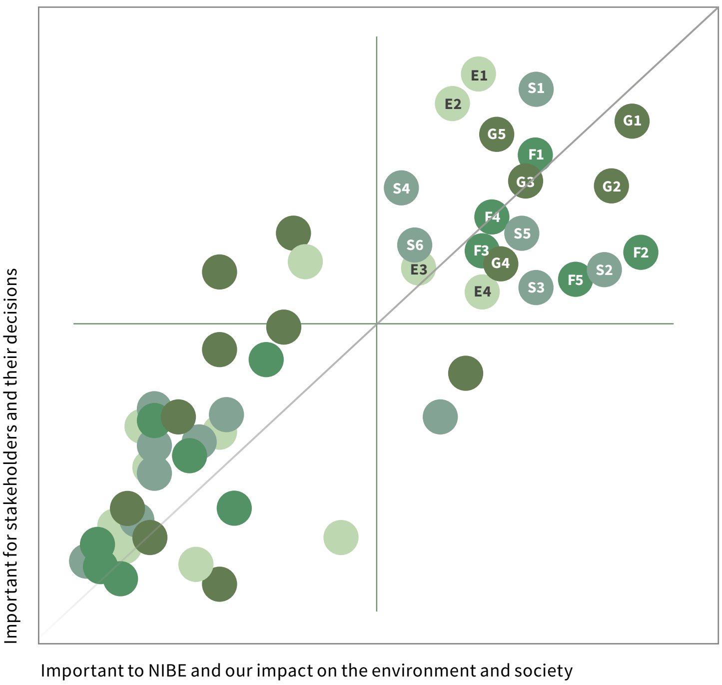
Materiality analysis

The materiality analysis conducted at the end of 2016 was updated in respect of the year's developments and stakeholder dialogue. We analysed materiality based on the definition of impact on value creation in the short and long terms described by Integrated Reporting <IR> and the GRI Standard's definition, which is divided into finances, society and the environment. To make the analysis more complete, we included governance as a fourth area. The top priority aspects are summarised in the diagram below.

If we compare NIBE's current work in the areas identified as priorities in the materiality analysis, it sits well with the choices and priorities made by NIBE to date:

- NIBE's products support the transition to sustainable cities and infrastructure. The product range is largely based on energy efficiency enhancement and renewable energy and is therefore in line with climate-adapted products as a business strategy.
- NIBE invests in energy efficiency enhancement and renewables in its own operations and has measurable targets for this.
- The decision to sign the Global Compact reinforced NIBE's previously communicated values to respect human rights and take responsibility for the environment, working environment and ethical business methods.
- NIBE has an accident rate target to create a safe working environment.
- NIBE has responded to the need to train its staff. In the last two years, we have implemented extensive training initiatives in ethical business and anti-corruption, primarily for those who have external contacts.

Materiality analysis



Society - S
- S1 Good working environment
- S2 Compliance with legislation
- S3 Pay taxes
- S4 Develop employees
- S5 Human rights, good working conditions
- S6 Fairness, diversity and gender equality

Finance - F
- F1 Long-term value creation and growth
- F2 Profitability
- F3 Customer service, customer satisfaction
- F4 Responsible ownership
- F5 Aggressive product development

Environment - E
- E1 Energy efficiency and renewable energy
- E2 Sustainable products and services
- E3 Waste management
- E4 Safe products, low environmental impact in use

Governance - G
- G1 Business ethics and anti-corruption
- G2 Sustainability integrated in business strategy
- G3 Board involved in sustainability issues
- G4 Responsible purchasing
- G5 Transparency

NIBE's sustainable value creation supports international initiatives

NIBE's vision to offer sustainable energy solutions means that it has long since been natural for us to contribute to a sustainable society in the ways we can. By delivering long-term sustainable value to our stakeholders, we are also able to maintain good profitability and help achieve the global development goals.

Agenda 2030

In line with our operational priorities and where we considered it possible to exert influence, we have chosen to work with six of the 17 global goals in Agenda 2030.

	General goals	NIBE's undertaking
Goal 7	Ensure access to affordable, reliable, sustainable and modern energy for all	Increasing the proportion of products based on renewable energy and meeting market demand for energy-efficient, clean energy solutions.
Goal 8	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	Promote a safe, secure working environment, protect employee rights, ensure decent working conditions both in our own operations and in the supply chain and safeguard employment and growth.
Goal 9	Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation	Make production more sustainable by employing resources efficiently, using clean, environmentally-friendly technologies and setting aside funds for research and development.
Goal 11	Make cities and human settlements inclusive, safe, resilient and sustainable	Supply resource-efficient, climate-adapted components, products and solutions that contribute to sustainable cities and safe infrastructure.
Goal 12	Ensure sustainable consumption and production patterns	Employ sustainable practices for handling chemicals and reducing emissions and discharges into the air, water and soil. Manage resources, minimise waste, recycle and reuse more. Report sustainability information transparently in our reporting cycle.
Goal 16	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	Respect and maintain national and international legislation and work actively to prevent corruption in all its forms. Create systems for internal control of compliance with legislation and ethical business principles.

UN Global Compact

For an international company, national legislation is sometimes insufficient when it comes to creating consensus and common guidelines for the entire Group.

We have therefore made a commitment to adhere to the UN Global Compact as a commonly accepted platform of mutual principles that can be applied equally by all our companies, partners and suppliers, wherever they are in the world.

An investment in NIBE's shares has generated a good return

Over 20 years of profitable growth with world-class solutions in sustainable energy

Our focus on world-class solutions in sustainable energy has given us over 20 years of profitable growth and a growing international presence. For anyone who has held shares in NIBE Industrier since our listing in 1997, this has been a good investment.

Ambitious financial targets largely met

NIBE has enjoyed average annual sales growth of just under 18% since 1997, combined with an operating margin between 10% and 13%, plus an average return on equity of just under 18%.

The total return on shares has averaged 23% per annum since 1997.

Meeting demand for energy conservation

NIBE is well positioned as a combination of driving forces create continued demand for products that conserve energy.

High sustainability profile

For many years, we have been developing our products with our vision to create world-class solutions in sustainable energy, while focusing on careful use of resources in our operations.

Continued growth on fragmented markets

NIBE's markets are characterised by continued fragmentation. Consequently, there is good scope for continued consolidation.

Dedicated, long-term management

Since its listing, NIBE has largely had the same Group management.

Economies of scale create profitability for the Group's companies

NIBE's group size creates economies of scale for all its companies in several areas: joint purchasing, expertise in boosting production efficiency and an open product development climate that reduces development time and provides an opportunity for technology transfer.

A well-developed acquisition process

NIBE has a well-developed process for company acquisitions and clear intentions for existing company management teams, ensuring that managers stay in place.

Strong corporate culture

With its Småland roots, NIBE has an explicit entrepreneurial spirit and clear values that permeate the Group.

The NIBE share

NIBE's class B share is listed on Large Cap, NASDAQ Nordic under the name NIBE Industrier AB with ISIN code SE0008321293 in the Construction & Materials sector. NIBE was registered on the OTC list of the Stockholm Stock Exchange on 16 June 1997 following the issue of 1,170,000 new class B shares. The subscription price was SEK 70 per share. This corresponds to SEK 1.09 per share following the 4:1 splits carried out three times, in 2003, 2006 and 2016. Private placements have been carried out on two occasions since the listing: in 2011/2012 with an issue of 65,334,552 class B shares, when the shares were also given secondary listing on the SIX Swiss Exchange, and in 2016, when 7,391,566 class A shares and 55,610,504 class B shares were issued.

Share capital

NIBE Industrier AB has share capital of SEK 79 million, divided into 58,532,590 class A shares and 445,484,032 class B shares. The quota value (i.e. share capital divided by shares) is SEK 0.15625. Each class A share carries ten votes at General Meetings and each class B share carries one vote. All shares have equal rights to dividend. At the end of 2017 the company had no outstanding convertible loans or options that could risk diluting the share capital.

Secondary listing

Following the new share issue in 2011, NIBE's class B shares now also have secondary listing on the SIX Swiss Exchange.

Share performance and turnover

In 2017, NIBE's share price rose by 9.5%, from SEK 71.80 to SEK 78.60. During the same period, the OMX Stockholm_PI increased by 6.4%. This means that, at the end of 2017, the market capitalisation of NIBE, based on the latest price paid, amounted to SEK 39,616 million. In 2017, a total of 177,071,000 NIBE shares were traded, which corresponds to a share turnover of 35.1% over the year.

Dividend policy

The aim, over the long term, is to pay a dividend equivalent to 25–30% of Group profit after tax. The Board proposes a dividend of SEK 1.05 per share for the 2017 financial year, which equates to 31.1% of Group profit per share after tax.

Shareholders

The number of shareholders continued to increase during the year. However, because of Swiss reporting regulations, it is, in principle, impossible to determine the current total number of shareholders for the Group's secondary listing on the SIX Swiss Exchange. Excluding these Swiss-registered shareholders, NIBE had 40,745 individual shareholders at the end of 2017, compared with 34,486 twelve months previously. The ten largest shareholders held 59.9% of the votes and 42.7% of the capital.

Shareholder value

To increase turnover in NIBE shares and give both current and future owners the opportunity to evaluate the Group as fairly as possible, management strives ceaselessly to develop and improve financial information relating to the company by taking an active role in meetings with Swedish and foreign analysts, investors and the media. International press conferences and analyst conferences are held by telephone in connection with the interim reports.

Silent periods

After the end of each quarter until an interim report is published, there is a period of silence in which the Group's representatives do not meet financial media, analysts or investors.

Analysts

The following analysts are among those who have tracked and analysed NIBE shares during the year:

Johan Wettergren, Carnegie Invest Bank AB
Max Frydén, Danske Bank Markets
Olof Larshammar, DNB Bank ASA
Marcela Klang, Handelsbanken Capital
Predrag Savinovic, Nordea Equities
Douglas Lindahl, Kepler Cheuvreux

Changes in share capital

	Increase in share capital (SEK)	Quota value (SEK)	Total number of shares	Total share capital (SEK)
1990 New share issue [1]	6,950,000	100.00	70,000	7,000,000
1991 Bonus issue	40,000,000	100.00	470,000	47,000,000
1994 Split 10:1 [2]	–	10.00	4,700,000	47,000,000
1997 New share issue	11,700,000	10.00	5,870,000	58,700,000
2003 Split 4:1 [3]	–	2.50	23,480,000	58,700,000
2006 Split 4:1 [4]	–	0.625	93,920,000	58,700,000
2011 New share issue [5]	10,074,648	0.625	110,039,437	68,774,648
2012 New share issue [6]	133,876	0.625	110,253,638	68,908,524
2016 Split 4:1 [7]	–	0.15625	441,014,552	68,908,524
2016 New share issue [8]	9,844,073	0.15625	504,016,622	78,752,597

[1] Private placement to existing shareholders at a subscription price of SEK 100 per share.
[2] Change in the quota value of each share from SEK 100 to SEK 10.
[3] Change in the quota value of each share from SEK 10 to SEK 2.50.
[4] Change in the quota value of each share from SEK 2.50 to SEK 0.625.
[5] Private placement to the former owners of the Schulthess Group at a subscription price of SEK 108.25 per share.
[6] Private placement to the former owners of the Schulthess Group at a subscription price of SEK 102.00 per share.
[7] Change in the quota value of each share from SEK 0.625 to SEK 0.15625.
[8] Private placement to the Company's shareholders at a subscription price of SEK 48.00 per share.

Data per share

		2017	2016	2015	2014	2013
Number of shares	no.	504,016,622	504,016,622	462,455,387	462,455,387	462,455,387
Average number of shares	no.	504,016,622	469,382,260	462,455,387	462,455,387	462,455,387
Year-end share price	SEK	78.60	71.80	67.83	47.90	34.57
EPS (after tax)	SEK	3.38	2.93	2.67	2.12	1.86
Equity per share	SEK	25.41	24.06	16.06	14.19	12.06
Proposed dividend	SEK	1.05	0.88	0.80	0.64	0.56
Price/equity	times	3.09	2.98	4.22	3.38	2.87
Dividend yield	%	1.34	1.23	1.18	1.34	1.62
Total yield	%	10.93	7.15	43.28	40.41	57.17
Operating cash flow/share	SEK	3.15	2.90	3.36	2.37	1.65
Payout ratio	%	31.1	30.0	29.9	30.3	30.2
PE ratio (after tax)	times	23.3	24.5	25.4	22.6	18.6
Market capitalisation	SEK million	39,616	36,188	31,367	22,150	15,987
EBIT multiple	times	19.3	21.3	21.7	20.2	16.1
EV/sales	times	2.38	2.75	2.78	2.54	1.93
Share turnover	%	35.1	34.8	32.7	31.7	18.4

Definitions

Dividend yield
Dividend as percentage of year-end share price.

Earnings per share (after full tax)
Earnings after full tax divided by the average number of shares in issue.

EBIT multiple
Market capitalisation plus net debt (interest-bearing liabilities less financial current assets) plus non-controlling interests divided by operating profit.

Equity per share
Equity divided by total number of shares in issue.

EV/sales
Market capitalisation plus net debt (interest-bearing liabilities less financial current assets) plus non-controlling interests divided by net sales.

Market capitalisation
Year-end share price multiplied by the total number of shares in issue

Operating cash flow/share
Cash flow after investments – but before acquisitions of companies/operations – divided by the average number of shares in issue.

Payout ratio
Dividend as a percentage of earnings per share.

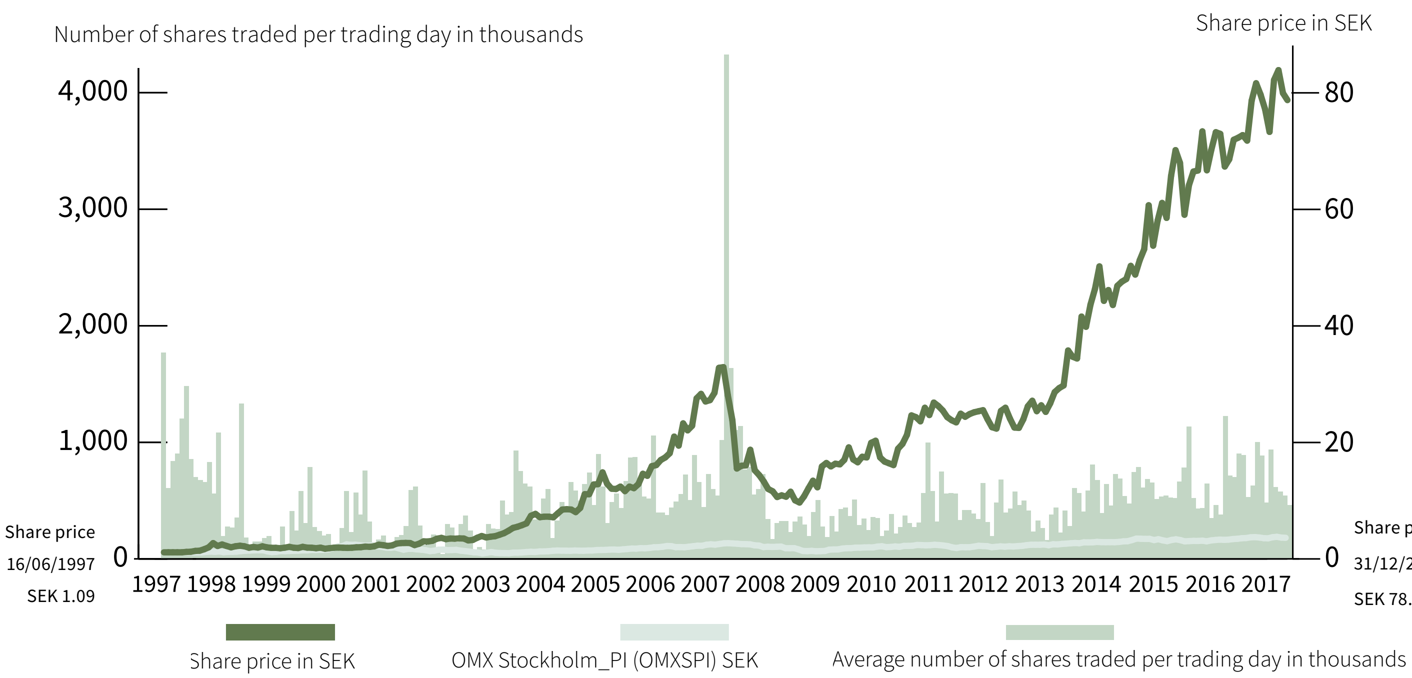
PE ratio (after tax)
Year-end share price divided by earnings per share.

Price/equity
Share price divided by equity per share, both as at end of period.

Share turnover
Total number of shares sold during the year as a percentage of number of shares.

Total yield
Change in share price for the year, including dividend, as a percentage of share price at previous closing date.

Share performance, 1997-2017



Major shareholders

(source: Euroclear Sweden share register 29 Dec 2017)

Shareholders	Number of shares	Number of votes (%)
Current and former Board members and senior executives[1]	110,554,338	46.82
Melker Schörling	54,927,359	20.34
Alecta Pensionsförsäkring	32,076,672	3.11
SSB Client Omnibus AC OM07	19,860,721	1.93
Didner & Gerge Aktiefond	18,297,702	1.78
Lannebo Småbolag	10,450,000	1.01
Didner & Gerge Småbolag	6,869,530	0.67
Livförsäkringsbolaget Skandia	6,431,479	0.62
SIX SIS AG W8IMY	6,110,594	0.59
JPM Chase NA	4,985,300	0.48
Odin Norden	4,838,711	0.47
SEB Sverigefond Småbolag	4,634,142	0.45
Second AP Fund (AP2)	4,326,428	0.42
Other holdings (40,710 shareholders)	219,653,646	21.31
Total	**504,016,622**	**100.0**

[1] For current Board, see page 112.

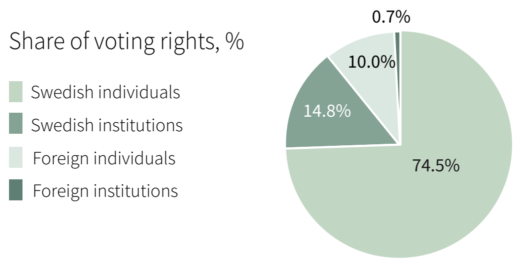
Shareholder structure

(source: Euroclear Sweden share register 29 Dec 2017)

Number of shares	Number of owners	Number of owners (%)	Number of shares	Number of shares (%)
1 – 500	26,404	64.80	3,696,770	0.73
501 – 1,000	4,466	10.96	3,599,729	0.71
1,001 – 5,000	6,539	16.05	15,944,146	3.16
5,001 – 10,000	1,425	3.50	10,392,753	2.06
10,001 – 20,000	949	2.33	13,832,191	2.74
20,001 –	962	2.36	456,551,033	90.60
Total	40,745	100.0	504,016,622	100.0

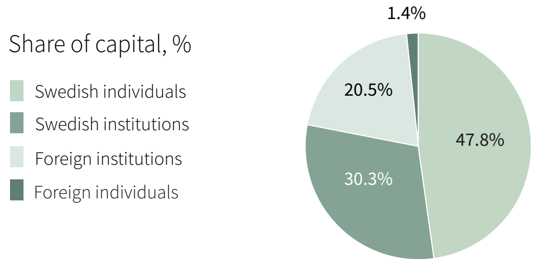
Shareholder categories

(source: Euroclear Sweden share register 29 Dec 2017)

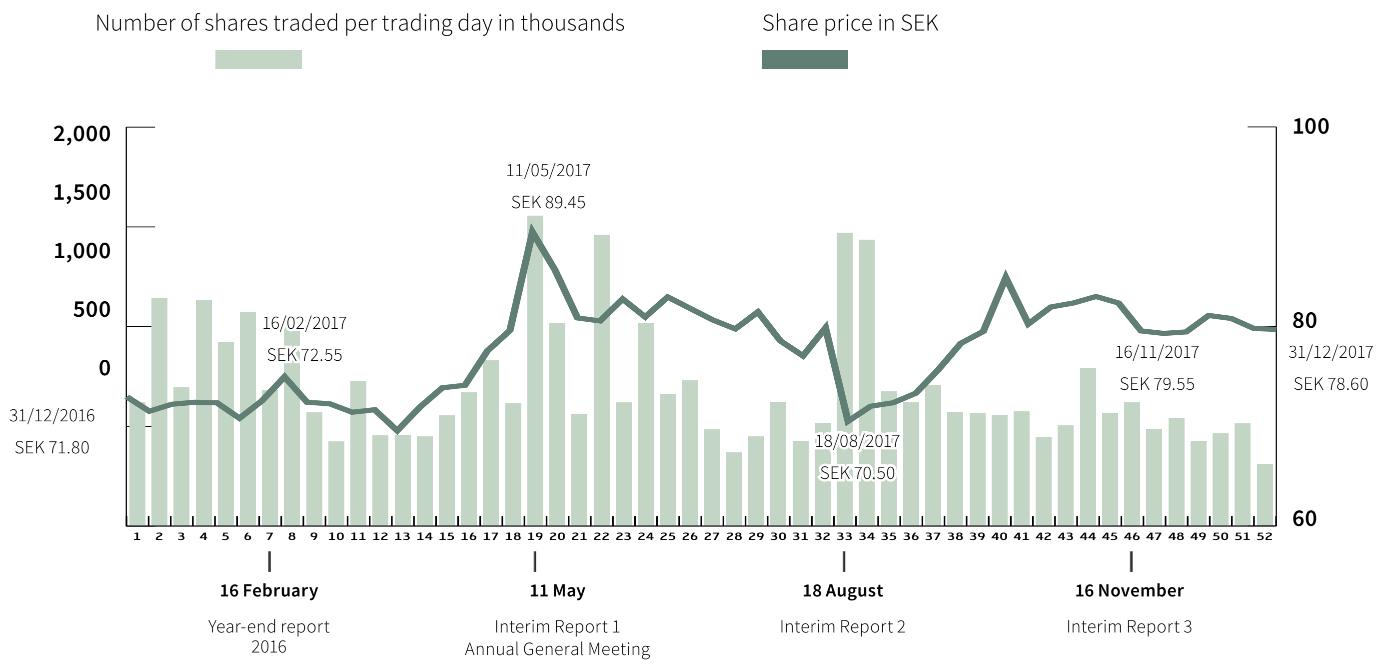


Proportion of capital

(source: Euroclear Sweden share register 29 Dec 2017)



The share during 2017



"It's in our nature"

> *It's in our nature to make use of the renewable energy created by nature.*

Klas Dahlberg, Head of Business Area NIBE Climate Solutions

At NIBE Climate Solutions, we operate an extremely sound business, and it feels good to be able to make a difference. We are continuing to accelerate the conversion of old, environmentally unsound technology, based on fossil fuels, to more modern, smart, environmentally friendly product solutions that enhance energy efficiency and make use of renewable energy. Last year, we introduced the 'Step Forward for Climate Solutions' theme, which involved us, as industry leaders, taking the initiative to drive developments towards a more sustainable world. In addition to direct impact with our solutions for indoor climate comfort, we have increased our influence work with an intensified dialogue with trade associations, political decision makers, public authorities and other decision makers.

Our international presence was further enhanced in 2017, and our continued expansion makes business sense, while also increasing our opportunities to contribute to a more sustainable world. We are also continuing our methodical work to position ourselves as a market leader for environmentally friendly, intelligent and energy-efficient solutions for indoor comfort.

With a successful year behind us, our aspirations for the future are growing. Read more about our market trends on page 47.

Another year of strategic acquisitions

Enertech Group with several well-known brands in Europe
The acquisition of the majority of British company Enertech Group, with several well-known brands such as CTC in Sweden, was completed in early 2017. With Enertech's operations in six European countries, we have further enhanced NIBE Climate Solutions' position as a world leader in heat pumps in Europe.

Strong position in North America
North America is NIBE Climate Solutions' largest market and, together with prior acquisitions, we are the market leader in heat pumps for both single-family homes and large properties. Following the acquisitions, we have also become the market leader in North America in fan coil units for waterborne systems.

Strong in commercial properties as well
Our product offering for large commercial property projects has been further enhanced throughout North America. In addition to the acquisition of the US market leader in heat pumps for commercial properties, Climate Control Group, completed in 2016, in early 2017 we acquired another company in the same sector, the Canadian heat pump company CGC Group of Companies Inc.

The North American market is dominated by airborne systems for indoor climate comfort. Consequently, it was natural for us to expand in the ventilation sector by acquiring the Canadian company Tempeff North America Ltd. Tempeff is a leading manufacturer of ventilation products with a high degree of energy recovery that are made for commercial, institutional and industrial applications, especially in cold climates.

To also expand our range of climate control products for large properties in Europe and increase our presence in this strategically important segment, we acquired 45% of the shares in the Italian ventilation and air conditioning company Rhoss S.p.A in the autumn.

Highly successful product launches

Constant investment in new products is crucial to market competitiveness. The rate of product launches continued to be high on all our markets in 2017. The new NIBE F2120 air/water heat pump, launched in 2016, sold well in 2017 and we were able to increase our market share in this important product segment on virtually all our markets in Europe. In addition to heat pumps, new products were also introduced for ventilation, air conditioning and water heating.

Contributing to a more sustainable world

Our mission to contribute to improving the climate has the best chances of success. As we grow, we have greater opportunities to make a more tangible contribution to a world with environmentally friendly, intelligent, energy-efficient solutions for indoor climate comfort. There is very great potential for our mission if you consider how many properties do not yet have our type of solution installed, and use fossil fuel solutions.

Business focus

We supply the market with world-class solutions in sustainable energy through products for indoor climate comfort and heating domestic hot water designed for both single-family houses and larger properties. The product range comprises both individual heating products and systems for heating, cooling, ventilation, heat recovery and local energy production.

Business objective

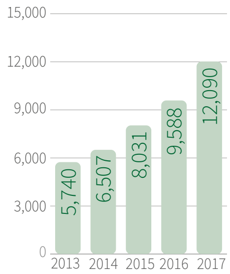
Our business objective is to consolidate our market-leading position in Europe and North America. The number of domestic markets will gradually be increased by acquisitions, the establishment of subsidiaries or the use of other well-established sales channels.

Figures for 2017

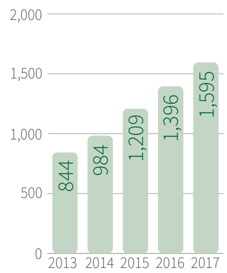
In 2017, the Climate Solutions business area increased its net sales by 25.4% compared with 2016. The increase is primarily attributable to acquisitions and increased market share.

The operating profit for the business area increased by 14.3% compared with 2016. The increase is mainly due to increased sales and good cost control.

Net sales
(SEK m)



Operating profit
(SEK m)



Targets

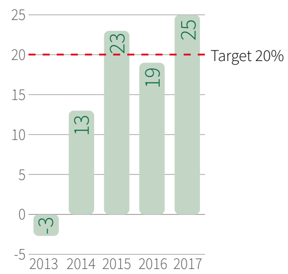
Growth target

We will achieve growth of at least 20% per annum, of which half is organic.

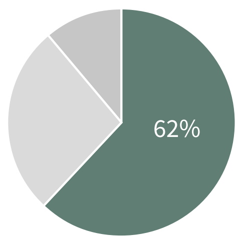
In 2017, total growth was 25.4% (19.4%), of which 3.5% (4.8%) was organic. This means that organic growth was 1.3 percentage points lower than in 2016.

Growth has been 15.3% on average over the past five years.

Target achievement, %



Net sales



Percentage of Group

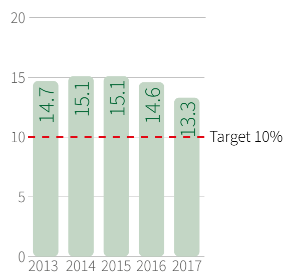
Operating margin target

Operating profit will be at least 10% of sales over a business cycle.

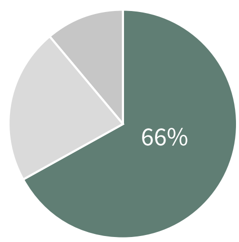
Operating profit in 2017 was 13.3% (14.6%) of sales. This means that the operating margin decreased by 1.3 percentage points compared with 2016.

The operating margin has been 14.4% on average over the past five years.

Target achievement, %



Operating profit



Percentage of Group

Products that make the sustainable society of the future possible

NIBE Climate Solutions offers a wide range of products for intelligent, energy-efficient indoor climate comfort, including heating, air conditioning, heat recovery, ventilation and hot water for homes, apartment blocks and commercial properties. Most of our solutions are based on recovery of renewable energy from the ground, rock, sun, sea or air.

Our products, which can be combined in system solutions with both existing and new systems, can be divided into the following categories:

Heat pumps

The principle is based on indirectly extracting energy from the sun which is stored in rock, the ground, the air, water or surplus heat in ventilation exhaust air. The heat can be distributed in both waterborne and airborne systems, used to heat water and stored in an accumulator tank.

Ventilation products and air conditioning

Fresh air ventilation with heat recovery via the heated exhaust air, and products for generation of cooling for single-family homes, large properties and industrial applications.

Climate control systems for large properties

Large residential properties and commercial properties usually have a climate control system that ensures good ventilation, a steady temperature and the correct air humidity in all seasons. This requires system solutions with a combination of heating and air conditioning systems and ventilation units with heat recovery, with a heat pump producing heat, hot water and cooling.

Water heaters and accumulator tanks

Water heaters that are designed for energy-efficient heating with electricity, a heat pump or solar heating. Accumulator tanks to make use of the heat from a wood-fired boiler or heat pump, designed for both single-family homes and systems in large properties.

District heating products

Local or district heating centres for forwarding district heating to individual properties.

Solar panels

Solar power generated from solar cells that can be combined with a heat pump and/or sold to a power producer.

Domestic boilers

Wood-fired or pellet-fired boilers that are connected to an accumulator tank.

Commercial washing machines and tumble dryers

Washing machines and tumble dryers for large apartment blocks, hotels and hospitals.

Clear sales arguments

Our products are marketed under strong brand names with strict requirements for environmental friendliness, quality and energy efficiency and are designed to be strong alternatives to products that use fossil fuels. The products must also be highly innovative, have a modern design and be competitively priced. Far-reaching warranty programmes are also offered for the more capital-intensive products.

Adapted for a long service life and recycling

Our more complex products such as heat pumps are adapted for a long service life via simple service with replaceable modules and upgradable software. Recycling is also facilitated by simplified sorting of materials such as insulation and metal.

Brands

A breakthrough in efficiency

An air/water heat pump with a SCOP* value of more than 5

NIBE F2120

Class-leading operating range

- Up to 65°C flow temperature. 63°C flow temperature at -25°C.
- Extremely easy to install.
- Self-adjusting control system for genuine plug-and-play installation.

3-phase connection – for all models

- No need for stronger fuses or rewiring.

Quieter when it matters

- A silent fan with intelligent control reduces sound to a minimum.

Speed-controlled

- An inverter-controlled (speed-controlled) compressor with EVI technology that adapts output to demand.
- Able to supply air conditioning with cooling flow down to +7 °C.

*SCOP = Seasonal Coefficient of Performance

Product development and production that make a contribution

Extensive product development and several development laboratories

Product development takes place at all of our manufacturing subsidiaries. As well as NIBE in Markaryd and CTC in Ljungby in Sweden, there are product development centres focusing on heat pumps and systems for indoor climate comfort at our German company AIT in Kasendorf, at the Danish company METRO THERM in Helsinge and at our North American companies Climate Master in Oklahoma City, Enertech Global in Greenville/Illinois, Waterfurnace in Fort Wayne/Indiana and CGC in Ontario.

Product development focuses on constant improvement in performance, intelligent controls and the production of systems in which renewable energy production is linked to climate systems and energy recovery via heat pumps. Software development is a major focus.

Development expenses correspond to approximately 3% of sales.

Synergies

There is continual growth in the international exchange and collaboration between the product development departments at our various companies, with positive results for the production of new products in terms of both development time and level of technology. Transatlantic development collaboration between our European and North American product development centres aims to combine top-level European technology in heat pumps designed for waterborne systems with the North American tradition of using airborne systems for both heating and air conditioning.

Development that contributes to sustainability

Sustainability is an important factor throughout a product's life cycle. Proactive market-based product development has a number of target criteria. Our products must be resource-efficient in both production and operation and thus help reduce climate impact. Among other things, we anticipated the EU F-gas Regulation that entered into force in 2017 to reduce emissions from fluorinated greenhouse gases (F-gases) that are used as refrigerants in heat pumps and air conditioning products. Since the 1990s, we have been using Propan290, a lower-impact gas, in many of our heat pumps.

We develop our products according to certain main criteria:

- *Constantly improving energy efficiency*
- *Utilise renewable energy*
- *Higher output via advanced control*
- *Convertible (heating in winter/air conditioning in summer)*
- *Recyclable*
- *Environmentally adapted*
- *Better design*
- *Better overall cost efficiency*

Efficient own production

Production takes place in some twenty modern plants in eleven countries in Europe and North America. The efficiency of the plants is subject to a constant process of enhancement through robotisation and mechanisation. Our production units in Markaryd, Sweden, Kasendorf, Germany, and Fort Wayne, Indiana, and Oklahoma City, USA, are the business area's biggest plants.

Manufacturing methods in the NIBE Group are evaluated regularly in order to optimise production processes and reduce environmental impact. The strategy is to gradually build up a number of specialised manufacturing units.

We invest continuously in all production plants to improve the opportunities for cost-efficient production for both domestic markets and segments on our other priority markets that are subject to fierce price competition. The good volume growth in Europe in 2017 resulted in a dramatic increase in production capacity, primarily in Markaryd.

Part of our production takes place in the Czech Republic, Poland and Russia, all of which have lower production salaries compared with Western and Central Europe.

We invested SEK 322 (239) million in our production plants in 2017.

Thanks to its modernised, highly rational production facilities in both high-cost and low-cost countries, we believe that NIBE Climate Solutions is well placed to assert itself in tomorrow's international climate control market.

Quality and environmental certification

All production units with more than 10 employees have certified management systems for the environment and quality. With a number of newly acquired units, this means that seven companies are in the process of certification to ISO 9001 and eight companies to ISO 14001. The aim is for this to have been completed within two years. To create the same structured, systematic working methods for improving the working environment and reducing the risk of accidents, management systems are being expanded to include the working environment as well.

Production management

The production of bulk products is based on forecasts. Large customised systems for commercial properties are produced to order.

Driving forces of the market

The global transition to more sustainable solutions

One fundamental driving force for our products is the essential global transition to more sustainable solutions to reduce negative climate impact and save the Earth's finite resources. According to the UN Environment Programme, buildings account for roughly 40% of total energy consumption in the world and emit a third of all greenhouse gases. A change in technology is required to reduce greenhouse gas emissions from buildings. Systems based on fossil energy sources such as oil, coal and natural gas must be phased out in favour of systems based on renewable energy that also require less input energy for the same output power.

The rate of this transition depends on a number of driving forces:

- *Energy price trends*, both for fossil fuels such as oil and natural gas and electricity prices.
- *Political instruments,* direct financial support/subsidies for transition, energy taxes, indirect support that affects general construction and conversion costs.
- *Public authority requirements for products,* including the Ecodesign Directive, which sets minimum energy performance requirements for products in the EU single market. The intention is to improve products' environmental performance throughout their life cycle. Another example is stricter energy-saving requirements in buildings. These requirements are largely national but the EU is working to establish common requirements and standards.
- *Smart buildings,* increased demand for better energy performance and control of the climate control systems of homes and commercial properties.
- *The property and construction market,* demand for homes and commercial premises and the economic situation determine the extent of construction and renovation.
- *The cost to the end consumer* of investment and operating costs, depending on energy type.

Group trends and business environment factors can be found on page 10.

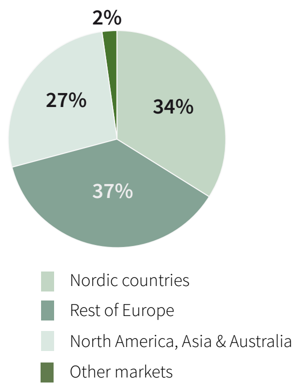
A very large market

The addressable global market for heating, ventilation and air conditioning systems is very large. Our estimate is that it totals at least SEK 500 billion.

The HVAC (Heating, Ventilation & Air Conditioning) sector as a whole represents great business potential with good opportunities for future expansion with product solutions for indoor climate comfort.

If we look only at the need for heating systems designed for detached and semi-detached houses in the EU, including Switzerland and Norway, the average annual replacement volume is estimated to be around five million units. In addition, during an average year around one million units are installed in new-build detached and semi-detached houses. This means that the penetration rate for heat pumps designed for waterborne distribution is around 5% in the EU.

Sales by geographical region

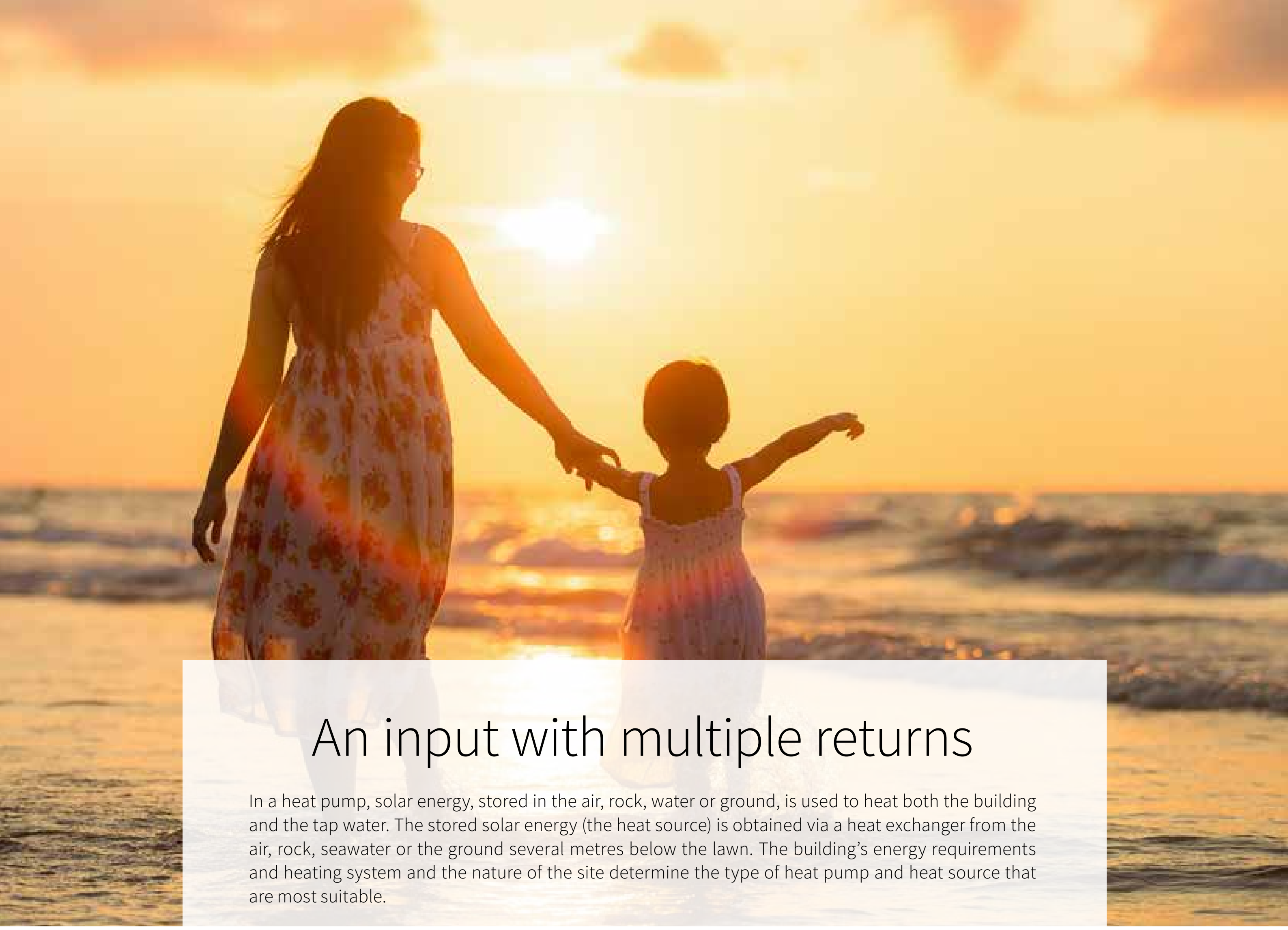


OPPORTUNITIES

- Great market potential in Europe and North America
- Strong brands
- Broad range of products
- State-of-the-art heat pump factories in Europe and North America
- Most advanced product development centres for heat pumps in Europe and North America
- Energy and environmental policy that promotes renewable energy
- Increased interest in renewable energy
- Access to rational production in countries with lower labour costs
- Continued expansion through acquisitions on a fragmented market

RISKS

- New laws, public authority decisions, energy taxes, etc. with a short-term perspective
- New technologies outside our current areas of expertise
- Reductions in new builds
- Low gas and oil prices usually mean continued use of fossil energy sources
- Artificially high electricity prices on several markets on the grounds that the transition to less use of fossil energy sources must be paid for with taxes on electricity



An input with multiple returns

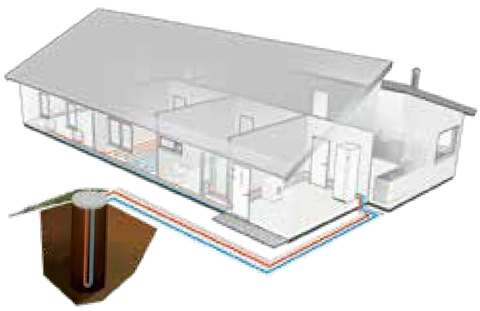
In a heat pump, solar energy, stored in the air, rock, water or ground, is used to heat both the building and the tap water. The stored solar energy (the heat source) is obtained via a heat exchanger from the air, rock, seawater or the ground several metres below the lawn. The building's energy requirements and heating system and the nature of the site determine the type of heat pump and heat source that are most suitable.

For example, in a ground-source heat pump system, the heat is transferred from the rock (the heat source) via a heat carrier, a collector. The collector circuit is closed and contains a liquid with a low freezing point (a glycol solution) which circulates and is heated by the rock storing solar energy. When the glycol solution passes through the heat pump, it meets another closed system, the refrigerant circuit, in a heat exchanger (the evaporator), where the refrigerant is heated and begins to vaporise. The gaseous refrigerant then passes through a compressor that greatly increases the temperature of the refrigerant. Via another heat exchanger (a condenser), the gaseous, hot refrigerant then releases its energy to heat the building and the tap water. The still gaseous refrigerant then passes through an expansion valve, where the refrigerant becomes liquid again and is thus ready for a new cycle, which is repeated continuously while there is heating demand.

The heat pump's energy output, i.e. the heat generated, is measured in kilowatt hours (kWh). Efficiency is measured in SCOP (Seasonal Coefficient of Performance), i.e. how many times more energy (heat) a heat pump produces on average in one year than the energy (electricity) the compressor in the heat pump uses. If the SCOP value is 5, the heat pump delivers five times as much energy as the electric motor in the compressor uses to drive the heat pump.

Example:
Total energy required to heat the building and tap water 24,200 kWh, SCOP factor 5 => saving 19,360 kWh or 80%, total energy consumption 4,840 kWh.

Expressed in simple terms, this ground-source heat pump saved 19,360 kWh or 80% compared with a situation in which the building was heated with direct-acting electricity. That's both economical and eco-friendly.



Market position and growth

Europe is the base

The proportion of heat pumps in detached and semi-detached houses is high in the Nordic region and they compete primarily with district heating in urban areas.

The proportion of heat pumps is lower in the rest of Europe, where gas boilers are dominant. Within the heating market as a whole we remain a medium-sized player across much of Europe, as we do not deal in gas-fired products.

We are the market leader in the Nordic region, Germany, Switzerland, Austria, the Netherlands, Poland and the Czech Republic in the heat pumps market segment. We have a good market presence with heat pumps on a number of other European markets such as France and the UK.

In Sweden, the construction of single-family homes continued to increase during the year, which benefited our sales, primarily of exhaust air heat pumps.

Greater political ambition for sustainable domestic heating is driving the market

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

Strong position on the growing European heat pump market

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

Subsidy to be reintroduced

The decision in the US to end the state subsidy for installation of geothermal heat pumps in single-family houses from 2017 resulted in an anticipated decline in the heat pump market for single-family houses. Low prices for domestically produced natural gas also enhanced the market downturn. A number of marketing activities have been implemented to alleviate the effect of the end of subsidies. With our experience from the European market, we have played an active role in the work to persuade the North American market of the necessity of reintroducing the subsidy to accelerate the switch from fossil to renewable alternatives for indoor climate comfort in homes and other properties. This work has been successful, and in early 2018 the US Congress decided to reintroduce the state subsidy. Market growth for the commercial property market has been more stable, contributing to positive growth in our sales to large commercial property projects.

Stable market for water heaters and district heating

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

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

Commercial properties increasingly important

The international market for heating, ventilation and air conditioning equipment in commercial properties is becoming increasingly important. Recent acquisitions have further increased our competitiveness in this area. We see great potential for both new installations and replacement with modern technology in Sweden and worldwide. We are therefore developing the product range and organisation continuously to boost our market share.

Fragmented market

The market for our business areas remains fragmented and there are many manufacturers, both large and small. We are continuing to grow but, at the same time, the competition is growing, primarily involving large international HVAC groups, which are also focusing on energy efficiency enhancement and more environmentally friendly products.

Own subsidiaries

Via our international presence, we have a comprehensive distribution system for each market. The primary customers on the international market are our own fellow subsidiaries in the business area or local importers/agents that resell our products. The products are principally distributed either to wholesalers or directly to installers. The local installer is usually the end consumer's closest contact and the person who ultimately sells and installs the product. There may be different distribution systems on the same geographical market. This is because we are represented by several operators, and because of our history, product portfolio and brands.

Marketing to several recipients

We market our products through several channels: trade fairs aimed at our specifying partners and wholesalers, digital advertising and print advertising.

We also enhance our relationships with installers by continuously offering training in our respective product groups. The courses are primarily designed for individuals working in the HVAC industry, but some courses may also be interesting to other occupational categories.

Not just the end user is important to us

Our end customers are homeowners and owners of rented properties and commercial premises. Other partners that have a strong influence in the decision-making process are installers, architects, planners, design engineers, house builders, consultants and energy consultants.

Several operators are involved in the HVAC sector for commercial properties, and the systems have grown in complexity, so the decision-making process tends to take a long time. At the same time, there is increasing direct contact between us as the producer and the end customer, as deliveries are often made directly to the property.

Industrial partner with growing technology content

> *We continue to realise our business objective to be a global supplier of components and solutions for intelligent heating and control by means of acquisitions and organic growth.*

Christer Fredriksson, Head of Business Area NIBE Element

We have created competitive units in their respective market segments through purposeful and consistent work on acquisitions and structural measures over a number of years. Technical developments in general constantly create new business opportunities for us. By refining our offerings with increased technology content, we are also expanding our range to high-tech industries.

Continued high rate of acquisitions

Industrial elements and rail industry in Europe

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

Production capacity with spread risk in Asia

We consider it valuable to spread our production capacity across several countries in Asia as well. This should be seen from both a cost perspective and a risk perspective. Consequently, we acquired the element manufacturer Grand Heater in Thailand, with customers including several global companies in HVAC and home appliances.

World-leading supplier to the semiconductor industry

In our efforts to be one of the market leaders on the industrial market in North America, we acquired Gaumer just before the 2017/2018 year-end and BriskHeat just after the year-end, both in the US. Gaumer's operations focus on process heating for the energy sector and the petrochemicals industry. BriskHeat is the world leader in the cloth heating jackets segment, primarily for the semiconductor industry but also for laboratories and research. BriskHeat has production in both the US and Vietnam.

Increased added value and more efficient production

In order to stably maintain our target operating margin of 10%, work continues to develop our profit centres' focus and activities towards product specialisation and a higher proportion of system content in our products. This offers good conditions for continued increased energy efficiency enhancement and thus makes a contribution to greater sustainability.

At the same time, we are continuing to invest in robotisation and automation in several production areas, primarily for our volume production. This is taking place in both high and low cost countries, which provides us with further competitive advantages in a variety of specialist segments. We are also implementing production engineering action plans that are gradually strengthening the competitiveness of the centres.

Business focus

We supply the market with world-class solutions in sustainable energy by supplying both producers and users with components and solutions for intelligent heating and control.

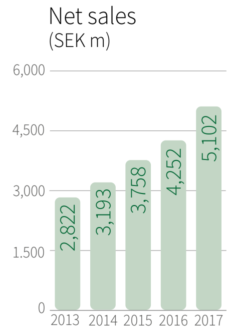
Business objective

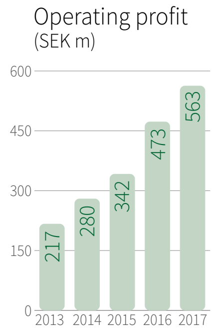
NIBE Element will be one of the leading suppliers in the world and its local presence and full range will be marketed on a growing number of domestic markets by means of suitable acquisitions or new companies. Medium-sized series are marketed by country or industry, while unique special products and large bulk products are marketed globally.

Figures for 2017

In 2017, the Element business area increased its net sales by 20.0% compared with 2016. The increase is attributable to acquisitions, consistent marketing and a strong market position.

The operating profit for the business area increased by 19.1% compared with 2016. The increase is mainly due to increased sales and good cost control.





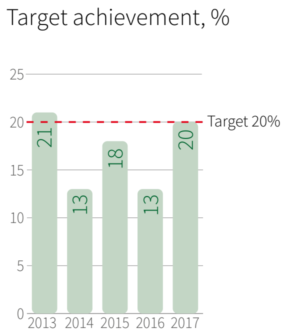
Targets

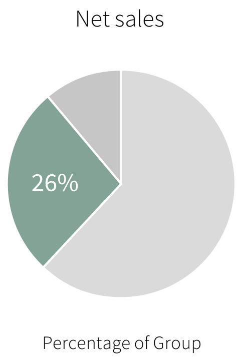
Growth target

We will achieve growth of at least 20% per annum, of which half is organic.

In 2017, total growth was 20.0% (13.1%), of which 9.5% (3.2%) was organic. This means that organic growth was 6.3 percentage points higher than in 2016.

Growth has been 16.9% on average over the past five years.



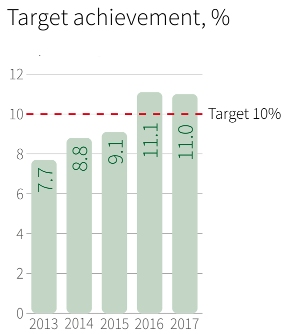


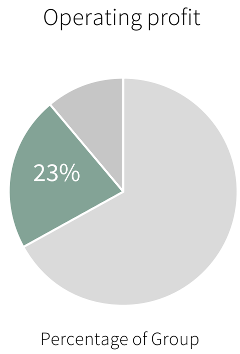
Operating margin target

Operating profit will be at least 10% of sales over a business cycle.

Operating profit in 2017 was 11.0% (11.1%) of sales. This means that the operating margin decreased by 0.1 percentage points compared with 2016.

The operating margin has been 9.8% on average in the past five years.





Components and solutions that save energy

NIBE Element offers a wide range of components and solutions for intelligent heating and control, where energy losses are minimised. The offering is aimed at a number of market segments ranging from producers of highly specialised industrial systems to producers of consumer products.

We are steadily expanding our product range to include more technologies to meet customer requirements for energy optimisation and heating in various applications. We supply both components and complete solutions with ready-mounted system products or unique customised solutions. We can also offer measurement and control options, and tests and simulations in customers' product development processes.

Energy efficiency in many sectors

Our customers are in a wide range of sectors, and our offerings help their products benefit end users in a wide variety of areas:

Domestic and household appliances

A complete range adapted for large-scale bulk production of solutions for heat generation and control for domestic and household appliances.

Advanced technology, medicine, aviation

Solutions for highly specialised, demanding areas of expertise such as medical equipment/laboratories, electronic and semiconductor equipment for space, defence and industrial robots, all with their specific requirements and rules.

Commercial products, professional kitchens

Components and customised solutions based on different technologies such as thick film, vacuum brazing and heat pump modules, all adapted to international regulations and standards.

HVAC - for control and regulation of indoor climate

Including inverters and soft start relays that increase the service life of electric motors by protecting them from sudden loads. Heat exchangers that deliver stable heat adapted to actual demand and ensuring low heat losses.

Energy sector

A wide range of products for both renewable energy production and the gas and oil industry. For example electrical resistors for wind turbines that improve the power supply quality and permit short interruptions in the grid without the need to shut down the turbine.

Transport – vehicles, rail-based, ships and aircraft

Intelligent solutions for both infrastructure and rail vehicles in the rail sector and online control and software for equipment control. A wide range of components for the automotive industry, including electric and hybrid vehicles.

Industry, projects

Customised design and construction, plus installation and commissioning of controller cabinets and associated control panels.

NIBE Element is a quality supplier that offers components with a good service life and solutions with high added value that help improve energy efficiency. We are also at the cutting edge of technological development to ensure that we can continue to be a relevant partner in a world of constant specialisation and enhanced technical content. Our offerings can be divided into a number of product groups that are sold either as components or as part of more complete systems.

Tubular elements

Used for air heating and radiant heat, for example in fan heaters, ovens and infrared heating, and for heating liquids, for example water heaters, dishwashers, washing machines and process heaters.

Aluminium elements

For optimum heat transfer by means of thermal radiation for use in domestic heating as radiators and convectors and also for railway compartment heaters and frost protection.

Foil elements

Foil elements are used as defrosters in vehicle wing mirrors and camera systems.

Thick film elements

For heat generation in electric kettles, exhaust emission control and copiers.

PTC elements

For rapid heat generation in car heaters, towel rails, air dehumidifiers, air heaters and dryers.

High-power elements

For high power in a limited space, for example for heating tools in the plastics, rubber, wood and paper industries and also for heating liquids in medical and laboratory environments.

Open spirals and tapes

For heating air in tumble dryers and fan heaters.

Heating cables

Usually in frost protection to prevent ice formation and also to ensure a certain temperature in containers, pipes, valves and gutters and in the process industry.

Heating jackets

Flexible elements that are sewn into synthetic textile for wrapping around vessels or pipes.

Ceramic elements

Ceramic heating elements are placed inside a tube and can therefore be easily replaced without needing to empty the tank or container in which the element is located.

Vacuum brazing

Brazing under vacuum, a method that ensures high quality and is therefore used in space and aviation technology, medical devices and other clinically demanding applications.

Heat pump technology

Heat pump modules that cool, heat and dehumidify in hot and humid premises, for example professional kitchens or laundries.

Resistors

Used for control and regulation of electricity. Products include braking resistors and power resistors.

Control equipment

Electronics with processor power and software onboard that can also be connected for remote control and monitoring, where necessary.

Brands

Technologies are also used in new areas of application

In our units, we also have access to certain specialist technologies, which can be used outside traditional element and resistor applications. For example, vacuum-brazing technology, which is traditionally used for tubular elements, can also be successfully applied in the production of plate heat exchangers, primarily for heat pumps. Foil techniques are used in new technology focused on green solutions such as exhaust emission control for diesel vehicles and heating the batteries for electric cars.

New product areas, solutions

During the year, we have launched several products that we believe will offer new business opportunities. These include integrated heaters in pumps which permit more compact, efficient solutions.

Sustainable product development and production

Our product development is essential to our ability to survive on the competitive global market. Requirements for the various industries and technologies differ significantly in terms of performance and standards. The trend is also for growing demand for system solutions and thus increased technical content. This is also reflected in the fact that the control is integrated with the elements themselves, i.e. sensors that are connected to control and monitoring equipment.

We have therefore invested in modern laboratories with well-developed testing facilities, where we collaborate closely with our customers to ensure that the products meet standards and requirements.

Sustainability is an important factor throughout a product's life cycle. Our products must, of course, be produced in a resource-efficient manner, but above all they must be energy-efficient to operate and help reduce climate impact.

Product development expenses correspond to just over 2% of sales.

Local product development in networks

Greater specialisation combined with proactive, fast-paced development in partnership with our customers is the reason why product development is largely decentralised at our subsidiaries. At the same time, we have an open climate for knowledge exchange between all subsidiaries, a network to which all newly acquired companies also have direct access. This technology transfer is a proven way of creating continuous synergies that considerably reduce development time in several areas.

Development in four dimensions

Our development process can be divided into four stages:

- *Product development* for brand new products, new functions in existing products and improved features of existing products.
- *Product adaptation* mainly takes place with the customer to develop unique solutions to their special needs and adapted solutions in which we assume greater system responsibility.
- *Process development* is carried out to optimise the products in terms of choice of materials, quality and technical performance.
- *Production technology development* improves manufacturing in terms of machines, reduced environmental impact, production methods and efficiency.

Production

Production is carried out at some fifty plants in Europe, North America and Asia. Having production plants for bulk products on different continents gives us great flexibility, allowing us to relocate production based on the cost and currency situation. With the acquisition of the US company BriskHeat, we now also have production in Vietnam and, via the Italian company HT, production in Romania.

Local production constitutes an important and major element of our competitive strength for deliveries of small and medium-sized series with short lead times.

For larger series and special products, production is based at specialist units. This type of bulk production has been supplemented with the element manufacturer Grand Heater in Thailand, with customers including several global companies in HVAC and home appliances.

More efficient production

Measures to boost productivity and quality are implemented continuously both in major investment programmes in areas such as automation via robots and via constant small but frequent improvements. Automation is now also increasing in several of our low cost countries, including Mexico and Poland.

Investments of SEK 164 (125) million were made in production capacity and efficiency enhancement in 2017.

During the year, we implemented action programmes at several of our units to improve productivity. The programmes include time studies, improvements in production technology and performance-based pay systems.

Increased capacity

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

Quality and environmental certification

We are working to introduce certified quality and environmental management systems for all our production units with more than 10 employees. With a number of newly acquired units, this means that five companies are in the process of certification to ISO 9001 and nine companies to ISO 14001. The aim is for this to have been completed within two years. We are also working continuously to reduce the risk of accidents by introducing management systems for the working environment.

Production management

Both forecasts and customer orders determine production schedules, depending entirely on customer category and production volume.

Coordinated purchases

Purchases are coordinated for basic goods such as metals, minerals and metal processing. Raw materials are hedged in special cases, mainly for specific customer contracts.

OPPORTUNITIES

- Industry restructuring and expansion through acquisitions
- Purchasing and production synergies
- Energy technology is a globally expanding market
- Position in the various domestic markets provides opportunities to market a broader range of products
- Strong brands
- Rational, flexible production
- Access to rational production in countries with lower labour costs
- Market position as a front-runner among manufacturers worldwide
- Intensive product development
- Increased growth through delivery of solutions, including measurement and control

RISKS

- New technologies protected by patents
- Price trends for raw materials
- Cost trends in our production countries
- Disproportionate product liability in the event of quality defects
- Changes in exchange rates
- Payment problems among certain large customers
- Political risks on certain markets

Turbine blades need to be able to retain heat to generate energy

Lund & Sørensen in Denmark has developed an intelligent control system for wind turbine blades so that they remain warm during repair and maintenance.

To ensure correct overhaul and maintenance of wind turbines and their blades and to reduce maintenance stoppage times, Lund & Sørensen, a company in the NIBE Element business area, has found a solution that permits the blades to remain warm during the repair period.

The concept is based on a central intelligent control that is combined with heating jackets. The unit controls the temperature via sensors in the heating jackets. At the same time, it also measures and logs the ambient temperature and humidity.

All management and control of temperature, data, alarms, trend curves and programme planning time is via a touch-screen panel.

The screen layout involves a step-by-step solution, with each step requiring confirmation before proceeding to the next level. This is to ensure that the operator is aware of what needs to be done in each step and what needs to be logged before proceeding to the next level.

The BLUE POINT system saves energy for railways

The second highest energy expense item for owners of railway infrastructure in cold countries is for keeping points free of ice and snow. Most countries use electric heating to keep trains moving.

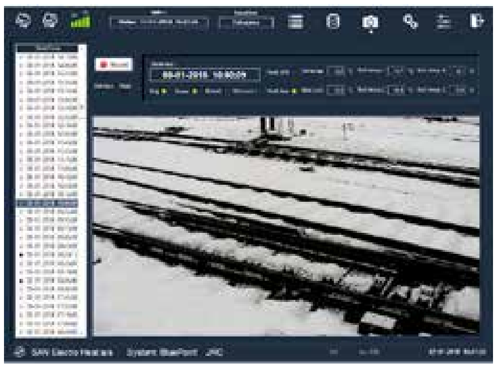
SAN Electro Heat, a NIBE Element company, has been supplying complete solutions for points for nearly 30 years. Each new generation of the system uses advanced technology to deliver a more reliable system with less and less energy consumption. Today, the fourth generation of the BLUE POINT system saves 85% more energy than the first generation.

The new generation not only checks the heat required against the actual weather conditions and railway temperature measured. Every hour, the system also receives a weather forecast for the next 1 - 3 hours. This results in a very local, accurate forecast of snow and frost.

The BLUE POINT system also has a complete SCADA (Supervisory Control And Data Acquisition) software package for installation at the rail company or as a cloud solution. All parties that work with the local heating system have access to valuable information via the internet.

Our wireless communication and cloud technology also make it much easier for customers to outsource maintenance and installation. They can access the heating system without jeopardising the security of their internal IT system.

In 2017, SAN Electro Heat installed two complete BLUE POINT systems for intensive testing, in the US with Backer USA and in Japan with Mitsui. Both systems have cloud SCADA and live cameras for monitoring performance.



Driving forces and development on the market

Over the past few years our operations have been increasingly affected by developments within the areas of energy and the environment. These developments drive our business, responding to the need to make end products more energy-efficient and adapted to stricter requirements for reduced climate impact. This is particularly relevant in industries that also have a focus on sustainable development such as wind power, heat pumps, rail-based transport and electric and hybrid vehicles. Group driving forces and trends can be found on page 10.

Potential to capture market share

The addressable market for NIBE Element's product areas is currently estimated to be approximately SEK 50 billion.

The market is generally fragmented with many local operators and some large regional ones. However, the North American market is more homogeneous and can be regarded as one market. NIBE Element is a global supplier in several product categories of elements.

The markets for our product areas generally tend to keep pace with national industrial development and growth in GDP.

Positive market development

Overall, the international element market enjoyed positive growth during 2017, with some variation between market segments. The domestic appliance industry and commercial products grew slightly during the year. With efficient high-volume production located in a number of countries with competitive cost levels, we have had a good opportunity to meet global domestic appliance companies' demand for high-quality products at competitive prices.

Market segments linked to saving energy and sustainable development continued to perform well during 2017. We also contributed innovative new products in the area that produced good growth. The automotive industry is also developing fast in the direction of increased sustainability and environmentally sound products, with a growing trend towards electrification of both cars and commercial vehicles, offering a wide range of new applications for our technologies and products.

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

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

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

Business model

Customers in several industries

Our commercial customers in, for example, the professional kitchens and refrigeration industries, are increasingly part of large groups of companies with coordinated purchasing, but they also have regional suppliers. Consequently, it is important to work them both centrally and locally.

For industrial products, our aim is to gradually increase our local presence so we can deliver small runs and specialist products adapted to local needs with short lead times and local technical support.

Where, perhaps for cost reasons, we have chosen not to set up our own manufacturing operations, we have established a presence in the form of a sales and technical support office. We market our products by industry or country, depending on the size and structure of each industry.

Two main customer groups:

OEM (Original Equipment Manufacturer), where the customer buys our products and systems as part of their end product.
Industry, where the customer primarily uses components and/or system solutions in their own manufacturing process.

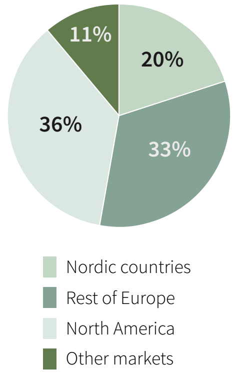
As one of the world-leading operators, we are represented globally and can distribute our products to both these customer groups in a cost-efficient, environmentally sound way, with good service and short transport distances.

Marketing

As a subcontractor, NIBE Element markets its offering to the B2B market primarily via trade fairs, sales staff and the internet.

For some large market segments, such as comfort, domestic appliances, wind power and transport, we now have global marketing managers who conduct marketing campaigns with shared sales platforms for groups of subsidiaries.

Sales by geographical region



Real fires provide cosy warmth in all settings

> *"We have increased our market share on most of our markets and continue to make our mark with new products.*
>
> Niklas Gunnarsson, Head of Business Area NIBE Stoves

A stove with a real fire provides cosy warmth and a sense of security. For most people, it is therefore a product with positive associations. Our mission is to continue to contribute to both the benefits and experience of a stove. As a leading supplier, we are able to develop the industry and its products worldwide, which benefits both the end customer and society in general. 2017 was also characterised by the launches of many new products under all brands in all our markets.

Acquisition that gives a solid market platform in North America

With the acquisition of the Canadian company Fireplace Products International (FPI), which has given us a stable market platform in North America and Australia, we have also taken another step in our international expansion strategy. This also reduces our dependence on the European stove market. FPI developed well during the year and is one of the leading companies in North America, with a complete range of products for gas, wood and pellets. Sales are via a well-developed network of retailers in the US and Canada, and via its own sales company in Australia, where we also see growth potential.

New generations of stoves making a contribution

We take a positive view of our continued opportunities in terms of both business and sustainability. We are involved in the ongoing debate on the environmental impact of emissions of particles from wood firing by presenting modern stoves with considerably higher efficiency and lower emissions of particles compared with older products. We are also a member of national trade associations, taking a constructive approach to emissions issues.

We see that we can make a difference with our stoves by promoting the replacement of old technology with new technology to the benefit of both the environment and our own business.

Our own development work is carried out in close cooperation with universities and colleges.

Business focus

We supply the market with world-class solutions in sustainable energy by offering energy-efficient, attractively designed, value-for-money stove products and chimney systems, developed and manufactured with minimum environmental impact.

Business objective

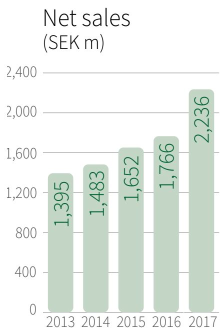
NIBE Stoves' objective is to supply a wide and complete range of stove products in order to confirm and consolidate its position as the market leader.

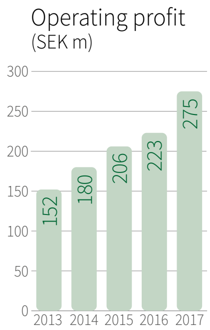
Expansion abroad will be supported by the continuous development of products tailored to new markets, combined with moves into new markets through acquisitions, the establishment of new subsidiaries or the use of existing sales channels.

Figures for 2017

In 2017, the Stoves business area increased its net sales by 26.6% compared with 2016. The increase is primarily attributable to acquisitions, but also to new product launches and consistent marketing.

The operating profit for the business area increased by 23.2% compared with 2016. The increase is mainly due to increased sales and good cost control.





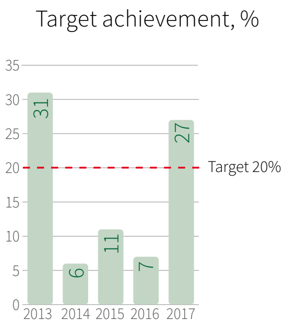
Targets

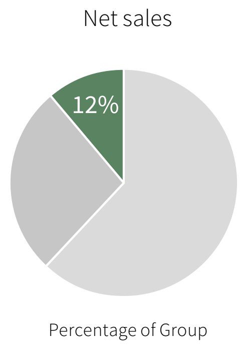
Growth target

We will achieve growth of at least 20% per annum, of which half is organic.

In 2017, total growth was 26.6% (6.9%), of which 1.6% (-0.4%) was organic. This is an improvement in organic growth of 2.0 percentage points compared with 2016.

Growth has been 16.0% on average over the past five years.



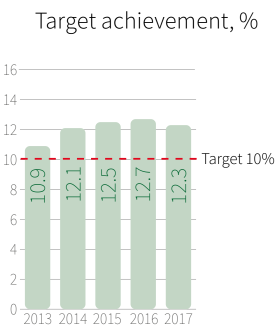


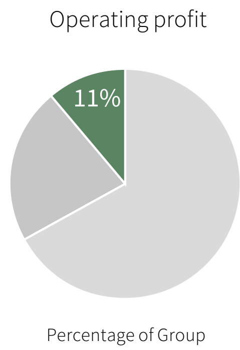
Operating margin target

Operating profit will be at least 10% of sales over a business cycle.

Operating profit in 2017 was 12.3% (12.7%) of sales. This means that the operating margin decreased by 0.4 percentage points compared with 2016.

The operating margin has been 12.1% on average over the past five years.





Heating products that create a cosy atmosphere

Cosy heat sources

NIBE Stoves' product range comprises stoves for various energy sources in various sizes and designs to suit different kinds of houses and commercial properties. The range also includes chimney systems and other accessories.

Most of the products in our range use renewable fuel. They are therefore climate-neutral, which means that we contribute to a more sustainable society. Our products already comply with the future Ecodesign Directive with lower emission levels. They have modern combustion technology which ensures high efficiency and considerably lower emissions of particles than older stove products.

Successful product portfolio

Our product portfolio, with its twelve strong brands in six product groups, makes us an all-round supplier and a strong business partner in our industry:

Free-standing stoves, in steel or cast iron

Inserts with a choice of surrounds, including in steel and stone and for inclusion in masonry

Wood-burning inserts for fireplaces

Heat-retaining products

Accessories such as floor panels, wood storage and connection pipes

Chimney systems adapted to the requirements of the specific country

Good for the environment and the customer

Reduced environmental impact

Wood is a renewable energy source, and firing with wood or pellets in a stove product is climate-neutral. However, wood firing can cause emissions of harmful particles and our good combustion technology limits these emissions. Our products have state-of-the-art technology producing optimum combustion.

Products that touch the senses

Fire symbolises safety to many and forms the basis of several soft values. A stove spreads heat, is calming and creates a cosy atmosphere. It achieves this with both the visible flames and the design of the stove. A stove is also a supplementary heat source when it is cold and provides peace of mind in a power cut, for example. It should not just be seen as a cost. It is also an investment that adds value to a property.

Brands

Contura · Premodul by Contura · Stovax · Regency · Nordpeis · Lotus Quality First · Gazco · Excalibur · Varde · TermaTech · Yeoman · Hampton

Product development and production for strong brands

Product development, with the focus on performance and design, is ongoing and is essential to our business. Our various brands have completely independent product development departments that are governed by our shared guidelines on the environment and sustainability. This helps retain each brand's distinctive character and gives our customers great freedom of choice. Knowledge about technology for efficient combustion is exchanged regularly and naturally within the business area. This allows us to retain the flexibility we desire, while responding to regional product requirements and trends. Registration of designs is therefore an important measure to take. Product development expenses correspond to approximately 3% of sales in the business area.

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

Our product development can be divided into three areas:

- *Design* is essential to overall perception and may often be what determines whether a customer chooses one product over another. A stove has to match the style of a home and be pleasing to the eye in terms of appearance and proportions. It should also be possible to see the fire through large glazed areas from as many angles as possible.
- *Combustion technology* is a very important area as all combustion entails some level of emissions with an impact on our environment and health. Efficient combustion is an important part of our responsible approach to producing sustainable products, and we constantly employ a high level of development resources on finding the best possible technology.
- *Function* is important as stove products need to be more than just beautiful. They need to heat homes. They have to be reliable, safe, easy to install and easy to use. This is why we have both the components and the complete product thoroughly tested before a new product is released onto the market.

Our production units

NIBE Stoves has its own production plants in Sweden, the UK, Poland and Canada.

Most of our steel plate products sold in Europe are made in Sweden. The Swedish production plant is largely robotised and flow-optimised, making it one of the most efficient in our industry. We have come a long way in terms of both high quality and productivity, and we keep our environmental impact and energy consumption at low levels.

FPI has a corresponding plant in Canada in which the North American brands are produced.

Stovax produces its wood-burning products at carefully selected subcontractors, while its gas-fired products are manufactured in its own plant in the UK.

Concrete surrounds, fireplace materials and heat-retaining products are cast in our plant in Poland. This is also where various stone materials are processed. This unit mainly supplies our own brands with components, but it is also an OEM supplier to other manufacturers in the industry.

Investments of SEK 48 (42) million were made in production capacity in 2017.

Better performance than existing public authority requirements

We design and manufacture our products on the basis of the Ecodesign, REACH and RoHS Directives and other directives. Our products usually perform better than the existing public authority requirements and our ambition is always to anticipate future more stringent requirements.

As modern new stoves have considerably higher efficiency and lower emissions of particles than older products, replacement quickly has a positive impact on the environment. The future Ecodesign requirements are a step in the right direction for our industry.

As part of our efforts to create structured working methods and a clear system, the production plants are certified to both ISO 9001 (quality) and ISO 14001 (environment). The aim for the newly acquired company FPI is to obtain certification within two years.

We also work continuously and systematically to create a safe place to work and to reduce the risk of accidents.

Production management

Production is based on forecasts. Seasonal variations on the stove market mean that part of the production volume is put into storage to ensure delivery capacity in the autumn high season.

Coordinated purchases

Purchases of large shared volumes of inputs such as steel plate, castings and ceramic glass are coordinated within the business area and the Group.

OPPORTUNITIES

- Sales potential in new product segments
- Huge market potential
- Strong product development
- Strong brands
- Broad range of products
- Great interest in renewable energy
- New political decisions relating to energy and the environment
- Rational production
- Expansion through acquisitions
- Products already largely adapted to the Ecodesign Directive

RISKS

- New government energy policies allow insufficient time to implement product adaptations
- Local authority restrictions on the use of wood-burning products
- Low-price range
- General weak economic climate

Driving forces and development on the market

We operate on the consumer durables market. Customers' purchasing decisions are not only rational. They are largely also emotional.

Market drivers

- *Economic climate* and growth in disposable income.
- *Interior design trends.*
- *The growth of the property market,* the level of housebuilding, price trends and property turnover on the market, which is often directly related to willingness to renovate.
- *Seasonal variations* and the weather situation before and during autumn/winter.
- *Energy price trends*, both for fossil fuels such as oil and natural gas and electricity prices. Higher energy prices offer an incentive to buy supplementary heating.
- *The Ecodesign Directive* with lower new thresholds for emissions of hydrocarbons and particles, introduced by 2022; we are already well positioned.
- *Regional restrictions* on the use of wood-fired products on account of emissions of hydrocarbons and particles which may have a negative impact.

Wood, gas and pellets

The three major energy sources for stoves are wood, gas and pellets. Firing with wood is traditional and dominates the market in Europe overall. Wood-burning stove products are available on all markets and have the highest volume.

There is a strong tradition of using gas in the UK, Ireland, the Netherlands and North America because there are extensive gas supply networks, with the result that gas-fired stove products are popular. The Italian market is dominated by firing with pellets, and demand for pellet products has also increased in France in recent years. The products are an excellent additional heat source during the cooler part of the year.

Electric stoves are used where it is not possible to install a flue gas duct. They are primarily decorative but can also be fitted so that they emit heat.

Potential to capture market share

NIBE Stoves operates on the consumer durables market. The addressable market for NIBE Stoves in North America and Europe is estimated to total SEK 30 billion.

Our markets are in Europe, North America, Australia and New Zealand. The main markets are in the Nordic region, Germany, the UK, France, the USA, Canada and Australia.

Market trends

Demand for stove products fell slightly overall in Europe in 2017, but with differences in trends for different product types. While demand for wood-fired products has generally fallen on most markets, products for gas and pellets have continued to see increased demand, particularly on the markets on which they traditionally have a large share.

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

Demand for stove products fell in Germany in 2017 for the fourth year in a row and is at a historical low. The decrease has primarily been in the DIY sector, while our main distribution channel, the traditional specialist trade, remained stable with some growth, which was in our favour.

The trend in France reversed after several years of reduced demand, and several product segments are seeing growth, above all for pellet-fired products.

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

North America had a generally healthy economic climate in 2017 and the relatively cold winter in the previous year contributed to increased demand for stove products, particularly for gas-fired products.

During the year, we were affected by significantly increased material prices in a number of areas. Although we were largely able to compensate for this via price increases, it had a certain negative effect on the operating margin for the year.

Business model

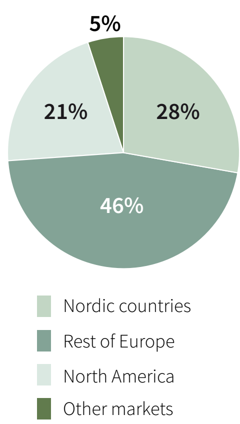
Marketing

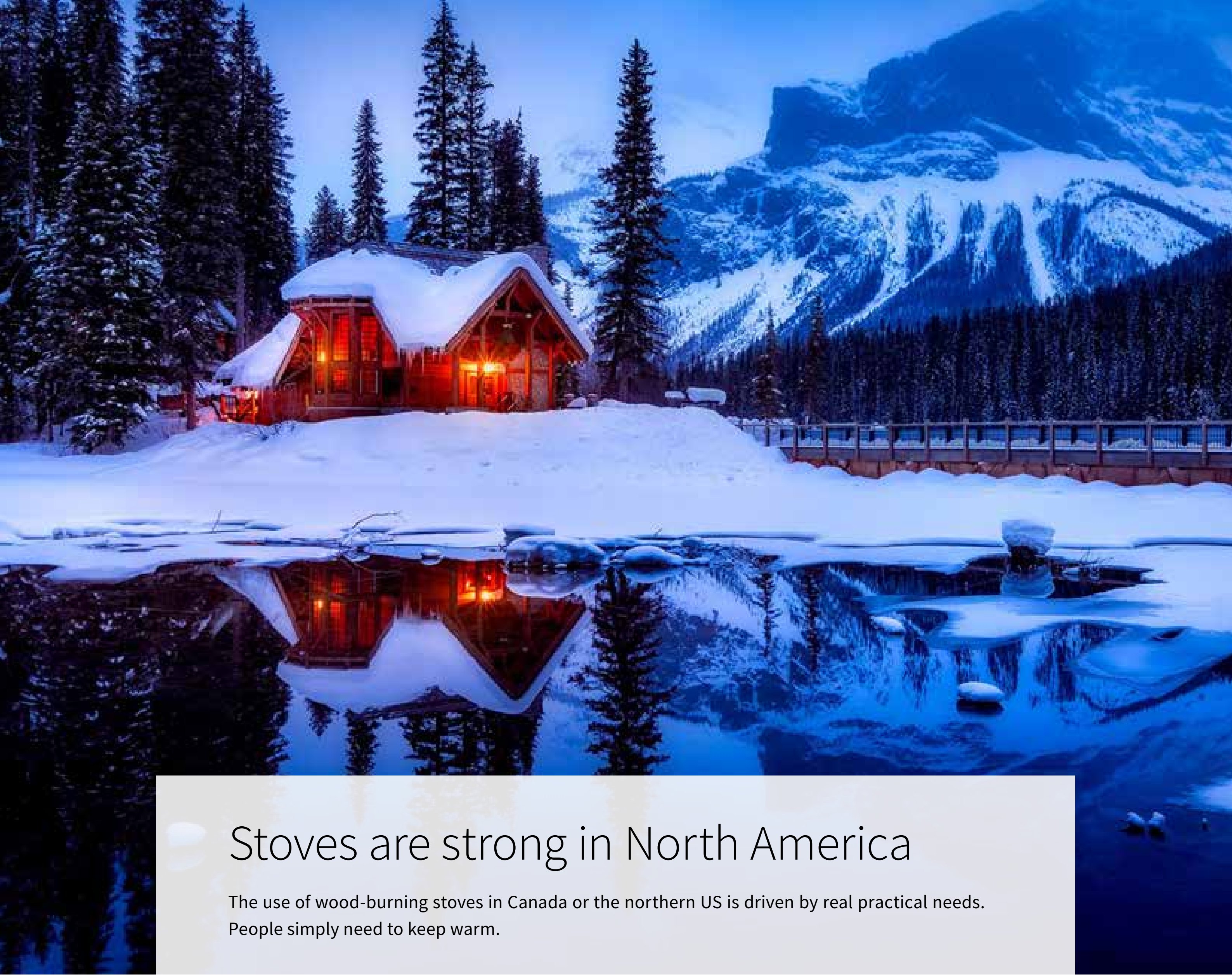
Decisions to purchase our products are largely based on how customers experience them. Consequently, in-store displays are an important marketing channel, and a large part of our marketing resources are spent on in-store displays. Other channels are digital advertising, the interior design press and consumer and trade fairs.

Sales channels

Our products reach end customers via a well-developed network of specialist retailers without any intermediary. The retailers display the products and offer a higher level of service than the DIY sector, which primarily sells low-price products, a segment in which we have only a modest presence. Spare parts and accessories are increasingly sold online.

Sales by geographical region





Stoves are strong in North America

The use of wood-burning stoves in Canada or the northern US is driven by real practical needs. People simply need to keep warm.

Regency® Pro-Series F5100 Wood Stove

Contura 510

On a continent with much harsher winters than in Europe, apart from northern Scandinavia, a wood-burning stove is an important heat source for many people. For example, 350,000 households or 35% of non-urban households in the Canadian province of Ontario use wood as a heat source some or all of the time.

An article in the Toronto Star reflects the role of wood-burning stoves well:

"It's the end of the working week and you still have a long walk home in the dark, with the wind throwing hard snowflakes, like pellets, in your face. But once home you can relax. With a cup of tea or a glass of wine and the ultimate in winter comfort, a log in a wood-burning stove."

The difference between the continents can be understood best by comparing the product descriptions for some of Canadian company Regency's products with that for one of NIBE Stoves' bestsellers in the Nordic region, Contura 500. Regency's stove sizes are given based on room size and using the BTU, British Thermal Unit, as a measure of output.

Regency® Pro-Series F5100 Wood Stove, 80,000 BTU = 23 kW. You can now insert a 55 cm log, and a 40 kg load produces a burn time of up to 30 hours!

The Nordic Contura 500 has an output of 5 kW, can take 33 cm logs and has a burn time of 1-2 hours.

As they say in Canada, you light the fire in October and it burns until April.

Administration report

Annual Accounts 2017

Important events during the financial year

Acquisitions

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

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

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

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

At the end of November, an agreement was entered to acquire 45% of shares in the Italian ventilation and air conditioning company Rhoss S.p.A., one of Italy's leading manufacturers for commercial applications, with annual sales of approximately SEK 670 million and just over 300 employees. The acquisition was carried out in January 2018 but will not be consolidated in 2018. It will be recognised using the equity method as NIBE currently has no controlling influence. NIBE also has an option to acquire the remaining 55% of the shares.

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

Remuneration

The Annual General Meeting determines the level of remuneration of the Chairman of the Board and other directors.

The Annual General Meeting also determines the guidelines for the remuneration of the Managing Director and other senior executives, in accordance with which the Board subsequently determines the remuneration of the managing director. The remuneration of other senior personnel is determined by the managing director in consultation with the Chairman of the Board. Decisions in this regard are reported to the Board of Directors. For further details of remuneration for the year, please see Note 6.

The Board proposes that remuneration for 2018 should be determined according to the same principles as those adopted in 2017.

Environmental issues

NIBE has production plants in 21 countries. Their environmental impact mainly consists of:

- Use of raw materials such as metals and plastics
- Use of natural resources such as energy and water
- Generation of waste
- Emission of air and water pollutants
- Transports

NIBE complies with national environmental legislation in all the countries in which it has production plants.

Where operations require a permit, results and any failure to comply with permit conditions are reported to the environmental authorities in the country in question and to the Group's sustainability department. In 2017, two incidences of environmental limits being exceeded were reported and measures were taken.

The Group manages improvements in environmental performance by following performance figures, setting targets and reporting results according to GRI standards. The Group also reports to the Carbon Disclosure Project (CDP). Several of our products have a positive impact on the environment as they help reduce energy use, increase the use of renewable energy and thus reduce climate impact.

To read more about the Group's targets and performance figures for environmental impact, please see page 32.

Staff issues and human rights

NIBE’s staff policy is based on everyone being of equal value and stipulates that everyone must have the same opportunities to develop within the company, irrespective of gender, ethnicity, age or background. We want all our employees to see NIBE as a safe, fair employer that ensures a good working environment, good working conditions, diversity and gender equality. In 2017, NIBE published a new Diversity and Equal Treatment Policy in line with new requirements. It will be implemented in the Group’s companies in 2018.

Our policy to respect human rights and prevent discrimination also extends to our suppliers, and we evaluate new suppliers against our requirements. We also follow up on existing suppliers against the requirements we make regarding human rights and working conditions.

Our values and well-established code of conduct create a basis for collaboration, commitment and freedom with responsibility. As part of our internal controls within the Group, several subsidiaries are evaluated every year to ensure that everyone applies the same principles and that the standard of working conditions remains high.

To read more about our employees and responsible purchasing, please see pages 29 and 30.

Research and development

The NIBE Group carries out market-leading research and development in each of its business areas. We believe that this is a crucial factor behind our continued organic growth and our ability to establish a presence in new markets. It also means that we can respond quickly to changes in what our customers want and transform their wishes into the best possible solution in the relevant market context. See Note 9.

Future trends

- 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.
- Our wide geographical distribution makes us a stable Group that is less sensitive to fluctuations in local demand.
- Despite all the external uncertainties, we remain cautiously positive about the year.

Ownership

NIBE’s share capital is divided into 58,532,590 class A shares and 445,484,032 class B shares. Each A share carries ten votes at the Annual General Meeting and each B share carries one vote. For class A shares, which represent approximately 56% of the votes, the company’s articles of association prescribe an obligation to give existing shareholders first refusal of any shares offered for sale.

The company has two shareholders who each hold more than 10% of the votes, one of them a group of shareholders consisting of present and former directors and managers with around 47% of the votes, the other Melker Schörling, with around 20% of the votes.

Proposal for appropriation of profits

The financial resources at the disposal of the Annual General Meeting are:

Profit brought forward	SEK 2,354 million
Share premium reserve	SEK 4,751 million
Net profit for the year	SEK 393 million
Total	**SEK 7,498 million**

The Board of Directors proposes issuing a dividend to shareholders of SEK 1.05 per share, equivalent to a total payout of SEK 529 million. A total of SEK 6,969 million will be carried over in the accounts: SEK 4,751 million of this in the share premium reserve and SEK 2,218 million as profit brought forward.

The Board of Directors deems the proposed dividend to be reasonable considering the requirements that the nature, scope and inherent risks of the business place on the amount of equity and the company’s and the Group’s consolidation needs, liquidity and financial position. This must be seen against the background of the information provided in the Annual Report. Before proposing this dividend, the Board has paid due consideration to the investments planned.

Corporate governance report

The corporate governance report on pages 108-111 is not part of the Administration Report.

Five-year overview

Income statement (SEK million)	2017	2016	2015	2014	2013
Net sales	19,009	15,348	13,243	11,033	9,834
Cost of goods sold	– 12,446	– 9,817	– 8,461	– 7,106	– 6,462
Gross profit	**6,563**	**5,531**	**4,782**	**3,927**	**3,372**
Selling expenses	– 3,140	– 2,664	– 2,371	– 1,977	– 1,739
Administrative expenses	– 1,240	– 1,042	– 838	– 707	– 580
Other operating income	161	155	127	142	126
Operating profit	**2,344**	**1,980**	**1,700**	**1,385**	**1,179**
Net financial items	– 162	– 109	– 86	– 93	– 62
Profit after net financial items	**2,182**	**1,871**	**1,614**	**1,292**	**1,117**
Tax	– 479	– 495	– 377	– 310	– 259
Net profit	**1,703**	**1,376**	**1,237**	**982**	**858**
Net profit for the year attributable to non-controlling interest	–	–	–	–	–
Includes amortisation/depreciation according to plan as follows:	*640*	*542*	*480*	*402*	*385*

Balance sheet (SEK million)	2017	2016	2015	2014	2013
Intangible assets	14,744	14,716	10,209	9,731	6,154
Property, plant and equipment	3,043	2,820	2,117	2,078	1,889
Financial assets	331	389	467	367	155
Total non-current assets	**18,118**	**17,925**	**12,793**	**12,176**	**8,198**
Inventories	3,247	2,799	2,115	2,109	1,760
Current receivables	3,203	2,798	1,901	1,844	1,415
Investments in securities, etc.	90	160	347	154	3
Cash and equivalents	3,332	2,342	1,448	1,827	1,591
Total current assets	**9,872**	**8,099**	**5,811**	**5,934**	**4,769**
Total assets	**27,990**	**26,024**	**18,604**	**18,110**	**12,967**
Equity	12,807	12,129	7,428	6,560	5,575
Non-current liabilities and provisions					
– non-interest-bearing	2,859	2,763	1,605	1,849	1,267
– interest-bearing	6,960	5,858	7,118	7,558	4,391
Current liabilities and provisions					
– non-interest-bearing	3,348	2,596	2,289	1,849	1,533
– interest-bearing	2,016	2,678	164	294	201
Total equity and liabilities	**27,990**	**26,024**	**18,604**	**18,110**	**12,967**

Statement of cash flows (SEK million)	2017	2016	2015	2014	2013
Cash flow before change in working capital	2,307	2,045	1,717	1,327	1,255
Change in working capital	– 184	– 274	222	77	– 183
Cash flow from operating activities	**2,123**	**1,771**	**1,939**	**1,404**	**1,072**
Investments in existing operations	– 536	– 412	– 384	– 308	– 309
Operating cash flow	**1,587**	**1,359**	**1,555**	**1,096**	**763**
Acquisition of businesses	– 822	– 4,357	– 171	– 2,648	– 166
Cash flow after investments	**765**	**– 2,998**	**1,384**	**– 1,552**	**597**
Financing	703	3,998	– 1,302	2,095	271
Shareholders’ dividends	– 444	– 369	– 298	– 259	– 220
Cash flow for the year	**1,024**	**631**	**– 216**	**284**	**648**
Cash and equivalents at start of year	2,502	1,795	1,981	1,594	934
Exchange difference in cash and equivalents	– 104	76	30	103	12
Cash and equivalents at end of year	**3,422**	**2,502**	**1,795**	**1,981**	**1,594**

Income statement over the past five years

Growth

The sales target is annual growth of 20%, preferably with half of this total generated organically and half through acquisitions. Over the past five years, sales rose from SEK 9,192 million to SEK 19,009 million. This was achieved by means of a proactive acquisition strategy. During the period, 35 businesses and business combinations were acquired.

Average growth during the five-year period was 15.6%. Organic growth accounted for a rise in Group sales of 4.3% and acquired growth for 11.3% over the past five years.

Operating margin

The objective is for the Group's business areas to achieve an average operating margin of at least 10% and for the Group to achieve an average return on equity of at least 20%.

During the five-year period, NIBE Climate Solutions' average operating margin was 14.4%. NIBE Element's operating margin was an average of 9.8% during the period, while NIBE Stoves' average operating margin was 12.1%.

The Group's operating margin over the five-year period averaged 12.5% and return on equity averaged 15.5%.

Balance sheet over the past five years

Over the past five years total assets rose from SEK 11,589 million to SEK 27,990 million.

Intangible assets

Intangible assets consist mainly of goodwill, trademarks/brands and market positions that have arisen on the acquisition of companies and operations. Goodwill and brands are tested annually for impairment by calculating the present value of future cash flows. The principles used by the Group for impairment testing are described in Note 2 under the heading Goodwill and trademarks.

Property, plant and equipment

Property, plant and equipment consists solely of land, buildings and machinery. Their value increased by SEK 1,162 million over the most recent five-year period. Of this increase, approximately 37% was added through acquisitions, and the remaining 63% through investments in existing businesses. These investments were made largely in the Group's facilities in Markaryd, Sweden, where the largest production plants for NIBE Climate Solutions and NIBE Stoves are located, as well as in the Group's production plants in Poland and the Czech Republic.

Current assets

Current assets consist of inventories and current receivables (mainly accounts receivables) and constitute approximately 23% of total assets. Normally, both items are directly related to sales and, therefore, growth.

Interest-bearing liabilities

Current and non-current interest-bearing liabilities and provisions consist of loans from banks and other financial institutions, bond loans and pension provisions. These items increased from SEK 4,517 million to SEK 8,976 million over the past five years. This increase is attributable to new borrowing, primarily to finance the Group's major acquisitions in 2014 and 2016.

The Group's target is for the equity/assets ratio not to fall below 30%. Over the past five years this ratio averaged 42.9%.

Non-interest-bearing liabilities

Non-current, non-interest-bearing liabilities and provisions consist mainly of deferred tax, warranty provisions and additional considerations. These grew from SEK 894 million to SEK 2,859 million over the past five years, chiefly due to liabilities for addition considerations and deferred tax attributable to intangible assets that have arisen on the acquisition of other companies.

Current non-interest-bearing liabilities and provisions grew by SEK 2,028 million over the past five years, from SEK 1,320 million to SEK 3,348 million, approximately 77% of which represents accrued expenses and customary accounts payables, which are both directly related to the expansion of the business.

Cash flow over the past five years

Cash flow before change in working capital

Over the most recent five-year period, cash flow before change in working capital showed a positive trend.

Working capital

Working capital, measured as current assets less current liabilities, amounted to an average of approximately 17% of sales over the five-year period.

Investments in existing operations

On average, investments in existing operations over the past five years corresponded to approximately 78% of depreciation according to plan. The explanation for this moderate level is a combination of the Group's organic growth and the fact that most of the Group's production plants are already considered to have adequate capacity for future growth.

Operating cash flow

The Group's operating cash flow was positive over the past five years. This is because the investment rate in existing operations was moderate, while considerable attention was paid to the Group's operating capital in day-to-day work.

Acquisition of businesses

During the period, NIBE Industrier AB pursued an aggressive acquisition strategy. Over the past five years, 35 companies and business combinations were acquired, 11 of which in the NIBE Climate Solutions business area, 22 in NIBE Element and 2 in NIBE Stoves. In 2013, the pace of acquisitions was relatively slow, though it increased again in 2014, among other things with the acquisition of the listed WaterFurnace Renewable Energy Inc. in North America. The pace of acquisition was lower in 2015, increasing last year with acquisitions that included the North American Climate Control Group Inc. Many small acquisitions were completed in 2017. The objective is to continue to pursue an aggressive acquisition strategy in the future.

Financing

A preferential rights issue was held in 2016. After transaction costs, this injected SEK 3,008 million into the company. Otherwise, capital requirements over the past five years – for takeovers, investments in existing operations, and operating capital for organic expansion and share dividends – have been financed by the company's own internally generated cash flows and by loans. Over the past few years, bond loans have largely replaced bank financing.

Shareholders' dividends

NIBE Industrier AB aims to pay share dividends of 25-30% of net profit for the year after tax. Over the most recent five-year period, share dividends varied between 29.9% and 32.2% of the year's profit after tax.

Consolidated income statement

(SEK million)		2017	2016
Net sales	*Note 3*	19,009	15,348
Cost of goods sold		– 12,446	– 9,817
Gross profit		**6,563**	**5,531**
Selling expenses		– 3,140	– 2,664
Administrative expenses	*Note 5*	– 1,240	– 1,042
Other operating income	*Note 10*	161	155
Operating profit	*Notes 3-10*	**2,344**	**1,980**
Profit from financial items			
Profit from participations in associates and joint ventures	*Note 23*	4	4
Financial income	*Note 12*	89	103
Financial expenses	*Note 13*	– 255	– 216
Profit after net financial items		**2,182**	**1,871**
Tax	*Note 15*	– 479	– 495
Net profit		**1,703**	**1,376**
Profit for the year attributable to			
Parent shareholders		1,703	1,376
Non-controlling interest		–	–

Net profit	**1,703**	**1,376**
Includes amortisation/depreciation according to plan as follows:	*640*	*542*
Average number of shares	*504,016,622*	*469,382,260*
Net profit per share before and after dilution, SEK	*3.38*	*2.93*
Proposed dividend per share in SEK	*1.05*	*0.88*

Statement of comprehensive income

		2017	2016
Net profit		**1,703**	**1,376**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial gains and losses in retirement benefit plans	*Note 26*	41	– 30
Tax attributable to other comprehensive income	*Note 15*	– 9	6
		32	– 24
Items that may be reclassified to profit or loss			
Cash flow hedges		3	19
Hedging of net investment		59	– 89
Exchange differences		– 742	839
Tax attributable to other comprehensive income	*Note 15*	67	– 59
		– 613	710
Total other comprehensive income		– 581	686
Total comprehensive income		**1,122**	**2,062**
Total comprehensive income attributable to			
Parent shareholders		1,122	2,062
Non-controlling interest		–	–
Total comprehensive income		**1,122**	**2,062**

Comments on the income statement

Net sales

The target for the Group is annual growth of 20%, preferably with half of this total generated organically and half through acquisitions.

Consolidated net sales increased during the year by SEK 3,661 million (23.9%) to SEK 19,009 million (SEK 15,348 million).

Consolidated net sales outside Sweden amounted to SEK 16,249 million (SEK 13,100 million), an increase of SEK 3,149 million (24.0%). This means that net sales abroad accounted for 85.5% (85.4%) of total net sales. Consolidated net sales on the Swedish market increased by 22.8% to SEK 2,760 million (SEK 2,248 million).

As acquired sales growth during the year totalled SEK 2,989 million (19.5%), this means that organic sales increased by SEK 672 million or 4.4%.

Operating profit

The target for the Group and for each business area is an operating profit of at least 10% of sales over a business cycle.

Consolidated operating profit totalled SEK 2,344 million, an increase of 18.4% on last year's operating profit of SEK 1,980 million. The operating margin was 12.3% compared with 12.9% in the preceding year. There are two factors at play concerning the decrease in the operating margin. One is that sales of heat pumps in the US fell sharply in 2017 due to eliminated tax subsidies and the other is that two of the larger entities we recently acquired have not yet reached our operating margin targets. The tax subsidies were reintroduced in the United States in early 2018. Operating profit for the year has been charged with acquisition expenses of SEK 34 million, compared with SEK 60 million last year, which were recognised as administrative expenses in the consolidated income statement.

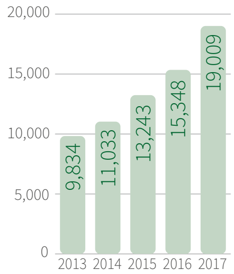
Profit after net financial items

Profit after financial items rose by 16.6% to SEK 2,182 million (SEK 1,871 million) to yield a profit margin of 11.5% (12.2%). Consolidated net financial items amounted to SEK -162 million (SEK -109 million). Consolidated interest-bearing liabilities at year-end amounted to SEK 8,976 million, against SEK 8,536 million at the start of the year. The average interest rate during the year was 1.5% (1.4%). Net financial items also include exchange gains and exchange losses.

Tax

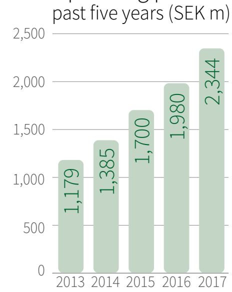
The tax expense for the year was SEK 479 million (SEK 495 million), which gives an effective tax rate of 22.0% (26.5%). The reduction is primarily due to the tax reform passed in the US in December. The decision reduced consolidated tax expense by SEK 57 million in 2017.

Net sales
past five years (SEK m)



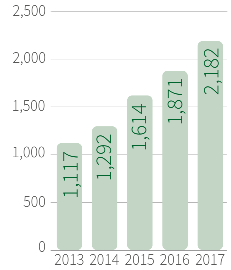
Net sales rose by 23.9% in 2017

Operating profit
past five years (SEK m)



Operating profit rose by 18.4% in 2017

Profit after financial items
past five years (SEK m)



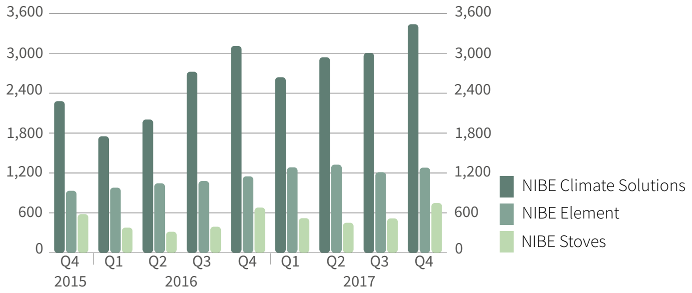
Profit after net financial items rose by 16.6% in 2017

Performance per Business Area during the year

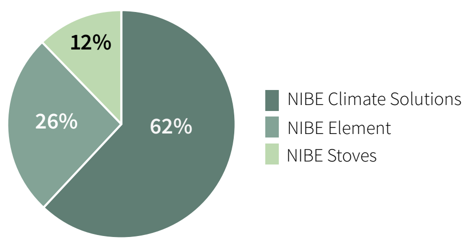
Quarterly data

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

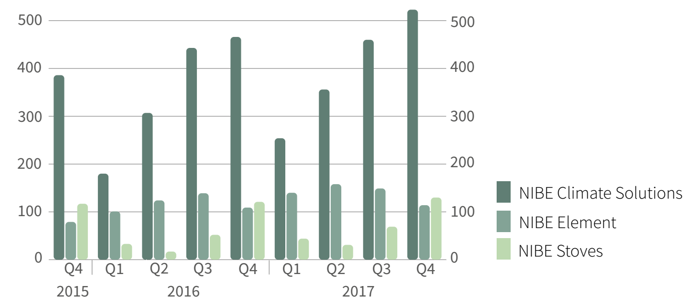
Sales by Business Area
Past 9 quarters (in millions of SEK)



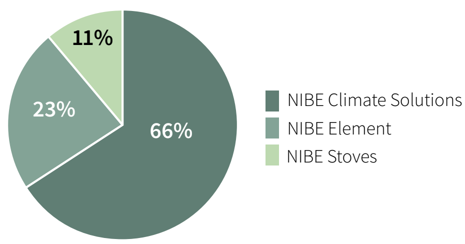
Business Area contributions to sales



Operating profit by Business Area
Past 9 quarters (in millions of SEK)



Business Area contributions to profit



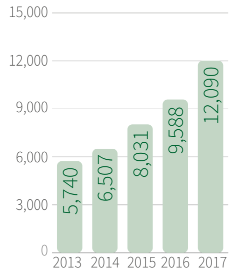
NIBE Climate Solutions

Net sales for the year amounted to SEK 12,020 million, compared with SEK 9,588 million last year. Total growth was SEK 2,432 million (25.4%) with acquired sales accounting for SEK 2,101 million (21.9%), resulting in organic growth of SEK 331 million (3.5%). During the past five years, sales increased from SEK 5,901 million to SEK 12,020 million.

Operating profit increased from SEK 1,396 million to SEK 1,595 million, representing profit growth of 14.3% and an operating margin of 13.3% (14.6%) for the year. Over the past five years, the operating margin averaged 14.4%.

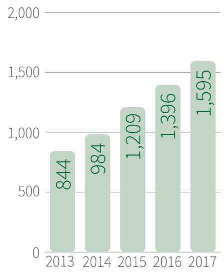
Several of NIBE Climate Solutions' main heat pump markets in Europe had good growth during the year. On the other hand, demand in the US fell considerably during the year due to the decision to discontinue government subsidies for the installation of heat pumps, which is also one of the reasons for the decrease in operating margin for the year. The subsidies were reintroduced in early 2018.

Net sales
(SEK m)



Net sales rose by 25.4% in 2017

Operating profit
(SEK m)



Operating profit rose by 14.3% in 2017

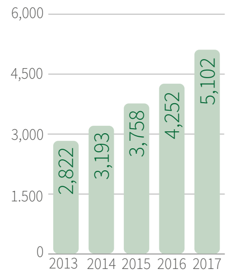
NIBE Element

Net sales for the year amounted to SEK 5,102 million, compared with SEK 4,252 million last year. Total growth was SEK 850 million (20.0%) with acquired sales accounting for SEK 447 million (10.5%), resulting in organic growth of SEK 403 million (9.5%). During the past five years, sales increased from SEK 2,337 million to SEK 5,102 million.

Operating profit increased from SEK 473 million to SEK 563 million, representing profit growth of 19.1% and an operating margin of 11.0% (11.1%) for the year. Over the past five years, the operating margin averaged 9.8%.

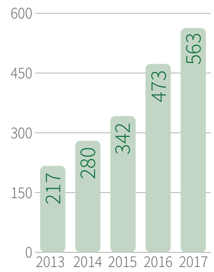
Demand for NIBE Element's products grew overall during the year, and this is the main reason for the healthy organic growth. However, demand has varied between markets and product segments.

Net sales
(SEK m)



Net sales rose by 20.0% in 2017

Operating profit
(SEK m)



Operating profit rose by 19.1% in 2017

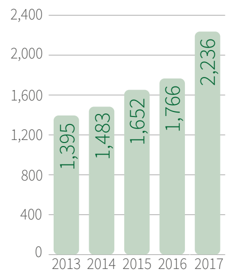
NIBE Stoves

Net sales for the year amounted to SEK 2,236 million, compared with SEK 1,766 million last year. Total growth was SEK 470 million (26.6%) with acquired sales accounting for SEK 441 million (25.0%), resulting in organic growth of SEK 29 million (1.6%). During the past five years, sales increased from SEK 1,064 million to SEK 2,236 million.

Operating profit increased from SEK 223 million to SEK 275 million, representing profit growth of 23.2% and an operating margin of 12.3% (12.7%) for the year. Over the past five years, the operating margin averaged 12.1%.

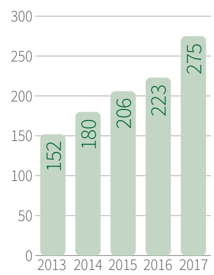
The rise in organic sales should be seen against the background of reduced demand in Europe in several product segments. However, there was growth on the North American market, especially for gas-fired products.

Net sales
(SEK m)



Net sales rose by 26.6% in 2017

Operating profit
(SEK m)



Operating profit rose by 23.2% in 2017

Consolidated balance sheet

Assets

(SEK million)		31 Dec 2017	31 Dec 2016
NON-CURRENT ASSETS			
Intangible assets			
Market positions	*Note 16*	1,692	1,863
Brands and trademarks	*Note 17*	1,854	1,901
Goodwill	*Note 17*	10,794	10,571
Other intangible assets	*Note 18*	404	381
Total intangible assets		**14,744**	**14,716**
Property, plant and equipment			
Land and buildings	*Note 19*	1,733	1,578
Machinery and equipment	*Note 20*	1,142	1,117
Construction in progress	*Note 21*	168	125
Total property, plant and equipment		**3,043**	**2,820**
Financial assets			
Participations in associates and joint ventures	*Note 23*	17	18
Securities held as non-current assets		13	7
Deferred tax assets	*Note 15*	258	322
Other long-term receivables	*Note 24*	43	42
Total financial assets		**331**	**389**
TOTAL NON-CURRENT ASSETS		18,118	17,925
CURRENT ASSETS			
Inventories			
Raw materials and consumables		1,646	1,307
Work in progress		232	198
Finished products and goods for resale		1,369	1,294
Total inventories		**3,247**	**2,799**
Current receivables			
Accounts receivable		2,711	2,424
Current tax assets		158	146
Other receivables		154	107
Prepaid expenses and accrued income		180	121
Total current receivables		**3,203**	**2,798**
Investments in securities, etc.		**90**	**160**
Cash and equivalents		**3,332**	**2,342**
TOTAL CURRENT ASSETS		9,872	8,099
TOTAL ASSETS		27,990	26,024

Equity and liabilities

(SEK million)		31 Dec 2017	31 Dec 2016
EQUITY	*Note 25*		
Share capital		79	79
Contributed capital		4,818	4,818
Other reserves		80	693
Profit brought forward		7,830	6,539
Equity attributable to parent		**12,807**	**12,129**
TOTAL EQUITY		12,807	12,129
NON-CURRENT LIABILITIES AND PROVISIONS			
Provisions for pensions	*Note 26*	457	425
Provisions for taxes	*Note 15*	965	1,063
Guarantee risk reserve	*Note 27*	585	623
Other provisions, non-interest-bearing	*Note 27*	130	251
Liabilities to credit institutions	*Note 7*	1,508	3,535
Bond loans	*Note 28*	5,016	1,922
Other liabilities, interest-bearing		7	–
Other liabilities, non-interest-bearing	*Note 29*	1,151	802
TOTAL NON-CURRENT LIABILI-TIES AND PROVISIONS		9,819	8,621
CURRENT LIABILITIES AND PROVISIONS			
Liabilities to credit institutions	*Note 30*	2,016	2,678
Accounts payable		1,469	1,140
Advance payments from customers		29	28
Current tax liability		122	89
Other liabilities	*Note 32*	605	333
Accrued expenses and deferred income	*Note 33*	1,123	1,006
TOTAL CURRENT LIABILITIES AND PROVISIONS		5,364	5,274
TOTAL EQUITY AND LIABILITIES		27,990	26,024

GROUP

Changes in equity

(SEK million)	Share capital	Contri-buted capital	Other reserves 1)	Profit brought forward	Equity attributable to parent	Total equity
Equity 31 Dec 2015	69	1,820	– 17	5,556	7,428	7,428
Private placement	10	3,014			3,024	3,024
Transaction cost, new issue		– 16			– 16	– 16
Net profit for the year				1,376	1,376	1,376
Other comprehensive income for the year			710	– 24	686	686
Comprehensive income for the year			710	1,352	2,062	2,062
Dividend				– 369	– 369	– 369
Equity 31 Dec 2016	79	4,818	693	6,539	12,129	12,129
Net profit for the year				1,703	1,703	1,703
Other comprehensive income for the year			– 613	32	– 581	– 581
Comprehensive income for the year			– 613	1,735	1,122	1,122
Dividend				– 444	– 444	– 444
Equity 31 Dec 2017	79	4,818	80	7,830	12,807	12,807

1) Other reserves

(SEK million)	Cash flow hedges	Hedging of net investments	Exchange differences	Total other reserves
Other reserves 31 Dec 2015	– 13	– 505	501	– 17
Change for the year	19	– 89	839	769
Tax	– 4	21	– 76	– 59
Other reserves 31 Dec 2016	2	– 573	1,264	693
Change for the year	3	59	– 742	– 680
Tax	– 1	– 13	81	67
Other reserves carried forward, 31 Dec 2017	4	– 527	603	80

Comments on the balance sheet

Total assets

Consolidated total assets rose by SEK 1.966 million (7.6%) during the year from SEK 26,024 million in the preceding year to SEK 27,990 million. The main reason for the increase is the assets and liabilities assumed through acquisitions made during the year. If the Swedish krona had not strengthened against most of the currencies in which the Group had assets and liabilities during the year, the increase would have been considerably higher.

Working capital

Consolidated working capital excluding cash and bank balances increased by SEK 101 million (3.4%) during the year from SEK 3,001 million in the preceding year to SEK 3,102 million. This is primarily due to an increase in inventories and current receivables.

In relation to net sales, working capital decreased from 19.6% to 16.3%. The decrease is mainly due to the major acquisitions in 2016 making the key ratios misleading for that year.

Equity ratio and returns

The consolidated equity ratio at the end of the year was 45.8% (46.6%). Equity totalled SEK 12,807 million (SEK 12,129 million).

The Group's profitability target is a return on equity of at least 20% in the long term. The return on equity in 2017 was 13.7% (14.9%). The decrease is due to a new share issue last year, which meant that average equity increased markedly compared to last year. The return on capital employed was 11.5% (11.8%).

Interest-bearing liabilities

Consolidated interest-bearing liabilities at year-end amounted to SEK 8,976 million (SEK 8,536 million). The increase of SEK 440 million is due to loans being raised in December to finance acquisitions in early 2018. Since two of the Group's credit agreements expire in 2018, the liabilities covered by the agreements were recognised as current liabilities to credit institutions.

Consolidated net debt, defined as interest-bearing liabilities less cash and equivalents and investments in securities, decreased during the year by SEK 480 million from SEK 6,034 million to SEK 5,554 million.

Consolidated statement of cash flows

(SEK million)		2017	2016
OPERATING ACTIVITIES			
Operating profit		2,344	1,980
+ depreciation/amortisation & impairment charged to this profit		641	548
+ capital losses/- capital gains		– 11	– 9
+/– other items not affecting cash flow		– 15	45
Total		**2,959**	**2,564**
Interest received and similar items		93	106
Interest paid and similar items		– 245	– 214
Tax paid		– 500	– 411
Cash flow before change in working capital		2,307	2,045
Change in working capital			
Change in inventories		– 320	– 145
Change in current receivables		– 193	– 45
Change in current liabilities		329	– 84
Cash flow from operating activities		2,123	1,771
INVESTING ACTIVITIES			
Investment in machinery and equipment		– 194	– 192
Investment in buildings and land		– 79	– 43
Investment in construction in progress		– 130	– 111
Investment in other intangible assets		– 158	– 96
Sale of land and buildings		11	24
Sale of machinery and equipment		20	10
Change in non-current receivables and other securities		– 6	– 4
Investments in existing operations		– 536	– 412
OPERATING CASH FLOW		1,587	1,359
Acquisition of companies 1)		– 822	– 4,357
Cash flow from investing activities		– 1,358	– 4,769
CASH FLOW AFTER INVESTMENTS		765	– 2,998
FINANCING ACTIVITIES			
New share issue		–	3,008
Amortisation of non-current loans	*Note 31*	– 3,127	– 611
New loans taken out	*Note 31*	3,830	1,601
Shareholders' dividend		– 444	– 369
Cash flow from financing activities		259	3,629
Cash flow for the year		1,024	631
Cash and equivalents at start of year		2,502	1,795
Exchange difference in cash and equivalents		– 104	76
Cash and equivalents at end of year		3,422	2,502

[1] For further information about the acquisition of companies, see Note 36.

Comments on the statement of cash flows

Cash flow from operating activities

Consolidated cash flow after changes in working capital amounted to SEK 2,123 million (SEK 1,771 million).

Investments

The Group's acquisitions of operations/subsidiaries totalled SEK 822 million (SEK 4.357 million). Other investments totalled SEK 536 million (SEK 412 million) net, allocated as follows:

(SEK million)	2017	2016
Machinery and equipment	174	182
Properties	68	19
Construction in progress	130	111
Other non-current assets	164	100
Total	536	412

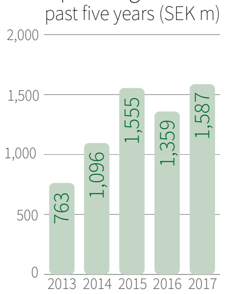
Consequently, cash flow after investing activities was SEK 765 million (SEK -2,998 million). Operating cash flow – i.e. after investments in existing operations but excluding acquisitions of operations/subsidiaries – was SEK 1,587 million (SEK 1,359 million).

Consolidated interest-bearing loans

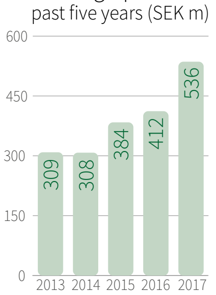
(SEK million)	2017	2016
Floating rate bank loans	3,486	6,172
Floating rate bond loans	3,600	1,150
Fixed rate bond loans	1,416	772
Utilised portion of overdraft facilities with floating interest rate	38	41
Provisions for pensions	429	401
Other interest-bearing liabilities	7	–
Total interest-bearing liabilities	**8,976**	**8,536**
Unutilised overdraft facilities	381	424
Other unutilised credit	4,212	1,888
Total credit available	**13,569**	**10,848**

Total consolidated interest-bearing liabilities at year-end amounted to SEK 8,976 million (SEK 8,536 million). The average interest expense for total interest-bearing liabilities was 1.5% (1.4%). Consolidated net debt, which consists of interest-bearing liabilities less cash and equivalents and investments in securities, totalled SEK 5,554 million (SEK 6,034 million).

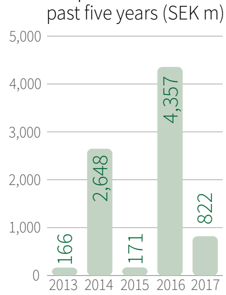
Operating cash flow
past five years (SEK m)



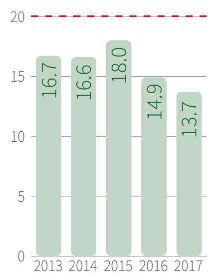
Investments in existing operations
past five years (SEK m)



Investments/ Acquisitions
past five years (SEK m)



Return on equity
past five years (%)



Key ratios

		2017	2016	2015	2014	2013
Net sales	SEK million	19,009	15,348	13,243	11,033	9,834
Growth	%	+ 23.9	+ 15.9	+ 20.0	+ 12.2	+ 7.0
Operating profit	SEK million	2,344	1,980	1,700	1,385	1,179
Profit after net financial items	SEK million	2,182	1,871	1,614	1,292	1,117
EBITDA margin	%	15.7	16.4	16.5	16.2	15.9
Operating margin	%	12.3	12.9	12.8	12.6	12.0
Profit margin	%	11.5	12.2	12.2	11.7	11.4
Net investments in non-current assets*	SEK million	2,026	5,156	531	3,098	912
Operating cash flow	SEK million	1,587	1,359	1,555	1,096	763
Cash and equivalents*	SEK million	3,803	2,926	2,195	2,735	2,372
Working capital less cash and bank balances relative to net sales*	%	16.3	19.6	13.0	19.1	16.7
Equity	SEK million	12,807	12,129	7,428	6,560	5,575
Return on equity*	%	13.7	14.9	18.0	16.6	16.7
Equity/assets ratio	%	45.8	46.6	39.9	36.2	43.0
Proportion of risk-bearing capital	%	49.2	50.7	44.5	40.8	47.2
Capital employed	SEK million	21,783	20,665	14,710	14,411	10,167
Return on capital employed*	%	11.5	11.8	12.1	12.1	12.4
Return on total assets*	%	9.0	9.4	9.6	9.6	9.9
Capital turnover ratio	times	0.70	0.69	0.72	0.71	0.80
Interest-bearing liabilities/Equity	%	70.1	70.4	98.0	119.7	82.3
Net debt/EBITDA*	times	1.9	2.4	2.5	3.3	1.9
Interest coverage ratio*	times	9.6	9.6	12.3	7.6	12.4
Average number of employees		14,271	11,869	10,545	9,726	8,983

*Key ratios with calculation specified on pages 74-75.

Definitions – key ratios

Capital employed
Total assets less non-interest-bearing liabilities and deferred tax.

Capital turnover ratio
Net sales divided by average total assets.

EBITDA margin
Operating profit before depreciation as a percentage of net sales.

Equity
Taxed equity plus untaxed reserves less tax.

Equity/assets ratio
Equity as a percentage of total assets.

Growth
Percentage change in net sales compared with previous year.

Interest-bearing liabilities/Equity
Interest-bearing liabilities as a percentage of equity.

Interest coverage ratio
Profit after net financial items plus financial expenses divided by financial expenses.

Net debt/EBITDA
nterest-bearing net debt (financial liabilities less financial assets) divided by earnings before depreciation/amortisation.

Operating cash flow
Cash flow after investments but before acquisition of companies/operations.

Operating margin
Operating profit as a percentage of net sales.

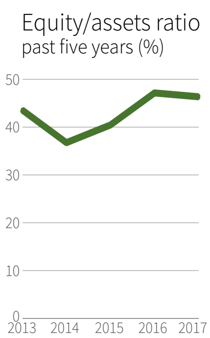
Profit margin
Profit after net financial items as a percentage of net sales.

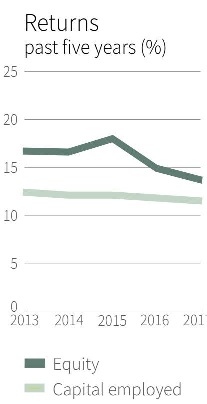
Proportion of risk-bearing capital
Equity, including non-controlling interests and deferred tax liabilities, as a percentage of total assets.

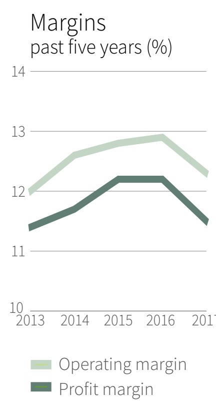
Return on capital employed
Profit after net financial items plus financial expenses as a percentage of average capital employed.

Return on equity
Profit after net financial items minus tax at 22.0% standard rate as a percentage of average equity.

Return on total capital
Profit after net financial items plus financial expenses as a percentage of average total assets.







Supplementary key figures

Supplementary key figures 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 annual report may be calculated using methods that differ from those used to produce similar measures by other companies.

Net investments in non-current assets

(SEK million)	2017	2016	2015	2014	2013
Acquisition of non-current assets	2,058	5,185	539	3,136	941
Disposal of non-current assets	– 32	– 29	– 8	– 38	– 29
Net investments in non-current assets	2,026	5,156	531	3,098	912

Cash and equivalents

(SEK million)	2017	2016	2015	2014	2013
Cash and bank balances	3,332	2,342	1,448	1,827	1,591
Investments in securities, etc.	90	160	347	154	3
Unutilised overdraft facilities	381	424	400	754	778
Cash and equivalents	3,803	2,926	2,195	2,735	2,372

Working capital, excluding cash and bank balances

(SEK million)	2017	2016	2015	2014	2013
Inventories	3,247	2,799	2,115	2,109	1,760
Current receivables	3,203	2,798	1,901	1,844	1,415
Current liabilities and provisions, non-interest-bearing	– 3,348	– 2,596	– 2,289	– 1,849	– 1,533
Working capital, excluding cash and bank balances	3,102	3,001	1,727	2,103	1,642
Net sales	19,009	15,348	13,243	11,033	9,834
Working capital less cash and bank balances relative to net sales, %	16.3	19.6	13.0	19.1	16.7

Return on equity

(SEK million)	2017	2016	2015	2014	2013
Profit after net financial items	2,182	1,871	1,614	1,292	1,117
Standard tax rate, %	22.0	22.0	22.0	22.0	22.0
Profit after net financial items, after tax	1,702	1,459	1,259	1,008	871
Equity at start of year	12,129	7,428	6,560	5,575	4,858
Equity at end of year	12,807	12,129	7,428	6,560	5,575
Average equity	12,468	9,779	6,994	6,068	5,217
Return on equity, %	13.7	14.9	18.0	16.6	16.7

Return on capital employed

(SEK million)	2017	2016	2015	2014	2013
Profit after net financial items	2,182	1,871	1,614	1,292	1,117
Financial expenses	255	216	143	194	98
Profit before financial expenses	2,437	2,087	1,757	1,486	1,215
Capital employed at start of year	20,665	14,710	14,411	10,167	9,376
Capital employed at end of year	21,783	20,665	14,710	14,411	10,167
Average capital employed	21,224	17,687	14,561	12,289	9,771
Return on capital employed, %	**11.5**	**11.8**	**12.1**	**12.1**	**12.4**

Return on total capital

(SEK million)	2017	2016	2015	2014	2013
Profit after net financial items	2,182	1,871	1,614	1,292	1,117
Financial expenses	255	216	143	194	98
Profit before financial expenses	2,437	2,087	1,757	1,486	1,215
Total assets at start of year	26,024	18,604	18,110	12,967	11,589
Total assets at end of year	27,990	26,024	18,604	18,110	12,967
Average total assets	27,007	22,314	18,357	15,538	12,278
Return on total assets, %	**9.0**	**9.4**	**9.6**	**9.6**	**9.9**

Net debt/EBITDA

(SEK million)	2017	2016	2015	2014	2013
Non-current liabilities and provisions, interest-bearing	6,960	5,858	7,118	7,558	4,391
Current liabilities and provisions, interest-bearing	2,016	2,678	164	294	201
Cash and bank balances	– 3,332	– 2,342	– 1,448	– 1,827	– 1,591
Investments in securities, etc.	– 90	– 160	– 347	– 154	– 3
Net debt	5,554	6,034	5,487	5,871	2,998
Operating profit	2,344	1,980	1,700	1,385	1,179
Depreciation/amortisation and impairment	641	542	480	402	385
EBITDA	2,985	2,522	2,180	1,787	1,564
Net debt/EBITDA, times	**1.9**	**2.4**	**2.5**	**3.3**	**1.9**

Interest coverage ratio

(SEK million)	2017	2016	2015	2014	2013
Profit after net financial items	2,182	1,871	1,614	1,292	1,117
Financial expenses	255	216	143	194	98
Interest coverage ratio, times	**9.6**	**9.6**	**12.3**	**7.6**	**12.4**

Parent

Income statement

(SEK million)		2017	2016
Net sales	*Note 3*	9	7
Administrative expenses	*Note 5*	– 54	– 64
Operating profit	*Notes 3-10*	**– 45**	**– 57**
Profit from financial items			
Profit from participations in Group companies	*Note 11*	391	584
Profit from participations in associates and joint ventures	*Note 23*	5	4
Financial income	*Note 12*	61	169
Financial expenses	*Note 13*	– 109	– 226
Profit after net financial items		**303**	**474**
Appropriations	*Note 14*	90	772
Tax	*Note 15*	–	– 144
Net profit		**393**	**1,102**
Net profit attributable to Parent shareholders		393	1,102

Statement of comprehensive income

		2017	2016
Net profit		**393**	**1,102**
Items that may be reclassified to profit or loss			
Cash flow hedges		–	9
Tax attributable to other comprehensive income	*Note 15*	–	– 1
Total other comprehensive income		**–**	**8**
Total comprehensive income		**393**	**1,110**
Parent shareholders		393	1,110
Total comprehensive income		**393**	**1,110**

Statement of cash flows

(SEK million)		2017	2016
OPERATING ACTIVITIES			
Operating profit		– 45	– 57
Interest received and similar items		65	169
Interest paid and similar items		– 99	– 228
Tax paid		– 14	– 5
Cash flow before change in working capital		**– 93**	**– 121**
Change in working capital			
Change in current receivables		309	– 351
Change in current liabilities		– 122	– 292
Cash flow from operating activities		**94**	**– 764**
INVESTING ACTIVITIES			
Change in non-current receivables and other securities		– 105	1,185
Cash flow from investing activities		**– 105**	**1,185**
OPERATING CASH FLOW		**– 11**	**421**
Investments in operations		– 803	– 3,311
Cash flow from investing activities		**– 908**	**– 2,126**
CASH FLOW AFTER INVESTMENTS		**– 814**	**– 2,890**
FINANCING ACTIVITIES			
New share issue		–	3,008
Profit from participations in Group companies		490	1,418
Amortisation of non-current loans	*Note 31*	– 2,332	– 1,433
New loans taken out	*Note 31*	3,100	–
Shareholders' dividend		– 444	– 369
Cash flow from financing activities		**814**	**2,624**
Cash flow for the year		–	– 266
Cash and equivalents at start of year		–	266
Cash and equivalents at end of year		–	–

PARENT
Changes in equity

(SEK million)	Share capital	Statutory reserve	Fair value reserve	Share premium reserve	Profit brought forward	Total equity
Equity 31 Dec 2015	69	75	– 507	1,753	2,564	3,954
Effect of change in accounting policy 1)			499		– 499	
New share issue	10			3,014		3,024
Transaction cost, new issue				– 16		– 16
Comprehensive income for the year			8		1,102	1,110
Dividend					– 369	– 369
Equity 31 Dec 2016	79	75	–	4,751	2,798	7,703
Comprehensive income for the year					393	393
Dividend					– 444	– 444
Equity 31 Dec 2017	79	75	–	4,751	2,747	7,652

1) Following a rule change in the Swedish Financial Reporting Board's recommendation RFR 2 'Accounting for legal entities', accumulated exchange losses that were recognised in the fair value reserve at the start of 2016 were reclassified to retained profits in 2016

Balance sheet
Assets

(SEK million)		31 Dec 2017	31 Dec 2016
NON-CURRENT ASSETS			
Financial assets			
Shares in subsidiaries	*Note 22*	12,643	11,736
Participations in associates and joint ventures	*Note 23*	7	7
Receivables from Group companies		105	–
Securities held as non-current assets		6	6
Deferred tax assets	*Note 15*	2	2
Other long-term receivables	*Note 24*	18	21
TOTAL NON-CURRENT ASSETS		12,781	11,772
CURRENT ASSETS			
Current receivables			
Receivables from Group companies		285	581
Tax assets		12	–
Other receivables		15	34
Prepaid expenses and accrued income		11	5
Total current receivables		323	620
Cash and equivalents		–	–
TOTAL CURRENT ASSETS		323	620
TOTAL ASSETS		13,104	12,392

Comments on Parent

Operations
Parent activities comprise Group executive management functions and certain shared Group functions.

Operating profit
The parent's sales refer in their entirety to sales to Group companies, and amounted to SEK 9 million (SEK 7 million) for the year. Administrative expenses consist primarily of personnel costs and purchased services such as auditing and expenses linked to the stock exchange listing.

Net financial items
The parent's expenditure on operating expenses, interest, amortisation and dividends to shareholders is financed primarily through dividends and Group contributions from subsidiaries.

Balance sheet
The parent's total assets increased from SEK 12,392 million to SEK 13,104 million during the year. The increase is mostly due to investments in acquisition of operations during the year. Additional bond loans of SEK 3,600 million were raised during the year. The parent's non-current interest-bearing liabilities now consist entirely of bond loans. Interest-bearing liabilities at year-end amounted to SEK 5,016 million (SEK 4,254 million), and the average interest rate on these liabilities amounted to 1.1% during the year. At year-end, the parent's interest-bearing liabilities were entirely in the Swedish krona, as set out in Note 7.

Balance sheet
Equity and liabilities

(SEK million)		31 Dec 2017	31 Dec 2016
EQUITY	*Note 25*		
Restricted equity			
Share capital		79	79
Statutory reserve		75	75
Total restricted equity		**154**	**154**
Non-restricted equity			
Share premium reserve		4,751	4,751
Profit brought forward		2,747	2,798
Total non-restricted equity		**7,498**	**7,549**
TOTAL EQUITY		7,652	7,703
UNTAXED RESERVES			
Tax allocation reserve		–	1
NON-CURRENT LIABILITIES AND PROVISIONS			
Provisions for pensions	*Note 26*	9	7
Other provisions, non-interest-bearing	*Note 27*	61	208
Liabilities to Group companies		–	2,332
Bond loans	*Note 28*	5,016	1,922
Other liabilities, non-interest-bearing	*Note 29*	149	40
TOTAL NON-CURRENT LIABILITIES AND PROVISIONS		5,235	4,509
CURRENT LIABILITIES AND PROVISIONS			
Accounts payable		6	5
Liabilities to Group companies		1	158
Current tax liability		–	2
Other liabilities	*Note 32*	184	1
Accrued expenses and deferred income	*Note 33*	26	13
TOTAL CURRENT LIABILITIES AND PROVISIONS		217	179
TOTAL EQUITY AND LIABILITIES		13,104	12,392

Risks and risk management

As a global player, NIBE faces both commercial opportunities and risks of various types. Even though NIBE chiefly operates in markets with strong economies, demand for the company's products and services can be influenced negatively by a general downturn in economic activity or a decline in an individual country or individual segment. On top of this, there are risks such as changes in laws and regulations, shocks to the financial system, natural disasters, terrorism and so on. To counteract the effects of the various business risks facing the company, NIBE takes a systematic approach to risk management. The risk analyses for all companies are updated every year in a joint Group system called NICS, and the compiled results are used at board level to decide on priority measures.

Dependence on customers

All three business areas work with a wide range of customers. None is so dependent on any one customer or group of customers that the loss of that customer/group is likely to seriously impair the profitability of the Group.

The supply chain

Most of the components in the products marketed by the Group's three business areas are manufactured by a number of suppliers in Europe and elsewhere in the world.

Suppliers may harm NIBE's reputation if they fail to follow internationally agreed principles for human rights, working conditions, environmental protection, ethical business conduct and/or social responsibility, or if they fail to comply with national legislation in these areas.

NIBE evaluates suppliers against internationally agreed principles, quality requirements and their delivery capacity.

In our opinion, the Group would not suffer serious harm if any individual supplier were unable to meet our stipulated requirements.

Price risks

The Group's materials consist mainly of metals that are priced in US dollars and quoted on the London Metal Exchange, LME. To avoid overdependence on specific currencies and markets, purchasing procedures have been largely globalised. In 2017, purchases of raw materials such as nickel, copper and aluminium were partially hedged through forward contracts.

Other operating expenses follow general price trends in the markets in which the Group operates.

Risks relating to disputes over patents and litigation

The Group holds few patents and only for components which form part of its finished products. However, NIBE does have several registered designs and registered trademarks. As far as we are aware, we have not infringed any third-party patents nor have any of our patents been infringed.

Insurance risks

It is our considered opinion that the Group has adequate cover for traditional insurance risks such as fire, theft, liability, etc. via the global insurance policies taken out. The excess on our policies is between SEK 300,000 and SEK 1,000,000.

Recall of products

There is always a risk that a series fault in one of the Group's product areas could lead to product recalls, through problems with materials or for other reasons. The risks are reduced by means of systematic quality assurance and inspection procedures. Most Group companies are certified in accordance with ISO 9001. Insurance policies have been taken out as additional risk cover for similar events.

Financial risks

Credit risks, currency risks, financing risks and interest-rate risks that may affect the NIBE Group are described in Note 7.

Climate change

Extreme weather conditions in the form of storms, flooding and extreme heat or cold represent a risk of damage to property and entail an increased risk of damage to the environment in the form of spills, unplanned discharges and leakage. They also create a risk of disruptions in production and delivery capacity. Risks of damage and loss can be reduced using risk analyses and preventive measures and by being prepared.

NIBE has global insurance cover for major losses caused by natural disasters.

Environmental risks

Handling materials and chemicals in our production plants entails a risk of damage to the environment for which the Group will be held liable.

The Group can be held liable for contaminated soil and groundwater in properties that were caused by previous owners.

In our opinion, the risks are minimised by means of systematic environmental work and due diligence in connection with acquisitions.

Human resource management

NIBE's future success depends largely on its ability to recruit, retain, develop and replace qualified officers and other key individuals. In our opinion, our strategic HR work counteracts this risk.

Sensitivity analysis

The Group is exposed to several risk factors that affect earnings trends. Many of these risks are beyond the company's control. The table below sets out some of these changes and illustrates their effect on consolidated earnings. The changes are calculated based on the 2017 balance sheet and income statement.

	Basis for calculation	Change	Impact
Net sales (margin constant)	19,009 SEK million	+/– 1.0 %	76 SEK million
Operating margin (volume constant)	19,009 SEK million	+/– 1.0 %	190 SEK million
Material costs	7,821 SEK million	+/– 1.0 %	78 SEK million
Personnel costs	5,043 SEK million	+/– 1.0 %	50 SEK million
Interest-bearing liabilities (interest constant)	8,976 SEK million	+/– 10.0 %	13 SEK million
Interest rate % (interest-bearing liability constant)	1.5 %	+/– 1.0 percentage point	90 SEK million

Risk area	Risk description	Compensating factors	Opportunities
Working environment	Accidents resulting in personal injury. Production interruptions due to incidents involving inadequate safety.	Systematic working environment efforts with risk analyses of tasks, machines and materials. Procedures for reporting incidents and investigating fundamental causes.	A good, safe working environment promotes productivity and creates more efficient workplaces with better well-being and higher motivation.
Distribution	Disruptions in the distribution stage can have a negative impact on customers. Increased carbon dioxide emissions due to higher freight volumes.	The distribution channels are checked regularly. Procedures are in place for following up and taking any required action. Coordination and efficient utilisation of transportation reduces emissions.	Improvement in customer relations. More efficient and more environmentally-friendly transportation.
Acquisitions	Unforeseen events and discoveries in the acquired companies. The integration process and the synergy effects take longer than expected. Impairment needs.	The Group has well-proven procedures for examining potential acquisitions. Integration and synergy are achieved through very close cooperation with the acquired companies.	Acquisitions contribute to expansion with greater know-how, a wider product range and greater geographical presence. Acquisitions provide coordination gains and contribute to sector structuring.
Intellectual property	Patent, registered designs and registered trademarks. Infringement of patents.	Procedures and training for greater information security and knowledge in how to manage intellectual property rights. Clear contracts to prevent disputes.	Protection of intangible assets adds value and is a competitive advantage.
IT	Hacking of data systems, theft of business-critical data or sabotage of critical data systems by viruses.	Strict IT policies for user authorisation, software/hardware-related protection mechanisms and clear instructions for use.	Good IT security contributes to efficiency and stability.
Climate	Extreme weather conditions lead to damage to property and the environment.	Risk analyses, preventive measures and preparedness. Insurance cover for natural disasters.	Good preparedness lays better foundations for continuity and is thus a competitive advantage.
Expertise	A shortage of top-level expertise or leadership expertise that leads to poorer product and business development.	Strategic HR work to recruit, retain, develop and replace qualified officers and other key individuals.	Successful recruitment, development and retention of expertise enhances innovation, business development and growth.
Corruption	High costs and litigation. Less confidence in the company.	All employees at risk undergo training in anti-corruption. A whistleblower function exists. Business partners sign an anti-corruption clause as part of their contract. Good transaction procedures.	Good business principles ensure stable operations and trust among employees, customers and public authorities. An ethical, reliable image generates competitive advantages.
Suppliers	Dependence on individual suppliers. Suppliers' departures from ethical business principles may have a negative impact on the Group's reputation.	NIBE works to ensure redundancy for critical components and materials. Suppliers are monitored continuously against the business principles and values that all business partners must follow, and any non-compliance must be remedied.	Exploit the size of the Group to be a priority customer. Enhance supplier relations with regular follow-ups and discussions to promote high quality and sustainability.
Market overview	Complexity through extensive geographical distribution. Large macroeconomic fluctuations. Changes in energy taxes, subsidies and energy legislation. National differences in product requirements.	Huge global market. Frequent monitoring by market and product group, along with flexible manufacturing, facilitates rapid action.	Higher sales as a result of increased global presence. Contributing to a sustainable society through our high-tech, sustainable products. Continued long-term and stable relationships with the industry.
Price	The end customer chooses low-end products. Changes in exchange rates which have a negative impact on the Group. Material prices.	Marketing that demonstrates the advantages of our products for the environment, sustainability and customer satisfaction counteract any interest in low-end products. A global presence counteracts the impact of exchange rate fluctuations. Risk of large price rises for raw materials can be counteracted with forward contracts and/or price hikes.	Focus on the brand with high quality and sustainable products. Changes in raw material prices often coincide with greater demand, and this can be offset through higher sales.
Product development	More stringent standards from national or global legislation affecting energy, emissions and substances. Rapid technological development.	Product development adapted to markets, legislation and sustainability. Modern test facilities and top-level expertise. Life cycle analyses.	Increased collaboration within the Group to enhance knowledge and innovation. Become the market leader with a unique product portfolio that meets market demands for performance and sustainability.
Social unrest	Political instability or labour disputes can cause production stoppages that, in turn, lead to compensation claims.	Continuous monitoring of statutory compliance, procedures and policies, and constructive negotiations with employee representatives.	Being an open, honest employer with a high level of statutory compliance and healthy values will ensure well-being, motivation and efficiency.
Manufacturing	The Group is hit by production stoppages due to external circumstances.	Production plants are subject to risk assessments and constant improvement with ongoing maintenance and new investments. Sound procedures in the production process in relation to quality, the working environment and the external environment.	High degree of continuous improvement benefits the production process and safety. Global presence combined with a flexible production structure enables rapid transfer of manufacturing processes.

NOTE 1

GENERAL INFORMATION ABOUT THE BUSINESS

NIBE Industrier is an international heating technology company. Our business operations are organised in three separate business areas: NIBE Climate Solutions, NIBE Element and NIBE Stoves.

The Group has more than 14,500 employees and conducts business in 26 countries in Europe, North America, Australia and Asia. The legal structure of the Group comprises several subsidiaries that run their operations via their own companies or branch offices.

The parent, NIBE Industrier AB, is registered and domiciled in Sweden. The address of the company's head office is Hannabadsvägen 5, Markaryd. The company is listed on Nasdaq Nordic. Its activities consist of Group-wide functions, such as financing, currency transactions, corporate acquisitions, establishing new operations, financial control and policy matters.

NOTE 2

ACCOUNTING AND VALUATION POLICIES

The NIBE Group applies International Financial Reporting Standards (IFRS) as endorsed by the EU, the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 1, 'Supplementary accounting rules for Groups'. Changes to the standards and interpretations which came into force in 2017 have had no significant effect on the Group's financial statements.

Several new standards and changes to interpretations of existing standards that will come into force in the next financial year were not applied in preparing the Group's financial reports for the 2017 financial year.

IFRS 9 – Financial Instruments

The categories for financial assets in IAS 39 are replaced by two categories in which measurement is at fair value or amortised cost. Most of the rules for classification and measurement of financial liabilities coincide with the previous rules in IAS 39. The standard has been adopted by the EU and will enter into force on 1 January 2018. NIBE does not consider that the standard will have any significant impact on the Group's financial reports.

IFRS 15 Revenue from Contracts with Customers

The standard contains new principles for recognition of revenue and includes stricter requirements for disclosures. IFRS 15 has been adopted by the EU and will enter into force on 1 January 2018. NIBE does not consider that the standard will have any significant impact on the Group's financial reports.

IFRS 16 Leases

For lessees, IFRS 16 means that the current division into operating and finance leases will no longer apply and will be replaced with a model in which assets and liabilities for all leases must be recognised in the balance sheet. Leases with a low value and leases with a term of no more than 12 months are excluded from the requirement for recognition in the balance sheet. Depreciation/amortisation must be recognised in the income statement separately from interest expenses attributable to the lease liability. IFRS 16 enters into force on 1 January 2019 and has been adopted by the EU. NIBE has not yet evaluated the effects of IFRS 16.

None of the other IFRS or IFRIC interpretations that have not yet entered into force are expected to have any significant impact on the Group.

The parent applies the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 'Accounting for legal entities'. Where the parent follows accounting policies which differ from those of the Group, this is specified in the relevant section in this note. The parent's accounting policies are unchanged from those applied in the preceding year.

Classification

Non-current assets and non-current liabilities including any relevant provisions and allocations consist of items that are expected to be recovered or paid for more than 12 months after the closing date. Current assets and current liabilities including any relevant provision and allocations are items that are expected to be recovered or paid for within 12 months after the end of the reporting period. Any deviations from this principle are explained in the notes to the relevant items.

Consolidated financial statements

The consolidated financial statements cover the parent, NIBE Industrier AB (publ), and subsidiaries in which NIBE Industrier directly or indirectly holds more than 50% of the votes or otherwise has a controlling influence. An acquisition that does not involve 100% of a subsidiary results in a non-controlling interest. Where the holder of the remaining interest has an option to sell it to NIBE, or NIBE has an obligation to buy, NIBE has decided to employ the Anticipated Acquisition Method (AAM), which means that 100% of the subsidiary is considered to have been acquired at the time of acquisition. This also means that a liability equivalent to the present value of the estimated future consideration is recognised. Consequently, no non-controlling interest is recognised with this type of acquisition transaction. Companies acquired/sold are included in the consolidated income statement for the periods during which they were owned.

The consolidated financial statements have been drawn up in accordance with the acquisition method, with the application of IAS 27 and IFRS 3.

Items included in the financial statements for the different units in the NIBE Group are valued in the currency of the primary economic environment in which the company operates (functional currency). In the consolidated financial statements, the parent's functional and presentation currency is used, which is the Swedish krona (SEK). This means that foreign subsidiaries' assets and liabilities are translated at the closing day rate. All income statement items are translated at the average rate for the year. Translation differences are recognised in other comprehensive income. In some cases, long-term monetary dealings arise between a parent and an independent foreign operation, in which the dealings are of such a type that they are unlikely to be settled. The exchange differences arising in these are recognised in the consolidated financial statements in other comprehensive income.

IFRS 3 states, among other things, that the net assets of the acquiree are assessed based on the fair value of assets and liabilities on the acquisition date. This fair value constitutes the Group's acquisition cost. The cost of an acquisition is the fair value of assets provided as payment and the liabilities arising or assumed on the transfer date. The revaluation of additional considerations is recognised in profit or loss. The difference between the acquisition cost of shares in a subsidiary and the calculated value of the net assets in the acquisition analysis is recognised as consolidated goodwill. If the difference is negative, it is recognised directly in profit or loss. Acquisition-related expenses are recognised when they arise.

In the preparation of the consolidated balance sheet, untaxed reserves have been divided into a portion recognised as a deferred tax liability under the heading 'Non-current liabilities and provisions', and a residual portion which is recognised under retained profits. Accordingly, appropriations in the consolidated income statement involving changes in untaxed reserves have been omitted. The tax portion of these changes is recognised along with the tax expense for the year in the income statement, while the equity portion is included in profit for the year. The percentage rate used in calculating deferred tax in Swedish subsidiaries is 22.0 (22.0) percent; the rate used for foreign subsidiaries is the appropriate tax rate in each country. The necessary provisions have been made for internal profits.

Transactions with non-controlling interests which do not lead to loss of control are recognised as equity transactions, i.e. transactions with owners in their role as owners. For acquisitions from non-controlling interests, the difference between fair value on the consideration paid and the actual acquired portion of the carrying amount of the subsidiary's net assets is recognised in equity. Gains or losses on disposal to non-controlling interests are also recognised in equity.

Associates and joint ventures

Companies in which NIBE Industrier AB has a long-term shareholding equivalent to between 20 and 50 percent of the votes, or those in which it has a significant influence over operations and financial management in some other way are classified in the accounts as associates. Holdings in associates and joint ventures are recognised in the Group according to the equity method and in the parent according to the cost method. The equity method means that the participation is initially reported at the value at the time of acquisition and subsequently adjusted according to the Group's participation in the associate's profit.

Parent's reporting of shares in subsidiaries

The parent reports in accordance with the cost method and capitalises costs which are directly attributable to the acquisition. Additional considerations are recognised at probable outcome. Any future adjustments will affect the carrying amount of shares in the subsidiary.

Group contributions and shareholders' contributions

Group contributions are recognised in accordance with the alternative rule in RFR2.

Under the alternative rule, a group contribution that a parent receives from a subsidiary is recognised as an appropriation in the parent. A group contribution made by the parent is recognised as an appropriation. A shareholders' contribution made to a subsidiary is recognised as an increase in shares in the subsidiary. The value is then tested for impairment.

Statement of cash flows

The statement of cash flows is drawn up in accordance with IAS 7. The indirect method was used, which means that net income is adjusted for transactions that have not given rise to receipts or disbursements during the period, as well as for any income and expense attributable to cash flow from investing or financing activities. Cash and equivalents include cash and immediately accessible holdings in banks, as well as investments in securities.

Revenue recognition

Sales revenue is recognised less VAT, returns and discounts. Revenue is generated almost exclusively from the sale of finished products. Sales revenue is recognised when the significant risks and rewards of ownership are transferred to the buyer, when the Group no longer has possession or control over the goods and when the revenue can be measured reliably.

This means that revenue is recognised when the goods are placed at the customers' disposal in accordance with the delivery terms.

Interest income is recognised using the effective interest method. Dividends are recognised when the right to receive the dividend is established.

Segment reporting

Operationally, the Group's activities are divided into product group orientated business areas due to the differences in risk and opportunities associated with the various product groups. The accounting corresponds to the internal reports submitted to company management. See Note 3.

Transactions with related parties
Orders between Group companies are invoiced on commercial terms and at market prices. Internal profits arising on sales between Group companies have been eliminated. Parent sales refer only to sales to Group companies. During the financial year, products and services worth SEK 2 million (SEK 2 million) were purchased from companies in which Melker Schörling has a significant influence.

Other operating income
Gains on the sale of fixed assets, exchange differences, etc. are reported under this heading. See specification in Note 10.

Accounting of income tax
IAS 12 is applied to income tax accounting.

Recognised income tax includes current tax, adjustments for the previous year's current tax and changes in deferred tax. Income tax liabilities and tax assets are valued at the nominal amount in accordance with the tax regulations and tax rates approved or announced, when there is good reason to believe these will be confirmed.

For items recognised in the income statement, the associated tax effects are also recognised in profit or loss. Tax is recognised in other comprehensive income if the tax is attributable to items recognised in other comprehensive income.

Deferred tax is calculated in accordance with the balance sheet method for all essential temporary differences that arise between the recognised value and the tax-based value of assets and liabilities. Such temporary differences arise mainly through Group surpluses. Deferred tax assets in respect of losses carried forward or other future taxable deductions are recognised to the extent that it is probable that the deduction can be utilised against future taxable surpluses.

Due to the connection between accounting and taxation, the deferred tax liability on untaxed reserves is recognised in the parent as a portion of the untaxed reserves.

Currency hedging
The NIBE Group applies IAS 39, Financial Instruments, in the hedge accounting of currency forward contracts. The application of this standard means, among other things, that derivatives in the form of forward contracts are recognised at fair value in the balance sheet, both initially and after subsequent remeasurement. To fulfil the requirements for hedge accounting, there is a clear link between the derivative and the hedged items. In addition, calculations of effectiveness and all hedging conditions are documented in accordance with the requirements set out in IAS 39. In hedging cash flows, changes in the fair value of hedging instruments, to the extent that the hedging is effective, are recognised under Other comprehensive income until the underlying hedged item is recognised in profit or loss. Ineffective portions are expensed immediately. For further information on currency derivatives, please see the section on 'Transaction risks' in Note 7 'Financial instruments and risk management'.

Price hedging
The NIBE Group applies IAS 39, Financial Instruments, in the hedge accounting of raw materials forward contracts. The application of this recommendation involves, among other things, recognising derivatives in the form of forward contracts at fair value in the balance sheet, both initially and after subsequent revaluations. To fulfil the requirements for hedge accounting, there is a clear link between the derivative and the hedged items. In addition, calculations of effectiveness and all hedging conditions are documented in accordance with the requirements set out in IAS 39. For price hedging of raw materials flows, changes in the fair value of hedging instruments are recognised, to the extent that the hedging is effective, under Other comprehensive income until the underlying hedged item is recognised in profit or loss. Ineffective portions are expensed immediately. For further information on raw materials derivatives, please see Note 7 'Financial instruments and risk management' under the section on 'Hedge accounting'.

Hedging of net investment
Hedging of net investments in foreign operations is recognised similarly to the method used for a cash flow hedge. The portion of the gain or loss on a hedging instrument which is assessed as effective hedging is recognised in Other comprehensive income. The portion that is ineffective is recognised immediately in profit or loss. See the section on 'Translation risks' in Note 7 'Financial instruments and risk management'.

Interest rate risk hedging
To hedge the risk of change in the fair value of a bond issued with a fixed interest rate, the NIBE Group has made an interest swap via which the Group receives fixed-rate interest and pays variable-rate interest. The Group applies hedge accounting to the swap. The swap has thus been identified as a hedging instrument in a fair value hedge. The swap is recognised at fair value in the balance sheet. At the same time, the hedged item (the bond) is revalued at fair value in relation to the hedged risk. Changes in value of both the interest swap and the hedged item are recognised in net financial items. For further information on interest rate hedging, please see Note 7 'Financial instruments and risk management'.

Leases
The Group follows IAS 17 in respect of leases. Leased assets are classified in accordance with the financial substance of the lease as finance leases or operating leases. Leased assets classified as finance leases are recognised as non-current assets and future lease charges as interest-bearing liabilities. For leased assets classified as operating leases, annual lease expenses are recognised as an operating expense in the income statement.

Goodwill and trademarks
Goodwill and the consolidated surplus value of trademarks has arisen in connection with business acquisitions. Trademarks are measured at fair value on the acquisition date. The period of use of the trademarks cannot be estimated with certainty, since it is dependent on several unknown factors such as technological advances and market trends. NIBE applies IFRS 38, 'Intangible Assets', which means that goodwill and assets with an indeterminate period of use are not amortised. An impairment test is, however, carried out annually, or more frequently if there are indications that an impairment need may exist, in accordance with IAS 36, in which the Group's carrying amounts on these assets are compared with the assets' estimated value in use based on their discounted future cash flows. The assets are valued by segment, i.e. by business area, which involves calculating future cash flows from each segment as a cash-generating unit. When the value in use is less than the carrying amount, the carrying amount is impaired to the level of the value in use. Accordingly, the assets are recognised at cost less accumulated impairment.

The NIBE Group prepares budgets for one year at a time. This means that the cash flows for the first year of the asset's useful life are based on the budget approved by the Board. Cash flows up until the end of the useful life are estimated by extrapolating the cash flows based on the prepared budget and the assumed organic sales growth, working capital requirements and gross profit margins over the useful life.

- The organic sales growth for years 2-5 can be estimated with some degree of caution based on the Group's historical experience. For subsequent years, a lower growth rate has been assumed, equivalent to the estimated long-term growth rate for the sector.
- The requirement for working capital during the useful life is estimated with the aid of the Group's historical experience and the assumed organic sales growth.
- The gross investment margin is based on the adopted budgets for each cash-generating unit.
- The discount rate is calculated by weighting the assessed required return on equity plus the standard tax rate and the estimated long-term interest level on the Group's interest-bearing liabilities.

Other intangible assets and property, plant and equipment
The heading 'Other intangible assets' refers to tenancy rights, patents, R&D costs, licences, computer programs, market positions and similar assets, and the Group considers that these assets have a limited useful life.

Other intangible assets and property, plant and equipment are recognised at cost less accumulated amortisation/depreciation and any impairment. Expenditure on improving the performance of the assets, above the original level, increases the carrying amount of the assets. Expenditure on repairs and maintenance is recognised as an expense on a current basis.

Amortisation/depreciation according to plan is based on cost, which, after the deduction of any recoverable amount, is allocated over the estimated useful life of the asset. The following percentages have been applied to amortisation/depreciation:

Market positions	7-11%
Other intangible assets	5-33%
Buildings	2-7%
Land assets	2-10%
Machinery and equipment	10-33%
Fixtures and fittings	4%

Research and development costs
Expenditure on research activities is written off as it arises.

The NIBE Group incurs expenditure for product development within every business area. During the development phase, several criteria are used for recognising development projects as intangible assets. The expenditure is capitalised where it is technically possible, and the intention is to complete the asset either for use or sale, where the asset is expected to generate future economic benefits, where it is financially possible to complete the asset, and the cost of the asset can be measured reliably. The expenditure is capitalised from the date on which all the above criteria are met.

Other development expenditure which does not meet these conditions is recognised as an expense as it arises. Development expenditure which has previously been expensed is not recognised as an asset in a subsequent period.

Amortisation according to plan is based on cost and is apportioned over the estimated useful life of the assets.

Inventories
IAS 2 is applied to the accounting of inventories. Inventories have been valued at the lower of cost and current cost for raw materials, consumables and finished goods purchased, and at manufacturing cost for goods produced. In no case have inventories been recognised at above net realisable value. Interest is not included in the inventory values. Deliveries between Group companies are invoiced at market prices. Internal gains in Group companies' inventories are eliminated in the consolidated financial statements. These eliminations affect operating profit.

Financial instruments
NIBE classifies its financial instruments in the following categories: financial instruments measured at fair value through profit or loss, financial assets held to maturity, accounts receivable and loans receivable, financial instruments available for sale, and financial liabilities measured at accrued cost. NIBE has raw materials derivatives for hedge accounting. NIBE also has currency derivatives for hedge accounting. See 'Currency hedging' above.

The purchase and sale of financial assets is recognised on the transaction date, that is, the date on which the Group undertakes to purchase or sell the asset. Financial instruments are recognised initially at fair value plus transaction costs, which applies to all financial assets not recognised at fair value through profit or loss. Financial assets measured at fair value through profit or loss are recognised initially at fair value, while attributable transaction costs are recognised in profit or loss. Financial assets are derecognised from the balance sheet when the right to receive the cash flow from them has expired or has been transferred, and the Group has largely transferred all risks and benefits associated with ownership. Financial assets measured at fair value through profit or loss and financial assets available for sale are recognised after the acquisition date at fair value. Loans receivable and accounts receivable are valued initially at fair value and subsequently at accrued cost using the effective interest rate method.

The fair value of financial instruments which are not traded in an active market is determined using valuation techniques. In this process, market information is used as far as possible when this is available, while company-specific information is used as little as possible. If all the significant inputs required to establish the fair value of an instrument are observable, the instrument is classified in level two. If one or more of the significant inputs is not based on observable market data, the instrument is classified in level three.

NIBE recognises currency derivatives, interest rate derivatives, raw material derivatives, contingent considerations attributable to acquisitions made after 1 July 2014 and investments of excess liquidity in listed securities at fair value in the annual report.

When the fair value of an asset or liability is determined, the Group uses observable data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on inputs used in the valuation method as follows:

Level 1: According to prices quoted on an active market for identical instruments

Level 2: Based on directly or indirectly observable market data that is not included in level 1

Level 3: Based on inputs that are not observable in the market

Listed securities are valued according to level 1 while currency derivatives, interest rate derivatives and raw material derivatives are valued according to level 2. Contingent considerations concerning acquisition of shares that resulted in a business combination come under level 3 in the valuation hierarchy.

NIBE also holds financial assets classified as financial assets available for sale. The assets in this category consist of unlisted shares, the fair value of which cannot be determined with sufficient reliability. For that reason, they are valued at cost less any impairment applied.

At the end of every reporting period, the Group assesses whether there is objective evidence that an impairment need exists for a financial asset or group of financial assets, such as the cessation of an active market or the likelihood that a debtor is unable to fulfil his obligations. Impairment testing of accounts receivable is described below.

Loans receivable and accounts receivable

Loans receivable and accounts receivable are non-derivative financial assets. They have fixed or determinable payments and are not quoted on an active market. They are included in current assets except for items with a due date more than 12 months after the balance sheet date, which are classified as non-current assets. Accounts receivable are recognised at the amount which is expected to be received after the deduction of uncertain receivables, assessed individually. The expected term of accounts receivable is short, so the value is recognised at the nominal amount without discounting. A provision for impairment of accounts receivable is made when there is objective evidence that the Group will not receive the full amount due under the original terms of the receivable. Significant financial difficulties on the part of the debtor, the likelihood that the debtor will go into liquidation or undergo financial reconstruction, as well as missed or delayed payments, are to be treated as indicators that an account receivable may require impairment.

Financial assets available for sale

Non-derivative financial assets, where the asset is identified as available for sale or not classified in any of the other categories, are included in the category of financial assets available for sale. Assets in this category are measured continuously at fair value with fair value changes recognised in other comprehensive income to the extent that they do not involve an impairment that is assessed as significant or long-term. NIBE holds financial assets classified as financial assets available for sale. The assets in this category consist of unlisted shares, the fair value of which cannot be determined with sufficient reliability. For that reason, they are valued at cost less any impairment applied.

Financial assets measured at fair value through profit or loss

This category consists of two sub-categories: financial assets held for trading and other financial assets that the company initially placed in this category (according to the fair value option). Financial instruments in this category are valued on an ongoing basis at fair value with changes in value recognised in profit or loss. The first subgroup includes derivatives with positive fair value, excluding derivatives that are identified, effective hedging instruments and investments of excess liquidity in listed securities.

Financial liabilities measured at accrued cost

Loans and other financial liabilities, such as accounts payable, are included in this category. This category also includes the present value of liabilities that will be paid for minority shareholders' shares in connection with application of AAM. Financial liabilities are measured initially at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortised cost, and any difference between amount received and repayment amount is recognised in the income statement allocated over the term of the loan, using the effective interest method. Non-current liabilities have an expected term which is longer than one year, while current liabilities have an expected term of a maximum of one year. Accounts payable and other operating liabilities which have a short expected term are, therefore, normally recognised at nominal value.

Financial liabilities measured at fair value through profit or loss

This category consists of two sub-categories: financial liabilities held for trading and other financial liabilities that the company placed in this category (the fair value option). See the description above under 'Financial assets measured at fair value through profit or loss'. The first category includes Group derivatives with negative fair value, excluding derivatives that are identified and effective hedging instruments. The second category includes contingent considerations attributable to acquisitions made after 1 July 2014. Changes in fair value are recognised in profit or loss.

Receivables and liabilities in foreign currency

Receivables and liabilities in foreign currency are valued at the closing day rate. In the event that hedge accounting is applied, see the separate section above on currency hedging.

Impairment of non-financial assets

Intangible assets which have an indeterminate useful life, such as goodwill, are not amortised, but are subject to an annual impairment test. Property, plant and equipment and intangible assets with a defined useful life are tested for impairment if there is some indication that the asset may have fallen in value. Impairment is recognised in accordance with IAS 36. When considering the requirement for impairment, the Group determines the recoverable amount of the asset. The recoverable amount is the higher of the net realisable value and value in use. In assessing the value in use, an estimate is made of future cash flows discounted to present value using a discount factor before tax. A weighted average cost of capital is used in this calculation.

An impairment is recognised whenever the carrying amount of the asset or its cash-generating unit exceeds the recoverable amount. For NIBE, cash-generating units are equivalent to business areas. Impairments are recognised in profit or loss.

Equity

Transaction expenses directly attributable to the issue of new ordinary shares or options are recognised in equity net after the deduction of tax as a deduction from the proceeds of the issue.

Provisions

IAS 37 is applied to the accounting of provisions. Provisions are recognised when the Group has or may be regarded as having an obligation as a result of events that have occurred, and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. A further requirement is that it is possible to make a reliable estimate of the amount that will have to be paid. Contingent considerations for shares and participations acquired before 1 July 2014 are recognised as provisions. Guarantee risk provisions are recognised on the date of sale of the products to which the guarantee refers and are estimated based on the cost history of equivalent obligations.

Defined-benefit pension plans

Defined benefit pension plans are post-employment benefit plans other than defined contribution plans.

The Group's net obligations for defined benefit plans are calculated separately for each plan by estimating the future payment earned by the employee in both current and previous periods. This payment is discounted to present value. The discount rate is the interest rate at the end of the period on an investment grade corporate bond, including mortgage bonds, with a term which corresponds to the Group's pension obligations. When there is no active market for this type of corporate bond, the market interest rate for government bonds with an equivalent term is used instead. The calculation is carried out by a qualified actuary using the Projected Unit Credit Method. In addition, the fair value of any plan assets at the end of the reporting period is calculated.

The Group's net obligations consist of the present value of the obligations less the fair value of plan assets adjusted for any asset limitations.

All the components included in the cost for the period for a defined benefit plan are recognised in profit or loss.

The revaluation effects consist of actuarial gains and losses. The revaluation effects are recognised in other comprehensive income.

When the calculation leads to an asset for the Group, the carrying amount of the asset is limited to the lower of the plan surplus and the asset limitation calculated using the discount rate. The asset limitation consists of the present value of the future economic benefits in the form of reduced future contributions or cash repayment. In calculating the present value of future repayments or payments made, any minimum funding requirements are taken into account.

Changes or reductions in a defined benefit plan are recognised at the earliest when the change in the plan or the reduction comes into force or when the company recognises related reorganisation costs and compensation on termination. The changes/reductions are recognised in profit or loss.

The special employer's contribution is a component of the actuarial assumptions, so it is recognised as a component of the net obligation/net asset. The component of the special employer's contribution that is calculated based on the Pension Obligations Vesting Act is recognised, for the sake of simplicity, as an accrued cost rather than as a component of the net obligation/net asset.

The tax on returns from pension funds is recognised on a current basis in profit or loss for the period to which the tax relates, so it is not included in the liability calculation. With funded plans, the tax is charged to the return on plan assets and is recognised in other comprehensive income. For unfunded or partially unfunded plans, the tax is charged to profit for the year.

Significant estimates and assumptions for accounting purposes

Company management makes estimates and assumptions about the future, and these affect carrying amounts. Consequently, the carrying amount in these cases is rarely equivalent to fair value. Estimates and assumptions which may involve a risk of significant adjustments in carrying amounts during the next financial year are reported below.

Useful life of intangible assets and property, plant and equipment

Group management determines the estimated useful life, and thereby the associated amortisation/depreciation of consolidated intangible assets and property, plant and equipment. These estimates are based on historical knowledge of the period of use of equivalent assets. The useful life and estimated residual value are tested at the end of each reporting period and adjusted as necessary.

Impairment tests for goodwill and Group-wide surpluses in trademarks

Every year, the Group tests whether any impairment is required for goodwill and Group-wide surpluses in trademarks in accordance with the accounting policy described under 'Impairment'. The estimates which must be made and the effect of these estimates are shown under 'Goodwill and brands/trademarks'. Additional information, including a sensitivity analysis, is found in Note 17.

Provisions

Further information on provisions for the year for the guarantee risk reserve is found in Note 27. Provisions for the present value of pension obligations depend on several factors that are determined based on actuarial assumptions. Every change in these assumptions will affect the carrying amount of the pension obligations. Significant assumptions relating to pension obligations are based partly on prevailing market conditions. Additional information, including a sensitivity analysis, is found in Note 26.

Additional considerations

The carrying amount of additional considerations is normally based on expected earnings trends in acquired operations in future years. Additional considerations are both contingent considerations for shares already acquired and considerations for future acquisitions of minority shareholders' shares in connection with the application of AAM. If the earnings trend differs from the expected trend, this will affect the carrying amount of the additional considerations and, as a result, the NIBE Group's performance.

NOTE 3

INFORMATION ABOUT THE BUSINESS AREAS

	CLIMATE SOLUTIONS		ELEMENT		STOVES		ELIMINATIONS		TOTAL	
(SEK million)	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Sales										
Total net sales	14,089	11,092	6,101	5,046	2,742	1,968	– 3,923	– 2,758	19,009	15,348
Internal net sales	– 2,069	– 1,504	– 999	– 794	– 506	– 202	3,574	2,500	–	–
External net sales	**12,020**	**9,588**	**5,102**	**4,252**	**2,236**	**1,766**	**– 349**	**– 258**	**19,009**	**15,348**
Earnings										
Profit per business area	1,595	1,396	563	473	275	223	–	–	2,433	2,092
Unallocated costs									– 89	– 112
Operating profit									2,344	1,980
Financial income									93	107
Financial expenses									– 255	– 216
Tax for the year									– 479	– 495
Net profit for the year									**1,703**	**1,376**
Other information										
Assets	18,707	18,103	5,916	4,294	2,958	3,274	– 12,967	– 12,328	14,614	13,343
Unallocated assets									13,376	12,681
Total assets									**27,990**	**26,024**
Liabilities	2,603	2,357	943	828	364	387	– 561	– 976	3,349	2,596
Unallocated liabilities									11,834	11,299
Total liabilities									**15,183**	**13,895**
Investments	322	239	164	125	48	42				
Amortisation/Depreciation	425	362	139	122	77	59				

SEK 2,760 million (SEK 2,248 million) of consolidated net sales relates to customers in the Swedish market and SEK 4,998 million (SEK 3,940 million) relates to customers in the US. Of consolidated non-current assets, SEK 1,217 million (SEK 949 million) is placed in Sweden, SEK 6,907 million (SEK 7,614 million) in the US and Mexico and SEK 5,093 million (SEK 5,234 million) in Germany and Switzerland. Unallocated costs refer primarily to the cost of acquisitions and to Group-wide costs in the parent. The parent's sales refer entirely to sales to Group companies.

NOTE 4

INCOME STATEMENT CLASSIFIED BY TYPE OF COST

	Group		Parent	
(SEK million)	2017	2016	2017	2016
Net sales	19,009	15,348	9	7
Change in inventories	65	81	–	–
Other operating income	161	155	–	–
	19,235	**15,584**	**9**	**7**
Raw materials and consumables	– 7,886	– 6,312	–	–
Other external costs	– 3,322	– 2,892	– 27	– 38
Personnel costs	– 5,043	– 3,858	– 27	– 26
Amortisation/Depreciation	– 640	– 542	–	–
Operating profit	**2,344**	**1,980**	**– 45**	**– 57**

NOTE 5

REMUNERATION OF AUDITORS

Group	2017			2016		
(SEK million)	KPMG	Other auditors	Total Group	KPMG	Other auditors	Total Group
Audit engagements	12	2	14	8	2	10
Other audit-related fees	3	1	4	2	–	2
Tax consulting	1	6	7	1	3	4
Other services	4	5	9	18	4	22
Total	**20**	**14**	**34**	**29**	**9**	**38**

During the year, the parent paid audit expenses of SEK 1 million (SEK 1 million) and expenses for other services of SEK 5 million (SEK 12 million).

NOTE 6

PERSONNEL COSTS, AVERAGE NUMBER OF EMPLOYEES AND NUMBERS OF MEN AND WOMEN IN SENIOR POSITIONS

Salaries and other remuneration

(SEK million)	2017	2016
Parent	18	16
Subsidiaries	4,050	3,164
Group total	**4,068**	**3,180**

	2017		2016	
(SEK million)	Social security butions	of which pension expenses	Social security contribu-tions	of which pension expenses
Parent	9	3	10	3
Subsidiaries	767	173	611	155
Group total	**776**	**176**	**621**	**158**

None of the parent's pension expenses relate to the CEO. Last year, SEK 1 million was attributable to the CEO. The parent's outstanding pension obligations for the Board of Directors and the CEO amount to SEK 6 million (SEK 5 million). The corresponding amount for the Group is SEK 7 million (SEK 5 million). The Group's outstanding pension obligations for the previous Board of Directors and CEO amount to SEK 1 million (SEK 1 million).

Board and senior executives

	2017		2016	
(SEK thousand)	Salaries and other remu-neration	Retire-ment benefit contri-butions	Salaries and other remu-neration	Retire-ment benefit contri-butions
Hans Linnarson, Chair	650	–	550	–
Helene Richmond	325	–	275	–
Georg Brunstam	325	–	275	–
Eva-Lotta Kraft	325	–	275	–
Anders Pålsson	325	–	275	–
Gerteric Lindquist, CEO	5,304	–	4,896	960
Other senior executives 4 (4) individuals	14,609	7,731	14,107	5,171
Group total	**21,863**	**7,731**	**20,653**	**6,131**

Principles for remuneration and other terms of employment for senior executives

In accordance with the resolution adopted by the Annual General Meeting, the following principles applied during 2017 and the Board proposes that the same principles continue to apply for 2018.

The company shall offer competitive remuneration on market terms to attract and retain personnel.

Remuneration shall be payable as fixed salary, variable salary, retirement benefit contributions or other benefits, such as a company car.

Directors' fees shall not be payable to members of the Board who are employed in the Group.

The period of notice from the company for the CEO shall be six months. The CEO shall have the right to severance pay equivalent to twelve months' salary. Other senior management personnel shall receive salary during a period of notice which varies from 6–12 months.

All senior management personnel shall have pension benefits corresponding to the ITP occupational pension plan, section 2, up to 30 basic amounts for social security purposes. For portions of salary above this, a premium of a fixed 30% is payable in accordance with the principles in the defined contribution ITP plan, section 1. There shall be no special agreements for senior management personnel to retire before reaching the official retirement age while still receiving a certain proportion of their salaries.

As an incentive, senior executives will be entitled to a variable salary component that is payable if set targets are achieved. The variable component shall be restricted to four months' salary. The possibility also exists to receive an additional month's salary on condition that this additional payment plus another monthly salary paid as a variable bonus is used to purchase NIBE shares. A further condition for entitlement to receive this additional month's remuneration is that the shares thus purchased are retained for at least three years. Under normal circumstances, shares acquired in this way shall be purchased on one occasion each year in February/March and the purchase shall be subject to the relevant insider trading regulations. The CEO shall not participate in any incentive programme.

The Board may depart from these guidelines, if there are reasons for doing so in an individual case.

Agreement on severance pay

Applies only to the CEO in the parent, for whom an agreement has been reached on severance pay amounting to one year's salary.

Pensions

No pension premiums were paid for the CEO in 2017. Other senior executives in the Group have retirement benefits that correspond to the ITP plan, section 2, for that portion of their salary up to 30 income base amounts. For salary amounts above this, a premium of 30% is paid in accordance with the defined contribution ITP plan, section 1. An exception is made in the case of the director of one of the business areas, who, in his capacity as Managing Director, has an individual pension arrangement with premiums that correspond to those of other senior executives. Under the Group's policy, no further pension premium payments are made if employment continues after the age of 65.

Gender distribution in the Group's Board/senior management team

	2017		2016	
	No.	Of which men	No.	Of which men
Board of Directors	6	4	6	4
Senior management team				
Parent	2	2	2	2
Subsidiaries	3	3	3	3
Group	**5**	**5**	**5**	**5**

Salaries and other remuneration, excluding social security contributions, by country for the Board, CEO, other senior executives and other employees

		2017		2016	
(SEK million)		Board, CEO and senior executives	Other employees	Board, CEO and senior executives	Other employees
Parent		14	6	13	5
Subsidiaries in Sweden		8	602	8	470
Norway[1]	(1 and 0)	–	159	–	137
Finland[1]	(1 and 0)	–	160	–	155
Denmark[1]	(2 and 2)	–	337	–	333
France		–	24	–	25
Germany[1]	(2 and 1)	–	234	–	193
Poland[1]	(1 and 1)	–	214	–	170
Czech Republic[1]	1 and 1)	–	92	–	78
Italy		–	47	–	17
The Netherlands		–	30	–	26
Belgium		–	4	–	2
UK[1]	(1 and 3)	–	140	–	131
Spain		–	21	–	20
Romania		–	12	–	–
Russia		–	12	–	10
Austria		–	33	–	27
Switzerland[1]	(2 and 2)	–	433	–	382
China		–	89	–	89
Malaysia		–	1	–	1
Thailand		–	3	–	–
Australia		–	13	–	7
Mexico		–	150	–	151
Canada[1]	(1 and 0)	–	216	–	7
USA[1]	(7 and 0)	–	1,016	–	725
Group total		**22**	**4,048**	**21**	**3,161**

[1] (of which bonus in SEK million)

Average number of employees and gender distribution

	2017		2016	
	Number of employees	Of which men	Number of employees	Of which men
Parent	8	4	8	4
Subsidiaries in Sweden	1,533	1,247	1,283	1,061
Norway	255	210	230	191
Finland	410	322	426	337
Denmark	580	422	570	421
France	44	33	48	37
Germany	551	451	498	416
Poland	2,216	1,061	2,114	1,099
Czech Republic	725	401	736	392
Italy	140	79	55	33
The Netherlands	57	49	52	43
Belgium	5	4	1	1
UK	456	376	369	288
Spain	64	46	65	48
Romania	191	46	–	–
Slovakia	2	1	–	–
Russia	141	98	155	112
Austria	61	46	51	38
Switzerland	575	462	485	399
China	978	516	958	520
Malaysia	18	6	18	6
Vietnam	6	5	–	–
Thailand	64	37	–	–
Australia	28	17	17	10
Mexico	2,282	1,245	2,217	932
Canada	495	396	55	46
USA	2,386	1,620	1,458	973
Group total	**14,271**	**9,200**	**11,869**	**7,407**

NOTE 7

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The NIBE Group's financial assets consist primarily of accounts receivable and bank balances. The financial liabilities consist primarily of loans from credit institutions, bond loans and accounts payable. The various financial risks which may be associated with these assets and liabilities and the NIBE Group's method of managing the risks are described below. The parent's risk management is in line with the Group's risk management practice, unless otherwise specified below.

Currency risks

Currency risks refer to the risk that exchange rate fluctuations may have a negative effect on the Group's performance and position. NIBE is exposed to currency risks both through operating business transactions in various currencies and through the fact that the Group has operations in different currency zones. These risks can be divided into transaction risks and translation risks.

Transaction risks

Transaction risk is the risk of exchange losses from regular business transactions in foreign currencies, for example, an account receivable in a foreign currency falling in value due to fluctuations in the currency's exchange rate. As part of the Group's currency hedging policy, regular sales and purchases made in a foreign currency or linked to changes in a foreign currency, must be hedged under a rolling 12-month plan within the range 60-100% of the estimated flow. The degree of hedging of future flows determines where in the range the figure is to lie. In 2017 the Group's flows in foreign currencies were as shown below. Flow refers to flows in currencies other than the local currency. Weakening refers to weakening against other currencies with no consideration given to hedging.

	Group		Parent	
Currency	Net flow in (+)/out (-)	Weakening by 1%	Net flow in (+)/out (-)	Weakening by 1%
CHF	67	– 1	–	–
CZK	– 9	–	–	–
DKK	41	–	–	–
EUR	49	–	– 1	–
GBP	85	– 1	–	–
NOK	190	– 2	–	–
PLN	– 90	1	–	–
USD	502	– 5	– 3	–
CNY	– 4	–	–	–
HKD	– 10	–	–	–
AUD	53	– 1	–	–
RUB	8	–	–	–
MXN	– 223	2	–	–
Total	**659**		**– 4**	

Translation risks

Translation risks refer to the risk of exchange losses on the translation of the income statements and balance sheets of foreign subsidiaries to the Swedish krona, the Group's presentation currency. To minimise translation risks, assets are financed, where possible, in the same currency; this means that changes in exchange rates on the borrowings are recognised in other comprehensive income. At the end of 2017, the Group held net assets in foreign currencies in accordance with the figures given below with allowance for financing. Net assets also include assets other than those classed as financial instruments.

Currency	Net assets	Currency hedging	2017
AUD	70	–	70
CAD	682	– 122	560
CHF	4,637	– 308	4,329
CZK	533	–	533
DKK	969	– 130	839
EUR	1,953	– 201	1,752
GBP	818	–	818
HKD	52	–	52
MYR	3	–	3
MXN	58	–	58
NOK	563	– 114	449
PLN	583	–	583
RON	61	–	61
RUB	130	–	130
VND	7	–	7
THB	38	–	38
USD	6,480	– 485	5,995
Total	**17,637**	**– 1,360**	**16,277**

If the Swedish krona falls in value by 1% against the named currencies, the Group's equity would be strengthened by SEK 163 million (SEK 137 million). If the Swedish krona rises in value by 1% against the named currencies, the reverse applies. Without currency hedging through financing in the same currency, the corresponding amount would have been SEK 176 million (SEK 156 million).

Currency	Net assets	Currency hedging	2016
AUD	57	–	57
CAD	547	–	547
CHF	4,656	– 932	3,724
CZK	405	– 38	367
DKK	920	– 101	819
EUR	881	– 40	841
GBP	822	– 113	709
HKD	48	–	48
MYR	3	–	3
MXN	73	–	73
NOK	545	– 108	437
PLN	474	–	474
RUB	128	–	128
USD	6,027	– 536	5,491
Total	**15,586**	**– 1,868**	**13,718**

Outstanding contracts on the closing date, net sales (+)/purchases (-)

Currency	Flow Q1	Flow Q2	Flow Q3	Flow Q4	Average forward rate	Closing day rate	Unrealised gain/loss 31 Dec 2017	Unrealised gain/loss 31 Dec 2016
CHF	1	1	1	2	8.36	8.43	–	–
DKK	3	10	4	7	1.29	1.32	– 1	–
EUR	6	7	8	8	9.87	9.85	1	–
GBP	1	1	1	1	10.76	11.10	– 1	–
NOK	14	9	–	–	1.02	1.00	–	1
PLN	– 1	– 1	– 1	–	2.25	2.36	–	–
USD	7	2	1	1	8.54	8.23	3	– 7
AUD	–	2	–	–	6.41	6.42	–	–
HKD	10	7	5	5	1.05	1.05	–	–
MXN	– 49	– 41	– 51	– 60	0.42	0.42	– 1	– 5
Total							**1**	**– 11**
Of which taken to income on the closing date							6	– 8
Of which recognised in other comprehensive income on the closing date							– 5	– 3

At the end of 2017, the Group had outstanding currency forward contracts in accordance with the adjacent table. The total value of the contracts (calculated as the net value of purchase and selling contracts in each currency) translated to SEK at the closing day rate amounts to SEK 482 million (SEK 536 million).

The difference between the total amounts of the contracts translated to SEK using the contract rate and the total amounts of the contracts translated to SEK using the closing rate at the end of 2017, represents an unrealised exchange gain of SEK 1 million.

Other receivables in the consolidated balance sheet includes derivatives with positive fair values of SEK 6 million (SEK 17 million). Other liabilities include derivatives with negative fair values of SEK 11 million (SEK 20 million).

The parent's risk consists of the risk of exchange rate fluctuations on provisions in foreign currencies for the acquisition of foreign subsidiaries. Exchange rate fluctuations on these are recognised in net financial items. At year-end, the parent had provisions in foreign currencies as listed below.

Currency	2017	2016
CAD	–	543
CHF	–	864
CZK	–	70
DKK	130	100
EUR	131	281
GBP	–	504
NOK	114	108
USD	–	127
Total	**375**	**2,597**

If the Swedish krona rises in value by 1% against the named currencies, the parent's equity would be strengthened by SEK 4 million (SEK 26 million). If the Swedish krona falls in value by 1% against the named currencies, the reverse applies.

Credit risks

Credit risk refers to the risk that a counterparty may not fulfil its obligations. In operations where goods or services are supplied against later payment, client credit losses cannot be wholly avoided. To minimise these risks, annual credit assessments are carried out on major creditors. The normal credit period is 30 days. There are regional variations with both shorter and longer credit periods. Security is not normally held for receivables.

It is our opinion that the Group has an effective credit monitoring process which has meant that the Group has not so far been adversely affected by bad debt losses of any significance. Provisions have been made after individual assessment of overdue receivables.

Overdue accounts receivable

(SEK million)	2017	2016
Accounts receivable, wholly or partly impaired		
– overdue by less than 3 months	23	37
– overdue by more than 3 months	40	32
Accounts receivable which have not been impaired		
– overdue by less than 3 months	535	519
– overdue by more than 3 months	83	61
Total overdue accounts receivable	**681**	**649**
Provision for bad debt losses	– 51	– 39
Total accounts receivable overdue but not impaired	**630**	**610**

Provision for bad debt losses

(SEK million)	2017	2016
Provisions brought forward	39	47
Provisions in acquired companies	10	6
Established bad debt losses	– 3	– 16
Reversed provisions	– 11	– 11
Provisions for the year	16	12
Translation differences	–	1
Provisions carried forward	**51**	**39**

Profit for the year has been charged with SEK 10 million (SEK 11 million) for bad debt losses which have arisen in consolidated receivables. Since the Group is a net borrower from the bank, the credit risk regarding the Group's bank balances is insignificant.

Gains and losses on financial instruments

	Group		Parent	
(SEK million)	2017	2016	2017	2016
Exchange gains and exchange losses on currency derivatives used for hedge accounting				
- recognised in income statement	20	– 20	–	–
- recognised in other comprehensive income	– 2	10	–	9
Gains and losses on raw materials derivatives used in hedge accounting				
– recognised in income statement	3	– 6	–	–
– recognised in other comprehensive income	5	9	–	–
Exchange gains and exchange losses in other financial assets and liabilities	– 72	27	1	– 1
Change in value, bond loans	6	– 20	6	– 20
Change in value, interest swap	– 3	16	– 3	16
Bad debt losses on accounts receivable	– 10	– 11	–	–
Total	**– 53**	**5**	**4**	**4**

The items recognised above as gains and losses are exchange gains, exchange losses and losses on credit granted. Interest has not been included. The Group's reporting system does not permit the allocation of exchange gains and exchange losses to other classes of financial assets and liabilities.

Fair value of financial instruments

Fair value may deviate from carrying amount partly due to changes in market interest rates. For the Group's liabilities with a floating rate, fair value is estimated to be the same as the carrying amount. The Group has two fixed-rate bonds. One of these bonds is included as a hedged item in a fair value hedge. The carrying amount of this bond is therefore deemed to be essentially consistent with fair value. For the other bond, fair value was calculated by discounting future cash flows at current market interest rates. The valuation of this bond is at level 2 in the valuation hierarchy. Fair value corresponds to the carrying amount for non-interest-bearing assets and liabilities such as accounts receivable and accounts payable. No instruments were offset in the balance sheet. All instruments are recognised at their gross value. For a detailed account of the measurement process, see Note 2. For other financial assets and liabilities in the Group, the carrying amounts represent a reasonable approximation of their fair value.

Assets 31 Dec 2017 (SEK million)	Loans receivable and accounts receivable	Assets held for sale	Assets available for sale	Derivatives measured at fair value	Non-financial assets	Total carrying amount	Fair value
Intangible assets	–	–	–	–	14,744	14,744	
Property, plant and equipment	–	–	–	–	3,043	3,043	
Participations in associates and joint ventures	–	–	–	–	17	17	
Securities held as non-current assets	–	–	13	–	–	13	13
Deferred tax assets	–	–	–	–	258	258	
Other long-term receivables	25	–	–	18	–	43	43
Inventories	–	–	–	–	3,247	3,247	
Accounts receivable	2,711	–	–	–	–	2,711	2,711
Tax assets	–	–	–	–	158	158	
Other receivables	142	–	–	12	–	154	154
Prepaid expenses and accrued income	–	–	–	–	180	180	
Investments in securities, etc.	–	90	–	–	–	90	90
Cash and equivalents	3,332	–	–	–	–	3,332	3,332
Total assets	**6,210**	**90**	**13**	**30**	**21,647**	**27,990**	

Assets 31 Dec 2016 (SEK million)	Loan receivables and accounts receivable	Assets held for sale	Assets available for sale	Derivatives measured at fair value	Non-financial assets	Total carrying amount	Fair value
Intangible assets	–	–	–	–	14,716	14,716	
Property, plant and equipment	–	–	–	–	2,820	2,820	
Participations in associates and joint ventures	–	–	–	–	18	18	
Securities held as non-current assets	–	–	7	–	–	7	7
Deferred tax assets	–	–	–	–	322	322	
Other long-term receivables	21	–	–	21	–	42	42
Inventories	–	–	–	–	2,799	2,799	
Accounts receivable	2,424	–	–	–	–	2,424	2,424
Tax assets	–	–	–	–	146	146	
Other receivables	88	–	–	19	–	107	107
Prepaid expenses and accrued income	–	–	–	–	121	121	
Investments in securities, etc.	–	160	–	–	–	160	160
Cash and equivalents	2,342	–	–	–	–	2,342	2,342
Total assets	**4,875**	**160**	**7**	**40**	**20,942**	**26,024**	

Equity and liabilities 31 Dec 2017 (SEK million)	Financial liabilities valued at accrued cost	Derivatives used for hedge accounting	Financial liabilities valued atfairvalue via income statement	Non-financial items	Total carrying amount	Fair value
Equity	–	–	–	12,807	12,807	
Provisions	–	–	–	2,137	2,137	
Non-current liabilities*	6,581	–	1,101	–	7,682	7,682
Current liabilities to credit institutions	2,016	–	–	–	2,016	2,016
Accounts payable	1,469	–	–	–	1,469	1,469
Advance payments from customers	29	–	–	–	29	29
Tax liabilities	–	–	–	122	122	
Other liabilities	375	11	219	–	605	605
Accrued expenses and deferred income	1,123	–	–	–	1,123	1,123
Total equity and liabilities	**11,593**	**11**	**1,320**	**15,066**	**27,990**	

*Of which SEK 957 million refers to loans in foreign currencies to hedge net investment in foreign operations.

Equity and liabilities 31 Dec 2016 (SEK million)	Financial liabilities valued at accrued cost	Derivatives used for hedge accounting	Financial liabilities valued at fair value via the income statement	Non-financial items	Total carrying amount	Fair value
Equity	–	–	–	12,129	12,129	
Provisions	–	–	–	2,362	2,362	
Non-current liabilities*	6,211	–	48	–	6,259	6,259
Current liabilities to credit institutions	2,678	–	–	–	2,678	2,678
Accounts payable	1,140	–	–	–	1,140	1,140
Advance payments from customers	28	–	–	–	28	28
Tax liabilities	–	–	–	89	89	
Other liabilities	281	20	32	–	333	333
Accrued expenses and deferred income	1,006	–	–	–	1,006	1,006
Total equity and liabilities	**11,344**	**20**	**80**	**14,580**	**26,024**	

*Of which SEK 1.621 million refers to loans in foreign currencies to hedge net investment in foreign operations.

Hedge accounting

During 2017, hedge accounting was applied in accordance with IAS 39 in relation to:

- Cash flow hedging through currency derivatives for future receipts and disbursements in foreign currencies. See Note 2 for details.
- Interest on bonds was swapped from fixed to floating. The swap is a fair value hedge and the fair value at the end of the reporting period amounts to SEK 18 million.
- Price hedging of raw materials through raw materials derivatives. See Note 2 for details. At the end of 2017, outstanding contracts maturing in Q1 2018 totalled SEK 31 million, with SEK 6 million in unrealised gains that are recognised among other receivables.
- Hedge accounting by financing net investments in foreign operations in foreign currency. This means that exchange-rate fluctuations on these loan liabilities are recognised directly in other comprehensive income if there is a net asset in the consolidated balance sheet to hedge.

For information on the amounts recognised in other comprehensive income, see the income statements on pages 66 and 76.

Capital risk

Capital risk refers to the risk that the Group's ability to continue as a going concern may be inhibited due to a shortage of capital. The Group assesses the day-to-day risk on the basis of the equity/assets ratio, calculated as recognised equity as a percentage of total assets. The target is for the equity/assets ratio to not fall below 30%. Over the most recent five-year period, the equity/assets ratio has averaged 42.9%. The Group can counteract any shortage of capital through new issues or reductions in dividends. Capital is defined in the NIBE Group as total equity as recognised in the balance sheet (see pages 70 and 77). The covenants set by the Group's external creditors were met by good margins.

Interest rate risks

Interest rate risk is the risk that changes in market interest rates will have a negative impact on cash flow or the fair value of financial assets and liabilities. Since all borrowing in the NIBE Group apart from two bond loans is at floating interest, the Group is only exposed to cash flow risk from financial borrowing. The interest rate on the Group's only bond has been swapped from fixed to floating, which means that this is also exposed to cash flow risk.

Consolidated interest-bearing liabilities at year-end amounted to SEK 8,976 million. The average interest rate was 1.5%. A change in the interest rate of 1% on constant liabilities would have an impact on Group profit of SEK 90 million.

The NIBE Group's policy is that the fixed interest period for loans shall, as far as possible, balance the commitment period of the incoming cash flows.

The parent's interest-bearing liabilities at year-end amounted to SEK 5,016 million. A change in the interest rate of 1% on constant liabilities would affect parent profit by SEK 50 million.

Financing risks

Financing risk refers to the risk that difficulties may arise in financing the Group's operations, thus leading to an increase in costs in the short and long terms.

The Group's consolidated cash flow is good and is expected to remain so in the future. This is of material significance in enabling necessary investments to be made and other obligations to be fulfilled. The Group also has an aggressive strategy related to acquiring businesses. The target is annual growth of 20%. In the long term, at least half of this growth should be organic.

In individual years, the total capital requirement may exceed internal cash flow. It is anticipated that there will be no difficulty in financing this capital requirement and that this will not give rise to abnormal expense. This can be achieved partly through the traditional banking system and partly through the stock market. The amounts given in the table are the contractual undiscounted cash flows.

Group 31 Dec 2017			Due date structure of financial liabilities			
(SEK million)	Nominal amount	Total	<1 year	1-2 years	3-4 years	>5 years
Non-current liabilities to credit institutions	1,508	1,604	–	141	–	1,463
Bond loans	5,016	5,252	–	918	2,626	1,708
Other non-current liabilities	53	53	–	51	–	2
Additional considerations	1,320	1,320	219	6	286	809
Current liabilities to credit institutions	2,016	2,031	2,031	–	–	–
Accounts payable	1,469	1,469	1,469	–	–	–
Advance payments from customers	29	29	29	–	–	–
Derivatives used for hedge accounting	11	11	11	–	–	–
Other current liabilities	372	372	372	–	–	–
Accrued expenses and deferred income	1,123	1,123	1,123	–	–	–
Financial leasing liabilities	7	7	3	2	2	–
Total financial liabilities	12,924	13,271	5,257	1,118	2,914	3,982

Group 31 Dec 2016			Due date structure of financial liabilities			
(SEK million)	Nominal amount	Total	<1 year	1-2 years	3-4 years	>5 years
Non-current liabilities to credit institutions	3,535	3,689	–	3,689	–	–
Bond loans	1,922	2,011	–	–	2,011	–
Other non-current liabilities	30	30	–	30	–	–
Additional considerations	804	804	32	13	35	724
Current liabilities to credit institutions	2,678	2,696	2,696	–	–	–
Accounts payable	1,140	1,140	1,140	–	–	–
Advance payments from customers	28	28	28	–	–	–
Derivatives used for hedge accounting	20	20	20	–	–	–
Other current liabilities	281	281	281	–	–	–
Accrued expenses and deferred income	1,006	1,006	1,006	–	–	–
Financial leasing liabilities	4	4	2	2	–	–
Total financial liabilities	11,448	11,709	5,205	3,734	2,046	724

Parent 31 Dec 2017			Due date structure of financial liabilities			
(SEK million)	Nominal amount	Total	<1 year	1-2 years	3-4 years	>5 years
Bond loans	5,016	5,252	–	918	2,626	1,708
Additional considerations	332	332	183	–	149	–
Current liabilities to Group companies	1	1	1	–	–	–
Accounts payable	6	6	6	–	–	–
Other current liabilities	1	1	1	–	–	–
Accrued expenses and deferred income	26	26	26	–	–	–
Total financial liabilities	5,382	5,618	217	918	2,775	1,708

Parent 31 Dec 2016			Due date structure of financial liabilities			
(SEK million)	Nominal amount	Total	<1 year	1-2 years	3-4 years	>5 years
Non-current liabilities to Group companies	2,332	2,356	–	2,356	–	–
Bond loans	1,922	2,011	–	–	2,011	–
Additional considerations	40	40	–	–	–	40
Current liabilities to Group companies	158	160	160	–	–	–
Accounts payable	5	5	5	–	–	–
Other current liabilities	1	1	1	–	–	–
Accrued expenses and deferred income	13	13	13	–	–	–
Total financial liabilities	4,471	4,586	179	2,356	2,011	40

NOTE 8

LEASES

During the year, SEK 2 million (SEK 1 million) in consolidated expenses relating to finance leases was booked. Expensed lease payments for operating leases including rents amounted to SEK 155 million (SEK 130 million) in the Group during the year. The parent has no leases. The value of the Group's contracted future lease payments for leases with remaining terms exceeding one year is distributed as follows:

	Finance leases			Operating leases
(SEK million)	Payments	Interest	Present value	Nominal value
Due for payment within 1 year	3	–	3	142
Due for payment within 2-5 years	4	–	4	311
Due for payment within 6 years or more	–	–	–	86
Total	**7**	**–**	**7**	**539**

Non-current assets held through finance leases

(SEK million)	Cost	Depreciation	Carrying amount
Machinery	7	4	3
Equipment	3	2	1
Total	**10**	**6**	**4**

NOTE 9

RESEARCH AND DEVELOPMENT COSTS

Research and development costs of SEK 502 million (SEK 409 million) are included in Cost of goods sold.

NOTE 10

OTHER OPERATING INCOME

	Group		Parent	
(SEK million)	2017	2016	2017	2016
Profit on sale of assets	15	14	–	–
Exchange gains	91	91	–	–
Other	55	50	–	–
Total	**161**	**155**	**–**	**–**

NOTE 11

PROFIT FROM PARTICIPATIONS IN GROUP COMPANIES

	Group		Parent	
(SEK million)	2017	2016	2017	2016
Dividend	–	–	401	646
Impairment of participations in subsidiaries	–	–	– 10	– 62
Total	**–**	**–**	**391**	**584**

NOTE 12

FINANCIAL INCOME

	Group		Parent	
(SEK million)	2017	2016	2017	2016
Interest income, other	12	4	–	–
Exchange gains	76	97	61	169
Other financial income	1	2	–	–
Total	**89**	**103**	**61**	**169**

NOTE 13

FINANCIAL EXPENSES

	Group		Parent	
(SEK million)	2017	2016	2017	2016
Interest expense, Group companies	–	–	20	37
Interest expense, other	129	111	30	15
Exchange losses	121	94	59	170
Other financial expense	5	11	–	4
Total	**255**	**216**	**109**	**226**

NOTE 14

APPROPRIATIONS

	Group		Parent	
(SEK million)	2017	2016	2017	2016
Tax allocation reserve	–	–	1	–
Group contributions	–	–	89	772
Total	**–**	**–**	**90**	**772**

NOTE 15

TAX

	Group		Parent	
(SEK million)	2017	2016	2017	2016
Current tax for the year	510	360	–	1
Current tax attributable to preceding years	3	2	–	2
Deferred tax	– 34	133	–	141
Total	**479**	**495**	**–**	**144**

Tax on items recognised in other comprehensive income

	Group		Parent	
(SEK million)	2017	2016	2017	2016
Defined-benefit pensions	9	– 6	–	–
Market valuation of currency forward contracts	1	2	–	1
Market valuation of raw materials forward contracts	–	2	–	–
Current tax attributable to exchange differences	– 81	76	–	–
Current tax attributable to foreign net investment	13	– 21	–	–
Total	**– 58**	**53**	**–**	**1**

Difference between consolidated tax expense and tax expense based on current tax rate

	Group		Parent	
(SEK million)	2017	2016	2017	2016
Pre-tax profit	2,182	1,871	392	1,246
Tax at current rate	480	412	86	274
Non-deductible expenses	15	41	3	11
Non-taxable earnings	– 2	– 25	–	–
Dividends from subsidiaries	–	–	– 89	– 143
Adjusted tax for preceding years	3	2	–	2
Deficit deductions not carried forward	5	10	–	–
Change in tax rate for deferred tax	– 57	–	–	–
Effect of foreign tax rates	35	55	–	–
Recognised tax expense	**479**	**495**	**–**	**144**

Tax rate

The applicable tax rate was calculated based on the 22.0% (22.0%) tax rate that applies to the parent. See page 67.

Due dates for deficit deductions which have not been brought forward

Accumulated deficit deductions which are not offset by recognised deferred tax assets amounted to SEK 322 million (SEK 268 million) for the Group. The due dates for deficit deductions are within the following intervals:

	Group	
(SEK million)	2017	2016
Due for payment within 1-5 years	34	23
Due for payment within 6-10 years	40	74
Due for payment in 10 years or more	32	4
No due date	216	167
Total	322	268

Temporary differences

Temporary differences arise if there is a difference between the carrying amount and the taxation value of the assets and liabilities. Temporary differences in the following items resulted in deferred tax liabilities and deferred tax assets.

Deferred tax assets

	Group		Parent	
(SEK million)	2017	2016	2017	2016
Deficit deductions	9	20	–	–
Provisions for pension obligations	73	74	–	–
Provisions for guarantee obligations	76	144	–	–
Other	100	84	2	2
Total	**258**	**322**	**2**	**2**

(SEK million)	Deficit deductions	Provisions for pension obligations	Provisions for guarantee obligations	Other	Total
Amount at start of year	20	74	144	84	322
Acquired companies	–	7	5	38	50
Recognised as income	– 10	3	– 63	– 20	– 90
Recognised in other comprehensive income	–	– 9	–	1	– 8
Translation difference	– 1	– 2	– 10	– 3	– 16
Amount at end of year	**9**	**73**	**76**	**100**	**258**

Deferred tax liabilities

	Group		Parent	
(SEK million)	2017	2016	2017	2016
Untaxed reserves	36	33	–	–
Temporary differences in non-current assets	868	969	–	–
Other	61	61	–	–
Total	**965**	**1,063**	**–**	**–**

(SEK million)	Untaxed reserves	Temporary differences in non-current assets	Other	Total
Amount at start of year	33	969	61	1,063
Acquired companies	2	85	–	87
Recognised as income	1	– 133	8	– 124
Recognised in other comprehensive income	–	–	2	2
Translation difference	–	– 53	– 10	– 63
Amount at end of year	**36**	**868**	**61**	**965**

Deferred tax liabilities regarding temporary differences attributable to investments in subsidiaries are not recognised, since the parent can control the timing of the reversal of the temporary differences.

NOTE 16

MARKET POSITIONS

(SEK million)	Group 2017	2016
Cost		
Opening cost	2,436	1,499
Investments for the year	181	806
Sales and retirements	– 49	–
Translation differences	– 162	131
Closing accumulated cost	**2,406**	**2,436**
Amortisation		
Opening amortisation	573	387
Amortisation for the year	180	156
Translation differences	– 39	30
Closing accumulated amortisation	**714**	**573**
Closing carrying amount	**1,692**	**1,863**

Market positions refers to the valuation of cash flows from identified customer relationships. Amortisation for the year is recognised as a selling expense in the consolidated income statement.

NOTE 17

GOODWILL AND TRADEMARKS

Brands and trademarks (SEK million)	Group 2017	2016
Cost		
Opening cost	1,903	1,237
Investments for the year	91	557
Sales and retirements	– 9	–
Translation differences	– 127	109
Closing accumulated cost	**1,858**	**1,903**
Amortisation		
Opening amortisation	2	–
Amortisation for the year	3	2
Translation differences	– 1	–
Closing accumulated amortisation	**4**	**2**
Closing carrying amount	**1,854**	**1,901**
Carrying amount per business area		
NIBE Climate Solutions	1,580	1,641
NIBE Element	76	49
NIBE Stoves	198	211
Total	**1,854**	**1,901**

Goodwill (SEK million)	Group 2017	2016
Cost		
Opening cost	10,656	7,621
Investments for the year	901	2,406
Sales and retirements	– 45	–
Translation differences	– 631	629
Closing accumulated cost	**10,881**	**10,656**
Amortisation		
Opening amortisation	85	82
Translation differences	2	3
Closing accumulated amortisation	**87**	**85**
Closing carrying amount	**10,794**	**10,571**
Carrying amount per business area		
NIBE Climate Solutions	7,967	7,999
NIBE Element	1,702	1,379
NIBE Stoves	1,125	1,193
Total	**10,794**	**10,571**

Impairment tests

Impairment testing involves the calculation of value in use. The policies adopted by the Group are set out in Note 2, under the heading 'Goodwill and trademarks'.

Assumptions of the gross investment margins for each cash-generating unit are based on the approved budgets.

Significant assumptions in 2017 (2016)

Assumptions	Cash-generating unit: NIBE Climate Solutions	NIBE Element	NIBE Stoves
Growth rate, years 2-5, %	5.0 (5.0)	5.0 (5.0)	5.0 (5.0)
Growth rate, year 6 and later, %	2.0 (2.0)	2.0 (2.0)	2.0 (2.0)
Working capital requirement for organic growth, %	13.0 (13.0)	15.0 (15.0)	18.0 (18.0)
Discount rate before tax, %	6.9 (6.5)	8.0 (7.7)	7.3 (7.1)

The assumed organic growth rate is the same for all cash-generating units. Apart from the most recent years, which have been subject to economic turbulence, all units have a history of organic growth well above the assumed growth rate.

As in preceding years, the annual impairment test did not identify any impairment need.

Sensitivity analysis

A sensitivity analysis was carried out regarding the significant assumptions applied in the impairment test. The following assumptions have been used to test sensitivity.

- Organic growth in years 2-5 is two percentage points lower.
- The gross investment margin is two percentage points lower.
- The requirement for working capital is two percentage points higher.
- The discount rate is two percentage points higher.

None of the above assumptions resulted in an impairment need for any of the Group's cash-generating units.

NOTE 18

OTHER INTANGIBLE ASSETS

Rights of tenancy, patents, development costs, computer programs, licences, etc.

	Group	
(SEK million)	2017	2016
Cost		
Opening cost	842	673
Cost in acquired companies	2	36
Investments for the year	158	96
Sales and retirements	– 8	– 11
Reclassifications	– 6	22
Translation differences	– 39	26
Closing accumulated cost	**949**	**842**
Amortisation		
Opening amortisation	458	349
Sales and retirements	– 8	– 10
Amortisation for the year	93	86
Reclassifications	2	22
Translation differences	– 3	11
Closing accumulated amortisation	**542**	**458**
Impairment		
Opening impairment	3	3
Closing accumulated impairment	**3**	**3**
Closing carrying amount	**404**	**381**

Amortisation and impairment of other intangible assets are recognised within the following functions:

	Group	
(SEK million)	2017	2016
Cost of goods sold	73	69
Selling expenses	5	3
Administrative expenses	15	14
Total	**93**	**86**

Other intangible assets consist primarily (SEK 290 million) of capitalised development costs. The Group's principles for capitalisation are described in Note 2. Capitalised development costs are amortised over their estimated useful lives. In 2017, these were between 4 and 6 years.

NOTE 19

LAND AND BUILDINGS

	Group	
(SEK million)	2017	2016
Cost		
Opening cost	2,241	1,798
Cost in acquired companies	184	346
Investments for the year	79	43
Sales and retirements	– 33	– 40
Reclassifications	8	26
Translation differences	– 5	68
Closing accumulated cost	**2,474**	**2,241**
Depreciation		
Opening depreciation	658	607
Depreciation for the year	78	61
Sales and retirements	– 8	– 22
Translation differences	13	12
Closing accumulated depreciation	**741**	**658**
Impairment		
Opening impairment	5	–
Impairment for the year	–	5
Sales and retirements	– 5	–
Closing accumulated impairment	**–**	**5**
Closing carrying amount	**1,733**	**1,578**
of which land	296	271
Closing carrying amount, land and buildings in Sweden	477	343

NOTE 20

MACHINERY AND EQUIPMENT

	Group		Parent	
(SEK million)	2017	2016	2017	2016
Cost				
Opening cost	3,239	2,748	1	1
Cost in acquired companies	54	236	–	–
Investments for the year	194	192	–	–
Sales and retirements	– 90	– 75	–	–
Reclassifications	86	41	–	–
Translation differences	6	97	–	–
Closing accumulated cost	**3,489**	**3,239**	**1**	**1**
Depreciation				
Opening depreciation	2,118	1,920	1	1
Sales and retirements	– 88	– 69	–	–
Depreciation for the year	283	238	–	–
Reclassifications	– 3	– 22	–	–
Translation differences	32	51	–	–
Closing accumulated depreciation	**2,342**	**2,118**	**1**	**1**
Impairment				
Opening impairment	4	3	–	–
Impairment for the year	1	1	–	–
Closing accumulated impairment	**5**	**4**	**–**	**–**
Closing carrying amount	**1,142**	**1,117**	**–**	**–**

NOTE 21

CONSTRUCTION IN PROGRESS

	Group	
(SEK million)	2017	2016
Cost		
Opening cost	125	101
Expenses during the year	130	111
Re-allocations during the year	– 90	– 89
Translation differences	3	2
Closing accumulated cost	**168**	**125**

NOTE 22

SHARES IN SUBSIDIARIES

Subsidiary	Proportion of equity	Shares	Carrying amount, SEK million
ABK AS	50%	250	196
Air-Site AB	50%	1,000	34
Backer BHV AB	100%	37,170	186
Backer EHP Inc.	100%	100	217
Druzstevni z. Drazice - strojírna s.r.o.	100%	7	199
Eltwin A/S	100%	500	150
Enertech AB	100%	27,000	216
Enertech GmbH	100%	100	21
Enertech Ltd	100%	0	48
HT S.p.A.	80%	160,000	604
JSC Evan	100%	8,631	131
Jevi A/S	100%	1	30
Kaukora Oy	100%	1,100	201
Lotus Heating Systems A/S	100%	1,076,667	50
Loval Oy	100%	768	40
METRO THERM A/S	100%	3,400	181
NIBE AB	100%	400,000	153
NIBE Energy Systems WFE AB	100%	100	3,785
NIBE Energy Systems France SAS	100%	100	0
NIBE Stoves Canada Corp.	100%	100	543
NIBE Treasury AB	100%	15,000	11
Nordpeis AS	100%	12,100	142
SAN Electro Heat A/S	100%	13	18
Schulthess Group AG	100%	10,625,000	4,860
Springfield Wire de Mexico, S.A. de C.V.	100%	10,000	42
Stovax Heating Group Ltd	100%	198,900	491
TermaTech A/S	100%	500	62
Varde Ovne A/S	100%	4,009	11
Wiegand, S.A. de C.V.	100%	15,845,989	21
Total			**12,643**

(SEK million)	2017	2016
Cost		
Opening cost	11,854	8,466
Investments for the year	953	3,399
Reduced considerations	– 36	– 11
Closing accumulated cost	**12,771**	**11,854**
Impairment		
Opening impairment	118	56
Impairment for the year	10	62
Closing accumulated impairment	**128**	**118**
Closing carrying amount	**12,643**	**11,736**

Shares owned via subsidiaries	Proportion of capital	Shares
ait-austria GmbH	100.00%	1
ait-cesko s.r.o	50.10%	100,200
ait-deutschland GmbH	100.00%	
ait-slovensko s.r.o	85.00%	1
ait-värmeteknik-sverige AB	100.00%	1,000
ait Schweiz AG	100.00%	250
Askoma AG	100.00%	200,000
Askoma SDN BHD	100.00%	500,000
ATE-Electronics s.r.l.	100.00%	
Backer Alpe S. de R.L. de C.V.	100.00%	
Backer Calesco France SARL	100.00%	12,429
Backer ELC AG	100.00%	34,000
Backer Elektro CZ a.s.	100.00%	
Backer Eltop s.r.o.	100.00%	
Backer Facsa S.L.	100.00%	34,502
Backer Fer s.r.l.	100.00%	
Backer Grand Heater Co Ltd	100.00%	299,998
Backer Heating Technologies Co. Ltd	100.00%	
Backer Heating Technologies Inc	100.00%	100
Backer Hotwatt Inc.	100.00%	100
Backer HTV Co. Ltd	100.00%	100
Backer Marathon Inc.	100.00%	100
Backer OBR Sp. z o.o.	100.00%	10,000
Backer-Springfield Dongguan Co. Ltd	100.00%	
Backer-Wilson Elements Pty Ltd	51.00%	
Backer Wolff GmbH	100.00%	
Bentone AB	100.00%	1,000
Biawar Produkcja Sp z.o.o	100.00%	50
Billybobco.com Inc.	100.00%	20
CGC Group of Companies Inc.	50.00%	320
ClimaCool Corp.	100.00%	1,000
Climate Control Group Inc.	100.00%	10,000
ClimateCraft Inc.	100.00%	1,000
ClimateMaster Inc.	100.00%	1,000
Comfort Systems Solutions Inc.	100.00%	640
CTC AB	100.00%	1,000
CTC Ferrofil AS	100.00%	1,001
CTC Giersch AG	100.00%	700
Danotherm Electric A/S	100.00%	1,000
Eltwin Sp. z.o.o.	100.00%	100
E. Braude (London) Ltd	100.00%	80,000
Enertech Belgium Sprl	100.00%	859,550
Enertech Global LLC	100.00%	
Fireplace Products Australia Pty Ltd	100.00%	1
Fireplace Products US Inc.	100.00%	1,000,000
FPI Fireplace Products International Ltd.	65.00%	901,498
FPI US Holding Inc.	100.00%	50,000
Gazco Ltd	100.00%	30,000
Heatpoint B.V.	60.00%	480
Heatrod Elements Ltd	100.00%	68,000
Heatron Inc.	100.00%	1,200,000
Høiax AS	100.00%	1,000
HT Est Division s.r.l	100.00%	100
HT Heizeelemente Deutschland GmbH	100.00%	1
Hyper Engineering Pty Ltd	100.00%	
Hyper Technology and Trading Comp.	100.00%	
International Environmental Corp.	100.00%	300
KKT Chillers Inc.	100.00%	1,000
KNV Energietechnik GmbH	100.00%	

Shares owned via subsidiaries	Proportion of capital	Shares
Koax Corp.	100.00%	50
KVM-Genvex A/S	100.00%	2,500
Lund & Sörensen AB	100.00%	1,000
Lund & Sørensen A/S	100.00%	500
Lund & Sørensen Electric Heating Equipment Accessory Co Ltd	100.00%	
Merker AG	100.00%	2,500
METRO THERM AB	100.00%	1,000
Meyer Vastus AB, Oy	100.00%	20
Motron A/S	100.00%	1,000
myUpTech AB	100.00%	1,000
Naturenergi IWABO AB	100.00%	1,000
NIBE Beteiligungenverwaltungs GmbH	100.00%	
NIBE-BIAWAR Sp. z o.o.	100.00%	83,962
NIBE Climate Solutions Canada Corp.	100.00%	
NIBE Energietechniek B.V.	100.00%	180
NIBE Energy Systems Inc.	100.00%	100
NIBE Energy Systems Ltd	100.00%	100
NIBE Energy Systems Oy	100.00%	15
NIBE Foyers France S.A.S.	100.00%	370
NIBE Systemtechnik GmbH	100.00%	
Norske Backer AS	100.00%	12,000
Northstar Poland Sp. z o.o.	100.00%	3,134
Omni Control Technology Inc.	100.00%	200,000
Osby Parca AB	100.00%	5,000

Shares owned via subsidiaries	Proportion of capital	Shares
Renting 959 KB	100.00%	
Schulthess Maschinen AG	100.00%	7,500
Schulthess Maschinen GmbH	100.00%	
Shel NIBE Manufacturing Co Ltd	100.00%	1,000
Sinus-Jevi Electric Heating B.V.	100.00%	180
Stovax Ltd	100.00%	190,347
Stovax D1 Ltd	100.00%	1,000
Stovax Group Ltd	100.00%	397,800
Structurgruppen AB	100.00%	1,000
Tempeff North America Ltd	65.00%	78,000
Termorad Sp. Z.o.o.	100.00%	80,000
ThermaClime Technologies Inc.	100.00%	10,000
Turboflame AB	100.00%	3,000
Värmeelement i Osby AB	100.00%	1,000
Vølund Varmeteknik A/S	100.00%	1,000
WaterFurnace International Hong Kong Ltd	100.00%	27,300,000
WaterFurnace International Inc.	100.00%	100
WaterFurnace Renewable Energy Corp.	100.00%	14,666,765

Details of subsidiaries	Corporate ID	Registered office	
ABK AS	959 651 094	Oslo	Norway
Air-Site AB	556725-5780	Lindome	Sweden
ait-austria GmbH	FN469896z	Neudorf	Austria
ait-cesko s.r.o.	28077458	České Budějovice	Czech Republic
ait-deutschland GmbH	HRB 2991	Bayreuth	Germany
ait Schweiz AG	CH-100 3 017 337-2	Altishofen	Switzerland
ait-slovensko s.r.o	48103926	Bratislava	Slovakia
ait-värmeteknik-sverige AB	556936-5033	Helsingborg, Sweden	Sweden
Askoma AG	CHE 101 048 895	Thunstetten	Switzerland
Askoma SDN BHD	489344-W	Johor Bahru	Malaysia
ATE-Electronics s.r.l.	9518750964	Giaveno	Italy
Backer Alpe S. de R.L. de C.V.	BAL0805266BA	Mexico City	Mexico
Backer BHV AB	556053-0569	Hässleholm	Sweden
Backer Calesco France SARL	91379344781	Lyon	France
Backer EHP Inc.	99-0367868	Murfreesboro	USA
Backer ELC AG	CH-400 3 033 814-4	Aarau	Switzerland
Backer Elektro CZ a.s.	60469617	Hlinsko	Czech Republic
Backer Eltop s.r.o.	44795751	Miretice	Czech Republic
Backer Facsa S.L.	B-62.928.361	Aiguafreda	Spain
Backer FER s.r.l.	REA: 173478	Sant´Agostino (Ferrara)	Italy
Backer Grand Heater Co Ltd	105560004323	Muaeng Samutsakorn	Thailiand
Backer Heating Technologies Co. Ltd	440301503227017	Shenzhen	China
Backer Heating Technologies Inc.	36-4044600	Elgin	USA
Backer Hotwatt Inc.	81-4435368	Wilmington	USA
Backer HTV Co. Ltd	1101832398	Tan Kim	Vietnam
Backer OBR Sp. z o.o.	8358936	Pyrzyce	Poland
Backer-Springfield Dongguan Co. Ltd	441900400000302	Dongguan City	China
Backer-Wilson Elements Pty Ltd	ACN 100 257 514	Burwood	Australia
Backer Wolff GmbH	HRB 27026	Dortmund	Germany
Biawar Produkcja Sp z.o.o.	5423273185	Bialystok	Poland

Details of subsidiaries	Corporate ID	Registered office	
Billybobco.com Inc.	88830 0811 RC0001	Mississauga	Canada
CGC Group of Companies Inc.	85828 1728 RC0001	Mississauga	Canada
ClimaCool Corp.	73-1409358	Oklahoma City	USA
Climate Control Group Inc.	73-1415062	Oklahoma City	USA
ClimateCraft Inc.	73-1207959	Oklahoma City	USA
ClimateMaster Inc.	93-0857025	Oklahoma City	USA
CTC AB	556617-3919	Ljungby	Sweden
CTC Ferrofil AS	832538132	Årnes	Norway
CTC Giersch AG	CHE-105970811	Zürich	Switzerland
Comfort Systems Solutions Inc.	89443 9843 RC0001	Mississauga	Canada
Danotherm Electric A/S	10 12 60 61	Rødovre	Denmark
DZD Strojírna s.r.o.	45148465	Benátky nad Jizerou	Czech Republic
E. Braude (London) Ltd	585474	Sandhurst	UK
Eltwin A/S	13 99 24 44	Risskov	Denmark
Eltwin Sp. z.o.o.	394767	Stargard	Poland
Enertech AB	556060-2269	Ljungby	Sweden
Enertech Belgium Sprl	821427672	Couvin	Belgium
Enertech GmbH	HRB 733204	Iserlohn	Germany
Enertech Ltd	299044	Worcestershire	UK
Enertech Global LLC	45-2301710	Greenville	USA
Fireplace Products Australia Pty Ltd	117Ê303Ê554	Hallam	Australia
Fireplace Products US Inc.	601374460	Blaine	USA
FPI Fireplace Products International Ltd.	BC0161829	Richmond	Canada
FPI US Holding Inc.	1998-000339453	Cheyenne	USA
Gazco Ltd	2228846	Exeter	UK
Glomar Technologies Inc.	86141 0595 RC0001	Mississauga	Canada
Heatpoint B.V.	30146922	Bodegraven	The Netherlands
Heatrod Elements Ltd	766 637	London	UK
Heatron Inc.	43-1126014	Leavenworth	USA
Høiax AS	936 030 327	Fredrikstad	Norway
HT S.p.A.	TV 195113	Treviso	Italy
HT Est Division s.r.l.	J02/1489/2007	Arad	Romania
HT Heizeelemente Deutschland GmbH	HRB 41822	Bielefeld	Germany
Hyper Engineering Pty Ltd	ACN 148 010 520	Victoria	Australia
Hyper Technology and Trading Comp.	1939789	Hong Kong	China
International Environmental Corp.	73-0754306	Oklahoma City	USA
JSC Evan	1065260108517	Nizhniy Novgorod	Russia
Jevi A/S	12 85 42 77	Vejle	Denmark
Kaukora Oy	0138194-1	Raisio	Finland
KKT Chillers Inc.	83-0486747	Elk Grove	USA
KNV Energietechnik GmbH	78375h	Schörfling	Austria
Koax Corp.	73-1284158	Oklahoma City	USA
KVM-Genvex A/S	21387649	Haderslev	Denmark
Lotus Heating Systems A/S	26 11 04 75	Langeskov	Denmark
Loval Oy	0640930-9	Lovisa	Finland
Lund & Sörensen AB	556731-8562	Sösdala	Sweden
Lund & Sørensen A/S	25 64 75 99	Vejle	Denmark
Lund & Sørensen Electric Heating Equipment Accessory Co Ltd	120000400007673	Tianjin	China
Merker AG	CH-400 3 3009 571-7	Zürich	Switzerland
Metro Therm AB	556554-1603	Kalmar	Sweden
Metro Therm A/S	20 56 71 12	Helsinge	Denmark
Meyer Vastus AB, Oy	0215219-8	Monninkylä	Finland
Motron A/S	26 41 80 97	Risskov	Denmark
myUptech	556633-8140	Markaryd	Sweden
Naturenergi IWABO AB	556663-0355	Bollnäs	Sweden
NIBE AB	556056-4485	Markaryd	Sweden
NIBE Beteiligungenverwaltungs GmbH	295717d	Vienna	Austria
NIBE-BIAWAR Sp. z o.o.	50042407	Bialystok	Poland
Nibe Climate Solutions Canada Corp.	BC110 5117	Vancouver	Canada
NIBE Energietechniek B.V.	20111793	Willemstad	The Netherlands
NIBE Energy Systems France SAS	501 594 220	Reyrieux	France

Details of subsidiaries	Corporate ID	Registered office	
NIBE Energy Systems Inc.	99 03 68 191	Wilmington	USA
NIBE Energy Systems Ltd	5764 775	Sheffield	UK
NIBE Energy Systems Oy	9314276	Helsinki	Finland
NIBE Energy Systems WFE AB	556982-3262	Markaryd	Sweden
NIBE Foyers France S.A.S.	491 434 965	Lyon	France
NIBE Stoves Canada Corp.	BC1093578	Richmond	Canada
NIBE Systemtechnik GmbH	HRB 5879	Celle	Germany
NIBE Treasury AB	556108-0259	Markaryd	Sweden
Nordpeis AS	957 329 330	Lierskogen	Norway
Norske Backer AS	919 799 064	Kongsvinger	Norway
Northstar Poland Sp. z o.o.	570844191	Trzcianka	Poland
Omni Control Technology Inc.	04-3142926	Whitinsville	USA
Osby Parca AB	556049-4980	Osby	Sweden
Renting 959 KB	916616-1787	Ljungby	Sweden
SAN Electro Heat A/S	42 16 59 13	Graested	Denmark
Schulthess Group AG	CH-020 7 000 720-2	Zürich	Switzerland
Schulthess Maschinen AG	CH-020 3 923 223-4	Zürich	Switzerland
Schulthess Maschinen GmbH	FN 125340z	Vienna	Austria
Shel NIBE Manufacturing Co Ltd	866 531	Hong Kong	China
Sinus-Jevi Electric Heating B.V.	37106129	Medemblik	The Netherlands
Springfield Wire de Mexico S.A. de C.V.	SWM710722KW3	Nuevo Laredo	Mexico
Stovax Ltd	1572550	Exeter	UK
Stovax D1 Ltd	4826958	Exeter	UK
Stovax Group Ltd	7127090	Exeter	UK
Stovax Heating Group Ltd	8299613	Exeter	UK
Structurgruppen AB	556627-5870	Kungsbacka	Sweden
TermaTech A/S	27 24 52 77	Hasselager	Denmark
Tempeff North America Ltd	812525954	Winnipeg	Canada
ThermaClime Technologies Inc.	73-1553910	Oklahoma City	USA
Varde Ovne A/S	21 55 49 79	Gram	Denmark
Vølund Varmeteknik A/S	32 93 81 08	Videbæk	Denmark
WaterFurnace International Hong Kong Ltd	1775445	Hong Kong	China
WaterFurnace International Inc.	35-18737995	Fort Wayne	USA
WaterFurnace Renewable Energy Corp	BC 100 6504	Toronto	Canada
Wiegand S.A. de C.V.	RFC WIE850624H79	Nuevo Laredo	Mexico

NOTE 23

PARTICIPATIONS IN ASSOCIATES AND JOINT VENTURES

Parent (in millions of SEK) Name	Corporate ID	Registered office	Proportion of equity	No. of shares	Dividend	Carrying amount
Produktionskonsult Väst AB	556713-5206	Gothenburg	50.0%	600	5	7
Total					5	7

Group (SEK million) Name	Corporate ID	Registered office	Proportion of equity	No. of shares	Share in profits	Proportion of capital	Carrying amount
Produktionskonsult Väst AB	556713-5206	Gothenburg	50.0%	600	4	10	10
Shanghai Canature Fireplace Products Ltd.	9131 0115 7721 1410 65H	Shanghai, China	25.0%	–	–	7	7
WaterFurnace Shenglong HVACR Climate Solutions Ltd.	3302 0040 0074 4449	Ningbo, China	49.0%	–	–	–	–
Total					4	17	17

The holdings in WaterFurnace Shenglong HVACR Climate Solutions and Shanghai Canature Fireplace Products are joint ventures.

NOTE 23 continued

(SEK million)	Group 2017	2016
Carrying amount at start of year	18	10
Carrying amount in acquired companies	–	8
Dividend received	– 5	– 4
Share in profits for the year	4	4
Carrying amount at end of year	**17**	**18**

NOTE 24

OTHER NON-CURRENT RECEIVABLES

	Group		Parent	
(SEK million)	2017	2016	2017	2016
Market value, interest swap	18	21	18	21
Other	25	21	–	–
Total	**43**	**42**	**18**	**21**

NOTE 25

EQUITY

During the year, 600,000 A shares were redesignated as B Shares. At year-end, the number of class A shares amounted to 58,532,590 and the number of B shares to 445,484,032.

	Quota value (SEK)	Class A shares	Class B shares	Total
At start of year	0.15625	59,132,590	444,884,032	504,016,622
Redesignation	0.15625	– 600,000	600,000	–
At end of year	**0.15625**	**58,532,590**	**445,484,032**	**504,016,622**

Each class A share entitles the holder to ten votes at the Annual General Meeting, and each class B share to one vote. For class A shares, which represent approximately 56% of the votes, the company's articles of association prescribe an obligation to give existing shareholders first refusal of any shares offered for sale. All shares carry the same entitlement to dividends. The company has two shareholders who each hold more than 10% of the votes, one of them a group of shareholders consisting of present and former directors and managers with around 47% of the votes, the other Melker Schörling, with around 20% of the votes. At the end of 2017 the company had no outstanding convertible loans or options that could risk diluting the share capital. The situation was the same in the preceding year.

Proposal for appropriation of profits

The financial resources at the disposal of the Annual General Meeting are:	
Profit brought forward	SEK 2,354 million
Share premium reserve	SEK 4,751 million
Net profit for the year	SEK 393 million
Total	**SEK 7,498 million**

The Board of Directors proposes issuing a dividend to shareholders of SEK 1.05 per share, equivalent to a total pay-out of SEK 529 million. A total of SEK 6,969 million will be carried over in the accounts: SEK 4,751 million of this in the share premium reserve and SEK 2,218 million as profit brought forward.

The Board of Directors deems the proposed dividend to be reasonable considering the requirements that the nature, scope and inherent risks of the business place on the amount of equity and the company's and the Group's consolidation needs, liquidity and financial position. This must be seen against the background of the information provided in the Annual Report. Before proposing this dividend, the Board has paid due consideration to the investments planned.

NOTE 26

PROVISIONS FOR PENSIONS

ITP occupational pension plan secured via Alecta

The commitments for retirement pensions and family pensions for white-collar staff in Sweden are secured through an insurance policy with Alecta. In accordance with a statement from the Swedish Financial Reporting Board, UFR 10, this is a multi-employer defined-benefit plan. For the 2017 financial year the company has not had access to the kind of information that would enable it to recognise this plan in the accounts as a defined-benefit plan. The ITP occupational pension plan secured through an insurance policy with Alecta is, therefore, recognised as a defined-contribution plan. The contributions for the year for pension insurance policies taken out with Alecta amounted to SEK 14 million (2016: SEK 12 million). Alecta's surplus can be distributed to the policyholders and/or the insured. At year-end 2017 Alecta's surplus in the collective funding ratio was 154% (2016: 149%). The collective funding ratio consists of the market value of Alecta's assets as a percentage of the insurance commitments calculated in accordance with Alecta's actuarial commitments, which is not in conformity with IAS 19.

Defined-benefit pension plans

The Group has defined-benefit pensions chiefly for its Swiss and Swedish companies. Swiss pension plans are funded, which means that assets are held to cover pension commitments. The assets are managed by fund managers which are separate legal entities. For Swedish companies, calculations and payments are handled through PRI Pensionstjänst AB. This is unfunded. Consequently, no plan assets are held for the purpose of securing retirement benefits. As far as other countries are concerned, Norway has defined-benefit pensions which are calculated and paid by the employer.

The estimated present value of the Group's defined-benefit pension obligations has been based on the actuarial assumptions set out in the table below.

Actuarial assumptions 2017	Switzerland	Sweden
Discount rate on 1 January	0.35%	2.25%
Discount rate on 31 December	0.65%	2.50%
Expected salary increases	1.00%	3.00%
Expected inflation	0.60%	2.00%

Actuarial assumptions 2016	Switzerland	Sweden
Discount rate on 1 January	0.85%	3.00%
Discount rate on 31 December	0.35%	2.25%
Expected salary increases	1.00%	3.00%
Expected inflation	0.60%	2.00%

A sensitivity analysis has been carried out in respect of the significant assumptions applied, and the impact that changed assumptions would have on the Group's pension liabilities is shown in the table below.

Sensitivity analysis	Impact on pension liabilities (SEK million) of an increase	of a decrease
Discount rate - 0.5 percentage points	– 93	+ 108
Expected salary increases - 0.25 percentage points	+ 7	– 6
Expected inflation - 0.25 percentage points	+ 28	– 5

Defined-contribution plans

These plans primarily cover retirement pensions, disability pensions and family pensions. The premiums are paid continuously throughout the year by each Group company to a separate legal entity, such as an insurance company. The size of the premium is based on salary. The pension costs for the period are included in the income statement.

(SEK million)	2017 Funded plans	2017 Unfunded plans	2017 Total	2016 Funded plans	2016 Unfunded plans	2016 Total
Reconciliation of pension obligations						
Present value at start of year	1,040	110	1,150	939	97	1,036
Present value in acquired companies	115	66	181	–	–	–
Costs related to employment	43	6	49	37	6	43
Interest on obligations	4	4	8	8	3	11
Contributions from employees	27	–	27	24	–	24
Pensions paid	– 109	– 4	– 113	– 51	– 3	– 54
Actuarial gains (–), losses (+) during the period	– 25	– 2	– 27	38	7	45
Adjustments	– 11	–	– 11	– 10	–	– 10
Translation differences	– 57	–	– 57	55	–	55
Present value at end of year	**1,027**	**180**	**1,207**	**1,040**	**110**	**1,150**
Reconciliation of plan assets						
Fair value at start of year	725	–	725	675	–	675
Fair value in acquired companies	114	–	114	–	–	–
Interest income on plan assets	3	–	3	6	–	6
Actuarial gains (+), losses (–) during period	13	–	13	17	–	17
Contributions paid in	28	–	28	25	–	25
Contributions from employees	27	–	27	24	–	24
Adjustments	– 11	–	– 11	– 10	–	– 10
Pensions paid	– 109	–	– 109	– 51	–	– 51
Translation differences	– 40	–	– 40	39	–	39
Fair value at end of year	**750**	**–**	**750**	**725**	**–**	**725**
Provisions for pensions						
Retirement benefit obligations, present value	1,027	180	1,207	1,040	110	1,150
Plan assets, fair value	– 750	–	– 750	– 725	–	– 725
Provisions for pensions	**277**	**180**	**457**	**315**	**110**	**425**
Pension costs recognised in profit or loss						
Costs related to employment	43	6	49	37	6	43
Interest on obligations	4	4	8	8	3	11
Interest income on plan assets	– 3	–	– 3	– 6	–	– 6
Pension costs, defined-benefit plans	**44**	**10**	**54**	**39**	**9**	**48**
Pension costs, defined-contribution plans			122			110
Total pension costs in profit or loss			**176**			**158**
Pension costs recognised in other comprehensive income						
Actuarial gains (–), losses (+) in respect of:						
– changed financial assumptions	– 23	– 5	– 28	66	10	76
– changed demographic assumptions	–	–	–	– 18	– 4	– 22
– experience-based adjustments	– 2	3	1	– 10	1	– 9
– difference between actual yield and yield according to discount rate on plan assets	– 13	–	– 13	– 17	–	– 17
– special employer's contribution	–	– 1	– 1	–	2	2
Pension costs in other comprehensive income	**– 38**	**– 3**	**– 41**	**21**	**9**	**30**
Reconciliation of provisions for pensions						
Opening balance	315	110	425	264	97	361
Provisions in acquired companies	1	66	67	–	–	–
Pension costs, defined-benefit plans	43	10	53	39	9	48
Actuarial differences	– 38	– 2	– 40	21	7	28
Pensions paid	–	– 4	– 4	–	– 3	– 3
Contributions paid in	– 27	–	– 27	– 25	–	– 25
Translation differences	– 17	–	– 17	16	–	16
Closing balance	**277**	**180**	**457**	**315**	**110**	**425**
For 2018, expected pension costs for defined-benefit plans are	39	8	47			
Composition of plan assets						
Shares	73			42		
Interest-bearing securities	480			561		
Property, etc.	196			122		
Total plan assets	**749**			**725**		

The parent's recognised pension liabilities amount to SEK 7 million (SEK 6 million) and are calculated in accordance with the Pension Obligations Vesting Act and not IAS19.

NOTE 27

OTHER PROVISIONS

(SEK million)	Guarantee risk reserve	Other	Total Group	Parent
Amount on 31 Dec 2015	448	254	702	198
Provisions in acquired companies	95	4	99	–
Provisions during the year	121	47	168	15
Amount utilised during the year	– 60	– 19	– 79	– 2
Reversals in provisions	– 16	– 7	– 23	– 3
Reclassifications	–	– 32	– 32	–
Translation differences	35	4	39	–
Amount on 31 Dec 2016	623	251	874	208
Provisions in acquired companies	44	29	73	–
Provisions during the year	93	41	134	25
Amount utilised during the year	– 91	– 13	– 104	– 2
Reversals in provisions	– 48	– 5	– 53	–
Reclassifications	–	– 177	– 177	– 177
Translation differences	– 36	4	– 32	7
Amount on 31 Dec 2017	585	130	715	61

Guarantees are normally provided for one to three years, but longer guarantee periods may be provided in individual cases. The guarantee risk reserve is calculated based on the cost history of these commitments. Other provisions also include provisions for additional considerations. It is anticipated that these will be largely settled within three years. In certain cases, there is no upper limit for the amount of additional considerations. Most are recognised in the parent's balance sheet.

NOTE 28

BOND LOANS

	Group		Parent	
(SEK million)	2017	2016	2017	2016
Loan at a variable rate of Stibor + 120 points that falls due in June 2019	900	400	900	400
Loan at a variable rate of Stibor + 130 points that falls due in May 2020	750	750	750	750
Loan of SEK 750 million at a fixed rate of 1.8% that falls due in May 2020	766	772	766	772
Loan of SEK 650 million at a fixed rate of 1.0% that falls due in June 2021	650	–	650	–
Loan at a variable rate of Stibor + 110 points that falls due in June 2021	350	–	350	–
Loan at a variable rate of Stibor + 135 points that falls due in April 2022	1,600	–	1,600	–
Total	5,016	1,922	5,016	1,922

NOTE 29

OTHER LIABILITIES, NON-INTEREST-BEARING

(SEK million)	Additional considerations	Other	Total Group	Parent
Amount on 31 Dec 2015	32	2	34	–
Liabilities in acquired companies	–	26	26	–
Entered as liabilities during the year	731	–	731	40
Reversed during the year	– 22	–	– 22	–
Translation differences	31	2	33	–
Amount on 31 Dec 2016	772	30	802	40
Liabilities in acquired companies	–	12	12	–
Entered as liabilities during the year	496	14	510	128
Settled during the year	– 4	– 1	– 5	–
Reversed during the year	– 145	–	– 145	– 21
Translation differences	– 18	– 5	– 23	2
Amount on 31 Dec 2017	1,101	50	1,151	149

The size of the additional considerations is dependent on the future profit trends of the acquired units. The amounts specified are based on expected profit trends. In certain cases, there is no upper limit for the amount of additional considerations. The expected amounts are revalued on a current basis. For 2017, these revaluations had no net negative impact on the consolidated earnings of SEK 13 million. Liabilities recognised for the parent concern expected additional considerations in their entirety.

NOTE 30

LIABILITIES TO CREDIT INSTITUTIONS

Since two of the Group's credit agreements expire in 2018, the liabilities covered by the agreements were recognised as current liabilities. Current liabilities to credit institutions also include overdraft facilities. Credit facilities granted to the Group totalled SEK 420 million (SEK 465 million). The Group's overdraft facility was thus reduced during the year by SEK 45 million. The parent has no overdraft facility.

NOTE 31

CASH FLOW FROM FINANCING ACTIVITIES

Group (SEK million)	Liabilities to credit institutions	Bond loans	Other liabilities	Total
Amount on 31 Dec 2016	6,213	1,922	802	8,937
Changes affecting cash flow				
Amortisation of non-current loans	– 3,122	–	– 5	– 3,127
New loans taken out	730	3,100	–	3,830
Total	– 2,392	3,100	– 5	703
Changes not affecting cash flow				
Liabilities in acquired companies	16	–	19	35
Entered as liabilities during the year	–	–	510	510
Reversed during the year	–	–	– 145	– 145
Change in fair value	–	– 6	–	– 6
Translation differences	- 313	–	– 23	– 336
Total	– 297	– 6	361	58
Amount on 31 Dec 2017	3,524	5,016	1,158	9,698

Parent (SEK million)	Liabilities to Group companies	Bond loans	Other liabilities, non-interest-bearing	Total
Amount on 31 Dec 2016	2,332	1,922	40	4,294
Changes affecting cash flow				
Amortisation of non-current loans	– 2,332	–	–	– 2,332
New loans taken out	–	3,100	–	3,100
Total	– 2,332	3,100	–	768
Changes not affecting cash flow				
Entered as liabilities during the year	–	–	128	128
Reversed during the year	–	–	– 21	– 21
Change in fair value	–	– 6	–	– 6
Translation differences	–	–	2	2
Total	–	– 6	109	103
Amount on 31 Dec 2017	–	5,016	149	5,165

NOTE 32

OTHER LIABILITIES

There are estimated additional considerations of SEK 219 million (SEK 32 million) in the Group that are due for payment within one year. The corresponding figure for the parent is SEK 183 million (SEK 0 million).

NOTE 33

ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent	
(SEK million)	2017	2016	2017	2016
Accrued salaries	327	286	6	4
Accrued payroll overheads	109	89	2	3
Other items	687	631	18	6
Amount at end of year	1,123	1,006	26	13

NOTE 34

PLEDGED ASSETS

	Group		Parent	
(SEK million)	2017	2016	2017	2016
Floating charges	153	136	–	–
Real estate mortgages	86	49	–	–
Receivables	125	70	8	7
Total pledged assets	364	255	8	7

NOTE 35

CONTINGENT LIABILITIES

	Group		Parent	
(SEK million)	2017	2016	2017	2016
Pension commitments not entered under liabilities or provisions	3	2	–	–
Contingent liabilities on behalf of other Group companies	–	–	2,353	4,321
Total contingent liabilities	3	2	2,353	4,321

Soil contamination exists at three of the Group's production plants in Denmark and the Czech Republic. No contingent liabilities have been recognised for this as it is deemed extremely unlikely that any of this could entail significant costs if the Group were held liable.

The parent's contingent liabilities mainly concern surety to credit institutions for subsidiaries' borrowings.

NOTE 36

ACQUISITION OF BUSINESSES

An acquisition that does not involve 100% of a subsidiary results in a non-controlling interest. Where the holder of the remaining interest has an option to sell it to NIBE, or NIBE has an obligation to buy, NIBE has decided to employ the Anticipated Acquisition Method (AAM), which means that 100% of the subsidiary is considered to have been acquired at the time of acquisition. Consequently, no non-controlling interest is recognised with this type of acquisition transaction.

Acquisitions

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

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

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

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

At the end of November, an agreement was entered to acquire 45% of shares in the Italian ventilation and air conditioning company Rhoss S.p.A., one of Italy's leading manufacturers for commercial applications, with annual sales of approximately SEK 670 million and just over 300 employees. The acquisition was carried out in January 2018 but will not be consolidated in 2018. It will be recognised using the equity method as NIBE currently has no controlling influence. NIBE also has an option to acquire the remaining 55% of the shares.

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

The considerations consist of the following: (SEK million)	Group 2017	Group 2016
Initial considerations	1,029	4,110
Additional considerations	461	634
Total consideration	**1,490**	**4,744**
Fair value of net assets acquired	605	2,338
Goodwill	885	2,406
Consideration	**1,490**	**4,744**
Cash and cash equivalents in acquired companies	– 212	– 80
Additional considerations paid	5	327
Additional considerations not yet paid	– 461	– 634
Effect on the Group's cash and cash equivalents	**822**	**4,357**

The size of the additional considerations is dependent on the future profit trends of the acquired units. The amounts specified are based on expected profit trends. The expected amounts are revalued on a current basis. For 2017, these revaluations had no net negative impact on the consolidated earnings of SEK 13 million.

Goodwill is attributable to the profitability of the operations acquired as well as to the synergy effects, particularly in material supply and distribution, that are anticipated within the Group. Tax-deductible goodwill arising from the purchase of the net assets is included at SEK 31 million (SEK 45 million).

Net assets acquired are as follows (SEK million)	Group Fair values	Group Acquired carrying amounts
Market positions	181	–
Brands and trademarks	91	–
Other intangible assets	8	2
Property, plant and equipment	253	153
Financial assets	35	–
Current receivables	252	254
Inventories	189	271
Cash and equivalents	212	212
Provisions	– 277	– 86
Liabilities	– 339	– 321
Net assets acquired	**605**	**485**

Acquired current receivables comprise SEK 254 million, of which SEK 252 million is expected to be settled.

NOTE 37

SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

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

The Board of Directors' declaration

The Board of Directors and the Managing Director/CEO declare that the consolidated financial statements have been prepared in accordance with IFRS, as adopted by the EU, and give a fair view of the Group's financial position and results of operations. The financial statements of the parent have been prepared in accordance with generally accepted accounting principles in Sweden and give a fair view of the parent's financial position and results of operations. The Board of Directors' Administration Report for the Group and the parent provides a fair review of the development of the Group's and the parent's operations, financial position and results of operations and describes material risks and uncertainties facing the parent and the companies included in the Group.

Markaryd, 23 March 2018

Hans Linnarson
Chairman of the Board

Georg Brunstam
Director

Eva-Lotta Kraft
Director

Anders Pålsson
Director

Helene Richmond
Director

Gerteric Lindquist
Managing Director and CEO

The Annual Report and the consolidated financial statements were, as shown above, approved for publication by the Board and the Managing Director/CEO on 23 March 2018. The consolidated balance sheet and income statement and the parent's balance sheet and income statement will be presented for approval at the Annual General Meeting on 16 May 2018.

Auditor’s report

To the annual meeting of the shareholders of NIBE Industrier AB (publ), Corporate ID no. 556374-8309

Report on the annual report and consolidated financial statements

Opinions

We have audited the annual report and consolidated financial statements of NIBE Industrier AB (publ) for the 2017 financial year. The annual report and consolidated financial statements of the company are included in the printed version of this document on pages 62–104.

In our opinion, the annual report has been prepared in accordance with the Annual Accounts Act and presents fairly, in all material respects, the financial position of the parent as of 31 December 2017 and of its financial performance and its cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated financial statements have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of 31 December 2017 and of its financial performance and cash flow in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory Administration Report is consistent with the other parts of the annual report and the consolidated financial statements.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent and the Group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the supplementary report that was submitted to the parent’s Board in accordance with Article 11 of EU regulation 537/2014 on statutory audits.

Basis for our opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibility under these standards is described in further detail in the ‘Auditor’s responsibility’ section. We are independent of the parent and the Group in accordance with generally accepted auditing standards in Sweden and have fulfilled our ethical responsibility under these standards. This means that, based on our best knowledge and belief, no prohibited services referred to in Article 5 (1) of EU regulation 537/2014 on statutory audits were provided to the audited company or, as the case may be, its parent or its companies under its control within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual accounts and consolidated accounts for the current period. These matters were addressed in the context of our audit of, and our opinion on, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Valuation of goodwill

See Note 17 and the accounting policies on page 81 of the annual report and consolidated financial statements for detailed information and a description of this matter.

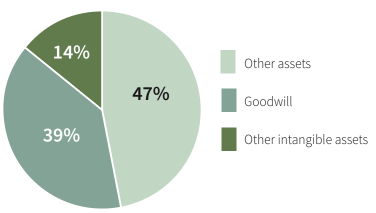
Description of the matter

As at 31 December 2017, the Group had goodwill of SEK 10,794 million, representing 39% of total assets.

Every year, goodwill must be subject to at least one impairment test which contains both complexity and significant features of assessments from the Group management.

Under the existing rules, the test must be performed using a specific technique in which the management makes future assessments of the business’s both internal and external conditions and plans. Examples of such assessments are future receipts and payments, which require assumptions about future market conditions, among other things, and thus indirectly about how competitors may be expected to act. Another important assumption is the discount rate that should be used to show that future assessed receipts are subject to risk and are thus worth less than cash and equivalents that are directly available to the Group.

Group assets



Response in the audit

We have studied the company’s impairment tests to assess whether they were performed in accordance with the technique prescribed. We have also assessed the reasonableness of the future receipts and payments and the assumed discount rates by studying and evaluating the management’s written documentation and plans. We have also interviewed the management and evaluated previous years’ assessments in relation to actual outcomes.

We included our own valuation specialists in the audit team to ensure experience and expertise in this matter, primarily for assumptions linked to external markets and competitors and assessment of the company’s assumptions for future receipts and payments. It has also been an important part of our work to evaluate how changes in assumptions may affect the valuation, i.e. a critical evaluation of the Group’s sensitivity analysis.

We have also checked the completeness of the information in the annual report and assessed whether the information matches the assumptions applied by the company in its impairment test and whether the information is extensive enough to understand the assessments made by the company management.

Acquisition analyses

See Note 36 and the accounting policies on pages 80–81 of the annual report and consolidated financial statements for detailed information and a description of this matter.

Description of the matter

A number of acquisitions were made within the Group during the year. The acquisition of Enertech Group and its 12 subsidiaries is the most significant.

In connection with business combinations, the new business must be recognised in the consolidated financial statements, which requires the preparation of an acquisition analysis. The preparation of this analysis involves acquired assets and liabilities being identified and having amounts allocated to them that correspond to their fair values on the acquisition date, whether they were previously recognised or not.

Preparation of this analysis also requires access to knowledge of the methods to be used in the analysis and knowledge of the circumstances in the acquired business that give rise to the values to be recognised in the Group. The acquisition analysis requires assessments by the Group management of the assets that are to be recognised in the financial statements (intangible assets can be particularly difficult to assess here) and the values they are to be allocated in the financial statements. These assessments affect the Group's future earnings, partly dependent on whether depreciable or non-depreciable assets are recognised in the financial statements.

The value that remains after all assets and liabilities have been assessed and valued is recognised as goodwill. This goodwill is not subject to depreciation but it must be subject impairment testing at least once a year instead.

Response in the audit

We have analysed acquisition analyses in order to assess whether they were prepared using the correct methods. We included valuation specialists in our team who have experience of the methods and valuations used for acquisitions. In our work, we focused in part on the intangible assets and on whether the techniques used by the Group management to allocate values to these assets in the financial statements are compatible with the rules and established valuation techniques.

Other important parts of our work involved assessing whether the assets included in the acquisition analysis exist and whether all assets, especially intangible assets, were included. This assessment was based in part on inspection of contracts made and reports prepared by the external consultants engaged by the Group in order to prepare basic data and calculations for the acquisition analyses.

We have also checked the completeness of the information in the annual report and assessed whether the information matches the information used by the Group in its acquisition analysis and whether the information is extensive enough to understand the assessments made by the company management.

Information other than the annual report and the consolidated accounts

This document also contains information other than the annual report and consolidated financial statements and can be found on pages 1-61 and 108-111. The Board and the Managing Director are responsible for this other information.

Our opinion regarding the annual accounts and the consolidated accounts do not include this information and we do not give an assured opinion on this other information.

In connection with our audit of the annual report and the consolidated accounts, it is our responsibility to read the information identified above and consider whether the information is to a significant extent inconsistent with the annual report and the consolidated accounts. In this review, we also consider the knowledge we have obtained during the audit and assess whether the information appears to contain material misstatements in other respects.

If, based on the work done regarding this information, we conclude that the other information contains a material error, we are required to report this. We have nothing to report in that regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of this annual report in accordance with the Annual Accounts Act and of the consolidated financial statements in accordance with IFRS, as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of an annual report and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In connection with the preparation of the annual report and consolidated financial statements, the Board of Directors and the Managing Director are responsible for assessing the company's and the Group's ability to continue their business operations. Where appropriate, they disclose circumstances that may affect the ability to continue business operations and to apply a going concern assumption. However, a going concern assumption is not applied if the Board of Directors and the Managing Director intend to liquidate the company or cease business operations or have no realistic alternative to doing one of these.

Auditor's responsibility

Our objective is to obtain reasonable assurance that the annual report and consolidated financial statements as a whole do not contain any material misstatement, whether due to fraud or error, and to submit an auditor's report that contains our opinions. Reasonable assurance is a high level of assurance, but is no guarantee that an audit performed in accordance with ISA and generally accepted auditing standards in Sweden will always detect material misstatement if such exists. Misstatements may arise due to fraud or error and are regarded as material if, individually or together, they may reasonably be expected to affect the financial decisions that users make based on the annual report and consolidated financial statements.

As part of an audit in accordance with ISA, we employ our professional judgement and assume a professionally sceptical attitude throughout the audit. In addition:

- we identify and assess the risks of material misstatements in the annual report and consolidated financial statements, whether they are due to fraud or error, design and perform audit procedures in part based on these risks and obtain audit evidence that is adequate and appropriate as a basis for our opinions. The risk of not detecting a material misstatement due to fraud is higher than that of a material misstatement due to error as fraud may involve action in collusion, falsification, intentional omissions, incorrect information or non-performance of internal controls.
- we gain an understanding of the part of the company's internal control that is of importance to our audit to design audit procedures that are appropriate to the circumstances but not to supply an opinion on the effectiveness of the internal control.
- we evaluate the suitability of the accounting policies applied and the reasonableness of the Board of Directors' and the Managing Director's estimates in the financial statements and associated information.
- we draw a conclusion about the suitability of the Board of Directors and the Managing Director applying a going concern assumption in the preparation of the annual report and consolidated financial statements. We also draw a conclusion, based on the audit evidence obtained, about whether there is any material uncertainty factor relating to events or circumstances that may lead to significant doubt about the company's and the Group's ability to continue their business operations. If we draw the conclusion that there is a material uncertainty factor, we must draw attention, in the auditor's report, to the information in the annual report and consolidated financial statements about the material uncertainty factor or, if such information is inadequate, we must modify our opinion about the annual report and consolidat-

ed financial statements. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or circumstances may mean that a company and a Group are no longer able to continue their business operations.

- we evaluate the overall presentation, structure and content of the annual report and consolidated financial statements, including any disclosures, and whether the annual report and consolidated financial statements present the underlying transactions and events in such a way that they present a fair view.
- we obtain adequate, appropriate audit evidence relating to the financial information for the entities or business activities within the Group to supply an opinion on the consolidated financial statements. We are responsible for the management, monitoring and performance of the consolidated audit. We bear sole responsibility for our opinions.

We must inform the Board of Directors about matters including the planned scope, focus and time of the audit. We must also provide information about significant observations during the audit, including any significant deficiencies in the internal control that we have identified.

We must also provide the Board of Directors with a statement to the effect that we have met relevant ethical requirements regarding independence and mention all relationships and other circumstances that may reasonably affect our independence and, where appropriate, appropriate remedial action.

Of the matters communicated to the Board of Directors, we determine which of them were most important to the audit of the annual report and consolidated financial statements, including the risks of material misstatements considered to be the most significant, and which therefore represent the matters that are especially important to the audit. We describe these areas in the audit report unless laws or other regulations prevent disclosure of the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual report and consolidated financial statements, we have examined the administration by the Board of Directors and the Managing Director of NIBE Industrier AB (publ) for the 2017 financial year and the proposed appropriations of the company's profit or loss.

We recommend to the annual meeting of shareholders that the profits be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for our opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibility under these standards is described in further detail in the 'Auditor's responsibility' section. We are independent of the parent and the Group in accordance with generally accepted auditing standards in Sweden and have fulfilled our ethical responsibility under these standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. Proposing a dividend involves, among other things, an assessment of whether the dividend is reasonable with regard to the requirements that the nature, scope and inherent risks of the business operations of the company and the Group make of the size of the equity, consolidation needs, liquidity and financial position as a whole of the company and the Group.

The Board of Directors is responsible for the organisation of the company and management of the company's affairs. Among other things, this involves continuously assessing the company's and the Group's financial situation and ensuring that the company's organisation is such that the company's accounts, asset management and other financial affairs are subject to adequate control.

The Managing Director is responsible for ongoing management in accordance with the guidelines and instructions issued by the Board of Directors and for taking the measures necessary to ensure that the company's accounts are completed in accordance with the law and the company's assets are managed adequately.

Auditor's responsibility

Our objective with regard to our audit of the management of the company, and thus our opinion on discharge from liability, is to obtain audit evidence to be able to assess, with a reasonable level of assurance, whether any Board member or the Managing Director has, in any material respect:

- taken any action or been guilty of any negligence that may lead to the company being liable for damages, or
- in any other way acted in breach of the Swedish Companies Act, the Swedish Annual Accounts Act or the company's Articles of Association.

Our objective regarding the audit of the proposed appropriation of the company's profit or loss, and thus our opinion on this, is to assess, with a reasonable level of assurance, whether the proposal is compatible with the Swedish Companies Act.

Reasonable assurance is a high level of assurance, but is no guarantee that an audit performed in accordance with generally accepted auditing standards in Sweden will always detect actions or negligence that may lead to the company being liable for damages or find a proposal for appropriation of the company's profit or loss is not compatible with the Swedish Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we employ our professional judgement and assume a professionally sceptical attitude throughout the audit. Our examination of the company's management and the proposed appropriation of the company's profit or loss is based primarily on our audit of the accounts. Any additional audit procedures performed are based on our professional judgement with reference to risk and materiality. This means that we focus the examination on actions, matters and conditions that are material to the business operations and where departures and non-compliance would be of particular importance to the company's situation. We review and test decisions made, decision data, actions taken and other matters that are relevant to our opinion on discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriation of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

KPMG AB was appointed auditor of NIBE Industrier AB (publ) at the Annual General Meeting on 12 May 2017. KPMG AB or auditors working at KPMG AB have been the company's auditor since 2013.

Markaryd, 23 March 2018
KPMG AB

Dan Kjellqvist
Authorised Public Accountant

Corporate governance report

Corporate governance in NIBE Industrier AB (publ) (NIBE) is performed by the Annual General Meeting, the Board of Directors and the Managing Director/CEO in accordance with the Swedish Companies Act (Swedish Code of Statutes 2005:551), the company's Articles of Association, the Swedish Annual Accounts Act (1995:1554), the listing agreement with the Nasdaq Stock Exchange in Stockholm, and the Swedish Code of Corporate Governance (the Code).

It is good practice for Swedish companies whose shares are traded on regulated markets to comply with the Code. NIBE complies with the Code, and this corporate governance report has been drawn up in accordance with the Code. The current Code may be accessed on the Swedish Corporate Governance Board's website, www.bolagsstyrning.se. In addition, and likewise in accordance with the Code, NIBE also provides information via the company's website.

The corporate governance report is not part of the formal annual report documents. The company's auditors have examined the corporate governance report, and it is their opinion that the corporate governance report has been properly drawn up and that the statutory information in the report is consistent with other parts of the annual report and consolidated financial statements.

Hans Linnarson
Chairman of the Board

Ownership

NIBE has its registered office in Markaryd, Sweden, and has been listed on Nasdaq Stockholm since 1997.

NIBE class B shares have also had a secondary listing on the SIX Swiss Exchange since August 2011. On 29 December 2017, NIBE had 40,745 registered shareholders, excluding previous shareholders in Schulthess Group AG who have become shareholders in NIBE. As the Swiss authorities do not report any details relating to individual shareholders in Switzerland to NIBE, it is not possible to determine the total number of shareholders.

The ten largest shareholders comprise the constellation of 'current and former board members and senior executives' with a total of 22% of the capital and 47% of the voting rights, followed by Melker Schörling, who holds 11% of the capital and 20% of the voting rights, and seven institutional investors with a total of 21% of the capital and 10% of the voting rights, one of whom represents previous shareholders in Schulthess Group AG. Together these ten constellations of investors hold a total of 54% of the capital in the company and 77% of the votes.

Annual General Meeting

The Annual General Meeting (AGM) is NIBE's highest decision-making body. The AGM elects the company's Board of Directors and auditors, adopts the accounts, makes decisions on dividends and other appropriations of profits/losses, and discharges the Board of Directors and the MD/CEO from liability.

The most recent AGM, held on 11 May 2017 in Markaryd, was attended by 663 shareholders. Those present represented 52% of the shares and 76% of the total number of votes in the company. The AGM was attended by the Board of Directors, the MD/CEO and the company's auditors. The minutes of the AGM and the company's articles of association are available on the company's website.

There are no limitations in the articles of association as to the number of votes a shareholder may hold at a general meeting of the company. Nor are there any provisions on the appointment or dismissal of directors of the company, or changes to the company's articles of association.

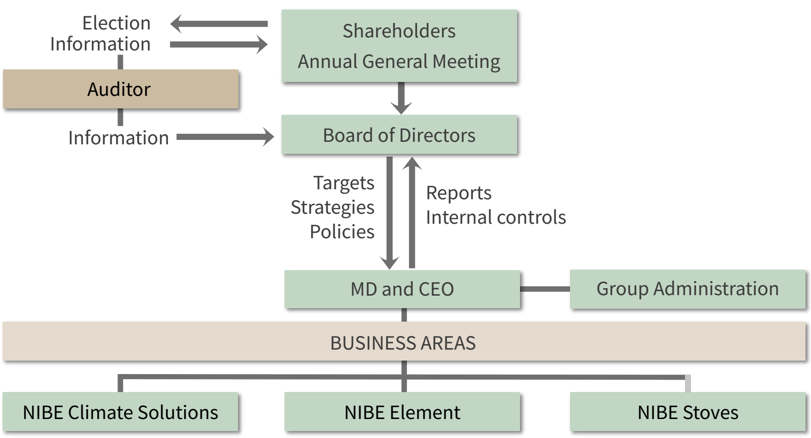
The 2017 AGM gave the Board of Directors a mandate to issue new class B shares in the company, on one or more occasions and with or without regard for the shareholders' preferential rights, to be used to finance the acquisition of companies or businesses. This mandate is valid until the 2018 AGM and is restricted to a maximum of 10% of the number of shares issued at the time of the AGM.

Communication with the stock market

The ambition is to maintain a high standard of financial information issued by the Group. Such information must be accurate and transparent in order to create long-term confidence in the company.

Earnings and a summary of the Group's financial position are presented quarterly and, like the annual report, are issued in printed form to all shareholders who so wish. All takeovers and other information that may have an effect on the company's share price are announced via press releases. All financial information is also available on the website, www.nibe.com. Press releases and reports are posted there at the same time as they are made public.

During the course of the year there were a number of meetings with Swedish and foreign investors and financial analysts, the media and Aktiespararna, the Swedish Shareholders' Association.



Board procedures

The NIBE Board of Directors consists of six members, elected by the AGM. Directors of the company and the Chairman of the Board are elected annually by the AGM to serve for the period until the next AGM. Company employees participate in Board meetings as required to submit reports or to contribute expert knowledge in individual matters.

The Board of Directors in 2017 comprised Hans Linnarson (Chair), Georg Brunstam, Eva-Lotta Kraft, Anders Pålsson, Helene Richmond and Gerteric Lindquist (CEO of the NIBE Group). With the exception of the CEO, none of the directors of the company is employed by the company or has any operational responsibilities in the company.

NIBE's Board of Directors has determined that all directors are independent of the company apart from the CEO and Georg Brunstam, due to his position in Melker Schörling AB, which is owned by one of the principal shareholders. Please see page 112 for a brief presentation of the directors of the company.

The work of the Board is governed by formal rules of procedure adopted annually to regulate the decision-making processes within the company, authority to sign for the company, meetings of the Board and the duties of the Chairman of the Board. The Board of Directors has not otherwise distributed responsibilities among its members. However, some Board members are more familiar with certain matters than others on account of their particular expertise and experience.

The Board of Directors oversees the work of the MD/CEO and is responsible for ensuring that the organisation, management and administrative guidelines for the company's funds are suitable for the purpose. The Board is also responsible for developing and following up the company's strategies through plans and objectives, decisions on acquisitions, major investments, appointments to managerial positions and the continual supervision of operations during the year. In addition, the Board sets the budget and is responsible for the annual report.

The Chairman leads the work of the Board and ensures that it is carried out in accordance with the Swedish Companies Act and other relevant legislation. The Chairman follows the progress of operations through consultations with the MD, and is responsible for ensuring that other members of the Board receive the necessary information to enable them to hold discussions of a high quality and make the best possible decisions.

The Board of Directors evaluates its work every year. The evaluation is carried out by means of a survey of the directors. The results of the survey are then presented to the full Board, which uses them to make specific proposals on how its work can be developed, improved and made more efficient, where necessary. The Board survey for 2017 revealed an open, constructive climate with well-functioning control and decision-making processes. The areas covered by the evaluation included the composition, working methods, communication and internal control of the Board, the Board's evaluation of the MD and other company management, and the need for committees.

Decision-making process

The NIBE Board deals with all matters of significance.

Issues such as the composition of the Board and directors' fees are dealt with once a year prior to the AGM, when the Chairman of the Board contacts major shareholders personally.

The company's auditor makes his report to the Board as a whole.

The company does not have a Nomination Committee (Section III, item 2.1, of the Code), a Remuneration Committee (Section III, item 9.1, of the Code) or an Audit Committee (Section III, item 7.2, of the Code). NIBE does not comply with the Code in respect of nominations because of the clear ownership structure with two principal shareholder constellations, which together control 70% of the company's votes, and which also enjoy mutually cordial relations. The Board of Directors is not too large to carry out the audit and remuneration tasks in a manner consistent with the Swedish Companies Act and the Code.

The work of the Board during 2017

The agenda includes a number of standing items, which are considered at every meeting.	
Status report	Report of significant events affecting operations that have not been listed in the written report that has been circulated.
Financial report	Review of the financial information circulated.
Investments	Decisions regarding investments exceeding SEK 10 million, based on the data circulated.
Legal processes	Review of new or ongoing legal processes, where appropriate.
Acquisitions	Report on ongoing discussions and decisions concerning the acquisition of companies, as and when appropriate.
Press releases, etc.	Where appropriate, a review of proposals for external reports to be published after the meeting.
Internal control	Report on the internal control work.

Every ordinary board meeting focuses on one principal topic of discussion

February

Financial statements The meeting in February considers the financial statements for the preceding year. The company auditor presents his comments to the entire Board of Directors on this occasion.

May

Inaugural meeting Following the AGM, the Board of Directors holds its inaugural meeting, at which the Board discusses the rules of procedure and determines who has authority to sign for the company.

August

Strategy In August, the Board holds strategic discussions over two working days.

November

Auditor's review In November, the company's auditor gives his view on the interim figures for the period January to September.

December

Budget At the end of the year, the Board discusses the Group's budget for the coming year.

Group management

The CEO, who is also appointed by the Board of Directors as Managing Director of the parent, exercises day-to-day control of the Group, and the three directors of the Group's business areas report to him.

The CEO leads operations in accordance with the instructions adopted by the Board in respect of the division of work between the Board and the MD/CEO. The work of the MD/CEO and of senior management is evaluated annually.

Financing, currency management, corporate acquisitions, new establishments, financial control, financial information, human resources policy, sustainability and other overall policy matters are coordinated at Group level.

Governance of business areas

NIBE consists of three business areas.

Each business area has its own operational management with profit responsibility. Each business area has a Business Area Board chaired by the Group's CEO. These Business Area Boards also include external members with expertise within the respective areas.

Each Business Area Board, in addition to responsibility for day-to-day operations, is also responsible to the NIBE Board of Directors for the strategic development of its respective business area. Each Business Area Board meets once a quarter.

Management of the Group's sustainability work

The Group's working group for sustainability reports to the Sustainability Council, which consists of the working group, the Managing Director, the CFO and the Head of Business Areas.

A large proportion of the work is governed by national legislation, for example environmental legislation and labour law, but we are also under an obligation to comply with regional and international law and voluntary undertakings such as the Global Compact.

The management of each company is responsible for local operational sustainability work and for compliance with Group guidelines. These managers report to the Head of Business Area in each area.

The Group's working group for sustainability regularly visits the companies in the Group to monitor compliance with common policies and guidelines. The working group is also responsible for the work at a strategic level and reports on sustainability issues to the Boards of Directors at Group and Business Area level.

Diversity policy

During the year, NIBE adopted a diversity policy for the Board.

NIBE's Board of Directors must have overall expertise and experience that is appropriate to its work and the business that is conducted, as well as to be able to identify and analyse opportunities for and risks to the Group. When new directors are nominated and elected, it is necessary to consider each director's suitability to obtain a Board of Directors with the overall expertise required for appropriate governance of the Group. The composition of the Board shall be characterised by versatility and breadth regarding the competence, experience, gender, age, education and professional background of the elected members. The objective of the policy is to achieve an appropriate composition of the Board with regard to the company's operations and relationships in general. In 2017, the composition of the Board of Directors was evaluated within the framework of the Board's own annual evaluation (presented above under "Board procedures"),

Remuneration, 2017

The 2017 AGM resolved that the fees to the Board of Directors and the fees to the auditors should be paid in accordance with approved accounts.

At the same time, policies for the remuneration of the MD/CEO and other key management personnel were detailed and approved. Further information about the principles that apply can be found in Note 6 to the annual report and on NIBE's website at www.nibe.com.

Remuneration to the Managing Director/CEO is a matter decided by the Board, but the preparatory work for this decision is undertaken by the Chairman of the Board after discussions with the Managing Director/CEO. The remuneration of other senior personnel is determined by the managing director in consultation with the Chairman of the Board. Decisions in this regard are reported to the Board of Directors.

Information on the fees paid to directors, as well as the salary and other remuneration paid to the MD/CEO and other senior executives can be found in Note 6 to the annual report.

Incentive programme

An incentive programme applies to certain key members of staff/senior executives, under which they are paid a variable bonus if set targets are met.

The variable bonus is limited to a maximum of four months' salary. It is also possible for an additional month's salary to be paid on condition that this additional payment plus another monthly salary paid as a variable bonus or part of a variable bonus is used to purchase NIBE shares on the stock market. A further condition for entitlement to receive this additional month's remuneration is that the NIBE shares purchased are retained for at least three years. Under normal circumstances, shares acquired in this way by members of staff shall be purchased on one occasion each year in February/March and the purchase shall be subject to the relevant market abuse regulations. No incentive programme is offered to the MD. Certain key individuals in the foreign companies acquired during recent years have incentive programmes that, in certain respects, deviate from the principles for remuneration that are otherwise applied in the NIBE Group. Further information about the principles that apply for senior executives can be found in Note 6 to the annual report.

Severance pay

No severance pay or other benefits apply to the Chairman of the Board or to the directors, apart from the MD/CEO.

The period of notice for the MD/CEO is six months in the event that the company gives notice. In addition to salary during the period of notice, the MD/CEO is entitled to severance pay equal to 12 months' salary. Other senior executives are entitled to receive their salaries during a period of notice which varies between 6 and 12 months.

Pensions

The Chairman of the Board and the directors of the company receive no retirement benefits in respect of their work on the Board.

No special agreements have been reached that entitle senior executives to retire before the official retirement age while still retaining part of their salary in the interim.

Information on the retirement benefits of the Managing Director/CEO and other senior executives can be found in Note 6 to the annual report.

Under the Group's policy, no further pension premium payments are made if employment continues after the age of 65.

Internal controls of financial reporting in 2017

Under the Swedish Companies Act and the Code, the Board of Directors is responsible for internal controls.

This report on internal controls and risk management with regard to financial reporting complies with the requirements in Chapter 6, Section 6, of the Annual Accounts Act.

NIBE is characterised by simplicity in its legal and operational structure, transparency in its organisation, clear divisions of responsibility and an efficient management and control system.

NIBE complies not only with external laws and regulations in respect of financial reporting, but also with internal instructions and policies set out in the Group's finance handbook. These are applied by all companies in the Group, along with systems aimed at ensuring effective internal controls in financial reporting.

Consolidated financial reports containing comprehensive analyses and comments are drawn up each quarter for the Group and its business areas. Results are also monitored every month.

There are finance functions and controllers with responsibility for accounting, reporting and the analysis of financial trends at Group level, business area level and unit level.

In addition to the statutory audits of the annual report and statutory audits of the parent and all subsidiaries, the auditors carry out an annual review of how the companies are organised, of existing routines and of compliance with the instructions issued, based on guidelines drawn up by corporate management and approved by the Board of Directors. A summary of internal control procedures is presented each year as part of the Board meeting that deals with the year-end financial statements. The Board also has the option of requesting a special audit of a selected business or operations during the year if this is deemed necessary.

In 2017, the project aimed at reinforcing internal controls continued. It is our opinion that this review increases insight and awareness, provides explicit instructions and proposes a clear organisation in respect of internal controls. It is therefore the opinion of the Board that, because of the implementation of this review, there is no need for any separate internal control (internal audit) (item 7.3 in the Code).

External auditors

NIBE's auditors were elected at the AGM to serve for a period of one year.

The registered public accounting firm KPMG AB has held the position of the company's auditors since the AGM in 2013. Dan Kjellqvist has been auditor in charge since the AGM in 2016.

The engagement partner has continual access to the approved minutes of company Board meetings and the monthly reports that the Board receives.

The auditor in charge reports his observations from the audit and his assessment of the company's internal controls to the Board as a whole.

Over and above normal auditing duties, KPMG AB assists with due diligence reviews in conjunction with corporate acquisitions and with accounting consultations. Information on the remuneration of auditors is given in Note 5 to the annual report.

The auditor's statement on the corporate governance report

To the annual meeting of the shareholders of NIBE Industrier AB (publ)
Corporate ID no. 556374-8309

The Board of Directors is responsible for the corporate governance report for 2017 on pages 108-111, and for ensuring that it has been prepared in accordance with the Annual Accounts Act.

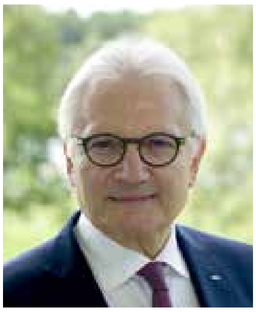
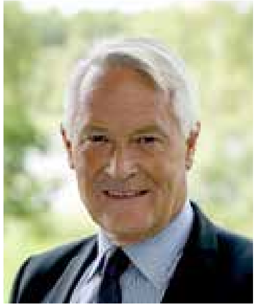
We have read the corporate governance report, and on the basis of this and our knowledge of the company and the Group, we consider that we have sufficient grounds for our statement. This means that our statutory review of the corporate governance report has a different focus and is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices in Sweden.

We consider that the corporate governance report has been properly drawn up and that the statutory information in the report is consistent with other parts of the annual report and consolidated financial statements.

Markaryd, 23 March 2018

KPMG AB
Dan Kjellqvist
Authorised Public Accountant

Board of Directors

	HANS LINNARSON born 1952	GERTERIC LINDQUIST born 1951	GEORG BRUNSTAM born 1957
Elected to NIBE's Board of Directors	2006, Chair in 2015	1989	2003
Training and education	B.Sc. (Electrical Engineering)	M.Sc. in Engineering and M.Sc. in Business & Economics	M.Sc. in Engineering
Directorships	Chairman of the Board of HP Tronic AB, director of Zinkteknik AB, Plastinject AB, Nordiska Plast AB, LWW Group AB and Eolusvind AB.	CEO and MD of NIBE Industrier AB and NIBE AB.	Chairman of HEXPOL AB and INWIDO AB. Board member of Melker Schörling AB and Beckers Industrial Coating Holding AB.
Experience	A number of different positions as Managing Director of international Swedish industrial companies over more than 30 years, such as Enertec Component AB, CTC AB, Asko Cylinda AB. Executive positions in the Electrolux Group and MD and CEO of Husqvarna AB.	More than 35 years' experience of international industrial operations, including as Exports Director of ASSA Stenman AB, now ASSA Abloy.	More than 30 years' experience in international industrial companies, Among other things, CEO of HEXPOL AB and NOLATO AB as well as Head of Business Area and member of Group Management at Trelleborg AB.
Fees	SEK 650,000	No fee payable	SEK 325,000
Present at Board meetings	13/13	13/13	12/13
Shareholding in NIBE Industrier AB	914 B shares	6,877,988 A shares and 16,290,011 B shares	1,828 B shares
Independence	Yes	Not independent due to his position, his shareholding and the length of time during which he has been a member of the Board.	Not independent due to his position in Melker Schörling AB, which is owned by one of the principal owners.



	EVA-LOTTA KRAFT born 1951	ANDERS PÅLSSON born 1958	HELENE RICHMOND born 1960
Elected to NIBE's Board of Directors	2010	2010	2015
Training and education	M.Sc. in Engineering and MBA	M.Sc. in Business & Economics	M.Sc. in Engineering
Directorships	Director of Advenica AB, Xano Industrier AB and Försvarshögskolan (the Swedish Defence University).	Chairman of the Board of GARO AB and Lammhults Design Group AB. Director of Trioplast AB.	Sales and Marketing Director, Cooper Roller Bearings Co. Ltd, a company in the SKF Group. Director of Hanza Holding.
Experience	Senior positions at companies in the manufacturing industry and medical technology, as well as research institutes, including Regional Manager at Alfa Laval and head of division and Vice-President at Siemens Elema. Previous directorships include Biotage, Munters, Siemens, Svolder and ÅF.	More than 30 years' experience in international industrial companies, including MD and CEO of Hilding Anders and divisional manager at Trelleborg AB and in PLM/Rexam. Worked at Gambro and the E.on Group.	Considerable experience of international sales and solid industrial experience from a number of different positions at SKF. Previous board assignments in VBG Group AB.
Fees	SEK 325,000	SEK 325,000	SEK 325,000
Present at Board meetings	11/13	13/13	12/13
Shareholding in NIBE Industrier AB	4,571 B shares	22,857 B shares	9,142 B shares
Independence	Yes	Yes	Yes

Group management


	GERTERIC LINDQUIST born 1951	HANS BACKMAN born 1966
Period of service	1988	2011
Training and education	M.Sc. in Engineering and M.Sc. in Business & Economics	M.Sc. in Business & Economics and MBA
Position	CEO and MD of NIBE Industrier AB and NIBE AB	CFO, NIBE Industrier AB
Shareholding	6,877,988 A shares and 16,290,011 B shares	20,600 B shares



	KLAS DAHLBERG born 1964	CHRISTER FREDRIKSSON born 1955	NIKLAS GUNNARSSON born 1965
Period of service	2016	1992	1987
Training and education	M.Sc. in Engineering	M.Sc. in Engineering	Engineer
Position	Head of Business Area NIBE Climate Solutions	Head of Business Area NIBE Element and MD of Backer BHV AB	Head of Business Area NIBE Stoves
Shareholding	9,050 B shares	1,718,125 A shares and 2,867,840 B shares	507,342 B shares

Auditor

	DAN KJELLQVIST born 1954
Elected	2017
Training and education	Authorised Public Accountant
Position	Auditor in charge
Accounting firm	KPMG AB

NIBE

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The complete annual report and AGM notice are sent to all shareholders unless they have informed the company that they do not wish to receive any written information. The annual report is also published on our website at www.nibe.com.

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