

# NIBE

– world-class solutions in sustainable energy



- **SALES** totalled SEK 15,348 million (SEK 13,243 million)
- **PROFIT AFTER NET FINANCIAL ITEMS** was SEK 1,871 million (SEK 1,614 million)
- **PROFIT AFTER TAX** was SEK 1,376 million (SEK 1,237 million)
- **EARNINGS** per share before and after dilution, based on average number of shares outstanding during the year, were SEK 2.93 (SEK 2.67)
- **THE BOARD OF DIRECTORS** proposes a dividend of SEK 0.88/share (SEK 0.80/share recalculated due to split and new issue)
- **ACQUISITION OF**
  - North American company Heatron Inc.
  - remaining 40% of shares in British Stovax Heating Group Ltd
  - 50% of shares in Air Site AB
  - operations of the Italian company ATE Electronics
  - North American company Climate Control Group Inc.
  - conditional agreement on acquisition of parts of the British Enertech Group (approved by Swedish Competition Authority 27 January 2017)
  - North American company Omni Control Technology Inc.
  - 65% of shares in Canadian company FPI Fireplace Products International Ltd
  - operations of North American Marathon Heater Inc.
  - 50% of shares in Canadian CGC Group of Companies Inc. (February 2017)
- **NEW SHARE ISSUE**
  - injecting SEK 3,024 million before issue expenses

Year-end report · 2016

## A strong year – sales target of 20 billion in sight

Continued solid organic growth, an intense period of acquisitions and a successful preferential rights issue characterise 2016, together ensuring good future growth.

Fully in line with our corporate philosophy, we continued to invest aggressively in product development and marketing to ensure future organic growth. In parallel with this, we have continued our efforts to nurture our margins.

Group sales growth for 2016 was 15.9% (20.0%), including organic growth of 3.3% (10.5%). For the year as a whole, the currency effect was negligible.

The acquired entities injected combined annual sales of just over SEK 4 billion into the Group, of which just under SEK 1.7 billion impacted 2016 sales. Including all of the acquired companies and calculated on a rolling 12-month basis, consolidated sales are now at just over SEK 17 billion, so the target of reaching sales of SEK 20 billion by 2020 seems realistic.

In order to not limit continued opportunities for expansion through acquisitions, a preferential rights issue amounting to just over SEK 3 billion was approved and implemented in October. We take the fact that the issue was oversubscribed by 50% as a sign that our shareholders and the market in general would like to see continued profitable, acquisition-driven expansion.

Three strategically important acquisitions affecting the NIBE Climate Solutions business area were carried out. The partial acquisition of Air-Site AB in Sweden is an important step towards being able to start delivering sustainable end-to-end climate control solutions for apartment buildings and commercial properties, initially in Sweden.

The acquisition of US-based Climate Control Group (CCG) is not only our biggest acquisition so far in terms of sales, the group already supplies sustainable end-to-end climate control solutions to commercial properties.

The acquisition of Enertech, which was formally approved by the Swedish Competition Authority on 27 January 2017, is an important step towards further internationalisation of Swedish technology in sustainable climate control solutions.

The business area's underlying operating margin was further strengthened somewhat during the year, while Air-Site and CCG are quite a bit below this level for now. Even though both are already exhibiting double-digit operating margin figures, intensive work is under way to further improve the operating margin in these two units.

Improvements will also be initiated in the newly acquired Enertech Group with the objective of having the companies in the group achieve an acceptable level of profitability for the business area within 18-24 months.

For the NIBE Element business area the biggest news is of course that we have now definitely reached an operating margin that exceeds 10% by a good margin. Behind this are long-term, passionate and methodical efforts to develop our product range into intelligent system solutions with high quality, sustainable profiles. A somewhat large one-off project order has also boosted earnings.

Acquisition activities have been intense in this business area as well. In the US, special element companies Heatron, Evapoway, Omni and Hotwatt were consolidated under the business area and in Europe, ATE Electronics, Braude and a small heating cable business were acquired.

To ensure continued good operating margins, focus will be placed on further development of the product range into intelligent, high-tech system solutions and a continued streamlining of production.

For the NIBE Stoves business area, the partial acquisition of Canadian company FPI, Fireplace Products International Limited is definitely a milestone. One of North America and Australia's absolute market leaders in the stove industry is now a part of us, which also creates an interesting platform for the business area's other companies in terms of future growth.

The weakening of the British pound and the unusually mild weather during practically all the months in which demand traditionally peaks has hampered sales. Despite this, the operating margin improved slightly.



In order to further strengthen our own sustainability profile, considerable resources were invested in developing products with even greater efficiency and even lower particle emissions. These efforts are carried out in close cooperation with universities and colleges.

The level of investment in our existing businesses amounted to SEK 412 million, compared with SEK 384 million in the previous year, and the rate of depreciation was SEK 542 million.

Operating profit improved by 16.5% compared with the previous year and the operating margin rose from 12.8% to 12.9%. The completed acquisitions had a considerable positive impact on operating profit, while currency effects for the year were insignificant.

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. Acquisition expenses amounted to SEK 60 million (SEK 10 million) during the year and costs were recognised for acquisition processes that were discontinued.

Profit after net financial items improved by 15.9% compared with the previous year. The profit margin of 12.2% thus remained at last year's level.

#### Outlook for 2017

- Our corporate philosophy and our strong range of products, with their focus on sustainability and energy efficiency, are in tune with the times in which we are living.
- We are well-prepared for being proactive on acquisitions.
- Our internal efforts to enhance efficiency, combined with our rigorous cost control measures, will guarantee persistently healthy margins.
- As with previous years, the effects of economic trends, currency concerns, volatile energy prices and political turbulence in some parts of the world are hard to predict, but we remain cautiously positive about the year overall.

Markaryd, Sweden, 16 February 2017

A handwritten signature in blue ink, appearing to read 'Gerteric Lindquist', written over a faint, illegible background.

Gerteric Lindquist  
Managing Director and CEO

# 2016 in brief

## Sales

Group net sales totalled SEK 15,348 million (SEK 13,243 million). This corresponds to growth of 15.9%, of which 3.3% was organic. Acquired operations accounted for SEK 1,663 million of the total SEK 2,105 million increase in sales.

## Earnings

Profit for the year after net financial items was SEK 1,871 million. This equates to a 15.9% increase in earnings compared with 2015. In 2015, profit after net financial items amounted to SEK 1,614 million. Profit for the year was charged with acquisition expenses of SEK 60 million (SEK 10 million). Return on equity was 14.9% (18.0%).

Since a major acquisition was completed in the second half of the year, it is difficult to compare some of the key ratios with previous years. This is because the new acquisition is only included in the consolidated income statement from the acquisition date, whereas in the consolidated balance sheet it is included for the entire period. See also under the heading “Key ratios” on page 11, where selected pro forma key ratios for the year are reported.

## Acquisitions

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

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

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

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

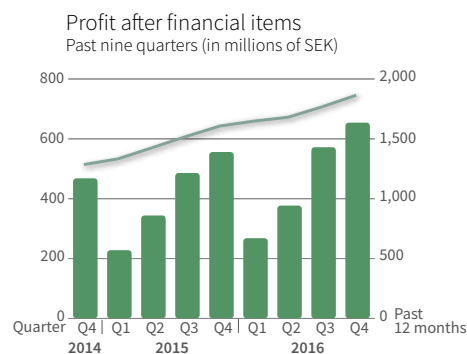
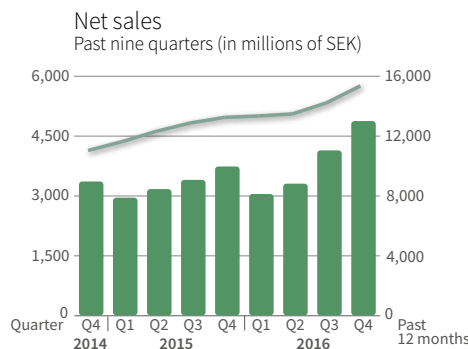
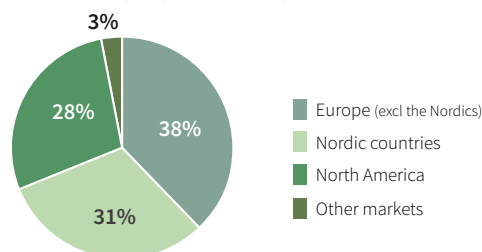
The North American company Climate Control Group Inc. was acquired at the beginning of July. The company has sales of approximately SEK 2,300 million, an operating margin of approximately 7.3% and around 1,250 employees. Climate Control Group Inc. is one of North America’s leading manufacturers in the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

At the end of September, a conditional agreement on acquisition of parts of the British Enertech Group was made. The operations, which are primarily based in Sweden under the CTC trademark, have sales of just over SEK 800 million with an operating margin of 4.8% and 460 employees. The transaction was approved by the competition authorities in Germany before year-end and in Sweden after year-end. The business will be consolidated as of March 2017.

## NIBE Group

Key ratios		2016	2015
Net sales	SEK m	15,348	13,243
Growth	%	15.9	20.0
of which acquired	%	12.6	9.5
Operating profit	SEK m	1,980	1,700
Operating margin	%	12.9	12.8
Profit after net financial items	SEK m	1,871	1,614
Profit margin	%	12.2	12.2
Equity ratio	%	46.6	39.9
Return on equity	%	14.9	18.0

## Group sales by geographical region



In early November, the North American element company Omni Control Technology Inc. was acquired. The company has around 40 employees, annual sales of approximately SEK 100 million and an operating margin of just over 13%. Operations were consolidated in the NIBE Element business area as of November 2016. The acquisition value is still provisional.

In November, NIBE acquired a 65% stake in the Canadian stove manufacturer, FPI Fireplace Products International Ltd, which has annual sales of some SEK 600 million, an operating margin of 13% and 380 employees. The company's operations were consolidated under the NIBE Stoves business area as of November 2016. The acquisition value is still provisional.

In early December, NIBE acquired the operations of North American company Hotwatt Inc., which has annual sales of some SEK 80 million and an operating margin of around zero. Operations were consolidated under the NIBE Element business area as of December 2016. The acquisition value is still provisional.

#### New share issue

Following a resolution at an extraordinary general meeting held on 3 October, a preferential rights issue was implemented where the company's shareholders were offered the opportunity to buy shares at a price of SEK 48 per share. The issue injected SEK 3,024 million into the company less issue expenses of SEK 16 million. As a result of the share issue, the number of shares has increased by 63,002,070 as 7,391,566 new class A shares and 55,610,504 new class B shares were issued. After the issue, the number of shares totals 504,016,622, of which 59,132,590 class A shares (which entitle the holder to ten votes each) and 444,884,032 class B shares (which entitle the holder to one vote each).

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

In February, 50% of the shares in the Canadian heat pump company CGC Group of Companies Inc. was acquired. The company has around 80 employees, annual sales of approximately SEK 120 million and an operating margin of just over 19%. Operations will be consolidated under the NIBE Climate Solutions business area as of February 2017.

#### Investments

During the period, the Group made investments totalling SEK 5,156 million (SEK 531 million). A total of SEK 4,744 million (SEK 147 million) of the investments relates to acquisitions of operations. The remaining SEK 412 million (SEK 384 million) is mainly investments in machinery and equipment in existing operations. The investment amount with regard to acquisitions is based on initial purchase prices as well as an estimate of additional consideration to be paid.

#### Cash flow and financial position

Cash flow from operating activities before changes in working capital amounted to SEK 2,045 million (SEK 1,717 million). Cash flow after changes in working capital amounted to SEK 1,706 million (SEK 1,939 million).

Interest-bearing liabilities at year-end amounted to SEK 8,536 million compared with SEK 7,282 million at the start of the year. Since one of the Group's credit agreements expires in 2017, the liabilities covered by the agreement were recognised as current interest-bearing liabilities in the consolidated balance sheet. At the end of the year the Group had cash and cash equivalents of SEK 2,926 million as against SEK 2,195 million at the start of the year. The equity/assets ratio at the end of the year was 46.6%, compared with 39.9% at the start of the year.

#### Parent

Parent activities comprise Group executive management functions, certain shared Group functions and the financing of corporate acquisitions. Sales for the period totalled SEK 7 million (SEK 8 million) and profit after financial items was SEK 474 million (SEK

749 million). At the beginning of the year, the parent transferred all its receivables from subsidiaries and all of its liabilities to credit institutions to the wholly owned subsidiary NIBE Treasury AB. The parent's bank balances were also transferred, so at the end of the year available cash and cash equivalents totalled SEK 0 million compared with SEK 266 million at the start of the year. The parent's non-current interest-bearing liabilities now consist of bond loans and liabilities to NIBE Treasury AB.

## CCG – Acquisition 2016

#### Climate Control Group Inc.

At mid-year, NIBE acquired Climate Control Group Inc. (CCG) and six of its wholly owned subsidiaries from the listed US Group LSB Industries Inc. The price paid was approximately USD 364 million (SEK 3,115 million translated at the average rate for USD as at 31 December) in cash on a cash-free and debt-free basis. CCG was consolidated under the NIBE Climate Solutions business area as from July 2016. The acquisition value is still provisional.

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

The acquisition means expansion of the business area through:

- Stronger presence on the North American market for indoor climate comfort
- Access to the commercial property segment in North America
- Top-level technical expertise and new HVAC\* products

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

Consideration consists of the following:

(SEK m)	
Fair value of net assets acquired	1,682
Goodwill	1,433
<b>Cash consideration</b>	<b>3,115</b>
Cash and cash equivalents in acquired companies	-37
<b>Effect on the Group's cash and cash equivalents</b>	<b>3,078</b>

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

The acquired net assets are as follows:

(SEK m)	Fair values	Acquired carrying amounts
Market positions	552	-
Brands and trademarks	404	-
Other intangible assets	13	30
Property, plant and equipment	422	201
Financial assets	4	-
Current receivables	432	435
Inventories	212	217
Cash and equivalents	37	37
Liabilities	-394	-405
<b>Net assets acquired</b>	<b>1,682</b>	<b>515</b>

Acquired current receivables comprise SEK 435 million, of which SEK 432 million is expected to be settled.

# NIBE Climate Solutions business area

## Sales and profit

Sales amounted to SEK 9,588 million, compared with SEK 8,031 million for 2015. The increase in sales was SEK 1,557 million with acquired sales accounting for SEK 1,171 million of this sum, which means that organic growth was 4.8%.

Operating profit for the year totalled SEK 1,396 million, compared with SEK 1,209 million the previous year. This equates to an operating margin of 14.6% compared with 15.1% for the previous year.

## The year in brief

Our international expansion continued with full force in 2016 as did our methodical work to position ourselves as a market leader for environmentally friendly, intelligent and energy-efficient solutions for indoor comfort.

In our ambition to further strengthen international expansion, all operations within the business area have been gathered under the theme "Step Forward for Climate Solutions", focusing on our efforts to take a clear position on climate issues. The objective is to ensure that we, at an international level, strengthen the case for accelerating the conversion of old technology and non-eco-friendly product alternatives to more modern, intelligent and therefore environmentally friendly product solutions that improve energy efficiency and use renewable energy. Despite the fact that virtually the entire international community agrees that there is a great need to significantly reduce the use of fossil fuels, the conversion is going far too slowly. Here we can make a difference.

The year's single biggest event was our largest acquisition ever: American company Climate Control Group (CCG). They are the leading manufacturer of environmentally friendly climate control solutions, primarily for commercial buildings in the North American market, with sales under several famous brands. The US is now NIBE Climate Solutions' largest market and, together with prior acquisitions, we have established ourselves as the market leader in heat pumps for both single family homes and large buildings. Thanks to the acquisition of CCG, we have also become the market leader in North America in fan coil units for water borne systems. The internal improvement work that CCG

was about to realise before our acquisition continues according to plan. The acquisition was announced in May and after approval from the US competition authority it was finalised in July.

The strategic partial acquisition of the Swedish ventilation company Air-Site AB, which was implemented at the beginning of the year, has allowed us to combine ventilation expertise with heat pump technology expertise. Together we developed a complete concept for large buildings during the year that will be introduced in 2017. With a single solution we will offer heating, cooling, energy recovery and ventilation, which will further strengthen our market presence in the large buildings segment.

The acquisition of the majority of British company Enertech Group, with several well-known brands such as CTC in Sweden, has been approved by the competition authorities in both Germany and Sweden. It is expected to help us become an even stronger international player that can compete globally. The German competition authority gave its approval prior to year-end and the Swedish Competition Authority on 27 January this year. The business will be consolidated as of March 2017.

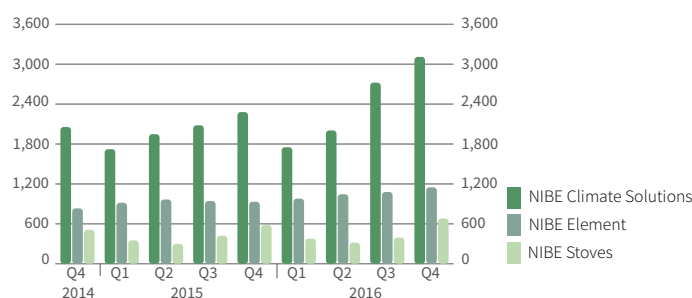
Our product development initiatives have continued to be intense and the product launch rate has also been high in all our markets in 2016. The year's biggest launch was the new NIBE F2120 outdoor air heat pump that has variable speed control and high energy efficiency with an SPF exceeding 5.0 and a high flow temperature even in harsh winter climates. The launch was combined with a large marketing campaign in all markets and the product has been very well received by the market.

We have continued to focus on maintaining operating margins. Cost-saving measures were therefore introduced in production and other areas of the business. Coupled with considerable flexibility in production capacity over the year, this has enabled us to strengthen our operating margin somewhat, except in the newly acquired units, despite major fluctuations in demand and significant investments in development and marketing.

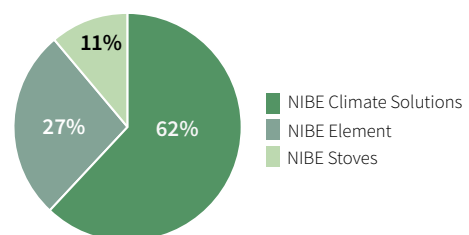
The North American market for products intended for single-family houses has varied over the year with a weaker first half but with a recovery in the latter part of autumn. The government subsidies for using renewable energy, which included heat pumps, ceased at year-end and we expect it could result in some

## Business area trends

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



Each business area's share of total sales (Q1-Q4 2016)





decline in demand, especially early in the year. On the other hand, oil and gas prices are clearly at a higher level than a year ago, new construction of single family homes is increasing and we will be increasing our marketing efforts and actively participate in the energy policy debate, all of which should have a positive effect on demand.

In Sweden, the construction of single-family homes continued to increase during the year, which benefited our sales, primarily of exhaust air heat pumps. The heat pump market, measured in number of units, developed positively in the first half but slowed in the second half. Overall, this resulted in a slight decline for the heat pump market, but by increasing our market share significantly, we have also been able to grow in our home market.

The recovery of the German heat pump market continued in 2016 and sales performance has been relatively good. An increased awareness of renewable energy, new product introductions and a strong subsidy program for heat pumps are the main reasons for the German market's growth. The heat pump markets in Switzerland and Austria also show positive growth.

On the British market, low gas prices and the British government's cautious approach to renewable energy after Brexit resulted in reduced demand for heat pumps. The potential for growing our business in the UK is actually very good because heating with gas completely dominates the market and this is not a sustainable solution. Here, we and the rest of the heat pump industry have a pressing task to work on for the future.

As far as traditional electric water heaters and district-heating products are concerned, demand from the Nordic and European markets has remained relatively stable, while sales of pellet-fired products and conventional domestic boilers remain sluggish. Tougher energy efficiency requirements in Europe are driving demand for heat pump installations for hot water, an area in which we are well-positioned.

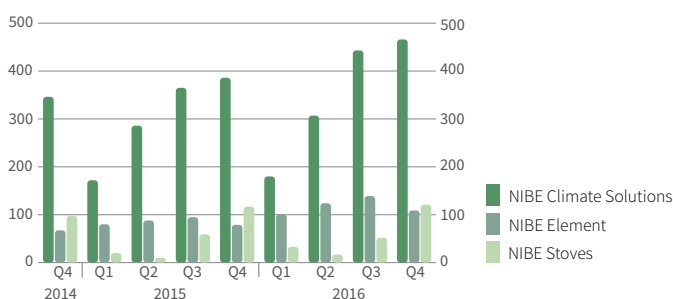


*Focusing on our efforts to take a clear position on climate issues. The objective is to ensure that we, at an international level, strengthen the case for accelerating the conversion of old technology and non-eco-friendly product alternatives to more modern, intelligent and therefore environmentally friendly product solutions that improve energy efficiency and use renewable energy.*

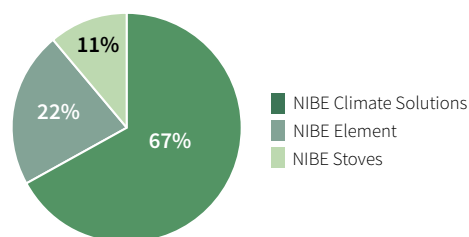
#### NIBE Climate Solutions

Key ratios		2016	2015
Net sales	SEK m	9,588	8,031
Growth	%	19.4	23.4
of which acquired	%	14.6	13.9
Operating profit	SEK m	1,396	1,209
Operating margin	%	14.6	15.1
Assets	SEK m	18,103	13,107
Liabilities	SEK m	2,357	1,468
Investments in non-current assets	SEK m	239	232
Depreciation	SEK m	362	311

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



Each business area's share of total profit (Q1-Q4 2016)



# NIBE Element business area

## Sales and profit

Sales amounted to SEK 4,252 million, compared with SEK 3,758 million for 2015. Of the increase in sales of SEK 494 million, acquired sales accounted for SEK 371 million, which means that organic growth was 3.2%.

Operating profit for the year totalled SEK 473 million, compared with SEK 342 million the previous year. This equates to an operating margin of 11.1% compared with 9.1% for the previous year.

## The year in brief

In 2016 we continued to fulfil our established strategy of becoming a global supplier of components and solutions for intelligent heating and control. This has been achieved both through acquisitions and organic growth. Through purposeful and consistent work with structural measures over a number of years we have created competitive units in their respective market segments. In 2016, we also achieved our long-term target of an operating margin of at least 10%.

In order to lay the ground for additional organic growth, comprehensive market initiatives have been carried out and common sales platforms have been established on a number of markets. This provides our subsidiaries with further opportunities to increase their sales of specialist products.

Our investment in North America was further strengthened by several acquisitions in the US. In the spring we acquired North American company Heatron, which offers foil elements, thick film elements and special elements for high-tech industries and Evapoway, a minor bolt-on acquisition, which produces solutions for the refrigeration industry. In the autumn we acquired Omni Control Technology, which provides advanced control equipment, and operations in the well-established element company Hotwatt, which has a wide range of special industrial elements. Overall in recent years, we have acquired seven companies in North America, placing us as one of the leading players in the North American market. This also allows us to transfer European technology and new products to the North American element market.

We also made acquisitions in Europe during the year. These include Italian resistor company ATE Electronics, which complements our resistor business when it comes to both products and markets, a small bolt-on acquisition of a heating cable business in Finland and the UK element company Braude, which focuses on elements for corrosive environments, thus strengthening our position in the industrial segment of the UK market.

In order to stably maintain our target operating margin of 10%, we continued to transform our profit centres' focus and activities, while implementing production engineering action plans that gradually strengthen the competitiveness of the centres. Further investments in automation have been carried out in several production areas, which provides us with further competitive advantages in a variety of specialist segments.

## NIBE Element

Key ratios		2016	2015
Net sales	SEK m	4,252	3,758
Growth	%	13.1	17.7
of which acquired	%	9.9	4.4
Operating profit	SEK m	473	342
Operating margin	%	11.1	9.1
Assets	SEK m	4,294	3,360
Liabilities	SEK m	828	738
Investments in non-current assets	SEK m	125	118
Depreciation	SEK m	122	114

In Poland, we completed expansion of the production facility in order to meet increased demand in the electronics and control product area.

The international element market has developed positively over the year, although it has varied between markets and product segments, depending on external factors such as changes in exchange rates and commodity prices. We also received several major project orders during the year.

Growth in the domestic appliance industry was positive but weak in several geographical markets. Through efficient high-volume production on several continents, we can meet the need of global domestic appliance producers for high-quality components at competitive prices.

The market in sectors related to energy conservation and sustainable energy solutions has grown as we have complemented our product range, which has helped increase sales in this area.

Developments in the market for automotive industry products has been positive. Growth is being driven by increased vehicle sales, combined with stricter requirements for eco-friendly vehicles and greater interest in electric and hybrid vehicles.

The trend in the oil and gas industry has continued to be negative and in some segments, demand has largely ceased. Pending an increase in demand, our operations that are geared towards this industry have been partially redirected towards other market segments.

For rail-based transport, market growth has been good both in terms of infrastructure and vehicles owing to several major investments in infrastructure improvement projects that are currently under way in various European countries. We have also become successfully established in the North American market within these interesting market segments.

Raw material prices and exchange rates remain volatile, which is having a considerable effect on pricing and competitiveness. In this business climate, our global presence with production units in different currency zones gives us a clear advantage.



*Overall in recent years, we have acquired seven companies in North America, placing us as one of the leading players in the North American market. This also allows us to transfer European technology and new products to the North American element market.*



# NIBE Stoves business area

## Sales and profit

Sales amounted to SEK 1,766 million, compared with SEK 1,652 million for 2015. Of the increase in sales of SEK 114 million, acquired sales accounted for SEK 121 million, which means that organic sales decreased by 0.4%.

Operating profit for the year totalled SEK 223 million, compared with SEK 206 million the previous year. This equates to an operating margin of 12.7% compared with 12.5% for the previous year.

## The year in brief

With the acquisition of North American company Fireplace Products International (FPI) in late 2016, we took another important strategic step in our international expansion. The acquisition gives us a solid market platform in North America, while reducing dependence on the European stove market. FPI is one of the leading players in North America with a complete range of products for gas, wood and pellets under esteemed brands such as Regency, Hampton and Excalibur. The company will continue to be run by its current management with selling being done through an extensive dealer network in the US and Canada and its own sales company in Australia. In November, 65% of the shares were acquired and the business was consolidated, and the remaining 35% will be acquired no later than 2023, which may be done in instalments.

Through continued consistent marketing and investments in product development, we have also been able to increase our market share in all our main markets in Europe. A relatively steady rate of production over the year and the adjustment of production capacity to prevailing market conditions resulted in a good delivery capacity. Although the weakening of the British pound reduced sales, profitability has been maintained thanks to good cost control.

In March, the remaining 40% of shares in the market-leading British company Stovax Heating Group were acquired. Since the initial 60% was acquired in 2013, the company has developed very positively. Thanks to a wide range of gas products under the Gazco brand, we were able to offset the decline for wood-burning products in the UK.

Demand for stove products has varied greatly between countries in Europe. The Nordic markets have generally shown improved demand, while major markets such as Germany and France have declined sharply. In the UK, which is an important market for us, demand for gas-fired products increased while the market for wood-fired products decreased. In summary, the total European stove market fell back slightly in 2016.

## NIBE Stoves

Key ratios		2016	2015
Net sales	SEK m	1,766	1,652
Growth	%	6.9	11.4
of which acquired	%	7.3	0.0
Operating profit	SEK m	223	206
Operating margin	%	12.7	12.5
Assets	SEK m	3,274	1,814
Liabilities	SEK m	387	265
Investments in non-current assets	SEK m	42	34
Depreciation	SEK m	59	56

After a relatively strong start to the year, demand during the traditional peak season was considerably weaker than the corresponding period last year, mainly due to the unusually warm weather in Europe in the early autumn.

In Sweden, demand for stove products continued to develop positively due to increased construction starts and a generally good economic climate. The worsening of the tax deduction rules from 2016 are thought to have slightly lowered demand to some extent at the end of the year, compared with its positive effects during the corresponding period last year.

Despite signs of a slowdown in the Norwegian economy, the demand for stove products has increased due to greater interest in exchanging old fireplaces for products with better combustion and a continued high interest in home renovations.

The subsidies introduced in Denmark in late 2015 resulted in a sharp increase in sales, mainly in the first half of 2016. The amount set aside for subsidies was spent some time ago, so the total market is expected to return to previous levels.

We strengthened our market position in both Germany and France, where demand for stove products declined for the third consecutive year. Demand for more modern products made of steel with clean lines and surrounds in various materials continues to increase in virtually all markets, which benefits us.

A general intensifying of the debate about the environmental impact of particle emissions from burning wood has had a dampening effect in most markets in Europe. New modern fireplaces are much more efficient and have lower particulate emissions compared to older products, and increased focus on replacing old products with new modern technology would quickly have a positive impact on the environment. The coming Ecodesign requirements, which will be introduced by 2022, are a step in the right direction for our industry and we are already well-positioned.



*With the acquisition of North American company Fireplace Products International (FPI) in late 2016, we took another important strategic step in our international expansion.*

## Income Statement summaries

(SEK m)	Group				Parent	
	Q4 2016	Q4 2015	2016	2015	2016	2015
Net sales	4,870	3,732	15,348	13,243	7	8
Cost of goods sold	-3,071	-2,344	-9,817	-8,461	0	0
<b>Gross profit</b>	<b>1,799</b>	<b>1,388</b>	<b>5,531</b>	<b>4,782</b>	<b>7</b>	<b>8</b>
Selling expenses	-850	-640	-2,664	-2,371	0	0
Administrative expenses	-343	-217	-1,042	-838	-64	-70
Other operating revenue	61	36	155	127	0	0
<b>Operating profit</b>	<b>667</b>	<b>567</b>	<b>1,980</b>	<b>1,700</b>	<b>-57</b>	<b>-62</b>
Net financial items	-13	-11	-109	-86	531	811
<b>Profit after net financial items</b>	<b>654</b>	<b>556</b>	<b>1,871</b>	<b>1,614</b>	<b>474</b>	<b>749</b>
Appropriations	0	0	0	0	772	119
Tax	-176	-132	-495	-377	-144	-6
<b>Net profit</b>	<b>478</b>	<b>424</b>	<b>1,376</b>	<b>1,237</b>	<b>1,102</b>	<b>862</b>
<b>Net profit attributable to Parent shareholders</b>	<b>478</b>	<b>424</b>	<b>1,376</b>	<b>1,237</b>	<b>1,102</b>	<b>862</b>
Includes depreciation according to plan as follows	156	120	542	480	0	0
Net profit per share before and after dilution in SEK	0.97	0.92	2.93	2.67		

## Statement of comprehensive income

<b>Net profit</b>	<b>478</b>	<b>424</b>	<b>1,376</b>	<b>1,237</b>	<b>1,102</b>	<b>862</b>
<b>Other comprehensive income</b>						
<b>Items that will not be reclassified to profit or loss</b>						
Actuarial gains and losses in retirement benefit plans	39	-8	-30	-8	0	0
Tax	-9	2	6	2	0	0
	<b>30</b>	<b>-6</b>	<b>-24</b>	<b>-6</b>	<b>0</b>	<b>0</b>
<b>Items that may be reclassified to profit or loss</b>						
Cash flow hedges	4	2	19	-2	9	-9
Hedge of net investment	0	43	-68	-373	0	-369
Exchange differences	199	-226	763	229	0	0
Tax	-16	-13	-4	81	-1	83
	<b>187</b>	<b>-194</b>	<b>710</b>	<b>-65</b>	<b>8</b>	<b>-295</b>
<b>Total other comprehensive income</b>	<b>217</b>	<b>-200</b>	<b>686</b>	<b>-71</b>	<b>8</b>	<b>-295</b>
<b>Total comprehensive income</b>	<b>695</b>	<b>224</b>	<b>2,062</b>	<b>1,166</b>	<b>1,110</b>	<b>567</b>
<b>Total comprehensive income attributable to Parent shareholders</b>	<b>695</b>	<b>224</b>	<b>2,062</b>	<b>1,166</b>	<b>1,110</b>	<b>567</b>

## Balance sheet in summary

(SEK m)	Group		Parent	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Intangible assets	14,716	10,209	0	0
Property, plant and equipment	2,820	2,117	0	0
Financial assets	389	467	11,772	9,755
<b>Total non-current assets</b>	<b>17,925</b>	<b>12,793</b>	<b>11,772</b>	<b>9,755</b>
Inventories	2,799	2,115	0	0
Current receivables	2,798	1,901	620	269
Current investments	160	347	0	0
Cash and bank balances	2,342	1,448	0	266
<b>Total current assets</b>	<b>8,099</b>	<b>5,811</b>	<b>620</b>	<b>535</b>
<b>Total assets</b>	<b>26,024</b>	<b>18,604</b>	<b>12,392</b>	<b>10,290</b>
Equity	12,129	7,428	7,703	3,954
Untaxed reserves	0	0	1	1
Non-current liabilities and provisions, non-interest-bearing	2,763	1,605	255	204
Non-current liabilities and provisions, interest-bearing	5,858	7,118	4,254	5,657
Current liabilities and provisions, non-interest-bearing	2,596	2,289	179	376
Current liabilities and provisions, interest-bearing	2,678	164	0	98
<b>Total equity and liabilities</b>	<b>26,024</b>	<b>18,604</b>	<b>12,392</b>	<b>10,290</b>

## Key ratios

		2016	2015	2014	2013	2012
Growth	%	15.9	20.0	12.2	7.0	12.9
Operating margin	%	12.9	12.8	12.6	12.0	11.3
Profit margin	%	12.2	12.2	11.7	11.4	10.9
Net investments in fixed assets	SEK m	5,156	531	3,098	912	478
Cash and equivalents	SEK m	2,926	2,195	2,735	2,372	1,710
Working capital, incl. cash and bank balances as share of net sales	SEK m	5,503	3,522	4,084	3,236	2,634
	%	35.9	26.6	37.0	32.9	28.7
Working capital, excl. cash and bank balances as share of net sales <sup>1)</sup>	SEK m	3,001	1,727	2,103	1,645	1,700
	%	19.6	13.0	19.1	16.7	18.5
Interest-bearing liabilities/Equity	%	70.4	98.0	119.7	82.3	93.0
Equity ratio <sup>2)</sup>	%	46.6	39.9	36.2	43.0	41.9
Return on capital employed <sup>3)</sup>	%	11.8	12.1	12.1	12.4	11.8
Return on equity <sup>4)</sup>	%	14.9	18.0	16.6	16.7	15.9
Net debt/EBITDA <sup>5)</sup>	times	2.4	2.5	3.3	1.9	2.5
Interest coverage ratio <sup>6)</sup>	times	9.6	12.3	7.6	12.4	11.0

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

- 1) Working capital, excluding cash and bank balances, would amount to approx. 18.3%
- 2) Equity ratio would be approx. 46.7%
- 3) Return on capital employed would be approx. 12.3%
- 4) Return on equity would be approx. 15.5%
- 5) Net debt/EBITDA would be approx. 2.2 times
- 6) Interest coverage ratio would be approx. 9.7 times

## Data per share

		2016	2015	2014	2013	2012
Net profit per share (total 504,016,622 shares)	SEK	2.93	2.67	2.12	1.86	1.65
Equity per share	SEK	24.06	16.06	14.19	12.06	10.50
Closing day share price	SEK	71.80	67.83	47.90	34.57	22.35

All key ratios per share were recalculated following the 4:1 split implemented in May 2016. As a result of the preferential rights issue implemented with a discount for shareholders (see page 5), both the historical key ratios and price per share were also reduced by approximately 4.6%.

## Statement of cash flow – summaries

(SEK m)	2016	2015
Cash flow from operating activities	2,045	1,717
Change in working capital	-339	222
Investment activities	-4,769	-555
Financing activities	3,694	-1,600
Exchange difference in cash and cash equivalents	76	30
<b>Change in cash and cash equivalents</b>	<b>707</b>	<b>-186</b>

## Financial instruments recognised at fair value

(SEK m)	31 Dec 2016	31 Dec 2015
<b>Current receivables</b>		
Currency futures	3	2
Commodity futures	2	0
<b>Total</b>	<b>5</b>	<b>2</b>
<b>Financial assets</b>		
Interest rate derivatives	22	6
<b>Current liabilities and provisions, non-interest-bearing</b>		
Currency futures	6	14
Commodity futures	0	7
<b>Total</b>	<b>6</b>	<b>21</b>

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

## Change in equity – summaries

(SEK m)	2016	2015
Equity brought forward	7,428	6,560
New share issue	3,024	0
Transaction cost of new issue	-16	0
Shareholders' dividend	-369	-298
Comprehensive income for the period	2,062	1,166
<b>Equity carried forward</b>	<b>12,129</b>	<b>7,428</b>

## Alternative performance measures

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

### Net investments in fixed assets

(SEK m)	2016	2015
Acquisition of fixed assets	5,185	539
Disposal of fixed assets	-29	-8
<b>Net investments in fixed assets</b>	<b>5,156</b>	<b>531</b>

### Working capital, including cash and bank balances

(SEK m)	2016	2015
Total current assets	8,099	5,811
Current liabilities and provisions, non-interest-bearing	-2,596	-2,289
<b>Working capital, including cash and bank balances</b>	<b>5,503</b>	<b>3,522</b>
Net sales in the past 12 months	15,348	13,243
<b>Working capital, including cash and bank balances, in relation to net sales, %</b>	<b>35.9</b>	<b>26.6</b>

### Return on capital employed

(SEK m)	2016	2015
Profit after net financial items in the past 12 months	1,871	1,614
Financial expenses in the past 12 months	216	143
Profit before financial expenses	2,087	1,757
Capital employed at start of period	14,710	14,411
Capital employed at end of period	20,665	14,710
Average capital employed	17,687	14,561
<b>Return on capital employed, %</b>	<b>11.8</b>	<b>12.1</b>

### Net debt/EBITDA

(SEK m)	2016	2015
Non-current liabilities and provisions, interest-bearing	5,858	7,118
Current liabilities and provisions, interest-bearing	2,678	164
Cash and bank balances	-2,342	-1,448
Current investments	-160	-347
Net debt	6,034	5,487
Operating profit in the past 12 months	1,980	1,700
Depreciation/amortisation and impairment in the past 12 months	542	480
EBITDA	2,522	2,180
<b>Net debt/EBITDA, times</b>	<b>2.4</b>	<b>2.5</b>

### Cash and equivalents

(SEK m)	2016	2015
Cash and bank balances	2,342	1,448
Current investments	160	347
Unutilised overdraft facilities	424	400
<b>Cash and equivalents</b>	<b>2,926</b>	<b>2,195</b>

### Working capital, excluding cash and bank balances

(SEK m)	2016	2015
Inventories	2,799	2,115
Current receivables	2,798	1,901
Current liabilities and provisions, non-interest-bearing	-2,596	-2,289
<b>Working capital, excluding cash and bank balances</b>	<b>3,001</b>	<b>1,727</b>
Net sales in the past 12 months	15,348	13,243
<b>Working capital, excluding cash and bank balances, in relation to net sales, %</b>	<b>19.6</b>	<b>13.0</b>

### Return on equity

(SEK m)	2016	2015
Profit after net financial items in the past 12 months	1,871	1,614
Standard rate tax, %	22.0	22.0
Profit after net financial items, after tax	1,459	1,259
Equity at start of period	7,428	6,560
Equity at end of period	12,129	7,428
Average equity	9,779	6,994
<b>Return on equity, %</b>	<b>14.9</b>	<b>18.0</b>

### Interest coverage ratio

(SEK m)	2016	2015
Profit after net financial items	1,871	1,614
Financial expenses	216	143
<b>Interest coverage ratio, times</b>	<b>9.6</b>	<b>12.3</b>

## Quarterly data

Consolidated income statements (SEK m)	2016				2015				2014
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q4
Net sales	3,042	3,301	4,135	4,870	2,950	3,165	3,396	3,732	3,356
Operating expenses	-2,744	-2,896	-3,525	-4,203	-2,687	-2,799	-2,892	-3,165	-2,856
<b>Operating profit</b>	<b>298</b>	<b>405</b>	<b>610</b>	<b>667</b>	<b>263</b>	<b>366</b>	<b>504</b>	<b>567</b>	<b>500</b>
Net financial items	-30	-28	-38	-13	-35	-22	-18	-11	-32
<b>Profit after net financial items</b>	<b>268</b>	<b>377</b>	<b>572</b>	<b>654</b>	<b>228</b>	<b>344</b>	<b>486</b>	<b>556</b>	<b>468</b>
Tax	-67	-98	-154	-176	-58	-75	-112	-132	-121
<b>Net profit</b>	<b>201</b>	<b>279</b>	<b>418</b>	<b>478</b>	<b>170</b>	<b>269</b>	<b>374</b>	<b>424</b>	<b>347</b>
<b>Net sales, business areas</b>									
NIBE Climate Solutions	1,752	2,004	2,722	3,110	1,722	1,948	2,081	2,280	2,056
NIBE Element	979	1,045	1,079	1,149	917	966	943	932	832
NIBE Stoves	378	316	392	680	351	299	421	581	511
Elimination of Group transactions	-67	-64	-58	-69	-40	-48	-49	-61	-43
<b>Group total</b>	<b>3,042</b>	<b>3,301</b>	<b>4,135</b>	<b>4,870</b>	<b>2,950</b>	<b>3,165</b>	<b>3,396</b>	<b>3,732</b>	<b>3,356</b>
<b>Operating profit, business areas</b>									
NIBE Climate Solutions	180	307	443	466	172	286	365	386	346
NIBE Element	101	124	139	109	80	88	95	79	67
NIBE Stoves	33	17	52	121	20	10	59	117	98
Elimination of Group transactions	-16	-43	-24	-29	-9	-18	-15	-15	-11
<b>Group total</b>	<b>298</b>	<b>405</b>	<b>610</b>	<b>667</b>	<b>263</b>	<b>366</b>	<b>504</b>	<b>567</b>	<b>500</b>

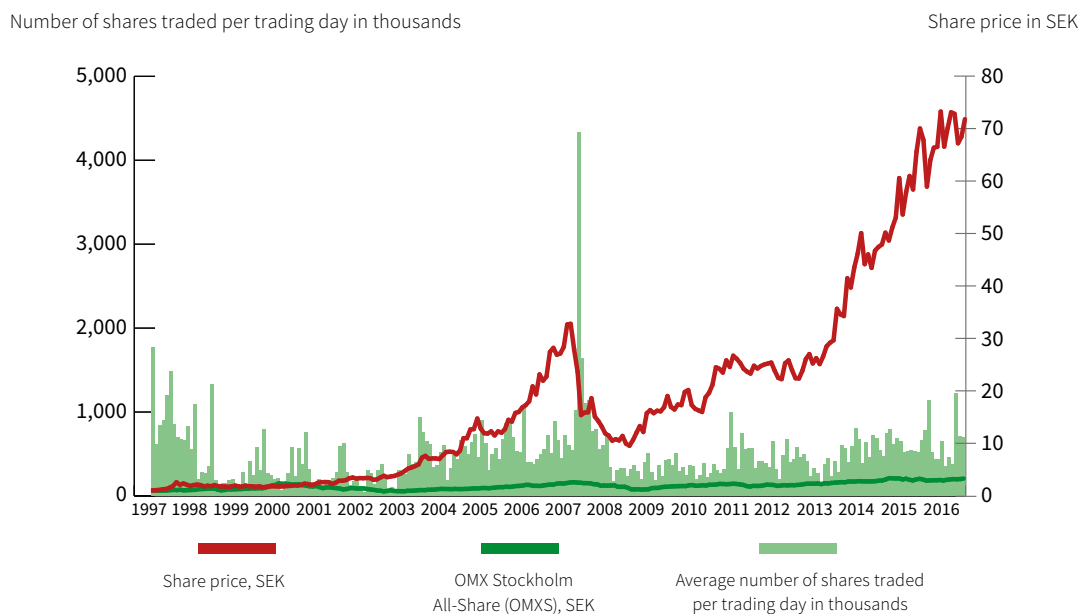
## NIBE shares

NIBE's class B shares are listed on the NASDAQ OMX Stockholm Exchange, Large Cap list, with a secondary listing on the SIX Swiss Exchange in Zurich. The NIBE share's closing price at 31 December 2016 was SEK 71.80.

A 4:1 split was implemented on 31 May 2016. During the year, NIBE's share price rose by 5.9%, from SEK 67.83 to SEK 71.80. During the same period, the OMX Stockholm All-Share (OMXS) increased by 5.8%.

At the end of 2016, NIBE's market capitalisation, based on the latest price paid, amounted to SEK 36,188 million.

In 2016, a total of 163,232,008 NIBE shares were traded, which corresponds to a share turnover of 34.8% over the year. All figures were recalculated following the 4:1 splits implemented in 2003, 2006 and May 2016, and the dilution effect of the preferential rights issue in October 2016.



## Accounting policies

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

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

## Risks and uncertainties


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

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



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

Markaryd, Sweden, 16 February 2017



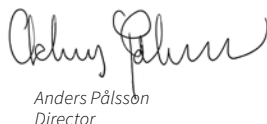
Hans Linnarson  
Chairman of the Board



Georg Brunstam  
Director



Eva-Lotta Kraft  
Director



Anders Pålsson  
Director



Helene Richmond  
Director



Gerteric Lindqvist  
Managing Director and CEO

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

## Calendar

### 16 February 2017

Year-end report 2016

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

Presentation of Year-end Report 2016 and opportunity to ask questions.

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

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

### April 2017

Annual Report 2016

### 11 May 2017

Interim Report 1, Jan – March 2017

Annual General Meeting 2017

## Financial targets

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



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

NIBE Industrier AB is obliged by Swedish law (the Securities Market Act and/or the Financial Instruments Trading Act) to publish the information in this year-end report. This information was made available to the media for publication at 8.00 (C.E.T.) on 16 February 2017.

Please email any questions you have with regard to this report to:  
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Hans Backman, CFO, [hans.backman@nibe.se](mailto:hans.backman@nibe.se)

**NIBE**

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