



- **SALES** totalled SEK 25,342 million (SEK 22,516 million)
- **PROFIT AFTER NET FINANCIAL ITEMS** amounted to SEK 2,836 million (SEK 2,667 million)
- **PROFIT AFTER TAX** was SEK 2,184 million (SEK 2,072 million)
- **EARNINGS** per share before and after dilution, based on average number of shares outstanding during the period, were SEK 4.31 (SEK 4.11)
- **ACQUISITION OF**
 - Remaining 55% of shares in Italian ventilation and air conditioning company Rhoss S.p.A
 - 51% of shares in American element company Therm-X of California Inc.
 - 50% of shares in Turkish ventilation and air conditioning group Üntes
 - Serbian water heater company TIKI Group
 - 51% of shares in Dutch company Nathan Holding B.V. (2020)
- **CHANGE OF OWNERSHIP** in the washing machine company Schulthess in that 100% of the shares in Schulthess Maschinen AG have been sold to a new owner company in which NIBE has a 51% interest with Helvetica Capital AG and the company's management
- **THE BOARD OF DIRECTORS** proposes a dividend of SEK 1.40/share (SEK 1.30/share)

A robust full year in a diverse market

Overall demand in 2019 was cautious, but with great variation between market segments.

The public debate on climate change and the need for a more sustainable lifestyle naturally favoured products with a clear sustainability profile. However, most categories of purely consumer products and some specialist products saw lower demand. One of the main reasons for this is deemed to have been global political uncertainty in the form of trade barriers, customs duties, Brexit and currency turbulence. On the positive side, it can be noted that concern about impending significant interest rate hikes faded in the latter part of the year as interest rates levelled off and even began to fall somewhat. This will probably have a positive impact on demand going forward.

In May, the Swiss company Schulthess Maschinen AG was sold to a new owner company in which NIBE holds a 51% interest, while the other owners are Helvetica Capital AG and the company's management. The intention over the next three years is for NIBE to remain the majority shareholder and ensure a soft transition until Helvetica Capital AG takes over the role of majority shareholder. The aim is to sell NIBE's remaining holdings after another three or four years. That the company's management has been given the opportunity to become partners is entirely in line with NIBE's business philosophy and values.

NIBE acquired the listed Schulthess Group AG in April 2011. The German heat pump company Alpha Innotec GmbH accounted for most of its operations and was the reason for the acquisition. Although washing machines and tumble dryers were not an obviously natural part of our business, we continued to invest heavily in the company for eight years while waiting for an optimum ownership solution.

Group sales grew by 12.5% (18.5%) in 2019, including organic growth of 7.9% (12.5%). For the full year the weak Swedish currency had a significant effect on sales growth, primarily during the first six months.

The NIBE Climate Solutions business area is in a highly topical, interesting market segment now that the transition to a more sustainable society has taken off on a broad front.

Entirely in line with the strategies adopted, the business area continued to work methodically and purposefully to strengthen its position as the leading supplier of intelligent, sustainable, high-performance climate control solutions for single-family homes. The acquisition of TIKI Group

just before the year-end is another facet of this approach. Both the company's broad water heater expertise and geographical position reinforce the business area.

A further step in the same direction was taken recently with the acquisition of 51% of the shares in the Dutch company Nathan Holding A.G. (February 2020). Among other things, the company imports our German subsidiary AIT's heat pumps and sells complete solutions, including both drilling geothermal energy wells and underfloor heating systems.

The business area is also working intensively to establish itself in a leading position in the heating, ventilation and air conditioning of commercial properties. Acquisition of the remaining 55% of the shares in Italian ventilation and air conditioning company Rhoss at the start of the year, and 50% of the shares in Turkish ventilation and air conditioning company Üntes at the end of the year are two important steps towards the realisation of the adopted strategy.

Now that society has seriously begun to move towards a more sustainable way of thinking, product development is even more important. Consequently, major development resources are being focused on creating even more efficient generations of products. Environmentally friendly refrigerants, connectivity and intelligent controllers should be the decisive factors for continued success.

Both sales and operating profit grew during the year. Favourable market conditions, combined with a strong, comprehensive product range and good market presence, are the main reasons for the sales growth.

The improved operating margin is primarily due to continued focused productivity work, a few price adjustments and organic growth.

The NIBE Element business area is the business area that experienced the greatest variation between market segments.

The cautious economic situation has primarily affected demand in market segments with a consumer profile, such as domestic appliances. Economic uncertainty has also had a negative effect in the infrastructure sector. Several countries have reduced investments in areas like railway maintenance as part of savings packages. On the markedly positive side, there are market segments with a clear sustainability profile such as wind power and heat pumps.

The automotive industry has also been a difficult customer category in a short-term perspective as we are in a transitional phase from vehicles powered by conventional combustion engines to hybrid/electric vehicles, which means that end consumers are often a little perplexed. What we can say now is that the automotive industry will invest heavily in new hybrid/electric technology, creating particularly interesting opportunities for us and our future products, as well as system solutions for cars, trucks and other heavy vehicles.

Our entry into the semiconductor industry as a subcontractor a few years ago was very instructive, not least given the fact that this industry, as well as being very advanced, is also cyclical, subject to changes in technology and does not necessarily coincide with traditional economic fluctuations. For example, in the latter part of Q3 and primarily in Q4, we saw a considerable increase in demand after nearly five quarters of markedly low demand. The biggest single reason for this is the rollout of 5G. We are convinced that the semiconductor industry will also be a growing market with great potential for the business area in the future, and the acquisition of the US company Therm-X must be seen against this background.

Our efforts to always be at the cutting edge with a comprehensive, advanced product range, to be located geographically and operationally

Calendar

13 February 2020

08:00 (CET) Year-end report 2019

11:00 (CET) Telephone conference (in English)

Presentation of Year-end report 2019 and opportunity to ask questions.

Registration on our website www.nibe.com is required in order to access the presentation images during the conference. To listen by phone, call +46 8 505 583 57.

April 2020

Annual Report and Notice of Annual General Meeting

14 May 2020

Interim Report 1, January – March 2020

17:00 (CET) Annual General Meeting



where our customers are located and our ability, with our customers, to develop new products at our advanced technology centres, create a winning concept that fills us with a strong belief in the future.

Both the operating profit and operating margin grew at a lower rate during the year as a consequence of weaker sales growth, major development costs, an unfavourable product mix and greater cost pressure in our low-cost units, but given the opportunities we can see ahead of us, we consider this to be a transitional trend.

The NIBE Stoves business area also operated on a cautious market during the year, but here too there were variations between geographical areas and market segments.

After a slightly hesitant start, the North American market gradually came back during the year. Wood-burning products generally grew slightly more slowly pending the new rules for particulate emissions, which will take effect in May 2020. Gas-fired products performed well, on the other hand. Overall, the European market remained on the same level as last year, but wood-burning products declined somewhat here too, while products made for gas, pellets and electricity performed better.

Our own market position improved during the year. This was primarily due to our strong brands, our wide, environmentally approved product range and a well-balanced marketing organisation with good presence.

Although our products already meet all future public authority requirements in both North America (May 2020) and Europe (2022) by a good margin, intensive development work is under way to improve their performance and emission levels still further. As the market leader, we consider this self-imposed role to be very important to the continued development of the industry.

The poorer operating profit and operating margin are primarily due to the higher investments in product development and marketing. In the prevailing cautious market, a certain level of price competition has also been obvious.

The level of investment in existing businesses during the year was SEK 1,054 million, compared with SEK 776 million last year, and the rate of depreciation was SEK 1,036 million, compared with SEK 691 million last year. In accordance with IFRS 16, depreciation for the period also includes depreciation on leases of SEK 223 million, which was not the case last year. Depreciation would otherwise have amounted to SEK 813 million instead of SEK 1,036 million. The rate of investment over the next few years will be equal to or greater than the rate of depreciation, excluding leases. Two of the reasons for this are that current capacity is inadequate for our expansion in volume and it is necessary to respond to increasing cost pressure with further rationalisation investments. There have also been insufficient investments in some of the acquired businesses.

Operating profit improved by 7.4% compared with last year, while the operating margin of 12.0% is 0.6 percentage points lower than last year. The reason for this is the slightly lower operating margin in both NIBE Element and NIBE Stoves.

Profit after net financial items improved by 6.3% compared with last year, leading to a profit margin of 11.2%, 0.6 percentage points lower than last year.

Outlook for 2020

- Our corporate philosophy and our strong range of products, with their focus on sustainability and energy efficiency, are in tune with the times in which we are living.
- We are well prepared to continue to be proactive on acquisitions.
- Our internal efforts to enhance efficiency, combined with our rigorous cost control measures, will guarantee persistently healthy margins.
- All three of our business areas have a good geographical spread, which makes us less vulnerable to local downturns in demand.
- Our decentralised organisation, based on independent units, creates the conditions for greater motivation and flexibility.
- 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, 13 February 2020

Gerteric Lindquist
Managing Director and CEO

NIBE Group

Key ratios		2019	2018	2017	2016	2015
Net sales	SEK m	25,342	22,516	19,009	15,348	13,243
Growth	%	12.5	18.5	23.9	15.9	20.0
of which acquired	%	4.6	6.0	19.5	12.6	9.5
Operating profit	SEK m	3,038	2,829	2,344	1,980	1,700
Operating margin	%	12.0	12.6	12.3	12.9	12.8
Profit after net financial items	SEK m	2,836	2,667	2,182	1,871	1,614
Profit margin	%	11.2	11.8	11.5	12.2	12.2
Equity/assets ratio	%	47.0	47.7	45.8	46.6	39.9
Return on equity	%	13.5	14.8	13.7	14.9	18.0

Sales

Consolidated net sales totalled SEK 25,342 million (SEK 22,516 million). This corresponds to growth of 12.5%, of which 7.9% was organic. Acquired operations accounted for SEK 1,030 million of the total SEK 2,826 million increase in sales.

Earnings

Profit for the year after net financial items was SEK 2,836 million. This equates to a 6.3% increase in earnings compared with 2018, when profit after net financial items amounted to SEK 2,667 million. As from 1 January 2019, the Group applies the new IFRS 16 accounting standard. The effects on the consolidated income statement and balance sheet are described on page 14 under 'Accounting policies'. Profit for the year was charged with acquisition and disposal expenses of SEK 51 million (SEK 15 million).

Return on equity was 13.5% (14.8%). Some of the Group's key ratios have also been affected by IFRS 16. The effects of the new standard are described on page 11.

Acquisitions

In January 2019, NIBE acquired the remaining 55% of the shares in the Italian ventilation and air conditioning company Rhoss S.p.A. The company, which has sales of approximately EUR 68 million, was consolidated into the NIBE Climate Solutions business area as from January 2019.

At the end of October, an agreement was concluded on the acquisition of 51% of the shares in American company Therm-X of California Inc. with an option to acquire the remaining 49% of the shares by 2024. The company, which develops and produces products in the semiconductor industry, has expected sales of over USD 60 million in 2020, with an operating margin of over 10%. The company was consolidated into the NIBE Element business area as from November 2019. The acquisition value is still provisional.

In early November, an agreement was concluded to acquire 50% of the shares in the Turkish group of companies Üntes with an agreement to acquire the remaining 50% of the shares by 2024. The company, which develops and produces ventilation and air conditioning products for commercial properties, has sales of approximately EUR 38 million and an operating margin markedly higher than 10%. The company is expected to be consolidated into the NIBE Climate Solutions business area as from March 2020.

In mid-November, an agreement was concluded to acquire the Serbian water heater manufacturer TIKI Group, which has a strong market position in Eastern Europe and sales of approximately EUR 35 million, with an EBITDA of approximately 10%. The company will be consolidated into the NIBE Climate Solutions business area as of January 2020.

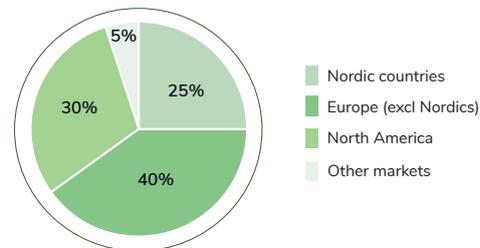
Change of ownership

On 10 May, 100% of the shares in the Swiss company Schulthess Maschinen AG were sold for CHF 150 million on a cash-free and debt-free basis to a new owner company in which NIBE holds a 51% interest. The other owners are Helvetica Capital AG and the company's management. The agreement grants Helvetica Capital AG an option to acquire another 26% of the shares within a period of three years. The aim is to sell the remaining 25% of the shares in the business after another three or four years. Operations will be consolidated while NIBE has a majority shareholding, with recognition of minority shares. Consequently, no capital gain was recognised during the financial year.

Significant events after the end of the period

In early February, an agreement was concluded to initially acquire 51% of the shares in the Dutch company Nathan Holding B.V. and the remaining shares in two stages. Among other things, Nathan imports our German subsidiary AIT's heat pumps and sells complete solutions, including both drilling geothermal energy wells and underfloor heating systems. The company has annual sales of approximately EUR 50 million with an operating margin of just over 6%. The company is expected to be consolidated into the NIBE Climate Solutions business area as from 1 April 2020.

Group sales by geographical region



Net sales

Past nine quarters (in millions of SEK)



Profit after financial items

Past nine quarters (in millions of SEK)



Investments

During the year, the Group made investments totalling SEK 2,059 million (SEK 2,479 million). A total of SEK 1,005 million (SEK 1,703 million) of the investments relates to acquisitions of operations. The remaining SEK 1,054 million (SEK 776 million) is mainly investments in machinery and equipment in existing operations. The investment amount relating to acquisitions is based on initial purchase prices as well as an estimate of additional consideration to be paid.

Cash flow and financial position

Cash flow from operating activities before changes in working capital amounted to SEK 3,448 million (SEK 2,652 million). Cash flow after changes in working capital amounted to SEK 2,958 million (SEK 1,887 million). The effects of IFRS 16 on the consolidated cash flow statement are described under 'Accounting policies' on page 14.

Interest-bearing liabilities at year-end amounted to SEK 10,654 million compared with SEK 9,239 million at the start of the year. Following the introduction of IFRS 16, as from 1 January 2019 lease liabilities are recognised among interest-bearing liabilities, which is the main reason for the increase. At the end of the year the Group had cash and cash equivalents of SEK 4,703 million as against SEK 3,562 million at the start of the year. The equity/assets ratio at the end of the year was 47.0%, compared with 47.7% at the start of the year.

Parent

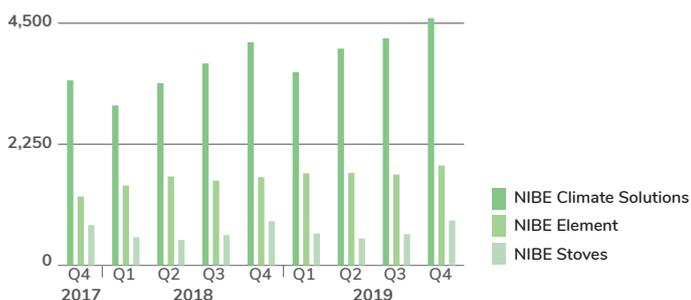
Parent activities comprise Group executive management functions, certain shared Group functions and financing. Sales for the period totalled SEK 23 million (SEK 14 million) and profit after financial items was SEK 1,824 million (SEK 533 million). The increase is mainly due to the divestment of Schulthess Maschinen AG, which resulted in an extra dividend to the parent company.

Business area trends

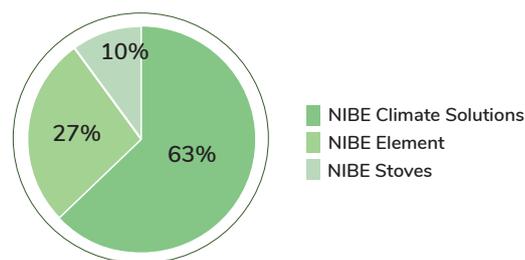
Quarterly data

Consolidated income statement (SEK million)	2019				2018				2017
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q4
Net sales	5,763	6,093	6,349	7,137	4,862	5,371	5,785	6,498	5,356
Operating expenses	-5,188	-5,434	-5,498	-6,184	-4,365	-4,739	-4,990	-5,593	-4,630
Operating profit	575	659	851	953	497	632	795	905	726
Net financial items	-43	-63	-29	-67	-54	-44	-36	-28	-33
Profit after net financial items	532	596	822	886	443	588	759	877	693
Tax	-116	-148	-187	-201	-107	-148	-152	-188	-123
Net profit	416	448	635	685	336	440	607	689	570
Net sales, business areas									
NIBE Climate Solutions	3,593	4,027	4,220	4,590	2,971	3,384	3,752	4,148	3,437
NIBE Element	1,710	1,718	1,688	1,855	1,483	1,652	1,576	1,638	1,280
NIBE Stoves	593	498	580	832	524	471	563	821	748
Elimination of Group transactions	-133	-150	-139	-140	-116	-136	-106	-109	-109
Group total	5,763	6,093	6,349	7,137	4,862	5,371	5,785	6,498	5,356
Operating profit per business area									
NIBE Climate Solutions	385	523	678	691	308	436	590	628	523
NIBE Element	161	159	145	157	154	198	164	134	114
NIBE Stoves	50	14	46	142	45	23	59	138	130
Elimination of Group transactions	-21	-37	-18	-37	-10	-25	-18	5	-41
Group total	575	659	851	953	497	632	795	905	726

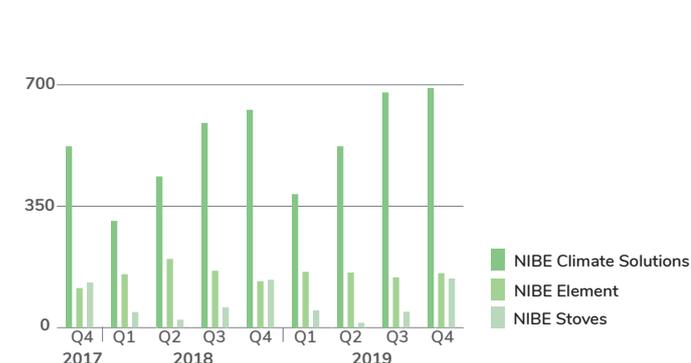
Sales per business area, last nine quarters (SEK million)



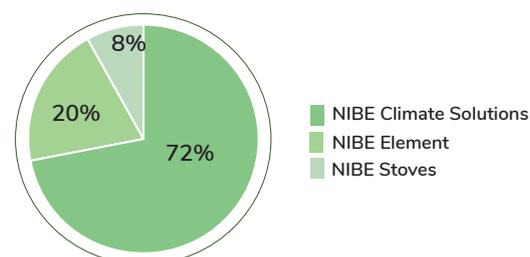
Each business area's share of total sales (Q1-Q4 2019)



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



Each business area's share of total profit (Q1-Q4 2019)



NIBE Climate Solutions business area

Sales and profit

Sales amounted to SEK 16,430 million, compared with SEK 14,255 million for 2018. Of the increase in sales of SEK 2,175 million, acquired sales accounted for SEK 815 million, which means that organic growth was 9.6%.

Operating profit for the year totalled SEK 2,277 million, compared with SEK 1,962 million the previous year. This equates to an operating margin of 13.9% compared with 13.8% for the previous year.

The year in brief

During the past year, sustainability and particularly climate change were the focus of international public debate on a fossil-free future. The use of fossil fuels to heat properties remains very dominant, but sustainable climate control solutions are becoming increasingly popular.

In 2019, we systematically worked the markets in Europe and North America, and we purposefully strengthened our profile as a full-service supplier of energy-efficient, environmentally friendly, intelligent product solutions for indoor climate comfort that accelerate conversion to the use of renewable energy. At the same time, we are working actively to continuously inform decision-making politicians in the EU and in North America about the tried and tested, but in many countries still relatively unknown heat pump technology and its use of stored renewable solar energy.

The North American heat pump market for single-family homes enjoyed continued growth in the year, largely due to the reintroduction of government subsidies for installations of geothermal heat pumps at the start of 2018. Our consumer campaign, which aims to enhance consumer awareness of the cost savings and especially the environmental benefit from using our products, aroused interest in the US. The campaign is part of our long-term efforts to reduce dependence on government support and further boost market expansion in North America.

The market for climate control products designed for commercial properties enjoyed stable growth in both North America and Europe. We are well established in the US and Canada, with two domestic manufacturing units in each country. In Europe, our investment in the commercial segment was intensified during the year, with Rhoss in Italy being a wholly owned subsidiary from the start of the year. The acquisition of 50% of the shares in Turkish group Üntes in November supplements Rhoss well. Together, these two companies now make up our platform both in Southern Europe and in several countries in the Middle East and North Africa. On the Swedish domestic market, we have built up a separate sales and technology organisation with expertise in climate control of large properties.

Through the acquisition of Cetetherm, we have gained access to high-quality products and system solutions for district heating and cooling which are a good addition to our existing operations. The range also permits us to invest in cold district heating networks in which the products can be combined with our existing heat pump range. This means that we can offer yet another climate control solution in densely populated areas.

On the Western European market, there is growing interest among political decision-makers in several countries in tackling global environment and climate challenges, which has contributed to continued market expansion for heat pumps. The governments in countries such as the United Kingdom, the Netherlands and Norway have, in various ways, highlighted their countries' ambitions to phase out oil and gas for heating in the long term to reduce carbon dioxide emissions and thus reduce their carbon footprint. On the large German market, the government recently proposed a climate protection package including taxation of carbon dioxide emissions and generous subsidies for replacement of fossil fuel sources. Several assessments suggest that this will benefit sales of heat pumps.

Several countries in Eastern Europe have also introduced subsidies for installing more energy-efficient climate control solutions, which has also resulted in market expansion in terms of product concepts for indoor climate comfort, primarily heat pumps but also water heaters. We also reinforced our market position in the region, not least through the acquisition

NIBE Climate Solutions

Key ratios		2019	2018	2017	2016	2015
Net sales	SEK m	16,430	14,255	12,020	9,588	8,031
Growth	%	15.3	18.6	25.4	19.4	23.4
of which acquired	%	5.7	2.7	21.9	14.6	13.9
Operating profit	SEK m	2,277	1,962	1,595	1,396	1,209
Operating margin	%	13.9	13.8	13.3	14.6	15.1
Assets	SEK m	23,191	20,637	18,707	18,103	13,107
Liabilities	SEK m	2,987	2,463	2,603	2,357	1,468
Investments in non-current assets	SEK m	639	404	322	239	232
Depreciation	SEK m	626	448	425	362	311

sition of the Serbian TIKI Group at the end of the year.

Market growth for heat pumps on the Swedish domestic market was strong at the start of the year, only to decline at the end of the year. This was entirely because the construction of new single-family homes decreased considerably, while the replacement market continues to grow. Our market position remains strong. The rest of the Nordic heat pump market enjoyed good growth and we have a strong market position there too.

Both the Nordic market and the rest of the European market for traditional water heaters and district heating products enjoyed relatively stable growth. The market for heat pumps for designed for heating only hot water is growing, and this is an area in which we also are well positioned.

With the market launch of our new generation of heat pumps – the NIBE S Series – we have taken an important step towards becoming the market leader for online heat pumps with intelligent controls. This gives both installers and end consumers new opportunities by, for example, streamlining installation, reducing energy use and remotely controlling the heat pump.

Product development and the introduction of new high-performance products in all application areas is ongoing. This is a prerequisite for continued expansion and for strengthening our profile as a market leader in sustainable energy solutions for indoor climate comfort based on renewable energy.

NIBE Climate Solutions also actively contributes both knowledge and products as climate control and energy saving are high on the agenda of the Group's operations worldwide so that we can achieve our sustainability targets and reduce or own total energy consumption.

Our production capacity and delivery capacity were fully able to meet market expectations despite volume growth on both the European and North American markets.

The integration of Italian company Rhoss is going to plan. Since the implementation of the synergy and efficiency enhancement programme, the company has now achieved the first interim target for the operating margin, which was set at the time of acquisition.

The EU F-gas Regulation continues to affect the entire European heat pump industry. Intensive product development is in progress to convert most of our products to more environmentally friendly refrigerants that meet the requirements for retaining efficiency, quality and service life. Refrigerant prices, which were very volatile in 2018, stabilised in 2019.

Our top-priority internal work to monitor product quality continuously continued to result in further improvements. With ongoing cost efficiency measures in both production and the rest of operations, we were able to further improve our underlying operating margin, which was already good.

NIBE - an important advocate of sustainability in other countries



Photo Sara Friberg/Kungl. Hovstaterna

NIBE, which is regarded as an important international advocate for the environment and Agenda 2030, previously attended meetings arranged by the UN. In November 2019, NIBE was also present when the Swedish embassy in Sarajevo arranged a meeting with the theme 'Smart Growth for the New Climate Reality'.



The meeting was held against the background of the UN's Agenda 2030 in the form of an open discussion about the sustainability, innovation and the environment. The starting point was the need for, status of and plans for sustainable urban planning and sustainable transport in cities and in rural areas, with the aim of initiating several projects supported by the UN and the EU for sustainable construction in the region.

With its sustainable, intelligent, energy-efficient indoor climate comfort products for all types of property, NIBE is able to help other countries make the transition to a fossil-free society and lower the energy consumption of heating, air conditioning and ventilation products.

The experience and offerings available from Sweden were presented and discussed. The meeting was attended by the Crown Princess Couple, Sweden's Minister for Environment and Climate, representatives of NIBE, Volvo and SIEMENS Industrial Turbo Machinery and the Prime Ministers of Bosnia and Sarajevo Canton and their environment ministers.

NIBE Element business area

Sales and profit

Sales amounted to SEK 6,971 million, compared with SEK 6,349 million for 2018. Of the increase in sales of SEK 622 million, acquired sales accounted for SEK 254 million, which means that organic growth was 5.8%.

Operating profit for the year totalled SEK 622 million, compared with SEK 650 million the previous year. This equates to an operating margin of 8.9% compared with 10.2% for the previous year.

The year in brief

In 2019, we continued to realise our strategy and objective of becoming a global supplier, with a local presence, of components and solutions for heating and control. This was achieved through both acquisitions and organic growth. By means of structural measures and consistent work to systematically improve productivity, we create competitive units in their respective market segments.

To generate the conditions for further profitable growth, 51% of the shares in the American company Therm-X of California were acquired during the year, with an option to acquire the remaining 49%. This acquisition is another important step in our strategy to establish ourselves as one of the leading suppliers to the important semiconductor industry.

By continuously acquiring small industrial businesses in different markets and, in some cases, integrating them in existing businesses, we also boost our market position.

To make it possible to maintain our operating margin target of 10% over time and counter a continued shortage of labour and further cost increases, we continued to change the focus and operations of our units. We also intensified our efforts to develop collaboration between our various profit centres in priority areas to enhance the competitiveness of individual units and increase our global presence.

At the same time, we implemented production engineering action plans and made further investments in automation and robotisation which are gradually enhancing competitiveness in the units. These measures are also being taken in our low-cost units to balance higher employee benefit expenses, employee turnover and staff shortages, and to attract more qualified employees to our type of industry.

To further increase our market presence in Asia, we expanded our operations in both Vietnam and Thailand. We are also expanding our production facilities in Finland and Sweden to meet increased demand for sustainable energy products and industrial products. The resistor business, which operates primarily in the area of sustainable energy products, established a new specialist factory in Poland during the year.

Overall, the international element market slowed down during the year as economic development slowed in most markets. However, demand differs markedly between various market segments.

The segments that are linked to energy saving and sustainable energy solutions with a focus on renewable energy continued to grow. This applies to both equipment for the generation of energy and energy-efficient solutions for heating, such as heat pumps. We are also seeing increased electrification worldwide both in relation to sustainable energy solutions and in the transport sector as a whole, which will also offer us interesting market opportunities in the future.

Digitisation also offers us new opportunities to expand, and the semiconductor industry is a significant, growing market segment for us. The industry traditionally has considerable cyclical fluctuations in demand that do not follow the normal industrial economic cycle. This was the case in 2019 when demand was weak at the start of the year and improved greatly during the autumn.

In most markets, there has been a slowdown in demand in the large market segments linked to consumer products such as domestic appliances and other household products. This also applies to industrial products.

NIBE Element

Key ratios		2019	2018	2017	2016	2015
Net sales	SEK m	6,971	6,349	5,102	4,252	3,758
Growth	%	9.8	24.4	20.0	13.1	17.7
of which acquired	%	4.0	15.3	10.5	9.9	4.4
Operating profit	SEK m	622	650	563	473	342
Operating margin	%	8.9	10.2	11.0	11.1	9.1
Assets	SEK m	9,314	7,655	5,916	4,294	3,360
Liabilities	SEK m	1,406	1,177	943	828	738
Investments in non-current assets	SEK m	303	214	164	125	118
Depreciation	SEK m	285	166	139	122	114

The automatic industry had declining demand. At the same time, we are carrying out many interesting development projects with our customers to meet greater demand for environmental performance and conversion to electric or hybrid vehicles. During the year, this resulted in a number of important framework agreements for future supplies. In the short term, these development initiatives mean higher costs. However, at the same time, they offer good market opportunities in the slightly longer term.

In infrastructure, growth was unusually weak during the year after investment facilities for this type of initiative were reduced in several countries.

Our focus on increasing our added value by also supplying intelligent controls for our products continued to develop well during the year. This applies to several important market segments such as the semiconductor industry, the automotive industry and energy solutions.

The turbulence concerning customs duties, trade barriers and foreign currency is increasingly affecting where customers place their production facilities. In this situation, having a global presence in several currency zones gives us a clear advantage. We are seeing increases in the prices of certain inputs, which when combined with pay increases necessitate continued price adjustments in most product segments.

The proactive focus on long-term product development, combined with changes in the product mix, labour shortages and significantly increased cost pressure in several of our low-cost countries as a result of political decisions had a negative impact on margin growth and led to the operating margin for the year falling below the long-term target of 10%.



NIBE Element continues to expand in the semiconductor industry. New solutions can be found in products that are adapted to the smart home, electrified vehicles and the expansion of 5G.

NIBE Stoves business area

Sales and profit

Sales amounted to SEK 2,503 million, compared with SEK 2,379 million for 2018. Of the increase in sales of SEK 124 million, acquired sales accounted for SEK 37 million, which means that organic growth was 3.6%.

Operating profit for the year totalled SEK 252 million, compared with SEK 265 million the previous year. This equates to an operating margin of 10.1% compared with 11.2% for the previous year.

The year in brief

Overall demand for stove products in 2019 was the same or slightly lower than the previous year but with large differences between regions and product segments. In most respects, we have a wide product range with strong brands that meet the latest known requirements in both Europe and North America. This factor, combined with our strong retail network, meant that we enhanced our market position.

The Nordic region is an important market and we are the market leader. In turn, this means that we are dependent on general demand trends. The Swedish market is estimated to be largely unchanged. However, a reduction in the construction of single-family homes, combined with continued strong competition with other durable goods and experiences, caused demand to fall in our industry. The Danish market improved slightly after the reintroduction of subsidies to stimulate the scrapping of old, less green products. Replacing these with products with modern technology that produce lower emissions quickly improves air quality. Demand continues to rise in Norway, driven by a strong economy and a high level of construction. Having a fireplace in your home is a strong tradition in Norway, and the Norwegian stove market is by far the biggest in the Nordic region.

On other markets in Europe, the demand trend between the various product segments was the same as in recent years. Demand for wood-burning products generally fell on most markets, while demand for products for gas, pellets and electricity grew, particularly on the markets on which these products traditionally have a strong presence.

Demand for wood-burning stove products in Germany levelled out at a historical low after several years of decline. One explanation is that fireplaces are used in Germany more for heating and to reduce heating costs, but in times of good economic conditions and low energy prices, the incentive to invest in a stove product decreases.

Demand for wood-burning products fell dramatically in the United Kingdom last year. This is primarily due to greater debate about the negative impact of burning wood on health and the environment, as well as the political turbulence in the country, particularly during the second half of the year, which is our traditional peak season. Despite difficult market conditions, we retained our strong market position. Demand for gas-fired products remains stable, which is due partly to the prevailing low gas prices and partly to the perceived comfort of a gas-fired product. Demand is clearly growing for electric stoves, and we are well positioned to meet this demand.

Demand in France during the year was relatively good but with a clear increase for pellet products, where we currently have a modest position, and a slight decline for wood-burning products. Products with a traditional French design are those for which demand is falling on the French market, while it is growing for products with a more minimalist, modern design.

Demand for stove products in North America enjoyed stable growth in a generally good economic climate during the year. There is great interest in gas-fired products, and these products still have the largest share of the overall market. The new requirements for wood-burning products, which will be introduced in May 2020, have already had a certain short-term suppressive effect on demand. To meet the new product requirements, which entail a considerable reduction in particulate

NIBE Stoves

Key ratios		2019	2018	2017	2016	2015
Net sales	SEK m	2,503	2,379	2,236	1,766	1,652
Growth	%	5.2	6.4	26.6	6.9	11.4
of which acquired	%	1.6	1.9	25.0	7.3	0.0
Operating profit	SEK m	252	265	275	223	206
Operating margin	%	10.1	11.2	12.3	12.7	12.5
Assets	SEK m	3,614	3,304	2,958	3,274	1,814
Liabilities	SEK m	442	407	364	387	265
Investments in non-current assets	SEK m	73	80	48	42	34
Depreciation	SEK m	124	77	77	59	56

emissions, we focused significant development resources on adapting our Regency range, and the products are now approved under the new requirements.

Our investment in broadening our product range in North America with selected products from our European companies with distribution through FPI is now starting to yield results. Gas-fired products with Scandinavian design continue to be a niche in North America, but by combining them with the introduction of a selected range of electric products from Europe, we have become an even more interesting supplier to our retailers.

During the past year, we continued to launch new products and carried out a large number of customer activities. Among other things, Contura's popular model series, Contura 800, its smallest in terms of size, was upgraded with several new functions and variants. Consequently, Contura now has several model series of freestanding wood-burning stoves, all with the same functions and very good combustion technology in a popular timeless design. The new products were launched at home in Sweden, and a very large number of retailers from all main markets attended the popular events. This also helps boost loyalty to the Contura brand.

We are continuing to allocate significant resources to improving the products' performance and combustion to meet the requirements of future consumers. Our products already comply with the future Ecodesign requirements, which will be introduced in 2022, and the new requirements in North America, which will be introduced in 2020. However, we are continuing to develop our products to achieve even lower emissions. We are also constructively involved in the growing debate on particulate emissions from burning wood via our national industry bodies and are working to replace old technology products with new ones, which benefits both the environment and our own business.

The lower operating margin is on account of our continuing to invest proactively in product development for the long term and powerful marketing measures, which is necessary in the challenging, changing market situation.



Several of the business area's brands are represented in Norway, by far the biggest market in the Nordic region for stove products. The new Contura 800 Style is one of the products that is popular among Norwegian consumers.

Condensed income statement

(SEK million)	Group				Parent	
	Q4 2019	Q4 2018	2019	2018	2019	2018
Net sales	7,137	6,498	25,342	22,516	23	14
Cost of goods sold	-4,733	-4,328	-17,036	-15,054	0	0
Gross profit	2,404	2,170	8,306	7,462	23	14
Selling expenses	-1,032	-944	-3,765	-3,432	0	0
Administrative expenses	-483	-400	-1,757	-1,453	-100	-71
Other operating income	64	79	254	252	0	0
Operating profit	953	905	3,038	2,829	-77	-57
Net financial items	-67	-28	-202	-162	1,901	590
Profit after net financial items	886	877	2,836	2,667	1,824	533
Appropriations	0	0	0	0	204	107
Tax	-201	-188	-652	-595	-1	-6
Net profit	685	689	2,184	2,072	2,027	634
Net profit attributable to Parent shareholders	675	691	2,170	2,074	2,027	634
Net profit attributable to non-controlling interest	10	-2	14	-2	0	0
Net profit	685	689	2,184	2,072	2,027	634
Includes depreciation according to plan as follows:	278	173	1,036	691	0	0
Net profit per share before and after dilution in SEK	1.34	1.37	4.31	4.11		

Statement of comprehensive income

Net profit	685	689	2,184	2,072	2,027	634
Other comprehensive income						
Items that will not be reclassified to profit or loss						
Actuarial gains and losses in retirement benefit plans	-108	40	-233	40	0	0
Tax	23	-9	49	-9	0	0
	-85	31	-184	31	0	0
Items that may be reclassified to profit or loss						
Cash flow hedges	8	-1	7	1	0	0
Hedging of net investment	8	10	-23	-59	0	0
Exchange differences	-802	5	790	1,153	0	0
Tax	65	-16	-32	-73	0	0
	-721	-2	742	1,022	0	0
Total other comprehensive income	-806	29	558	1,053	0	0
Total comprehensive income	-121	718	2,742	3,125	2,027	634
Comprehensive income attributable to Parent shareholders	-129	721	2,727	3,128	2,027	634
Comprehensive income attributable to non-controlling interest	8	-3	15	-3	0	0
Total comprehensive income	-121	718	2,742	3,125	2,027	634

Condensed balance sheet

(SEK million)	Group		Parent	
	2019-12-31	2018-12-31	2019-12-31	2018-12-31
Intangible assets	18,703	17,029	0	0
Property, plant and equipment	4,963	3,410	0	0
Financial assets	589	589	16,114	14,224
Total non-current assets	24,255	21,028	16,114	14,224
Inventories	4,403	4,106	0	0
Current receivables	4,400	3,968	657	158
Investments in securities, etc.	227	166	0	0
Cash and bank balances	3,944	3,023	0	51
Total current assets	12,974	11,263	657	209
Total assets	37,229	32,291	16,771	14,433
Equity	17,604	15,421	9,133	7,761
Non-current liabilities and provisions, non-interest-bearing	4,758	3,973	303	318
Non-current liabilities and provisions, interest-bearing	7,653	7,357	5,603	5,360
Current liabilities and provisions, non-interest-bearing	4,213	3,658	232	94
Current liabilities and provisions, interest-bearing	3,001	1,882	1,500	900
Total equity and liabilities	37,229	32,291	16,771	14,433

Key ratios

		2019	2018	2017	2016	2015
Growth	%	12.5	18.5	23.9	15.9	20.0
Operating margin ¹⁾	%	12.0	12.6	12.3	12.9	12.8
Profit margin	%	11.2	11.8	11.5	12.2	12.2
Investments in non-current assets	SEK m	2,059	2,479	2,026	5,156	531
Cash and equivalents	SEK m	4,703	3,562	3,803	2,926	2,195
Working capital, incl. cash and bank balances as share of net sales	SEK m %	8,762 34.6	7,604 33.8	6,524 34.3	5,503 35.9	3,522 26.6
Working capital, excl. cash and bank balances as share of net sales	SEK m %	4,590 18.1	4,416 19.6	3,102 16.3	3,001 19.6	1,727 13.0
Interest-bearing liabilities/Equity ²⁾	%	60.8	60.0	70.1	70.4	98.0
Equity/assets ratio ³⁾	%	47.0	47.7	45.8	46.6	39.9
Return on capital employed ⁴⁾	%	12.3	13.0	11.5	11.8	12.1
Return on equity ⁵⁾	%	13.5	14.8	13.7	14.9	18.0
Net debt/EBITDA ⁶⁾	times	1.6	1.7	1.9	2.4	2.5
Interest coverage ratio ⁷⁾	times	7.6	8.8	9.6	9.6	12.3

After the introduction of IFRS 16, some of the Group's key ratios are no longer comparable with previous periods as the new standard has an impact on both the income statement and the balance sheet. The following key ratios for 2019, in which the impact of IFRS 16 has been eliminated, permit a truer and fairer comparison with previous years as they have not been restated:

- 1) The operating margin would have been 11.9%
- 2) Interest-bearing liabilities/Equity would have been 55.5%
- 3) The equity/assets ratio would have been 48.3%
- 4) Return on capital employed would have been 12.5%
- 5) Return on equity would have been 13.3%
- 6) Net debt/EBITDA would have been 1.4 times
- 7) The interest coverage ratio would have been 7.9 times

Data per share

		2019	2018	2017	2016	2015
Net profit per share (total 504,016,622 shares)	SEK	4.31	4.11	3.38	2.93	2.67
Equity per share	SEK	34.74	30.57	25.41	24.06	16.06
Closing day share price	SEK	162.40	90.92	78.60	71.80	67.83

Condensed cash flow statement

(SEK million)	2019	2018
Cash flow from operating activities	3,448	2,652
Change in working capital	- 490	- 764
Investing activities	- 1,623	- 1,778
Financing activities	- 439	- 500
Exchange difference in cash and cash equivalents	86	157
Change in cash and equivalents	982	- 233

Change in equity – summaries

(SEK million)	2019	2018
Opening equity	15,421	12,807
Effect of change in accounting policy ¹	- 10	0
Adjusted opening equity	15,411	12,807
Shareholders' dividend	- 655	- 529
Capital contribution from non-controlling interest	41	0
Dividend to non-controlling interest	- 1	- 1
Change in non-controlling interest	66	19
Comprehensive income for the period	2,742	3,125
Closing equity	17,604	15,421

1) IFRS 16 was implemented with retrospective effect on opening equity.

Sales by geographical region

(SEK million)	NIBE Climate Solutions	NIBE Element	NIBE Stoves	Eliminations	Total
Nordics	4,871	1,265	654	- 403	6,387
Europe (excl. Nordics)	6,925	2,236	1,203	- 143	10,221
North America	4,432	2,640	572	- 16	7,628
Other markets	202	830	74	0	1,106
Total	16,430	6,971	2,503	- 562	25,342

Time of accounting for sales

(SEK million)	NIBE Climate Solutions	NIBE Element	NIBE Stoves	Eliminations	Total
Deliverables taken up as revenue once	16,190	6,971	2,503	- 562	25,102
Deliverables taken up as revenue gradually	240	0	0	0	240
Total	16,430	6,971	2,503	- 562	25,342

SERVICE CONTRACTS

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

EXTENDED WARRANTY PERIOD CONTRACTS

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

Financial instruments measured at fair value

(SEK million)	31 Dec 2019	31 Dec 2018
Current receivables		
Currency futures	8	4
Commodity futures	1	0
Total	9	4
Financial assets		
Interest rate derivatives	8	13
Current liabilities and provisions, non-interest-bearing		
Currency futures	0	0
Commodity futures	0	2
Total	0	2

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 2019. For other consolidated financial assets and liabilities, 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 2019.

Alternative performance measures

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

Net investments in non-current assets

(SEK million)	2019	2018
Acquisition of non-current assets	2,073	2,493
Disposal of non-current assets	- 14	- 14
Net investments in non-current assets	2,059	2,479

Working capital, including cash and bank balances

(SEK million)	2019	2018
Total current assets	12,974	11,263
Current liabilities and provisions, non-interest-bearing	- 4,213	- 3,659
Working capital, including cash and bank balances	8,761	7,604
Net sales in the past 12 months	25,342	22,516
Working capital, including cash and bank balances, in relation to net sales, %	34.6	33.8

Return on capital employed

(SEK million)	2019	2018
Profit after net financial items last 12 months	2,836	2,667
Financial expenses in the past 12 months	429	341
Profit before financial expenses	3,265	3,008
Capital employed at the start of the period	24,660	21,783
Capital employed at the end of the period	28,258	24,660
Average capital employed	26,459	23,221
Return on capital employed, %	12.3	13.0

Net debt/EBITDA

(SEK million)	2019	2018
Non-current liabilities and provisions, interest-bearing	7,653	7,357
Current liabilities and provisions, interest-bearing	3,001	1,882
Cash and bank balances	- 3,944	- 3,023
Investments in securities, etc.	- 227	- 166
Net debt	6,483	6,050
Operating profit in the past 12 months	3,038	2,829
Depreciation and impairment in the past 12 months	1,037	691
EBITDA	4,075	3,520
Net debt/EBITDA, times	1.6	1.7

Cash and equivalents

(SEK million)	2019	2018
Cash and bank balances	3,944	3,023
Investments in securities, etc.	227	166
Unutilised overdraft facilities	532	373
Cash and equivalents	4,703	3,562

Working capital, excluding cash and bank balances

(SEK million)	2019	2018
Inventories	4,403	4,106
Current receivables	4,400	3,968
Current liabilities and provisions, non-interest-bearing	- 4,213	- 3,659
Working capital, excluding cash and bank balances	4,590	4,415
Net sales in the past 12 months	25,342	22,516
Working capital, excluding cash and bank balances, in relation to net sales, %	18.1	19.6

Return on equity

(SEK million)	2019	2018
Profit after net financial items last 12 months	2,836	2,667
Standard tax rate, %	21.4	22.0
Profit after net financial items, after tax	2,229	2,080
Equity at the start of the period	15,406	12,807
Equity at the end of the period	17,509	15,406
Average equity	16,458	14,107
Return on equity, %	13.5	14.8

Interest coverage ratio

(SEK million)	2019	2018
Profit after net financial items	2,836	2,667
Financial expenses	429	341
Interest coverage ratio, times	7.6	8.8

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 2019 has been drawn up in accordance with IAS 34 "Interim Financial Reporting". Disclosures in accordance with IAS 34 16A are presented in the financial statements and related note information as well as in other parts of the year-end report.

IFRS 16 Leases

IFRS 16 entered into force on 1 January 2019. For lessees, IFRS 16 means that the former division into finance and operating leases has been withdrawn and replaced with a model in which assets and liabilities for all leases must be recognised in the balance sheet. There are exceptions for leases with low value and leases with a term of no more than 12 months. Depreciation/amortisation must be recognised in the income statement separately from interest expenses attributable to the lease liability. In the transition to the new standard, NIBE has chosen to apply the modified retrospective approach with the option of, on 1 January 2019, recognising the right-of-use assets at an amount equivalent to the lease liability at the time, but adjusted for any prepaid or accrued lease payments. The selected transition method means that comparative periods have not been restated. As at 1 January, the new standard increased consolidated property, plant and equipment by SEK 827 million and deferred tax assets by SEK 3 million. Non-current assets consist mainly of rented premises. At the same time, consolidated interest-bearing liabilities increased by SEK 840 million, SEK 225 million of which was current liabilities, meaning that consolidated equity was reduced by SEK 10 million as at 1 January. The impact of the new standard on consolidated profit before tax during the year is insignificant. IFRS

16 has primarily affected the classification of consolidated lease costs in that they must now, in part, be recognised as a financial expense. Consolidated operating profit for 2019 thus increased by SEK 20 million, while consolidated net financial items were charged with SEK 17 million. The consolidated cash flow statement was also affected by IFRS 16 in that lease payments made, which amount to SEK 240 million during the year, are now regarded as amortisation of lease liabilities and must therefore be recognised in financing activities. They were previously recognised in cash flow from operating activities.

In other respects, the same accounting policies as those adopted for this report are described on pages 88-91 of the company's Annual Report for 2018. Reporting for the Parent follows the Swedish Annual Accounts Act and recommendation RFR 2 of the Swedish Financial Accounting Standards Council ("Reporting for Legal Entities").

In the case of transactions with associates, these have taken place to the same extent as in the previous year and the same accounting policies apply as those described on page 89 of the company's Annual Report for 2018.

Risks and uncertainties

NIBE Industrier is an international industrial group that is represented in around 40 countries. As such, it is exposed to several business and financial risks. Risk management is therefore an important process relative to the goals that the company has set up. Throughout the NIBE Group, efficient risk management routines are an ongoing process within the framework of the Group's operational management and a natural part of the continual follow-up of activities. It is our opinion that no significant risks or uncertainties have arisen in addition to those described in NIBE Industrier's Annual Report for 2018.

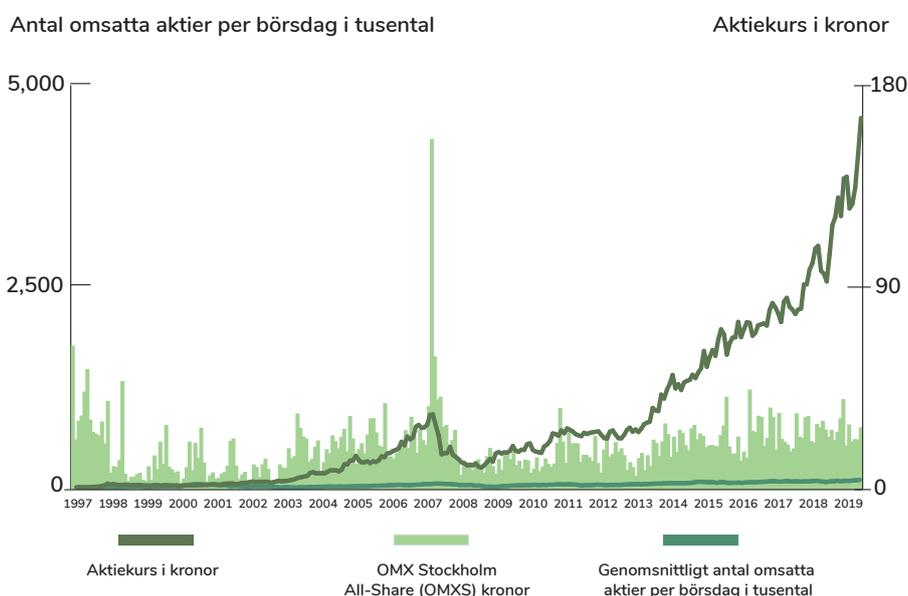
NIBE shares

NIBE's class B shares are listed on the NASDAQ Nordic Large Cap list in Stockholm, with a secondary listing on the SIX Swiss Exchange in Zurich. The NIBE share's closing price on 31 December 2019 was SEK 162.40.

In 2019, NIBE's share price rose by 37.3%, from SEK 90.92 to SEK 162.40. During the same period, the OMX Stockholm PI (OMXSPI) increased by 29.6%.

This means that, at the end of December 2019, the market capitalisation of NIBE, based on the latest price paid, amounted to SEK 81,853 million.

A total of 175,937,400 NIBE shares were traded, which corresponds to a share turnover of 34.9% during 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.



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, 13 February 2020



Hans Linnarson
Chairman of the Board



Georg Brunstam
Director



Anders Pålsson
Director



Helene Richmond
Director



Jenny Sjö Dahl
Director



Gerteric Lundquist
Managing Director and
CEO

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

For other information on definitions, please refer to the company's Annual Report for 2018.



NIBE Group – a global Group with companies and a presence world-wide

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

From its beginnings in the Småland city of Markaryd nearly 70 years ago, NIBE has grown into an international company with 17,300 (16,900) employees and a global presence. 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 25 (22) billion in 2019.

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.

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 report. This information was made available to the media for publication at 08:00 (CET) on 13 February 2020.

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

NIBE

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