

NIBE

– world-class solutions in sustainable energy



- **SALES** totalled SEK 12,572 million (SEK 11,856 million)
- **PROFIT AFTER NET FINANCIAL ITEMS** amounted to SEK 1,222 million (SEK 1,128 million)
- **PROFIT AFTER TAX** was SEK 926 million (SEK 864 million)
- **EARNINGS** per share before and after dilution, based on average number of shares outstanding during the period, were SEK 1.79 (SEK 1.71)
- **ACQUISITION OF**
 - Serbian water heater company TIKI Group
 - 50% of shares in Turkish ventilation and air conditioning group Üntes
 - 51% of shares in Dutch heat pump distributor Nathan Holding B.V.
 - German heat pump company WATERKOTTE GmbH
 - 60% of shares in Swedish process heat company VEÅ AB)
 - 87.5% of shares in Italian element company Termotech s.r.l. (July)
- A final decision on dividend for 2019 will be made by the Board of Directors after the end of Q3.

Interim report 2 · 2020

Continued stable growth – the effects of Covid-19 have been fended off relatively well

Group sales for the first half of the year grew by 6.0% (15.9%). Organic sales fell by 1.4%, while acquisitions corresponded to growth of 7.4%. In the corresponding period last year, organic growth was 10.7% and growth from acquisitions 5.2%. Sales were only slightly affected by fluctuations in the Swedish currency. Thanks to acquisitions, Q2 sales grew by 2.2%, while organic sales declined by 7.6%.

Demand in general was widely varied. As before, demand was stable for products with a clear link to sustainability. The market segments with the weakest growth in the period were the automotive and oil and gas industries. At the end of Q1 and in most of Q2, virtually the entire world was affected by the consequences of Covid-19.

Our businesses were, of course, also affected but with wide variations. A small number of units had to temporarily close, fully or partially, but most were able to continue operating under relatively normal conditions. In all cases, local management teams have been successful in coping with the effects of variation in demand.

The NIBE Climate Solutions business area has built up its operations in exactly the right market segment over the years. This is clear now as the transition to a more sustainable approach and society is rapidly gaining ground.

It continues to work methodically and with great determination to further strengthen its position as the leading supplier of climate control solutions for all types of property. As always, the aim is to continuously develop even more efficient products with a clear focus on high quality, environmentally friendly refrigerants, intelligent controls and connectivity.

During the period, the business area acquired five companies with total sales of approximately SEK 1.5 billion. The acquisitions boost both the business area's market share and its geographical presence and technology base.

Both sales and operating profit experienced stable growth during the period. The businesses acquired made an excellent contribution to

this growth, and organic growth in the business area was also positive. There was, in fact, a small dip in organic sales in Q2, but this did not have a negative impact on operating profit. The generally relatively good market conditions, good geographical presence and a comprehensive, advanced range of products are the principal reasons for the stable growth in sales and operating profit. The improved operating margin is primarily due to improved productivity, strict cost control and continued growth in sales.

The NIBE Element business area remains the business area that experienced the greatest variations between market segments. Segments with a clear sustainability profile had relatively favourable growth, while the automotive industry declined dramatically, along with the oil and gas industry. The domestic appliance industry also saw weaker growth. However, it is pleasing to note that the semiconductor industry rebounded strongly with healthy growth. Our efforts to expand in precisely this market segment have therefore borne fruit.

During the period, the business area made three smaller and one slightly larger bolt-on acquisitions. The strategy behind these acquisitions is to realise synergies between existing large operations and smaller companies, often run by entrepreneurs, with a relatively narrow, specialized range of products. Efforts to develop new products to safeguard future growth continue with undiminished intensity despite the difficult market conditions.

In spite of everything, sales in the business area grew to some extent during the period as a result of the acquisitions. However, operating profit fell due to a considerable decline in organic sales in Q2. By means of rigorous adaptation to prevailing market trends and strict cost control, it was possible to keep the operating margin at an acceptable level, given the conditions.

The NIBE Stoves business area's demand situation has also varied. From having been relatively stable at the start of the year, it deteriorated

Calendar

19 August 2020

08.00 (CET) Interim Report 2, January – June 2020

11.00 (CET) Telephone conference (in English)

Presentation of Interim Report 2 2020 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 8 566 426 95.

18 November 2020

Interim Report 3, January – September 2020

16 February 2021

Year-end report 2020

11 May 2021

Interim Report 1, January – March 2021

Annual General Meeting



rated dramatically by the end of Q1 and during the first two months of Q2, but subsequently recovered. Demand overall in both Europe and North America was clearly lower than in the corresponding period last year. The main reasons for the lower sales are the long closure of both our two manufacturing units and the retail network in the UK and the closure of our retail network in certain regions of North America. The closures are due to decisions taken by local authorities.

Like the two other business areas, major resources continue to be invested in product development to ensure that we are always at the head of the field in terms of both technology and design.

The lower sales during the period are the main reason for the poorer operating profit. To compensate for the major decline in sales, primarily in Q2, strict savings programmes were introduced, thus allowing the operating margin to remain at a reasonable level.

The level of investment in our existing businesses amounted to SEK 597 million during the first six months, compared with SEK 619 million in the previous year, and the rate of depreciation was SEK 632 million compared with SEK 503 million last year. Due to continued capacity expansion and the need for further rationalisation investments, the level of investment in the next few years will be at least equal to or just greater than the depreciation rate, excluding leases.

Operating profit for the first six months improved by 7.0% compared with the corresponding period last year and the operating margin rose from 10.4% to 10.5%. It is pleasing to note that both Q1 and Q2 thus had operating margins that were slightly better than in the corresponding quarters last year. Operating profit does not include Covid-19 furlough support applied for in Sweden.

Profit after net financial items improved by 8.3% in the first six months compared with the corresponding period 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 ensure 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.
- The outbreak of Covid-19 is another such uncertainty that has caused widespread change for most of the world's communities and companies, including our own. While we were affected by the outbreak to a relatively modest degree in Q1, we were affected to a greater extent in Q2, but the situation remained manageable nevertheless. We assume that most countries will try to return to a slightly more normal situation in the second half of the year. This, and the fact that our products are largely both necessary and sustainable, permits us to be cautiously positive about our performance in the second half of the year, despite all the uncertainties.

Markaryd, Sweden, 19 August 2020

Gerteric Lindquist
Managing Director and CEO

NIBE Group Key ratios		2020 Q1-2	2019 Q1-2	Past 12 months	2019 Full year
Net sales	SEK m	12,572	11,856	26,058	25,342
Growth	%	6.0	15.9	7.9	12.5
of which acquired	%	7.4	5.2	5.7	4.6
Operating profit	SEK m	1,320	1,234	3,125	3,038
Operating margin	%	10.5	10.4	12.0	12.0
Profit after net financial items	SEK m	1,222	1,128	2,930	2,836
Profit margin	%	9.7	9.5	11.2	11.2
Equity/assets ratio	%	45.6	45.1	45.6	47.0
Return on equity	%	12.7	13.7	13.1	13.5

Sales

Consolidated net sales totalled SEK 12,572 million (SEK 11,856 million). This corresponds to growth of 6.0%. Of the increase in sales of SEK 716 million, acquired sales were SEK 882 million, which means that organic sales decreased by 1.4%.

Profit

Profit for the period after net financial items was SEK 1,222 million. This equates to an 8.3% increase in earnings compared with the same period in 2019, when profit after net financial items amounted to SEK 1,128 million. Due to the pandemic and the restrictions consequently introduced in certain countries, some of the Group's production plants were idle for parts of the period. All three business areas were affected. However, the greatest impact was on the NIBE Stoves business area, which has relatively few production plants compared with the two other areas. Profit for the period was charged with acquisition expenses of SEK 17 million (SEK 29 million). Return on equity was 12.7% (13.7%).

Acquisitions

January saw the completion of the acquisition of 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 was consolidated into the NIBE Climate Solutions business area as of January 2020. The acquisition value is still provisional.

February saw the acquisition of 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 was consolidated into the NIBE Climate Solutions business area as of March 2020. The acquisition value is still provisional.

In April, 51% of the shares in Dutch company Nathan Holding B.V. were acquired, with an agreement to acquire the remaining shares later 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 and an operating margin of just over 6% and was consolidated into the NIBE Climate Solutions business area as of April 2020. The acquisition value is still provisional.

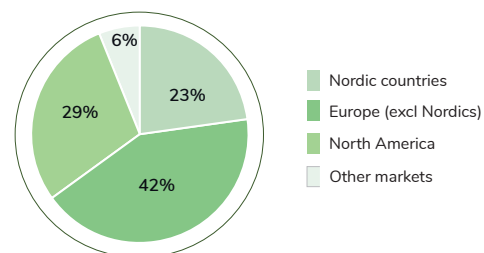
In April, the heat pump company WATERKOTTE GmbH, a leading German manufacturer of heat pumps intended primarily for commercial properties, was acquired. The company has annual sales of approximately EUR 26 million and an operating margin of approximately 5% and was consolidated into the NIBE Climate Solutions business area as of April 2020. The acquisition value is still provisional.

In May, 60% of the shares in the Swedish company VEÅ AB were acquired, with an option to acquire the remaining shares within a four-year period. The company develops and manufactures steam boilers and super-heated water boilers, pressure vessels and complete systems for industrial use. The company was consolidated into the NIBE Climate Solutions business area as from 1 July 2020.

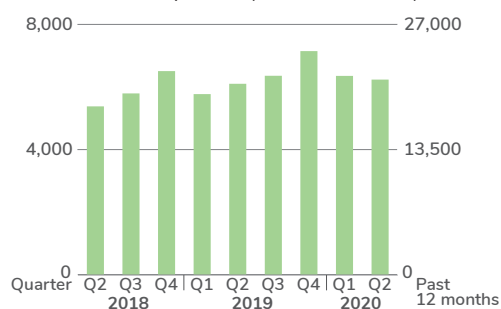
Significant events after the end of the period

In early July, 87.5% of the shares in Italian element company Termotech s.r.l. were acquired, with an agreement to acquire the remaining shares within a five-year period. The company, which has sales of ap-

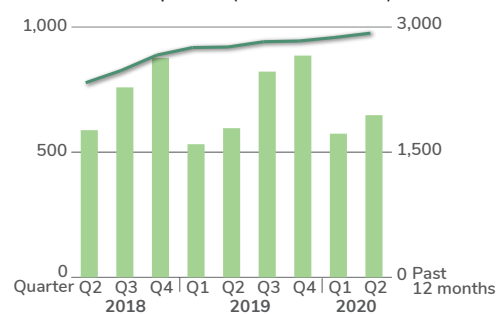
Group sales by geographical region



Net sales Past nine quarters (in millions of SEK)



Profit after financial items Past nine quarters (in millions of SEK)



proximately EUR 5 million and an operating margin of over 10%, will be consolidated into the NIBE Element business area as from 1 July 2020.

Investments

During the period, the Group made investments totalling SEK 2,849 million (SEK 986 million). A total of SEK 2,252 million (SEK 367 million) of the investments relates to acquisitions of operations. The remaining SEK 597 million (SEK 619 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 1,540 million (SEK 1,590 million). Cash flow after changes in working capital amounted to SEK 1,549 million (SEK 1,061 million).

Interest-bearing liabilities at the end of the period amounted to SEK 11,237 million, compared with SEK 10,654 million at the start of the year. At the end of the period, the Group had cash and cash equivalents of SEK 4,534 million as against SEK 4,703 million at the start of the year. The equity/assets ratio at the end of the period was 45.6%, compared with 47.0% at the start of the year and 45.1% at the corresponding time last year.

Parent

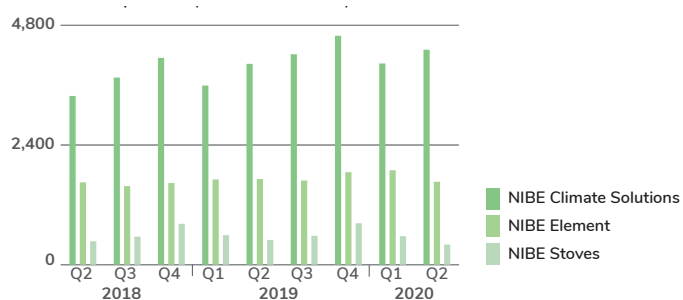
Parent activities comprise Group executive management functions, certain shared Group functions and financing. Sales for the period totalled SEK 14 million (SEK 12 million) and profit after financial items was SEK 248 million (SEK 964 million). The fall in profit is due to some subsidiaries having postponed their dividends.

Business area trends

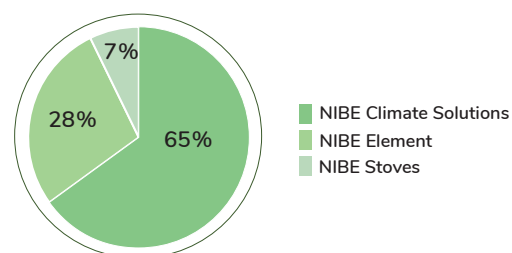
Quarterly data

Consolidated income statement (SEK million)	2020		2019				2018		
	Q1	Q2	Q1	Q2	Q3	Q4	Q2	Q3	Q4
Net sales	6,345	6,227	5,763	6,093	6,349	7,137	5,371	5,785	6,498
Operating expenses	- 5,707	- 5,545	- 5,188	- 5,434	- 5,498	- 6,184	- 4,739	- 4,990	- 5,593
Operating profit	638	682	575	659	851	953	632	795	905
Net financial items	- 64	- 34	- 43	- 63	- 29	- 67	- 44	- 36	- 28
Profit after net financial items	574	648	532	596	822	886	588	759	877
Tax	- 140	- 156	- 116	- 148	- 187	- 201	- 148	- 152	- 188
Net profit	434	492	416	448	635	685	440	607	689
Net sales, business areas									
NIBE Climate Solutions	4,035	4,310	3,593	4,027	4,220	4,590	3,384	3,752	4,148
NIBE Element	1,895	1,664	1,710	1,718	1,688	1,855	1,652	1,576	1,638
NIBE Stoves	573	406	593	498	580	832	471	563	821
Elimination of Group transactions	- 158	- 153	- 133	- 150	- 139	- 140	- 136	- 106	- 109
Group total	6,345	6,227	5,763	6,093	6,349	7,137	5,371	5,785	6,498
Operating profit per business area									
NIBE Climate Solutions	449	585	385	523	678	691	436	590	628
NIBE Element	179	117	161	159	145	157	198	164	134
NIBE Stoves	32	1	50	14	46	142	23	59	138
Elimination of Group transactions	- 22	- 21	- 21	- 37	- 18	- 37	- 25	- 18	5
Group total	638	682	575	659	851	953	632	795	905

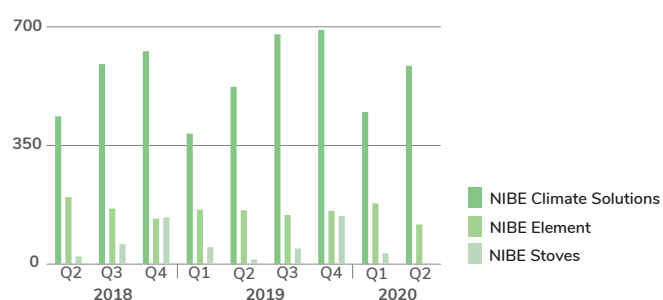
Sales per business area, last nine quarters (SEK million)



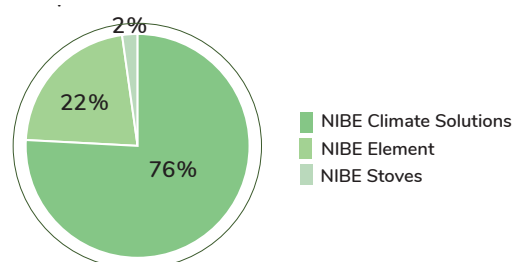
Each business area's share of total sales (Q1-2 2020)



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



Each business area's share of total profit (Q1-2 2020)



NIBE Climate Solutions business area

Sales and profit

Sales for the period totalled SEK 8,345 million, compared with SEK 7,620 million for the corresponding period last year. Of the increase in sales of SEK 725 million, acquired sales accounted for SEK 502 million, which means that organic growth was 2.9%.

Operating profit for the period totalled SEK 1,034 million, compared with SEK 908 million the previous year. This equates to an operating margin of 12.4% compared with 11.9% for the previous year. The operating margin for the past 12 months is thus 14.0%.

Market

International demand for various heat pump solutions has continued to grow as we strengthen our market position, primarily in Europe. Heating, cooling, hot water and ventilation for indoor climate comfort are important functions in society and there is always a need for them, regardless of the economic situation.

We have a strong platform for further expansion as a full-service supplier of sustainable, energy-efficient, intelligent solutions with a focus on indoor climate comfort for all types of property. End consumers' interest in products that both save energy and use renewable energy is growing, and is one of the main reasons for the market growth. Political decisions are also being made in an increasing number of countries to accelerate the transformation and ultimately phase out products that use fossil fuels such as oil and gas, which is good for our industry in both the long and short terms. Overall, this has meant that demand has only been affected by Covid-19 to a limited extent.

In the Nordic region and above all in Western Europe, our targeted markets continue to grow. The main reason for this is increased interest among both end consumers and political decision-makers in trying to solve the climate change issue by doing things like phasing out oil and gas for heating. In the Netherlands, for example, where politicians previously decided to phase out fossil fuels, market development remains strong and we are also strengthening our market position. Now that Germany is embarking on a similar phase-out, effective incentives are being offered to replace heat sources using fossil fuels, which also translates into good growth on this important market.

The positive growth on the North American heat pump market for single-family homes slowed in Q2 due to the prevailing situation, but the state incentives to install geothermal heat pumps are helping maintain interest among end consumers.

Several countries in Eastern Europe have also introduced incentive packages to install more energy-efficient solutions, and our units are experiencing good expansion in terms of product concepts for indoor climate comfort, primarily in heat pumps but also in water heaters.

Growth on the Swedish domestic heat pump market continued. A growing replacement market compensated for a certain downward trend in the construction of new single-family houses, although this stabilised in the latter part of the period. We have a strong market position in both segments, which means we can adapt to these types of changes in the market.

Both the American and Canadian markets for climate control products for commercial properties saw stable growth. However, the lockdowns in major US cities had a temporary impact on orders. We are well established in North America and the acquisitions of Rhoss and the Turkish company Üntes have created platforms for Southern Europe, the Middle East and North Africa. The objective is to continue to enhance our position in Europe in this segment, and we are therefore intensifying our efforts with dedicated new resources to be able to expand through both proactive product development and continued acquisitions.

Operations

Constant product development and the introduction of new high-performance products in all application areas are a prerequisite for continued expansion and for strengthening our profile as a market leader in intelligent, energy-efficient, environmentally sustainable product solutions for indoor climate comfort based on renewable energy. With

NIBE Climate Solutions

Key ratios		2020 Q1-2	2019 Q1-2	Past 12 months	2019 Full year
Net sales	SEK m	8,345	7,620	17,155	16,430
Growth	%	9.5	19.9	10.5	15.3
of which acquired	%	6.6	7.0	5.6	5.7
Operating profit	SEK m	1,034	908	2,403	2,277
Operating margin	%	12.4	11.9	14.0	13.9
Assets	SEK m	26,377	23,332	26,377	23,191
Liabilities	SEK m	3,548	3,049	3,548	2,987
Investments in non-current assets	SEK m	361	353	647	639
Depreciation	SEK m	365	304	688	626

the European launch of our NIBE S Series, we took an important step towards becoming the market leader for online heat pumps with intelligent controls. This gives both installers and end consumers new opportunities to streamline the installation, reduce energy use, remotely control the heat pump and make it possible for the end customer to benefit from program developments.

We are undertaking several different marketing activities in North America, both locally and regionally in different states, to raise consumer awareness of heat pumps as an economically viable and sustainable solution for cooling and heating single-family homes. These activities are expected to boost market expansion and ultimately reduce dependence on subsidies on the US market.

Within the Group, several projects are underway to meet our internal sustainability goals in terms of both health and safety and reduced energy consumption. NIBE Climate Solutions actively contributes both knowledge and products when these climate control projects are implemented in the Group's operations worldwide.

The European heat pump industry continues to develop various solutions to meet the EU F-gas Regulation. For us, this means intensive efforts to switch to more environmentally friendly refrigerants with low climate impact but with continued requirements for good energy efficiency and high quality, which are crucial to our ability to maintain a strong market position in the long term.

Integration of the recently acquired companies is underway. Integration of the Turkish ventilation and air conditioning Group Üntes continues in partnership with Italian company Rhoss. The Dutch importer Nathan, which was acquired in Q1, is growing well and focusing on heat pump solutions for major projects in the Netherlands with our German heat pump manufacturer AIT. The German company WATERKOTTE, which was acquired in Q2, is a leading manufacturer of large heat pumps with high output. As these products are well suited to commercial properties, there is good growth potential on other markets in Europe as well. WATERKOTTE works closely with our Swedish heat pump manufacturer CTC.

Covid-19 has affected our companies to different extents. A common factor for all companies is that they adapted their operations to the restrictions in force in each country and that all prescribed precautionary measures were taken. Most manufacturing companies were able to maintain their operations in full or in part except for the Italian company Rhoss, which was forced to shut down entirely for an extended period of time.

For reasons of prudence, significant cost saving measures were introduced throughout the organisation in the first six months to counteract the effects of Covid-19, but without lowering our ambition for future market expansion and growth. We are also implementing cost-saving measures on an ongoing basis both in production and other operations to maintain our healthy underlying operating margin.

NIBE builds for the future



The first phase of NIBE's property investments, which begins in autumn 2020. The photo is a mockup.



A new innovation centre is planned. The photo is a mockup.



The new marketing centre. The photo is a mockup.

Starting in the autumn, parts of NIBE's premises in Markaryd will become a construction site. The management and the Board of NIBE Industrier have made a principle decision to invest in new premises to permit further international expansion. New offices, a new innovation centre and a large extension to the marketing centre are on the drawing board.

The current premises are inadequate. The company needs new, more efficient buildings to allow its continued expansion.

Construction will begin on new offices in the autumn. These first property projects involve approximately 100 new office spaces, which will be ready for use in autumn 2021.

The next phase will involve a new innovation centre for the development and testing of future climate control products. This is a complicated project as the premises need special solutions for climate rooms, test rigs, experimental workshops, laboratories, sound rooms, etc. Construction is planned to start in 2021.

In parallel with the office construction work, the marketing and training centre will also be renovated and extended. In line with NIBE's greater presence on the European market, there is a greater need for spaces for large customer meetings and additional product training sessions for the increasingly advanced climate control products. The new premises are expected to be ready by autumn 2022.

With these investments, NIBE will consolidate its presence in Sweden and Markaryd, while also building a platform for further international expansion with products designed to promote a future sustainable society.

NIBE Element business area

Sales and profit

Sales for the period totalled SEK 3,559 million, compared with SEK 3,428 million for the corresponding period last year. Of the increase in sales of SEK 131 million, acquired sales accounted for SEK 380 million, which means that organic sales decreased by 7.3%.

Operating profit for the period totalled SEK 296 million, compared with SEK 320 million the previous year. This equates to an operating margin of 8.3% compared with 9.3% for the previous year. The operating margin for the past 12 months is thus 8.4%.

Market

The international market for our products, in which demand was stable at the start of the year, has been severely affected by Covid-19 since the end of Q1. However, there are dramatic variations in growth between market segments and regions. We noted the first impact on demand in February as many businesses in China shut down. This impact increased gradually during the start of Q2 as the virus spread across the world, but it had stabilised by the end of the period. Growth has been affected by both lower demand from end customers for our customers' products and by our customers' reduced production capacity.

Consumer products for the domestic appliance industry suffered a dramatic decline in Q2, but we saw some recovery at the end of the period. Commercial products such as institutional kitchen equipment also suffered a dramatic decline.

Market segments linked to renewable energy and sustainable energy solutions continue to enjoy good growth. This applies to both equipment for the generation of energy and energy-efficient solutions for climate control, such as heat pumps.

The automotive industry, already enduring an underlying fall-off in demand at the start of the year, declined dramatically in Q2, and many of our customers in this segment have had their production units closed since the end of Q1. The number of projects for electric and hybrid vehicles continues to rise in terms of both product deliveries and interesting development projects with our customers. However, we can see that, in many cases, these projects have been delayed as several customers furloughed their development departments during the period.

Deliveries to the energy sector linked to the oil and gas industry fell dramatically because of the exceptionally low price of oil and postponed investment projects. However, there was an increase in demand for certain segments in both medical devices and laboratory equipment after the end of Q1, primarily linked to Covid-19.

In recent years, we have built up substantial operations for heating and control equipment for the semiconductor industry. Our aim is to become a leading global supplier in this industry through a combination of acquisitions and organic growth. Demand in the semiconductor industry traditionally has considerable cyclical fluctuations that are not in sync with the normal industrial economic cycle. After a dramatic fall, demand began to rise in the second half of 2019 and was strengthened subsequently in the first half of 2020. Demand is driven by the

NIBE Element

Key ratios		2020	2019	Past	2019
		Q1-2	Q1-2	12 months	Full year
Net sales	SEK m	3,559	3,428	7,102	6,971
Growth	%	3.8	9.4	6.9	9.8
of which acquired	%	11.1	3.1	8.1	4.0
Operating profit	SEK m	296	320	598	622
Operating margin	%	8.3	9.3	8.4	8.9
Assets	SEK m	9,638	8,387	9,638	9,314
Liabilities	SEK m	1,758	1,317	1,758	1,406
Investments in non-current assets	SEK m	157	153	307	303
Depreciation	SEK m	199	138	345	285

rollout of 5G, conversion of the automotive industry to increased electrification and greater demand for data storage.

Operations

We continue to work intensively to improve the competitiveness of our units in each market segment. This includes further investments in areas such as the use of industrial robots and automation, along with other traditional measures to boost productivity. This is essential if we are to maintain the operating margin at the established target of 10%.

Exchange rates remain volatile, with a considerable effect on pricing and competitiveness. In this situation, having production units in different currency zones gives us a clear advantage.

Official decisions on the closure of businesses due to Covid-19 have varied greatly from country to country. With production units on several continents, our operations have been affected since February, when our Chinese units were shut down. This development subsequently spread to several of our markets and production sites. Our focus has been on ensuring the health and safety of our employees, and operations have gradually been adapted to developments in each country. Some units are back at nearly full production, while others are still subject to local lockdowns.

All units in the business area are subject to strict cost controls and programmes to reduce costs and adapt operations to lower demand. Our ambition is also to maintain the pace of ongoing development projects to ensure future growth.



Digitalisation generates a great need for data storage, which in turn drives demand in the semiconductor industry.

NIBE Stoves business area

Sales and profit

Sales for the period totalled SEK 979 million, compared with SEK 1,091 million for the corresponding period last year. As no acquisitions affect the comparison, the reduction in sales of SEK 112 million is entirely organic, representing a fall of 10.2%.

Operating profit for the period totalled SEK 33 million, compared with SEK 64 million the previous year. This equates to an operating margin of 3.4% compared with 5.9% for the previous year. The operating margin for the past 12 months is thus 9.2%.

Market

After a relatively stable level of demand for stove products at the start of the year, the situation has changed radically since the end of Q1 due to Covid-19. At the start of Q2, demand for stove products was very weak on virtually all markets, but recovered again at the end of the period. Despite the recently improved market situation, overall demand fell in the first six months in both Europe and North America.

Demand for stove products in Scandinavia recovered considerably at the end of Q2 after the initial concern about the effects of the pandemic. This is mainly due to increased interest in renovation and investments in the home. This effect was particularly evident on the Norwegian market, which had a weak start to the year. In Sweden, the retailer network was open and new single-family homes were being built, which stimulated demand despite the prevailing situation. We are continuing to further enhance our position as the market leader in Scandinavia.

The long closure of virtually all operations in the UK and the entire retailer network for stove products meant that demand naturally fell dramatically in the first six months, although the situation improved when operations were started up again in June. The market for wood-fired and gas-fired products declined most of all. However, demand for electric products was also affected negatively during the last quarter.

Demand for stove products in Germany was at roughly the same level as last year in the first six months, despite the prevailing situation. This may be because the retailer network was not completely shut down, and there was greater interest in investing in a secure heat source. After a strong start to the year, general demand in Q2 fell dramatically in all product segments in France.

In North America, demand for stove products has been at a stable level for an extended period of time, driven by a strong economy. However, demand there also fell in Q2 as parts of the retailer network were closed at certain times and to different extents in a number of regions.

Operations

The first six months and in particular Q2 are normally the best period in which to launch new products and hold customer events. Due to the prevailing situation, the scope of these was smaller than in previous years but, using new technology, and with a high level of commitment

NIBE Stoves

Key ratios		2020 Q1-2	2019 Q1-2	Past 12 months	2019 Full year
Net sales	SEK m	979	1,091	2,391	2,503
Growth	%	-10.2	9.6	-3.4	5.2
of which acquired	%	0.0	3.8	0.0	1.6
Operating profit	SEK m	33	64	221	252
Operating margin	%	3.4	5.9	9.2	10.1
Assets	SEK m	3,465	3,545	3,465	3,614
Liabilities	SEK m	609	418	609	442
Investments in non-current assets	SEK m	42	36	79	73
Depreciation	SEK m	68	61	131	124

and activities in small groups close to our customers, we were able to carry out a number of product launches and sales promotions with good results.

At the end of 2016, NIBE acquired 65% of shares in the Canadian stove manufacturer Fireplace International, FPI, which sells and markets its products under the brand name Regency in North America and Australia. In Q2, an agreement was concluded with the previous principal owners to acquire the remaining shares, while the executive management continued to hold a small shareholding in the company.

The rights to sell and market Dovre's products in Norway were also acquired in the spring. Dovre is one of Norway's oldest and best known brands in our industry. Its range consists mainly of cast iron stoves, which supplement our existing range of products. Sales will be via Nordpeis, which has an extensive distribution network in Norway. Overall, this means that we are further consolidating our position on the Norwegian market.

Our production units in the UK and Canada were completely shut down for periods of varying lengths due to Covid-19. After a short period, the production unit in Canada was gradually restarted, while operations in the UK were completely shut down for two months. As the retailer network was shut down to the same extent, this did not result in disruption to deliveries or changed stock levels. Our other production units in Sweden and Poland, however, were in operation and able to supply the market with products.

The lower operating margin so far this year is primarily due to lower sales. To counteract the impact of the prevailing situation on both sales and operating profit, aggressive savings measures have been taken. However, they are not expected to be able to entirely outweigh the negative effects for the full year. We are continuing with our proactive investment in product development for the future, which we consider essential even in a challenging market situation.



When large retailer meetings were not feasible in the spring, Contura fitted out a container and took a roadshow around Sweden. This was highly appreciated by the retailers.

Condensed income statement

(SEK million)	Group						Parent	
	Q2 2020	Q2 2019	Jan-June 2020	Jan-June 2019	Past 12 months	Full year 2019	Jan-June 2020	Jan-June 2019
Net sales	6,227	6,093	12,572	11,856	26,058	25,342	14	12
Cost of goods sold	-4,277	-4,137	-8,634	-8,058	-17,612	-17,036	0	0
Gross profit	1,950	1,956	3,938	3,798	8,446	8,306	14	12
Selling expenses	-882	-938	-1,859	-1,864	-3,760	-3,765	0	0
Administrative expenses	-460	-421	-922	-839	-1,840	-1,757	-41	-41
Other operating income	74	62	163	139	278	254	0	0
Operating profit	682	659	1,320	1,234	3,124	3,038	-27	-29
Net financial items	-34	-63	-98	-106	-194	-202	275	993
Profit after net financial items	648	596	1,222	1,128	2,930	2,836	248	964
Tax	-156	-148	-296	-264	-684	-652	0	0
Net profit	492	448	926	864	2,246	2,184	248	964
Net profit attributable to Parent shareholders	480	448	902	863	2,209	2,170	248	964
Net profit attributable to non-controlling interest	12	0	24	1	37	14	0	0
Net profit	492	448	926	864	2,246	2,184	248	964
Includes depreciation according to plan as follows	314	259	632	503	1,165	1,036	0	0
Net earnings per share before and after dilution, SEK	0.95	0.89	1.79	1.71	4.38	4.31	0	0

Statement of comprehensive income

Net profit	492	448	926	864	2,246	2,184	248	964
Other comprehensive income								
Items that will not be reclassified to profit or loss								
Actuarial gains and losses in retirement benefit plans	0	-125	0	-125	-108	-233	0	0
Tax	0	26	0	26	23	49	0	0
	0	-99	0	-99	-85	-184	0	0
Items that may be reclassified to profit or loss								
Cash flow hedges	27	2	-7	2	-2	7	0	0
Hedging of net investment	42	-6	12	-23	12	-23	0	0
Exchange differences	-1,613	175	-262	781	-253	790	0	0
Tax	92	2	-4	-37	1	-32	0	0
	-1,452	173	-261	723	-242	742	0	0
Total other comprehensive income	-1,452	74	-261	624	-327	558	0	0
Total comprehensive income	-960	522	665	1,488	1,919	2,742	248	964
Comprehensive income attributable to Parent shareholders	-965	522	641	1,487	1,881	2,727	248	964
Comprehensive income attributable to non-controlling interest	5	0	24	1	38	15	0	0
Total comprehensive income	-960	522	665	1,488	1,919	2,742	248	964

Condensed balance sheet

(SEK million)	Group			Parent		
	30 Jun 2020	30 Jun 2019	31 Dec 2019	30 Jun 2020	30 Jun 2019	31 Dec 2019
Intangible assets	20,389	18,159	18,703	0	0	0
Property, plant and equipment	5,480	4,598	4,963	0	0	0
Financial assets	611	558	589	15,676	15,501	16,114
Total non-current assets	26,480	23,315	24,255	15,676	15,501	16,114
Inventories	4,932	4,821	4,403	0	0	0
Current receivables	4,250	4,228	4,400	123	59	657
Investments in securities etc.	229	95	227	0	0	0
Cash and bank balances	3,910	3,526	3,944	36	87	0
Total current assets	13,321	12,670	12,974	159	146	657
Total assets	39,801	35,985	37,229	15,835	15,647	16,771
Equity	18,273	16,261	17,604	9,381	8,070	9,133
Non-current liabilities and provisions, non-interest-bearing	5,182	4,580	4,759	543	389	303
Non-current liabilities and provisions, interest-bearing	8,108	8,215	7,653	4,100	5,607	5,600
Current liabilities and provisions, non-interest-bearing	5,109	4,109	4,212	311	81	232
Current liabilities and provisions, interest-bearing	3,129	2,820	3,001	1,500	1,500	1,503
Total equity and liabilities	39,801	35,985	37,229	15,835	15,647	16,771

Key ratios

		Jan-June 2020	Jan-June 2019	Full year 2019
Growth	%	6.0	15.9	12.5
Operating margin	%	10.5	10.4	12.0
Profit margin	%	9.7	9.5	11.2
Investments in non-current assets, including acquisitions	SEK m	2,849	986	2,059
Cash and equivalents	SEK m	4,534	4,092	4,703
Working capital, incl. cash and bank balances as share of net sales	SEK m %	8,212 31.5	8,561 35.5	8,762 34.6
Working capital, excl. cash and bank balances as share of net sales	SEK m %	4,074 15.6	4,940 20.5	4,591 18.1
Interest-bearing liabilities/Equity	%	61.9	68.0	60.8
Equity/assets ratio	%	45.6	45.1	47.0
Return on capital employed	%	11.6	12.0	12.3
Return on equity	%	12.7	13.7	13.5
Net debt/EBITDA	times	1.7	2.0	1.6
Interest coverage ratio	times	7.7	7.3	7.6

Data per share

		Jan-June 2020	Jan-June 2019	Full year 2019
Net profit per share (total 504,016,622 shares)	SEK	1.79	1.71	4.31
Equity per share	SEK	36.01	32.20	34.74
Closing day share price	SEK	205.90	135.95	162.40

Condensed cash flow statement

(SEK million)	Jan-June 2020	Jan-June 2019	Full year 2019
Cash flow from operating activities	1,540	1,590	3,448
Change in working capital	9	- 529	- 490
Investing activities	- 1,763	- 873	- 1,623
Financing activities	197	152	- 439
Exchange difference in cash and equivalents	- 15	92	86
Change in cash and cash equivalents	- 32	432	982

Change in equity – summaries

(SEK million)	Jan-June 2020	Jan-June 2019	Full year 2019
Opening equity	17,604	15,421	15,421
Effect of change in accounting policy ¹⁾	0	- 10	- 10
Adjusted opening equity	17,604	15,411	15,411
Shareholders' dividend	0	- 655	- 655
Capital contribution from non-controlling interest	0	0	41
Dividend to non-controlling interest	- 1	- 1	- 1
Change in non-controlling interest	5	18	66
Comprehensive income for the period	665	1,488	2,742
Closing equity	18,273	16,261	17,604

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

Financial instruments measured at fair value

(SEK million)	Jan-June 2020	Jan-June 2019	Full year 2019
Current receivables			
Currency futures	2	4	8
Commodity futures	1	1	1
Total	3	5	9
Financial assets			
Interest rate derivatives	0	4	8
Current liabilities and provisions, non-interest-bearing			
Currency futures	0	0	0
Commodity futures	0	0	0
Total	0	0	0

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.

Sales by geographical region

(SEK million)	NIBE Climate Solutions	NIBE Element	NIBE Stoves	Eliminations	Total
Nordic countries	2,241	619	279	- 210	2,929
Europe (excl. Nordics)	3,906	1,072	437	- 93	5,322
North America	1,983	1,373	220	- 8	3,568
Other countries	215	495	43	0	753
Total	8,345	3,559	979	- 311	12,572

Time of accounting for sales

(SEK million)	NIBE Climate Solutions	NIBE Element	NIBE Stoves	Elimina- tions	Total
Deliverables taken up as revenue once	8,160	3,559	979	- 311	12,387
Deliverables taken up as revenue gradually	185	0	0	0	185
Total	8,345	3,559	979	- 311	12,572

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.

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)	Jan-June 2020	Jan-June 2019	Full year 2019
Acquisition of non-current assets	2,855	989	2,073
Disposal of non-current assets	-6	-3	-14
Net investments in non-current assets, including acquisitions	2,849	986	2,059

Working capital, including cash and bank balances

(SEK million)	Jan-June 2020	Jan-June 2019	Full year 2019
Total current assets	13,321	12,670	12,974
Current liabilities and provisions, non-interest-bearing	-5,109	-4,109	-4,212
Working capital, including cash and bank balances	8,212	8,561	8,762
Net sales in the past 12 months	26,058	24,139	25,342
Working capital, including cash and bank balances, in relation to net sales, %	31.5	35.5	34.6

Return on capital employed

(SEK million)	Jan-June 2020	Jan-June 2019	Full year 2019
Profit after net financial items, last 12 months	2,930	2,764	2,836
Financial expenses in the past 12 months	432	342	429
Profit before financial expenses	3,362	3,106	3,265
Capital employed at start of period	28,258	24,660	24,660
Capital employed at end of period	29,511	27,296	28,258
Average capital employed	28,885	25,978	26,459
Return on capital employed, %	11.6	12.0	12.3

Net debt/EBITDA

(SEK million)	Jan-June 2020	Jan-June 2019	Full year 2019
Non-current liabilities and provisions, interest-bearing	8,108	8,215	7,653
Current liabilities and provisions, interest-bearing	3,129	2,820	3,001
Cash and bank balances	-3,910	-3,526	-3,944
Investments in securities etc.	-229	-95	-227
Net debt	7,098	7,414	6,483
Operating profit in the past 12 months	3,124	2,934	3,038
Depreciation/amortisation and impairment in the past 12 months	1,166	853	1,037
EBITDA	4,290	3,787	4,075
Net debt/EBITDA, times	1.7	2.0	1.6

Cash and equivalents

(SEK million)	Jan-June 2020	Jan-June 2019	Full year 2019
Cash and bank balances	3,910	3,526	3,944
Investments in securities etc.	229	95	227
Unutilised overdraft facilities	395	471	532
Cash and equivalents	4,534	4,092	4,703

Working capital, excluding cash and bank balances

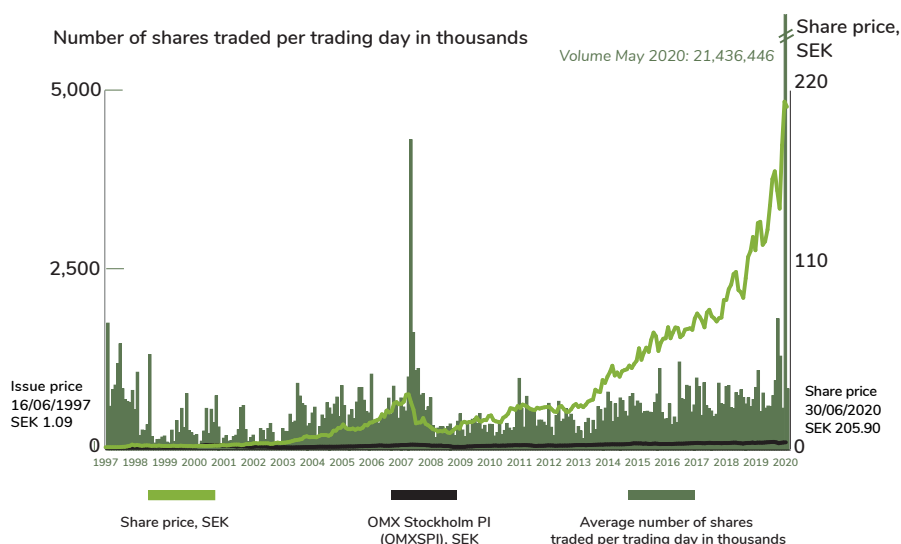
(SEK million)	Jan-June 2020	Jan-June 2019	Full year 2019
Inventories	4,932	4,821	4,403
Current receivables	4,250	4,228	4,400
Current liabilities and provisions, non-interest-bearing	-5,109	-4,109	-4,212
Working capital, excluding cash and bank balances	4,073	4,940	4,591
Net sales in the past 12 months	26,058	24,139	25,342
Working capital, excluding cash and bank balances, in relation to net sales, %	15.6	20.5	18.1

Return on equity

(SEK million)	Jan-June 2020	Jan-June 2019	Full year 2019
Profit after net financial items, last 12 months	2,930	2,764	2,836
Standard tax rate, %	21.4	21.4	21.4
Profit after net financial items, after tax	2,303	2,173	2,229
Of which attributable to Parent shareholders	2,266	2,175	2,215
Equity at start of period	17,509	15,406	15,406
Equity at end of period	18,150	16,227	17,509
Average equity	17,830	15,817	16,458
Return on equity, %	12.7	13.7	13.5

Interest coverage ratio

(SEK million)	Jan-June 2020	Jan-June 2019	Full year 2019
Profit after net financial items	1,222	1,128	2,836
Financial expenses	182	179	429
Interest coverage ratio, times	7.7	7.3	7.6



NIBE shares

NIBE's class B shares are listed on the NASDAQ Nordic Large Cap list in Stockholm, with a secondary listing on the SIX Swiss Exchange in Zurich. The NIBE share's closing price on 30 June 2020 was SEK 205.90.

In the first half of 2020, NIBE's share price rose by 26.8%, from SEK 162.40 to SEK 205.90. During the same period, the OMX Stockholm PI (OMXSPI) decreased by 5.0%.

This means that, at the end of June 2020 the market capitalisation of NIBE, based on the latest price paid, amounted to SEK 103,777 million.

A total of 173,097,232 NIBE shares were traded, which corresponds to a share turnover of 68.7% in the first half of 2020.

All figures were recalculated following the 4:1 splits implemented in 2003, 2006 and May 2016, and the dilution effect of the preferential rights issue in October 2016.

Accounting policies

NIBE Industrier's consolidated accounts are drawn up in accordance with the International Financial Reporting Standards (IFRS). NIBE Industrier's interim report for the second quarter of 2020 has been drawn up in accordance with IAS 34 'Interim Financial Reporting'. Disclosures in accordance with IAS 34 16A are presented in the financial statements and related note information as well as in other parts of the interim report.

For the Group, the same accounting policies as those adopted for this report are described on pages 88-91 of the company's Annual Report for 2019. 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 2019.

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 2019.

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

Markaryd, Sweden, 19 August 2020



Hans Linnarson
Chairman of the Board



Georg Brunstam
Director



Jenny Larsson
Director



Anders Pålsson
Director

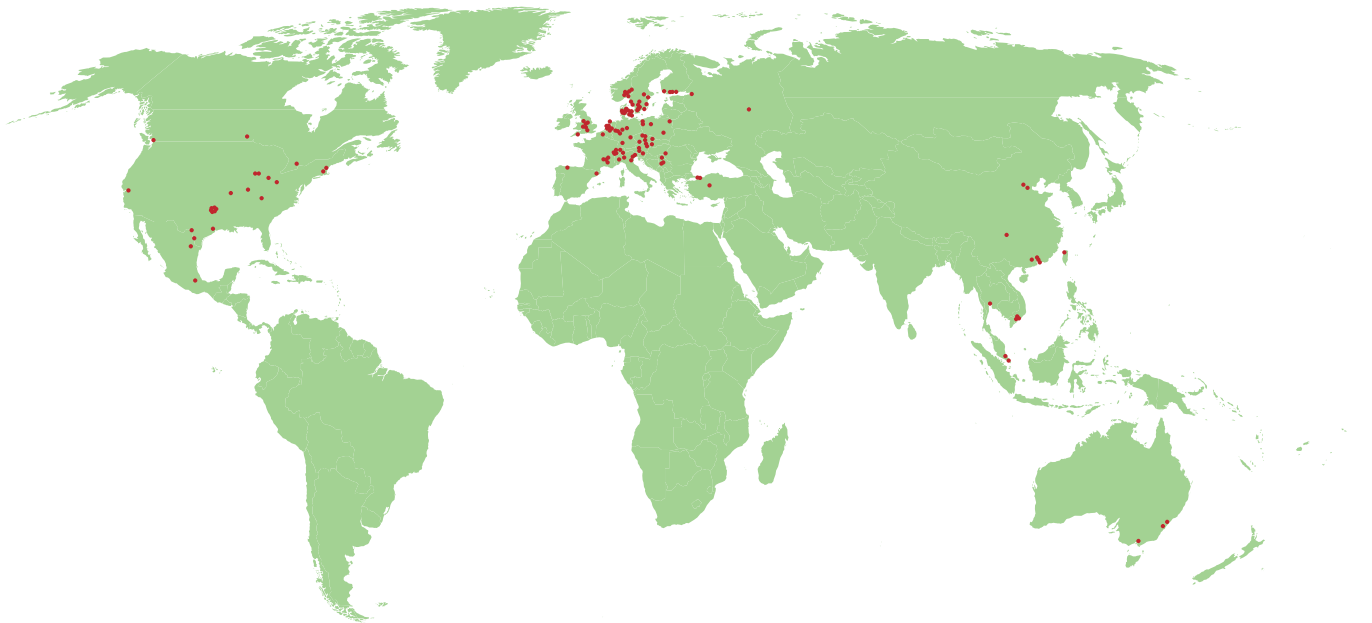


Jenny Sjödaht
Director



Gerteric Lindquist
Managing Director and
CEO

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



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

NIBE Group is a global organisation that contributes to a lower 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 properties, 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 an average of 17,000 (16,600) employees and a global presence. From the very start, the company has been 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 interim report. This information was made available to the media for publication at 08:00 (C.E.T.) on 19 August 2020.

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

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