

# NIBE

– world-class solutions in sustainable energy



- **SALES** totalled SEK 11,856 million (SEK 10,233 million)
- **PROFIT AFTER NET FINANCIAL ITEMS** amounted to SEK 1,128 million (SEK 1,031 million)
- **PROFIT AFTER TAX** was SEK 864 million (SEK 776 million)
- **EARNINGS** per share before and after dilution, based on average number of shares outstanding during the period, were SEK 1.71 (SEK 1.54)
- **ACQUISITION OF**
  - Remaining 55% of shares in Italian ventilation and air conditioning company Rhoss S.p.A
- **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

Interim report 2 · 2019

# Continued stable growth but variations in demand

Consolidated sales for the first half of the year grew by 15.9% (13.6%), of which 10.7% (6.9%) was organic. The weak Swedish krona had a marked positive effect on sales growth, although to a lesser extent during the latter part of the period.

Overall demand continues to be subject to wide variations. In purely general terms, products with a sustainability profile, particularly climate control of homes, continued to perform well since there is a clear political will to invest in them. However, several categories of consumer products and some specialist products saw slower growth. It is quite clear that political unease around the world, uncertainty about Brexit and the introduction of trade barriers have had a negative impact on demand for these products. Concerns about an upcoming interest rate hike have most likely also contributed to restraint, but in recent weeks, interest rate expectations have rather showed a downward trend.

On 10 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.

Over the next three years, NIBE will 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 the business entirely after another three or four years. That the company's management has also been given the opportunity to become partners is entirely in line with NIBE's business philosophy and values.

**The NIBE Climate Solutions business area** is in exactly the right market segment now that the transition to a more sustainable society has been properly set in motion. Consequently, the business area continued to work purposefully to strengthen its position as the leading supplier of intelligent, sustainable, high-performance climate control solutions designed for single-family homes. Equally targeted efforts are also in progress to establish the business area in a similar position in the commercial property market. The acquisition of the remaining 55% of shares in the Italian ventilation and air conditioning company Rhoss is another important step in these efforts.

Major development resources are also being invested in being the leader in future generations of products in which eco-friendly refrigerants, connectivity and intelligent control will be some of the decisive elements.

We are pleased to note both our good sales growth and the improvement in our operating margin. A solid market presence and our comprehensive, high-performance product range, combined with favourable market conditions in both North America and most countries in Europe, are the main reasons for the good growth. Organic growth, continued work on internal productivity and certain price adjustments all contributed to the improved operating margin.

**The NIBE Element business area** was affected in the first half of the year and particularly during the latter part of the period by a highly hesitant market, but with considerable variations between market segments.

The market segments with a clear sustainability profile are those that have developed best, for example wind energy and sustainable climate control solutions. However, there was weaker growth in market segments with a traditional consumer profile. Demand in the semiconductor industry, a relatively new but important market segment for the business area, was generally considerably lower. We are also seeing a lower level of investment in the transport sector, primarily on infrastructure. Even though the semiconductor industry and the market for electric vehicles started the year cautiously, expectations are high for both market segments in the coming year. With our wide product range, our strong geographical presence and our advanced technology centres, we see many opportunities to become an even bigger supplier in these areas.

The declines in both operating profit and operating margin are direct consequences of the unfavourable product mix, increased cost pressure in our low-cost units and the lower sales growth during the latter part of the period.

**The Stoves business area**, like Element, also saw cautious sales growth, particularly during the latter part of the period, although there

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## Calendar

### 16 August 2019

08:00 (CET) Interim report 2, January – June 2019

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

Presentation of Interim Report 2, 2019 and opportunity to ask questions.

Registration on our website [www.nibe.com](http://www.nibe.com) is required in order to access the presentation images during the conference. To listen by phone, call +46 8 566 42 695.

### 15 November 2019

Interim Report 3, January – September 2019

### 13 February 2020

Year-end report 2019

### 14 May 2020

Interim Report 1, January – March 2020

17:00 Annual General Meeting



were also variations between geographical areas and market segments. In purely general terms, growth in North America was slightly weaker, while Europe remained on roughly the same level as last year. In terms of growth in the various market segments, products designed for pellets, gas and electricity had better growth, while wood-burning products saw weaker demand.

Like the two other business areas, the decisive success factors are continuous product development, focusing on both design and efficiency, a wide product range and good market presence.

The weaker operating profit and operating margin are primarily due to strong product development and marketing initiatives, but also to increased price competition in a generally weaker market.

**The level of investment** in our existing businesses amounted to SEK 619 million during the first six months, compared with SEK 358 million in the previous year, and the rate of depreciation was SEK 503 million compared with SEK 341 million last year. In accordance with IFRS 16, depreciation for the period also includes depreciation on leases of SEK 105 million, which was not the case last year. Depreciation would otherwise have amounted to SEK 398 million instead of SEK 503 million. As mentioned earlier, the rate of investment in the years to come will be close to the depreciation rate, excluding leases.

**The operating profit** improved by 9.3% in the first half of the year compared with the corresponding period last year, while the operating margin of 10.4% is 0.6 percentage points lower than in the first half of last year. This is explained by the slightly lower operating margin in both NIBE Element and NIBE Stoves.

**Profit after net financial items** improved by 9.4% in the first half of the year compared with the corresponding period last year, leading to a profit margin of 9.5%, 0.6 percentage points lower than in the first half of last year. The main reason for the reduction in net financial items is mainly that the Group's lease costs are partially recognised in net financial items after the introduction of IFRS 16.

## Outlook for 2019

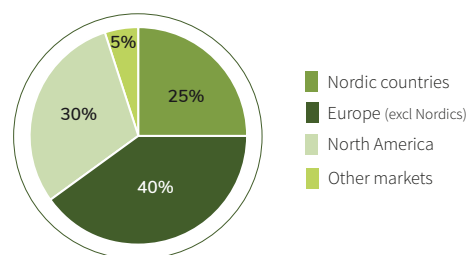
- Our corporate philosophy and our strong range of products, with their focus on sustainability and energy efficiency, are in tune with the times in which we are living.
- We are well prepared to continue to be proactive on acquisitions.
- Our internal efforts to enhance efficiency, combined with our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

Markaryd, Sweden, 16 August 2019

Gert Eric Lindquist  
Managing Director and CEO

NIBE Group Key ratios		2019 Q1-2	2018 Q1-2	Past 12 months	2018 Full year
Net sales	SEK m	11,856	10,233	24,139	22,516
Growth	%	15.9	13.6	19.3	18.5
of which acquired	%	5.2	6.7	5.3	6.0
Operating profit	SEK m	1,234	1,129	2,934	2,829
Operating margin	%	10.4	11.0	12.2	12.6
Profit after net financial items	SEK m	1,128	1,031	2,764	2,667
Profit margin	%	9.5	10.1	11.4	11.8
Equity ratio	%	45.1	45.6	45.1	47.7
Return on equity	%	13.7	13.5	14.2	14.8

Group sales by geographical region



## Sales

Consolidated net sales totalled SEK 11,856 million (SEK 10,233 million). This corresponds to growth of 15.9%, of which 10.7% was organic. Acquired operations accounted for SEK 536 million of the total SEK 1,623 million increase in sales.

## Earnings

Profit for the period after net financial items was SEK 1,128 million. This equates to a 9.4% increase in earnings compared with the same period in 2018. In 2018, profit after net financial items amounted to SEK 1,031 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 period was charged with acquisition and disposal expenses of SEK 29 million (SEK 11 million). Return on equity was 13.7% (13.5%). 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 SEK 670 million, was consolidated into the NIBE Climate Solutions business area as from January 2019. The acquisition value is still provisional.

## Change of ownership

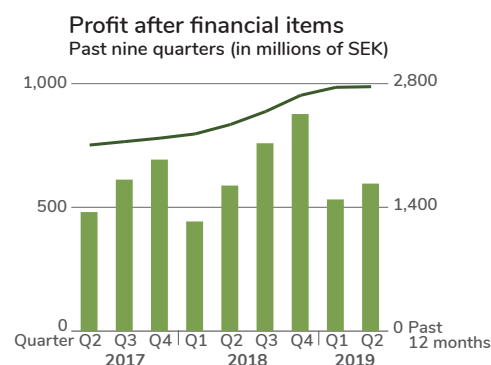
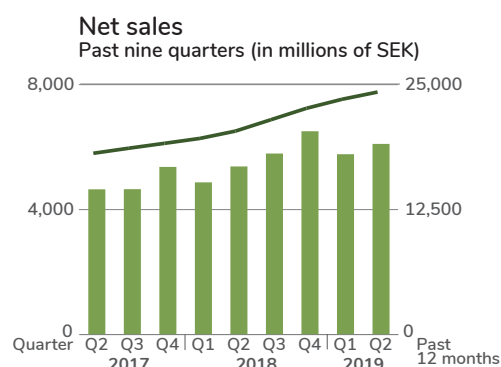
On 10 May, 100% of the shares in the Swiss company Schulthess Maschinen AG were sold for CHF 150 million on a cash-free and debt-free basis to a new owner company in which NIBE holds a 51% interest. The other owners are Helvetica Capital AG and the company's management. The agreement grants Helvetica Capital AG an option to acquire another 26% of the shares within a period of three years. The aim is to sell the business entirely 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 will be recognised in the present financial year.

## Investments

During the period, the Group made investments totalling SEK 986 million (SEK 1,686 million). A total of SEK 367 million (SEK 1,328 million) of the investments relates to acquisitions of operations. The remaining SEK 619 million (SEK 358 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 1,590 million (SEK 1,181 million). Cash flow after changes in working capital amounted to SEK 1,061 million (SEK 138 million). The effects of IFRS 16 on the consolidated cash flow statement are described under 'Accounting policies' on page 14.



Interest-bearing liabilities at the end of the period amounted to SEK 11,035 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 period, the Group had cash and cash equivalents of SEK 4,092 million as against SEK 3,562 million at the start of the year. The equity/assets ratio at the end of the period was 45.1%, compared with 47.7% at the start of the year and 45.6% at the corresponding time last year.

## Parent

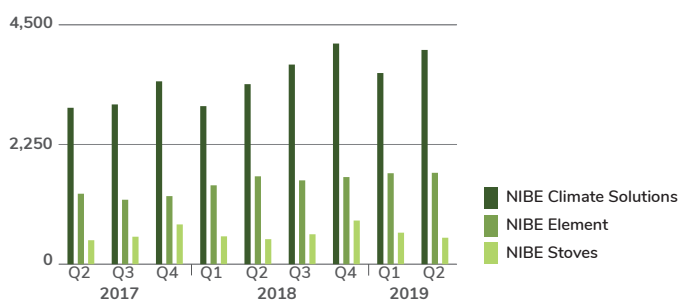
Parent activities comprise Group executive management functions, certain shared Group functions and financing. Sales for the period totalled SEK 12 million (SEK 8 million) and profit after financial items was SEK 964 million (SEK 530 million).

# Business area trends

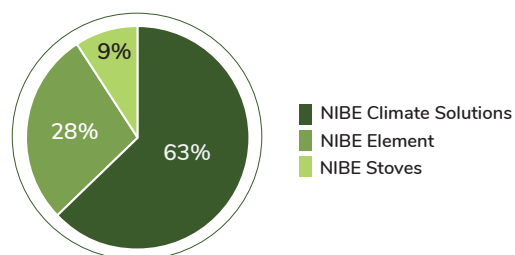
## Quarterly data

Consolidated income statement (SEK million)	2019		2018				2017		
	Q1	Q2	Q1	Q2	Q3	Q4	Q2	Q3	Q4
Net sales	5,763	6,093	4,862	5,371	5,785	6,498	4,639	4,644	5,356
Operating expenses	- 5,188	- 5,434	- 4,365	- 4,739	- 4,990	- 5,593	- 4,110	- 3,981	- 4,630
<b>Operating profit</b>	<b>575</b>	<b>659</b>	<b>497</b>	<b>632</b>	<b>795</b>	<b>905</b>	<b>529</b>	<b>663</b>	<b>726</b>
Net financial items	- 43	- 63	- 54	- 44	- 36	- 28	- 48	- 51	- 33
<b>Profit after net financial items</b>	<b>532</b>	<b>596</b>	<b>443</b>	<b>588</b>	<b>759</b>	<b>877</b>	<b>481</b>	<b>612</b>	<b>693</b>
Tax	- 116	- 148	- 107	- 148	- 152	- 188	- 123	- 130	- 123
<b>Net profit</b>	<b>416</b>	<b>448</b>	<b>336</b>	<b>440</b>	<b>607</b>	<b>689</b>	<b>358</b>	<b>482</b>	<b>570</b>
<b>Net sales, business areas</b>									
NIBE Climate Solutions	3,593	4,027	2,971	3,384	3,752	4,148	2,940	3,003	3,437
NIBE Element	1,710	1,718	1,483	1,652	1,576	1,638	1,325	1,212	1,280
NIBE Stoves	593	498	524	471	563	821	451	517	748
Elimination of Group transactions	- 133	- 150	- 116	- 136	- 106	- 109	- 77	- 88	- 109
<b>Group total</b>	<b>5,763</b>	<b>6,093</b>	<b>4,862</b>	<b>5,371</b>	<b>5,785</b>	<b>6,498</b>	<b>4,639</b>	<b>4,644</b>	<b>5,356</b>
<b>Operating profit per business area</b>									
NIBE Climate Solutions	385	523	308	436	590	628	356	460	523
NIBE Element	161	159	154	198	164	134	158	149	114
NIBE Stoves	50	14	45	23	59	138	31	69	130
Elimination of Group transactions	- 21	- 37	- 10	- 25	- 18	5	- 16	- 15	- 41
<b>Group total</b>	<b>575</b>	<b>659</b>	<b>497</b>	<b>632</b>	<b>795</b>	<b>905</b>	<b>529</b>	<b>663</b>	<b>726</b>

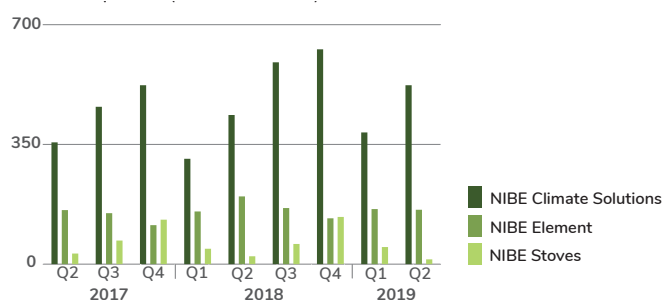
Sales per business area, last nine quarters (SEK million)



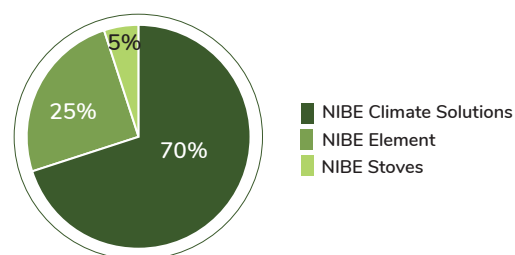
Each business area's share of total sales (Q1-Q2 2019)



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



Each business area's share of total profit (Q1-Q2 2019)



# NIBE Climate Solutions business area

## Sales and profit

Sales for the period totalled SEK 7,620 million, compared with SEK 6,355 million for the corresponding period last year. Of the increase in sales of SEK 1,265 million, acquired sales accounted for SEK 444 million, which means that organic growth was 12.9%.

Operating profit for the period totalled SEK 908 million, compared with SEK 744 million the previous year. This equates to an operating margin of 11.9% compared with 11.7% for the previous year. The operating margin for the past 12 months is thus 13.7%.

## Market

Sustainable, energy-efficient, intelligent solutions for indoor climate comfort in all types of property are high on the international agenda, given the desire to try and resolve the issue of climate change. This is helping give a continuous boost to demand for various heat pump solutions, and we are reinforcing our international market position through our profile as a comprehensive supplier in this area.

The North American heat pump market for single-family homes continued to grow in the first half of the year. State subsidies remain important to the growth of the industry. To reduce our dependency on them in the long term, we are conducting large-scale campaigns to raise awareness among North American consumers of heat pumps as a sustainable solution for climate control in properties.

In both the Nordic region and Western Europe, all our targeted markets are growing. The growing interest among political decision-makers in several countries to tackle global environmental and climate challenges is helping to continue the expansion of the heat pump market. Norway and the Netherlands are good examples of countries that are phasing out fossil fuels and paving the way for sustainable heat pump solutions. There is estimated to be very great potential for heat pumps particularly in France, Germany and the United Kingdom. There are lofty political ambitions to phase out oil and gas as heating fuels in the long term, but high taxes on electricity, combined with low oil and gas prices, are counteracting rapid conversion. However, it is very gratifying that most new single-family homes being built in Germany today have heat pumps.

Market growth in Eastern Europe continues to be strong, and we have reinforced our market position for product concepts for indoor climate comfort, above all heat pumps and water heaters.

The Swedish domestic market for heat pumps continues to grow. The main reason is a growing replacement market, while construction of new single-family homes has declined. As we have a very strong market position in both segments, we can react flexibly to changes of this type.

Demand for energy-efficient product solutions for commercial properties also continues to grow in both North America and Europe. We are well established in North America in this area, and in Europe we are intensifying our focus on the commercial segment, with dedicated new resources.

Demand for traditional water heaters and district heating products remains stable in both the Nordics and the rest of Europe.

## Operations

The first half of the year was marked by major marketing initiatives and product launches at the big international trade fairs AHR Expo in the US and ISH in Germany.

## NIBE Climate Solutions

Key ratios		2019 Q1-2	2018 Q1-2	Past 12 months	2018 Full year
Net sales	SEK m	7,620	6,355	15,520	14,255
Growth	%	19.9	13.9	21.3	18.6
of which acquired	%	7.0	3.4	4.5	2.7
Operating profit	SEK m	908	744	2,126	1,962
Operating margin	%	11.9	11.7	13.7	13.8
Assets	SEK m	23,332	20,380	23,332	20,637
Liabilities	SEK m	3,049	2,555	3,049	2,463
Investments in non-current assets	SEK m	353	209	548	404
Depreciation	SEK m	304	220	532	448

To enhance our profile as the market leader in energy-efficient, environmentally friendly, intelligent product solutions for indoor climate comfort, we also attend several national trade fairs and focus strongly on digital media to reach out to end consumers, installers and other decision-makers in the industry.

All the managers in the business area gathered in Sweden for a few days in June to lay down the strategies for how we can best jointly enhance our international market position and achieve the Group's new interim targets.

Market introductions of innovative new products are ongoing in all application areas and are a prerequisite for our continued expansion. One of the results of our continuous heavy investment in product development of sustainable climate control solutions is that we have made a quantum leap in terms of connectivity and intelligent control.

The EU F-gas Regulation continues to affect the entire European heat pump industry. Consequently, we are working hard to convert our heat pumps to more environmentally friendly refrigerants without compromising on efficiency and quality.

With the acquisition of the remaining 55% of the shares in the Italian ventilation and air conditioning company Rhoss just after year-end, we now have a wholly owned subsidiary that will be an important platform for our commercial initiatives in Europe. Integration has begun with a new, very experienced management team, and the target is a double-digit operating margin within 24 months.

Our production capacity and delivery capability fully satisfy market expectations for all products, and we note that our continuous strong focus on our internal quality management work continues to result in increased customer satisfaction.

We implement cost-saving measures on an ongoing basis in production, purchasing and other operations to maintain our healthy underlying operating margin. Continuous improvement measures are under way to ensure those acquired units with a margin that falls short of our existing operations achieve established targets, usually within two years.



NIBE Climate Solutions held part of its strategy meeting at the Nobel Prize Museum in Stockholm, of which NIBE Industrier is now the principal partner.



A proud and emotional Gerteric Lindquist had the opportunity to talk to all the companies in the Climate Solutions business area in a place that is a world-famous symbol of science, technical innovation and advances in human endeavour.

"Our products are part of the solution to the problems facing humanity. I am convinced that Alfred Nobel would have appreciated our humble yet purposeful approach to the task at hand."



Workshops were held at which the sales strategies were presented with the target of achieving sales of SEK 25 billion in the Climate Solutions business area by 2025.

## NIBE named Sustainability Company of the Year by Carnegie

NIBE Industrier took first place when Carnegie announced the Sustainability Company of the Year from among the large companies on the stock exchange's Large Cap list. Part of the citation was that "NIBE is innovative and actively pursues development and environmental initiatives to constantly produce more energy-efficient products".

World-class solutions in sustainable energy is a summary of the long-term business strategy of NIBE Industrier and the Group has worked systematically on sustainability issues over the past ten years.

"A sustainable business sector is essential to the necessary worldwide transition to a more sustainable society. An indication that things are moving in the right direction is that sustainable products now account

for an increasing share of the company's sales. At NIBE we are driven by a powerful vision that our own work on sustainable products is beneficial to business," says Kenneth Magnusson, CSO at NIBE.

### Of great interest to young people

"We see a clear increase in demand for sustainable products, particularly among the younger generation. We also see a marked increase in interest in sustainability issues from investors. Before long, demands from an increasing number of investors will mean that there will be wide access to capital for sustainable production," says Helene Olsson, head of supplier quality assurance at NIBE.

NIBE's products are developed to be sustainable and environmentally friendly. They run on renewable energy and help customers phase out the use of fossil fuels

for heating and reduce their carbon footprint. Heat pumps are a good solution for reducing your energy consumption and carbon footprint as they are very energy-efficient and produce energy savings of up to 80% compared with conventional heating systems.

"Our products supply homes with heating, cooling, ventilation and hot water, making it possible to create an ideal indoor climate with good ventilation and a steady, stable temperature, while helping achieve global sustainable development goals," says Magnusson.



# NIBE Element business area

## Sales and profit

Sales for the period totalled SEK 3,428 million, compared with SEK 3,135 million for the corresponding period last year. Of the increase in sales of SEK 294 million, acquired sales accounted for SEK 98 million, which means that organic growth was 6.3%.

Operating profit for the period totalled SEK 320 million, compared with SEK 352 million the previous year. This equates to an operating margin of 9.3% compared with 11.2% for the previous year. The operating margin for the past 12 months is thus 9.3%.

## Market

The international element market was generally cautious during the first half of the year, but growth varies dramatically between market segments. There is something of a slowdown in economic growth on several geographical markets, but many segments that primarily focus on conversion to more sustainable energy solutions are seeing growth.

Several strategic acquisitions both last year and at the start of this year have expanded the business area's geographical distribution and product offering.

Market segments linked to the construction sector continue to develop well, particularly in terms of products focusing on renewable energy and sustainable energy solutions. However, there is something of a decline for consumer products such as domestic appliances on several markets.

We can see that several profitable specialist segments that had strong growth last year saw much slower growth during the first half of the year. This is true of segments that include heating jackets with products designed for machine manufacturers focusing on the semiconductor industry, which are finding that their customers are making fewer investments. The semiconductor industry, a new segment for NIBE Element, has also undergone dramatic cyclical fluctuations in the past. We are also seeing a lower level of investment in the transport sector on infrastructure.

There is reduced demand overall in the automotive industry. At the same time, we are carrying out several development projects with our customers in the automotive industry to meet greater demand for environmental performance and conversion to electric or hybrid vehicles. The evolution towards more advanced safety systems also entails new needs for heating solutions, usually with control and monitoring, so we are enhancing our resources in these areas. In the short term, these development investments mean higher costs, but will generate good market opportunities in the longer term.

We are seeing much greater uncertainty among our international customers about where they should locate their production facilities because of changes in customs duties and trade rules. Although the growing uncertainty has some negative impact, we also see major advantages in having our production facilities in many different countries, allowing us to better follow changes in trading patterns. However, the opportunities for relocating production may, in some cases, be limited initially by access to machine capacity and human resources.

## NIBE Element

Key ratios		2019	2018	Past	2018
		Q1-2	Q1-2	12 months	Full year
Net sales	SEK m	3,428	3,135	6,642	6,349
Growth	%	9.4	20.1	18.0	24.4
of which acquired	%	3.1	15.7	8.3	15.3
Operating profit	SEK m	320	352	618	650
Operating margin	%	9.3	11.2	9.3	10.2
Assets	SEK m	8,387	7,496	8,387	7,655
Liabilities	SEK m	1,317	1,208	1,317	1,177
Investments in non-current assets	SEK m	153	82	284	214
Depreciation	SEK m	138	83	222	166

## Operations

To reach the next stage in our expansion towards the Group's new interim targets and be able to make better use of the advantages of being a global supplier, all the managers in the business area met in Sweden for a few days in May. The objective of the strategy meetings was for the companies to work together even more to be able to derive even greater benefit from each other's product range and market presence.

We continue to work intensively to improve the competitiveness of our units in each market segment. This includes further targeted investments in areas such as industrial robots and automation, along with measures to boost productivity. This is essential if we are to maintain the operating margin at the established target of 10%. Among other things, two industrial units, one in the US and one in the UK, have been relocated and modernised. We see good future growth potential in resistors and control, so we have increased production capacity in Poland and taken measures to boost productivity.

A continued shortage of labour and dramatically increased cost pressure in several of our low-cost units further heighten the need to implement projects to raise productivity in these units as well. We are also implementing several measures to improve health and safety for our employees and achieve our sustainability targets. Establishment in additional Asian markets outside of China also gives us access to alternative low-cost production.

Exchange rates remain volatile, with a considerable effect on pricing and competitiveness. In this situation, having production units in different currency zones is advantageous. We are seeing increases in the prices of certain metals and inputs, which necessitates continued price adjustments in most market and product segments.



For two days in May, managers from more than 50 companies in the NIBE Element business area met in Sweden to attend inspirational talks by Group management and their business area management teams, plus workshops focusing on technology, marketing and sales. Sustainability and innovative product solutions were in focus at the internal trade fair that was held, with each company presenting itself, its products and its services.



# NIBE Stoves business area

## Sales and profit

Sales for the period totalled SEK 1,091 million, compared with SEK 995 million for the corresponding period last year. Of the increase in sales of SEK 96 million, acquired sales accounted for SEK 37 million, which means that organic growth was 5.8%.

Operating profit for the period totalled SEK 64 million, compared with SEK 68 million the previous year. This equates to an operating margin of 5.9% compared with 6.9% for the previous year. The operating margin for the past 12 months is thus 10.6%.

## Market

Demand for stove products in Europe during the first half of the year was at roughly the same level as in the first half of last year, but with differences between the various markets and product segments. Demand in North America decreased slightly but remains at a high, stable level.

Growth has been mixed in Scandinavia so far this year, with slightly lower demand on the Swedish market, while demand on the Norwegian and Danish markets was better. Demand in Norway is primarily being driven by the strong economy and increased new construction, while in Denmark it is due to the introduction of subsidies for scrapping old and obsolete stoves. Demand in Sweden has been negatively affected by a fall in the construction of new single-family houses. Wood-fired products in a modern design continue to completely dominate the Scandinavian market.

After several years of increased demand for gas-fired products in the UK, growth has levelled out, although at a high level. The debate on wood firing and the introduction of the new Ecodesign requirements have generated great uncertainty among consumers, leading to a continued or even magnified fall in demand for wood-fired products during the first half of the year. However, interest in electric stoves has grown.

Demand for stove products in France has fallen slightly overall, primarily for wood-fired products, while demand for pellet-fired products, which now make up a significant proportion of the total market, has continued to grow. After several years of reduced demand in Germany, the market situation seems to have stabilised in the first half of the year.

In North America, demand for both gas-fired and wood-fired products has fallen slightly so far this year, which may be due to the slightly lower rate of housing construction. In addition, future new requirements for wood-fired products, which will not be introduced until next year, have already had a dampening effect on sales to retailers as their stock and existing display products must be sold first.

## Operations

During the spring, we continued to launch new products at full speed under several brands on our main markets and carried out many customer activities.

Contura's popular model series, Contura 800, its smallest in terms of size, has been upgraded with sev-

## NIBE Stoves

Key ratios		2019	2018	Past	2018
		Q1-2	Q1-2	12 months	Full year
Net sales	SEK m	1,091	995	2,475	2,379
Growth	%	9.6	2.5	9.5	6.4
of which acquired	%	3.8	0.0	3.5	1.9
Operating profit	SEK m	64	68	261	265
Operating margin	%	5.9	6.9	10.6	11.2
Assets	SEK m	3,545	3,160	3,545	3,304
Liabilities	SEK m	418	350	418	407
Investments in non-current assets	SEK m	36	40	77	80
Depreciation	SEK m	61	39	99	77

eral new functions and variants. This means that Contura now has several model series of freestanding wood-fired stoves, all with the same new functions and very good combustion technology in a popular timeless design. The new products were launched in Sweden during the early summer. A very large number of retailers from all main markets had the opportunity to view the new products, visit our operations and experience Sweden at its most beautiful. The event, which was very popular, also helped increase loyalty to our brand.

The new rules for wood-fired stoves in North America will be introduced in May 2020, which will require lower particle emissions and that old products that do not meet the requirements may not be sold after this date. FPI, our company in North America that manufactures and sells products under the Regency brand, has therefore set aside major development resources to modify our extensive model programme. All models that are currently in production meet the future requirements, so we are well prepared for the coming change.

The slightly lower operating margin is partly due to increased price competition in a generally weaker market but is above all because we continue to tirelessly and actively invest in product development and implement effective marketing initiatives with our retailers.



*This year, Contura decided to take a new approach and focus on more personal customer interaction. The entire Contura team welcomed retailers in Markaryd and the event was a great success. The 600+ guests enjoyed a few unforgettable days, and the order book is full. The modernised Contura 800 series was among the new products (photo at left).*



## Condensed income statement

(SEK million)	Group						Parent	
	second quarter 2019	second quarter 2018	Jan-June 2019	Jan-June 2018	Past 12 months	Full year 2018	Jan-June 2019	Jan-June 2018
Net sales	6,093	5,371	11,856	10,233	24,139	22,516	12	8
Cost of goods sold	-4,137	-3,587	-8,058	-6,858	-16,254	-15,054	0	0
<b>Gross profit</b>	<b>1,956</b>	<b>1,784</b>	<b>3,798</b>	<b>3,375</b>	<b>7,885</b>	<b>7,462</b>	<b>12</b>	<b>8</b>
Selling expenses	-938	-842	-1,864	-1,657	-3,639	-3,432	0	0
Administrative expenses	-421	-366	-839	-694	-1,598	-1,453	-41	-31
Other operating income	62	56	139	105	286	252	0	0
<b>Operating profit</b>	<b>659</b>	<b>632</b>	<b>1,234</b>	<b>1,129</b>	<b>2,934</b>	<b>2,829</b>	<b>-29</b>	<b>-23</b>
Net financial items	-63	-44	-106	-98	-170	-162	993	553
<b>Profit after net financial items</b>	<b>596</b>	<b>588</b>	<b>1,128</b>	<b>1,031</b>	<b>2,764</b>	<b>2,667</b>	<b>964</b>	<b>530</b>
Tax	-148	-148	-264	-255	-604	-595	0	1
<b>Net profit</b>	<b>448</b>	<b>440</b>	<b>864</b>	<b>776</b>	<b>2,160</b>	<b>2,072</b>	<b>964</b>	<b>531</b>
Net profit attributable to Parent shareholders	448	440	863	776	2,161	2,074	964	531
Net profit attributable to non-controlling interest	0	0	1	0	-1	-2	0	0
<b>Net profit</b>	<b>448</b>	<b>440</b>	<b>864</b>	<b>776</b>	<b>2,160</b>	<b>2,072</b>	<b>964</b>	<b>531</b>
Includes depreciation according to plan as follows	259	175	503	341	853	691	0	0
Net earnings per share before and after dilution, SEK	0.89	0.87	1.71	1.54	4.29	4.11		

## Statement of comprehensive income

<b>Net profit</b>	<b>448</b>	<b>440</b>	<b>864</b>	<b>776</b>	<b>2,160</b>	<b>2,072</b>	<b>964</b>	<b>531</b>
<b>Other comprehensive income</b>								
<b>Items that will not be reclassified to profit or loss</b>								
Actuarial gains and losses in retirement benefit plans	-125	-35	-125	-10	-75	40	0	0
Tax	26	7	26	2	15	-9	0	0
	-99	-28	-99	-8	-60	31	0	0
<b>Items that may be reclassified to profit or loss</b>								
Cash flow hedges	2	1	2	-10	13	1	0	0
Hedging of net investment	-6	-35	-23	-73	-9	-59	0	0
Exchange differences	175	712	781	1,270	664	1,153	0	0
Tax	2	-65	-37	-67	-43	-73	0	0
	173	613	723	1,120	625	1,022	0	0
<b>Total other comprehensive income</b>	<b>74</b>	<b>585</b>	<b>624</b>	<b>1,112</b>	<b>565</b>	<b>1,053</b>	<b>0</b>	<b>0</b>
<b>Total comprehensive income</b>	<b>522</b>	<b>1,025</b>	<b>1,488</b>	<b>1,888</b>	<b>2,725</b>	<b>3,125</b>	<b>964</b>	<b>531</b>
Comprehensive income attributable to Parent shareholders	522	1,025	1,487	1,888	2,727	3,128	964	531
Comprehensive income attributable to non-controlling interest	0	0	1	0	-2	-3	0	0
<b>Total comprehensive income</b>	<b>522</b>	<b>1,025</b>	<b>1,488</b>	<b>1,888</b>	<b>2,725</b>	<b>3,125</b>	<b>964</b>	<b>531</b>

## Condensed balance sheet

(SEK million)	Group			Parent		
	2019-06-30	2018-06-30	2018-12-31	2019-06-30	2018-06-30	2018-12-31
Intangible assets	18,159	16,905	17,029	0	0	0
Property, plant and equipment	4,598	3,281	3,410	0	0	0
Financial assets	558	519	589	15,501	12,856	14,224
<b>Total non-current assets</b>	<b>23,315</b>	<b>20,705</b>	<b>21,028</b>	<b>15,501</b>	<b>12,856</b>	<b>14,224</b>
Inventories	4,821	4,340	4,106	0	0	0
Current receivables	4,228	3,833	3,968	59	116	158
Investments in securities, etc.	95	93	166	0	0	0
Cash and bank balances	3,526	2,120	3,023	87	48	51
<b>Total current assets</b>	<b>12,670</b>	<b>10,386</b>	<b>11,263</b>	<b>146</b>	<b>164</b>	<b>209</b>
<b>Total assets</b>	<b>35,985</b>	<b>31,091</b>	<b>32,291</b>	<b>15,647</b>	<b>13,020</b>	<b>14,433</b>
Equity	16,261	14,166	15,421	8,070	7,658	7,761
Non-current liabilities and provisions, non-interest-bearing	4,580	3,858	3,973	389	274	318
Non-current liabilities and provisions, interest-bearing	8,215	7,340	7,357	5,607	4,113	5,360
Current liabilities and provisions, non-interest-bearing	4,109	3,575	3,658	81	75	94
Current liabilities and provisions, interest-bearing	2,820	2,152	1,882	1,500	900	900
<b>Total equity and liabilities</b>	<b>35,985</b>	<b>31,091</b>	<b>32,291</b>	<b>15,647</b>	<b>13,020</b>	<b>14,433</b>

## Key ratios

		Jan-June 2019	Jan-June 2018	Full year 2018
Growth	%	15.9	13.6	18.5
Operating margin <sup>1)</sup>	%	10.4	11.0	12.6
Profit margin	%	9.5	10.1	11.8
Investments in non-current assets	SEK m	986	1,686	2,479
Cash and equivalents	SEK m	4,092	2,586	3,562
Working capital, incl. cash and bank balances as share of net sales	SEK m %	8,561 35.5	6,811 33.7	7,604 33.8
Working capital, excl. cash and bank balances as share of net sales	SEK m %	4,940 20.5	4,598 22.7	4,416 19.6
Interest-bearing liabilities/Equity <sup>2)</sup>	%	68.0	67.0	60.0
Equity/assets ratio <sup>3)</sup>	%	45.1	45.6	47.7
Return on capital employed <sup>4)</sup>	%	12.0	11.5	13.0
Return on equity <sup>5)</sup>	%	13.7	13.5	14.8
Net debt/EBITDA <sup>6)</sup>	times	2.0	2.3	1.7
Interest coverage ratio <sup>7)</sup>	times	7.3	6.8	8.8

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 Q2 2019, in which the impact of IFRS 16 has been eliminated, permit a truer and fairer comparison with previous periods as they have not been restated:

- 1) The operating margin would have been 10.3%
- 2) Interest-bearing liabilities/Equity would have been 62.9%
- 3) The equity/assets ratio would have been 46.2%
- 4) Return on capital employed would have been 12.1%
- 5) Return on equity would have been 13.6%
- 6) Net debt/EBITDA would have been 1.8 times
- 7) The interest coverage ratio would have been 7.6 times

## Data per share

		Jan-June 2019	Jan-June 2018	Full year 2018
Net profit per share (total 504,016,622 shares)	SEK	1.71	1.54	4.11
Equity per share	SEK	32.20	28.11	30.57
Closing day share price	SEK	135.95	96.14	90.92

## Condensed cash flow statement

(SEK million)	Jan-June 2019	Jan-June 2018	Full year 2018
Cash flow from operating activities	1,590	1,181	2,652
Change in working capital	- 529	- 1,043	- 764
Investing activities	- 873	- 1,197	- 1,778
Financing activities	152	- 286	- 500
Exchange difference in cash and equivalents	92	136	157
<b>Change in cash and equivalents</b>	<b>432</b>	<b>- 1,209</b>	<b>- 233</b>

## Change in equity – summaries

(SEK million)	Jan-June 2019	Jan-June 2018	Full year 2018
Opening equity	15,421	12,807	12,807
Effect of change in accounting policy <sup>1</sup>	- 10	0	0
Adjusted opening equity	15,411	12,807	12,807
Shareholders' dividend	- 655	- 529	- 529
Dividend to non-controlling interest	- 1	0	- 1
Change in non-controlling interest	18	0	19
Comprehensive income for the period	1,488	1,888	3,125
<b>Closing equity</b>	<b>16,261</b>	<b>14,166</b>	<b>15,421</b>

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

## Sales by geographical region

(SEK million)	NIBE Climate Solutions	NIBE Element	NIBE Stoves	Elimina- tions	Total
Nordics	2,248	637	282	- 209	2,958
Europe (excl. Nordics)	3,194	1,148	520	- 68	4,794
North America	2,073	1,246	244	- 6	3,557
Other countries	105	397	45	0	547
<b>Total</b>	<b>7,620</b>	<b>3,428</b>	<b>1,091</b>	<b>- 283</b>	<b>11,856</b>

## Time of accounting for sales

(SEK million)	NIBE Climate Solutions	NIBE Element	NIBE Stoves	Elimina- tions	Total
Deliverables taken up as revenue once	7,503	3,428	1,091	- 283	11,739
Deliverables taken up as revenue gradually	117	0	0	0	117
<b>Total</b>	<b>7,620</b>	<b>3,428</b>	<b>1,091</b>	<b>- 283</b>	<b>11,856</b>

### SERVICE CONTRACTS

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

### EXTENDED WARRANTY PERIOD CONTRACTS

For certain products in Climate Solutions, NIBE offers customers the opportunity to sign contracts for warranty periods that exceed those provided as standard. Standard warranty periods depend both on the type of product and the market in question. The longest contracts expire within six years. The scope of defects cannot be reliably predicted, 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)	30 June 2019	30 June 2018	31 Dec 2018
<b>Current receivables</b>			
Currency futures	4	0	4
Commodity futures	1	9	0
<b>Total</b>	<b>5</b>	<b>9</b>	<b>4</b>
<b>Financial assets</b>			
Interest rate derivatives	4	17	13
<b>Current liabilities and provisions, non-interest-bearing</b>			
Currency futures	0	18	0
Commodity futures	0	0	2
<b>Total</b>	<b>0</b>	<b>18</b>	<b>2</b>

No instruments have been offset in the statement of financial position, so all instruments are recognised at their gross value. For a detailed account of the measurement process, see Note 2 in the Annual Report for 2018. 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 2018.

## 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 2019	Jan-June 2018	Full year 2018
Acquisition of non-current assets	989	1,689	2,493
Disposal of non-current assets	- 3	- 3	- 14
<b>Net investments in non-current assets</b>	<b>986</b>	<b>1,686</b>	<b>2,479</b>

### Working capital, including cash and bank balances

(SEK million)	Jan-June 2019	Jan-June 2018	Full year 2018
Total current assets	12,670	10,386	11,263
Current liabilities and provisions, non-interest-bearing	- 4,109	- 3,575	- 3,659
<b>Working capital, including cash and bank balances</b>	<b>8,561</b>	<b>6,811</b>	<b>7,604</b>
Net sales in the past 12 months	24,139	20,233	22,516
<b>Working capital, including cash and bank balances, in relation to net sales, %</b>	<b>35.5</b>	<b>33.7</b>	<b>33.8</b>

### Return on capital employed

(SEK million)	Jan-June 2019	Jan-June 2018	Full year 2018
Profit after net financial items last 12 months	2,764	2,336	2,667
Financial expenses in the past 12 months	342	288	341
Profit before financial expenses	3,106	2,624	3,008
Capital employed at start of period	24,660	21,783	21,783
Capital employed at end of period	27,296	23,658	24,660
Average capital employed	25,978	22,721	23,221
<b>Return on capital employed, %</b>	<b>12.0</b>	<b>11.5</b>	<b>13.0</b>

### Net debt/EBITDA

(SEK million)	Jan-June 2019	Jan-June 2018	Full year 2018
Non-current liabilities and provisions, interest-bearing	8,215	7,340	7,357
Current liabilities and provisions, interest-bearing	2,820	2,152	1,882
Cash and bank balances	- 3,526	- 2,120	- 3,023
Investments in securities, etc.	- 95	- 93	- 166
<b>Net debt</b>	<b>7,414</b>	<b>7,279</b>	<b>6,050</b>
Operating profit in the past 12 months	2,934	2,518	2,829
Depreciation and impairment in the past 12 months	853	650	691
<b>EBITDA</b>	<b>3,787</b>	<b>3,168</b>	<b>3,520</b>
<b>Net debt/EBITDA, times</b>	<b>2.0</b>	<b>2.3</b>	<b>1.7</b>

### Cash and equivalents

(SEK million)	Jan-June 2019	Jan-June 2018	Full year 2018
Cash and bank balances	3,526	2,120	3,023
Investments in securities, etc.	95	93	166
Unutilised overdraft facilities	471	373	373
<b>Cash and equivalents</b>	<b>4,092</b>	<b>2,586</b>	<b>3,562</b>

### Working capital, excluding cash and bank balances

(SEK million)	Jan-June 2019	Jan-June 2018	Full year 2018
Inventories	4,821	4,340	4,106
Current receivables	4,228	3,833	3,968
Current liabilities and provisions, non-interest-bearing	- 4,109	- 3,575	- 3,658
<b>Working capital, excluding cash and bank balances</b>	<b>4,940</b>	<b>4,598</b>	<b>4,416</b>
Net sales in the past 12 months	24,139	20,233	22,516
<b>Working capital, excluding cash and bank balances, in relation to net sales, %</b>	<b>20.5</b>	<b>22.7</b>	<b>19.6</b>

### Return on equity

(SEK million)	Jan-June 2019	Jan-June 2018	Full year 2018
Profit after net financial items last 12 months	2,764	2,336	2,667
Standard tax rate, %	21.4	22.0	22.0
Profit after net financial items, after tax	2,173	1,822	2,080
Equity at start of period	15,406	12,807	12,807
Equity at end of period	16,227	14,166	15,406
Average equity	15,817	13,487	14,107
<b>Return on equity, %</b>	<b>13.7</b>	<b>13.5</b>	<b>14.8</b>

### Interest coverage ratio

(SEK million)	Jan-June 2019	Jan-June 2018	Full year 2018
Profit after net financial items	1,128	1,031	2,667
Financial expenses	179	178	341
<b>Interest coverage ratio, times</b>	<b>7.3</b>	<b>6.8</b>	<b>8.8</b>

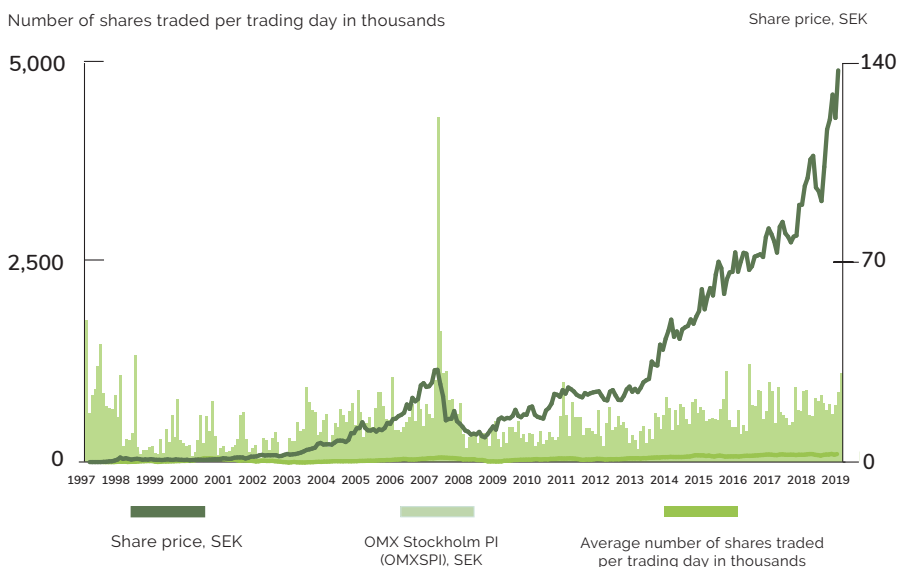
## NIBE shares

NIBE's class B shares are listed on the NASDAQ Nordic Large Cap list in Stockholm, with a secondary listing on the SIX Swiss Exchange in Zurich. The NIBE share's closing price on 30 June 2019 was SEK 135.95.

In the first half of 2019, NIBE's share price rose by 49.5%, from SEK 90.92 to SEK 135.95. During the same period, the OMX Stockholm PI (OMXSPI) increased by 16.8%.

At the end of June 2019, the market capitalisation of NIBE, based on the latest price paid, amounted to SEK 68,521 million.

A total of 93,625,005 NIBE shares were traded, which corresponds to a share turnover of 37.2% in the first half of 2019. 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 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 interim 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 after Q2 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 the first half of 2019 thus increased by SEK 10 million, while consolidated net financial items were charged with SEK 9 million. The consolidated cash flow statement was also affected by IFRS 16 in that lease payments made, which amount to SEK 115 million during the period, 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.

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, 16 August 2019



Hans Linnarson  
Chairman of the Board



Georg Brunstam  
Director



Anders Pålsson  
Director



Helene Richmond  
Director

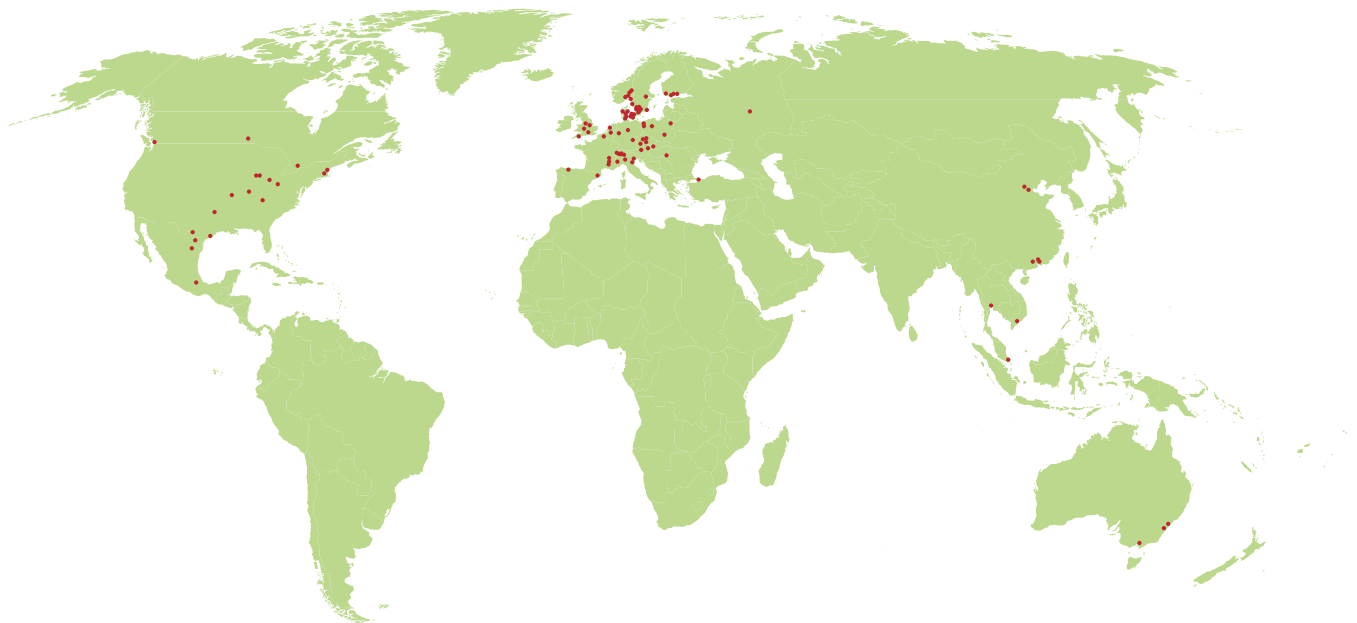


Jenny Sjödaahl  
Director



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 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 16,900 (14,300) employees and a presence worldwide. From the very start, the company was driven by a strong culture of entrepreneurship and a passion for responsible business operation. Its success factors are long-term investments in sustainable product development and strategic acquisitions. Combined, these factors have brought about strong, targeted growth, which generated sales of just over SEK 22 (19) billion in 2018.

NIBE has been listed under the name NIBE Industrier AB on the Nasdaq 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 (C.E.T.) on 16 August 2019.

Please e-mail any questions you have about this report to:  
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**NIBE**

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