

NIBE INDUSTRIER'S (PUBL) CEO AND MD, GERTERIC LINDQUIST, COMMENTS ON THE THIRD QUARTER, 2025

RECOVERY CONTINUES

The improvement in the market that we have seen since the end of the previous year was once again confirmed in the third quarter. New and changing customs duties and tariffs have, of course, been difficult to deal with but the main thing holding back a clear rise in sales is concerns about what the consequences of the political turbulence will be both in the short and long term. The stronger Swedish krona is positive in many respects, but when sales and profit are compared with the corresponding period last year, part of the underlying organic improvement is offset.

The Group's sales in the third quarter amounted to SEK 10,086 million, up by 1.5% compared with the corresponding quarter in the previous year. However, the strengthening of the Swedish krona had a negative impact of SEK 500 million on sales, resulting in organic growth of 6.1 percent. Operating profit in the quarter rose by SEK 227.5 million to SEK 1,139.8 million, an improvement of 24.9% compared with the third quarter of 2024. The operating margin improved by 2.1 percentage points, from 9.2% in the third quarter of the previous year to 11.3 % in the third quarter of this year. Higher sales combined with improved productivity and good cost control were the main reasons for the improved performance in this quarter, as well as the year to date.

We have continued to mitigate the consequences of the unexpectedly turbulent political environment and significant currency fluctuations to the best of our ability. That we have managed to maintain a relatively stable performance despite these challenges is a testament to our strategy – combining a broad international presence, a wide product range and a decentralized organization that enable both strong defensive capabilities and effective, proactive market and sales initiatives that are hard to match.

Business area NIBE Climate Solutions

The relative improvement in demand for heat pumps in Europe continued. Most European markets showed some degree of growth, but Germany, Italy, the Netherlands and Sweden remained the main drivers of growth.

Most qualitative industry assessments indicate that the European heat pump market will continue to show stable annual growth, which is in line with our own assessments.

The US geothermal heat pump market, which is the market segment in which we operate, remained stable in the third quarter, having also reported stable performance in the first half of the year. The customs duties and tariffs introduced have had virtually no impact on us, as the vast majority of our heat pumps intended for the US market are manufactured in the USA, with only a marginal share produced in Canada.

After the turn of the year, the current tax subsidies for private individuals installing heat pumps will be discontinued. However, subsidies in the United States for the commercial product range, which makes up the larger part of our sales, will remain and are expected to partly offset the expected decline in the private customer market. We are also working on a solution where private individuals may receive help in the form of external financing instead of tax subsidies.

Earnings performance in the third quarter once again confirms the assumption of a continued gradual recovery and a more traditional, seasonally oriented demand pattern, with a stronger second half of the year.

It remains our aim to return to an operating margin within the business area's historical range of 13–15% for the full year, but as previously communicated, we recognize that the uncertain global environment and the stronger Swedish krona will continue to pose challenges.

Business area NIBE Element

Demand remained relatively stable in the majority of the business area's market segments in the third quarter too, although with significant variations between the segments.

We saw continued good development in the electrification of industry, rail-based transport and HVAC. Low new production of properties is having an adverse effect on demand for construction related products and this also applies to purely consumer-related products.

The semiconductor segment has, until recently, also seen good development in demand, but the business area has received signals of calmer demand ahead.

Despite challenging external factors, both operating profit and the operating margin improved during the quarter – once again the result of improved productivity, effective cost control and the ability to maintain a high degree of flexibility.

Our ambition to return to an operating margin within the business area's historical range of 8–11% for the full year remains. However, the effects of challenging external factors and currency fluctuations, together with a somewhat unexpected calmer demand in the semiconductor segment, may cause the margin to fall short of the target by a percentage point or so.

Business area NIBE Stoves

NIBE Stoves is still the business area reporting the weakest performance compared with the previous year. The main reason for this is that the European stove market is still characterized by significant caution, which in turn is due to a cautious economic situation and the turbulent external environment. Although the return to a more traditional seasonal pattern has led to a slight improvement in demand compared with the first half of the year, the increase has not been as good as expected.

Meanwhile, the North American market remains stable. However, as nearly all our production of stoves intended for the North American market takes place in Canada, the duties and tariffs introduced between the USA and Canada are having a negative impact on our operating margin.

Despite the decline in demand, we were able to maintain our operating profit and the operating margin improved slightly compared with the third quarter in the previous year. This clearly confirms that the cost adjustments in response to lower sales, as well as the associated productivity improvements, have been successful.

We expect the market in Europe to remain subdued for the rest of the year, making it difficult to achieve our ambition of returning to an operating margin within the business area's historical range of 10–13% for 2025 as a whole. As communicated after the second quarter, we still expect the recovery to take a few more quarters.

With well-adapted cost structures, strong product ranges, a solid market presence and well-invested facilities, all three of our business areas are well positioned for the future. Our strategy of pursuing regionbased manufacturing, with primarily region-based subcontractors, is also creating more secure supply chains and reducing vulnerability to trade barriers. We are also convinced that our products are a good fit for the times, with our whole society needing to gradually transition to reduced dependence on fossil fuels.

In summary, we look to the future with a significant amount of confidence.

We have done everything in our power to realize our clearly stated ambition of trying to return to our three business areas' respective historical ranges for the full year 2025. With only a few weeks remaining to the turn of the year, we estimate that the year as a whole will show a clear return to organic growth and a sharp increase in operating profit.

As for the individual performances of the three business areas, our assessment is that NIBE Climate Solutions' operating margin will be within the margin of error in relation to the lower end of the indicated range, while NIBE Element's margin is expected to be about one percentage point below the lower end of the range. NIBE Stoves will require a few more quarters to return to an operating margin within its historical range.

Contacts

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About Us

NIBE Group

– an international Group with companies and a presence worldwide

The NIBE Group is an international company that contributes to a reduced carbon footprint and better utilization of energy. In our three business areas – Climate Solutions, Element and Stoves – we develop, manufacture and market a wide range of environmentally 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.

Since its beginnings in the town of Markaryd in the Swedish province of Småland more than 70 years ago, NIBE has grown into an international company with an average of 20,600 (22,500) employees and an international presence. From the very start, the company has been driven by a strong culture of entrepreneurship and a passion for corporate responsibility. 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 under SEK 40 (47) billion in 2024.

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.

Image Attachments

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