

The NIBE logo is displayed in a bold, red, sans-serif font within a white rectangular box. The background of the entire page is a photograph of a sun-dappled forest path with vibrant green foliage.

**NIBE**

**2022**

# Annual report

---

**World-class solutions in sustainable energy**

## Contents

NIBE GROUP	4
Chief Executive's report	14
NIBE Climate Solutions	18, 40
NIBE Element	22, 54
NIBE Stoves	20, 48
Drivers and trends	34
Financial targets	8
Sustainability targets	10
International targets	64
Vision	7
Management philosophy	
– Our business principles	12
– Our values	13
Strategic focus areas	24
– Growth with profitability	26
– Market-oriented expansion	29
– Innovation	30
– A long-term approach	32
NIBE's stakeholders	68
Business opportunities and risks	70
NIBE share performance	74
FINANCIAL STATEMENTS	
• Annual accounts 2021	78
• Five-year overview	80
• Consolidated income statement	82
• Business areas	84
• Consolidated balance sheet	86
• Consolidated statement of cash flows	89
• Key ratios	90
• Parent Company	96
• Risks and risk management	98
• Notes	100
Companies in the Group	140
NON-FINANCIAL REPORTING	
General disclosures	145
NIBE's material issues	162
– Business and ethics topics	159
– Environmental topics	164
– Social topics	173
• Auditor's statement on the sustainability report	181
Corporate governance report	183
• Auditor's statement on the corporate governance report	186
• Auditor's report	188
NIBE's Board	192
NIBE's management	194

### • Audit

## Press releases during the year

### First quarter

17 Feb NIBE's Year-end report 2020

---

### Second quarter

14 Apr Notice of NIBE's 2022 Annual General Meeting

---

14 Apr NIBE's Annual Report is published

---

17 May NIBE's Interim Report 1 2022

---

17 May Annual General Meeting in NIBE Industrier AB

---

31 May Acquisition of 50% of Argoclima S.p.A of Italy

---

30 Jun Divestment of 26% of Schulthess Maschinen AG

---

### Third quarter

6 Jul Acquisition of 41% of Pacific Energy Fireplace Prod. Inc

---

18 Aug NIBE's Interim Report 2 2022

---

### Fourth quarter

4 Oct Acquisition of ELMESS-Klöpper Group of Germany

---

16 Nov NIBE's Interim Report 3 2022

---

### Calendar

#### 16 May 2023

Interim Report 1, January – March 2023  
Annual General Meeting in Markaryd, Sweden, 17.00

#### 17 August 2023

Interim Report 2, January – June 2023

#### 15 November 2023

Interim Report 3, January – September 2023

The financial statements have been audited by NIBE's external auditor. Auditor's report, see pages 188–191. Auditor's statement on the statutory sustainability report, see page 181. Auditor's statement on the corporate governance report, see page 186.



## More energy-efficient, every day

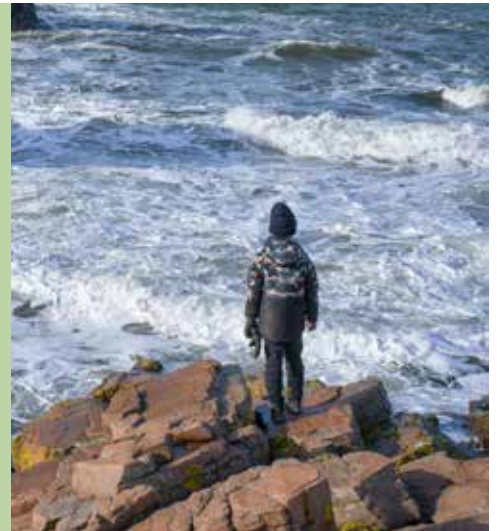
We contribute to an energy-efficient life every day, but at the same time our customers also expect comfort, convenience and peace of mind. With our intelligent, world-class solutions in sustainable energy, we contribute to a more sustainable society.

Find out more on page 34.

## Energy efficiency contributes to a fossil-free society

With our products, we contribute to international ambitions to transition to a fossil-free society through reduced energy consumption. We are also making concerted efforts to reduce our own climate and environmental impact throughout our value chain.

Find out more on page 44.



## We are an industrial partner

We are a key industrial partner for many other manufacturing companies in various industries, and offer a wide range of components and solutions for intelligent heating and control.

Find out more on page 54.

# An international Group with companies and a presence worldwide

NIBE Group is an international organization that contributes to a lower carbon footprint and better utilization of energy. In our three business areas – Climate Solutions, Stoves and Element – 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 province of Småland 70 years ago, NIBE has grown into a international Group with 21,300 (20,400) employees on average and a worldwide 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 over SEK 40 billion (SEK 31 billion) in 2022.

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.

## Business areas in the NIBE Group

### NIBE Climate Solutions

**Environmentally friendly, intelligent and energy-efficient products for climate control, improved indoor climate comfort and water heating.**

With our products, the climate impact of properties is dramatically reduced with no reduction in comfort.

Find out more on page 40.



### NIBE Stoves

**Energy-efficient stoves for various heating needs and design requirements.**

Increasing the exchange of old stoves for new ones with our modern technology has an immediate positive effect on the environment.

Find out more on page 48.



### NIBE Element

**An industrial partner with customized components and intelligent solutions for heating and control with a focus on sustainability.**

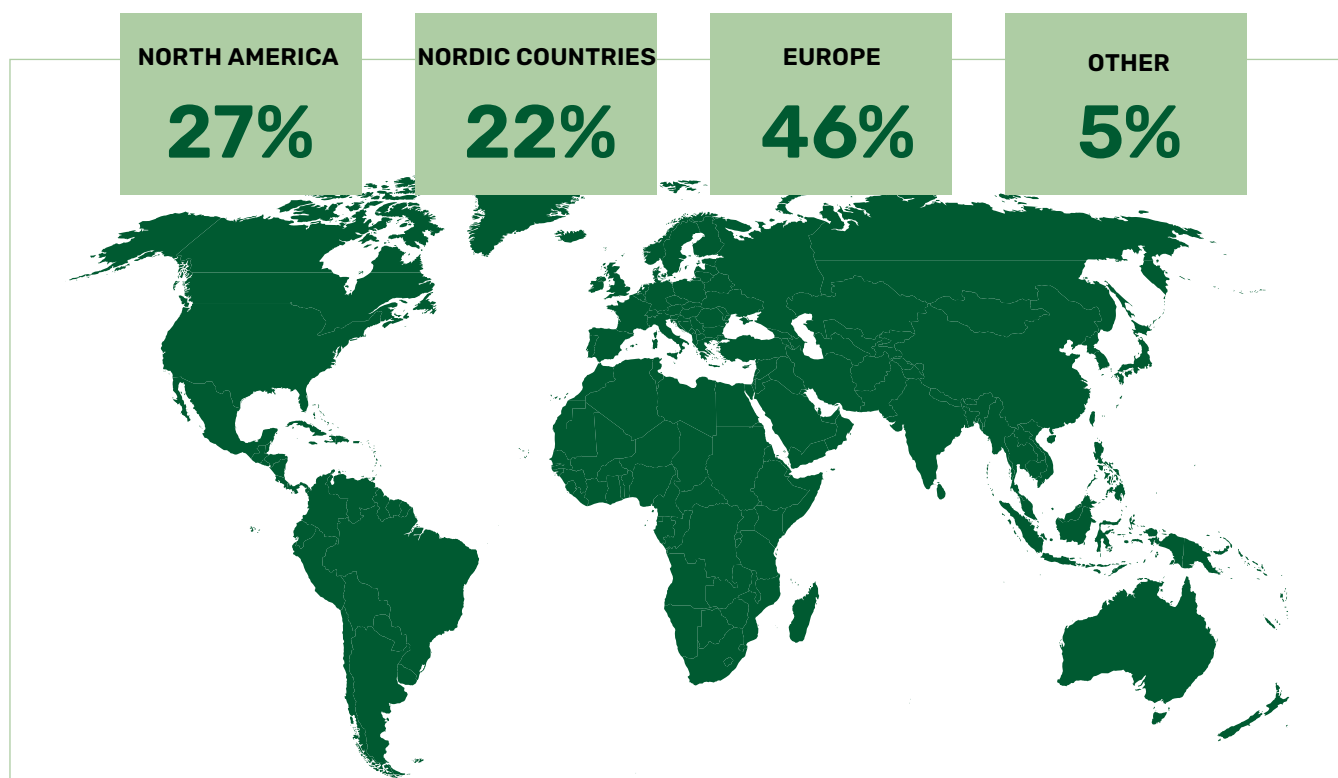
Most product groups enhance energy efficiency, optimize energy consumption and help reduce our customers' carbon footprints.

Find out more on page 54.



## SALES, GEOGRAPHICAL DISTRIBUTION

2022



SALES SEK M	GROWTH %	OPERATING *MARGIN* %	PROFIT AFTER NET FINANCIAL ITEMS* SEK M
<b>40,071</b>	<b>30.0</b>	<b>14.7</b>	<b>5,708</b>
PROFIT AFTER TAX* SEK M	EQUITY/ASSETS RATIO %	EARNINGS PER SHARE* SEK	PROPOSED DIVIDEND SEK
<b>4,428</b>	<b>51.8</b>	<b>2.17</b>	<b>0.65</b>

## NIBE Key ratios

Financial key ratios		2022	2021	2020	2019	2018
Net sales	SEK m	40,071	30,832	27,146	25,342	22,516
Growth	%	30.0	13.6	7.1	12.5	18.5
Operating margin*	%	14.7	14.4	13.0	12.0	12.4
Profit after net financial items*	SEK m	5,708	4,288	3,305	2,836	2,632
Profit after tax*	SEK m	4,428	3,348	2,570	2,184	2,037
Equity/assets ratio	%	51.8	49.9	46.3	47.3	47.8
Earnings per share*	SEK	2.17	1.63	1.25	1.08	1.01
Proposed dividend	SEK	0.65	0.50	0.39	0.35	0.33

\*Excluding acquisition-related revaluations

For definitions, see page 95.

## This is NIBE

---

**Our mission is to provide the world with better sustainable energy solutions. From our earliest beginnings we have been passionately committed to developing new methods that improve energy efficiency. In this way, NIBE plays a vital role in the global transition to a more sustainable society. We are proud of this.**

**At NIBE, we are by nature persistent and never give up. We believe in old-fashioned honesty, compassion and the importance of keeping promises. We are proud of our history and embrace our heritage. We care about the places where we work and about the people who live there. In this sense, we are proudly traditional.**

**But we are also a results-focused and world-leading innovative company that focuses on adding value for customers and helping them cut costs. We are constantly on the look-out for new technological solutions that will help us improve our products and services. We aim to combine growth with good, sustained profitability, and this means that we place high demands on both ourselves and our partners.**

**These are the attributes that make NIBE unique. We have our feet on the ground but our gaze is directed firmly forward. And we work tirelessly to provide the world with better energy solutions. As mentioned before, we never give up.**



## NIBE's vision

**Our sustainable, world-class energy solutions contribute to a faster transition to a resourceefficient and zero-carbon society.**

### Business Idea

**To provide the market with sustainable, highquality, innovative and energy-efficient products and solutions within our three different business areas**

### Mission

**To daily work wisely and with dedication in order to develop sustainable, world-class energy solutions.**

**Brand promise World-class solutions in sustainable energy**

## Our position

### Business focus meets vision

By purposefully developing our product portfolio so that we can actively contribute to the transition to increased renewable energy technologies and improved energy efficiency, we have good opportunities to meet demand and achieve our vision.

Our three business areas all have a market presence on several continents, and we consider that we are in a strong position to be able to continue our international growth with the presence we have on the international industrialized markets. At the same time, we are boosting our ability to meet demand on several continents, to spread our business risks and to create opportunities for further growth.

### Well-proven acquisition methods

We have implemented acquisitions for a long time and have a well-proven acquisition process for analysis, implementation and integration. As our international markets are fragmented with many operators, we still have good potential for further acquisitions. Our acquisition-driven growth takes place within the framework of strong, healthy finances.

### A large market with room to grow

NIBE has a strong market position in both Europe and North America in all three of the Group's business areas. Our ambitious growth targets stem from our view that there is still great potential for both organic and acquisition-driven growth on a global scale.

The overall addressable market size for NIBE is significant and is currently estimated at approximately SEK 1,200 billion. The biggest market is in energy-efficient and sustainable products in the domestic and commercial heating/air conditioning and ventilation segment. NIBE Climate Solutions' addressable market is estimated at around SEK 1,000 billion, followed by the NIBE Element market, estimated at around SEK 160 billion, and the NIBE Stoves market estimated at around SEK 50 billion.

### A healthy corporate culture

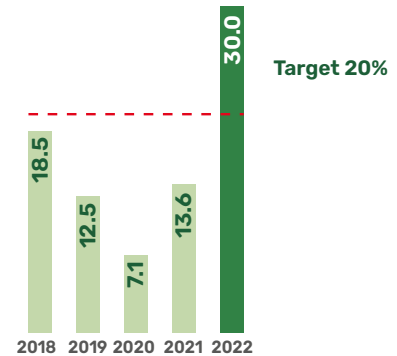
Our background in Småland, Sweden, with a long tradition of high productivity, good quality and efficient cost control, means that we have a trust-based, decentralized organization that has great flexibility to successfully meet the new or varied demands and conditions of the market.

# Financial targets for long-term positive development

## Growth 20%

**Average year-on-year growth shall be 20%, half organic and half acquired.**

Half of the targeted average year-on-year growth should be organic over time. Stagnating growth poses a threat to the maintenance of healthy, sustainable profitability. Historically, acquired growth has balanced organic growth in that it has usually been lower than organic growth in good times and higher in difficult times. During the past five years, total average growth has been 16.1%.



Growth past five years (%)

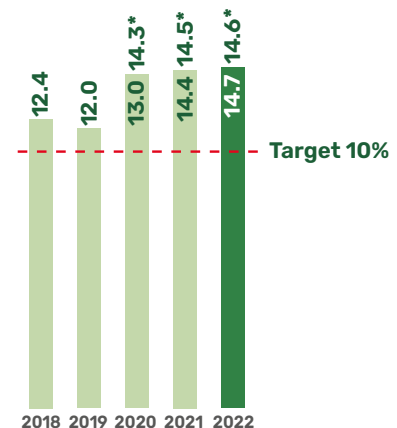
### 2022

Sales in 2022 totalled SEK 40.1 billion. The companies acquired in the financial year injected combined annual sales of just over SEK 1.7 billion into the Group, while the divestment of Schulthess resulted in a reduction in sales. Taking acquisitions and divestments into account and calculated on a rolling 12-month basis, the Group's sales are now at about SEK 40 billion.

## Operating margin 10%

**Operating profit for each business area and for the Group shall be at least 10% of sales over a full business cycle.**

The operating margin must be at least 10% to give operations stability and prepare them for both acquisitions and rapid changes in the business environment. This is one of the cornerstones of ensuring long-term positive development and continuous growth. During the past five years, the average operating margin for the Group has been 13.5% excluding acquisition-related revaluations.



Operating margin past five years (%)

### 2022

Operating profit, excluding acquisition-related revaluations, improved during the period by 32.9% compared with the previous year, and the operating margin, excluding acquisition-related revaluations, improved from 14.4% to 14.7%. Because of the acquired companies' varying levels of profitability and seasonal patterns, a full 12-month period is required before a completely accurate operating profit can be recognized. Administrative acquisition expenses amounted to SEK 19 (13) million during the year and in addition to this, costs were recognized for acquisition processes that were discontinued.



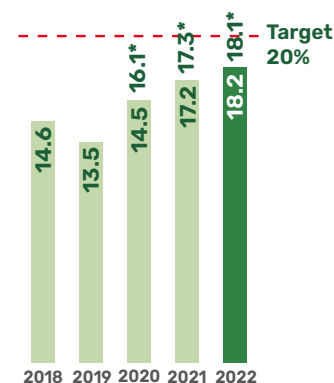
## Return on equity **20%**

Return on equity over a business cycle must be at least 20%.

Good return on equity contributes to a stable ownership structure and share price and enhances our ability to attract additional capital. In the past five years, the average return on equity excluding acquisition-related revaluations has been 15.7%.

### 2022

At year-end, equity was SEK 28.0 billion, an increase of SEK 6.3 billion on 2021.



Return on equity past five years (%)

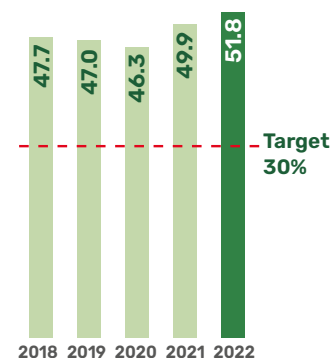
## Equity/assets ratio **30%**

The equity/assets ratio must not fall below 30%.

A good equity/assets ratio shows that the Group has a strong financial position. This is also a necessity in a Group with strong growth. During the past five years, the average equity/assets ratio has been 48.9%.

### 2022

During the past year, equity increased by 29%, while total assets increased by 24%, which means that the equity/assets ratio increased.



Equity/assets ratio past five years (%)

# Sustainability goals for a responsible business

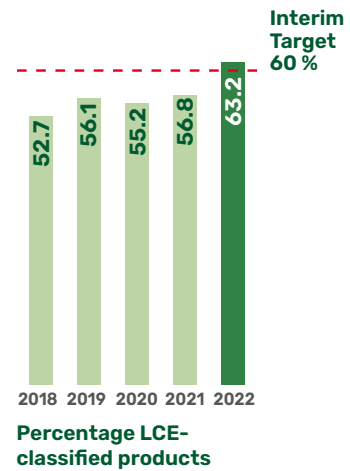


## 60%

### Increased climate benefit in our product portfolio

The target has been for 60% of our sales to consist of LCE classified products\* by the end of 2023. We have now set a new target of 70% by the end of 2026.

Our products largely use renewable energy and much of our product portfolio helps customers make the switch to more energy-efficient use with a lower carbon footprint at home, in large properties and in industry. We aim to have a stable portfolio of products that help customers transition to a low-carbon economy. The target is linked to our vision and focus areas (materiality), such as renewable energy, energy efficient products, product and business development, and growth.



### 2022

Of our total 2022 sales, 63.2% consisted of LCE-classified\*\* products. This is well above our target and the sharp rise clearly reflects the strong demand we are seeing in these product categories. During the year, we also chose to LCE-classify ventilation and building cooling, because we think that these to meet the requirements for sustainable technology products for energy-efficient buildings.



## 40%

### Continuously declining energy use

The target is to reduce energy use by 40% by 2030 compared with 2019 as the baseline (measured in MWh/SEK million in sales) and then reduce it even further.

The target was set with the initial intention of reducing the amount of energy purchased for our properties and processes. Self-generated energy, like that generated from heat pumps and PV panels within the operations, are excluded. The outcome is calculated on the basis of the total energy use of the companies included in the 2019 baseline. The target is linked to our environment and climate focus areas as well as use of our energy-efficient products that use renewable energy in the operations.



### 2022

We based our calculation on the companies and operations included in the 2019 baseline of 12.2 MWh/SEK million, resulting in an energy intensity of 8.6 MWh/SEK million for 2022. This corresponds to a decrease of 29.5% compared with the 2019 baseline.

\*FTSE LCE ICS™ (Financial Times Stock Exchange Low Carbon Economy Industrial Classification System) is a quantitative model designed to permit investors to assess a company's ability to adapt its business to the requirements related to reduced climate impact and depletion of resources.

\*\*Product groups included in LCE: heat pumps, ventilation, building cooling, district heating, boilers and stoves for burning pellets and wood, PV panels, heat exchangers, components for rail, electric and hybrid vehicles and renewable energy production.



0

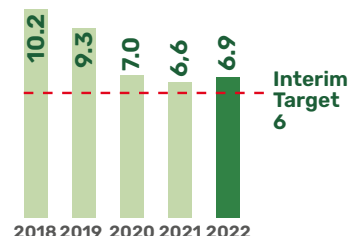
**A safe workplace with no accidents**

**Our long-term goal is zero accidents, of course, even though this is difficult to achieve. The interim target is an accident frequency of fewer than six accidents by the end of 2023.**

Implementation of the occupational health and safety policy continues, and systematic preventive measures are carried out continuously. The measurement includes everyone who has performed work in our company. The measurement refers to the lost time injury frequency rate (LTIF), which measures accidents resulting in at least one day's lost work after the date of the accident per one million hours worked. This target supports our working environment and injuries focus area.

**2022**

The outcome for LTIF 2022 was an increase in the rate to 6.9. This increase is related to a few companies in the Group with a high LTIF rate. Action plans have been drawn up to reduce the rate in the companies in question.



**Accident frequency per million hours worked (number)**



100%

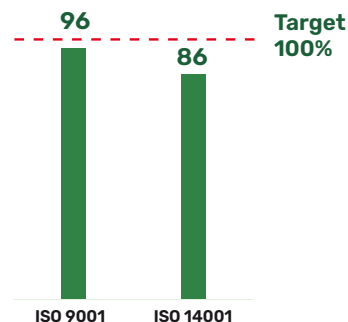
**Ensuring systematic quality and environmental initiatives**

**The long-term goal is for 100% of our production units to have certified management systems for ISO 9001 and ISO 14001.**

We are working to introduce certified quality and environmental management systems in all our production units with more than 10 employees. Acquired production units have a time frame of two full calendar years before certification must have been completed. We measure the 2022 outcome against companies that have been in the Group since 2020. The target supports our focus areas' compliance with laws, regulations and standards.

**2022**

We had an increase for ISO 9001 to 96% (94%) while the level for ISO 14001 remained unchanged at 86% (86%), largely due to the fact that companies fell behind in their certification process during the pandemic.



**Certified management systems**



65%

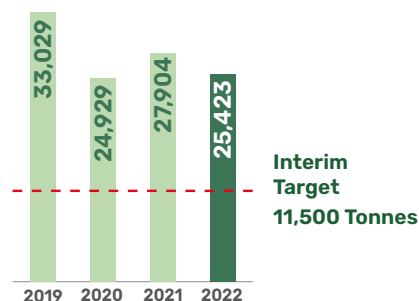
**Reduce CO2 emissions between 2019 and 2030**

**Our long-term goal is to be carbon neutral by 2050. Our target is to reduce our direct and indirect carbon dioxide emissions by 65% by 2030 compared with the 2019 baseline.**

We have set a target of reducing our direct (Scope 1) and indirect (Scope 2) carbon dioxide emissions by 65% by 2030 compared with the baseline year 2019. The target is linked to our climate and environment focus areas as well as use of our energy-efficient products that use renewable energy in the operations.

**2022**

Work is underway to reduce our carbon dioxide emissions in line with the action plans drawn up by the respective businesses. A clearly positive development is that in 2022, the companies and activities that accounted for the baseline figure in 2019, achieved a 27% reduction. The figures for 2020 and 2021 were affected by the pandemic and therefore not wholly comparable with 2022.



**Carbon dioxide emissions**

MANAGEMENT PHILOSOPHY

# Our business principles

**Our management philosophy is deeply rooted in eight basic ideas that constitute the foundation of all our operations and create the conditions for our continued success. Although our top priority is profitability, which is essential to our ability to operate, we will never compromise on our values to achieve it. Our attitude is that long-term profitability can only be based on respect for legislation, honesty, good relations and transparency. NIBE's Our Business Principles handbook is available in 20 languages.**



## Profitability

Good profitability is and always has been our tradition and is the most fundamental and important factor behind long-term success and sustained growth. It ensures freedom of action and independence, generates well-being and security for employees and makes us an attractive employer when we recruit new employees.

## High productivity

High productivity is essential to competitiveness, and our productivity philosophy is based on the belief that everything can always be improved upon and that, if you can't measure it, you can't improve it. Performance-based salary systems based on accurate methods time measurements (MTM) encourage the optimization of working time and promote high productivity and fair salaries.

## Aggressive product development

Aggressive product development with the objective of always having the best-performing range is a prerequisite for good organic growth and expansion into new markets. Our focus is on leading the way in intelligent, energy-efficient, environmentally friendly products that help mitigate climate impact and promote sustainable development.

## Quality in everything – focus on the customer

We must be a secure partner whom customers can always rely on. NIBE must have certified management systems for quality and the environment in place in its production facilities. NIBE must be available to deal with its customers in a professional manner and to help them choose the right solutions that will help reduce their costs and their environmental impact.

## Market-oriented expansion built on common sense

Continuous growth is essential to our development. A combination of good organic growth and prudent acquisitions is the best possible way to constantly breathe new life into the organization. Expansion into new markets must be carefully considered and consistently implemented.

## Focus on three core businesses

A clear focus on three business areas creates clarity both internally and externally. It also spreads risk and results in reasonable risk exposure. Another benefit is the constant increase in know-how in each area, which gives us an analytical advantage that can be used for acquisitions.

## Committed employees

Commitment is created by clear, sincere leadership that sets a good example. Shared values, simple organizational forms and development opportunities for all create a culture characterized by initiative, humility and common sense in which everyone can thrive.

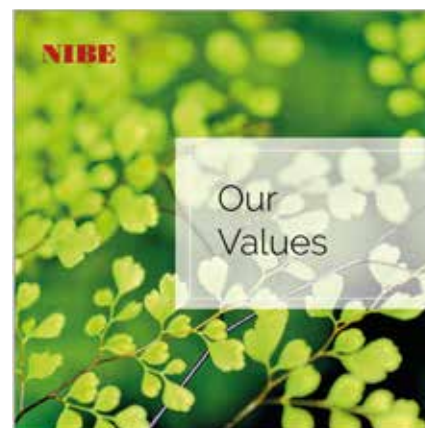
## A long-term approach

A long-term approach means that responsibility, resilience and continuity will always triumph in the long run. Changes are only implemented after careful consideration and testing. Our ambition to create long-term relationships, internally as well as with customers and suppliers, provides the platform for truly sustainable business activities.

## MANAGEMENT PHILOSOPHY

# Our values

Our values are an important part of our management philosophy and our corporate culture, and they emphasize that we want to act as a responsible company in relation to the people near us, our external stakeholders and the environment. Our values are firmly rooted in our long and proud tradition of corporate responsibility. We work consistently to communicate our core values to all employees in the Group. NIBE's Our Values handbook is available in 20 languages.



## Respect for human rights

Our most fundamental undertaking is to respect the people who are affected by our operations and their human rights.

## Good working conditions

The working environment in our operations must maintain a high standard and contribute to employee well-being and development. Our suppliers and other partners must also share this approach.

## Reduced environmental impact

A holistic approach to environmental issues must play a key role in everything from product development activities, manufacturing and choice of materials to transportation, product functionality and end-of-life recycling.

## Sound business ethics

We must comply with applicable legislation and have zero tolerance for bribery and corruption. We must also communicate honestly.

## Responsible purchasing

We collaborate only with suppliers who apply the same principles as we do ourselves in terms of code of conduct, quality requirements and business principles.

## Product liability

Our basic principle is that NIBE will pay due regard to all factors which have a bearing on the quality, safety and environmental performance of products.

## Corporate citizenship

We must be good citizens in the local communities in which we operate by supporting local initiatives and contributing to positive development. We also participate in social action internationally, for example, by helping victims of war and terror and by providing help in connection with natural disasters.

## Transparency

To build trust and create relationships, we must be open and honest in our communication and follow rules and standards.

## Chief Executive's Report

# "Stable 2022 performance – target of SEK 40 billion exceeded"



*Gerteric Lindquist, MD and CEO*

**2022 was a year of extraordinarily high demand in all three business areas, but also a year with major challenges in terms of materials and component shortages that adversely impacted our delivery capacity. Thanks to good internal efforts, we were nevertheless able to create strong organic growth and have already achieved our target of sales of SEK 40 billion by 2025 in 2022. Our next target now is sales of SEK 80 billion, ideally by 2026 and not later than 2029.**

The Group's sales in the year exceeded SEK 40 billion, which means that in just four years we have achieved our target of sales of SEK 40 billion by latest 2025. Sales growth for the full year was 30.0% (13.6%), of which 26.5% (11.8%) was organic. The weaker Swedish krona had a positive effect on sales growth, as did the price increases introduced in the past 12 months.

The year was characterized by extremely strong demand. The main reason for this was the realization by both politicians and end-consumers that we need to end our dependence on fossil fuels in order to be able to deal with the climate change issue in earnest. This realization has been further strengthened by Russia's terrible atrocities of Ukraine.

Unfortunately, we have been unable to meet the sharp increase in demand because our sub-suppliers have not been able to keep up with the change in demand. In parallel with the disruption in the supply chain, we have also been hit by very sharp and frequent price increases, which has been very trying, to say the least. The year has been characterized by a continued trusting and constructive dialogue with our customers despite the supply chain issues, ensuring that our sub-suppliers are properly prepared for a very different level of demand, and implementing necessary adjustments to the prices of our own products.

Despite our persistent delivery issues since the end of June 2021, in many respects the fourth quarter of 2022 nevertheless represented a major improvement. Thanks to the significant improvement in our sub-suppliers' delivery capacity, our production and deliveries were at a much higher level than before, while productivity also improved. This, combined with the positive impact of our own price adjustments, enabled us to report a virtually unchanged operating margin for the full year.



*NIBE's investments are transforming the western industrial area in Markaryd into an increasingly international center for climate control technology. Three large construction projects being carried out in parallel are due to be completed in 2023-2024. Construction of the new heat pump factory (on the left at the back) is in the final phase machinery will be installed in 2023 in order to quickly ramp up production capacity. NIBE's new Visitor Center (in the foreground) will also be completed in 2023. The building will contain a completely new NIBE exhibition, new, advanced training premises, new meeting rooms featuring leading-edge technology, and a number of different public areas for visitors. Please see page 31 for a brief presentation of the Innovation Center.*

The problems relating to sub-suppliers have not been fully resolved but we are expecting a gradual improvement in 2023, and we are also significantly boosting our own capacity in the form of both staffing and facilities.

For obvious reasons, our acquisition activity slowed down while the pandemic raged, and it was therefore gratifying to have carried out two strategic acquisitions in the financial year, as well as a further acquisition in January 2023.

**The NIBE Climate Solutions business area** reported strong order inflow throughout the year, for reasons already described above. Although Europe accounted for the largest increase, it was pleasing to see positive signals from the North American market, too. Another reason for the positive development was the positive reception to our new generation of high-performance heat pumps, featuring the most advanced controls on the market and with a focus on natural refrigerants.

As mentioned earlier, our own deliveries have not been satisfactory due to the supply chain issues, but the situation improved significantly in the fourth quarter, demonstrating the capacity we can muster when the supply side is functioning.

The business area is currently preparing for expected growth in both the short and long term by implementing major investment programs in our prioritized markets. The objective is to initially double production capacity and, in the slightly longer term, to double it again.

We were pleased to see that the improved delivery capacity in the fourth quarter also boosted productivity. Added to the impact of our own price adjustments, this meant that the full-year operating margin rose above the level recorded in the previous year. Due to the obvious

decision to wind up our Russian operations following Russia's terrible atrocities of Ukraine, the first quarter operating profit was burdened by a one-off expense in the form of estimated write-downs of SEK 114 million. In the second quarter, we recorded a one-time gain of SEK 232 million from the divestment of an additional 26% of the shares in Schulthess.

**The NIBE Stoves business area** also reported very good order inflow in the financial year. The primary driving factors were high energy prices and a desire to have a second source of heating in the home.

Because we expect this trend to continue, this business area too is in the process of implementing a major investment program aimed at boosting capacity, which together with the improved situation in the supply chain will ensure a return to normal delivery times. Our assessment is that increasingly enhanced combustion efficiency and reduced particle levels in smoke gases will be crucial customer requirements in the future. We are therefore investing significant amounts in developing pioneering solutions to these issues.

We were pleased to see that in the fourth quarter, thanks to high sales, our own price adjustments and improved productivity, the business area was able to improve its operating profit to the extent that the operating margin for the full year improved slightly compared with the previous year.

**The NIBE Element business area** reported sharp growth in new orders for most of the financial year. The main reasons for this correspond to the market situation in the other two business areas. The strong electrification trend and the rapidly growing semiconductor industry



In November 2022, Gerteric Lindquist was invited to represent the global heat pump industry at the launch of a heat pump report by the IEA (International Energy Agency). The report, which is the first comprehensive global report on this topic, highlights suggestions for political solutions and investigates the consequences of accelerating the transition to heat pumps in terms of energy security, energy savings and reduced climate impact. Overall, the report predicts a bright future for the heat pump industry. The release of the report took place at Renewable Energy House in Brussels and the other participants were Director-General for Energy at the European Commission, Ditte Juul Jørgensen, Executive Director of the IEA, Faith Birol, Chief Energy Modeller at the IEA, Laura Cozzi, and Head of Tracking Sustainable Transitions Unit at the IEA, Daniel Wetzel.



were other driving factors. However, in the middle of the fourth quarter, the United States introduced export restrictions with immediate effect on equipment intended for semiconductor manufacturing in China. This had an immediate impact on the business area's invoicing and results in the quarter.

The full-year operating margin remains stable at over 10%, however. Because our assessment is that the export restrictions that have been introduced will result in the semiconductor industry relocating to other countries, primarily to the United States and countries in Europe, we consider the drop in demand to be temporary. We will not scale down our current ambitious investment program because of this, and will complete the program according to plan.

### Acquisition strategy remains unchanged

For obvious reasons, the number of acquisitions was not as high as we would have liked in the past two and half years, but since the end of the previous financial year we have seen a big change and discussions are currently underway regarding a large number of acquisitions. The conditions for continued acquisitions appear to be very favorable. Many companies and their owners find our clear sustainability profile attractive and furthermore our access to capital is good, both internally and externally.

### Rate of investments driven by a strong belief in the future

The level of investment in our existing businesses amounted to SEK 2,065 million in the year, compared with SEK 1,242 million in the previous year. Depreciation, including in respect of leases, amounted to SEK 1,484 million, compared with SEK 1,297 million in the previous year. Excluding leases, the depreciation rate was SEK 1,080 million, compared with SEK 970 million last year. In view of the expected continued good market conditions in all three business areas, together with further automation, rationalizations and sustainable development, the rate of investment in our existing businesses will remain high. In the next three to four years alone, accumulated investments are expected to amount to around SEK 10 billion, of which around half will comprise increased production capacity. In addition, just over SEK 1.2 billion was invested in product development in 2022.

### Strong earnings performance

Operating profit improved by 31.2% compared with the previous year and the operating margin increased from 14.5% to 14.6%. It is especially gratifying to note that positive growth in all three business areas facilitated the strong improvement in the Group's earnings.

Profit after net financial items improved by 31.4% compared with the previous year and the profit margin rose from 14.0% to 14.2%.

### Development of individual companies

Our long-standing philosophy has always been to develop our businesses in the places where they were originally established. The reasoning behind this is the importance of preserving the soul of the company and a conviction that a manufacturing company is able to have the greatest impact if product development, production, sales and administration are maintained as a single, closely linked unit.

This explains why we have never been proponents of outsourcing but have always been determined to invest in increasing our own processing activities and tried to ensure supply chains are as short and reliable as possible. This is the best way to harness the passion for and commitment to the company. Against this background, developing individual companies in harmony with staff, customers, suppliers and society in general, while paying great attention to environmental considerations, is a concept that in our opinion is hard to beat.

As we undertake our largest investment program to date, this is the thinking that guides us, irrespective of country. We will be investing billions of Swedish krona in our Swedish plants alone in the next few years because we are convinced that this will attract both new and existing employees with a variety of skillsets, and that this will facilitate continued long-term profitable growth.

### The stars are aligned

Probably very few companies and their staff are blessed, as we are, with having been able to experience the euphoria that comes from being in the right place, at the right time, with the right product range and with an exceptionally prescient and well-established vision. This may perhaps sound a little self-aggrandising and as an attempt to describe us as being perfect, but the very opposite is true.

Our vision is based on the deepest humility and respect for people and for our shared planet and its limited resources. The foundations





Since 2020, NIBE is a sustainability partner of the National Museum of Science and Technology in Stockholm, supplying an innovative, complete climate control solution based on geothermal heating for the new building, Wisdome Stockholm, in the inner courtyard of the museum. The building will provide an interactive, digital learning and testing environment for science communication. The building's energy requirement will be 232,000 kWh per year, of which as much as 165,000 kWh will come from renewable energy, corresponding to energy savings of 71% and a reduction in greenhouse gases of 15 tonnes per year. As for the large cooling requirement, 60% will be covered by free cooling from the boreholes.



Wisdome Stockholm is a place for experiences. The building features ground-breaking architecture and is a landmark and a point of reference for sustainable construction.

for this vision were laid already when the company was set up with very limited resources more than 70 years ago. Given our insignificant capital resources, we were forced to be profitable to be able to survive and grow.

In order to remain profitable in the long term, we were forced to use resources as efficiently as possible to develop, manufacture and sell high-quality, high-performance products. And this is still our approach to our work, to optimize use of resources to work unstintingly on developing both our products and the company. We call this responsible and long-term enterprise or, to use a more modern but slightly well-worn expression, sustainable enterprise.

The entire business must be genuinely committed to responsible enterprise or it becomes just a superficial affectation or a cliché. Concepts such as sincerity, moderation, transparency, responsibility and respect must be seen as a given and as natural guiding principles for all our employees in their day-to-day work. This is the foundation on which NIBE's vision rests.

Having worked over the decades, from our position as an individual company and with mixed success, to try to persuade our main markets to move towards increased electrification, increased use of heat pumps and increased installation of stoves, not just as a comfort factor but also as a backup source of heating the development in recent years has completely turned around and is moving in our direction.

Gone is the resistance to electricity, which is now instead being hailed as the saviour of our civilisation. Correspondingly, heat pumps are being praised to the skies for their ability to both reduce energy consumption and carbon dioxide emissions. Against a backdrop of expected continued high energy prices in the future and more unstable energy supply, stoves are now also seen as an obvious secondary source of heating.

This means that all three of our business areas are now in the absolutely perfect position ahead of the gigantic and entirely essential transition of society that has now begun moving at speed and which is expected to further pick up pace in the coming years.

Imagine, we have finally reached a dream position after all these years of hard work. So we have good reason to be in a slightly euphoric mood. Against this background, it feels completely natural to have set our next sales target at SEK 80 billion, preferably by 2026.

## Outlook for 2023

- Our corporate philosophy and our strong range of products, with their focus on sustainability and energy efficiency, are in tune with the times because the transition to a fossil-free society is considered to be irrevocable.
- 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 business areas have a good geographical spread, which makes us less vulnerable to local downturns in demand.
- Our decentralized organization, based on independent units, is well proven and creates the conditions for greater motivation and flexibility.
- The pandemic effects are continuing to fade, which is a very significant and positive factor.
- The problems relating to sub-suppliers are expected to gradually improve over the year.
- The effects of political unrest, interest-rate developments and rising energy prices are, as always, difficult to predict.
- As is our habit, and based on experience, we nevertheless remain cautiously optimistic about our performance this year.

Markaryd, Sweden, March 2023

Gerteric Lindquist  
MD and CEO

## Business focus

We supply the market with world-class solutions in sustainable energy through intelligent, environmentally friendly products for indoor climate comfort and domestic hot water heating designed for both single-family houses and larger properties. The product range comprises both individual heating products and systems for heating, air conditioning, ventilation and heat recovery as well as local energy production.

## Business objective

Our business objective is to consolidate our market-leading position in Europe and North America. The number of domestic markets, for example, in Asia, will gradually be increased by acquisitions, the establishment of subsidiaries or the use of other well-established sales channels.

## Targets

### Growth target

**We shall achieve growth of at least 20% annually, of which half is organic.**

In 2022, total growth was 29.6% (12.2%), of which 25.9% (10.3%) was organic. This means that organic growth was 15.6 percentage points higher than in 2021.

Growth has been 16.8% on average over the last five years.

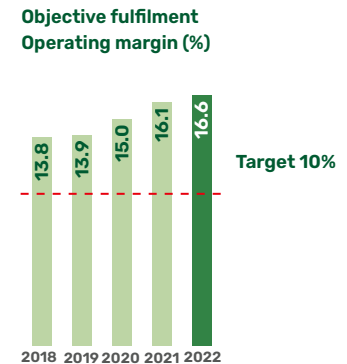


### Operating margin target

**Operating profit shall be at least 10% of sales over a business cycle.**

Operating profit in 2022 was 16.6% (16.1%) of sales. This means that the operating margin improved by 0.5 percentage points compared with 2021.

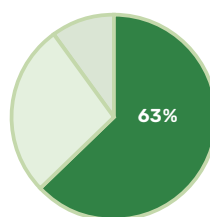
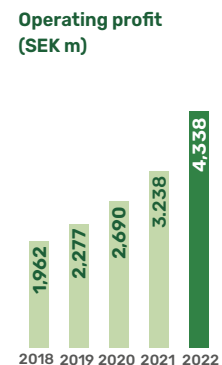
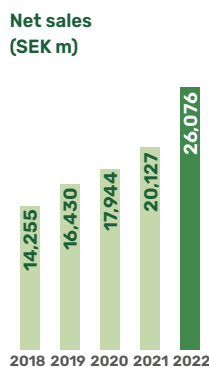
The operating margin has been 15.3% on average over the last five years.



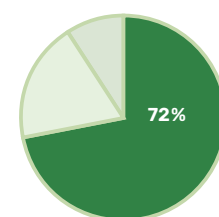
## Figures for 2022

In 2022, the Climate Solutions business area increased its net sales by 29.6% compared with 2021. The increase was primarily attributable to good organic growth.

Operating profit for the business area increased by 34.0% compared with 2021. The increase was primarily due to organic growth and the careful control of fixed costs.



Net sales  
Percentage of Group



Operating profit  
Percentage of Group

**“** More and more people are now realizing that energy- and climate-saving solutions like heat pumps can play a major role in the transition to a more sustainable society.

**KLAS DAHLBERG**  
Head of NIBE Climate Solutions



## Energy efficiency enhancement high on the agenda

### High demand in all segments

Energy efficiency enhancement is high on the agenda for end-consumers as energy prices rise. The electrification and digitalization of society is intensifying. Requirements to reduce climate impact are becoming stricter and demand for energy-saving and climate-friendly solutions is increasing sharply.

2022 was characterized by high energy prices, one reason being the war in Ukraine. However, in the long term, main reason is the climate debate and the transition towards a fossil-free society, which has created strong demand for our products, particularly in Europe. A similar debate is gaining ground in North America and we are also seeing a sharp rise in demand in the commercial sector.

### Imbalance in materials supply

To meet the sharp increase in demand, we have focused on increasing both short-term and long-term capacity in our production units.

The international component shortage and the war situation in Europe hampered our performance for most of the year, which was frustrating for both us and our customers. The delivery capacity of our sub-suppliers improved significantly towards the end of the year, which boosted our own delivery capacity. The shortage has also led to significant price increases in the supply chain, both in terms of input materials and transportation, but we have largely been able to compensate for these price rises.

The global labor shortage has also affected us, primarily in North America, where it has been difficult to recruit workers to the extent required for our expansion.

### Key strategic acquisition

Our strategy of growth through acquisitions remains in place and acquisition talks are continuously taking place, but obviously the acquisition intensity has not been as high in the wake of the pandemic.

One strategically important acquisition was carried out in the second quarter, when we acquired 50% of the shares in the Italian heat pump manufacturer Argoclima. What is particularly interesting is that Italy, which has historically been a major consumer of gas, is currently undergoing a transition to a fossil-free society, and heat pumps are an important part of the solution.

Shortly before the end of June, we disposed of an additional 26% of the shares in Schulthess Maschinen AG, which resulted in NIBE becoming a minority shareholder with a holding of 25% of the shares in the company. These shares too will be disposed of within three years.

### Product development for continued expansion

Product development is essential for continued expansion and to further strengthen our profile as a market leader in sustainable energy solutions for indoor climate comfort based on renewable energy. We

are, therefore, continuing to invest large resources in continually being able to launch competitive product solutions with regard to both cutting edge technology and reduced environmental impact. Our product development prioritizes energy efficiency, natural refrigerants, intelligent control, connectivity and lower noise levels.

The launch of our brand-new generation of high performance heat pumps, featuring natural refrigerants, has received a very positive reception on the market.

A number of major projects are underway involving commercial properties, where we are developing and offering energy-efficient and environmentally friendly turnkey solutions for heating-cooling-ventilation based on the extensive and complete product range we are able to offer together within NIBE Climate Solutions.

### We are contributing to the fossil-free transition

Although ambitious international goals such as the Paris Agreement and Agenda 2030 are driving change, it is political decisions at the national level that will have a real impact.

We have long been convinced that the heat pump technology is the best solution for energy-efficient and environmentally friendly climate control of both small and large properties. As the EU, the US and many other countries are now clearly indicating a genuine intent to pursue this course, we are contributing to the transition to a fossil-free society through our product solutions, because climate control of properties plays a key role in this transition.

We also actively contribute both through knowledge and products in the ongoing internal transition to energy-efficient climate control solutions that is being implemented in the Group's operations worldwide. This is to reduce our own climate impact and achieve our sustainability targets in respect of both good working conditions and reduced energy consumption, as well as lower CO2 emissions.

### Future opportunities

Our opinion is that a genuine sustainability focus does not involve compromising on comfort but instead involves improving the efficiency of existing solutions and developing new ones. Although we have already made a lot of progress, we are aiming to be able to make heat pumps even more efficient in the future. Our model for this is the LED light bulb, which saves over 85% of energy compared to the traditional light bulb and also has a far longer life span.

In order to meet the expected extremely sharp rise in volumes, we are implementing extensive investment programs aimed at increasing capacity at most of our European operations, in many cases more than doubling production capacity.

The growth potential of our market segments is very good and we see many opportunities to further strengthen our market position in both Europe and North America.

## Business focus

We supply the market with world-class solutions in sustainable energy by offering energy-efficient stove products in attractive designs as well as chimney systems, all developed and manufactured with minimum environmental impact.

## Business objective

Our objective is to supply a wide and complete range of stove products in order to confirm and consolidate our position as the market leader.

Expansion abroad will be supported by the continuous development of products tailored to new markets. This will be combined with moves into new markets through acquisitions, the establishment of new subsidiaries or the use of other existing sales channels.

## Targets

### Growth target

**We shall achieve growth of at least 20% annually, of which half is organic.**

In 2022, total growth was 31.5% (18.3%), of which 26.1% (17.4%) was organic. This means that organic growth was 8.7 percentage points higher than in 2021.

Growth has been 12.4% on average over the last five years.

Objective fulfilment  
Growth (%)



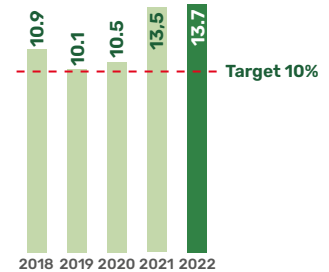
### Operating margin target

**Operating profit shall be at least 10% of sales over a business cycle.**

Operating profit in 2022 was 13.7% (13.5%) of sales. This means that the operating margin improved by 0.2 percentage points compared with 2021.

The operating margin has been 12.1% on average over the last five years.

Objective fulfilment  
Operating margin (%)

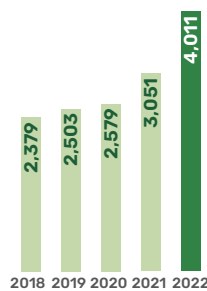


## Figures for 2022

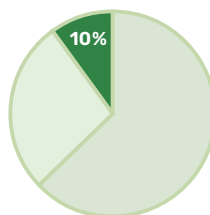
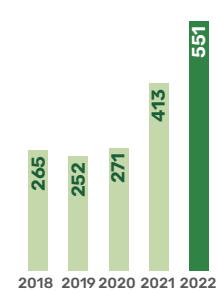
In 2022, the Stoves business area increased its net sales by 31.5% compared with 2021. The increase was primarily attributable to both a sharp increase in demand and consistent marketing.

Operating profit for the business area increased by 33.4% compared with 2021. The positive development was primarily due to sharply higher sales volume and continued good cost control.

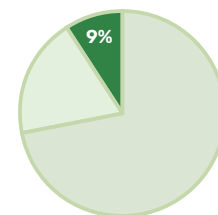
Net sales (SEK m)



Operating profit (SEK m)



Net sales  
Percentage of Group



Operating profit  
Percentage of Group

**“ We devote considerable resources to product development, especially regarding environmental performance and innovative design.**

**NIKLAS GUNNARSSON**  
Head of Business Area NIBE Stoves



## Demand at record high

### Focus on heating and security

During and after the pandemic, demand for all stove product categories rose sharply, driven by a strong desire among customers to invest in improving their homes. Because people did not travel to the same extent as before the pandemic, the need to create a comfortable home increased. Many people are also choosing to move closer to nature, as well as bringing the feeling of nature into the home by installing a stove. These trends have also had a positive impact on us.

In 2022, demand in Europe for mostly wood-fired products rose to levels never seen before. The main reason was concerns about the external situation after Russia invaded Ukraine, which led to uncertainty about energy supply and pushed up energy prices. Many people chose to invest in a stove as a secondary source of heating for increased security and reduced heating costs. Demand for wood-fired products also increased in North America, but to a much lesser extent than in Europe. At the same time, demand for gas-fired products was somewhat weaker.

Stoves are consumer durable goods and it is clear that our customers appreciate the advantages of the high quality, long service life of the products and the fact they use renewable energy.

### Long delivery times as demand rises

The exceptional increase in demand for wood-fired products resulted in unnaturally long delivery times throughout the industry, and all operators have large order backlogs. Despite large disruption in our supply chains during the year, we were able to increase production volumes for wood-fired products at our production plants, albeit that this resulted in lower productivity. The delivery situation for gas-fired and electric stoves was good, despite some component shortages at the beginning of the year.

Thanks to extraordinary efforts in all areas, a broad product range and well-developed retailer networks, we were able to maintain our strong market position in both Europe and North America, despite a difficult delivery situation.

### Complementary acquisitions strengthen our market position

At the beginning of July, we acquired an additional 41% of the shares in the Canadian company Pacific Energy and as a consequence of this, we consolidated the business. The company's wide range of primarily wood-fired products and good market presence in North America and Australia further reinforces our position. The remaining 49% of the shares will be acquired in the first half of 2023.

### Continuous improvement of products

Our focus on reduced environmental impact and sustainability is increasingly bearing fruit and we are, therefore, earmarking significant resources towards achieving our objective of continuously improving the performance and combustion of products in order to be in the vanguard and be able to meet the demands of consumers of the future.

New products are continuously being launched, but many of the successful product launches implemented previously have also contributed to our strong organic growth.

### Investments in reduced environmental impact

The trend in Europe is that more and more countries are encouraging the replacement of old fireplaces with new products that have lower emission levels and higher efficiency.

Our products already meet the latest Ecodesign requirements introduced in 2022, as well as the latest requirements in North America, but our ambition is to continuously develop our products to be able to realize even lower emission levels.

Our biggest challenge is to significantly reduce particle emissions and our assessment is that we are at an advanced stage of this development process and see solutions that could create very significant values for both our customers, ourselves and society at large.

### Future opportunities

Demand will be boosted by the transition to products with reduced environmental impact and requirements to replace older models in order to meet the global environmental goals. Thanks to our product development strategy, we feel that we are correctly positioned in this transition process.

In marketing, our objective is to further strengthen our relationship with our customers by improving our capabilities both digitally and physically in order to create continued profitable growth in a continuously demanding market.

In general, acquisition activity has been slightly lower recently, which is a direct effect of the pandemic. However, we see good opportunities for continued consolidation in a large but fragmented market, where our goal is to further strengthen our market position.

## Business focus

We provide the market with world-class solutions in sustainable energy by supplying both manufacturers and users with components and solutions for intelligent heating and control.

## Business objective

We shall be one of the leading suppliers in the world, and our local presence and full range will be marketed on a growing number of domestic markets by means of suitable acquisitions or start-ups. Medium-sized series are marketed by country or industry, while unique special products and large bulk products are marketed globally.

## Targets

### Growth target

**We shall achieve growth of at least 20% annually, of which half is organic.**

In 2022, total growth was 29.7% (15.7%), of which 27.8% (14.1%) was organic. This means that organic growth was 13.7 percentage points higher than in 2021.

Growth has been 16.4% on average over the last five years.

Objective fulfilment  
Growth (%)



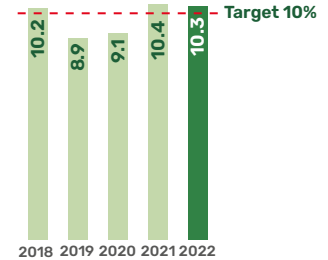
### Operating margin target

**Operating profit shall be at least 10% of sales over a business cycle.**

Operating profit in 2022 was 10.3% (10.4%) of sales. This means that the operating margin decreased by 0.1 percentage points compared with 2021.

The operating margin has been 9.8% on average over the last five years.

Objective fulfilment  
Operating margin (%)

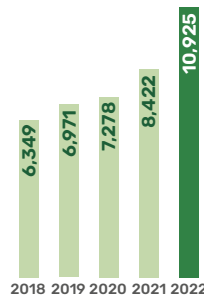


## Figures for 2022

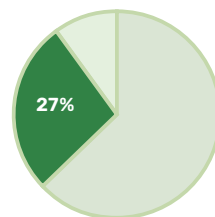
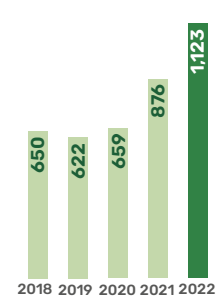
In 2022, the Element business area increased its net sales by 29.7% compared with 2021. The increase was attributable to both increased demand and a stronger market position.

Operating profit for the business area increased by 28.2% compared with 2021. The increase was primarily due to a positive performance and strict control of fixed costs, together with rapid adaptation of operations to demand.

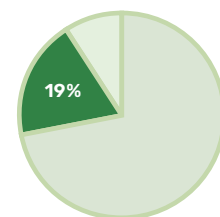
Net sales  
(SEK m)



Operating profit (SEK m)



Net sales  
Percentage of Group



Operating profit  
Percentage of Group

**Technological advances in energy efficiency continue to create new business opportunities for us globally.**

**CHRISTER FREDRIKSSON**  
Head of Business Area NIBE Element



## Global trends favor us

### Expansion continuing

The electrification trend, which plays a significant role in the transition to a sustainable society, is continuing to gather force throughout the entire chain, from electricity generation to consumer products. This opens up a lot of opportunities for us because our products are part of the solution to today's climate problems.

We reported good growth for the full year, particularly in respect of products linked to energy efficiency, renewable energy and energy storage. However, growth has gradually, and to an increasing extent, been affected by geopolitical developments, and demand for consumer-related products such as domestic appliances declined in the second half of the year. At the same time, demand for electrification solutions is growing, for reasons such as the environment and security. The United States' new trade restrictions on advanced technology exports to China, which were introduced at the end of the year, will adversely impact our sales to the semiconductor industry in the short term, even though this is a growth segment. However, we estimate that in the long term, this will be compensated for by increased demand linked to investments in new production units in both North America and Europe.

One effect of the pandemic and trade policy tensions has also been the increased restoring of production in Asia to our customers' home markets in North America and Europe. Because we are a global supplier, which has always prioritized a local presence in the market where our customers are, it is natural for us to be moving in this direction.

### Continued supply chain challenges

The disruption in the global supply chains continued in 2022. This particularly affected our customers in growth segments such as the heat pump industry. Because their production has not been able to proceed to plan due to shortages of other components, this also resulted in irregular deliveries of our products for large parts of the year. The year was also characterized by long lead times for deliveries from Asia and high transport costs.

An additional problem is the general shortage of labor globally. This can be traced back both to the political decisions taken during the pandemic and to the fact that many people now have different life priorities than before the pandemic.

### We are strengthening our market position

We continued to strengthen our market position in the international element market through organic growth in several market segments with strong underlying growth.

The acquisition of Elmess-Klöpfer Group of Germany, which is one of the market leaders in electrical heaters for industrial applications, strengthened both our position geographically and our product offering in the important growth market created as industry makes the transition from fossil fuels to electricity. During the year, we also carried out minor supplementary acquisitions, such as the Swedish industrial company Scandymet, a small industrial company in Malaysia and a small production company in California.

The combination of larger strategic acquisitions and continuous supplementary acquisitions of smaller businesses in various markets and product segments has proven to be a successful concept.

### Sustainability increasingly important

In line with the EU and the rest of the world, we are continuing to do what we can to speed up the transition to a fossil-free society in a large number of areas. The development of our products is driven by internationally stricter requirements for reduced environmental impact.

A large and growing part of our business is based on components and solutions for a growing number of end-products which facilitate the transition to a more sustainable and climate-neutral society. Activities have increased sharply and we are managing a number of large, strategic projects in collaboration with our customers, while also expanding our production capacity.

### Future opportunities

The technological developments in energy conservation are continuing and these create new business opportunities for us globally. We see great potential in a number of areas in the future, particularly in intelligent heating of buildings, components and systems for the semi-conductor industry and components for electric vehicles. We see Europe and North America as having the greatest potential.

We also envisage large investments in storage and reuse of energy. As a world-leading player, we will continue to participate in this sector. Despite the basic technology of our products having existed for a very long time, our products have never been more relevant.

With a growing number of subsidiaries in more and more markets with good internal collaboration, we are well equipped to identify new acquisition opportunities in a fragmented market with many local, owner-led entities.

Our investments in increased automation and robotization also provide opportunities for further productivity improvements in our existing operations.

# Strategic focus areas that combine good profitability and responsible value creation

Our goals are sharply focused on profitable growth and responsible value creation with healthy finances. Our strategies for achieving the goals are well proven and based on our business principles, focusing on four strategic areas: growth with profitability, market-oriented expansion, innovation and a long-term approach.



## Growth

### Enduring growth



Our goal is for total growth to average 20% per year on a sustainable basis in order to create opportunities for good profitability.

Our long-term strategy is to supply the market with sustainable energy solutions, thereby helping the world transition to a more sustainable society and a reduced carbon footprint.

### International guidelines and initiatives

We follow and work according to several internationally recognized standards, guidelines and principles. Our guidelines and policies are based on international conventions and initiatives such as the Global Compact, ISO 26000 (international guidelines for handling social responsibility issues) and the Swedish Anti-Corruption Institute.

We submit an annual report on our progress to the UN Global Compact in accordance with the principles we have signed and committed to work with in our value chain.

We support the UN's Sustainable Development Goals (SDG) in their entirety, but are focusing on seven of the goals that are clearly linked to our internal goals and action plans and that we believe we can influence.

## Market-oriented expansion

### Sound business ethics



We are continuously investing in attractive market segments in order to achieve optimal market presence and continuous global expansion.

Sound business ethics form our fundamental responsibility throughout our value chain. Our business relationships and business methods are based on us complying with legislation and applying sound business ethics. We comply with international market requirements and sanctions and do not manufacture or sell products that are banned in any country or market. Individual markets may have local laws and customer requirements that must be adhered to. We are transparent in our communication and reporting and it is mandatory that we comply with laws and requirements.

Our values and business principles entail zero tolerance for all forms of corruption and apply to all parts of our business. Our zero tolerance for corruption is clearly communicated to our business partners.

In addition to mandatory anti-corruption training that all employees who may be exposed to corruption must undertake on a continuous basis, all our employees are urged to be observant, ask for advice if unsure and to report incidents if they have been exposed to any form of bribery or other unethical behavior. The Group's whistle-blowing policy has been translated into all local languages where we operate.



## Innovation



### Products and new development

International estimates predict an increase in energy demand of 40% by 2040. This means that the rate of global energy efficiency enhancement must increase along with a shift towards renewable energy production. In this respect, we are well positioned for the future. Energy efficiency, eco-design and a life-cycle approach are important to us.

### Climate impact

In our innovative product development, we focus on reducing products' climate impact throughout their life cycles. Our LCE-classified products support the shift to a smaller carbon footprint and help customers improve energy efficiency and convert to renewable energy.

We have set a long-term goal of reducing our direct carbon dioxide emissions by 65% by 2030 and have an ambition to be carbon neutral by 2050.

The best way to reduce our own global climate impact is through energy optimization and by reducing energy consumption and carbon dioxide emissions in our production units by eliminating fossil fuel and replacing heating systems with heat pump solutions. These measures are being implemented on a continuous basis.



## A long-term approach



### Responsibility in business and related risks

Our business principles and values are based on the conviction that great freedom coupled with responsibility in all areas creates profitability and longevity. Responsible business conduct and corporate social responsibility are fundamental to our ability to live up to our management philosophy and be a stable corporation.

Our governance model for each individual company in each business area is closely linked to our business model, which is based on local boards of directors and strong management in the companies.

To achieve our goals, we require good leadership and good relationships with employees, which in turn creates a secure and stable workplace in the long term.

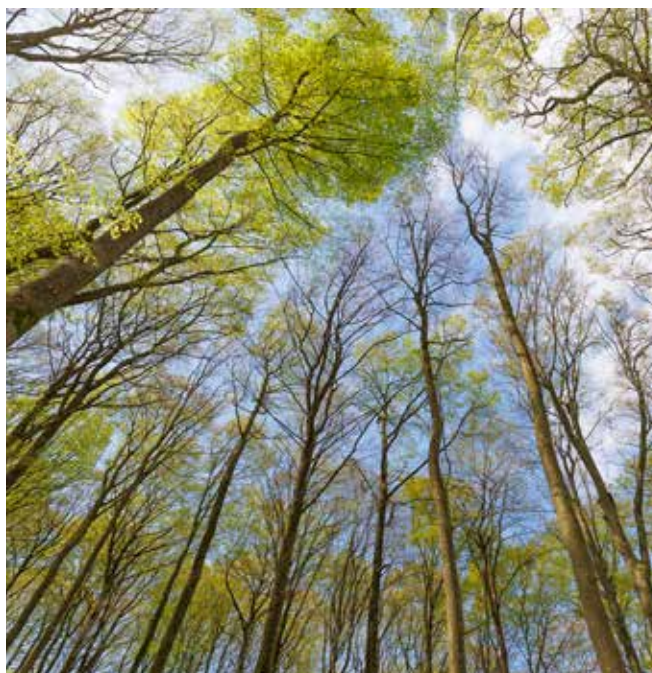
Every year, a risk assessment is carried out in our evaluation of business risks, according to our NIBE Internal Control Standard (NICS). The risk of corruption is also evaluated in the risk evaluation.

Risk assessment and evaluation of both new and existing suppliers and their performance is carried out continuously, creating security around our choice of supplier and ensuring continued strong cooperation. If we identify unacceptable risks in exceptional cases, or a lack of desire to make improvements, we will terminate the collaboration.

## Growth

### Organic profitable growth

Our total average growth target of 20% a year should be achieved half through organic growth and half through strategic acquisitions. Sustainable growth creates prospects for good profitability.



#### Aggressive product development

We constantly focus on growth initiatives in different product areas and we invest considerable resources in product development. The pace of development for new sustainable products and solutions is high, resulting in frequent product launches. In 2022, we set aside just over SEK 1.2 billion for product development and strategic development projects in order to further strengthen our market position. In parallel, we continuously evolve our operations with a high rate of investment so that our growth can produce profitability.

We are making large investments in new digital tools for increased connectivity in both our product offering and our service offering. This also helps to reduce environmental impact.

Our entire value chain, from vision to end customer, should be based on the principles for responsible value creation contained in our business principles and our values.

#### Quality in everything

Quality is the most important and fundamental factor behind long-term success and sustained growth. The focus should be on the customer and our products should be environmentally adapted, have passed quality control checks and result in satisfied customers. To ensure that our production companies actively implement quality control, they must achieve ISO 9001 certification within two years of being acquired.

#### Efficient production

High productivity is essential to good competitiveness. Our productivity philosophy is grounded in the belief that everything can always be improved and that, if you can't measure it, you can't improve it. MTM data provides a sound basis for accurate costings and calculations, efficient production planning, reliable investment data and opportunities to follow up business activities correctly. Performance-based salary systems based on accurate MTM data help encourage optimization of working time and promote high productivity and fair salaries.

#### Procurement synergies

The cost of materials is a significant expense item for all our companies. Coordinated purchasing, both in each business area and between the business areas, rapidly provides noticeable advantages such as efficient use of resources and reduced costs. Collaboration with newly acquired companies starts immediately to quickly reduce both direct and indirect costs.

#### Local development

Our business model is based on our companies continuing to run operations where they were started to ensure that jobs remain local. Regardless of whether they are large or small operations, the management team is usually local.

In many communities where we are a major player, local development is positively affected by our presence and our need for services. As employers, taxpayers and customers to many local entrepreneurs, we have a major positive impact on local economies and investments in infrastructure. Companies can also continue to operate as energizing and responsible players in their respective places of establishment.

## Acquired growth

We prioritize the acquisition of companies with strong brands and products that complement our existing range and strengthen our presence in both new and existing markets.



### Decisive assessment criteria for acquisitions

For a potential acquisition to be interesting, it must add new technology, enable us to establish a presence in new geographical markets and/or increase our share in existing markets.

We apply the acquisition model below. The basic requirements are that a company must have:

- a strong position in terms of the market and technology
- competent management
- a real entrepreneurial spirit
- development potential within the framework of NIBE’s strategies
- sound finances, and, if profitability is not satisfactory, it must have the potential to improve within a reasonable time.

### Continued autonomy

By actively encouraging continued curiosity, creativity and commitment, we motivate acquired companies to remain entrepreneurial. This is essential to their future potential.

Permitting acquired companies to retain their identity and brands creates continuity on local markets. The objectives and management philosophy of the NIBE Group are always implemented, but otherwise new companies in the Group retain a high level of autonomy. Integration into the NIBE Group is about leveraging the benefits of belonging to a much larger cluster of companies.

Through our decentralized leadership, we can maintain simple organizational structures with an independent operational leadership and a local character.

### Acquisition model

ANALYSIS	IMPLEMENTATION	INTEGRATION
The analysis phase is precise but fast. Our three sectors are well defined and with our history we have good insight into the acquisition objects that are available and access to relevant ratios for conducting comparisons and analyses. Both financial and legal due diligence as well as environmental evaluations are conducted in connection with acquisitions. In addition, a review of IT security is a high priority.	In the implementation phase, there is always complete transparency about our objectives concerning the acquisition. We are always very clear and open about the information we provide on our management philosophy and strategy, which facilitates the process.	In the integration phase, we aim to retain not only brands, but also skilled employees at every level. We quickly begin to realize obvious improvement opportunities, for example, in purchasing and knowledge transfer, to improve operations.

# Serenbe, an American community championing fossil-free energy consumption



## What is Serenbe?

Serenbe is an award-winning community that focuses on reduced dependence on fossil fuels and living close to nature in a way that also brings people closer together. The area is made up of private housing comprising apartment blocks, single family homes, terraced housing and holiday homes. There is also a medical clinic, shared facilities and small-scale commercial businesses such as retail, accommodation and restaurants. The initiative for Serenbe came from Steve Nygren, who has Swedish ancestry.

## Large number of installations in the project and more are planned in the future

The climate control equipment for the buildings in Serenbe was primarily supplied by our US heat pump company Enertech Global, which has a complete range of heat pump systems, GeoComfort, for different types of properties. Several homes also use Enertech solar panels.

The largest Serenbe project to date is a school. It consists of four separate buildings accommodating everything from kindergarten through 12th grade. Three of the buildings will be ready in 2023, with indoor climate comfort supplied by more than 500 kW of GeoComfort systems.

## Shared support for the community

A local distributor is supplying the GeoComfort equipment for the project. They also have their own contact person, who acts as the link between the developer, the HVAC contractor and the drilling company.



## Heating and cooling trends in the USA

The trend towards new communities with shared facilities is growing rapidly and covers everything from a few dozen homes to several thousand residential units. The focus is on proximity to nature and human well-being, such as social interaction, food, art, culture and animals.

The advantage of heat pumps in these areas is that they are quiet and also result in lower monthly energy costs and contribute to reduced climate impact, which is something that appeals to the people looking to live in these areas.

The transition to reduced dependence on fossil fuels also contributes to increasing awareness of the fact that geothermal heat pumps are among the most efficient and cleanest ways of heating and cooling buildings. This is creating new sales opportunities in the USA.

Recently adopted US federal tax subsidies, covering the next decade, provide substantial financial incentives for investing in products based on fossil-free technology.

# Market-oriented expansion

The globalization of our business gives us the chance to be represented in the right location with the right provider. With our decentralized organization, we can scale our businesses and develop locally in the best possible way while still leveraging the benefits of belonging to a global Group.

We invest in attractive market segments and thereby ensure an optimal market presence globally. An efficient, competitive organizational structure also helps us to develop different offerings that simplify and increase customer value.

The large number of completed acquisitions has among other things added new technologies, new products, new markets, new expertise and new production capacity. Continuous investments in existing operations in terms of product development, new technology and skilled employees are also crucial for continued market-oriented, long-term expansion.

## Employee commitment

Motivated, committed employees and management are essential to continued success. Leadership is very important for driving forward our corporate culture, which is based on diligence and job satisfaction.

Internal recruitment plays an important part in filling leadership and key roles. We make sure to continuously update our skills through training and personal development, but we also use external recruitment to obtain new expertise.

## Responsible purchasing

To ensure that purchases from our suppliers are made responsibly, in addition to specific requirements on product quality, delivery capacity, commercial conditions and environmental performance, we also evaluate suppliers based on the UN Global Compact's global goals for the environment, human rights, working conditions and anti-corruption. This involves a more time-consuming evaluation initially, but it later lowers the risk of interruptions in material flow and events that may harm our reputation.



## Quality and environmental certification

With a requirement for quality and environmental certification in all companies, we guarantee continuous activities to achieve good quality and reduced environmental impact while we eliminate risks in the working environment.

In addition to our goals in respect of continuous reduction in energy consumption and reduction of carbon dioxide emissions, we are actively working on eliminating fossil fuel in the heating of production plants where we own the buildings. In operations where we lease the buildings, we are engaged in discussions with the respective property owners regarding installation of fossil-free alternatives.

## Management and monitoring

Long-term profitable growth and responsible value creation require professional, structured management and effective monitoring. Our management approach is based on decentralization in our three business areas with clear responsibility for profits in well-defined profit centers.

Management by objectives is important. Clear goals linked to both finances and sustainability create a firm framework for business development and accountability in each profit center. Our management strategy is based on a combination of values, business ethics and respect for common standards. All companies must ensure compliance with legal requirements and agreements that have been concluded.

Monitoring takes place efficiently at all levels of the organization via the Group's shared reporting and consolidation systems. Deviations from assumptions made can then be quickly followed up and dealt with. We regularly conduct on-site visits to follow up that our operations meet the requirements in respect of responsible business conduct.

# Innovation

**Intelligent energy solutions is a broad concept that touches on all areas of the energy landscape, from infrastructure design to everyday consumer applications.**

## Intelligent energy solutions

Through its operations, NIBE contributes to the development of a globally sustainable society for both present consumers and future generations of consumers. We see our responsibility for the environment throughout the processing chain and strive to reduce the environmental and climate impact of products throughout their life cycles.

Our focus on world-class solutions in sustainable energy contributes to the global goal of reducing emissions of carbon dioxide and particles to the atmosphere.

Digital technology development is focused on making future energy systems around the world more connected, intelligent, reliable and sustainable. We are participating in this development in many different ways.

## Product development

Always being at the cutting edge with the most attractive product range is key to profitable growth. With a high rate of product development, based on research and new technology, we can offer products and solutions that appeal to the market while helping to reduce environmental impact. We constantly challenge ourselves to find the solutions that can best contribute to a faster transition to a fossil-free society.

The detailed requirements for product liability are continuing to grow with regard to product safety, environmental impact, inputs and packaging, which is also a natural part of the development process. Our products comply with agreed norms, standards and legal requirements. Each product manufactured within the Group meets the requirements for product and service information in each country of sale.



## Shared digital platforms

Our modern climate control solutions are becoming increasingly intelligent, and demand for remote control via digital platforms is constantly growing.

These rapid developments require significant development resources. To streamline the development process, we are creating shared digital platforms that can be used in our companies to lower the hurdle of starting to use new technology.

## Energy-efficient products

Our LCE-classified products support the shift to a smaller carbon footprint and help customers improve energy efficiency and convert to renewable energy. We are currently in the process of carrying out product mapping to establish the overall contribution our products make to reducing customers' climate impact.

## Commercialization

The strength of our brands is substantiated by products that are characterized by quality, innovation and which support sustainable development and competitive prices. With carefully considered marketing, we are perfectly placed to increase our market share on existing markets and expand into new markets.

## Safe products

Our decentralized organization means greater proximity to and understanding of the market. Strong business relationships are built with a high level of customer knowledge and factual marketing. Our customers must feel secure in the knowledge that our products are safe and manufactured responsibly, ethically and sustainably. We make a great effort to be available and offer good service and effective customer support.



*A step into the future – sustainable energy solutions are an industry of the future in which we see the market for our products growing, though we also note a need for new skills. Many different professions are represented at the company and there are significant opportunities to contribute to the development of the products of the future. In order to spearhead product development and attract both existing and new staff, we are investing in a brand new Innovation Centre in Markaryd. The development engineers will move into the newly built Innovation Centre in spring 2023 and the associated super modern laboratory will be ready later in the year.*

### Responsible purchasing

It is important that the suppliers we use meet our requirements and standards, which is also stated in our supplier code of conduct. We set high standards in respect of product quality, compliance with legislation and environmental performance and, therefore, encourage our suppliers to introduce certifiable management systems. The requirements for suppliers' operations are based on the ten principles of the UN Global Compact, which are aligned with our own values.

Our supplier base reflects the map of our production units, which are concentrated in Europe and North America, and to some extent in Asia. Purchases of direct materials are largely made from suppliers located in the country where the purchase is made.

We collaborate strategically with several suppliers in areas that include co-development of components to ensure optimal functioning of our products.

### Circular economy

Having a life-cycle perspective on our products helps reduce resource use and waste generation. Preparation of life-cycle analyses is an intensive task that involves collecting information internally and from our suppliers globally.

We are seeing an increase in environmental requirements for our products and requirements for a circular economy. One of the requirements is the Ecodesign directive, which is being continuously updated with stricter requirements for resource efficiency. A circular economy also means we need to adapt our innovation and manufacturing process to facilitate increased reuse of components and materials.

Other legal requirements and directives are tightening the require-

ments on substances in products, which means that material choices and construction of components and products will play a crucial role in facilitating recirculation.

One challenge of a circular economy will be how to prevent recirculated material from containing banned substances.

### Environmental aspects

To be able to participate in and contribute to a globally sustainable society for future generations, we work systematically with our prioritized environmental aspects, which we divide into the following categories:

- Climate: energy, atmospheric emissions, including carbon dioxide
- Natural resources: inputs, packaging materials, waste management
- Biodiversity: chemicals, water use
- Population and health: chemicals, water use, atmospheric emissions.

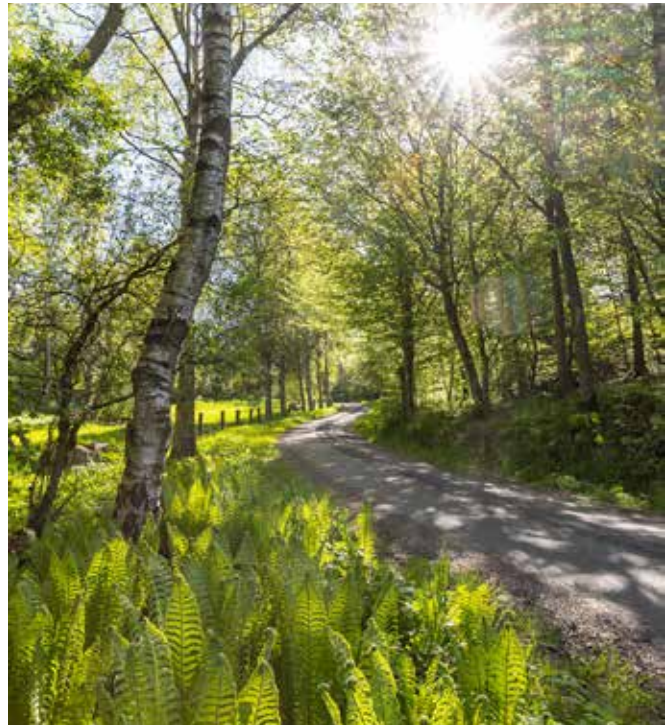
We are continuously working on improvement in these categories, which are aligned with our Group goals and the expectations of various stakeholders.

In the event of changes to or new construction of products and processes, we carry out preventive environmental risk assessments. The precautionary principle is part of our systematic approach to work and we apply this throughout the entire life cycle of the product. We are also working to reduce the amount of hazardous waste and for more recycling throughout the process.

# A long-term approach

## Responsible approach for long-term success

Since our beginnings more than 70 years ago, we have created a global Group and a presence worldwide as well as a solid platform for further expansion with profitability. Clear shared values and long-term ownership are behind the continuity and stability in the Group.



### Innovative products from the start

The development of innovative products has been fundamental right from the start. The manufacture of the tubular element, which was a new, easily applicable heating component for households and industry, began back in 1949 and laid the foundation for today's NIBE Element business area.

The manufacture of NIBE's water heaters began in 1952, the same year a law was passed requiring milk producers to have hot water in their milking parlors. With innovative product development based on this platform, our very first heat pump was introduced in 1981. This was then further developed into the NIBE Climate Solutions business area.

NIBE won a sub-contract to manufacture stoves under the Handöl brand in 1965, and Handöl's entire operations were subsequently acquired. This was the start of establishing the NIBE Stoves business area.

### Committed, innovative leaders

Committed, innovative founders and leaders have been a key cornerstone in NIBE's stable expansion and solid financial development.

The Bernerup family, landowners from Scania, founded the two companies Backer Electro-Värme AB and NIBE-Verken AB and, from the initials in Nils Bernerup's first and last names the company name NIBE was born. With two external operational managers, the family ran the companies for 40 successful years.

When the family decided to sell both companies in 1989, several employees and two external investors formed NIBE Industrier AB and acquired all operations. At the same time, Gerteric Lindquist was appointed MD and CEO.

To allow further expansion and to broaden ownership, a new share issue was implemented in 1997 and in connection with this NIBE Industrier AB was listed on the Stockholm Stock Exchange.

### An intensive era of acquisitions

Strong profit generation combined with a stock market listing and the opportunities for access to fresh capital this provided created the conditions for an intensive era of acquisitions and development into a global Group.

The acquisitions today make us:

- a leading European heat pump supplier and market leader in North America in heat pumps, both for single-family homes and commercial properties.
- one of the world-leading element suppliers, with many new product groups and a strong local presence in a great number of countries around the world.
- a European market leader in stoves, with a stable platform in North America for stoves.

### A stable platform for the future

With our focus on sustainable energy solutions, stable growth with good profitability together with a market-oriented decentralized organization guided by NIBE's objectives and management philosophy, we believe that we have created a stable platform for the future.

Together with continued good organic growth, good acquisition opportunities, solid finances and stable ownership, this builds a solid foundation for the continued, long-term sustainable development of our business.



## Good relationships create longevity

**Good leadership and good relationships with employees create a secure and stable workplace in the long-term. To be able to achieve our goals in the future, it is crucial that NIBE, as a large global employer, continues to attract new skilled and committed employees, in addition to retaining its existing workforce.**



### Committed employees

Our goal is for all our employees to thrive, develop and feel proud of their work and their place of work. If you want to thrive in our company, initiative, humility and common sense make a winning combination. Our ambition is to ensure that we as a company are perceived as an attractive employer offering numerous opportunities for development. Because of our growing need for skilled employees we both develop our existing employees and recruit for the future. Our internal training efforts and the educational collaboration we have with external partners augments our ability to ensure long-term staffing needs.

We collaborate with several schools to ensure a good influx of new employees to our businesses in the long term. Young people of all ages are invited to visit our companies to learn about the opportunities available and encourage them to study.

We also have firmly established partnerships with universities and institutes of higher education, offering opportunities for joint development projects, degree projects and internships, both locally and internationally.

Our shared values and a clear code of conduct must guide our decisions and day-to-day operations, and they encompass all employees worldwide. During the induction process, all new employees receive training in our code of conduct and associated policies. We must treat each other with respect and leaders and managers must set a good example in terms of honesty and straightforward communication. Through our decentralized leadership, we can maintain simple organizational structures with an independent operational leadership with a local character.

### Good working conditions

We work systematically to improve the working environment at all our plants to create safe workplaces and reduce ill-health, regardless of employment status. As part of our strategy for achieving this goal, our plants should have management systems for health and safety and, in some cases, also systems certified by a third party. We regularly ensure that working conditions in our operations meet our standards via site visits.

Our companies have the same rules and values regarding wages. We adhere to the laws of each individual country and do not pay less than the minimum wage. The majority of our employees are permanent employees or temporary employees. In countries that traditionally have short-term types of employment, employee turnover is high but locally adapted activities are being implemented at these companies to increase engagement and willingness to stay with the company.

Our employees must also avoid conflicts of interest between private financial matters and the company's business activities. We do not provide financial support to political organizations or to individuals. If situations arise where there is a risk of anti-competitive behavior, we investigate them using external resources.

### Respect for human rights

Our employees, with their unique experience, knowledge and talents, add great value to our operations. We conduct a global business with significant cultural and social differences, and so it is important for us to have a framework for both diversity and equal treatment. Everyone should have the same development, training and career opportunities, and no one should be discriminated against.

We operate in countries where violation of human rights may occur but in our own companies, respect for human rights and our employees' right to freedom of association and collective bargaining, as well as the right to refuse to join an association, is unequivocal.

In cases where our companies have dormitories adjacent to the workplace, we work continuously on improvements to ensure that the accommodation meets local standards.

### Local partnerships for the future

For us it is important to take local social responsibility in the places where we have operations, for example, with regard to jobs and skill retention. This makes us a natural part of the development of the local community while we also take long-term responsibility.

## Climate change – the greatest challenge of our time

**One of the biggest challenges involved in achieving a global sustainable society is to reduce emissions of greenhouse gases and slow down the current rate of climate change. There is great international awareness of how climate change, which causes natural disasters and extreme weather conditions, is threatening our living conditions, biodiversity and political stability in society.**

The international ambition is to reduce global warming to less than two degrees Celsius. This requires a reduction in greenhouse gas emissions of 70% by 2050 compared with the level in 2010, an annual reduction of 6.5%.

To achieve our growth targets while also meeting sustainability goals, we need to use less energy per unit we produce.

We see it as our responsibility to focus on creating a product portfolio of sustainable, energy-efficient energy solutions that supports the transition to a fossil-free society with reduced energy consumption.

## Energy efficiency required for a more resource-efficient society



**NIBE facilitates energy efficiency in the home**

### **We feature in most of the current energy solutions that form a large part of everyday life**

We create comfort, well-being and security in the home by supplying products for heating, air conditioning, ventilation and other solutions for a pleasant indoor climate. We are manufacturers of either end products and system solutions, or of the components found in the equipment.

With our products, we contribute in a natural way to international ambitions to stop climate change and achieve a more stable world.

# NIBE – for security in everyday life



## Energy conservation and indoor climate comfort

Heating the home with a heat pump from NIBE is one of the most energy-efficient and environmentally friendly solutions available. This reduces costs and saves the environment for both current consumers and future generations. Combined with waterborne underfloor heating, it also produces a comfortable indoor climate.



## Energy-efficient components for domestic appliances

Our modern kitchens today contain many appliances that are used frequently. Most of them, such as coffee makers, ovens and dishwashers, incorporate components produced by NIBE, which helps them be as energy efficient as possible when they are used.



## Modern technology for secure access to hot water

Constant access to hot water is an important part of our quality of life. NIBE offers households peace of mind with its reliable, energy-efficient water heaters. Washing machines and tumble dryers, which make life easier for many of us, also need to be energy efficient. They also contain several components made by NIBE.



## Modern stoves save both money and the planet

A stove from NIBE really makes a house cosy. It gently heats and becomes a natural place to gather on winter days and evenings. A stove saves money and, as combustion is very efficient and wood is a renewable energy source, it helps save the planet too. Stoves are also a secure source of heating in the event of power outages and energy price volatility.

# Buildings account for 40% of global energy consumption

**The world's combined property assets currently account for around 40% of total energy consumption and around one third of global emissions of greenhouse gases, most of which occur during the utilization phase.**

Technological change is required to achieve a reduction in emissions of greenhouse gases from buildings and this will involve phasing out fossil fuels in favor of energy-efficient systems based on renewable energy.

As buildings are used for many years, the energy-related and environment-related product choices made today are important because they will affect the environment for several decades to come.

The increasing pace of digitalization with the internet of things (IoT) is a key driver for future business, offering the potential for greater customer benefit, deeper customer relationships and new business opportunities.

The new generation of products will be integrated into an "ecosystem for well-being" and various portable digital solutions will provide real-time information between the various systems and users.



## NIBE facilitates energy efficiency in large properties

### **NIBE has the knowledge, experience and technical solutions**

The bigger the building, the higher the investment in indoor comfort equipment and the more important it is to make the right choices in terms of reliability, cost and climate.

New construction of environmentally certified buildings is also increasing rapidly in several markets. To be certified, buildings require energy-efficient and environmentally friendly installations for indoor comfort and we are able to offer solutions that are fossil-free and energy-efficient.

NIBE has the knowledge, experience and technical solutions to achieve the best concept for any type of property, whether it is an apartment block, an industrial building, a farm, a hotel, a church, a hospital or a country house.

# NIBE – for energy-efficient properties



## Cost-effective indoor climate comfort in hotels

Heating, air conditioning and ventilation are some of the biggest cost items and some of the biggest environmental aspects of commercial properties. The entire indoor climate comfort system can be automated and controlled remotely using NIBE's sustainable digital heat pump solutions. Heat pumps save energy even when idle, and the units have active cooling modules that produce excellent air conditioning.



## Energy-efficient solutions for apartment blocks growing in popularity

In apartment blocks, each apartment may have shared or individual heating, but in both cases the building can have a shared control and monitoring center with NIBE's concept solutions. These make it possible to optimize energy use in the property. Heat pumps produce heat and hot water and enable air conditioning.



## High demand for energy efficiency in public buildings

Public buildings have traditionally been heated with oil, gas or coal. A huge number of buildings are still heated in this way, and they need to switch to cleaner, more modern, greener technology. NIBE offers climate control solutions based on technology such as geothermal energy, which is good for the environment and saves costs.



## Older buildings get new lease of life thanks to modern indoor comfort technologies

Old country houses and mansions present a challenge when it comes to reducing heating costs. Consequently, it makes financial sense to invest in a modern climate control system when they are renovated. NIBE can offer knowledge and the latest renewable energy technology, which permits old properties to be climate-friendly without losing their charm and beauty.

## Cities account for 80% of carbon dioxide emissions

**As the population grows and is concentrated in cities, the infrastructure becomes overloaded and the demand for resources, above all energy, increases. Cities currently account for 75% of world energy consumption and nearly 80% of carbon dioxide emissions.**



Demand for technology that supports the switch from fossil fuels will grow and, as this technology becomes more available and the market grows, the prices will fall, contributing in turn to even greater demand.

Population growth and urbanization also boost demand for the transportation of goods and people. The transport sector is regarded as one of the greatest challenges as it is responsible for a significant proportion of greenhouse gas emissions and energy consumption.

A great deal of research and development are being carried out in energy optimization and renewable energy. We believe that we stand at the forefront of our industry.

**NIBE creates energy-efficient infrastructure and clean technology**

### **NIBE an industrial partner to many companies**

The use of private cars and heavy goods vehicles on roads presents a major challenge when it comes to reducing carbon dioxide emissions. Several countries are therefore currently implementing major projects to improve infrastructure, particularly that of rail-based transport. NIBE is contributing by supplying equipment both for vehicles and for heating rails and points, which are controlled and regulated automatically.

Our product development, in collaboration with business partners in the transport sector, continuously results in new solutions for energy optimization and control.

We are a partner to many companies in a wide range of industries, developing and manufacturing components and solutions for intelligent heating and control. Many companies within a wide range of different industries, which require different solutions for their specific products, have found their industrial partner in NIBE.

# NIBE – for the infrastructure and industry of the future



## Cleaner air in cities thanks to electrification

New hybrid vehicle models are constantly being launched for both passengers and commercial use. NIBE plays an active part in the development of products for efficient energy utilization, for example, delivering elements for battery heaters and interior heaters using sources such as braking energy.



## Solar panels are important for our efforts to achieve climate neutrality

With solar panels on the roof, property owners can produce electricity for their own use and any surplus is supplied to the grid. This is good for the climate and produces a significant financial gain, whichever form of heating is already used in the property. The most efficient solution is to combine solar panels with a heat pump solution.



## Energy efficiency in the transport sector

Large investment projects for improved infrastructure, including in railways, are underway all over the world. NIBE is contributing by developing and supplying equipment both for vehicles and for heating rails and points, which are controlled and regulated automatically.



## Rapid development of equipment that saves lives

In the medtech industry, developments are rapid and new solutions save lives. NIBE contributes by being at the cutting edge of product development based on foil elements for various applications such as operating tables, sterilization equipment, DNA analysis and respirators.



## **Business area NIBE Climate Solutions**



**Energy-efficient, environmentally friendly and intelligent products for climate control, improved indoor climate comfort and water heating. With our products and services, the energy consumption of properties, and the related climate impact, is dramatically reduced with no reduction in comfort.**



## Business model – NIBE Climate Solutions

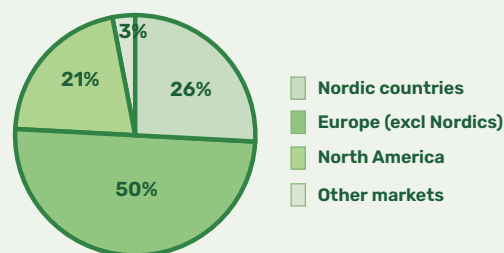
### Own subsidiaries

Via our international presence, we have a comprehensive distribution system for each prioritized market with our own subsidiaries or local importers/agents. The products are principally distributed either to wholesalers or directly to installers. The local installer is usually the end consumer's closest contact and the person who ultimately sells and installs the product. There may be different distribution systems on the same geographical market if we are represented by several brands.

### The entire chain through to end user is vital for us

Our end customers are private homeowners and owners of rented properties and commercial premises. Other partners who have a strong influence in the decision-making process are installers, architects, planners, design engineers, house builders, consultants and energy consultants.

Several operators are involved in the commercial properties segment and the systems have grown in complexity, so the decision-making process tends to take a long time. At the same time, there is increasing direct contact between us as the producer and end customers, as deliveries are often made directly to the property.



### Marketing

We market our products through several channels to our end customers, but also to different partners. An ever increasing proportion of marketing takes place via digital channels, which also enables follow-up of our marketing reach. We also enhance our relationships by continuously offering training in our respective product groups combined with visits to our production units. Trade fairs remain an import arena for meeting our customers.

## The global transition to sustainable solutions

A fundamental driving force for our business is the energy efficiency improvement and global transition to more sustainable energy solutions that is necessary to reduce negative climate impact and conserve the earth's finite resources. According to the UN Environment Programme, buildings account for roughly 40% of total global energy consumption and emit a third of all greenhouse gases. Reducing greenhouse gas emissions from buildings demands a technology shift. Systems based on fossil energy sources such as oil, coal and natural gas must be reduced and over time completely phased out in favor of systems based on renewable energy and which require less input energy for the same output power.

The International Energy Agency (IEA) has formulated a Sustainable Development Scenario (SDS), which quantifies what is required to achieve the UN Sustainable Development Goals (SDG). Heat pumps are one of the solutions in this scenario. Heat pumps met only 10% of global heating needs in residential buildings in 2021, and according to the IEA, this figure should double by 2030<sup>1</sup>. Our assessment is that this figure could be even higher for Europe.

### The pace of this transition is driven by several factors:

- Energy price developments, both the prices of fossil fuels such as oil and natural gas and electricity prices.
- Policy instruments, partly direct financial assistance/subsidies for conversion and energy taxes and partly indirect aid affecting general new or rebuilding costs.
- Regulatory requirements for products, including the Ecodesign Directive, which sets minimum requirements for energy performance of products on the EU market. The directive aims to improve products' environmental performance throughout their life cycles.
- Ban on gas supply for new construction.

<sup>1</sup> <https://www.iea.org/reports/heat-pumps>

- Expansion of fossil-free infrastructure for climate control and hot water.
- Smart buildings result in increased demand for better energy performance and control of residential and commercial property climate systems.
- The property and construction market, where demand for residential and commercial premises as well as economic conditions determine the extent of new construction and renovation.
- Costs to the end consumer are crucial for investment and operating costs, depending on the type of energy.

### Several clear trends

#### Electrification

A positive change in attitude to electricity as a source of energy for indoor comfort is underway, largely thanks to the rise in hybrid and electric vehicles. Increased understanding of the fact that a heat pump consumes less energy and thus reduces carbon emissions compared with a gas-based heating plant, even if the electricity is produced using fossil fuels. At the same time, research into renewable electricity is expanding. Property owners are propelling the trend towards electrification through an increased willingness to invest in renewable electricity, for example, through an increase in rooftop solar panels.

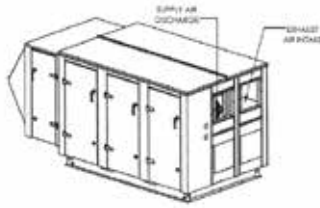
#### Digitalization

Digitalization enables smart home systems to be set up by interconnecting the different parts of the house that affect climate and comfort: heating, cooling, hot water, ventilation, as well as various algorithms for optimal performance and household energy consumption patterns. For example, as energy costs have risen steeply, the focus has been on using smart price adaption to improve energy efficiency. Digitalization also facilitates large systems for built-up areas which include consumers and producers of energy.

# Old coal-fired power plant in Philadelphia becomes an apartment block

**The former coal-fired power station by the Delaware river in Philadelphia is being developed into “The Battery”, a dynamic, 500,000 square meter apartment and workplace complex.**

The campus will be developed in three phases, the first of which will focus on two of the original, historic structures, the “Boiler House” and the “Switchgear Building”, and expansive public outdoor areas. The facilities include social costs, meeting places, work hubs and cafés with roof terraces and gardens. The renovation of the Switchgear Building will create a large number of homes of various sizes. Additionally, 25,000 square meters of events space will be created and operated by Cescaphe, a well-established events company in Philadelphia.



## FACTS ABOUT THE BUILDING

The 1920s were a time of industrial might, as architecturally beautiful power plants were created worldwide to generate electricity from coal. As electricity generation changed, these plants were closed down and many fell into disrepair. One by one, they have later been transformed into new, vibrant areas of use, such as the Tate Modern Museum in London and Innovation Powerhouse creative office space in the Netherlands. Now it's Philadelphia's turn, as the iconic PECO power plant will become the city's premier campus by the water.

## FACTS ABOUT THE INSTALLATION

Our Canadian company CGC is participating in the project and will be supplying a large number of Bulldog units for climate control of the apartments.

## Phasing out gas networks

When gas-based networks for water-based (hydronic) heating and domestic hot water are phased out, fifth-generation district heating systems based on lower supply temperatures will offer an increasingly popular solution. Heat pump technology will play a vital role in these systems, enabling the energy in district heating to be used to raise temperatures in buildings to a higher level at the point of demand. Recovered heat can also be returned to the district heating network, for example, from exhaust air ventilation or from heat generating operations such as data centers or industry. Renewable electricity production is integrated in the system while control of energy consumption is linked to energy production.

## Huge market potential

There is great potential in the heating, ventilation and air conditioning (HVAC) sector with good opportunities for future expansion of product solutions for indoor climate comfort.

The global market for climate control products is huge.

As a cautious estimate, we generally consider the addressable market for our products to be around SEK 1,000 billion. It is estimated that every year, an average of some five million heating units need to be replaced in single-family and two-family homes in the EU alone, including Switzerland, Norway and the UK. In addition, during an average year at least one million new units are installed in new builds in the same countries. The transition to more sustainable climate control solutions will result in a sharp increase in demand for heat pumps.

## Europe is the base

The proportion of heat pumps in single-family and two-family homes is high in the Nordic countries and the alternative is primarily district heating in urban areas. A change to a fifth generation district heating

network opens up an even greater overall market for heat pumps.

The proportion of heat pumps is lower in the rest of Europe, where gas and oil-fired boilers are predominant. As willingness to replace fossil fuel-based systems increases, we are seeing a strong rise in demand for various types of heat pump solutions. When single-family and two-family homes are connected to the fifth generation district heating network, these heat pumps will have a lower output. At the same time, apartment blocks and commercial properties will need one or more large heat pumps, installed in a central system that meets the heating demand of the entire building.

## Greater political will for sustainable heating

In several European countries growing interest among policy makers to address global environmental and climate challenges has led to a dramatic market expansion. The governments of the UK, the Netherlands, Germany and Norway have, in various ways, highlighted their ambitions to phase out heating products that use the fossil fuels oil and gas. Poland, too, is rapidly making the transition from coal-fired heating to heat pumps.

The EU member states have previously adopted climate goals for 2020 and 2030 respectively to cut collective emissions. They now aim to be climate-neutral by 2050 through a Green Deal which will rely on legislation and action plans to promote more efficient use of resources through a transition to a clean and circular economy. Energy efficiency in buildings is one of the focus areas for which significant financial support will be made available in the period 2022-2027.

The North American market, too, has started to change course in respect of climate transition and phasing out of fossil fuels. The Inflation Reduction Act (IRA), the long-term program introduced in the USA, is valid until 2033 and contains significant tax incentives for contractors installing heat pumps in both single family homes and commercial properties.



"The Battery" is directly adjacent to Penn Treaty Park and will have large outdoor areas along the Delaware River waterfront, with direct access to trails for walking and cycling.

NIBE Climate Solutions is participating in the debate by continuously informing policy makers in the EU and US about the heat pump technology and its efficient use of stored renewable solar energy.

### Strong position in a growing market

The European heat pump market has seen very strong growth, which combined with the market platform we have built up over the years through both acquisitions and new establishments has facilitated our own expansion. All the Nordic markets have also continued to grow, which benefits us as a business with a strong market position. Systematic marketing has also been carried out to safeguard and reinforce our long-term market position.

The heat pump market is now growing in North America too, primarily as a result of new, long-term tax subsidies, and we are actively participating in the ongoing market transformation. With our experience from the European market, we are taking a long-term perspective and investing in raising awareness among end consumers of the necessity of switching from fossil fuels to renewable alternatives for indoor climate comfort, with geothermal heat pumps an extremely sustainable alternative.

### Commercial properties increasingly important

The international market for climate control products in commercial properties is becoming increasingly important. Recent acquisitions have further increased our competitiveness in this area.

We see great potential both in new production and in upgrading to modern technology in Sweden and internationally. We are therefore continuously developing the product range and organization to strengthen our market position in this area.

### Stable market for water heaters and district heating

As regards traditional water heaters, demand remains stable in both the Nordic countries and the rest of Europe. Under the so-called Ecodesign Directive, these products are subject to stricter specifications for better insulation and control. We are already compliant thanks to our focus on product development. Water heaters that provide for an entire household's hot-water needs are supplied with a heat-pump module to meet the standard requirements.

Both the Nordic and European markets for district heating products has remained relatively stable, while sales of pellet-fired products and conventional domestic wood-fired boilers have remained sluggish.

### Fragmented market

The market for our lines of business remains fragmented and there are many manufacturers, both large and small. We are continuing to grow, yet the competition is growing. Large international HVAC groups are also focusing on energy conservation and more environmentally sound products.

# Products that make the sustainable society of the future possible

NIBE Climate Solutions offers a wide range of products and services for intelligent, energy-efficient indoor climate comfort, including heating, air conditioning, heat recovery, ventilation and water heating for homes, apartment blocks and commercial properties.



**Our products and services can be combined in system solutions with both existing and new systems.**

## Heat pumps

The principle is based on indirectly extracting energy from the sun, which is stored in rock, soil, air and water or surplus heat from ventilation exhaust air. The heat pump can also be used for air conditioning in both single-family houses and large properties and industry.



## Water heaters and accumulator tanks

Water heaters that are designed for energy-efficient heating either with electricity, a heat pump or solar energy. Accumulator tanks that make use of the heat from a wood burner or heat pump, designed for both single-family homes and installations in large properties.



## District heating products

Local and district heating centers for distributing district heating to individual single-family homes as well as individual apartments.



## Domestic boilers

Wood-fired or pellet-fired boilers that are connected to an accumulator tank.

Most of our solutions are based on recovering renewable energy from soil, rock, sun, water or air.



### Climate control systems for larger properties

Large residential properties and commercial properties usually have a climate control system that ensures good ventilation, a steady temperature and the correct humidity in all seasons.

### Tap water heat pumps

Fresh air ventilation with heat recovery via the heated exhaust air creates the perfect conditions for heating tap water.

### Solar panels

Solar power generated from PV panels can be combined with a heat pump and any surplus can be sold to a power producer.

### Brands



## “Energy freedom” the goal as solar power and geothermal heating is combined with district heating

In 2013, the energy pioneer and property owner Fredrik Bergåse replaced district heating in 56 apartments in Helsingborg with 15 boreholes and three heat pumps from NIBE. Five years later, he added solar panels to the property when the roof was replaced.

The end-result is a property built in 1956 but with the same performance as a low-energy building from 2020, large financial and environmental gains and a very happy property owner, who has carried on investing in energy savings by means of technical solutions based on price models for electricity and district heating. The neighbouring property too has now been upgraded with a geothermal heat pump system and solar panels from NIBE.

### HYBRID SOLUTIONS ARE THE FUTURE

Hybrid solutions, which involve combining several types of energy, offer the best possible cost efficiencies, irrespective of seasons, conditions and demand. The hybrid concept is necessary to achieve new energy and environmental targets, in both old and new properties.

The large energy gains are to be found in technology, which is advancing year on year. The addition of solar panels is an important part of hybrid solutions. In the best of all worlds, we have solar panels on the roof, efficient FTX ventilation in the attic, heat pumps and district heating in the basement and energy storage in the bedrock for both cooling and heating.



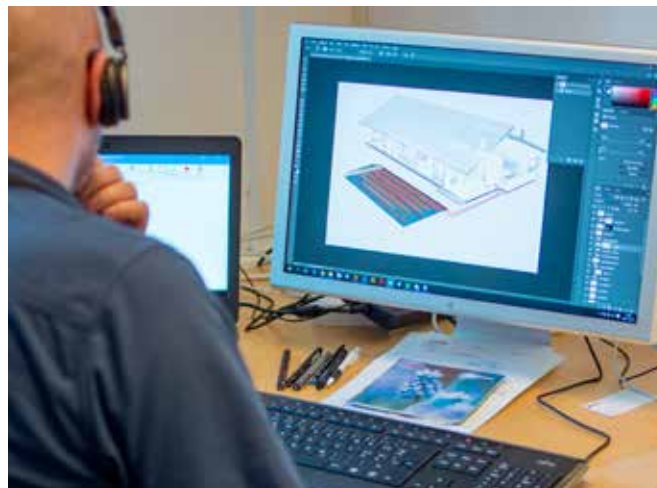
### CONTINUED INVESTMENTS IN GEOTHERMAL HEATING AND SOLAR ENERGY

It is clear to Fredrik that solar energy and geothermal heating is something that is appreciated by tenants and makes the apartments more attractive. Electric car charging posts are being introduced and are a clear step in the transition. On sunny days, the properties are now fully self-sufficient in terms of electricity thanks to the solar panels.

“What is important to me is that the property is modern and climate-smart, as this may persuade tenants to choose to live here and may also attract new tenants. We are continuing to look over our properties with a view to finding other energy solutions,” said Fredrik.

# Extensive product development and several innovation centers

**Product development is done at all our manufacturing subsidiaries. NIBE has product development centers focusing on the development of heat pumps and systems for indoor climate comfort not only in Sweden, but also at a number of other locations in the Nordic countries, Europe and North America.**



Product development focuses on continuously improved performance, intelligent controls and the designing of systems in which renewable energy production is linked to climate systems and energy recovery via heat pumps. Software development is a major focus. Development costs account for just over 3% of sales.

## Synergies

International exchanges and collaboration occur between the product development departments at our various companies, resulting in positive effects in the designing of new products in terms of both time-to-market and level of technology. The transatlantic development collaboration between our European and North American product development centers aims to combine European cutting-edge technology in heat pumps built for waterborne systems with the North American tradition of using airborne systems for both heating and air conditioning.

## Development to achieve climate goals

Sustainability is an important factor throughout a product's life cycle. Proactive market-based product development has several target criteria. Our products must be resource-efficient in both production and operation and thus help reduce climate impact. Although we have long used, for example, the very environmentally friendly refrigerant R290, with a GWP value\* of just four, in a certain number of our heat pumps, the F-Gas Regulation introduced by the EU entails continued intensive work on converting the entire product range to this environmentally friendly refrigerant, at all times maintaining high energy efficiency and quality.

## We develop our products according to a number of main criteria:

- Continuous improvement of energy efficiency
- Utilize renewable energy
- System solutions (partial or whole)
- Increased efficiency via advanced control
- Convertible (heat in winter/air conditioning in summer)
- Recyclable
- Environmentally adapted and lower GWP\* for refrigerants
- Better design
- Lower noise level
- Better overall cost efficiency

## We practice what we preach

We are leading by example and using our heat pumps to improve energy efficiency and indoor comfort at the Group's production plants globally. This reduces our use of oil and gas in favor of heat pumps and renewable energy throughout the Group. For example, in recent years we have reduced the carbon footprint of our plants in Markaryd by about 65% and increased our energy efficiency by about 30%.

## Efficient in-house production

Production takes place in some twenty modern plants in Europe and North America and is continuously streamlined through robotics and automation. Our production units in Sweden, Germany and the US are the business area's biggest plants.

Manufacturing methods in the NIBE Group are evaluated regularly to optimize production processes and reduce environmental impact. The strategy is to gradually build up several specialized manufacturing units.

We invest continuously in all production units to improve the opportunities for cost-efficient production for both domestic markets and segments in our other priority markets that face fierce price competition. In 2022, we invested SEK 1,436 (746) million in our production facilities.

Part of our production is in the Czech Republic, Poland, Turkey and Serbia, all of which have lower labor costs relative to western Europe.

## Quality and environmental certification

We are working to introduce certified quality and environmental management systems to all our production units with more than ten employees. We aim to introduce these systems within two years after acquiring a business. To create the same structured, systematic approach to improving the working environment and reducing the risk of accidents, certification is being expanded to also include the working environment in some parts of our operations.

\* GWP, Global Warming Potential, states the equivalent emissions in kilograms of carbon dioxide (CO<sub>2</sub>) of one kilogram of a specific refrigerant



## **Business area NIBE Stoves**



**Energy-efficient stoves for various heating needs and design requirements. Increasing the exchange of old stoves for new ones with our modern technology has an immediate positive effect on the environment.**



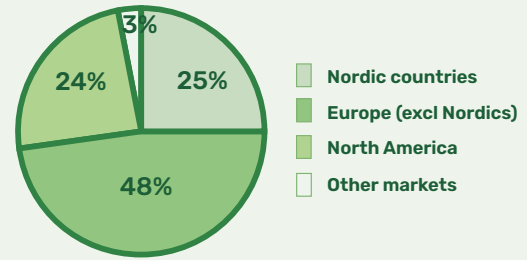
## Business model NIBE Stoves

### Own subsidiaries

We are well represented in all our main markets through our subsidiaries and cooperate closely with our retailers in each market, a prerequisite for being able to reach the end customers.

### Sales channels

Our products reach our end customers via a well-developed distribution network of retailers, usually without any intermediary. The retailers display our products and offer a high level of service compared with builders' merchants, which primarily focus on low-cost products, a segment where we have only a minor presence. Spare parts and accessories are increasingly sold online.



### Marketing

Decisions to purchase our products are largely based on how customers experience them. Consequently, in-store displays are an important marketing channel, and much of our marketing resources are spent on displaying our products in store. Other channels are digital marketing, interior design publications, social media and local consumer shows.

# Consumer durables as households focus on sustainability

We operate on the consumer durables market. Consumers' buying decisions tend to be emotional as well as rational, as a stove is not just a functional item but using it is also an experience. The buying process is, therefore, important to consumers. People like to be able to see and touch the stove, preferably even feel the warmth of the fire when the stove is lit, but at the same time customers of today have generally read up on products on digital channels before visiting the store to make a purchase decision.

Brand names matter most to dealers and installers but are somewhat less important to consumers, who usually choose a model based on taste. To remain an interesting partner, we work consciously on deepening our relationships with dealers. Together, we attract end consumers with our products and our store concept in the dealers' exhibitions.

The market is fragmented with mostly regional suppliers. Contributing factors are stove preferences in terms of appearance and the fuel used, i.e. wood, pellets, gas or electricity.

The addressable market for NIBE Stoves in North America and Europe is estimated at approximately SEK 50 billion. Our main markets are in Europe, North America and Australia.

### Market drivers

- Economic conditions and developments in disposable income.
- External uncertainty, when the safety and comfort of home is prioritized.
- Interior design trends.
- Developments in the property market, where the degree of new construction and price trends and turnover of properties on the market is often directly related to renovation tendencies.
- Seasonal variations and weather conditions before and during the autumn/winter season.
- Supplementary heat source for longer power outages.
- Energy price trends, both the prices of fossil fuels such as oil and natural gas and electricity prices. Higher energy prices offer an incentive to buy supplementary heating.
- Environmental requirements for new lower limits on hydrocarbon and particulate emissions.
- Policy decisions on the phasing out of older products in favor of new, more environmentally friendly products.

### Wood, gas, pellets or electricity

The three major energy sources for stoves are wood, gas and pellets. Traditional wood burning dominates the market in Europe overall. A fourth category is the electric stove, which resembles a wood-burning stove with natural flames that are generated using electricity. Wood-burning stove products are available on all markets and have the highest volume.

Wood-burning stove products vary depending on the market. In North America, they are mainly targeted to cope with extensive heating needs and must have long burn times. The products are fired with many large logs, while in Europe they are made for smaller logs in smaller volumes.

There is a strong tradition of using gas in the UK, Ireland, the Netherlands and North America because there are extensive gas supply networks, with the result that gas-fired stove products are popular. The Italian market is dominated by firing with pellets, and demand for pellet products has also increased in France in recent years. The products constitute a supplementary heat source during cooler periods of the year.

Electric stoves are used where it is not possible to install a flue gas duct. They are primarily decorative but can also emit heat.

### A positive market development

A number of factors have boosted demand for stove products for several years now. The increased interest in investing in the home during the pandemic and different policy decisions around the phasing out of old products that do not meet Ecodesign requirements have driven the rise in demand in Europe. New, stricter regulations on wood burning have also been introduced in North America. This will benefit both the environment and our business since our products already meet the new requirements in Europe and North America.

In the past year, the disturbing external environment, with war in Europe, has created a lot of uncertainty around energy supply and sharply rising energy prices. This is pushing up demand for wood-fired stove products as customers look for a backup source of heating that can also help lower heating costs.

As an organization with a strong market presence we take a proactive approach through membership of a number of national trade associations in Europe as well as the joint European trade association CEFACD, which is a referral body for the EU and which promotes common interests.

# Warming products that provide comfort and security



**NIBE Stoves' product range comprises stoves for different energy sources in various sizes and designs to suit different kinds of houses and commercial properties. The range also includes chimney systems and other accessories.**

## Free-standing stoves

A free-standing stove is easy to install and place in most homes. There is a large choice of products in terms of design, color, shape, size and material. Modern and classic design, often with very good flame visibility. Available for wood, gas, pellets or electricity.

Most of the products in our range use renewable fuel. They are, therefore, climate-neutral, which means that we contribute to a more sustainable society. Our products already comply with the Ecodesign Directive with lower emission levels and similar requirements in the US. They have modern combustion technology, which ensures high efficiency and significantly lower particulate emissions than in older stove products.



## Accessories

All types of stoves come with a very large range of accessories. These may be integrated into the product or be a separate accessory that serves a specific function. A design that matches the home and good function are important.



## Inserts

Inserts are often integrated into the interior design of the home and placed against a wall. They can either be built into a prefabricated surround or designed to be installed in a completely unique, customized solution. Their flame visibility is often very good. Provide fast heat transfer but also retain heat when wood is used. Primarily for use with wood, gas and electricity.

## Chimney systems

The most common chimney systems are made from stainless steel flue pipes covered with an insulating material. The chimney system must be flexible to fit all types of houses and be easy to install. Safety and security are important aspects.





### Wood-burning inserts

A cassette stove is usually installed in open fireplaces to increase heat output and improve efficiency. Size and design vary a lot between different markets depending on culture and traditions. Primarily for use with wood, gas and electricity.

### Brands

Our product portfolio, with its 17 strong brands in a large number of product groups, makes us an all-round supplier and a strong business partner in our industry.



### Outdoor fire products

A fireplace for outdoor use creates a cosy outdoor environment. Flame visibility is very good. Primarily for use with wood or gas.



### Heat-retaining products

A heat-retaining fireplace is very heavy and has the ability to retain a lot of heat for a long time. The most common materials are concrete, stone or tile. Only available for use with wood.

## Product development and production for strong brands

**Product development, with a focus on performance and design, is ongoing and is essential for our future growth and development. Our various brands have completely independent product development departments that are governed by our shared guidelines on the environment and sustainability. This helps retain each brand's distinctive character and gives our customers great freedom of choice.**

Knowledge about technology for efficient combustion is exchanged regularly and naturally within the business area. This allows us to retain the flexibility we desire, while responding to regional product requirements and trends. Registration of designs is, therefore, an important measure to take. Product development costs amount to just over 2% of the sales of the business area.

In addition to the production of new models based on existing technology, we have continuously invested significant resources in developing combustion technology to meet the demands of future consumers. We have also intensified our efforts to find ways to produce a commercially viable solution with minimal particulate emissions.

### Our product development can be divided into three areas:

- Design is essential to overall perception and may often be what determines whether a customer chooses one product over another. A stove product must match the style of a home with the right appearance and proportions. It should also be possible to see the fire through large glazed areas from as many angles as possible.
- Combustion technology is a very important area as all combustion entails some level of emissions with an impact on our environment and health. Efficient combustion is an important part of our responsible approach to producing sustainable products, and we constantly employ a high level of development resources on finding the best possible technology.
- Function is important as stove products need to be more than just beautiful. They need to heat homes. They must be reliable, safe, easy to install and easy to use. Therefore, we have both the components and the complete product thoroughly tested before it is released onto the market.

### Our production units

NIBE Stoves has its own production plants in Sweden, the UK, Poland and Canada.

Most of our products made from steel plate that are sold in Europe are made in Sweden. The Swedish production plant is largely robotized

and flow-optimized, making it one of the most efficient in our industry. We have come a long way in terms of both high quality and productivity, and we keep our environmental impact and energy consumption at low levels.

Regency and Pacific Energy in Canada have corresponding facilities for the production of our North American brands.

In the UK, Gazco manufactures its gas-fired products in its own plant, while wood-burning products under the Stovax brand are produced at carefully selected subcontractors. Evonic Fires has its own production unit for electric stoves in the UK.

Concrete surrounds, fireplace materials and heat-retaining products are manufactured in our plant in Poland. This unit mainly supplies our own brands with components, but it is also a supplier to other manufacturers in the industry.

Measures to boost productivity and quality are implemented continuously. We have carried out investments in capacity at all our plants in order to meet the sharp rise in demand. We also invest long-term to achieve higher resource efficiency and an improved working environment. In 2022, investments of SEK 123 (101) million were made in our operations.

### Better performance than current statutory requirements

We design and manufacture our products based on directives such as Ecodesign, REACH and RoHS. Our products usually perform better than the existing statutory requirements and our ambition is always to anticipate more stringent future requirements.

As new modern stoves have considerably higher efficiency and lower particulate emissions than older products, replacement has an immediate positive impact on the environment.

### Quality and environmental certification

We are working to introduce certified quality and environmental management systems to all our production units with more than ten employees. The aim is for this to be implemented within a two-year period after acquisition. All our production units are certified according to ISO 9001 and as of 2023, they are also certified according to ISO 14001. To create the same structured, systematic approach to improving the working environment and reducing the risk of accidents, certification is being expanded to also include the working environment in some parts of our operations.



## Fire as a source of heating provides security during turbulent times and also helps to reduce energy costs

Fireplaces have traditionally been a place for gathering round and keeping warm. In today's high-tech society, fire still has an important impact on our lives. Our vulnerability when it comes to electricity supply has made people more aware of the importance of ensuring that their homes have a second source of heating. A stove provides security in turbulent times, is a source of auxiliary heating and can make a difference financially when the costs of gas, oil, electricity and district heating are rising.

### This is what the Fischer family in Germany has to say:

"Before February, we did not give much thought to the way we heat our home, which relies on natural gas. This changed very quickly indeed after Russia's invasion of Ukraine and, in addition to the high energy prices, we quickly became concerned about the possibility of being without heating the following winter. Among our friends and family, this became the number one topic of conversation, and wood-fired stoves were suggested as the best way of securing heating if gas were to be rationed or not available at all.

As a family with children, we definitely did not want to leave this to chance and we quickly made the decision to invest in a wood-fired stove. Our local stove retailer recommended the Swedish-made Contura. The stove was installed in early autumn and besides providing a secure source of heating, it has quickly become a popular place for all the family to gather round.





## **NIBE Element business area**



**An industrial partner with customized components and intelligent solutions for heating and control with a focus on sustainability. Most product groups enhance energy efficiency, optimize energy consumption and help reduce our customers' carbon footprints.**

## Business model – NIBE Element

### Customers in several industries

Our OEM customers in, for example, HVAC, domestic appliances and commercial equipment, are increasingly part of large groups of companies with coordinated purchasing, but they also have regional suppliers. Consequently, it is important to deal with them both centrally and locally.

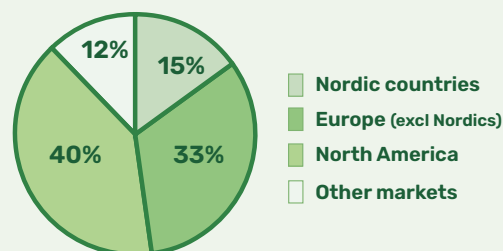
For industrial customers, our aim is to gradually increase our local presence so that we can deliver small runs and specialist products adapted to local needs with short lead times and local technical support.

Where, perhaps for cost reasons, we have chosen not to set up our own manufacturing operations, we have established a presence in the form of a sales and technical support office. We market our products by industry or country, depending on the size and structure of each industry.

### Two main customer groups:

- *OEM (Original Equipment Manufacturer)*, where the customer buys our products and systems as a part of their end product.
- *Industry*, where the components or system solutions are used primarily in the customer's own manufacturing process.

As one of the world-leading operators, we are represented globally and can distribute our products to both these customer groups



in a cost-efficient, environmentally sound way, with good service as well as short transport distances.

### Marketing and shared sales platforms

As a subcontractor, we market our offering to the B2B market primarily via sales staff and the internet. Trade fairs are normally an important channel but the importance of digital marketing has increased sharply and an online presence is now crucial to ensure visibility.

For some special segments, such as industry, wind power and transport, we have global marketing managers and shared sales platforms and marketing campaigns for groups of subsidiaries.

## Increased sustainability a significant driver

Our operations continue to be positively affected by developments in the areas of energy and the environment. These developments drive our business, which is being directed towards the need to make end products more energy-efficient and adapted to stricter requirements for reduced climate impact. This is particularly relevant in industries that also have a focus on sustainable development such as wind power, heat pumps, rail-based transport and electric and hybrid vehicles. This is also true for the traditional domestic and household appliances sector as new laws and directives are placing tougher requirements on increased energy efficiency. Digitalization is also a significant driver, both in terms of function in our solutions and demand from the semiconductor industry.

### Potential to capture market share

The addressable market for NIBE Element's product areas is currently estimated at approximately SEK 160 billion.

The market is generally fragmented, with many local operators and some large regional and global ones. However, the North American market is more homogeneous and can be regarded as one market. NIBE Element is a global supplier in most product categories of elements.

The markets for our product areas tend to keep pace with national industrial development and growth in GDP.

### Growth varies between market segments

The global element market recorded generally strong growth in 2022. However, growth has gradually, and to an increasing extent, been affected by geopolitical developments. This means, among other things, that demand for consumer-related products and certain commercial products declined in the second half of the year.

The market segments that are linked to energy saving and sustainable energy solutions with a focus on renewable energy have continued to show very positive growth. This applies to both equipment for the

generation of energy and energy efficient solutions for heating, such as heat pumps.

The industry is also implementing many electrification projects in order to replace fossil fuels in the production process, primarily to reduce the climate impact but also because for reasons relating to security and cost. Our products and solutions are a good match for these projects.

The semiconductor industry is a significant, growing market segment for us because products in many growth segments use a large volume of semiconductors. The industry has performed well over the long term, but with significant cyclical fluctuations that do not correspond to traditional business cycles in industry. Following very strong growth for most of 2022, the USA introduced new trade restrictions concerning technology exports to China, which will negatively impact demand in the short term. However, in the long term, this will be compensated for by increased demand linked to investments in new production units in both North America and Europe.

The transition to electric and hybrid vehicles is continuing to grow, both in terms of deliveries and development projects, and we are participating in a number of very interesting projects.

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

The turbulence concerning customs duties, trade barriers and foreign currency is increasingly affecting where customers place their production facilities. In this situation, having a global presence in several currency zones gives us a clear advantage. Continued price increases for materials, services, shipping costs and energy, combined with substantial pay increases in some countries, are necessitating continued price adjustments in most product segments.

# Energy efficiency in many sectors

We are at the forefront of technological development so we can continue to be a partner in a world of perpetual specialization and increased technology content. Our offers can be divided into several product groups where the product is sold either as a component or as a more complete system.

NIBE Element is a quality supplier that offers a wide range of components with long life and intelligent solutions for heating and control for optimal energy consumption. The offering is aimed at several market segments ranging from producers of highly specialized industrial systems to producers of consumer products.

We are steadily expanding our product program to include more technologies. We also offer measurement and control options, as well as tests and simulations in customer product development processes.



## ENERGY/ENVIRONMENT

A wide range of products for both renewable energy production and the gas and oil industries. For example, electric resistors for wind turbines that improve the power supply quality and permit short interruptions in the grid without the need to shut down the turbine.



## ADVANCED TECHNOLOGY

Solutions for highly specialized, demanding areas of expertise such as frequency converters, medical equipment/laboratories, electronics, the semiconductor industry, defence and industrial robots, all with their specific specifications and rules.

## Components and solutions that save energy



### Aluminium elements

For optimum heat transfer by means of thermal radiation for use in domestic heaters like radiators and convectors and for railway compartment heaters and frost protection.



### Thick film elements

For heat generation in electric kettles, exhaust emission control, copiers and irons.

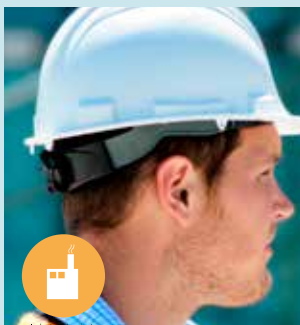


### PTC elements

For rapid heat generation in car heaters, towel rails, air dehumidifiers, air heaters and dryers.



Brands



**INDUSTRY, PROJECTS**

Customized design and construction, but also complete solutions, including installation and commissioning of control and associated control panels. Also a wide range of standard components for electric heating, input and control.



**TRANSPORT**

Intelligent solutions for the railway sector for both infrastructure and rail-based vehicles. A wide range of components for the automotive industry, including electric and hybrid vehicles. Products for electric heating also within the aviation industry.



**Foil elements**

Foil elements are used, for example, as defrosters in vehicle wing mirrors and camera systems.



**Ceramic elements**

Ceramic heating elements are placed inside a tube and can, therefore, be easily replaced without needing to empty the tank or container in which the element is located.



**High-power elements**

For high output in small spaces, for example heating tools in the plastics, rubber, wood and paper industries, but also for heating liquids in medical and laboratory environments.

## Energy efficiency in many sectors



### HOUSEHOLD APPLIANCES

A complete range adapted for large-scale bulk production of solutions for heat generation and control for domestic and household appliances.



### HVAC

Includes converters and soft start relays that increase the service life of electric motors by protecting them from sudden loads. Heat exchangers, which are a key component for heat pump efficiency. Flow-through heaters for peak load and security.

## Components and solutions that save energy



### Control equipment

Electronics with processor power and embedded software that can also be connected for remote control and monitoring, where necessary.



### Heat pump technology

Heat pump modules that cool, heat and dehumidify in hot and humid premises, for example, in professional kitchens or laundries.



### Heat exchangers

Production of heat exchangers involves brazing in a vacuum, a method that ensures high quality and is, therefore, used in space and aviation technology, medical devices and other clinically demanding applications.



### Flexible hoses

Fluid coupling system used for energy equipment.



### Heating jackets

Flexible elements that are sewn into synthetic textile for wrapping around vessels or pipes to maintain temperatures at a constant level in gases and liquids in, for example, the semiconductor industry.



### Temperature sensors

For industrial control and measurement in the semiconductor, solar energy, medical and space industries.



**COMMERCIAL EQUIPMENT**

Customized solutions but also standard components based on various techniques such as thick film, vacuum brazing and heat pump modules, all adapted to international regulations and standards. Example of uses are equipment for professional kitchens and the refrigeration industry.



**Infrared heaters**

Used to heat specific objects and not the surrounding air.



**Resistors**

Used for control and regulation of electricity. Products include braking resistors and power resistors.



**Tubular elements**

Used for air heating and radiant heat, for example, in heating fans, ovens and infrared heaters, and for heating liquids, such as in water heaters, dishwashers, washing machines and process heaters.



**Open spirals and tapes**

For heating air in tumble dryers and fan heaters.



**Heating cables**

Usually in frost protection to prevent ice formation but also to maintain a specific temperature in containers, pipes, valves and gutters and in the process industry.

# Sustainability is driving product development and production

**Our product development is essential to our ability to survive on the competitive global market. Requirements for the various industries and technologies differ significantly in terms of performance and standards. The trend also involves growing demand for system solutions and thus increased technology content. This is also reflected in increased value added, which involves elements being supplied with control, i.e. sensors that are connected to control and monitoring equipment.**

We, therefore, have well-developed testing facilities in modern laboratories, where we collaborate closely with our customers to ensure that the products meet current standards and requirements.

Sustainability is an important factor throughout a product's life cycle. Our products must, of course, be produced in a resource-efficient manner, but above all they must be energy-efficient to operate and help reduce climate impact. Product development costs amount to around 3% of sales.

## Local product development in networks

Greater specialization combined with proactive, fast-paced development in partnership with our customers is the reason why product development is largely decentralized at our subsidiaries. At the same time, we have an open climate for knowledge exchange between all subsidiaries, a network to which all newly acquired companies also have direct access. A unit responsible for knowledge and technology transfer is involved in raising awareness and encouraging our companies to take part. This technology transfer creates continuous synergies that considerably reduce time-to-market in several areas.

## Development in four dimensions

Our development process can be divided into four stages:

- Product development for brand new products, new functions for existing products and improved properties for existing products.
- Product customization mainly occurs in consultation with the customer to develop unique solutions for the customer's special needs and customized solutions where we take a larger system responsibility.
- Process development optimizes products in terms of choice of materials, quality and technical performance.
- Technical production development improves production in terms of machines, reduced environmental impact, production methods and efficiency.

## Production that provides flexibility

Production takes place at some 80 plants in Europe, North America and Asia. Having production plants for bulk products on different continents gives us great flexibility, allowing us to relocate production based on the cost, tariff and currency situation.

Local production constitutes an important and major element of our competitive strength for deliveries of small and medium-sized series with short lead times. For larger series and special products, production is based at specialist units.

## More efficient production

Measures to boost productivity and quality are implemented continuously, among other things, through major investment programs in robotization and automation, even in low-cost countries in eastern Europe, Asia and Mexico. These long-term investments contribute to higher, more consistent quality, resource efficiency and an improved working environment.

In 2022, we invested SEK 609 (368) million in production capacity and efficiency.

## Quality and environmental certification

We are working to introduce certified quality and environmental management systems to all our production units with more than ten employees. The aim is for this to be implemented within a two-year period after acquisition. To create the same structured, systematic approach to improving the working environment and reducing the risk of accidents, certification is being expanded to also include the working environment in some parts of our operations.

## Solar energy storage using software



Askoma AG of Switzerland has successfully developed and marketed a complete product range, the "Asko Family", for storage and control of energy from solar power plants. The product range contains both heating products and software for optimization, control and monitoring energy consumption. The systems communicate with electricity companies via cloud-based solutions and the equipment is able to decide, based on electricity prices, whether the electricity produced should be used directly for electricity consumption in the building, sold on the market or stored in a hot water heater. Sales of these systems have been showing strong growth in recent years.



# Sustainability work – a life-long, genuine commitment

**Development of solutions has come a long way, but there is always room for improvement. By using resources sparingly we assume responsibility in all categories – economic, social and environmental.**



## Honesty and transparency

In line with increasingly strict requirements being imposed on us by various stakeholders, we in turn are setting stricter requirements for our entire value chain. We want to make sure that the entire chain from supplier to end customer is steeped in our values. These guide us in taking a responsible approach, treating people and the planet with respect.

Integration of our control over newly acquired companies has, for obvious reasons, fallen behind during the pandemic, but in the second half of 2022 this process got back on track with visits and factory inspections on site. Large parts of the process can of course be implemented digitally, but some things are easier to implement and follow up while being present physically. For example, certifications have become more difficult, particularly those that involve a third party.

Work on regularly evaluating our suppliers is continuing. This way we ensure all our cooperation partners live up to the criteria established through the EU's Green Deal and the Global Compact.

## Phasing out of fossil CO2 emissions

In our own operations, we are continuously working on strategies that would enable us to become fossil-free. Currently, we have a good idea of our own direct and indirect carbon dioxide emissions. In 2022, we continued our steadfast work on converting our factories and operations towards increasingly fossil-free operations. The next step will be to improve the collection of emissions data from our suppliers and partners to be able to take responsibility throughout the value chain. During the year, we carried out mapping of our indirect emissions (Scope 3) for operations in 2021 in accordance with the GHG Protocol.

We have clarified our communication, which means stakeholders receive information containing facts about how our heat pump products contribute globally towards reducing carbon dioxide emissions. This way, we help phase out fossil fuels energy.

## Towards a circular economy

The transition from a linear to a circular economy does bring challenges. We are aware that the entire value chain needs to be involved to meet future demand and new regulatory requirements in the EU. This is why we are continuously developing new collaborations with e.g. university colleges and various suppliers. We are also continuously working on improvements in our focus areas, paying particular attention to product content, risk analyses, evaluations, energy efficiency and stakeholder consultations. We are collaborating with suppliers on a few projects involving reuse of components.

## 2023

Just as in previous years, the sustainability trend is continuing to place more and new demands on our products and our activities. For us as a company, reporting has become more comprehensive in connection with directives, regulations and laws such as the Taxonomy and the Corporate Sustainability Reporting Directive (CSRD).

At NIBE, we are continuing to sharpen our skills in respect of environment and climate, social responsibility and ethical issues. Not only because the requirements concerning these areas are becoming increasingly rigorous, but because we want to have the right tools and conditions to steer the industry towards taking greater responsibility and to fulfil our own commitments. Environment and climate are also an integral part of due diligence in acquisitions.

We are continuing to develop a systematic approach to life cycle assessments (LCA) and environmental product declarations (EPD), where we expect significantly stricter requirements in future in respect of substances in products and components.

Our own five sustainability targets continue to serve as key guidelines for how to run our business. We are continuing to focus on these, with particular emphasis on our carbon dioxide and energy goals, where we have set absolute targets for 2030 to reduce energy consumption and carbon dioxide emissions in our operations.

**For more information, see page 145-180.**

## Our climate work

**The future success of our company depends on us taking quick and decisive action. We have increased energy efficiency and the use of renewable energy for a number of years, while remaining aware that we need to do more. New innovations and activities are required in several areas.**



### Renewable electricity

Since 2014, we have reduced emissions from electricity through purchases of renewable energy (GoO) for all parts of the business. We are continuing to purchase this type of electricity in line with expansion of our operations.

### Energy efficiency and reduction in direct emissions

To be able to achieve our climate target, we will intensify our work on converting our facility climate control and cooling from fossil fuels to renewable solutions, and we will be able to use products from our own product portfolio to do this. We will also be changing our process heating from fossil fuel sources to biogas or electricity as soon as this becomes technically and commercially feasible. Work is also underway on reducing emissions from transport by using alternative fuels. We will also continue our energy reviews, which will generate savings.

### Product design with a low carbon footprint

Climate change is a complex issue and global players must use several tools to manage this problem. Our ambitious roadmap, covering a 10-year period, therefore includes a portfolio of solutions, including our product development. We must continue to develop tried and tested solutions, while also researching technology solutions of the future. This also includes development and implementation of new product technology. For example, to be able to achieve immediate changes in product design and in future use, input materials with a lower carbon footprint.

### Delegated responsibility

Each company in the Group has a responsibility to create a detailed plan for how to reduce their emissions. Our targets and approaches are based on current knowledge. In the first instance, we are focusing on avoiding activities that generate carbon dioxide and, where possible, we replace these with alternatives with a lower carbon footprint. In cases where emissions cannot be avoided with existing technology, we will look forward and try to discover new innovations and technical solutions to reduce carbon dioxide emissions from our operations.

Our responsibility extends beyond our immediate operations across the entire lifecycle of our products. We calculate emissions from production of raw materials, product manufacture, freight, energy used to run our plants and our customers' products, together with recovery and recycling of materials. By engaging with suppliers, we can collaborate with our manufacturing partners and have a level of ambition of transition to 100% renewable energy in this part of the value chain.

### Communication

For us, it is important to be transparent and we, therefore, communicate both our climate strategy and the progress made, as well as climate risk-related financial information. By sharing our approach, we strive to send clear signals to our partners and invite them to work with us. Our reports, both climate risk analysis (TCFD\*) disclosures and our future responses to carbon dioxide reporting (CDP\*), will provide information on our progress. We hope to have our targets approved as science-based targets (SBTi\*) within a reasonable time frame based on our current position and the opportunities they provide both internally and externally.

\*TCFD Taskforce on climate-related financial disclosure is a framework aimed at guiding organizations in the work to identify climate-related financial risks and opportunities.

\*SBTi Science Based Targets is a method enabling companies to set science-based climate targets in line with the Paris Agreement.

\*CDP - Carbon disclosure project is a global information system that helps companies, cities, states and regions to measure and manage their environmental impact.

# We contribute to the UN Sustainable Development Goals

Our aim is that world-class sustainable energy solutions should contribute to a faster transition to a resource-efficient and fossil-free society and support the global goal to reduce greenhouse gas emissions to the atmosphere. Our entire value chain, from vision to end customers, must be based on the principles described in our business principles and our values, which are firmly rooted in our long tradition of corporate responsibility. The Group's framework encompasses the Group's financial results and responsibility for business and ethics topics, environmental topics and social topics. By delivering long-term value to our customers, we are also able to maintain profitability and help achieve the global development goals.

## UN Sustainable Development Goals – Agenda 2030

In September 2015, the member states of the UN adopted the global sustainable development goals (SDGs). The 17 SDGs provide guidance for everyone's commitment to establish a clear plan and to take the necessary steps up to 2030 to create long-term sustainable development, eliminate extreme poverty, solve the climate crisis and reduce inequalities and injustices in the world.

Achieving these objectives requires a great deal of commitment from all, both at international and national levels. This is a team effort and all the SDGs are equally important. As a company, we have a responsibility to lead the way and drive change towards a more sustainable future. We support the UN's 17 sustainable development goals (SDG) in Agenda 2030 in their entirety but have, so far, chosen to focus on seven of the goals that are clearly linked to our internal goals and action plans and that we believe we can influence. We regularly communicate this to employees, suppliers, customers and other stakeholders.



### Goal 7

**Ensure access to affordable, reliable, sustainable and modern energy for all**

**NIBE's COMMITMENT** Increase the proportion of products based on renewable energy and meet the market's need for energy-efficient and fossil-free energy solutions.



### Goal 8

**Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all**

**NIBE's COMMITMENT** Promote a safe and secure working environment, protect workers' rights and ensure decent working conditions in both their own activities and in the supply chain, along with protecting jobs and growth.



### Goal 9

**Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation**

**NIBE's COMMITMENT** Make production more sustainable by using resources efficiently, using clean and environmentally friendly technologies, and providing resources for research and development.



### Goal 11

**Make cities and human settlements inclusive, safe, resilient and sustainable**

**NIBE's COMMITMENT** Provide resource-efficient and climate-adapted components, products and solutions that contribute to sustainable cities and secure infrastructure.



## UN Global Compact



For an international company, national legislation is sometimes insufficient when it comes to creating consensus and common guidelines for the entire Group. We have, therefore, made a commitment to adhere to the UN Global Compact as a commonly accepted platform of mutual principles that can be applied equally by all our companies, partners and suppliers, wherever they are in the world.

Our commitment includes an undertaking to annually submit a communication on progress (CoP) report to the UN Global Compact regarding our progress on the principles we have signed and are committed to working with in our value chain.

## Other initiatives and guidelines

Other international conventions, standards and initiatives such as OECD, ISO 26000 (International guidelines for handling social responsibility issues) and the Swedish Anti-Corruption Institute help us to align our approach.



### Goal 12

**Ensure sustainable consumption and production patterns**

**NIBE's COMMITMENT** Apply sustainable methods of chemical management and reduce emissions to air, water and soil. Economize resources, minimize waste, recycle and reuse more. Report sustainability information transparently in our reporting cycle.



### Goal 13

**Take urgent action to combat climate change and its impacts.**

**NIBE's COMMITMENT** Reduce carbon footprint through the use of renewable energy in operations and product design.



### Goal 16

**Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels**

**NIBE's COMMITMENT** Respect and maintain national and cross-border legislation and actively work against all forms of corruption. Create systems for internal control of compliance with legislation and ethical business principles.

# Our journey towards carbon neutrality

**We embarked on our journey to achieve the natural goal of carbon neutrality a long time ago.**



Our journey began as early as 2011 and since then we have reduced our emissions index by 75%. For the past eight years, we have had zero emissions from purchased electricity and also its related emissions through purchases of GoOs.

Although our business is expanding, our work on driving energy efficiency and the transition to renewable energy in our properties and processes and in our own transportation has meant that we have continued to reduce our carbon footprint over time.

## Carbon footprint Scope 1 and 2

To achieve our goal of being carbon neutral by 2050, we must have full understanding of our carbon footprint today. We have good control over our own direct emissions from our operations, that is, emissions from manufacturing, electricity consumption and our own transport.

Based on our energy mapping, we have analyzed data and identified technical solutions that can be implemented, as well as the investments required for this.

We see the largest carbon dioxide savings in:

- Buildings - by installing our own product solutions we can make the transition from fossil fuel to renewable energy.
- Processes - where the technology exists, we can replace processes with renewable alternatives.
- Transport - we can switch from fossil fuels to electricity or hybrid where appropriate and where the infrastructure exists.

## Carbon footprint Scope 3

For several years, we have reported our Scope 1 and 2 direct and indirect emissions, as well as parts of our Scope 3 emissions. To be able to provide a more complete account of Scope 3 emissions going forward, in the reporting period we carried out comprehensive mapping of the outcome for the previous year in all 15 categories included in Scope 3. The result of the mapping shows that the three categories with the biggest impact are use of sold products, downstream transportation

and distribution and purchased goods and services. We will, therefore, focus on these three categories going forward.

Use of sold products is the category with the single biggest impact because use of our products requires some form of energy, such as electricity, wood or pellets. When our customers use the products, they produce emissions which are difficult to estimate since use may vary a lot between different customers. In our mapping, we have, therefore, tried to produce estimates linked to the useful lives of various products, amount of hours they are used, which type of electricity is used, etc., which type of electricity is used, etc. All these parameters have a significant effect on the end-result.

In the coming years, we will continue our efforts to improve and validate the calculation methods and estimates we use for our mapping in order to ensure that our reporting provides as accurate a picture as possible.

In terms of transport, we will be looking into whether it is possible to use other transport solutions and fuels. In terms of purchased goods and services, possible measures involve the energy choices made by our suppliers and looking at different materials choices already in the design phase.

## Net Zero

We do not currently have any technology available to us that would enable us to achieve net zero in our production unit in the form of actual emissions. New technology must be continuously evaluated in order to reduce emissions in Scope 1–2, but also in Scope 3. If society succeeds in the transition to renewable electricity production with low CO<sub>2</sub> emissions, we will be able to significantly reduce our emissions in Scope 3. To become carbon neutral in our value chain, however, we will need to use future technology and make use of carbon sinks.

[Read more about Scope 3 on pages 169-170](#)



A reduction in emissions of greenhouse gases is essential if the ambitions of the Paris Agreement and the Group's sustainability strategies are to be met. One of the most important things we can do to realize this ambition is to reduce our customers' emissions.

## We are reducing CO<sub>2</sub> emissions for our customers

The development of solutions that reduce carbon footprints is, therefore, the number one priority in our sustainability strategy. Our focus is on supplying the market with innovative and competitive solutions in areas where we can have the biggest impact. Our heat pump sales volume in the European and North American markets cuts CO<sub>2</sub> emissions for both our customers and society and this is something we are proud of.

### 360,000 tonne reduction in carbon dioxide

Based on the cuts in emissions from the type of heating systems our heat pumps replaced in the respective markets in 2021 alone, the reduction was 360,000 tonnes of CO<sub>2</sub> in that year. This is roughly equivalent to the emissions of 155,000 return flights per person from Sweden to Thailand\*. Thanks to the positive transition in the global electricity sector, emissions of carbon dioxide from the electricity used by our heat pumps are also rapidly falling every year. This means the environmental

benefit is growing all the time. Reduced emissions of greenhouse gases is one of the most important drivers in our work to combat climate change, and heat pumps are, therefore, an important and good solution in efforts to achieve the UN Global Goals.

Our calculation is based on national market conditions in each country in Europe and North America. We take into account all types of heating systems that our heat pumps replace and we base our calculations on the energy efficiency of the different types and the specific power generation in each country. In total, national assessments of 39 different parameters for 29 different countries are included.

\*For calculation of flights, the following publication has been used: <http://naturvardsverket.diva-portal.org/smash/get/diva2:1618272/FULLTEXT01.pdf>

# Dialogue with our stakeholders

Through a continuous dialogue with our stakeholders, we ensure that we have identified our key areas and focus on the issues that are also right for the future, and that we communicate this to our stakeholders. The biggest high-influence groups of stakeholders are owners, customers, employees, suppliers, investors and fund management companies as well as government authorities and the local community.

## Our focus areas

- 1 Business ethics and anti-corruption
- 2 Renewable energy and energy efficiency in operations
- 1 Sustainability in the business strategy
- 2 Safe and energy-efficient products
- 1 Evaluated and approved suppliers
- 1 Product development
- 2 Life-cycle analysis and circular economy
- 3 Working environment and injuries
- 4 Open communication
- 2 Environment and quality assurance
- 1 Climate risks and opportunities

- 2 Efficient use of water and materials
- 4 Involvement in community projects
- 3 Human rights and social responsibility
- 3 Good working environment
- 1 Profitability
- 2 Biodiversity and chemicals
- 1 Corporate responsibility
- 4 Compliance with legislation and obligations
- 3 Dedicated, skilled workforce
- 3 Gender equality in the organization

**Explanation**  
 1. Business and ethics topics, 2. Environmental topics,  
 3. & 4. Social topics



## Materiality analysis

The materiality analysis that is based on extensive consultation with representatives of the various stakeholder groups in 2016 is continuously being updated by collecting additional information from the various stakeholder groups. There have been no dramatic changes in stakeholder expectations of and views on our business, but in recent years we have seen an increase in requirements relating to climate and biodiversity from various stakeholders.

We have determined the scope and boundaries in dialogue with management and stakeholders based on trends and GRI topics, along with their impact on our value chain both within and outside the organization. These aspects have been summarized in the model above and grouped into different material areas, business and ethics topics, environmental topics and social topics. If we compare NIBE's current work in the areas identified as strategic focus areas, it is well aligned with the choices and priorities made by NIBE to date.

- NIBE's products support the transition to more sustainable cities and infrastructure. The product range is largely based on energy efficiency enhancement and renewable energy and is, therefore, aligned with climate-adapted products (LCE) as a business strategy.
- NIBE invests in energy conservation and renewables in its own operations and has measurable targets for this.
- The decision to sign and thus commit to compliance with the UN Global Compact reinforced NIBE's previously communicated values to respect human rights and take responsibility for the environment, working environment and ethical business practices.
- NIBE has an accident rate target to create a safe working environment.
- NIBE has chosen to have certified management systems within environment and quality.
- NIBE has responded to the need to train its staff.
- Supplier evaluations regarding sustainability have resulted in clearer targets and action plans.

The different areas are described in detail on page 157 and our strategic focus areas are described on pages 162-180.

# We look at the future by performing climate and transition scenario analyses

We see a greater interest from analysts, banks and funds, as well as from research institutes and universities, where climate change is considered to be the most important issue of the future.

In order to better understand and map future opportunities and risks in respect of climate change and to be able to see the impact on our own operations, we have looked at different simulations of future scenarios involving change in greenhouse gas emissions.

## Climate scenario 1 (RCP 8.5) – Unchanged behavior

RCP 8.5 is a scenario in which the world has not been able to make the transition and emissions of greenhouse gases continue to rise at the present rate and emissions of greenhouse gases are three times as large as current emissions.

Emissions of greenhouse gases continue to rise at the present rate, resulting in national rises in temperature of 2°C to 4°C globally. This will result in rising sea levels, several days of extreme weather events, floods and a growing number of forest fires.

The scenario includes unchanged behavior and requirements from customers and investors. Continued high energy intensity with large dependence on fossil fuels and failed political climate initiatives and collaborations.

The Earth's population continues to rise towards 12 billion. Deterioration in indoor climate impacts people's health and businesses become more event-driven due to extreme weather.

For more detailed information, see pages 152-156 and pages 70-72

## Climate scenario 2 (RCP 2.6) – We achieve the goals of the Paris Agreement

RCP 2.6 is a scenario in which we achieve the goals of the Paris Agreement – the world has succeeded in limiting temperature rise and greenhouse gases have stabilized at the current level.

We achieve a global temperature increase of +1.5–3°C. New, renewable energy technology is introduced on a large scale, we have low energy intensity and the world population is stabilized at around 9 billion. Significant changes have been implemented in society, infrastructure and buildings.

## Climate transition risks (STEPS) – Unchanged behavior

Stated Policies Scenario (STEPS) is a conservative view of the future, according to which only current and planned policies are adopted and fossil fuels have a greater part to play in the energy system and society in general for a long time to come.

## Climate transition risks (NZE) – We achieve the goals of the Paris Agreement

Net-Zero Pathway, which is based on the IEA's Net Zero Emissions by 2050 Scenario (NZE), assumes rapid implementation of policies that reduce global carbon dioxide emissions and put the planet on course to meet the goals of the Paris Agreement and limit the rise in temperature to 1.5°C.

## Facts

### TCFD

TCFD stands for Taskforce on climate-related financial disclosure, which is a framework aimed at guiding organizations in the work to identify their climate-related financial risks and opportunities. By applying TCFD, organizations gain an increased understanding of the financial implications of climate change on the business. At the same time, the framework helps with the work of building robust strategies for managing these climate-related risks. The framework focuses on how climate change impacts the business, unlike most other standards linked to the issue of climate change, which instead show the impact of the business on the climate.

### Scenarios

In order to map risks and opportunities within the climate scenarios, we have carried out the mapping within TCFD using future scenarios from the UN Intergovernmental Panel on Climate Change. Based on these conditions, in the financial year we carried out mapping of how our own companies are affected by climate change based on the geographic locations where the Group has operations. We will continue this work with more in-depth analyses of the risks during transition to a low-carbon economy and will also include our suppliers' geographic locations.

### RCP

RCPs simulate future trends in respect of how greenhouse gases will change through activities and their physical impact.

# Business opportunities and risks

**As a global organization, we have many business opportunities yet face various types of risk. These risks may have a greater or lower impact on the Group.**

**The risks are mainly defined as factors that can affect our ability to achieve the targets set for the Group. This applies both to financial targets and goals related to sustainability, as well as goals in other areas.**

**Our ability to manage different risks determines our success, that is, our ability to achieve and even surpass the set goals.**



## Structure and value chain

NIBE's organizational structure, with dispersed global operations, helps to reduce risk. NIBE operates in three business areas that deliver wholly or partly to different customer segments and end users worldwide. Sales through many different channels and distribution routes increase flexibility.

The operations are, therefore, affected differently in the business cycle and the competitive landscape varies.

Our operations have a substantial geographical spread, with companies and a market presence throughout the world. Having production units in different currency zones provides great flexibility and increases our competitiveness.

## Risk management

The Board decides the Group's strategic direction based on Group management's recommendations. Responsibility for long-term and overall risk management follows NIBE's organizational structure. To counteract the effects of the various business risks facing the company, NIBE takes a systematic, proactive approach. The common framework and the NIBE Internal Control Standard (NICS) tool were created to secure the process and facilitate ongoing efforts.

In accordance with NICS, the process starts locally and then rolls up to Group level. Risks and opportunities are divided into four sections: business, finance, IT and sustainability.

Identified risks are classified according to the probability that the risk materialises and how the criteria are met, after which action plans are drawn up. The outcome is evaluated annually at Board level, after which decisions are taken concerning issues that should be given special priority in the different areas.

NIBE's business risks are managed locally at the company level but are coordinated if deemed necessary. The tools consist mainly of the companies' current reporting, risk assessment, risk management and action plans.

Financial risks are managed in accordance with the Group's financial policy and manuals governing annual accounts, system access, authorization routines and system changes.

Sustainability and IT risks are largely coordinated at Group level, but risk assessment and action plans are designed and implemented locally by each company's Board. These risks are managed in accordance with our values and guidelines. We are also continuing our work on development of risk scenarios at group level.

**For more information on NIBE's external risks and financial risk management, see page 98-99.**

## Shared opportunities and risks

Each business area works systematically to identify opportunities for further developing their own areas based on the environment in which they operate. At the same time, there are several opportunities and risks that are common to all three business areas\*.

### Opportunities

- Great market potential
- Great interest in and need for renewable energy and energy efficiency
- International market presence
- Broad product portfolio
- Strong brands
- Intensive product development
- Access to effective production
- Synergies
- Expansion through acquisitions
- Energy prices
- Great ability and opportunity to expand production capacity

### Risks

- New laws and government decisions with a short-term perspective for product adaptations
- Weak economic climate
- Energy prices
- Commodity prices
- Currency fluctuations
- Dependence on suppliers
- Human resource management
- Component supply
- Climate impact on operations
- Pandemics
- Geopolitical forces



Overall, NICS (NIBE Internal Control Standard) is a tool that clarifies roles and responsibilities, increases risk awareness, provides improved decision-making support and improves all round process efficiency. NICS is based on the internal control framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The framework covers these components: control environment, risk assessment, control activities, information and communication, and monitoring.

### Opportunities and risks of climate change

Climate change is a complex, global problem and when the world needs to reduce carbon dioxide emissions demand for energy-efficient products that use renewable energy rises. This benefits our operations.

Stricter laws and requirements for lower emissions from products give us an opportunity to strengthen our market positions globally because all our business areas have a product portfolio that contribute to reduced carbon dioxide emissions. This increases our resistance.

By investing in energy-efficient climate control in our own operations, using our own products, we are able to offer an attractive working environment to current and future employees.

By adapting our supply chain to the climate risks we have identified, we have an opportunity to maintain diversification of the supply chain and promote global resource security.

Through our work with TCFD and our mapping of climate and transition risks we can see that we are not exposed to extreme risks in the areas where we have operations, which is why there is little need for us to change our operations on the basis of different climate scenarios.

Before investments in new production of buildings, we carry out extensive evaluation of climate risks during the technical life cycle of the building, focusing on precipitation, extreme weather events and flooding, thereby ensuring that production can continue.

By conducting energy reviews, we can identify energy efficiency measures and reduce the need for energy in our operations. The outcome of such an energy review may be to install solar panels to ensure that we have access to our own renewable energy for our production.

\*See page 98–99 for more information on our risks.

## Specific business area opportunities and risks

### NIBE Climate Solutions

#### Opportunities

- Energy and environmental policies for accelerating the transition to renewable energy use
- Low market penetration in North America and in Europe in general
- Extremely advanced product development centers for heat pumps in Europe and North America
- Cutting-edge heat pump factories in Europe and North America

#### Risks

- New technologies outside our current areas of knowledge or expertise
- Reductions in new builds
- Low gas and oil prices. Historically, these have usually meant continued use of fossil energy sources
- Artificially high electricity prices in several markets using the reasoning that the transition to reduced use of fossil energy sources should be paid for with taxes on electricity
- Political risks on certain markets
- Access to essential components

### NIBE Element

#### Opportunities

- Electrification is a globally expanding market
- Market position as a front-runner among manufacturers worldwide
- Increased growth through delivery of solutions, including measurement and control
- Industry restructuring and expansion through acquisitions

#### Risks

- New technologies restricted by patents
- Cost trends in our production countries
- Disproportionate product liability in the event of quality defects
- Payment problems among some major customers
- Political risks on certain markets

### NIBE Stoves

#### Opportunities

- Sales potential in new product segments
- New political decisions relating to energy and the environment
- Products already largely adapted to the Ecodesign Directive and the new environmental regulations in North America
- Stoves as a backup product; an extra source of heating

#### Risks

- Local authority restrictions on the use of wood-burning products
- Environmental decisions in the EU

### Internal control

NIBE's internal control process, which is ultimately the responsibility of the Board of Directors, is designed to provide reasonable assurance that the company's efforts to achieve its goals are being implemented and that reporting is prepared in accordance with applicable laws and regulations and other requirements for listed companies. Financial reports will also be prepared in accordance with generally accepted accounting principles.

Each employee in the Group is responsible for internal control at their own level:

- The CEO and Group management for NIBE are responsible for overall internal control and for implementing NICS (NIBE Internal Control Standard) at Group level.
- Business area managers are responsible for ensuring that the required process is in place in their own area, which in turn means that all local Boards apply the process to each lower-tier subsidiary.
- Local Boards are responsible for ensuring that NICS is implemented in their companies and, where applicable, at lower-tier subsidiaries. In addition, local boards must ensure that additional national requirements are met.

- The local management is responsible for internal control in its operations and owns the action plans for reducing risks within its individual areas of responsibility.

Monitoring occurs through a minimum of four annual board meetings in all companies, as well as through several internal control audits at the companies. Furthermore, as regards financial reporting, at NIBE it is a matter of principle for all commercial companies, regardless of their size, to undergo an annual audit by the auditors.

To minimize risk impact, a crisis management program is also in place, with routines and policies for the local companies that cover the risk areas identified in the risk assessments. In the event of major incidents that may affect the Group as a whole, the Group's crisis organization including the Board of Directors must be informed and assess how to manage the incident.





## NIBE's shares prove to be good investment

**Our focus on world-class sustainable energy solutions has produced over 25 years of profitable growth and a growing international presence. This has been a good investment for those who have been shareholders in NIBE Industrier since its initial public offering back in 1997.**

### **Ambitious financial targets with a high level of compliance**

NIBE has had average annual sales growth of 17% since the initial public offering in 1997, combined with an operating margin of between 10% and 14%, excluding acquisition-related revaluations and an average return on equity of just over 17%.

Since 1997, the share's total return has averaged just over 25% annually.

### **Meeting the demand for energy conservation and reduced environmental impact**

NIBE is well positioned since drivers for achieving the climate goals create ever rising demand for energy-efficient products.

We have long developed our products with the vision of creating world-class sustainable energy solutions in parallel with a focus on using resources in our business and value chain respectfully.

### **Economies of scale produce profit for the Group's companies**

NIBE's size creates economies of scale for all companies in the Group in several areas: joint purchasing, production efficiency expertise and an open product development environment, which accelerates time-to-market and provides opportunities for technology transfer.

### **Strong corporate culture and a long-term approach**

With its roots in Småland, NIBE has an unmistakable entrepreneurial spirit and clear values that guide the entire global organization.

It has helped that we have had a very stable governance structure since the initial public offering.

### **Continued large market potential**

Our ambitious growth targets stem from our view that the potential for both organic and acquisition-driven growth on a global scale remains significant.

NIBE's markets are characterized by their fragmentation and, therefore, the scope for continued consolidation remains significant.

We have a well-developed acquisition process and clear, constructive objectives for the acquired companies and their existing management teams, which helps preserve market position and strong management.

# NIBE share performance

**NIBE's class B share is listed on Large Cap, Nasdaq Nordic under the name NIBE Industrier AB with ISIN code SE0008321293 in the Construction & Materials sector. NIBE was registered on the OTC list of the Stockholm Stock Exchange on 16 June 1997 following the issue of 1,170,000 new class B shares. The subscription price then was SEK 70 per share.**



Since the initial public offering, a 4:1 share split has been carried out four times, in 2003, 2006, 2016 and 2021, which means that the subscription price of SEK 70 corresponds to SEK 0.27 per share now. New issues were conducted on two occasions since the initial public offering: in 2011/2012 with a private placement of 261,338,208 B shares in conjunction with the secondary listing on the SIX Swiss Exchange, and in 2016 with a rights issue of 29,566,264 A shares and 222,442,016 B shares.

## Share capital

NIBE Industrier AB's share capital totals SEK 79 million and is divided into 233,130,360 class A shares and 1,782,936,128 class B shares. The quota value is SEK 0.03906 per share. Each class A share carries ten votes at general meetings and each class B share carries one vote. All shares carry the same entitlement to dividends. At the end of 2022, there were no outstanding convertible loans or options that could risk diluting the share capital.

## Secondary listing

Following the new share issue in 2011, NIBE's class B shares are now also listed on the SIX Swiss Exchange.

## Share performance and sales

In 2022, NIBE's share price declined by 29.0%, from SEK 136.75 to SEK 97.10. In the same period, the OMX Stockholm\_PI fell by 24.6%. At the end of 2022, NIBE's market capitalization, based on the latest price paid, was SEK 195,760 million. In 2022, a total of 801,336,187 NIBE shares were traded, corresponding to a share turnover of 39.7% over the year.

## Dividend policy

The aim is, over the long term, to pay a dividend equivalent to 25-30% of Group profit after tax. The Board proposes a dividend of SEK 0.65 per share for the 2022 financial year, which equals 30.1% of Group profit after tax.

## Shareholders

The number of shareholders continued to increase during the year. However, because of Swiss reporting regulations, it is, in principle, impossible to determine the current total number of shareholders for the Group's secondary listing on the SIX Swiss Exchange. Excluding these Swiss-registered owners, NIBE had 125,980 individual shareholders at the end of 2022, compared with 89,826 at the same time in the previous year. The ten largest shareholders held 57.5% of the votes and 43.6% of equity.

## Analysts

The following analysts are among those who have tracked and analyzed NIBE shares during the year:

<b>Karl Bokvist</b>	<b>ABG Sundal Collier</b>
<b>Uma Samlin</b>	<b>Bank of America</b>
<b>Philip Buller</b>	<b>Berenberg</b>
<b>Gustav Österberg</b>	<b>Carnegie</b>
<b>Viktor Trollsten</b>	<b>Danske Bank Equity Research</b>
<b>Douglas Lindahl</b>	<b>DNB Bank Markets</b>
<b>Anna Lindholm-Widström</b>	<b>Handelsbanken Capital Markets</b>
<b>Johan Sjöberg</b>	<b>Kepler Cheuvreux</b>
<b>Pam Liu</b>	<b>Morgan Stanley</b>
<b>Carl Ragnestam</b>	<b>Nordea Markets</b>
<b>Anders Roslund</b>	<b>Pareto</b>
<b>Fredrik Agardh</b>	<b>SEB Equity Research</b>

## Major shareholders

(Source: Euroclear Sweden share register 30/12/2022)

Shareholders	Number of shares (no.)	Number of votes (%)
Current and former Board members and senior executives <sup>1)</sup>	409,337,513	45.91
Schörling	149,338,714	18.67
SSB and Trust Co. W9	160,363,449	3.90
Alecta Pensionsförsäkring	115,672,000	2.81
JPM Chase Bank NA	109,224,046	2.65
BNY Mellon NA (Former Mellon), W9	42,691,322	1.04
The Northern Trust Company	35,372,407	0.86
CBNY-Norges Bank	29,398,293	0.71
Clearstream Banking S.A., W8IMY	28,114,421	0.68
AMF Tjänstepension AB	27,500,000	0.67
SIX SIS AG W8IMY	26,362,253	0.64
Brown Brothers Harriman & Co	22,753,994	0.55
Första AP-fonden	22,037,468	0.54
Other holdings (125,941 shareholders)	837,900,608	20.37
<b>Total</b>	<b>2,016,066,488</b>	<b>100.0</b>

<sup>1)</sup> For current Board, see page 192.

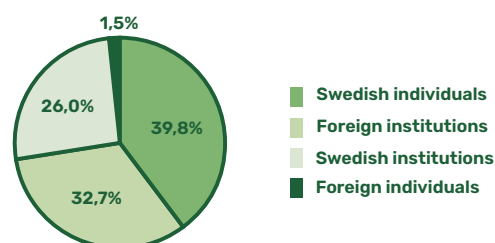
## Shareholder structure

(Source: Euroclear Sweden share register 30/12/2022)

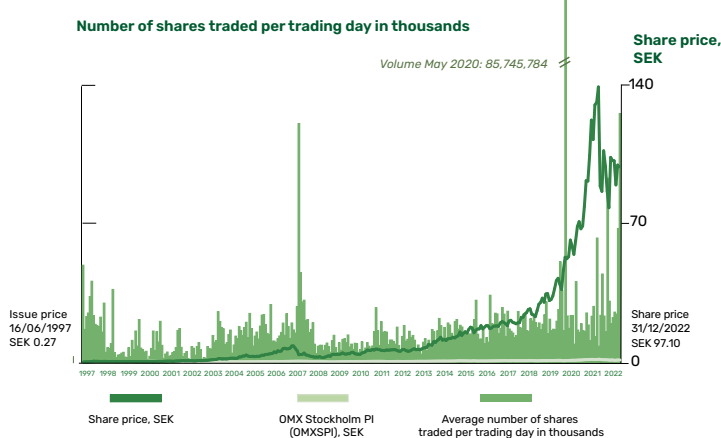
Number of shares (no.)	Number of owners (no.)	Number of owners (%)	Number of shares (no.)	Number of shares (%)
1 - 500	93,764	74.43	10,928,590	0.54
501 - 1,000	10,827	8.59	8,229,042	0.41
1,001 - 5,000	13,697	10.87	32,116,240	1.59
5,001 - 10,000	2,985	2.37	21,814,083	1.08
10,001 - 20,000	1,937	1.54	28,610,888	1.42
20,001 -	2,771	2.20	1,914,367,645	94.96
<b>Total</b>	<b>125,981</b>	<b>100.0</b>	<b>2,016,066,488</b>	<b>100.0</b>

### Share of capital, %

(Source Euroclear sharebook 30/12/2022)

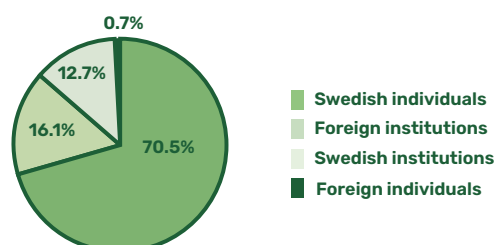


## Share performance, 1997-2022

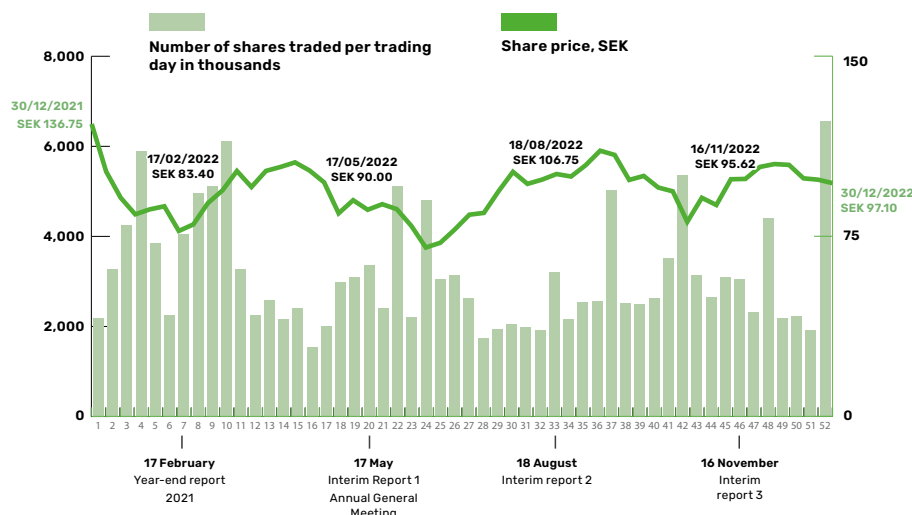


### Share of voting rights, %

(Source Euroclear sharebook 30/12/2022)



## The share in 2022



## Changes in share capital

	Increase in share capital (SEK)	Quota value (SEK)	Total number of shares	Total share capital (SEK)
1990 New share issue <sup>1)</sup>	6,950,000	100.00	70,000	7,000,000
1991 Bonus issue	40,000,000	100.00	470,000	47,000,000
1994 Split 10:1 <sup>2)</sup>	–	10.00	4,700,000	47,000,000
1997 New share issue	11,700,000	10.00	5,870,000	58,700,000
2003 Split 4:1 <sup>3)</sup>	–	2.50	23,480,000	58,700,000
2006 Split 4:1 <sup>4)</sup>	–	0.625	93,920,000	58,700,000
2011 New share issue <sup>5)</sup>	10,074,648	0.625	110,039,437	68,774,648
2012 New share issue <sup>6)</sup>	133,876	0.625	110,253,638	68,908,524
2016 Split 4:1 <sup>7)</sup>	–	0.15625	441,014,552	68,908,524
2016 New share issue <sup>8)</sup>	9,844,073	0.15625	504,016,622	78,752,597
2021 Split 4:1 <sup>9)</sup>	–	0.03906	2,016,066,488	78,752,597

<sup>1)</sup> Private placement to existing shareholders at a subscription price of SEK 100 per share.

<sup>2)</sup> Change in the quota value of each share from SEK 100 to SEK 10.

<sup>3)</sup> Change in the quota value of each share from SEK 10 to SEK 2.50.

<sup>4)</sup> Change in the quota value of each share from SEK 2.50 to SEK 0.625.

<sup>5)</sup> Private placement to the former owners of the Schulthess Group at a subscription price of SEK 108.25 per share.

<sup>6)</sup> Private placement to the former owners of the Schulthess Group at a subscription price of SEK 102.00 per share.

<sup>7)</sup> Change in the quota value of each share from SEK 0.625 to SEK 0.15625.

<sup>8)</sup> Private placement to the Company's shareholders at a subscription price of SEK 48.00 per share.

<sup>9)</sup> Change in the quota value of each share from SEK 0.15625 to SEK 0.03906.

## Data per share

		2022	2021	2020	2019	2018
Number of shares	no.	2,016,066,488	2,016,066,488	2,016,066,488	2,016,066,488	2,016,066,488
Average number of shares	no.	2,016,066,488	2,016,066,488	2,016,066,488	2,016,066,488	2,016,066,488
Year-end share price	SEK	97.10	136.75	67.43	40.60	22.73
EPS (after tax)	SEK	2.16	1.65	1.42	1.08	1.03
Profit after tax/share excluding acquisition-related revaluations	SEK	2.17	1.63	1.25	1.08	1.01
Equity/share	SEK	13.86	10.63	8.73	8.68	7.64
Proposed dividend	SEK	0.65	0.50	0.39	0.35	0.33
Price/equity	times	7.01	12.86	7.72	4.67	2.97
Dividend yield	%	0.67	0.37	0.58	0.86	1.45
Total yield	%	– 28.52	103.54	67.04	80.16	17.35
Operating cash flow per share	SEK	0.27	1.00	1.94	0.94	0.55
Payout ratio	%	30.1	30.4	27.4	32.5	32.1
Payout ratio, excluding acquisition-related revaluations	%	29.9	30.6	31.3	32.5	32.6
PE ratio (after tax)	times	45.0	83.0	47.4	37.7	22.1
Market capitalization	SEK m	195,760	275,697	135,933	81,852	45,825
EBIT multiple	times	34.5	63.0	36.6	29.1	18.3
EV/sales	times	5.05	9.13	5.23	3.49	2.30
Share turnover	%	39.7	29.7	50.9	34.9	36.1

## DEFINITIONS

### Dividend yield

Dividend as percentage of year-end share price.

### Earnings per share (after full tax)

Earnings after tax divided by average number of shares.

### EBIT multiple

Market capitalisation plus net debt (interest-bearing liabilities less financial current assets) plus non-controlling interests divided by operating profit.

### Equity per share

Equity divided by number of shares.

### EV/sales

Market capitalization plus net debt (interest-bearing liabilities less financial current assets) plus non-controlling interests divided by net sales.

### Market capitalization

Year-end share price multiplied by total number of shares.

### Operating cash flow per share

Cash flow after investments but before acquisition of companies/operations divided by average number of shares.

### Payout ratio

Dividend as a percentage of earnings per share.

### PE ratio (after tax)

Year-end share price divided by earnings per share.

### Price/equity

Share price divided by equity per share, both as at end of period.

### Share turnover

Total number of shares sold during the period as a percentage of number of shares.

### Total yield

Change in share price for the period, plus dividend, as a percentage of share price at preceding year-end.

# Financial statements

Annual accounts 2022	78	Note 1	General accounting policies	100
Administration report excl. accounts	78-99	Note 2	Segment reporting, business areas	102
Five-year overview	80	Note 3	Acquisitions	103
Consolidated income statement	82	Note 4	Net sales	104
Business areas	84	Note 5	Other operating income	104
Consolidated balance sheet	86	Note 6	Remuneration of senior executives, numbers of men and women in senior positions	105
Consolidated statement of cash flows	89	Note 7	Personnel costs	106
Key ratios	90	Note 8	Research and development costs	108
Parent company	96	Note 9	Remuneration of auditors	108
Risks and risk management	98	Note 10	Income statement by nature of expense	108
Notes	100	Note 11	Profit from financial items	109
		Note 12	Appropriations	109
		Note 13	Taxes	110
		Note 14	Intangible assets	112
		Note 15	Property, plant and equipment	114
		Note 16	Right-of-use assets	115
		Note 17	Shares in subsidiaries	117
		Note 18	Participations in associates and jointly controlled entities	120
		Note 19	Other non-current receivables	121
		Note 20	Inventories	121
		Note 21	Equity	121
		Note 22	Provisions for pensions	122
		Note 23	Other provisions	126
		Note 24	Liabilities to credit institutions	126
		Note 25	Bond loans	127
		Note 26	Other liabilities, non-interest-bearing	127
		Note 27	Other liabilities	127
		Note 28	Accrued expenses and deferred income	127
		Note 29	Financial instruments and risk management	128
		Note 30	Pledged assets	137
		Note 31	Contingent liabilities	137
		Note 32	Statement of cash flows	138
		Note 33	Sale of businesses	139
		Note 34	Significant events after the end of the period	139

# Annual Accounts 2022

## Significant events during the financial year

### Acquisitions

At the end of May, an agreement was signed to acquire 50% of the shares in the Italian company Argoclima S.p.A., a respected manufacturer and distributor of heat pumps and air conditioning products. An agreement is in place to acquire the outstanding shares within five years. The company, which has sales of approximately EUR 100 million, was consolidated into NIBE Climate Solutions as of June 2022. The acquisition balance sheet is still provisional.

An additional 41% of the shares in the Canadian stove company Pacific Energy Fireplace Products Inc. was acquired at the beginning of July, taking the total holding to 51% of the shares and therefore majority ownership. The remaining 49% of the shares will be acquired in the first half of 2023. The company, which develops and manufactures stove products for wood and gas, has sales of around CAD 50 million and was consolidated into NIBE Stoves with effect from July 2022. The acquisition balance sheet is still provisional. At the beginning of October, NIBE acquired all the shares in the German electric heating systems manufacturer ELMESS-Klöpfer Group, which has sales of around EUR 23 million. The company was consolidated into NIBE Element with effect from October 2022. The acquisition balance sheet is still provisional.

### Profit

In view of Russia's invasion of Ukraine at the beginning of the year, the Group wrote down all its net assets in Russia, with a negative effect of SEK 114 million on profit for the year. No value was recorded for the net assets at the end of the year.

At the end of June, an additional 26% of the shares in Schulthess were sold, resulting in a capital gain of SEK 232 million. Following the sale, the Group owns only 25% of the shares in the company, which means that the business will no longer be included in the consolidated financial statements and will instead be accounted for as an associate.

### Remuneration

The Annual General Meeting determines the level of remuneration for the Chairman of the Board and other directors.

The Annual General Meeting also determines the guidelines for the remuneration of the MD and other senior executives. Based on these guidelines, the Board of Directors decides on remuneration of the CEO. The remuneration of other senior executives is determined by the MD in consultation with the Chairman of the Board. Decisions in this regard are reported to the Board of Directors. See also Note 6 about remuneration for the year and the principles applied in 2022.

The Board's proposal for guidelines for 2023 largely matches the principles approved at the 2022 Annual General Meeting.

## Environmental issues

NIBE has production facilities in 28 countries. Their environmental impact primarily consists of:

- Use of raw materials such as metals and plastics
- Use of natural resources such as energy and water
- Generation of waste
- Emissions to air and water
- Transportation

NIBE complies with national environmental legislation in all countries in which we have production facilities. Where operations require a permit, results and any failure to comply with permit conditions are reported to the environmental authorities in the country in question and to the Group's sustainability department. One occurrence of failure to comply with environmental conditions was reported in 2022. The case concerned emissions to water and did not result in any significant fines or instructions from environmental authorities.

The Group manages improvements in its environmental performance by setting targets, following key ratios and reporting results according to the GRI standards. Our LCE products have a positive impact on the environment as they help reduce primary energy consumption, increase the use of renewable energy and thus reduce climate impact.

There is contaminated soil at six of the Group's production plants in Denmark, the Czech Republic, the UK and Sweden. No contingent liabilities were recognized for this as it is deemed extremely unlikely that any of these could entail significant costs if the Group were to be held liable.

In accordance with Chapter 6, Section 11 of the Swedish Annual Accounts Act, we have chosen to prepare the mandatory sustainability report as a separate report from the Annual Report. See page 145 for a description of the scope of the sustainability report.

## Staff issues, human rights and anti-corruption measures

Our values assume that everyone is of equal value and everyone should have the same opportunities to develop in the company, regardless of gender, ethnicity, age or background. We want all our employees to see NIBE as a secure, fair employer that works to ensure a good working environment, good working conditions, diversity and equal opportunities.

Our policies on respecting human rights and promoting equal opportunities and non-discrimination also extend to our supply chain, and we evaluate new suppliers against our requirements before they are used. We also evaluate existing suppliers against our requirements for human rights and working conditions.

Our business principles and our values create a well-established code of conduct that forms the basis for our employees to work together, show commitment and enjoy freedom with responsibility. As part of our internal controls within the Group, all companies and

several subsidiaries are visited every year to ensure that everyone applies the same principles and that the standard of working conditions remains high. For more information about our strategies relating to employees and responsible purchasing, see pages 31, 33, and for statistics, see the table of contents on page 145.

NIBE's anti-corruption work is driven by our values. Information is provided to all employees, and more extensive e-learning is provided to all salaried employees we have classified as being in exposed roles. The Group also provides a whistleblower function, which is managed by a third party. Zero tolerance is communicated to our suppliers and business partners via our values and contracts. See page 24.

### Research and development

The NIBE Group carries out market-leading research and development within each of its business areas. We believe that this is a crucial factor behind continued organic growth and our ability to establish a presence in new markets. It also means that we can respond quickly to changes in what our customers want and transform their wishes into the best possible solution in the relevant market context. See Note 8.

### Future trends

- Our corporate philosophy and our strong range of products, with their focus on sustainability and energy efficiency, are in tune with the times because the transition to a fossil-free society is considered to be irrevocable.
- 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 business areas have a good geographical spread, which makes us less vulnerable to local downturns in demand.
- Our decentralized organization, based on independent units, is well proven and creates the conditions for greater motivation and flexibility.
- The pandemic effects are continuing to fade, which is a very significant and positive factor.
- The problems relating to sub-suppliers are expected to gradually improve over the year.
- However, the effects of the war in Ukraine, general political unrest, interest rate developments and high energy prices are factors that are difficult to predict,
- As is our habit, and based on experience, we nevertheless remain cautiously optimistic about our performance this year.

### Ownership

NIBE's share capital is divided into 233,130,360 class A shares and 1,782,936,128 class B shares. Each A share carries ten votes at the Annual General Meeting and each B share carries one vote. Class A shares, which represent approximately 57% of the votes, have pre-emption rights as per the company's articles of association.

The company has two shareholders who each hold more than 10% of the votes, one of them a group of shareholders consisting of present and former directors and managers with around 46% of the votes, the other the Schörling family, with around 19% of the votes.

### Proposal for appropriation of profits

Profits at the disposal of the Annual General Meeting:

Profit brought forward	SEK 3,163 million
Share premium reserve	SEK 4,751 million
Net profit for the year	SEK 1,759 million
<b>Total</b>	<b>SEK 9,673 million</b>

The Board of Directors proposes issuing a dividend to shareholders of SEK 0.65 per share, equivalent to a total pay-out of SEK 1,310 million. A total of SEK 8,363 million will be carried over in the accounts: SEK 4,751 million of this in the share premium reserve and SEK 3,612 million as profit brought forward.

The Board of Directors considers that the proposed dividend is reasonable considering the requirements that the nature, scope and risks of the operations place on the size of the company's and the Group's equity, consolidation needs, liquidity and position in general. This must be seen against the background of the information provided in the Annual Report. Before proposing this dividend, the Board has paid due consideration to the investments planned.

### Corporate governance report

The corporate governance report on pages 182-185 is not part of the administration report.

# Five-year overview

## Income statement

(SEK million)	2022	2021	2020	2019	2018
Net sales	40,071	30,832	27,146	25,342	22,516
Cost of goods sold	- 27,462	- 20,628	- 18,171	- 17,036	- 15,054
<b>Gross profit</b>	<b>12,609</b>	<b>10,204</b>	<b>8,975</b>	<b>8,306</b>	<b>7,462</b>
Selling expenses	- 4,921	- 4,210	- 3,917	- 3,765	- 3,432
Administrative expenses	- 2,615	- 2,018	- 1,895	- 1,757	- 1,453
Acquisition-related revaluations	- 33	30	353	-	35
Other operating income	823	462	364	254	217
<b>Operating profit</b>	<b>5,863</b>	<b>4,468</b>	<b>3,880</b>	<b>3,038</b>	<b>2,829</b>
Net financial items	- 188	- 150	- 222	- 202	- 162
<b>Profit after financial items</b>	<b>5,675</b>	<b>4,318</b>	<b>3,658</b>	<b>2,836</b>	<b>2,667</b>
Tax	- 1,280	- 940	- 735	- 652	- 595
<b>Net profit</b>	<b>4,395</b>	<b>3,378</b>	<b>2,923</b>	<b>2,184</b>	<b>2,072</b>
<i>Net profit attributable to non-controlling interests</i>	<i>44</i>	<i>58</i>	<i>57</i>	<i>14</i>	<i>- 2</i>
<i>Includes depreciation/amortization according to plan as follows:</i>	<i>1,484</i>	<i>1,297</i>	<i>1,236</i>	<i>1,036</i>	<i>691</i>

## Balance sheet

(SEK million)	2022	2021	2020	2019	2018
Intangible assets	22,568	20,363	18,958	18,703	17,029
Property, plant and equipment	8,273	6,131	5,350	4,963	3,410
Financial assets	1,001	629	655	589	589
<b>Total non-current assets</b>	<b>31,842</b>	<b>27,123</b>	<b>24,963</b>	<b>24,255</b>	<b>21,028</b>
Inventories	10,191	6,584	4,431	4,403	4,106
Current receivables	7,144	4,941	4,149	4,400	3,968
Investments in securities, etc.	190	224	201	227	166
Cash and cash equivalents	4,627	4,522	4,593	3,944	3,023
<b>Total current assets</b>	<b>22,152</b>	<b>16,271</b>	<b>13,374</b>	<b>12,974</b>	<b>11,263</b>
<b>Total assets</b>	<b>53,994</b>	<b>43,394</b>	<b>38,337</b>	<b>37,229</b>	<b>32,291</b>
Equity	27,973	21,657	17,737	17,604	15,421
Non-current liabilities and provisions					
- non-interest-bearing	5,869	5,252	4,859	4,759	3,973
- interest-bearing	6,399	7,505	6,298	7,653	7,357
Current liabilities and provisions					
- non-interest-bearing	8,795	6,165	5,081	4,212	3,658
- interest-bearing	4,958	2,815	4,362	3,001	1,882
<b>Total equity and liabilities</b>	<b>53,994</b>	<b>43,394</b>	<b>38,337</b>	<b>37,229</b>	<b>32,291</b>

## Statement of cash flows

(SEK million)	2022	2021	2020	2019	2018
Cash flow before change in working capital	5,800	4,749	4,123	3,448	2,652
Change in working capital	- 3,186	- 1,487	900	- 490	- 764
<b>Cash flow from operating activities</b>	<b>2,614</b>	<b>3,262</b>	<b>5,023</b>	<b>2,958</b>	<b>1,888</b>
Investments in existing operations	- 2,065	- 1,242	- 1,109	- 1,054	- 777
<b>Operating cash flow</b>	<b>549</b>	<b>2,020</b>	<b>3,914</b>	<b>1,904</b>	<b>1,111</b>
Acquisition of businesses	- 839	- 768	- 1,792	- 569	- 1,001
Sale of businesses	126	-	-	-	-
<b>Cash flow after investments</b>	<b>- 164</b>	<b>1,252</b>	<b>2,122</b>	<b>1,335</b>	<b>110</b>
Financing	858	- 718	- 485	217	30
Shareholders' dividends	- 1,009	- 784	- 707	- 656	- 530
<b>Cash flow for the year</b>	<b>- 315</b>	<b>- 250</b>	<b>930</b>	<b>896</b>	<b>- 390</b>
Cash and cash equivalents at start of year	4,746	4,794	4,171	3,189	3,422
Exchange difference in cash and cash equivalents	386	202	- 307	86	157
<b>Cash and cash equivalents at end of year</b>	<b>4,817</b>	<b>4,746</b>	<b>4,794</b>	<b>4,171</b>	<b>3,189</b>



## Income statement over the last five years

### Growth

The sales target is annual growth of 20%, preferably with half of this total generated organically and half through acquisitions. Sales have risen from SEK 19,009 million to SEK 40,071 million over the last five-year period. To some extent, this was achieved by means of a proactive acquisition strategy. During the period, 36 acquisitions and business combinations were implemented.

Average growth during the five-year period was 16.1%. The Group's sales have shown organic growth of 11.7% over the last five years, with acquired growth of 4.4%. The weakening of the Swedish krona has had a positive effect on overall organic growth during the five-year period.

### Operating margin

The target is an average operating margin of at least 10% for each of the Group's business areas, and an average return on equity of at least 20% for the Group as a whole.

During the five-year period, NIBE Climate Solutions' average operating margin was 15.3%. NIBE Element's operating margin was an average of 9.8% during the period, while NIBE Stoves' average operating margin was 12.1%.

The Group's operating margin, excluding acquisition-related revaluations, over the five-year period averaged 13.5% and return on equity, excluding acquisition-related revaluations, averaged 15.7%.

## Balance sheet over the last five years

Total assets have increased from SEK 27,990 million to SEK 53,994 million over the last five years.

### Intangible assets

Intangible assets consists mainly of goodwill, trademarks/brands and market positions that have arisen in connection with the acquisition of businesses or operations. Goodwill and brands are tested annually for impairment by calculating the present value of future cash flows. The principles used by the Group for impairment testing are described in Note 14 to the accounts under the heading 'Goodwill and trademarks'.

### Property, plant and equipment

Property, plant and equipment previously consisted solely of land, buildings and machinery. Following the implementation of IFRS 16 in 2019, it also includes right-of-use assets for a value of SEK 1,562 million. The value of property, plant and equipment has increased by SEK 5,230 million over the most recent five-year period. Without the right-of-use assets, the increase would have been SEK 3,668 million. Of this increase, approximately 16% was added through acquisitions, and the remaining 84% through investments in existing businesses. These investments were implemented largely in the Group's facilities in Markaryd, Sweden, where most of the production facilities for NIBE Climate Solutions and NIBE Stoves are located, as well as in the Group's production plants in the Czech Republic, Poland and the USA.

### Current assets

Current assets consist of inventories and current receivables, which, in turn, mainly consist of trade receivables, and constitute approximately 32% of total assets. Normally, both of these items are directly related to sales and, therefore, growth.

### Interest-bearing liabilities

Current and non-current interest-bearing liabilities and provisions consist of loans from banks and other financial institutions, bond loans and pension provisions. These items have increased from SEK 8,976 million to SEK 11,357 million over the last five years. The increase is primarily due to the implementation of IFRS 16 in 2019, which resulted in additional lease liabilities of SEK 1,568 million and increased liabilities in the form of bonds.

The Group's target is for the equity/assets ratio not to fall below 30%. This ratio has averaged 48.9% over the last five years.

### Non-interest-bearing liabilities

Non-current, non-interest-bearing liabilities and provisions consist mainly of deferred tax, additional consideration and warranty provisions. These have increased from SEK 2,859 million to SEK 5,869 million over the last five-year period, mainly due to additional consideration liabilities and deferred tax attributable to intangible assets arising from acquisitions.

Current non-interest-bearing liabilities and provisions have increased by SEK 5,447 million over the last five years, from SEK 3,348 million to SEK 8,795 million, approximately 72% of which represents accrued expenses and trade payables, which are both directly related to the expansion of the business.

## Cash flow over the last five years

### Cash flow before change in working capital

Over the most recent five-year period, cash flow before change in working capital showed a positive trend.

### Working capital

Working capital, measured as current assets less current liabilities, amounted to an average of approximately 18% of sales over the five-year period.

### Investments in existing operations

On average, investments in existing operations over the last five years corresponded to approximately 109% of depreciation according to plan. In 2022, however, investments amounted to SEK 2,065 million, compared with depreciation according to plan of SEK 1,080 million, if depreciation of right-of-use assets is excluded. In the next few years, investments are expected to exceed depreciation according to plan as the present capacity is insufficient for the expected expansion in volume.

### Operating cash flow

The Group's operating cash flow has been positive over the last five years. This is because the rate of investment in existing operations was moderate at the start of the five-year period and great attention was paid to the Group's working capital in day-to-day operations. The increased rate of investment, together with significant inventory build-up of input goods, meant that operating cash flow in 2022 was at a lower level than in previous years in the five-year period.

### Acquisition of businesses

NIBE Industrier AB has pursued an aggressive acquisition strategy during the period. Over the last five years, 36 acquisitions and business combinations have been implemented, with 14 of these in the NIBE Climate Solutions business area, 20 in NIBE Element and 2 in NIBE Stoves. In recent years, acquisition intensity has been lower than before due to the pandemic. The objective is to continue to pursue an aggressive acquisition strategy going forward.

### Financing

Capital requirements over the last five years – for takeovers, investments in existing operations and working capital for organic expansion and share dividends – have been financed by the company's own internally generated cash flows and loans. In recent years, bond loans have largely replaced bank financing.

### Shareholders' dividends

NIBE Industrier AB aims to pay share dividends of 25–30% of the net profit for the year after tax. Over the most recent five-year period, share dividends have varied between 27.3% and 32.5% of profit for the year after tax.

# Consolidated income statement

(SEK million)		2022	2021
Net sales	Note 4	40,071	30,832
Cost of goods sold		- 27,462	- 20,628
<b>Gross profit</b>		<b>12,609</b>	<b>10,204</b>
Selling expenses		- 4,921	- 4,210
Administrative expenses		- 2,648	- 2,018
Other operating income	Note 5	823	492
<b>Operating profit</b>	Notes 6-10	<b>5,863</b>	<b>4,468</b>
<b>Profit/loss from financial items</b>			
Profit/loss from participations in associates and jointly controlled entities	Note 18	21	- 8
Financial income	Note 11	417	134
Financial expenses	Note 11	- 626	- 276
<b>Profit after net financial items</b>		<b>5,675</b>	<b>4,318</b>
Tax	Note 13	- 1,280	-940
<b>Net profit</b>		<b>4,395</b>	<b>3,378</b>
<b>Profit for the year attributable to</b>			
Parent shareholders		4,351	3,320
Non-controlling interests		44	58
<b>Net profit</b>		<b>4,395</b>	<b>3,378</b>
<i>Includes depreciation/amortization according to plan as follows:</i>		1,484	1,297
<i>Average number of shares</i>		2,016,066,488	2,016,066,488
<i>Net profit per share before and after dilution, SEK</i>		2.16	1.65
<i>Proposed dividend per share in SEK</i>		0.65	0.50
<b>Net profit</b>		<b>4,395</b>	<b>3,378</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	Note 22	160	129
Tax attributable to other comprehensive income	Note 13	- 34	- 26
		126	103
<b>Items that may be reclassified to profit or loss</b>			
Cash flow hedges		-	- 12
Hedging of net investment		- 91	- 14
Exchange differences		3,123	1,360
Tax attributable to other comprehensive income	Note 13	- 172	- 111
		2,860	1,223
<b>Total other comprehensive income</b>		<b>2,986</b>	<b>1,326</b>
<b>Total comprehensive income</b>		<b>7,381</b>	<b>4,704</b>
<b>Total comprehensive income attributable to</b>			
Parent shareholders		7,319	4,631
Non-controlling interests		62	73
<b>Total comprehensive income</b>		<b>7,381</b>	<b>4,704</b>

## COMMENTS ON THE INCOME STATEMENT

### Net sales

The target for the Group is annual growth of 20%, preferably with half of this total generated organically and half through acquisitions.

The Group's net sales increased by SEK 9,239 million (30.0%) to SEK 40,071 (30,832) million during the year.

The Group's net sales outside Sweden amounted to SEK 36,170 (27,592) million, an increase of SEK 8,578 million (31.1%). This means that net sales abroad accounted for 90.3% (89.5%) of total net sales. The Group's net sales on the Swedish market increased by 20.4% to SEK 3,901 (3,240) million.

The increase in acquired sales was SEK 1,076 million (3.5%). The disposal of the washing machine business at the end of June resulted in a drop in sales of SEK 645 million (2.0%), which meant that organic sales increased by SEK 8,808 million or 28.5%. The weakening of the Swedish krona during the year had a positive effect on organic growth.

### Operating profit

The target is for operating profit for both the Group and each business area to be at least 10% of sales over a business cycle.

Group operating profit totaled SEK 5,863 million, an increase of 31.2% on operating profit of SEK 4,468 million for the previous year. The operating margin was 14.6%, compared with 14.5% in the previous year. Profit for the year included an impairment loss of SEK 114 million on the Group's operations in Russia. The sale of an additional 26% of the shares in the washing machine business resulted in a capital gain of SEK 232 million. Excluding both of these non-recurring items, the operating margin for the year was 14.3%. The first three quarters in particular were marked by major material supply problems and constant increases in the price of input goods. The situation improved significantly in the final quarter. Operating profit for the year was affected by acquisition expenses of SEK 19 million, compared with SEK 13 million in the previous year, which were recognized as administrative expenses in the consolidated income statement.

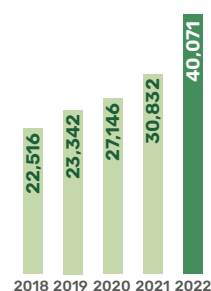
### Profit after financial items

Profit after financial items rose by 31.4% to SEK 5,675 (4,318) million, corresponding to a profit margin of SEK 14.2% (14.0%). Excluding the above-mentioned one-off items, profit was SEK 5,557 million and the profit margin 13.9%. Net financial items for the Group amounted to SEK 188 (- 150) million. The Group's interest-bearing liabilities at year-end amounted to SEK 11,357 million, compared with SEK 10,320 million at the start of the year. The average interest rate during the year was 2.4% (1.9%). Net financial items include exchange gains and losses.

### Tax

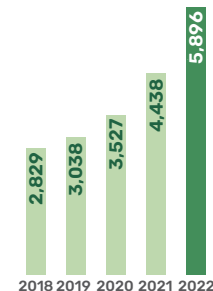
The tax expense for the year was SEK 1,280 (940) million, which gives an effective tax rate of 22.6% (21.8%). The higher tax rate compared with the previous year was mostly due to a different geographical distribution of the Group's taxable profit.

Net sales  
past five years (SEK m)



Net sales rose by 30.0% in 2022

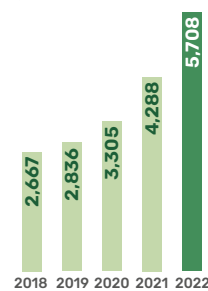
Operating profit\*  
past five years (SEK m)



\* excluding acquisition-related revaluations

Operating profit excluding acquisition-related revaluations increased by 32.9% in 2022

Profit after  
financial items\*  
past five years  
(SEK m)



\* excluding acquisition-related revaluations

Profit after financial items excluding acquisition-related revaluations increased by 33.1% in 2022

# Performance per business area during the year

## Quarterly data

Consolidated income statement (SEK million)	2022				2021			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	8,749	9,656	9,999	11,667	6,831	7,790	7,823	8,388
Operating expenses	- 7,808	- 8,087	- 8,534	- 9,779	- 5,966	- 6,568	- 6,621	- 7,209
<b>Operating profit</b>	<b>941</b>	<b>1,569</b>	<b>1,465</b>	<b>1,888</b>	<b>865</b>	<b>1,222</b>	<b>1,202</b>	<b>1,179</b>
Net financial items	35	- 22	- 14	- 117	- 32	- 51	- 31	- 36
<b>Profit after net financial items</b>	<b>906</b>	<b>1,547</b>	<b>1,451</b>	<b>1,771</b>	<b>833</b>	<b>1,171</b>	<b>1,171</b>	<b>1,143</b>
Tax	- 226	- 310	- 343	- 401	- 188	- 259	- 260	- 233
<b>Net profit</b>	<b>680</b>	<b>1,237</b>	<b>1,108</b>	<b>1,370</b>	<b>645</b>	<b>912</b>	<b>911</b>	<b>910</b>

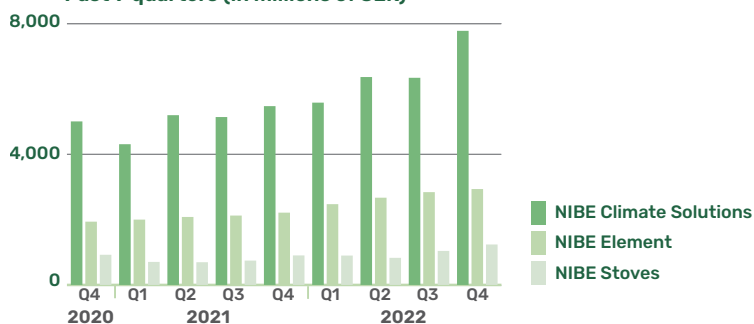
### Net sales - by business area

NIBE Climate Solutions	5,583	6,367	6,344	7,782	4,310	5,199	5,142	5,476
NIBE Element	2,474	2,672	2,842	2,937	2,001	2,082	2,125	2,214
NIBE Stoves	900	830	1,042	1,239	705	696	746	904
Elimination of Group transactions	- 208	- 213	- 229	- 291	- 185	- 187	- 190	-206
<b>Group total</b>	<b>8,749</b>	<b>9,656</b>	<b>9,999</b>	<b>11,667</b>	<b>6,831</b>	<b>7,790</b>	<b>7,823</b>	<b>8,388</b>

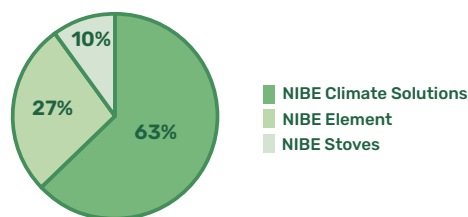
### Operating profit - by business area

NIBE Climate Solutions	612	1,204	1,022	1,500	579	900	907	852
NIBE Element	250	299	325	249	216	223	213	224
NIBE Stoves	103	95	137	216	85	82	103	143
Elimination of Group transactions	- 24	- 29	- 19	- 77	- 15	17	- 21	- 40
<b>Group total</b>	<b>941</b>	<b>1,569</b>	<b>1,465</b>	<b>1,888</b>	<b>865</b>	<b>1,222</b>	<b>1,202</b>	<b>1,179</b>

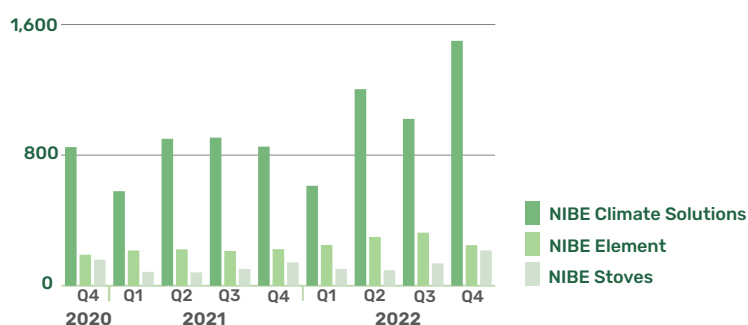
### Sales by Business Area Past 9 quarters (in millions of SEK)



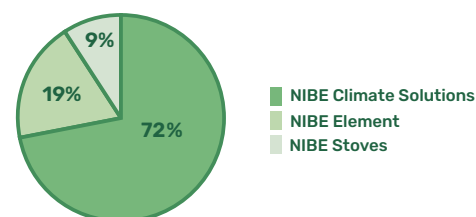
### Business Area contributions to sales



### Operating profit by Business Area Past 9 quarters (in millions of SEK)



### Business Area contributions to profit



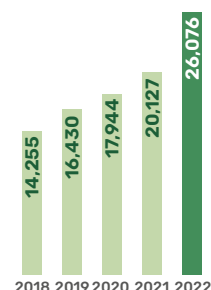
## NIBE Climate Solutions

Net sales for the year amounted to SEK 26,076 million, compared with SEK 20,127 million for the previous year. The increase in sales was SEK 5,949 million (29.6%), with acquired sales accounting for SEK 751 million (3.7%). The disposal of the washing machine business at the end of June resulted in a drop in sales of SEK 645 million (3.1%), which meant that organic sales increased by SEK 5,843 million or 29.0%. Sales have increased from SEK 12,020 million to SEK 26,076 million over the last five years.

Operating profit increased from SEK 3,238 million to SEK 4,338 million, which represents earnings growth of 34.0% and an operating margin of 16.6% (16.1%) for the year. Profit for the year included an impairment loss of SEK 114 million on the Group's operations in Russia. The sale of an additional 26% of the shares in the washing machine business resulted in a capital gain of SEK 232 million. Excluding both of these non-recurring items, the operating margin for the year was 16.2%. The operating margin has averaged 15.3% over the last five years.

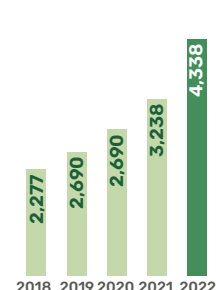
The year was marked by the climate debate and the transition to a fossil-free society. This resulted in very good demand for the business area's products, especially in Europe. In North America, too, a similar debate is gaining ground.

Net sales  
(SEK m)



Net sales increased by 29.6% in 2022.

Operating profit  
(SEK m)



Operating profit increased by 34.0% in 2022.

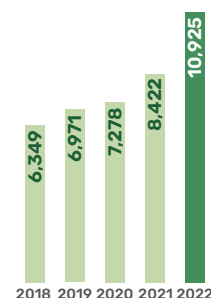
## NIBE Element

Net sales for the year amounted to SEK 10,925 million, compared with SEK 8,422 million for the previous year. The increase in sales was SEK 2,503 million (29.7%), with acquired sales accounting for SEK 159 million (1.9%), which means that organic growth was SEK 2,344 million (27.8%). Sales have increased from SEK 5,102 million to SEK 10,925 million over the last five years.

Operating profit increased from SEK 876 million to SEK 1,123 million, which represents earnings growth of 28.2% and an operating margin of 10.3% (10.4%) for the year. The operating margin has averaged 9.8% over the last five years.

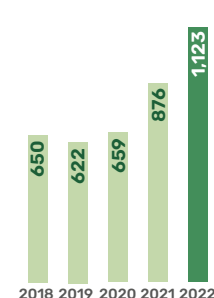
The global element market showed strong growth for products linked to sustainability, renewable energy and energy storage. This applies both to private and commercial use. However, demand in both the domestic appliances and professional kitchens sectors declined, particularly in the second half of the year.

Net sales  
(SEK m)



Net sales increased by 29.7% in 2022.

Operating profit  
(SEK m)



Operating profit increased by 28.2% in 2022.

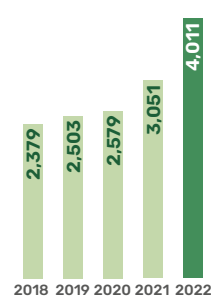
## NIBE Stoves

Net sales for the year amounted to SEK 4,011 million, compared with SEK 3,051 million for the previous year. The increase in sales was SEK 960 million (31.5%), with acquired sales accounting for SEK 166 million (5.4%), which means that organic growth was SEK 794 million (26.1%). Sales have increased from SEK 2,236 million to SEK 4,011 million over the last five years.

Operating profit increased from SEK 413 million to SEK 551 million, which represents earnings growth of 33.4% and an operating margin of 13.7% (13.5%) for the year. The operating margin has averaged 12.1% over the last five years.

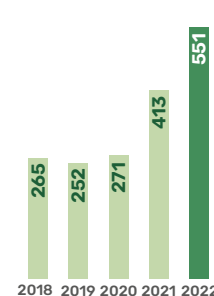
NIBE Stoves reported strong demand throughout the year, particularly in Europe following Russia's invasion of Ukraine. The increase in demand was primarily due to wood-fired stoves, while gas-fired and electric products showed significantly lower growth.

Net sales  
(SEK)



Net sales increased by 31.5% in 2022.

Operating profit  
(SEK m)



Operating profit increased by 33.4% in 2022.

# Consolidated balance sheet

## Assets

(SEK million)		Dec 31, 2022	Dec 31, 2021
<b>NON-CURRENT ASSETS</b>			
<b>Intangible assets</b>			
Market positions	Note 14	1,615	1,680
Brands	Note 14	2,579	2,464
Goodwill	Note 14	17,630	15,453
Other intangible assets	Note 14	744	766
<b>Total intangible assets</b>		<b>22,568</b>	<b>20,363</b>
<b>Property, plant and equipment</b>			
Land and buildings	Note 15	3,087	2,458
Machinery and equipment	Note 15	2,374	1,993
Right-of-use assets	Note 16	1,562	1,110
Construction in progress	Note 15	1,250	570
<b>Total property, plant and equipment</b>		<b>8,273</b>	<b>6,131</b>
<b>Financial assets</b>			
Participations in associates and jointly controlled entities	Note 18	219	8
Non-current receivables from associates		211	48
Investments held as non-current assets		31	45
Deferred tax assets	Note 13	348	389
Other non-current receivables	Note 19	192	139
<b>Total financial assets</b>		<b>1,001</b>	<b>629</b>
<b>TOTAL NON-CURRENT ASSETS</b>		<b>31,842</b>	<b>27,123</b>
<b>CURRENT ASSETS</b>			
<b>Inventories</b> Note 20			
Raw materials and consumables		5,664	3,545
Work in progress		750	572
Finished products and goods for resale		3,777	2,467
<b>Total inventories</b>		<b>10,191</b>	<b>6,584</b>
<b>Current receivables</b>			
Trade receivables		5,813	4,064
Trade receivables from associates		28	11
Current tax assets		155	171
Other receivables		701	353
Prepaid expenses and accrued income		447	342
<b>Total current receivables</b>		<b>7,144</b>	<b>4,941</b>
Investments in securities, etc.		190	224
<b>Cash and cash equivalents</b>		<b>4,627</b>	<b>4,522</b>
<b>TOTAL CURRENT ASSETS</b>		<b>22,152</b>	<b>16,271</b>
<b>TOTAL ASSETS</b>		<b>53,994</b>	<b>43,394</b>

## Equity and liabilities

(SEK million)		Dec 31, 2022	Dec 31, 2021
<b>EQUITY</b> Note 21			
Share capital		79	79
Contributed capital		4,818	4,818
Other reserves		3,752	954
Profit brought forward		19,286	15,587
<b>Equity attributable to parent</b>		<b>27,935</b>	<b>21,438</b>
<b>Non-controlling interests</b>		<b>38</b>	<b>219</b>
<b>TOTAL EQUITY</b>		<b>27,973</b>	<b>21,657</b>
<b>NON-CURRENT LIABILITIES AND PROVISIONS</b>			
Provisions for pensions	Note 22	342	617
Provisions for taxes	Note 13	1,476	1,387
Warranty risk reserve	Note 23	821	832
Other provisions, non-interest-bearing	Note 23	148	176
Liabilities to credit institutions	Note 24	852	713
Bond loans	Note 25	4,250	5,500
Lease liabilities	Note 16	1,073	743
Other liabilities, interest-bearing		10	11
Other liabilities, non-interest-bearing	Note 26	3,296	2,778
<b>TOTAL NON-CURRENT LIABILITIES AND PROVISIONS</b>		<b>12,268</b>	<b>12,757</b>
<b>CURRENT LIABILITIES AND PROVISIONS</b>			
Liabilities to credit institutions	Note 24	3,213	851
Bond loans	Note 25	1,250	1,600
Trade payables		4,042	2,818
Advance payments from customers		232	148
Current tax liabilities		693	451
Lease liabilities	Note 16	495	364
Other liabilities	Note 27	1,535	856
Accrued expenses and deferred income	Note 28	2,293	1,892
<b>TOTAL CURRENT LIABILITIES AND PROVISIONS</b>		<b>13,753</b>	<b>8,980</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>53,994</b>	<b>43,394</b>

## COMMENTS ON THE BALANCE SHEET

### Total assets

The Group's total assets rose by SEK 10,600 million (24.4%) during the year from SEK 43,394 million in the previous year to SEK 53,994 million. The main reasons were translation effects and the increased working capital and extensive investments in production capacity resulting from expansion.

### Working capital

The Group's working capital excluding cash and bank balances increased by SEK 3,180 million (59.3%) during the year from SEK 5,360 million in the previous year to SEK 8,540 million. In relation to net sales, working capital increased from 17.4% to 21.3%. This was primarily due to an increase in the Group's inventories, particularly in respect of raw materials and consumables.

### Equity/assets ratio and returns

The Group's equity/assets ratio at year-end was 51.8% (49.9%). Equity amounted to SEK 27,973 (21,657) million.

The Group's profitability target is a return on equity of at least 20% in the long term. The return on equity in 2022 was 18.1% (17.3%). The increase was primarily due to an improved profit in relation to average equity. Return on capital employed, excluding acquisition-related revaluations, was 17.8% (15.1%).

### Interest-bearing liabilities

The Group's interest-bearing liabilities at year-end amounted to SEK 11,357 (10,320) million. As two of the Group's credit agreements expire in 2023, the liabilities under the agreements have been recognized as current liabilities to credit institutions.

The Group's net debt, defined as interest-bearing liabilities less cash and cash equivalents and investments in securities, increased by SEK 966 million during the year from SEK 5,574 million to SEK 6,540 million.

## GROUP

### Changes in equity

(SEK million)	Share capital	Contributed capital	Other reserves <sup>1)</sup>	Profit brought forward	Equity attributable to parent	Non-controlling interests	Total equity
<b>Equity Dec 31, 2020</b>	<b>79</b>	<b>4,818</b>	<b>- 254</b>	<b>12,945</b>	<b>17,588</b>	<b>149</b>	<b>17,737</b>
Net profit for the year				3,320	3,320	58	3,378
Other comprehensive income for the year			1,208	103	1,311	15	1,326
Comprehensive income for the year			1,208	3,423	4,631	73	4,704
Dividend				- 781	- 781	- 3	- 784
<b>Equity Dec 31, 2021</b>	<b>79</b>	<b>4,818</b>	<b>954</b>	<b>15,587</b>	<b>21,438</b>	<b>219</b>	<b>21,657</b>
Effect of applying IAS 29			- 44	230	186		186
<b>Adjusted opening equity</b>	<b>79</b>	<b>4,818</b>	<b>910</b>	<b>15,817</b>	<b>21,624</b>	<b>219</b>	<b>21,843</b>
Change in non-controlling interests						- 242	- 242
Net profit for the year				4,351	4,351	44	4,395
Other comprehensive income for the year			2,842	126	2,968	18	2,986
Comprehensive income for the year			2,842	4,477	7,319	62	7,381
Dividend				- 1,008	- 1,008	- 1	- 1,009
<b>Equity Dec 31, 2022</b>	<b>79</b>	<b>4,818</b>	<b>3,752</b>	<b>19,286</b>	<b>27,935</b>	<b>38</b>	<b>27,973</b>

#### 1) Other reserves

(SEK million)	Cash flow hedges	Hedging of net investments	Exchange differences	Total other reserves
<b>Other reserves Dec 31, 2020</b>	<b>12</b>	<b>- 565</b>	<b>299</b>	<b>- 254</b>
Change during the year	- 12	- 14	1,345	1,319
Tax	3	3	- 117	- 111
<b>Other reserves Dec 31, 2021</b>	<b>3</b>	<b>- 576</b>	<b>1,527</b>	<b>954</b>
Effect of applying IAS 29			- 44	- 44
<b>Adjusted other reserves brought forward</b>	<b>3</b>	<b>- 576</b>	<b>1,483</b>	<b>910</b>
Change during the year		- 91	3,105	3,014
Tax		19	- 191	- 172
<b>Other reserves carried forward Dec 31, 2022</b>	<b>3</b>	<b>- 648</b>	<b>4,397</b>	<b>3,752</b>

#### Cash flow hedges

Includes the effective proportion of the accumulated net change in fair value of cash flow hedge instruments attributable to hedge transactions that have not yet been made.

#### Hedging of net investment

Includes exchange differences arising on the translation of liabilities raised as hedging instruments for a net investment in a foreign operation.

#### Exchange differences

Includes all exchange differences arising on translation of financial statements from foreign operations that have prepared their financial statements in a currency other than the currency in which the consolidated financial statements are presented, i.e. Swedish krona.



# Consolidated statement of cash flows

(SEK million)	2022	2021
<b>OPERATING ACTIVITIES</b>		
Operating profit	5,863	4,468
+ depreciation/amortization & impairment charged to this profit	1,597	1,298
+ capital losses/- capital gains	- 236	- 18
+/- other non-cash items	- 74	- 106
<b>Total</b>	<b>7,150</b>	<b>5,642</b>
Interest received and similar items	417	134
Interest paid and similar items	- 585	- 263
Tax paid	- 1,182	- 764
<b>Cash flow before change in working capital</b>	<b>5,800</b>	<b>4,749</b>
<b>Change in working capital</b>		
Change in inventories	- 2,861	- 1,914
Change in current receivables	- 1,258	- 567
Change in current liabilities	933	994
<b>Cash flow from operating activities</b>	<b>2,614</b>	<b>3,262</b>
<b>INVESTING ACTIVITIES</b>		
Investment in machinery and equipment	- 643	- 448
Investment in buildings and land	- 307	- 149
Investment in construction in progress	- 1,034	- 427
Investment in other intangible assets	- 257	- 300
Sale of land and buildings	2	24
Sale of machinery and equipment	19	10
Change in non-current receivables and other securities	155	48
<b>Investments in existing operations</b>	<b>- 2,065</b>	<b>- 1,242</b>
<b>OPERATING CASH FLOW</b>	<b>549</b>	<b>2,020</b>
Acquisition of companies <i>Note 3</i>	- 839	- 768
Disposal of companies <i>Note 33</i>	126	-
<b>Cash flow from investing activities</b>	<b>- 2,778</b>	<b>- 2,010</b>
<b>CASH FLOW AFTER INVESTMENTS</b>	<b>- 164</b>	<b>1,252</b>
<b>FINANCING ACTIVITIES</b>		
Amortization of non-current loans <i>Note 32</i>	- 1,836	- 3,525
Amortization of lease liabilities <i>Note 16</i>	- 365	- 338
Proceeds from borrowings <i>Note 32</i>	3,059	3,145
Shareholders' dividend	- 1,009	- 784
<b>Cash flow from financing activities</b>	<b>- 151</b>	<b>- 1,502</b>
<b>Cash flow for the year</b>	<b>- 315</b>	<b>- 250</b>
Cash and cash equivalents at start of year	4,746	4,794
Exchange difference in cash and cash equivalents	386	202
<b>Cash and cash equivalents at end of year</b>	<b>4,817</b>	<b>4,746</b>

## COMMENTS ON THE STATEMENT OF CASH FLOWS

### Cash flow from operating activities

The Group's cash flow after changes in working capital amounted to SEK 2,614 (3,262) million. The decrease was primarily due to sharp increases in both inventories and current receivables in the form of trade receivables.

### Investments

The Group's acquisitions of operations/subsidiaries totaled SEK 839 (768) million. The sale of the washing machine business generated proceeds of SEK 126 million in the year. Other investments totaled SEK 2,065 (1,242) million net, allocated as follows:

(SEK million)	2022	2021
Machinery and equipment	624	438
Properties	305	125
Construction in progress	1,034	427
Other non-current assets	102	252
<b>Total</b>	<b>2,065</b>	<b>1,242</b>

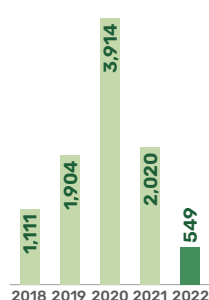
Consequently, cash flow after investing activities was SEK -164 (1,252) million. Operating cash flow - i.e. after investments in existing operations, but excluding acquisitions of operations/subsidiaries - was SEK 549 (2,020) million.

### The Group's interest-bearing loans

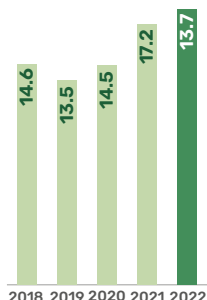
The Group's interest-bearing liabilities at year-end amounted to SEK 11,357 (10,320) million. The average interest expense for total interest-bearing liabilities was 2.4% (1.9%). The Group's net debt, which consists of interest-bearing liabilities less cash and cash equivalents and current investments, amounted to SEK 6,540 (5,574) million.

(SEK million)	2022	2021
Floating rate bank loans	3,930	982
Fixed rate bank loans	-	538
Floating rate bond loans	5,350	6,950
Fixed rate bond loans	150	150
Lease liabilities	1,568	1,107
Utilized portion of overdraft facilities with floating interest rate	135	45
Provisions for pensions	214	537
Other interest-bearing liabilities	10	11
<b>Total interest-bearing liabilities</b>	<b>11,357</b>	<b>10,320</b>
Unutilized overdraft facilities	624	462
Other unutilized credit	5,679	4,837
<b>Total credit available</b>	<b>17,660</b>	<b>15,619</b>

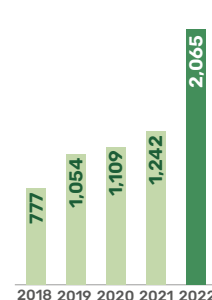
Operating cash flow past five years (SEK m)



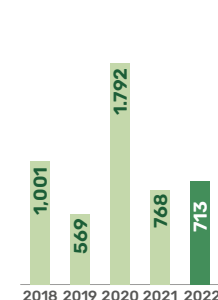
Return on equity past five years (%)



Investments in existing operations past five years (SEK m)



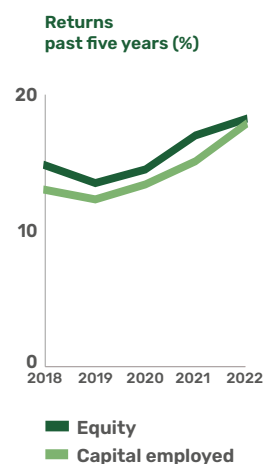
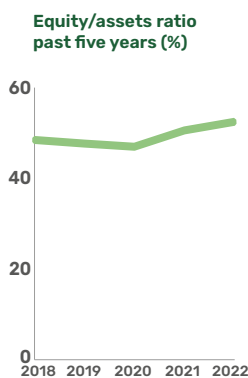
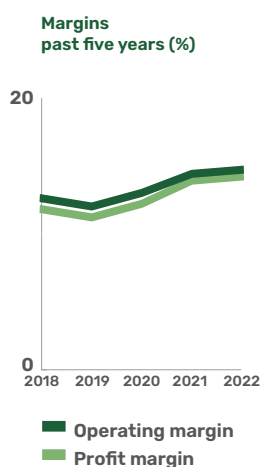
Investments/Acquisitions past five years (SEK m)



# Key ratios

		2022	2021	2020	2019	2018
Net sales	SEK m	40,071	30,832	27,146	25,342	22,516
Growth	%	+ 30.0	+ 13.6	+ 7.1	+ 12.5	+ 18.5
Operating profit	SEK m	5,863	4,468	3,880	3,038	2,829
Operating profit, excluding acquisition-related revaluations	SEK m	5,896	4,438	3,527	3,038	2,794
Profit after net financial items	SEK m	5,675	4,318	3,658	2,836	2,667
Profit after net financial items, excluding acquisition-related revaluations	SEK m	5,708	4,288	3,305	2,836	2,632
EBITDA margin	%	18.6	18.7	18.8	16.1	15.6
EBITDA margin, excluding acquisition-related revaluations*	%	18.7	18.6	17.5	16.1	15.5
Operating margin	%	14.6	14.5	14.3	12.0	12.6
Operating margin, excluding acquisition-related revaluations*	%	14.7	14.4	13.0	12.0	12.4
Profit margin	%	14.2	14.0	13.5	11.2	11.8
Profit margin, excluding acquisition-related revaluations*	%	14.2	13.9	12.2	11.2	11.7
Net investments in non-current assets*	SEK m	3,745	1,790	3,692	2,059	2,479
Operating cash flow	SEK m	549	2,020	3,914	1,904	1,111
Available cash and cash equivalents*	SEK m	5,441	5,208	5,240	4,703	3,562
Working capital, excluding cash and bank balances, in relation to net sales*	%	21.3	17.4	12.9	18.1	19.6
Equity	SEK m	27,973	21,657	17,737	17,604	15,421
Return on equity*	%	18.1	17.3	16.1	13.5	14.8
Return on equity, excluding acquisition-related revaluations*	%	18.2	17.2	14.5	13.5	14.6
Equity/assets ratio	%	51.8	49.9	46.3	47.3	47.8
Proportion of risk-bearing capital	%	54.5	53.1	49.7	50.6	51.1
Capital employed	SEK m	39,330	31,977	28,396	28,258	24,660
Return on capital employed*	%	17.7	15.2	14.6	12.3	13.0
Return on capital employed, excluding acquisition-related revaluations*	%	17.8	15.1	13.4	12.3	12.8
Return on total capital*	%	12.9	11.2	10.9	9.4	10.0
Return on total capital, excluding acquisition-related revaluations*	%	13.0	11.2	10.0	9.4	9.9
Capital turnover ratio	times	0.82	0.75	0.72	0.73	0.75
Interest-bearing liabilities/Equity	%	40.6	47.7	60.1	60.8	60.0
Net debt/EBITDA*	times	0.9	1.0	1.1	1.6	1.7
Net debt/EBITDA, excluding acquisition-related revaluations*	times	0.9	1.0	1.2	1.6	1.7
Interest coverage ratio*	times	10.1	16.6	8.7	7.6	8.8
Interest coverage ratio, excluding acquisition-related revaluations*	times	10.1	16.5	7.9	7.6	8.7
Average number of employees	no.	21,333	20,455	18,740	16,994	16,569

\*Key ratios with calculation specified on pages 91–94.



# 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 annual report may be calculated using methods that differ from those used to produce similar measures by other companies.

To improve comparability with previous years, key ratios relating to the income statement have also been presented excluding acquisition-related revaluations.

## EBITDA margin, excluding acquisition-related revaluations

(SEK million)	2022	2021	2020	2019	2018
Operating profit	5,863	4,468	3,880	3,038	2,829
Depreciation, amortization and impairment	1,597	1,297	1,236	1,036	691
Acquisition-related revaluations	33	-30	-353	-	35
EBITDA, excluding acquisition-related revaluations	7,493	5,735	4,763	4,074	3,485
Net sales	40,071	30,832	27,146	25,342	22,516
<b>EBITDA margin, excluding acquisition-related revaluations, %</b>	<b>18.7</b>	<b>18.6</b>	<b>17.5</b>	<b>16.1</b>	<b>15.5</b>

## Operating margin, excluding acquisition-related revaluations

(SEK million)	2022	2021	2020	2019	2018
Operating profit	5,863	4,468	3,880	3,038	2,829
Acquisition-related revaluations	33	-30	-353	-	35
Operating profit, excluding acquisition-related revaluations	5,896	4,438	3,527	3,038	2,794
Net sales	40,071	30,832	27,146	25,342	22,516
<b>Operating margin, excluding acquisition-related revaluations, %</b>	<b>14.7</b>	<b>14.4</b>	<b>13.0</b>	<b>12.0</b>	<b>12.4</b>

## Profit margin, excluding acquisition-related revaluations

(SEK million)	2022	2021	2020	2019	2018
Profit after net financial items	5,675	4,318	3,658	2,836	2,667
Acquisition-related revaluations	33	-30	-353	-	35
Profit, excluding acquisition-related revaluations	5,708	4,288	3,305	2,836	2,632
Net sales	40,071	30,832	27,146	25,342	22,516
<b>Profit margin, excluding acquisition-related revaluations, %</b>	<b>14.2</b>	<b>13.9</b>	<b>12.2</b>	<b>11.2</b>	<b>11.7</b>

## Net investments in non-current assets

(SEK million)	2022	2021	2020	2019	2018
Acquisition of non-current assets	3,767	1,825	3,716	2,073	2,493
Disposal of non-current assets	-22	35	-24	-14	-14
<b>Net investments in non-current assets</b>	<b>3,745</b>	<b>1,790</b>	<b>3,692</b>	<b>2,059</b>	<b>2,479</b>

## Alternative performance measures

### Available cash and cash equivalents

(SEK million)	2022	2021	2020	2019	2018
Cash and bank balances	4,627	4,522	4,593	3,944	3,023
Investments in securities, etc.	190	224	201	227	166
Unutilized overdraft facilities	624	462	446	532	373
<b>Available cash and cash equivalents</b>	<b>5,441</b>	<b>5,208</b>	<b>5,240</b>	<b>4,703</b>	<b>3,562</b>

### Working capital, excluding cash and bank balances

(SEK million)	2022	2021	2020	2019	2018
Inventories	10,191	6,584	4,431	4,403	4,106
Current receivables	7,144	4,941	4,149	4,400	3,968
Current liabilities and provisions, non-interest-bearing	- 8,795	- 6,165	- 5,081	- 4,212	- 3,658
<b>Working capital, excluding cash and bank balances</b>	<b>8,540</b>	<b>5,360</b>	<b>3,499</b>	<b>4,591</b>	<b>4,416</b>
Net sales	40,071	30,832	27,146	25,342	22,516
<b>Working capital excluding cash and bank balances relative to net sales, %</b>	<b>21.3</b>	<b>17.4</b>	<b>12.9</b>	<b>18.1</b>	<b>19.6</b>

### Return on equity

(SEK million)	2022	2021	2020	2019	2018
Profit after net financial items	5,675	4,318	3,658	2,836	2,667
Standard tax rate, %	20.6	20.6	21.4	21.4	22.0
Profit after net financial items, after tax	4,506	3,428	2,875	2,229	2,080
Of which attributable to Parent shareholders	4,462	3,370	2,818	2,215	2,082
Equity at start of year	21,438	17,588	17,509	15,406	12,807
Equity at end of year	27,935	21,438	17,588	17,509	15,406
Average equity	24,687	19,513	17,549	16,458	14,107
<b>Return on equity, %</b>	<b>18.1</b>	<b>17.3</b>	<b>16.1</b>	<b>13.5</b>	<b>14.8</b>

## Alternative performance measures

### Return on equity, excluding acquisition-related revaluations

(SEK million)	2022	2021	2020	2019	2018
Profit after net financial items	5,675	4,318	3,658	2,836	2,667
Acquisition-related revaluations	33	-30	- 353	-	35
Profit, excluding acquisition-related revaluations	5,708	4,288	3,305	2,836	2,632
Standard tax rate, %	20.6	20.6	21.4	21.4	22.0
Profit after net financial items, after tax	4,532	3,405	2,598	2,229	2,053
Of which attributable to Parent shareholders	4,488	3,347	2,541	2,215	2,055
Equity at start of period	21,438	17,588	17,509	15,406	12,807
Equity at end of period	27,935	21,438	17,588	17,509	15,406
Average equity	24,687	19,513	17,549	16,458	14,107
<b>Return on equity, excluding acquisition-related revaluations, %</b>	<b>18.2</b>	<b>17.2</b>	<b>14.5</b>	<b>13.5</b>	<b>14.6</b>

### Return on capital employed

(SEK million)	2022	2021	2020	2019	2018
Profit after net financial items	5,675	4,318	3,658	2,836	2,667
Financial expenses	626	276	477	429	341
Profit before financial expenses	6,301	4,594	4,135	3,265	3,008
Acquisition-related revaluations	33	-30	- 353	-	35
Profit, excluding acquisition-related revaluations	6,334	4,564	3,782	3,265	2,973
Capital employed at start of year	31,977	28,396	28,258	24,660	21,783
Capital employed at end of year	39,330	31,977	28,396	28,258	24,660
Average capital employed	35,654	30,187	28,327	26,459	23,221
<b>Return on capital employed, %</b>	<b>17.7</b>	<b>15.2</b>	<b>14.6</b>	<b>12.3</b>	<b>13.0</b>
<b>Return on capital employed, excluding acquisition-related revaluations, %</b>	<b>17.8</b>	<b>15.1</b>	<b>13.4</b>	<b>12.3</b>	<b>12.8</b>

### Return on total assets

(SEK million)	2022	2021	2020	2019	2018
Profit after net financial items	5,675	4,318	3,658	2,836	2,667
Financial expenses	626	276	477	429	341
Profit before financial expenses	6,301	4,594	4,135	3,265	3,008
Acquisition-related revaluations	33	-30	- 353	-	35
Profit, excluding acquisition-related revaluations	6,334	4,564	3,782	3,265	2,973
Total assets at start of year	43,394	38,337	37,229	32,291	27,990
Total assets at end of year	53,994	43,394	38,337	37,229	32,291
Average total assets	48,694	40,866	37,783	34,760	30,140
<b>Return on total assets, %</b>	<b>12.9</b>	<b>11.2</b>	<b>10.9</b>	<b>9.4</b>	<b>10.0</b>
<b>Return on total assets, excluding acquisition-related revaluations, %</b>	<b>13.0</b>	<b>11.2</b>	<b>10.0</b>	<b>9.4</b>	<b>9.9</b>

## Alternative performance measures

### Net debt/EBITDA

(SEK million)	2022	2021	2020	2019	2018
Non-current liabilities and provisions, interest-bearing	6,399	7,505	6,298	7,653	7,357
Current liabilities and provisions, interest-bearing	4,958	2,815	4,362	3,001	1,882
Cash and bank balances	- 4,627	- 4,522	- 4,593	- 3,944	- 3,023
Investments in securities, etc.	- 190	- 224	- 201	- 227	- 166
Net debt	6,540	5,574	5,866	6,483	6,050
Operating profit	5,863	4,468	3,880	3,038	2,829
Depreciation, amortization and impairment	1,597	1,297	1,237	1,037	691
EBITDA	7,460	5,765	5,117	4,075	3,520
Acquisition-related revaluations	33	-30	- 353	-	35
EBITDA, excluding acquisition-related revaluations	7,493	5,735	4,764	4,075	3,485
<b>Net debt/EBITDA, times</b>	<b>0.9</b>	<b>1.0</b>	<b>1.1</b>	<b>1.6</b>	<b>1.7</b>
<b>Net debt/EBITDA, excluding acquisition-related revaluations, times</b>	<b>0.9</b>	<b>1.0</b>	<b>1.2</b>	<b>1.6</b>	<b>1.7</b>

### Interest coverage ratio

(SEK million)	2022	2021	2020	2019	2018
Profit after net financial items	5,675	4,318	3,658	2,836	2,667
Financial expenses	626	276	477	429	341
Profit before financial expenses	6,301	4,594	4,135	3,265	3,008
Acquisition-related revaluations	33	-30	- 353	-	35
Profit, excluding acquisition-related revaluations	6,334	4,564	3,782	3,265	2,973
<b>Interest coverage ratio, times</b>	<b>10.1</b>	<b>16.6</b>	<b>8.7</b>	<b>7.6</b>	<b>8.8</b>
<b>Interest coverage ratio, excluding acquisition-related revaluations, times</b>	<b>10.1</b>	<b>16.5</b>	<b>7.9</b>	<b>7.6</b>	<b>8.7</b>

# Alternative performance measures

## Definitions – key ratios

### Capital employed

Total assets less non-interest-bearing liabilities (including deferred tax). Capital employed is a measure of the total capital that NIBE borrows from its shareholders and credit institutions, which usually receive payment in the form of dividend or interest.

### Capital turnover ratio

Net sales divided by average total assets. The capital turnover ratio is a key ratio that NIBE considers to be relevant to investors who want to assess NIBE's capital intensity.

### Earnings per share (after full tax)

Earnings after tax divided by average number of shares.

### EBITDA margin

Operating profit before depreciation, amortization and impairment as a percentage of net sales. EBITDA margin is a central measure of profitability for NIBE, and NIBE considers that it gives investors the opportunity to assess NIBE's opportunities to achieve a level of profitability acceptable for the industry.

### Equity

Taxed equity plus untaxed reserves less tax.

### Equity/assets ratio

Equity as a percentage of total assets. The equity/assets ratio is a key ratio that NIBE considers to be relevant to investors who want to assess NIBE's opportunities to meet its financial obligations and NIBE's ability to meet its financial target of an equity/assets ratio of at least 30%.

### Growth

Percentage change in net sales compared with previous year. This key ratio gives investors a better understanding of compliance with NIBE's growth strategy and whether NIBE's financial target of average growth of at least 20% per annum is being met.

### Interest-bearing liabilities/Equity

Interest-bearing liabilities as a percentage of equity. NIBE considers that this key ratio gives investors a better understanding of NIBE's capital structure.

### Interest coverage ratio

Profit after net financial items plus financial expenses divided by financial expenses. The interest coverage ratio is a key ratio that NIBE considers to be relevant to investors who want to assess NIBE's opportunities to meet its financial obligations.

### Net debt/EBITDA

Interest-bearing net debt (interest-bearing financial liabilities less interest-bearing financial assets) divided by operating profit before depreciation/amortization and impairment. Net debt/EBITDA is a key ratio that NIBE considers to be relevant to investors who want to assess NIBE's opportunity to meet its financial obligations.

### Net investments in non-current assets

Acquisitions of non-current assets less disposals of non-current assets. NIBE considers that this key ratio gives investors the opportunity to assess operational investment needs.

### Operating cash flow

Cash flow after investments but before acquisition of companies/operations.

### Operating margin

Operating profit as a percentage of net sales. The operating margin is a key ratio that NIBE considers to be relevant to investors who want to assess NIBE's opportunities to achieve a level of profitability acceptable for the industry and NIBE's ability to meet its financial target of an operating margin of at least 10%.

### Profit margin

Profit after net financial items as a percentage of net sales. The profit margin is a key ratio that NIBE considers to be relevant to investors who want to assess NIBE's opportunities to achieve a level of profitability acceptable for the industry.

### Proportion of risk-bearing capital

Equity, including provisions for tax as a percentage of total assets. NIBE considers that this key ratio gives investors a better understanding of NIBE's capital structure.

### Return on capital employed

Profit after net financial items plus financial expenses as a percentage of average capital employed. NIBE considers that this key ratio gives investors a better understanding of NIBE's ability to earn interest on the capital placed at its disposal by its shareholders and lenders.

### Return on equity

Profit after net financial items less tax at 20.6% (20.6%) standard rate as a percentage of average equity. NIBE considers that this key ratio gives investors a better understanding of NIBE's ability to earn interest on the capital placed at its disposal by its shareholders and NIBE's ability to meet its financial target of a return on equity of at least 20%.

### Return on total assets

Profit after net financial items plus financial expenses as a percentage of average total assets. NIBE considers that this key ratio gives investors a better understanding of NIBE's ability to earn interest on the total capital at NIBE's disposal.

# Parent

## Income statement

(SEK million)		2022	2021
Net sales	Note 4	42	28
Administrative expenses	Notes 6-10	- 140	- 100
<b>Operating profit</b>		<b>- 98</b>	<b>- 72</b>
<b>Profit/loss from financial items</b>			
Profit from participations in Group companies	Note 11	1,583	312
Financial income	Note 11	262	133
Financial expenses	Note 11	- 220	- 105
<b>Profit after net financial items</b>		<b>1,527</b>	<b>268</b>
Appropriations	Note 12	280	210
Tax	Note 13	- 48	35
<b>Net profit</b>		<b>1,759</b>	<b>443</b>
Net profit attributable to Parent shareholders		1,759	443
<b>Net profit</b>		<b>1,759</b>	<b>443</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income</b>		<b>1,759</b>	<b>443</b>
Parent shareholders		1,759	443
<b>Total comprehensive income</b>		<b>1,759</b>	<b>443</b>

## Balance sheet

### Assets

(SEK million)		Dec 31, 2022	Dec 31, 2021
<b>NON-CURRENT ASSETS</b>			
<b>Financial assets</b>			
Shares in subsidiaries	Note 17	12,754	11,707
Participations in associates and jointly controlled entities	Note 18	1	1
Receivables from Group companies		5,341	4,656
Non-current receivables from associates		48	48
Investments held as non-current assets		14	13
Deferred tax assets	Note 13	4	3
<b>TOTAL NON-CURRENT ASSETS</b>		<b>18,162</b>	<b>16,428</b>
<b>CURRENT ASSETS</b>			
<b>Current receivables</b>			
Receivables from Group companies		329	232
Receivables from associates		2	-
Other receivables		16	6
Prepaid expenses and accrued income		32	26
<b>Total current receivables</b>		<b>379</b>	<b>264</b>
<b>Cash and cash equivalents</b>		<b>-</b>	<b>99</b>
<b>TOTAL CURRENT ASSETS</b>		<b>379</b>	<b>363</b>
<b>TOTAL ASSETS</b>		<b>18,541</b>	<b>16,791</b>

## Balance sheet

### Equity and liabilities

(SEK million)		Dec 31, 2022	Dec 31, 2021
<b>EQUITY</b>	Note 21		
<b>Restricted equity</b>			
Share capital		79	79
Statutory reserve		75	75
<b>Total restricted equity</b>		<b>154</b>	<b>154</b>
<b>Non-restricted equity</b>			
Share premium reserve		4,751	4,751
Profit brought forward		4,922	4,171
<b>Total non-restricted equity</b>		<b>9,673</b>	<b>8,922</b>
<b>TOTAL EQUITY</b>		<b>9,827</b>	<b>9,076</b>
<b>NON-CURRENT LIABILITIES AND PROVISIONS</b>			
Provisions for pensions	Note 22	19	17
Bond loans	Note 25	4,250	5,500
Other liabilities, non-interest-bearing	Note 26	1,481	525
<b>TOTAL NON-CURRENT LIABILITIES AND PROVISIONS</b>		<b>5,750</b>	<b>6,042</b>
<b>CURRENT LIABILITIES AND PROVISIONS</b>			
Liabilities to credit institutions	Note 24	1,600	-
Bond loans	Note 25	1,250	1,600
Trade payables		18	7
Liabilities to Group companies		4	3
Tax liabilities		47	33
Other liabilities	Note 27	3	2
Accrued expenses and deferred income	Note 28	42	28
<b>TOTAL CURRENT LIABILITIES AND PROVISIONS</b>		<b>2,964</b>	<b>1,673</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>18,541</b>	<b>16,791</b>



## Changes in equity

(SEK million)	Share capital	Statutory reserve	Share premium reserve	Profit brought forward	Total equity
<b>Equity Dec 31, 2020</b>	<b>79</b>	<b>75</b>	<b>4,751</b>	<b>4,509</b>	<b>9,414</b>
Comprehensive income for the year				443	443
Dividend				- 781	- 781
<b>Equity Dec 31, 2021</b>	<b>79</b>	<b>75</b>	<b>4,751</b>	<b>4,171</b>	<b>9,076</b>
Comprehensive income for the year				1,759	1,759
Dividend				- 1,008	- 1,008
<b>Equity Dec 31, 2022</b>	<b>79</b>	<b>75</b>	<b>4,751</b>	<b>4,922</b>	<b>9,827</b>

### Statutory reserve

The statutory reserve is a restricted reserve, which means that it may not be used to pay dividends. The aim of the reserve has been to save part of the net profit that is not used to meet losses brought forward. Amounts that were contributed to the share premium reserve before January 1, 2006 have been transferred to and form part of the statutory reserve.

### Share premium reserve

The share premium reserve is an unrestricted reserve available for paying dividends. When shares are issued at a premium, i.e. at a price in excess of the quotient value of the shares, the surplus amount must be contributed to the share premium reserve as from January 1, 2006.

### Profit brought forward

This comprises the profit brought forward from the previous year and the profit for the year less dividend paid during the year and is available for paying dividends.

## Statement of cash flows

(SEK million)	2022	2021
<b>OPERATING ACTIVITIES</b>		
Operating profit	- 98	- 72
Interest received and similar items	260	133
Interest paid and similar items	- 205	- 105
Tax paid	- 49	- 36
<b>Cash flow before change in working capital</b>	<b>- 92</b>	<b>- 80</b>
<b>Change in working capital</b>		
Change in current receivables	153	127
Change in current liabilities	42	32
<b>Cash flow from operating activities</b>	<b>103</b>	<b>79</b>
<b>INVESTING ACTIVITIES</b>		
Change in non-current receivables and other securities	- 599	- 1,182
<b>Cash flow from investing activities</b>	<b>- 599</b>	<b>- 1,182</b>
<b>OPERATING CASH FLOW</b>	<b>- 496</b>	<b>- 1,103</b>
Investments in operations	- 310	- 121
<b>Cash flow from investing activities</b>	<b>- 310</b>	<b>- 121</b>
<b>CASH FLOW AFTER INVESTMENTS</b>	<b>- 806</b>	<b>- 1,224</b>
<b>FINANCING ACTIVITIES</b>		
Profit from participations in Group companies	1,715	569
Amortization of non-current loans <i>Note 32</i>	- 1,600	- 1,500
Proceeds from borrowings <i>Note 32</i>	1,600	3,000
Shareholders' dividend	- 1,008	- 781
<b>Cash flow from financing activities</b>	<b>707</b>	<b>1,288</b>
<b>Cash flow for the year</b>	<b>- 99</b>	<b>64</b>
Cash and cash equivalents at start of year	99	35
<b>Cash and cash equivalents at end of year</b>	<b>-</b>	<b>99</b>

## Comments on Parent

### Operations

Parent activities comprise Group executive management functions and certain shared Group functions.

### Operating profit

The parent's sales refer in their entirety to sales to Group companies and amounted to SEK 42 (28) million for the year. Administrative expenses consist primarily of personnel costs and purchased services like auditing and expenses linked to the stock exchange listing.

### Net financial items

The parent's expenditure on operating expenses, interest, amortization and dividends to shareholders is financed primarily through dividends and Group contributions from subsidiaries.

### Balance sheet

The parent's total assets increased from SEK 16,791 million to SEK 18,541 million during the year. The main reason was the acquisition of subsidiaries during the year. Receivables from Group companies consist entirely of the Cash pool owned by the subsidiary NIBE Treasury AB. The parent's non-current interest-bearing liabilities consist mostly of bonds. During the year, bonds amounting to SEK 1,600 million were replaced with a short-term bank credit facility at a corresponding amount. Interest-bearing liabilities at year-end amounted to SEK 7,100 million, unchanged compared with the beginning of the year, and the average interest rate on these liabilities amounted to 1.7% during the year. At year-end, the parent's interest-bearing liabilities consisted entirely of liabilities in SEK, as set out in Note 29.

# Risk and risk management

As a global player, NIBE faces both commercial opportunities and risks of various types. Even though NIBE chiefly operates in markets with strong economies, demand for the company's products and services can be influenced negatively by a general downturn in economic activity or a decline in an individual country or individual segment. On top of this, there are risks such as changes in laws and regulations, shocks to the financial system, natural disasters, terrorism, pandemics, geopolitical risks and so on. To counteract the effects of the various risks facing the company, NIBE takes a systematic, proactive approach to risk management.

The common framework and tool for risk management is the NIBE Internal Control Standard or NICS. Risk management processes with activities on several levels are implemented under NICS. NICS addresses the risks the Group may face from four different perspectives: business risks, financial risks, IT risks and sustainability risks. In turn, these perspectives are divided into a number of sub-groups, all of which are evaluated annually by the Group's three business areas and all underlying companies in the Group and are finally managed at Board level in summary form, with decisions on priority measures.

For more information on NIBE's processes and systems for risk management and internal control, see both the section on 'Business opportunities and risks' on page 70 and the Corporate governance report on page 182.

## Political and macroeconomic risks

Political uncertainty and macroeconomic conditions may affect demand for products and expenses, both directly and indirectly. They may have consequences for operations in vulnerable regions in which trade agreements and customs duties may change dramatically and sanctions may be introduced. NIBE discusses these issues with decision makers in relevant areas with a focus on the EU and North America. This is coordinated with other organizations such as trade associations.

Political instability, pandemics or labor disputes can cause production stoppages that, in turn, lead to compensation claims. NIBE continuously checks compliance with legislation by means of policies, procedures and constructive negotiations with employee representatives.

## Customer and supplier dependence

Large economic fluctuations, changes in energy prices, energy taxes, subsidies and energy legislation may affect the Group's growth. This is deemed to be counteracted by the Group's global presence. Growth per country and product group is monitored continuously. Combined with flexible manufacturing, this permits NIBE to take rapid action. All three business areas have a wide range of customers, and no business area is so dependent on any one customer or group of customers or one supplier that the loss of that customer/group/supplier is likely to seriously impair the profitability of the Group. Moreover, the Group's products help make society more sustainable as they are high-tech and sustainable, which guarantees long-term healthy profitability. When COVID-19 struck in 2020, all our companies were affected in some way and were forced to adapt their operations accordingly. Initially, this involved dealing with disruption in the supply chain and mandatory closures. Later, this changed into meeting a sharp increase in demand, which also continued in 2022. For a large part of the year, the component shortage was very noticeable as our sub-suppliers were unable to keep up with the rise in demand for our products, leading to unfortunate disruptions in deliveries. The situation improved somewhat in the fourth quarter.

## Price risks

Expenses for raw materials and components make up a large proportion of the Group's expenses. These largely consist of metals that are priced in US dollars and quoted on the London Metal Exchange, LME. To counter the effects of price fluctuations

and avoid over-dependence on specific currencies and markets, purchasing procedures have been largely globalized. In 2022, purchases of raw materials such as nickel, copper and aluminium were partially hedged through forward contracts. Other operating expenses follow general price trends in the markets in which the Group operates.

## Risks relating to disputes over patents and litigation

Infringement of patents, registered designs and trademarks represents a constant external threat. However, the Group holds relatively few patents and only for components which form part of its finished products. NIBE does, however, have several registered designs and registered trademarks. Based on the Group's continuous monitoring of patents, as far as we are aware, we have not infringed any third-party patents nor have any of our patents been infringed.

## Acquisitions

Unforeseen events and discoveries in acquired companies, as well as protracted integration processes and slow synergy effects may result in impairment. However, the Group has well-established procedures and due diligence processes for examining potential acquisitions. Integration and synergy are achieved through very close cooperation with the acquired companies. Acquisitions contribute to expansion with greater know-how, a wider product range and greater geographical presence. Acquisitions provide coordination gains and contribute to sector structuring.

## Recall of products

There is always a risk that a series fault in one of the Group's product areas may lead to product recalls, through problems with materials or for other reasons. The risks are reduced by means of systematic quality assurance and inspection procedures. Most Group companies are certified in accordance with ISO 9001. Insurance policies have been taken out as additional risk cover for similar events.

## Traditional risks with insurance cover

It is our considered opinion that the Group has adequate cover for traditional insurance risks such as fire, theft, liability, etc. via the global insurance policies taken out. The excess on our policies is between SEK 300,000 and SEK 10 million.

## Financial risks

Financial risks comprise these material risks: credit risks, currency risks, financing risks and interest rate risks. These are described in Note 29.

## IT risks

Hacking of data systems, theft of business-critical data or sabotage of critical data systems by viruses represent a continuous, growing threat. Measures taken to compensate for these risks include strict IT policies in respect of user permissions, software and hardware-related protection mechanisms, and the establishment of several so-called Security Operations Centers (SOC), whose task it is to continuously monitor the Group's IT systems for any cyber attacks. The Group's insurance coverage also largely covers the IT area. Good IT security contributes to efficiency and stability.

## Sustainability risks

### Climate change

Extreme weather conditions in the form of storms, flooding and extreme heat or cold represent risks of damage to property and entail an increased risk of damage to the environment in the form of spills, unplanned discharges and leakage. This also creates a risk of disruption to production and delivery capacity. Damage and loss can be reduced in areas identified under TCFD as being higher risk by using our risk analyses and preventive measures and by being prepared. NIBE has global insurance cover for major losses caused by natural disasters.

### The supply chain

Most of the components in the products marketed by the Group's three business areas are manufactured by several suppliers in Europe and elsewhere in the world. Suppliers may harm NIBE's reputation if they fail to follow internationally agreed principles for human rights, working conditions, environmental protection, ethical business conduct and/or social responsibility, or if they fail to comply with national legislation in these areas. NIBE evaluates suppliers against internationally agreed principles, quality requirements and their delivery capacity. In our opinion, the Group would not suffer serious harm if any individual supplier were unable to meet our stipulated requirements. However, we did suffer harm in 2022 because suppliers were unable to meet our increased demand.

### Manufacturing

Risk assessments and improvements are implemented continuously at our production facilities, with ongoing maintenance and new investments, to minimize the impact of the Group suffering production stoppages due to external circumstances. The aim is to have sound procedures in the production process as regards quality, health, safety, the environment and fire protection. We monitor compliance with and the status of policies and certifications in these areas by means of internal and external audits. High levels of continuous improvements benefit the production process and safety. A global presence, combined with a flexible production structure, permits NIBE to relocate manufacturing processes in accordance with continuity plans.

### The environment

Handling materials and chemicals in our production plants entails a risk of damage to the environment for which the Group will be held liable. The Group can be held liable for contaminated soil and groundwater in properties caused by previous owners. In our opinion, the risks are minimized by means of systematic environmental work based on ISO 14001 certification and due diligence in conjunction with acquisitions.

### Occupational health and safety

Inadequate health and safety in the workplace can lead to accidents resulting in personal injury and production stoppages. NIBE carries out systematic health and safety work with risk analyses of tasks, machines and materials, and procedures for reporting incidents and investigating fundamental causes. A good, safe working environment promotes productivity and creates more efficient workplaces with better well-being and higher motivation.

### Human resource management

NIBE's future success depends largely on its ability to recruit, develop and retain qualified officers and other key individuals. A lack of expertise or leadership leads to poorer product and business development. In our opinion, our strategic HR work to recruit, develop and retain qualified officers and other key individuals counteracts this risk and gives us a head start in terms of our capacity for innovation, business development and growth.

### Distribution

Disruption in the distribution chain can have a negative impact on customers, and higher freight volumes mean higher carbon dioxide emissions. The distribution channels are checked regularly. Procedures are in place for following up and taking any required action. In addition, transportation is coordinated and used efficiently to reduce emissions and make it greener.

### Corruption

Corruption in a company may entail high costs and litigation and may generally reduce confidence in the company. All NIBE employees at risk of exposure to corruption undergo training in anti-corruption. The Group also has a whistleblower function. Business partners sign an anti-corruption clause as part of their contract. Good business principles ensure stable operations and build trust among employees, customers and public authorities. An ethical, reliable image generates competitive advantages.

### Human rights

NIBE operates in around 30 countries and in environments in which unethical business practices and infringements of human rights may occur. If NIBE is involved in these business practices, the company's reputation in the market may be harmed. NIBE may also have fines and other legal sanctions imposed on it. NIBE works with various business partners such as customers, distributors, partners in jointly owned companies and suppliers. Differences in culture and working methods between NIBE and these partners may increase the risks associated primarily with business ethics and human rights. Consequently, Our Values and evaluations of business partners (code of conduct) are important to how we prevent these risks.

## Sensitivity analysis

The Group is exposed to several risk factors that affect earnings trends. Many of these risks are beyond the company's control. The table below sets out some of these changes and illustrates their effect on the Group's earnings. The changes are calculated based on the 2022 balance sheet and income statement.

	Basis for calculation		Change	Impact
Net sales (margin constant)	40,071 SEK m	+/-	1.0 %	158 SEK m
Operating margin (volume constant)	40,071 SEK m	+/-	1.0 %	401 SEK m
Material costs	18,085 SEK m	+/-	1.0 %	181 SEK m
Personnel costs	9,685 SEK m	+/-	1.0 %	97 SEK m
Interest-bearing liabilities (interest constant)	11,357 SEK m	+/-	10.0 %	27 SEK m
Interest rate % (interest-bearing liability constant)	2.4 %	+/-	1.0 percentage point	114 SEK m

# Notes to the consolidated financial statements

## 1 • GENERAL ACCOUNTING POLICIES

### Presentation basis

NIBE Industrier AB is the parent company of an international group in sustainable energy solutions with business operations organized in three separate business areas: NIBE Climate Solutions, NIBE Element and NIBE Stoves.

The Group has just over 21,300 employees and operates in 32 countries in Europe, North America, Australia and Asia. The legal structure of the Group comprises several subsidiaries that run their operations via their own companies or branch offices.

The parent, NIBE Industrier AB (publ), is a registered limited liability company domiciled in Sweden. The address of the company's head office is Hannabadvägen 5, SE-285 21, Markaryd, Sweden. The company is listed on Nasdaq Nordic. Its activities consist of Group-wide functions, such as financing, currency transactions, corporate acquisitions, establishing new operations, financial control and policy matters.

The NIBE Group applies International Financial Reporting Standards (IFRS) as adopted by the EU, the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 1, "Supplementary accounting rules for Groups". During the year, the Group started to apply IAS 29 Financial Reporting in Hyperinflationary Economies as a result of its operations in Turkey. Non-monetary items in the balance sheet were remeasured using the consumer price index in Turkey, published by the Turkish Statistical Institute. The consumer price index stood at 1,128.45 at year-end, compared with 686.95 at the start of year, and the average for the year was 946.11. The remeasured assets were based on historical cost. Remeasured non-monetary balance sheet items and profit or loss items at the subsidiary level are part of the monetary net profit or loss recognized under financial income and expenses in the income statement. In accordance with the requirements of IAS 21, the comparative period has not been restated. Amendments to standards and interpretations that entered into force in 2022 had no significant impact on the consolidated financial statements. The IASB has amended IAS 1 Presentation of Financial Statements, concerning the accounting policy disclosures to be presented in the annual financial statements. The amendments are effective for reporting periods beginning on or after January 1, 2023 and have been adopted by the EU. The amendments are expected to result in shorter presentations as they mean that companies are required to disclose only their material accounting policy information. The IASB has also made amendments to IAS 1 that will enter into force on January 1, 2024 but which have not yet been adopted by the EU. The amendments refer to the disclosure requirements and classification of liabilities subject to covenants. Other new and amended standards with future application are not expected to have any significant impact on NIBE's financial statements.

To improve comparability with previous periods, key ratios relating to the income statement have been presented excluding acquisition-related revaluations. Acquisition-related revaluations refers to the results of remeasuring the Group's additional consideration liabilities.

### Consolidated financial statements

The consolidated financial statements cover the parent, NIBE Industrier AB (publ), and subsidiaries in which the parent directly or indirectly holds more than 50% of the votes, or has control.

Companies acquired/sold are included in the consolidated income statement for the period during which they were owned.

Items included in the financial statements for the different entities in the NIBE Group are valued in the currency of the primary economic environment in which the entity operates (functional currency). In the consolidated financial statements, the parent's functional and presentation currency is used, which is the Swedish krona (SEK). This means that foreign subsidiaries' assets and liabilities are translated at the closing day rate. All income statement items are translated at the average rate for the year. Translation differences are recognized in other comprehensive income. In some cases, long-term monetary dealings arise between a parent and a foreign entity, in which the dealings are of such a type that they are unlikely to be settled. The associated exchange differences are recognized in the consolidated financial statements under other comprehensive income.

In the preparation of the consolidated balance sheet, untaxed reserves have been divided into a portion recognized as a deferred tax liability under the heading 'Non-current liabilities and provisions', and a residual portion which is recognized under profit brought forward. Accordingly, appropriations in the consolidated income statement involving changes in untaxed reserves have been omitted. The tax portion of these changes is recognized along with the tax expense for the year in the income statement, while the equity portion is included in profit for the year. The percentage rate used in calculating deferred tax in Swedish subsidiaries is 20.6 (20.6) percent. The rate used for foreign subsidiaries is the appropriate tax rate in each country. The necessary provisions have been made for internal profits.

Transactions with non-controlling interests which do not lead to loss of control are recognized as equity transactions, i.e. transactions with the owners in their capacity as owners. For acquisitions from non-controlling interests, the difference between the fair value of the consideration paid and the actual acquired proportion of the carrying amount of the subsidiary's net assets is recognized in equity. Gains or losses on disposal to non-controlling interests are also recognized in equity.



## 1 • GENERAL ACCOUNTING POLICIES

### Impairment of non-financial assets

Intangible assets which have an indefinite useful life, such as goodwill, are not amortized, but are tested annually for impairment. Property, plant and equipment and intangible assets with finite useful lives are tested for impairment if there is some indication that the asset may have fallen in value. When assessing impairment, the Group determines the recoverable amount of the asset. The recoverable amount is the higher of the net realizable value and value in use. In assessing the value in use, an estimate is made of future cash flows discounted to present value using a pre-tax discount rate. A weighted average cost of capital is used in this calculation. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. For NIBE, cash-generating units are equivalent to business areas. Impairment is recognized in the income statement.

### Classification

Non-current assets and non-current liabilities including any relevant provisions consist of items that are expected to be recovered or paid more than 12 months after the reporting date. Current assets and current liabilities including any relevant provisions are items that are expected to be recovered or paid within 12 months of the reporting date. Any deviations from this principle are explained in the notes to the relevant items.

### Transactions with related parties

Orders between Group companies are invoiced on commercial terms and at market prices. Internal profits arising on sales between Group companies have been eliminated. Parent sales refer only to sales to Group companies. During the financial year, goods and services worth SEK 4 (3) million were purchased from companies in which the Schörling family has significant influence.

### Critical accounting estimates and assumptions

Company management makes estimates and assumptions about the future, and these affect carrying amounts. Consequently, the carrying amount in these cases is rarely equivalent to fair value. Estimates and assumptions which may involve a risk of significant adjustments in carrying amounts during the next financial year are reported below.

### Useful life of intangible assets and property, plant and equipment

Group management determines the estimated useful life, and thereby the associated depreciation/amortization of the Group's intangible assets and property, plant and equipment. These estimates are based on historical knowledge of the useful life of equivalent assets. The useful life and estimated residual value are tested at the end of each reporting period and adjusted as necessary.

### Impairment testing for goodwill and consolidated surplus value of trademarks

Every year, the Group tests for impairment of goodwill and consolidated surplus value of trademarks in accordance with the accounting policy described under 'Impairment'. The required estimates and their effects are shown under 'Goodwill and brands/trademarks'. Additional information, including a sensitivity analysis, is given in Note 14.

### Provisions

Further information on provisions for the year for the warranty risk reserve is provided in Note 23. Provisions for the present value of pension obligations depend on several factors that are determined based on actuarial assumptions. Every change in these assumptions will affect the carrying amount of the pension obligations. Significant assumptions relating to pension obligations are based partly on prevailing market conditions. Additional information, including a sensitivity analysis, is given in Note 22.

### Additional consideration

The carrying amount of additional consideration is normally based on expected financial performance in acquired operations in future years. Additional consideration includes both contingent consideration for shares already acquired and consideration for future acquisitions of minority shareholders' shares in connection with the application of the AAM (Anticipated Acquisition Method). If the financial performance differs from the expected performance, it will affect the carrying amount of the additional consideration and therefore NIBE Group's earnings.

## ACCOUNTING POLICY

Operationally, the Group's activities are divided into product group oriented business areas due to the differences in risks and opportunities associated with the various product groups. Operations are managed by business area boards. The accounting corresponds to the internal reports submitted to Group management.

Pricing for transactions between segments is according to the arm's length principle.

(SEK million)	CLIMATE SOLUTIONS		ELEMENT		STOVES		ELIMINATIONS		TOTAL	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Total net sales	31,633	24,418	12,934	10,058	4,906	3,724	- 9,402	- 7,368	40,071	30,832
Internal net sales	- 5,557	- 4,291	- 2,009	- 1,636	- 895	- 673	8,461	6,600	-	-
<b>External net sales</b>	<b>26,076</b>	<b>20,127</b>	<b>10,925</b>	<b>8,422</b>	<b>4,011</b>	<b>3,051</b>	<b>- 941</b>	<b>- 768</b>	<b>40,071</b>	<b>30,832</b>
<b>Sales by geographical region</b>										
Nordic region	6,839	5,550	1,610	1,355	999	783	- 581	- 508	8,867	7,180
Rest of Europe	13,108	10,267	3,650	2,751	1,938	1,500	- 331	- 237	18,365	14,281
North America	5,372	3,696	4,329	3,243	961	681	- 29	- 23	10,633	7,597
Other countries	757	614	1,336	1,073	113	87	-	-	2,206	1,774
<b>External net sales</b>	<b>26,076</b>	<b>20,127</b>	<b>10,925</b>	<b>8,422</b>	<b>4,011</b>	<b>3,051</b>	<b>- 941</b>	<b>- 768</b>	<b>40,071</b>	<b>30,832</b>
<b>Profit</b>										
Profit per business area	4,338	3,238	1,123	876	551	413	-	-	6,012	4,527
Unallocated costs									- 149	- 59
Operating profit									5,863	4,468
Financial income									438	126
Financial expenses									- 626	- 276
Tax expense for the year									- 1,280	- 940
<b>Net profit for the year</b>									<b>4,395</b>	<b>3,378</b>
<b>Other information</b>										
Assets	33,813	27,972	14,100	11,043	5,000	3,938	- 13,047	- 12,286	39,866	30,667
Unallocated assets									14,128	12,727
<b>Total assets</b>									<b>53,994</b>	<b>43,394</b>
Liabilities	6,504	4,437	2,276	1,889	1,042	617	- 532	- 414	9,290	6,529
Unallocated liabilities									16,731	15,208
<b>Total liabilities</b>									<b>26,021</b>	<b>21,737</b>
Investments	1,436	746	609	368	123	101				
Depreciation/amortization	875	808	459	356	150	132				

SEK 3,901 (3,240) million of the Group's net sales relates to customers in the Swedish market, SEK 4,091 (3,033) million to the German market and SEK 9,509 (6,773) million to customers in the US. SEK 3,923 (2,499) million of the Group's non-current assets are located in Sweden, SEK 11,063 (9,294) million in the US and Mexico, and SEK 3,756 (6,027) million in Germany and Switzerland. Unallocated costs refer primarily to acquisition expenses and Group-wide costs in the parent.

## ACCOUNTING POLICY

The consolidated financial statements have been prepared in accordance with the acquisition method. The Group applies IFRS 3, which states, among other things, that the net assets of the acquiree are assessed based on the acquisition-date fair values of assets and liabilities. These fair values constitute the Group's cost of acquisition. The cost of acquisition is the fair value of the assets transferred as consideration and the liabilities arising or assumed on the transfer date. Acquisition-related revaluations are recognized in profit or loss. The difference between the cost of shares in a subsidiary and the calculated value of the net assets in the acquisition analysis is recognized as goodwill on consolidation. If the difference is negative, it is recognized directly in profit or loss. Acquisition-related costs are recognized when they arise.

An acquisition that does not involve 100% of a subsidiary results

in a non-controlling interest. Where the holder of the remaining interest has an option to sell it to NIBE, or NIBE has an obligation to buy, NIBE has decided to employ the Anticipated Acquisition Method (AAM), which means that 100% of the subsidiary is considered to have been acquired at the time of acquisition. This also means that a liability equivalent to the present value of the estimated future purchase price is recognized. Consequently, no non-controlling interest is recognized with this type of acquisition transaction.

Companies acquired/sold are included in the consolidated income statement for the period during which they were owned.

Profit for the year has been charged with acquisition expenses of SEK 19 million, recognized as administrative expenses in the consolidated income statement.

### Acquisitions during the year

At the end of May, an agreement was signed to acquire 50% of the shares in the Italian company Argoclima S.p.A., a respected manufacturer and distributor of heat pumps and air conditioning products. An agreement is in place to acquire the outstanding shares within five years. The company, which has sales of approximately EUR 100 million, was consolidated into NIBE Climate Solutions as of June 2022. The acquisition balance sheet is still provisional.

An additional 41% of the shares in the Canadian stove company Pacific Energy Fireplace Products Inc. was acquired at the beginning of July, taking the total holding to 51% of the shares and therefore majority ownership. The remaining 49% of the shares will be acquired in the first half of 2023. The company, which develops and manufactures stove products for wood and gas, has sales of around CAD 50 million and has been consolidated into NIBE Stoves with effect from July 2022. The acquisition balance sheet is still provisional.

At the beginning of October, we acquired all the shares in the German electric heating systems manufacturer ELMESS-Klöpffer Group, which has sales of around EUR 23 million. The company was consolidated into NIBE Element with effect from October 2022. The acquisition balance sheet is still provisional.

The consideration consists of the following (SEK million)	Group	
	2022	2021
Initial consideration	765	325
Additional consideration	921	223
<b>Total consideration</b>	<b>1,686</b>	<b>548</b>
Fair value of net assets acquired	747	160
Goodwill	939	388
<b>Consideration</b>	<b>1,686</b>	<b>548</b>
Cash and cash equivalents in acquired companies	35	- 50
Additional consideration paid	109	493
Additional consideration not yet paid	- 921	- 223
<b>Effect on the Group's cash and cash equivalents</b>	<b>839</b>	<b>768</b>

The size of additional consideration is dependent on the future financial performance of the acquired units. The amounts specified are based on expected financial performance. The expected amounts are remeasured regularly. For 2022, these revaluations had a net effect of SEK -33 million on the Group's earnings.

Goodwill is attributable to the profitability of the operations acquired as well as to the synergy effects, particularly in material supply and distribution, that are anticipated within the Group. Tax-deductible goodwill arising from the purchase of the net assets of a business is not included, nor was it included last year.

Net assets acquired are as follows (SEK million)	Group	
	Fair values	Acquired carrying amounts
Market positions	111	-
Brands	101	-
Other intangible assets	21	9
Property, plant and equipment	470	358
Current receivables	623	623
Inventories	482	482
Cash and cash equivalents	35	35
Provisions	- 323	- 52
Liabilities	- 773	- 767
<b>Net assets acquired</b>	<b>747</b>	<b>688</b>

Acquired current receivables amount to SEK 623 million, of which SEK 623 million is expected to be settled.

## ACCOUNTING POLICY

### NET SALES

#### Sale of goods

The Group's revenue is derived almost exclusively from the sale of finished goods. Sales are recognized as revenue when the customer has control over the goods, which is usually when the goods have been made available to the customer under the terms of delivery. Revenue is recognized net of discounts, customer bonuses and other similar items.

#### 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. Service contracts are separate performance obligations and are satisfied over time in accordance with IFRS 15.35. The amount received is therefore recognized as revenue over the term of the service contract. As the scope of defects cannot be reliably predicted, pricing is based on experience. Payment is received from customers annually in advance, and deferred income will therefore be recognized 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. As the scope of defects cannot be reliably predicted, pricing is based on experience. Payment is received from customers on delivery of goods. The extended warranties are also separate performance obligations that are satisfied over time under IFRS 15.35. Deferred income will be recognized as revenue gradually over the coming six-year period.

#### PARENT

The parent's sales refer entirely to contractual sales to Group companies. There was no deferred income at either the start or end of the year.

#### Timing of revenue recognition

	Deliverables recognized as revenue at a point in time	Deliverables recognized as revenue over time (during the year)	Total revenue from contracts with customers
NIBE Climate Solutions	25,629	447	26,076
NIBE Element	10,925	-	10,925
NIBE Stoves	4,011	-	4,011
Eliminations	- 941	-	- 941
<b>Total revenue</b>	<b>39,624</b>	<b>447</b>	<b>40,071</b>

#### Deliverables recognized as revenue over time

	Service contracts	Extended warranties	Other	Total
Prepaid at start of year	13	287	24	324
Prepaid in sold companies	-	- 76	-	- 76
Payments received during the year	117	118	287	522
Recognized as revenue during the year	- 89	- 77	- 281	- 447
Translation differences	2	30	2	34
<b>Prepaid at year-end</b>	<b>43</b>	<b>282</b>	<b>32</b>	<b>357</b>

For performance obligations other than obligations under service contracts and extended warranties, no information is provided about the transaction price allocated to remaining performance obligations as, at 31 December 2022, there were no such obligations that had an original expected term of more than one year.

## 5 • OTHER OPERATING INCOME

(SEK million)	Group		Parent	
	2022	2021	2022	2021
Gain on sale of non-current assets	10	22	-	-
Gain on sale of businesses	232	-	-	-
Exchange gains	400	243	-	-
Acquisition-related revaluations	-	30	-	-
Other	181	197	-	-
<b>Total</b>	<b>823</b>	<b>492</b>	<b>-</b>	<b>-</b>



## 6 • REMUNERATION OF SENIOR EXECUTIVES, NUMBERS OF MEN AND WOMEN IN SENIOR POSITIONS

### ACCOUNTING POLICY

#### Principles for remuneration and other terms of employment for senior executives

In accordance with the resolution adopted by the Annual General Meeting, the following principles applied during 2022.

The company shall offer competitive remuneration on market terms to attract and retain personnel.

Remuneration shall be payable as fixed salary, variable salary, retirement benefit contributions or other benefits, such as a company car.

Directors' fees shall not be payable to members of the Board who are employed in the Group.

The period of notice from the company for the CEO shall be six months. The CEO shall have the right to severance pay equivalent to twelve months' salary. Other senior executives shall receive salary during a period of notice which varies from 6-12 months.

All senior executives shall have pension benefits corresponding to the ITP occupational pension plan, section 2, up to 30 basic amounts for social security purposes. For portions of salary above this, a premium of a fixed 30% is payable in accordance with the principles in the defined-contribution ITP plan, section 1. There shall be no special agreements for senior executives to retire before reaching the official retirement age while still receiving a certain proportion of their salaries.

As an incentive, senior executives will be entitled to a variable salary component that is payable if set targets are achieved. The variable component shall be restricted to four months' salary. The possibility also exists to receive an additional month's salary on condition that this additional payment plus another monthly salary paid as a variable bonus is used to purchase NIBE shares. A further condition for entitlement to receive this additional month's remuneration is

that the shares thus purchased are retained for at least three years. Under normal circumstances, NIBE shares acquired in this way shall be purchased on one occasion each year in February/March and the purchase shall be subject to the relevant insider trading regulations. The CEO shall not participate in any incentive program. The Board may depart from these guidelines if there are reasons for doing so in an individual case.

The Board's proposal for guidelines for 2023 largely matches the principles approved at the 2022 Annual General Meeting. The Board's opinion is that the group of senior executives subject to the guidelines does not need to be increased as a result of the new rules on remuneration of senior executives from the Swedish Corporate Governance Board.

#### Agreement on severance pay

Applies only to the CEO in the parent, for whom an agreement has been reached on severance pay amounting to one year's salary.

#### Pensions

No pension premiums were paid for the CEO in 2022. Other senior executives in the Group have retirement benefits that correspond to the ITP plan, section 2, for that portion of their salary up to 30 income base amounts. For salary amounts above this, a premium of 30% is paid in accordance with the defined contribution ITP plan, section 1. An exception is made in the case of the head of one of the business areas, who, in his capacity as CEO, has an individual pension arrangement with premiums that correspond to those of other senior executives. Under the Group's policy, no further pension premium payments are made if employment continues after the age of 65.

#### Board and senior executives

(in thousands of SEK)	2022		2021	
	Salary and other remuneration	Pension costs	Salary and other remuneration	Pension costs
Hans Linnarson, Chair	960	-	900	-
Jenny Larsson	480	-	450	-
Georg Brunstam	480	-	450	-
Anders Pålsson	480	-	450	-
Jenny Sjö Dahl	-	-	450	-
Eva Karlsson	480	-	-	-
Eva Thunholm	480	-	-	-
Gerteric Lindquist, CEO	9,041	-	8,258	-
Other senior executives: 4 (4) individuals	26,311	5,198	24,002	4,710
<b>Group total</b>	<b>38,712</b>	<b>5,198</b>	<b>34,960</b>	<b>4,710</b>

#### Gender distribution, Board and management

	2022		2021	
	Number	Of which men	Number	Of which men
<b>Board of Directors</b>	7	4	6	4
<b>Senior management</b>				
Parent	2	2	2	2
Subsidiaries	3	3	3	3
<b>Group</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>

## 7 · PERSONNEL COSTS

### Salaries and other remuneration

(SEK million)	2022	2021
Parent	28	24
Subsidiaries	7,854	6,432
<b>Group total</b>	<b>7,882</b>	<b>6,456</b>

### Salaries and other remuneration, excluding social security contributions, by country for the Board, CEO, other senior executives and other employees

(SEK million)	2022		2021	
	Board, CEO and senior executives	Other employees	Board, CEO and senior executives	Other employees
Parent	24	7	22	5
Subsidiaries in Sweden <sup>1)</sup> (1 and 0)	15	1,024	13	910
Norway <sup>1)</sup> (1 and 1)	-	238	-	209
Finland <sup>1)</sup> (1 and 1)	-	264	-	218
Denmark <sup>1)</sup> (4 and 3)	-	540	-	472
France	-	58	-	46
Germany <sup>1)</sup> (3 and 3)	-	654	-	441
Poland <sup>1)</sup> (1 and 2)	-	370	-	287
Czech Republic <sup>1)</sup> (2 and 1)	-	176	-	145
Italy <sup>1)</sup> (1 and 0)	-	334	-	197
Netherlands <sup>1)</sup> (1 and 1)	-	180	-	163
Belgium	-	15	-	12
UK <sup>1)</sup> (2 and 2)	-	282	-	271
Spain	-	25	-	23
Romania	-	53	-	40
Slovakia	-	2	-	1
Russia	-	26	-	19
Austria	-	68	-	65
Switzerland <sup>1)</sup> (3 and 2)	-	517	-	583
Serbia	-	117	-	87
Slovenia	-	27	-	22
Turkey	-	55	-	52
China <sup>1)</sup> (1 and 1)	-	152	-	146
Malaysia	-	3	-	2
Vietnam	-	60	-	39
Taiwan	-	2	-	2
Thailand	-	9	-	7
Singapore	-	3	-	2
Australia	-	21	-	19
Mexico	-	267	-	189
Canada	-	359	-	279
USA <sup>1)</sup> (3 and 1)	-	1,938	-	1,471
<b>Group total</b>	<b>39</b>	<b>7,846</b>	<b>35</b>	<b>6,424</b>

<sup>1)</sup> (of which bonus in SEK million)

## 7 • PERSONNEL COSTS

### Personnel costs

(SEK million)	2022		2021	
	Social security contributions	of which pension costs	Social security contributions	of which pension costs
Parent	12	4	11	4
Subsidiaries	1,383	303	1,167	234
<b>Group total</b>	<b>1,395</b>	<b>307</b>	<b>1,178</b>	<b>238</b>

As in the previous year, none of the parent's pension costs relate to the CEO. The parent's outstanding pension obligations to the Board of Directors and the CEO amount to SEK 8 (8) million. The corresponding amount for the Group is SEK 11 (11) million. The Group has no outstanding pension obligations to the previous Board of Directors and CEO.

### Average number of employees and gender distribution

	2022			2021		
	Number of employees	Women	Men	Number of employees	Women	Men
Parent	9	5	4	8	4	4
Subsidiaries in Sweden	2,315	477	1,838	1,963	415	1,548
Norway	341	70	271	300	65	235
Finland	551	119	432	483	102	381
Denmark	739	217	522	678	195	483
France	92	23	69	79	17	62
Germany	1,025	204	821	859	157	702
Poland	2,412	1,256	1,156	2,456	1,279	1,177
Czech Republic	850	362	488	842	368	474
Italy	630	192	438	518	152	366
Netherlands	333	48	285	324	45	279
Belgium	17	3	14	18	3	15
UK	668	92	576	651	125	526
Spain	66	18	48	64	17	47
Romania	444	300	144	379	252	127
Slovakia	6	1	5	5	1	4
Russia	225	59	166	237	61	176
Austria	92	19	73	96	21	75
Switzerland	545	106	439	720	147	573
Serbia	901	322	579	911	306	605
Slovenia	43	10	33	42	10	32
Turkey	462	36	426	430	38	392
China	843	357	486	1,008	417	591
Malaysia	30	16	14	15	10	5
Vietnam	1,079	715	364	957	607	350
Taiwan	4	1	3	4	1	3
Thailand	128	63	65	117	53	64
Singapore	9	4	5	11	5	6
Australia	32	7	25	30	8	22
Mexico	2,596	1,418	1,178	2,725	1,506	1,219
Costa Rica	25	19	6	-	-	-
Canada	642	129	513	503	100	403
USA	3,179	1,058	2,121	3,022	981	2,041
<b>Group total</b>	<b>21,333</b>	<b>7,726</b>	<b>13,607</b>	<b>20,455</b>	<b>7,468</b>	<b>12,987</b>

## 8 • RESEARCH AND DEVELOPMENT COSTS

Research and development costs of SEK 1,101 (899) million are included in Cost of goods sold.

## 9 • REMUNERATION OF AUDITORS

Group (SEK million)	2022			2021		
	KPMG	Other auditors	Total Group	KPMG	Other auditors	Total Group
Audit engagements*	20	8	28	18	8	26
Other audit-related fees	3	3	6	2	2	4
Tax advisory services	2	9	11	1	7	8
Other services**	1	7	8	2	4	6
<b>Total</b>	<b>26</b>	<b>27</b>	<b>53</b>	<b>23</b>	<b>21</b>	<b>44</b>

During the year, the parent was charged SEK 1 (1) million for auditing and SEK 4 (2) million for other services.

\* of which SEK 7 million concerns KPMG AB

\*\* of which none concerns KPMG AB

Audit engagements refers to the statutory audit of the annual report, consolidated financial statements and accounting records, the administration of the Board of Directors and the CEO, and auditing and other reviews carried out by agreement or contract. This includes other tasks that the company's auditor is required to perform and advice or other assistance arising out of observations made in connection with such review or the performance of such tasks.

## 10 • INCOME STATEMENT BY NATURE OF EXPENSE

(SEK million)	Group		Parent	
	2022	2021	2022	2021
Net sales	40,071	30,832	42	28
Change in inventories	1,054	788	-	-
Other operating income	823	492	-	-
	<b>41,948</b>	<b>32,112</b>	<b>42</b>	<b>28</b>
Raw materials and consumables	- 19,139	- 14,064	-	-
Other external costs	- 5,666	- 4,284	- 100	- 63
Personnel costs	- 9,685	- 7,999	- 40	- 37
Depreciation/amortization	- 1,595	- 1,297	-	-
<b>Operating profit</b>	<b>5,863</b>	<b>4,468</b>	<b>- 98</b>	<b>- 72</b>

## 11 • PROFIT FROM FINANCIAL ITEMS

### ACCOUNTING POLICY

#### Interest income and dividends received

Interest income is recognized as revenue in accordance with the effective interest method. Dividends received are recognized as revenue when the right to receive the dividend is established.

#### PROFIT FROM PARTICIPATIONS IN GROUP COMPANIES

(SEK million)	Group		Parent	
	2022	2021	2022	2021
Dividend	-	-	1,715	569
Impairment of participations in subsidiaries	-	-	- 132	- 257
<b>Total</b>	<b>-</b>	<b>-</b>	<b>1,583</b>	<b>312</b>

#### FINANCIAL INCOME

(SEK million)	Group		Parent	
	2022	2021	2022	2021
Interest income, Group companies	-	-	47	2
Interest income, other	49	23	3	2
Exchange gains	348	110	212	128
Other financial income	20	1	-	1
<b>Total</b>	<b>417</b>	<b>134</b>	<b>262</b>	<b>133</b>

#### FINANCIAL EXPENSES

(SEK million)	Group		Parent	
	2022	2021	2022	2021
Interest expense, Group companies	-	-	-	1
Interest expense, other	260	196	118	73
Exchange losses	315	69	100	28
Other financial expenses	51	11	2	3
<b>Total</b>	<b>626</b>	<b>276</b>	<b>220</b>	<b>105</b>

## 12 • APPROPRIATIONS

### ACCOUNTING POLICY

#### Group contributions and shareholder contributions

##### Group contributions are recognized in accordance with the alternative rule in RFR 2.

Under the alternative rule, a group contribution that a parent receives from a subsidiary is recognized as an appropriation in the parent. A group contribution made by the parent is recognized as an appropriation. Shareholder contributions made to a subsidiary are recognized as an increase in shares in the subsidiary. The value is then tested for impairment.

(SEK million)	Parent	
	2022	2021
Group contributions	280	210
<b>Total</b>	<b>280</b>	<b>210</b>

## ACCOUNTING POLICY

Recognized income taxes include current tax, adjustments for prior years' current tax and changes in deferred tax. All tax liabilities and tax assets are measured at the nominal amount in accordance with the tax regulations and tax rates that have been enacted or substantively enacted.

For items recognized in the income statement, the associated tax effects are also recognized in profit or loss. Tax is recognized in other comprehensive income if the tax is attributable to items recognized in other comprehensive income.

Deferred tax is calculated in accordance with the balance sheet method for all material temporary differences arising between the

carrying amount of assets and liabilities and their corresponding tax bases. Such temporary differences arise mainly through Group surpluses. Deferred tax assets in respect of loss carryforwards or other future taxable deductions are recognized to the extent that it is probable that the amount can be deducted from future taxable profit.

Due to the relationship between accounting and taxation, the deferred tax liability on untaxed reserves is recognized in the parent as a portion of the untaxed reserves.

(SEK million)	Group		Parent	
	2022	2021	2022	2021
Current tax for the year	1,277	904	48	35
Current tax attributable to prior years	8	- 3	-	-
Deferred tax	- 5	39	-	-
<b>Total</b>	<b>1,280</b>	<b>940</b>	<b>48</b>	<b>35</b>

### Tax on items recognized in other comprehensive income

(SEK million)	Group		Parent	
	2022	2021	2022	2021
Defined-benefit pensions	34	26	-	-
Market valuation of currency forward contracts	-	- 3	-	-
Current tax attributable to exchange differences	191	117	-	-
Current tax attributable to foreign net investment	- 19	- 3	-	-
<b>Total</b>	<b>206</b>	<b>137</b>	<b>-</b>	<b>-</b>

### Difference between the Group's tax expense and tax expense based on current tax rate

The applicable tax rate was calculated based on the 20.6% (20.6%) tax rate that applies to the parent. See page 83.

(SEK million)	Group		Parent	
	2022	2021	2022	2021
Pre-tax profit	5,675	4,318	1,807	478
Tax at current rate	1,169	889	372	99
Non-deductible expenses	91	113	29	53
Non-taxable earnings	- 72	- 63	-	-
Dividends from subsidiaries	-	-	- 353	- 117
Adjusted tax for prior years	8	- 3	-	-
Loss carryforwards not capitalized	3	- 24	-	-
Effect of foreign tax rates	81	28	-	-
<b>Recognized tax expense</b>	<b>1,280</b>	<b>940</b>	<b>48</b>	<b>35</b>

### Expiry of loss carryforwards not capitalized

Accumulated loss carryforwards not offset by recognized deferred tax assets amount to SEK 200 (202) million for the Group. The expiry dates for loss carryforwards are within the following intervals:

(SEK million)	Group	
	2022	2021
Expiry within 1-5 years	73	51
Expiry within 6-10 years	3	13
Expiry after 10 years	4	4
Continue indefinitely	120	134
<b>Total</b>	<b>200</b>	<b>202</b>

### Temporary differences

Temporary differences arise if there is a difference between the carrying amount and the tax base of assets and liabilities. Temporary differences in the following items resulted in deferred tax liabilities and deferred tax assets. Deferred tax liabilities are not recognized for temporary differences attributable to investments in subsidiaries, as the parent can control the timing of the reversal of the temporary differences. In 2022, the Group started to apply IAS 29 Financial Reporting in Hyperinflationary Economies as a result of its operations in Turkey. Application of the standard had an effect of SEK 14 million on the Group's deferred tax liability, of which SEK 6 million affected the opening tax liability as comparative period figures are not restated.

### Deferred tax assets

(SEK million)	Group		Parent	
	2022	2021	2022	2021
Loss carryforwards	35	31	-	-
Provisions for pension obligations	29	95	-	-
Provisions for guarantee obligations	74	91	-	-
Temporary differences in non-current assets	4	6	-	-
Other	206	166	4	3
<b>Total</b>	<b>348</b>	<b>389</b>	<b>4</b>	<b>3</b>

### Deferred tax liabilities

(SEK million)	Group		Parent	
	2022	2021	2022	2021
Untaxed reserves	65	57	-	-
Temporary differences in non-current assets	1,190	1,161	-	-
Other	221	169	-	-
<b>Total</b>	<b>1,476</b>	<b>1,387</b>	<b>-</b>	<b>-</b>

### Deferred tax assets

(SEK million)	Loss carry forwards	Provisions for pension obligations	Provisions for guarantee obligations	Temporary differences in non-current assets	Other	Total
Amount at start of year	31	95	91	6	166	389
Sold companies	- 1	- 44	-	-	- 5	- 50
Recognized in income statement	1	3	- 22	- 2	31	11
Recognized in other comprehensive income	-	- 34	-	-	-	- 34
Translation difference	4	9	5	-	14	32
<b>Amount at end of year</b>	<b>35</b>	<b>29</b>	<b>74</b>	<b>4</b>	<b>206</b>	<b>348</b>

### Deferred tax liabilities

(SEK million)	Untaxed reserves	Temporary differences in non-current assets	Other	Total
Amount at start of year	57	1,161	169	1,387
Effect of applying IAS 29	-	-	6	6
Amount at start of year	57	1,161	175	1,393
Acquired companies	-	24	1	25
Sold companies	-	- 89	- 33	- 122
Recognized in income statement	7	- 37	36	6
Effect of applying IAS 29	-	-	8	8
Translation difference	1	131	34	166
<b>Amount at end of year</b>	<b>65</b>	<b>1,190</b>	<b>221</b>	<b>1,476</b>

## ACCOUNTING POLICY

### GOODWILL AND TRADEMARKS

Goodwill and the consolidated surplus value of trademarks have arisen in connection with business acquisitions. Trademarks are measured at fair value on the acquisition date. As the useful life of trademarks depends on a number of unknown factors such as technological advances and market trends, and cannot be calculated with certainty, NIBE has so far considered it to be indefinite. Goodwill and assets with indefinite useful lives are not amortized. However, an impairment test is conducted annually, or more frequently if there are indications of impairment, in which case the Group's carrying amounts for these assets are compared with their estimated value in use based on their discounted future cash flows. The assets are valued by segment, i.e. by business area, which involves calculating future cash flows from each segment as a cash-generating unit. When the value in use is less than the carrying amount, the carrying amount is written down to the value in use. The assets are therefore recognized at cost less accumulated impairment. Impairment losses for the year relate to the operations in Russia. In 2022, the Group started to apply IAS 29 Financial Reporting in Hyperinflationary Economies as a result of its operations in Turkey. Application of the standard had an effect of SEK 421 million on the Group's goodwill, of which SEK 183 million affected the opening cost as comparative period figures are not restated.

#### Impairment testing

The NIBE Group prepares budgets for one year at a time. This means that cash flows for the first year of an asset's useful life are based on the budget approved by the Board. Cash flows up until the end of the useful life are estimated by extrapolating the cash flow based on the prepared budget and the assumed organic sales growth, working capital requirements and gross profit margins over the useful life.

- The organic sales growth for years 2–5 can be estimated with some degree of caution based on the Group's historical experience. For subsequent years, a lower growth rate has been assumed, equivalent to the estimated long-term growth rate for the sector.
- The requirement for working capital during the useful life is estimated with the aid of the Group's historical experience and the assumed organic sales growth.
- The gross profit margin is based on the adopted budgets for each cash-generating unit.
- The discount rate is calculated by weighting the assessed required return on equity plus the standard tax rate and the estimated long-term interest level on the Group's interest-bearing liabilities.

#### Sensitivity analysis

A sensitivity analysis has been carried out with regard to significant assumptions applied in impairment testing. The following assumptions have been used to test sensitivity.

- Organic growth in years 2–5 is two percentage points lower.
- The gross profit margin is two percentage points lower.
- The requirement for working capital for organic growth is two percentage points higher.
- The discount rate is two percentage points higher.

None of the above assumptions would have resulted in impairment of any of the Group's cash-generating units.

### MARKET POSITIONS AND OTHER INTANGIBLE ASSETS

Expenditure on research activities is expensed as it arises.

Expenditures are incurred for product development in all NIBE Group business areas. During the development phase, several criteria are used for recognizing development projects as intangible assets. Expenditures are capitalized if it is technically feasible to complete the asset, the intention is to complete the asset either for use or sale, the asset is expected to generate future economic benefits, it is financially possible to complete the asset and the cost of the asset can be measured reliably. Expenditures are capitalized from the date on which all the above criteria are met.

Other development expenditures which do not meet these conditions are recognized as expenses as they arise. Development expenditures which have previously been expensed are not recognized as assets in a subsequent period.

Amortization according to plan is based on cost and is apportioned over the estimated useful life of the assets.

Other intangible assets refers to tenancy rights, patents, licenses, computer programs, market positions, etc. These assets have finite useful lives according to assessments by the Group.

#### Useful life of intangible assets

Group management determines the estimated useful life, and thus the associated amortization of the Group's intangible assets. These estimates are based on historical knowledge of the useful life of equivalent assets. The useful life and estimated residual value are tested at the end of each reporting period and adjusted as necessary.

#### Significant assumptions in 2022 (2021)

Assumptions	Cash-generating unit		
	NIBE Climate Solutions	NIBE Element	NIBE Stoves
Growth rate, years 2–5, %	5.0 (5.0)	5.0 (5.0)	5.0 (5.0)
Growth rate, year 6 and later, %	2.0 (2.0)	2.0 (2.0)	2.0 (2.0)
Working capital requirement for organic growth, %	13.0 (13.0)	15.0 (15.0)	18.0 (18.0)
Pre-tax discount rate, %	7.9 (5.6)	9.0 (6.5)	8.2 (5.8)

#### Amortization

Market positions	7–11%
Other intangible assets	5–33%



## GOODWILL

(SEK million)	Group	
	2022	2021
<b>Cost</b>		
Opening cost	15,453	14,218
Effect of applying IAS 29	183	-
Adjusted opening cost	15,636	14,218
Investments for the year	939	395
Sales and retirements	- 921	-
Effect of applying IAS 29	238	-
Translation differences	1,782	840
<b>Closing accumulated cost</b>	<b>17,674</b>	<b>15,453</b>
<b>Impairment</b>		
Impairment for the year	46	-
Translation differences	- 2	-
<b>Closing accumulated impairment</b>	<b>44</b>	<b>-</b>
<b>Closing carrying amount</b>	<b>17,630</b>	<b>15,453</b>
<b>Carrying amount per business area</b>		
NIBE Climate Solutions	12,068	10,753
NIBE Element	3,843	3,351
NIBE Stoves	1,719	1,349
<b>Total</b>	<b>17,630</b>	<b>15,453</b>

## OTHER INTANGIBLE ASSETS

Rights of tenancy, patents, development costs, computer programs, licenses, etc.

(SEK million)	Group	
	2022	2021
<b>Cost</b>		
Opening cost	1,820	1,579
Cost in acquired companies	7	2
Investments for the year	257	229
Sales and retirements	- 496	- 34
Reclassifications	3	2
Translation differences	110	42
<b>Closing accumulated cost</b>	<b>1,701</b>	<b>1,820</b>
<b>Amortization</b>		
Opening amortization	1,050	882
Sales and retirements	- 328	- 34
Amortization for the year	160	171
Reclassifications	3	-
Translation differences	65	31
<b>Closing accumulated amortization</b>	<b>950</b>	<b>1,050</b>
<b>Impairment</b>		
Opening impairment	4	4
Impairment for the year	3	-
<b>Closing accumulated impairment</b>	<b>7</b>	<b>4</b>
<b>Closing carrying amount</b>	<b>744</b>	<b>766</b>

## MARKET POSITIONS

Market positions refers to the measurement of cash flows from identified customer relationships. Amortization for the year is recognized as a selling expense in the consolidated income statement.

(SEK million)	Group	
	2022	2021
<b>Cost</b>		
Opening cost	3,372	3,116
Investments for the year	111	30
Sales and retirements	- 392	-
Translation differences	408	226
<b>Closing accumulated cost</b>	<b>3,499</b>	<b>3,372</b>
<b>Amortization</b>		
Opening amortization	1,692	1,346
Sales and retirements	- 286	-
Amortization for the year	260	228
Translation differences	218	118
<b>Closing accumulated amortization</b>	<b>1,884</b>	<b>1,692</b>
<b>Closing carrying amount</b>	<b>1,615</b>	<b>1,680</b>

## BRANDS

(SEK million)	Group	
	2022	2021
<b>Cost</b>		
Opening cost	2,483	2,292
Investments for the year	102	31
Sales and retirements	- 282	-
Reclassifications	-	1
Translation differences	298	159
<b>Closing accumulated cost</b>	<b>2,601</b>	<b>2,483</b>
<b>Amortization</b>		
Opening amortization	19	15
Amortization for the year	1	2
Translation differences	2	2
<b>Closing accumulated amortization</b>	<b>22</b>	<b>19</b>
<b>Closing carrying amount</b>	<b>2,579</b>	<b>2,464</b>
<b>Carrying amount per business area</b>		
NIBE Climate Solutions	2,026	1,997
NIBE Element	289	253
NIBE Stoves	264	214
<b>Total</b>	<b>2,579</b>	<b>2,464</b>

Amortization and impairment of other intangible assets are recognized within the following functions:

(SEK million)	Group	
	2022	2021
Cost of goods sold	128	140
Selling expenses	5	5
Administrative expenses	27	26
<b>Total</b>	<b>160</b>	<b>171</b>

Other intangible assets consist mainly (SEK 561 million) of capitalized development expenditures. Capitalized development costs are amortized over their estimated useful lives. In 2022, these were between 4 and 6 years.

## ACCOUNTING POLICY

Items of property, plant and equipment are recognized at cost less accumulated depreciation and any impairment. Cost includes the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. Expenditure on improving the performance of the assets, above the original level, increases the carrying amount of the assets. Expenditure on repairs and maintenance is expensed as incurred. In 2022, the Group started to apply IAS 29 Financial Reporting in Hyperinflationary Economies as a result of its operations in Turkey. Application did not have an effect on the Group's closing carrying amount but did affect opening cost as comparative period figures are not restated.

### LAND AND BUILDINGS

(SEK million)	Group	
	2022	2021
<b>Cost</b>		
Opening cost	3,597	3,298
Cost in acquired companies	324	2
Investments for the year	307	149
Sales and retirements	- 444	- 23
Reclassifications	189	56
Translation differences	285	115
<b>Closing accumulated cost</b>	<b>4,258</b>	<b>3,597</b>
<b>Depreciation</b>		
Opening depreciation	1,139	1,011
Depreciation for the year	132	118
Sales and retirements	- 180	- 7
Reclassifications	2	- 5
Translation differences	78	22
<b>Closing accumulated depreciation</b>	<b>1,171</b>	<b>1,139</b>
<b>Closing carrying amount</b>	<b>3,087</b>	<b>2,458</b>
of which land	403	383
Closing carrying amount, land and buildings in Sweden	943	722

### CONSTRUCTION IN PROGRESS

(SEK million)	Group	
	2022	2021
<b>Cost</b>		
Opening cost	570	336
Costs incurred during the year	1,034	427
Sales and retirements	- 1	-
Re-allocations during the year	- 366	- 196
Translation differences	13	3
<b>Closing accumulated cost</b>	<b>1,250</b>	<b>570</b>

Depreciation according to plan is based on cost, which, after deducting any residual value, is allocated over the asset's estimated useful life. The following percentages have been applied to depreciation:

Buildings	2-7%
Land improvements	2-10%
Machinery and equipment	10-33%
Fixtures and fittings	4%

### MACHINERY AND EQUIPMENT

(SEK million)	Group		Parent	
	2022	2021	2022	2021
<b>Cost</b>				
Opening cost	5,526	4,852	1	1
Effect of applying IAS 29	9	-	-	-
Adjusted opening cost	5,535	4,852	1	1
<b>Cost in acquired companies</b>	<b>26</b>	<b>17</b>	<b>-</b>	<b>-</b>
Investments for the year	643	448	-	-
Sales and retirements	- 839	- 111	-	-
Effect of applying IAS 29	- 9	-	-	-
Reclassifications	162	128	-	-
Translation differences	417	192	-	-
<b>Closing accumulated cost</b>	<b>5,935</b>	<b>5,526</b>	<b>1</b>	<b>1</b>
<b>Depreciation</b>				
Opening depreciation	3,526	3,077	1	1
Sales and retirements	- 673	- 102	-	-
Depreciation for the year	482	451	-	-
Reclassifications	- 21	- 7	-	-
Translation differences	229	107	-	-
<b>Closing accumulated depreciation</b>	<b>3,543</b>	<b>3,526</b>	<b>1</b>	<b>1</b>
<b>Impairment</b>				
Opening impairment	7	6	-	-
Impairment for the year	10	2	-	-
Translation differences	1	- 1	-	-
<b>Closing accumulated impairment</b>	<b>18</b>	<b>7</b>	<b>-</b>	<b>-</b>
<b>Closing carrying amount</b>	<b>2,374</b>	<b>1,993</b>	<b>-</b>	<b>-</b>

## ACCOUNTING POLICY

### Right-of-use assets

The NIBE Group's right-of-use leases mainly concern premises and generally contain renewal options. They are used frequently by Group companies, for which reason the value of right-of-use assets in most cases where premises are concerned is based on assumptions of renewal terms.

When a contract is made, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At the start of the lease, or when reviewing a lease that contains several components, both lease and non-lease components, the Group allocates payment under the contract to each component based on the independent price. For leases for buildings and land in which the Group is the lessee, the Group has, however, decided not to distinguish between lease and non-lease components and recognizes lease and non-lease components that are paid for with a fixed amount as a single lease component.

### Leases as lessee

The Group recognizes a right-of-use asset and a lease liability at the commencement date of the lease. The right-of-use asset is measured initially at cost, which consists of the initial value of the lease liability and lease payments made on or before the commencement date, plus any initial direct expenses. The right-of-use asset is depreciated on a straight line basis from the commencement date until the earlier of the end of the asset's useful life and the end of the lease term. This is normally the end of the lease term for the Group. In the less common cases in which the cost of the right of use reflects the fact that NIBE will exercise an option to buy the underlying asset, the asset is depreciated to the end of the useful life.

Lease liabilities that are divided into a non-current part and a current part are initially measured at the present value of outstanding lease payments during the estimated lease term. The lease term consists of the non-cancelable lease term plus extension options in the agreement if, at the commencement date, it is deemed reasonably certain that they will be exercised.

The lease payments are normally discounted at the Group's incremental borrowing rate which, in addition to the Group's/com-

pany's credit risk, reflects each lease's term and currency and the quality of the underlying asset as intended security. However, where the interest rate implicit in the lease can be readily determined, that rate is used.

The lease liability comprises the present value of the following payments during the estimated lease term:

- fixed payments, including in-substance fixed payments,
- variable lease payments linked to an index or rate, initially measured using the index or rate applicable at the commencement date,
- any residual value guarantees that are expected to be paid,
- the exercise price for a purchase option that the Group is reasonably certain it will exercise, and
- penalties payable on termination of the lease if the estimated lease term indicates that such termination will occur.

The value of the liability increases with the interest expense for each term and decreases with the lease payments. The interest expense is calculated as the liability's value times the discount rate.

The lease liability for the Group's premises with rent that is indexed is calculated with the rent applicable at the end of each reporting period. At this time, the liability is adjusted by the corresponding adjustment of the carrying amount of the right-of-use asset. Correspondingly, the value of the liability and the asset is adjusted when the lease term is reassessed. This takes place when the last termination date in the previously estimated lease term for a premises lease has passed or when significant events occur or circumstances change significantly in a manner that is within NIBE's control and affect the current assessment of the lease term.

The Group presents right-of-use assets and lease liabilities as separate items in the balance sheet.

Right-of-use assets and lease liabilities are not reported for leases with a lease term of 12 months or less, or where the underlying asset has a low value, below SEK 50,000. Lease payments for these leases are recognized as an expense on a straight line basis over the lease term. There are extension and termination options that companies may be exposed to that are not included in the valuation of the lease liability.

There are no cases where the Group is a lessor.  
The parent has no leases.

## CHANGE IN CARRYING AMOUNT

Right-of-use asset	Jan 1, 2022	Acquired companies	Sold companies	Added during the year	Depreciation during the year	Translation differences	Dec 31, 2022
Premises	878	83	- 14	478	- 300	117	1,242
Machinery	13	1	-	19	- 15	- 1	17
Vehicles	162	2	- 2	95	- 67	12	202
IT equipment	17	-	- 1	46	- 8	2	56
Other	40	-	-	19	- 14	-	45
<b>Total</b>	<b>1,110</b>	<b>86</b>	<b>- 17</b>	<b>657</b>	<b>- 404</b>	<b>130</b>	<b>1,562</b>

### Lease liabilities at end of year

See Note 29 for an analysis of the terms of Group lease liabilities.

(SEK million)	Dec 31, 2022	Dec 31, 2021
Non-current liabilities	1,073	743
Current liabilities	495	364
<b>Total lease liabilities at end of year</b>	<b>1,568</b>	<b>1,107</b>

**Income statement**

Under IFRS 16, lease payments must be partly charged to net financial items. Consequently, IFRS 16 has resulted in an improvement of SEK 32 (23) million in the Group's operating profit for 2022, while net financial items have decreased by a corresponding amount.

(SEK million)	2022	2021
Depreciation of capitalized leases	404	327
Lease payments for non-capitalized short-term leases and low-value leases	14	10
Interest expenses	32	23
<b>Total lease payments in the income statement</b>	<b>450</b>	<b>360</b>

**Cash flow**

Lease payments for the right-of-use assets capitalized in the consolidated balance sheet are recognized in the statement of cash flows under Financing activities as amortization of lease liabilities. Lease payments for short-term leases and low-value leases are recognized under Operating activities.

(SEK million)	2022	2021
Amortization of lease liabilities	365	338
Lease payments for non-capitalized short-term leases and low-value leases	14	10
<b>Total cash flow</b>	<b>379</b>	<b>348</b>

## ACCOUNTING POLICY

### Parent's reporting of shares in subsidiaries

The parent reports in accordance with the cost method and capitalizes costs which are directly attributable to the acquisition. Additional consideration is recognized at the probable outcome. Any future adjustments will affect the carrying amount of shares in the subsidiary.

### SHARES IN SUBSIDIARIES

During the year, the holding in JSC Evan of Russia was written down as a result of Russia's invasion of Ukraine. No carrying amount has been recorded for the holding in JSC Evan at end of 2022.

(SEK million)	2022	2021
<b>Cost</b>		
Opening cost	12,302	12,299
Investments for the year	1,178	3
<b>Closing accumulated cost</b>	<b>13,480</b>	<b>12,302</b>
<b>Impairment</b>		
Opening impairment	595	337
Impairment for the year	131	335
Reversal of impairment	-	- 77
<b>Closing accumulated impairment</b>	<b>726</b>	<b>595</b>
<b>Closing carrying amount</b>	<b>12,754</b>	<b>11,707</b>

Subsidiary	Holding	Number of shares	Carrying amount, SEK million
ABK-Qviller AS	100%	500	210
AirSite AB	100%	2,000	39
ARGOCLIMA S.p.A.	50%	13,416,000	985
Backer AB	100%	37,170	186
Backer EHP Inc.	100%	100	217
Cetetherm AB	100%	50,000	5
CK Fires Ltd	51%	204	129
Druzstevni Zavody Drazice-strojirna s.r.o.	100%	7	199
Eitwin A/S	100%	500	172
Enertech AB	100%	27,000	216
HT S.p.A.	100%	200,000	569
JSC Evan	100%	8,631	-
Jevi A/S	100%	1	30
Kaukora Oy	100%	759	201
Lotus Heating Systems A/S	100%	1,076,667	50
Loval Oy	100%	768	40
METRO THERM A/S	100%	3,400	181
NIBE AB	100%	400,000	153
NIBE Climate Solutions Canada Corp.	100%	6,632,000	132
NIBE Energy Systems France SAS	100%	100	81
NIBE Energy Systems Inc.	100%	100	900
NIBE Stoves Canada Corp.	100%	100	683
NIBE Stoves GmbH	100%	1	-
NIBE Treasury AB	100%	15,000	11
Nordpeis AS	100%	12,100	142
Rhoss S.p.A.	100%	12,020,000	477
SAN Electro Heat A/S	100%	13	18
Snowcliff AG	100%	10,625,000	4,860
Springfield Wire de Mexico S.A. de C.V.	100%	10,000	42
Stovax Heating Group Ltd	100%	198,900	491
TermaTech A/S	100%	500	62
TIKI d.o.o. Stara Pazova	100%		377
Üntes Isitma Klima Sogutma San Ve Tic A.S	50%	7,500,000	473
Üntes VRF Klima Sistemleri A.S.	39%	1,560	71
Varde Ovne A/S	100%	4,009	1
WaterFurnace Renewable Energy Corp.	100%	14,666,765	96
Waterkotte GmbH	100%		234
Wiegand S.A. de C.V.	100%	15,845,989	21
<b>Total</b>			<b>12,754</b>

## 17 • SHARES IN SUBSIDIARIES

Shares owned via subsidiaries	Holding	Number of shares
Aggregatet 1 i Ljungby AB	100.00%	50,000
ait-austria GmbH	100.00%	1
ait-cesko s.r.o	100.00%	200,000
ait-deutschland GmbH	100.00%	
ait Schweiz AG	100.00%	250
ait-slovensko s.r.o	100.00%	5,000
ait-värmeteknik-sverige AB	100.00%	1,000
Askoma AG	100.00%	200,000
Askoma SDN BHD	100.00%	500,000
ATE-Electronics S.r.l.	100.00%	
Backer Alpe S. de R.L. de C.V.	100.00%	
Backer Asia Ltd	100.00%	1,000
Backer Azthermal Engineering SDN BHD	70.00%	1,000
Backer Azthermal SDN BHD	100.00%	499
Backer Cellnergy Engineering PTY Ltd	100.00%	
Backer Heating Technologies France SARL	100.00%	12,429
Backer Heating Technologies GmbH	100.00%	25,000
Backer ELC AG	100.00%	34,000
Backer Elektro CZ a.s.	100.00%	
Backer Eitop s.r.o.	100.00%	
Backer Facsa S.L.	100.00%	34,502
Backer Fastighets AB	100.00%	500
Backer Fer s.r.l.	100.00%	
Backer Grand Heater Co Ltd	100.00%	299,998
Backer Heating Technologies Co. Ltd	100.00%	
Backer Heating Technologies Inc	100.00%	100
Backer Hotwatt Inc.	100.00%	100
Backer HTV Co. Ltd	100.00%	100
Backer Marathon Inc.	100.00%	100
Backer OBR Sp. z o.o.	100.00%	10,000
Backer-Springfield Dongguan Co. Ltd	100.00%	
Backer-Wilson Elements Pty Ltd	51.00%	
Backer Wolff GmbH	100.00%	
Bentone AB	100.00%	1,000
Biawar Produkcja Sp z.o.o	100.00%	50
Briskheat Corporation	100.00%	13,509,070
BriskHeat Corporation CR S.A	100.00%	120
Briskheat Corporation HK Limited	100.00%	10,000
Briskheat Shenzhen Trading Company Ltd	100.00%	
Briskheat Technology Company Co. Ltd	100.00%	60,000
Briskheat Vietnam Co Ltd	100.00%	
Cetetherm LLC	100.00%	
Cetetherm Oy	100.00%	2,500

Shares owned via subsidiaries	Holding	Number of shares
Cetetherm SAS	100.00%	30,000
Cetetherm s.r.o.	100.00%	
CGC Group of Companies Inc.	100.00%	640
ClimaCool Corp.	100.00%	1,000
ClimateCraft Inc.	100.00%	1,000
ClimateMaster Inc.	100.00%	1,000
Contura Stoves Ltd	100.00%	1
CTC AB	100.00%	1,000
CTC Ferrofil AS	100.00%	1,001
CTC AG	100.00%	700
Danothem Electric A/S	100.00%	1,000
DMD Dis Ticaret Makine Sanayi AS	51.00%	36,720
E. Braude (London) Ltd	100.00%	80,000
Electro Therm s.a.s	70.00%	1,750
ELEKTRON-ETTO, s.r.o.	50.10%	
Elektrotermija Ltd	51.00%	
Elmess Thermosystemtechnik GmbH & Co. KG	100.00%	
Elmess Thermosystemtechnik Verwaltungs-GmbH	100.00%	
Eltwin Sp. z.o.o.	100.00%	100
Emin Teknik Hortum Ve Makine AS	51.00%	161,160
Ernertech Belgium Sprl	100.00%	859,550
Ernertech Global LLC	100.00%	
Ernertech GmbH	100.00%	100
Ernertech Ltd	100.00%	249,000
Fireplace Products Australia Pty Ltd	100.00%	1
Fireplace Products US Inc.	100.00%	1,000,000
Flex Academy D.O.O.	100.00%	
FPI Fireplace Products International Ltd	100.00%	1,604,218
Gaumer Company Inc	100.00%	
Gazco Ltd	100.00%	30,000
Go Geothermal Ltd	50.00%	200
Graybar Ltd	100.00%	2
Heat Safe Cable Systems Ltd	100.00%	1
Heat Trace Holdings Ltd	100.00%	1,501
Heat Trace Ltd	100.00%	1,330
Heating Group International B.V.	51.00%	189
Heatpoint B.V.	100.00%	800
Heatrod Elements Ltd	100.00%	68,000
Heatron Inc.	100.00%	1,200,000
Hemi Heating AB	100.00%	1,500
Hemi Heating Technology Co Ltd	80.00%	
Heiax AS	100.00%	1,000

## 17 • SHARES IN SUBSIDIARIES

Shares owned via subsidiaries	Holding	Number of shares	Shares owned via subsidiaries	Holding	Number of shares
HT Est Division s.r.l.	100.00%	100	Osby Parca Fastighets AB	100.00%	5,000
HT Hezelemente Deutschland GmbH	100.00%	1	Osby Parca Holding AB	60.00%	5,000
Hydraulik-Service i Markaryd AB	100.00%	1,000	Pacific Energy Australia Pty Ltd	100.00%	100
Hyper Engineering Pty Ltd	100.00%		Pacific Energy Fireplace Products Ltd	51.00%	535,148
International Environmental Corp.	100.00%	300	Pellux GmbH	100.00%	
Jac. De Vries Gesta B.V.	100.00%	40	Renting 959 KB	100.00%	
KKT chillers Inc.	100.00%	1,000	Rhoss Deutschland GmbH	100.00%	
Klöpper GmbH & Co. KG	100.00%		Rotterdamse Elementen Fabriek B.V.	100.00%	23
Klöpper-Therm GmbH & Co. KG	100.00%		S.A.C srl	100.00%	4,898,635
Klöpper-Therm Verwaltungs-GmbH	100.00%		Scandymet AB	100.00%	1,000
Klöpper Verwaltungs GmbH	100.00%		Sinus-Jevi Electric Heating B.V.	100.00%	180
KNV Energietechnik GmbH	100.00%		Stovax Ltd	100.00%	190,347
Koax Corp.	100.00%	50	Stovax D1 Ltd	100.00%	1,000
KVM-Genvex A/S	100.00%	2,500	Stovax Group Ltd	100.00%	397,800
Lund & Sørensen AB	100.00%	1,000	Stovax Heating Group (NI) Ltd	100.00%	1
Lund & Sørensen A/S	100.00%	500	Structurgruppen AB	100.00%	1,000
Lund & Sørensen Electric Heating Equipment Accessory Co Ltd	100.00%		Tempeff Inc.	86.50%	78,000
METRO THERM AB	100.00%	1,000	Termorad Spolka z.o.o.	100.00%	80,000
Meyer Vastus AB, Oy	100.00%	20	Termotech S.r.l.	95.00%	
Moravská dopravní společnost, a.s.	100.00%		The Climate Control Group Inc.	100.00%	10,000
Motron A/S	100.00%	1,000	ThermaClime Technologies Inc.	100.00%	10,000
myUpTech AB	100.00%	1,000	Therm-X of California Inc.	51.00%	1,205
myUptech Inc	100.00%	100	Therm-x System Vietnam Technology Co. Ltd.	100.00%	
Nathan Belgie B.V.	100.00%	100	Therm-X SVT LLC	100.00%	
Nathan Holding B.V.	51.00%	9,180	TIKI HVAC d.o.o.	100.00%	
Nathan Industries B.V.	100.00%	180	Turboflame AB	100.00%	3,000
Nathan Projects B.V.	100.00%	100	Üntes Rhoss Sogutma Sistemleri A.S.	80.00%	8,000
Nathan Projects BVBA	100.00%	10	Üntes VRF Klima Sistemleri A.S.	22.00%	880
Nathan Service B.V.	100.00%	18,000	VEÅ AB	100.00%	750
Nathan Systems B.V.	100.00%	100	VEÅ Holding AB	60.00%	300
Nathan Systems NV	100.00%	1,008	Viggo Wahl Pedersen AS	90.00%	700
Naturenergi IWABO AB	100.00%	1,000	Värmeelement i Osby AB	100.00%	1,000
NIBE Beteiligungsverwaltung GmbH	100.00%		Vølund Varmeteknik A/S	100.00%	1,000
NIBE-BIAWAR Sp. z o.o.	100.00%	83,962	WaterFurnace International Inc.	100.00%	100
NIBE Energietechnik B.V.	100.00%	180	Waterkotte Austria GmbH	57.00%	
NIBE Energy Systems Ltd	100.00%	100	Waterkotte Schweiz AG	50.00%	
NIBE Energy Systems Oy	100.00%	15			
NIBE Foyers France S.A.S.	100.00%	370			
NIBE IT R&D d.o.o Beograd	100.00%				
NIBE Systemtechnik GmbH	100.00%				
Norske Backer AS	100.00%	12,000			
Nordpeis Sp. z o.o	100.00%	3,134			
Omni Control Technology Inc.	100.00%	200,000			
Osby Parca AB	100.00%	10,000			

## ACCOUNTING POLICY

### Associates and joint ventures

Companies in which NIBE Industrier AB has a long-term shareholding equivalent to between 20 and 50 percent of the votes, or in which it has significant influence over operating and financial policies in some other way are classified as associates. Investments in associates and joint ventures are recognized in the Group according to the equity method and in the parent according to the cost method. The equity method means that the participation is initially reported at cost at the time of acquisition and subsequently adjusted according to the Group's participation in the associate's earnings.

### PARTICIPATIONS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

(SEK million)	Group	
	2022	2021
Carrying amount at start of year	8	14
Investments for the year	5	-
Share in profits for the year	21	- 8
Reclassification	175	-
Translation differences	10	2
<b>Carrying amount at end of year</b>	<b>219</b>	<b>8</b>

Group (SEK million)							
Name	Corporate ID number	Registered office	Holding	Number of shares	Share of profit/loss	Share of equity	Carrying amount
Produktionskonsult Väst Holding AB	559249-4487	Båstad	49.0%	4,900	1	2	2
Delacroy AB	556590-3613	Gislaved	45.0%	450	1	2	6
HC Holding ETA AG	CHE-168.793.868	Baar, Switzerland	25.0%	25,000	18	202	202
Teramex Austria GmbH	FN333143T	Radentheim, Austria	24.0%	288	-	7	7
Shanghai Canature Fireplace Products Ltd.	9131 0115 7721 1410 65H	Shanghai, China	25.0%	-	1	6	1
Rhoss Ibérica Climatización SL	B63597074	Barcelona, Spain	30.0%	3,000	-	-	1
<b>Total</b>					<b>21</b>	<b>219</b>	<b>219</b>

The holding in Shanghai Canature Fireplace Products is a joint venture.

Parent (SEK million)							
Name	Corporate ID number	Registered office	Holding	Number shares	Dividend	Capital gain	Carrying amount
Produktionskonsult Väst Holding AB	559249-4487	Båstad	49.0%	4,900	-	-	1



## 19 • OTHER NON-CURRENT RECEIVABLES

(SEK million)	Group		Parent	
	2022	2021	2022	2021
Tenancy deposit	-	3	-	-
Advance payment to supplier	-	1	-	-
Other	192	135	-	-
<b>Total</b>	<b>192</b>	<b>139</b>	<b>-</b>	<b>-</b>

## 20 • INVENTORIES

### ACCOUNTING POLICY

Inventories are valued at the lower of cost and replacement cost for raw materials, consumables and finished goods purchased, and at manufacturing cost for goods produced. In no case have inventories been recognized at above net realizable value. Interest is not included in the inventory values. Deliveries between Group companies are invoiced at market prices. Internal gains in Group companies' inventories are eliminated in the consolidated financial statements. These eliminations affect operating profit.

## 21 • EQUITY

### EQUITY

As at the end of the year, there are 2,016,066,488 shares with a quota value of SEK 0.03906 per share.

Each class A share entitles the holder to ten votes at the Annual General Meeting and each class B share to one vote. Class A shares, which represent approximately 57% of the votes, have pre-emption rights as per the company's articles of association. All shares carry the same entitlement to dividends. The company has two shareholders who each hold more than 10% of the votes, one of them a group of shareholders consisting of present and former directors and managers with around 46% of the votes, the other the Schörling family, with around 19% of the votes. At the end of 2022, there were no outstanding convertible loans or options that could risk diluting the share capital. The situation was the same in the preceding year.

### Proposal for appropriation of profits Profits at the disposal of the Annual General Meeting:

Profit brought forward	SEK 3,163 million
Share premium reserve	SEK 4,751 million
Net profit for the year	SEK 1,759 million
<b>Total</b>	<b>SEK 9,673 million</b>

The Board of Directors proposes issuing a dividend to shareholders of SEK 0.65 per share, equivalent to a total pay-out of SEK 1,310 million. A total of SEK 8,363 million will be carried over in the accounts: SEK 4,751 million of this in the share premium reserve and SEK 3,612 million as profit brought forward.

The Board of Directors considers that the proposed dividend is reasonable considering the requirements that the nature, scope and risks of the operations place on the size of the company's and the Group's equity, consolidation needs, liquidity and position in general. This must be seen against the background of the information provided in the Annual Report. Before proposing this dividend, the Board has paid due consideration to the investments planned.

	Quota value (SEK)	Class A shares (no.)	Class B shares (no.)	Total number
At start of year	0.03906	233,130,360	1,782,936,128	2,016,066,488
<b>At year-end</b>	<b>0.03906</b>	<b>233,130,360</b>	<b>1,782,936,128</b>	<b>2,016,066,488</b>

## ACCOUNTING POLICY

### PROVISIONS FOR PENSIONS

#### Defined-benefit pension plans

Defined-benefit pension plans are post-employment benefit plans other than defined-contribution plans.

The Group's net obligations for defined-benefit plans are calculated separately for each plan by estimating the future payment earned by the employee in both current and previous periods. This payment is discounted to present value. The discount rate is the closing interest rate on an investment grade corporate bond, or mortgage bond, of a term consistent with the term of the Group's pension obligations. When there is no active market for this type of corporate bond, the market interest rate for government bonds of an equivalent term is used instead. The calculation is carried out by a qualified actuary using the Projected Unit Credit Method. In addition, the fair value of any plan assets at the end of the reporting period is calculated.

The Group's net obligation consists of the present value of the obligation less the fair value of plan assets adjusted for any asset ceiling.

All components included in the cost for the period for a defined-benefit plan are recognized in profit or loss.

The remeasurement effects consist of actuarial gains and losses. The remeasurement effects are recognized in other comprehensive income.

When the calculation results in an asset for the Group, the carrying amount of the asset is limited to the lower of the plan surplus and the asset ceiling calculated using the discount rate. The asset ceiling is the present value of any future economic benefits in the form of reductions in future contributions to the plan or cash

refunds from the plan. In calculating the present value of future refunds or contributions, any minimum funding requirements are taken into account.

Plan amendments or curtailment of a defined-benefit plan are recognized at the earlier of the following dates: when the plan amendment or curtailment occurs or when the company recognizes related restructuring costs and termination benefits. The amendments/curtailments are recognized immediately in profit or loss.

Employer's payroll tax is a component of the actuarial assumptions, and as such is recognized as a component of the net obligation/net asset. The component of payroll tax that is calculated in a legal entity based on the Pension Obligations Vesting Act is recognized, for the sake of simplicity, as an accrued cost rather than a component of the net obligation/net asset.

Yield tax is recognized in profit or loss for the period to which the tax relates, and is therefore not included in the liability calculation. With funded plans, the tax is charged to the return on plan assets and is recognized in other comprehensive income. For unfunded or partially unfunded plans, the tax is charged to profit for the year.

The Group has defined-benefit pensions chiefly for its Swiss and Swedish companies. Swiss pension plans are funded, which means that plan assets are held to cover pension commitments. The assets are managed by fund managers which are separate legal entities. For Swedish companies, calculations and payments are handled through PRI Pensionstjänst AB. These are unfunded. Consequently,

no plan assets are held for the purpose of securing retirement benefits.

The average remaining period of service is 13.9 years for Switzerland and 11.0 years for Sweden.

The estimated present value of the Group's defined-benefit pension commitments has been based on the actuarial assumptions set out in the table below.

Actuarial assumptions 2022	Switzerland	Sweden
Discount rate on January 1	0.35%	1.85%
Discount rate on December 31	2.20%	3.70%
Expected salary increases	2.00%	3.00%
Expected inflation	1.50%	2.00%
Duration of obligation, years	14	18

Actuarial assumptions 2021	Switzerland	Sweden
Discount rate on January 1	0.15%	1.15%
Discount rate on December 31	0.35%	1.85%
Expected salary increases	1.00%	3.00%
Expected inflation	0.60%	2.00%
Duration of obligation, years	16	20

A sensitivity analysis has been carried out in respect of the significant assumptions applied, and the impact that changed assumptions would have on the Group's pension liabilities is shown in the table below.

### Sensitivity analysis

	Impact on pension liabilities (SEK million)	
	of an increase	of a decrease
Discount rate		
- 0.5 percentage point	- 48	+ 55
Expected salary increases		
- 0.25 percentage point	+ 5	- 4
Expected inflation		
- 0.25 percentage point	+ 15	- 4

## 22 • PROVISIONS FOR PENSIONS

(SEK million)	2022			2021		
	Funded plans	Unfunded plans	Total	Funded plans	Unfunded plans	Total
<b>Reconciliation of pension obligations</b>						
Present value at start of year	1,318	289	1,607	1,311	288	1,599
Present value in acquired companies	-	34	34	-	-	-
Present value in sold companies	- 783	-	- 783	-	-	-
Service cost	24	23	47	9	23	32
Interest on obligations	2	5	7	2	4	6
Contributions from employees	17	-	17	31	-	31
Pensions paid	18	- 5	13	- 10	- 5	- 15
Actuarial gains (-), losses (+) during the period	- 104	- 50	- 154	- 96	- 22	- 118
Settlements	- 5	-	- 5	- 11	-	- 11
Translation differences	75	5	80	82	1	83
<b>Present value at end of year</b>	<b>562</b>	<b>301</b>	<b>863</b>	<b>1,318</b>	<b>289</b>	<b>1,607</b>
<b>Reconciliation of plan assets</b>						
Fair value at start of year	990	-	990	874	-	874
Fair value in sold companies	- 577	-	- 577	-	-	-
Interest income on plan assets	2	-	2	1	-	1
Return	- 5	-	- 5	10	-	10
Contributions paid in	19	-	19	34	-	34
Contributions from employees	17	-	17	31	-	31
Settlements	- 5	-	- 5	- 11	-	- 11
Pensions paid	18	-	18	- 10	-	- 10
Translation differences	62	-	62	61	-	61
<b>Fair value at end of year</b>	<b>521</b>	<b>-</b>	<b>521</b>	<b>990</b>	<b>-</b>	<b>990</b>
<b>Provisions for pensions</b>						
Retirement benefit obligations, present value	562	301	863	1,318	289	1,607
Plan assets, fair value	- 521	-	- 521	- 990	-	- 990
<b>Provisions for pensions</b>	<b>41</b>	<b>301</b>	<b>342</b>	<b>328</b>	<b>289</b>	<b>617</b>
<b>Pension costs recognized in profit or loss</b>						
Service cost	24	23	47	9	23	32
Interest on obligations	2	5	7	2	4	6
Interest income on plan assets	- 2	-	- 2	- 1	-	- 1
<b>Pension costs, defined-benefit plans</b>	<b>24</b>	<b>28</b>	<b>52</b>	<b>10</b>	<b>27</b>	<b>37</b>
Pension costs, defined-contribution plans			255			201
<b>Total pension costs in profit or loss</b>			<b>307</b>			<b>238</b>

## 22 • PROVISIONS FOR PENSIONS

(SEK million)	2022			2021		
	Funded plans	Unfunded plans	Total	Funded plans	Unfunded plans	Total
<b>Pension costs recognized in other comprehensive income</b>						
<b>Actuarial gains (-), losses (+) in respect of:</b>						
- changed financial assumptions	- 139	- 58	- 197	- 40	- 24	- 64
- changed demographic assumptions	-	- 2	- 2	- 76	- 2	- 78
- experience-based adjustments	35	10	45	25	-	25
- difference between actual yield and yield according to discount rate on plan assets	5	-	5	- 10	-	- 10
- employer's payroll tax		- 11	- 11	-	- 2	- 2
<b>Pension costs in other comprehensive income</b>	<b>- 99</b>	<b>- 61</b>	<b>- 160</b>	<b>- 101</b>	<b>- 28</b>	<b>- 129</b>
<b>Reconciliation of provisions for pensions, net</b>						
Opening balance	328	289	617	437	288	725
Provisions in acquired companies	-	34	34	-	-	-
Provisions in sold companies	-206	-	-206	-	-	-
Pension costs, defined-benefit plans	24	28	52	15	27	42
Actuarial differences	- 99	- 50	- 149	- 106	- 22	- 128
Pensions paid	-	- 5	- 5	-	- 6	- 6
Contributions paid in	- 19	-	- 19	- 34	-	- 34
Translation differences	13	5	18	16	2	18
<b>Closing balance</b>	<b>41</b>	<b>301</b>	<b>342</b>	<b>328</b>	<b>289</b>	<b>617</b>
Expected pension costs for defined-benefit plans in 2023	21	11	32	26	5	31
<b>Composition of plan assets</b>						
Shares	177			198		
Interest-bearing securities	148			448		
Property, etc.	196			344		
<b>Total plan assets</b>	<b>521</b>			<b>990</b>		

The parent's recognized pension liabilities amount to SEK 19 (17) million and are calculated in accordance with the Pension Obligations Vesting Act and not IAS 19.

### Defined-contribution plans

These plans primarily cover retirement pensions, disability pensions and family pensions. The premiums are paid continuously throughout the year by each Group company to a separate legal entity, such as an insurance company. The size of the premium is based on salary. The pension costs for the period are included in the income statement.

### ITP occupational pension plan secured via Alecta

The commitments for retirement pensions and family pensions for white-collar staff in Sweden are secured through an insurance policy with Alecta. In accordance with a statement from the Swedish Financial Reporting Board, UFR 10, this is a multi-employer defined-benefit plan. For the 2022 financial year, the company has not had access to sufficient information to enable it to recognize this plan as a defined-benefit plan. The ITP pension plan, secured through an insurance policy with Alecta, is therefore recognized as a defined-contribution plan.

The contributions for the year for pension insurance policies taken out with Alecta amounted to SEK 24 (25) million. Alecta's surplus can be distributed to the policyholders and/or the insured. At the end of 2022 Alecta's surplus expressed as the collective funding ratio was 172% (172%). The collective funding ratio is the market value of Alecta's assets as a percentage of its insurance obligations, calculated by reference to Alecta's actuarial assumptions. This is not consistent with IAS 19.

## 23 • OTHER PROVISIONS

Warranties are normally provided for one to three years, but longer warranty periods may be provided in individual cases. The warranty risk reserve is calculated based on the cost history of these commitments.

## 24 • LIABILITIES TO CREDIT INSTITUTIONS

As two of the Group's credit agreements expire in 2023, the liabilities under the agreements have been recognized as current liabilities.

Current liabilities to credit institutions also include overdraft facilities. The Group's available credit facilities amount to SEK 759 (506) million, which is an increase of SEK 253 million during the year. During the year the parent took out a short-term, variable interest bank loan of SEK 1,600 million. The parent does not have an overdraft facility.

(SEK million)	Warranty risk reserve	Other	Total Group	Parent
<b>Amount on Dec 31, 2020</b>	<b>673</b>	<b>223</b>	<b>896</b>	-
Provisions in acquired companies	6	3	9	-
Provisions during the year	242	49	291	-
Amount utilized during the year	- 115	- 10	- 125	-
Reversed provisions	- 11	- 90	- 101	-
Translation differences	37	1	38	-
<b>Amount on Dec 31, 2021</b>	<b>832</b>	<b>176</b>	<b>1,008</b>	-
Provisions in acquired companies	29	7	36	-
Provisions in sold companies	- 10	- 2	- 12	-
Provisions during the year	142	10	152	-
Amount utilized during the year	- 123	- 11	- 134	-
Reversed provisions	- 112	35	- 147	-
Translation differences	63	3	66	-
<b>Amount on Dec 31, 2022</b>	<b>821</b>	<b>148</b>	<b>969</b>	-

## 25 • BOND LOANS

(SEK million)	Group		Parent	
	2022	2021	2022	2021
Loan at a variable rate of Stibor + 135 points due in April 2022	-	1,600	-	1,600
Loan at a variable rate of Stibor + 105 points due in September 2023	1,100	1,100	1,100	1,100
Loan of SEK 150 million at a fixed rate of 1.45% due in September 2023	150	150	150	150
Loan at a variable rate of Stibor + 115 points due in June 2024	1,250	1,250	1,250	1,250
Loan at a variable rate of Stibor + 85 points due in June 2026	2,000	2,000	2,000	2,000
Loan at a variable rate of Stibor + 125 points due in April 2028	1,000	1,000	1,000	1,000
<b>Total</b>	<b>5,500</b>	<b>7,100</b>	<b>5,500</b>	<b>7,100</b>

## 27 • OTHER LIABILITIES

The Group has estimated additional consideration payments of SEK 597 (103) million that are due within one year. As in the previous year, the parent had no additional consideration due for payment within one year.

## 28 • ACCRUED EXPENSES AND DEFERRED INCOME

(SEK million)	Group		Parent	
	2022	2021	2022	2021
Accrued salaries	634	578	9	8
Accrued social security contributions	193	167	3	2
Deferred income	357	321	-	-
Other items	1,109	826	30	18
<b>Amount at end of year</b>	<b>2,293</b>	<b>1,892</b>	<b>42</b>	<b>28</b>

## 26 • OTHER LIABILITIES, NON-INTEREST-BEARING

The size of additional consideration is mainly dependent on the future financial performance of the acquired entities. There may be other elements to consider for some acquisitions, such as environmental measures. Additional consideration refers to liabilities to minority shareholders for the acquisition of additional shares under agreements made. The amounts specified are based on expected financial performance. There are no cases of an upper limit to the amount of additional consideration. The expected amounts are revalued regularly in line with management's best assessments in each case. For 2022, these revaluations had a net effect of SEK -33 million on the Group's earnings as a result of increased demand due to the external situation. The revaluations include discounting. Liabilities recognized for the parent refer in full to expected additional consideration. See Note 29 for an analysis of the terms.

(SEK million)	Additional consideration	Other	Total Group	Parent
<b>Amount on Dec 31, 2020</b>	<b>2,271</b>	<b>324</b>	<b>2,595</b>	<b>508</b>
Recognized as liabilities during the year	252	-	252	-
Settled during the year	- 84	-	- 84	-
Reversed during the year	-30	-	-30	-
Reclassifications	- 73	- 16	- 89	- 2
Translation differences	127	7	134	19
<b>Amount on Dec 31, 2021</b>	<b>2,463</b>	<b>315</b>	<b>2,778</b>	<b>525</b>
Recognized as liabilities during the year	845	39	884	875
Settled during the year	-46	-	-46	-
Liabilities in sold companies	- 83	- 245	- 328	-
Reclassifications	- 273	-	- 273	-
Translation differences	276	5	281	81
<b>Amount on Dec 31, 2022</b>	<b>3,182</b>	<b>114</b>	<b>3,296</b>	<b>1,481</b>

## ACCOUNTING POLICY

### Financial instruments

Financial instruments recognized under assets in the balance sheet include cash and equivalents, trade receivables, unlisted shares, interest-bearing securities, derivatives and other receivables. Financial instruments recognized under liabilities include trade payables, borrowings, other liabilities, derivatives and contingent consideration liabilities.

### Initial recognition and measurement

Trade receivables and issued debt securities are recognized when they are issued. Other financial assets and liabilities are recognized when the Group becomes a party to the contractual terms of the instrument. Financial instruments are initially recognized at fair value plus or minus transaction expenses, except for instruments measured at fair value through profit or loss on a continuing basis, for which transaction costs are instead recognized as an expense when they arise. Trade receivables (without a significant financing component) are initially measured at the transaction price determined under IFRS 15.

### Classification and subsequent measurement of financial assets

On initial recognition, a financial asset under IFRS 9 is classified as measured at amortized cost, fair value through other comprehensive income (debt securities investment), fair value through other comprehensive income (equity investment) or fair value through profit or loss. A description of how NIBE's various holdings of financial assets have been classified is given below:

#### Holdings of fixed income funds

The Group has holdings of fixed income funds that are measured at fair value through profit or loss as, from the perspective of the fund, the fund units are liabilities, while the funds do not consist solely of payment of principal and interest.

#### Endowment insurance

The endowment policies are measured at fair value through profit or loss.

#### Derivative assets

See below under 'Derivatives and hedge accounting'.

### Other financial assets

All other financial assets, which make up most of the Group's financial assets, are recognized at amortized cost. This is because they are held within the framework of a business model whose goal is to collect contractual cash flows, while the cash flows from the assets consist solely of payments of principal and interest.

### Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at amortised cost or measured at fair value through profit or loss. The financial liabilities measured at fair value through profit or loss consist of contingent consideration for business acquisitions. All other financial liabilities are recognized at amortized cost using the effective interest rate method. The liabilities measured at amortized cost also include liabilities that will be paid for minority shareholders' participations in connection with the application of the AAM. Non-current liabilities have an expected maturity of more than one year, while current liabilities have an expected maturity of up to one year.

### Derecognition of financial assets and financial liabilities

The Group derecognizes a financial asset from the balance sheet when the contractual right to the cash flows from the financial asset expires or if the Group transfers the right to receive the contractual cash flows in a transaction that transfers substantially all the risks and rewards of ownership. A financial liability is derecognized from the balance sheet when the contractual obligations are discharged, cancelled or expire. The Group also derecognizes a financial liability when the contractual terms and conditions are modified and the cash flows from the modified liability are substantially different. In this case, a new financial liability is recognized at fair value based on the modified terms and conditions.

### Derivatives and hedge accounting

#### Currency hedging

Forward contracts are recognized at fair value in the balance sheet, both initially and on subsequent remeasurement. To fulfill the requirements for hedge accounting, there is a clear link between the derivative and the hedged items. In addition, calculations of effectiveness and all hedging relationships are documented. For cash flow hedges, changes in the fair value of hedging instruments,



to the extent that the hedge is effective, are recognized in other comprehensive income until the underlying hedged item is recognized in profit or loss. The ineffective portion is recognized in profit or loss immediately.

#### Price hedging

Forward contracts used to hedge prices of raw materials are measured at fair value in the balance sheet, both initially and on subsequent remeasurement. To fulfill the requirements for hedge accounting, there is a clear link between the derivative and the hedged items. In addition, calculations of effectiveness and all hedging relationships are documented. For price hedging of raw materials flows, changes in the fair value of hedging instruments are recognized, to the extent that the hedge is effective, under other comprehensive income until the underlying hedged item is recognized in profit or loss. The ineffective portion is recognized in profit or loss immediately.

#### Hedging of net investment

Hedges of net investments in foreign operations are accounted for in a similar way to cash flow hedges. The portion of the gain or loss on a hedging instrument that is determined to be an effective hedge is recognized in other comprehensive income. The ineffective portion is recognized in profit or loss immediately.

#### Fair value of financial instruments

The fair value of financial instruments which are not traded in an active market is determined using valuation techniques. In this process, market information is used as far as possible when this is available, while company-specific information is used as little as possible. If all the significant inputs required to establish the fair

value of an instrument are observable, the instrument is classified in level two. If one or more of the significant inputs is not based on observable market data, the instrument is classified in level three.

NIBE recognizes currency derivatives, interest rate derivatives, commodity derivatives, contingent consideration attributable to acquisitions made after July 1, 2014, endowment policies and investments of excess liquidity in listed securities at fair value in the annual report.

When the fair value of an asset or liability is determined, the Group uses observable data as far as possible. Fair value is categorized into different levels in a fair value hierarchy based on inputs used in the valuation technique as follows:

Level 1: According to prices quoted on an active market for identical instruments.

Level 2: Based on directly or indirectly observable inputs in the market that are not included in level 1.

Level 3: Based on unobservable inputs in the market.

Listed securities are measured according to level 1, while currency derivatives, interest-rate derivatives, commodity derivatives and endowment policies are measured according to level 2. Contingent consideration concerning acquisitions of shares resulting in a business combination comes under level 3 in the valuation hierarchy.

#### Foreign currency receivables and liabilities

Foreign currency receivables and liabilities are measured at the closing rate. In the event that hedge accounting is applied, see the separate section above on hedging.

NIBE Group's financial assets consist primarily of trade receivables and bank balances. Financial liabilities consist primarily of loans from credit institutions, bond loans and trade payables. The various financial risks which may be associated with these assets and liabilities, and NIBE Group's method of managing the risks are described below. The parent's risk management is in line with the Group's risk management practice, unless otherwise specified below.

## CURRENCY RISKS

Currency risks refer to the risk that exchange rate fluctuations may have a negative effect on the Group's performance and position. NIBE is exposed to currency risks both through regular business transactions in various currencies and because the Group has operations in different currency zones. These risks can be divided into transaction risks and translation risks.

### Transaction risks

Transaction risk is the risk of exchange losses from regular business transactions in foreign currencies, for example, a trade receivable in a foreign currency falling in value due to fluctuations in the currency's exchange rate. As part of the Group's currency hedging policy, regular sales and purchases made in a foreign currency or linked to changes in a foreign currency must be hedged under a rolling 12-month plan within the range 60-100% of the estimated flows. The degree of hedging of future flows determines where in the range the figure is to lie. In 2022 the Group's flows in foreign currencies were as shown below. Flow refers to flows in currencies other than local currency. Weakening refers to weakening against other currencies, not taking into account hedging.

At the end of 2022, the Group had outstanding forward exchange contracts in accordance with the adjacent table. The total value of the contracts (calculated as the net of purchase and selling contracts in each currency) translated to SEK at the closing rate amounted to SEK 631 (552) million.

The difference between the total amounts of the contracts translated to SEK using the contract rate and the total amounts of the contracts translated to SEK using the closing rate at the end of 2022 represents an unrealized exchange gain of SEK 5 million.

Other receivables in the consolidated balance sheet includes derivatives with positive fair values of SEK 39 (20) million. Other liabilities includes derivatives with negative fair values of SEK 40 (19) million.

Currency	Group		Parent	
	Net flow in (+)/out (-)	Weakening by 1%	Net flow in (+)/out (-)	Weakening by 1%
AUD	24	-	-	-
CAD	7	-	-	-
CHF	317	- 3	-	-
CNY	- 2	-	-	-
CZK	- 5	-	-	-
DKK	281	- 3	-	-
EUR	2,183	- 22	- 2	-
GBP	219	- 2	-	-
HKD	22	-	-	-
MXN	- 445	4	-	-
NOK	274	- 3	-	-
PLN	- 65	1	-	-
RUB	3	-	-	-
SEK	- 7	-	-	-
USD	- 46	-	- 8	-
<b>Total</b>	<b>2,760</b>		<b>- 10</b>	

### Outstanding contracts on the closing date, net sales (+)/purchases (-), flow in each currency

Currency	Flow Q1	Flow Q2	Flow Q3	Flow Q4	Average forward rate	Closing rate	Unrealized gain/loss Dec 31, 2022	Unrealized gain/loss Dec 31, 2021
AUD	1	3	3	1	6.90	7.09	- 1	-
CHF	1	2	2	1	10.94	11.29	- 2	- 3
DKK	3	18	3	3	1.47	1.50	- 1	-
EUR	10	18	10	10	11.04	11.13	- 4	- 5
GBP	2	2	2	2	12.70	12.58	1	- 1
MXN	- 146	- 74	- 75	- 49	0.50	0.54	12	-
NOK	3	3	3	3	1.06	1.06	-	- 1
USD	1	- 1	-	2	10.47	10.44	-	2
<b>Total</b>							<b>5</b>	<b>- 8</b>
Of which recognized in income statement at end of period							6	- 10
Of which recognized in other comprehensive income at end of period							- 1	2

### Translation risks

Translation risks refer to the risk of exchange losses on the translation of the income statements and balance sheets of foreign subsidiaries to the Swedish krona, the Group's presentation currency. To minimize translation risks, assets are financed, where possible, in the same currency; this means that exchange rate fluctuations on borrowings are recognized in other comprehensive income. At the end of 2022, the Group held net assets in foreign currencies in accordance with the figures given below with allowance for financing. Net assets also include assets other than those classed as financial instruments.

If the Swedish krona weakens by 1% against the named currencies, the Group's equity will be strengthened by SEK 290 (265) million. If the Swedish krona strengthens by 1% against the named currencies,

the reverse applies. Without currency hedging through financing in the same currency, the corresponding amount would have been SEK 306 (269) million.

The parent's risk consists of the risk of exchange rate fluctuations on provisions in foreign currencies for the acquisition of foreign subsidiaries. Exchange rate fluctuations on these are recognized in net financial items. At year-end, the parent had provisions in foreign currencies as listed below.

If the Swedish krona strengthens by 1% against the named currencies, the parent's equity will increase by SEK 15 (5) million. If the Swedish krona weakens by 1% against the named currencies, the reverse applies.

Currency	Net assets	Hedging	2022
AUD	130	-	130
CAD	2,175	-	2,175
CHF	3,065	- 41	3,024
CRC	2	-	2
CZK	1,045	-	1,045
DKK	1,518	-	1,518
EUR	5,697	- 1,398	4,299
GBP	1,604	- 214	1,390
HKD	221	-	221
MYR	7	-	7
MXN	148	-	148
NOK	827	-	827
PLN	1,123	-	1,123
RON	82	-	82
RUB	-	-	-
RSD	601	-	601
SGD	22	-	22
TRY	580	-	580
TWD	3	-	3
VND	128	-	128
THB	51	-	51
USD	11,613	-	11,613
<b>Total</b>	<b>30,642</b>	<b>- 1,653</b>	<b>28,989</b>

Currency	Net assets	Hedging	2021
AUD	81	-	81
CAD	1,694	-	1,694
CHF	4,411	-	4,411
CZK	822	-	822
DKK	1,259	-	1,259
EUR	3,670	- 268	3,402
GBP	1,734	- 99	1,635
HKD	140	-	140
MYR	3	-	3
MXN	83	-	83
NOK	718	-	718
PLN	857	-	857
RON	79	-	79
RUB	149	-	149
RSD	501	-	501
SGD	20	-	20
TRY	544	-	544
VND	73	-	73
THB	43	-	43
USD	9,993	-	9,993
<b>Total</b>	<b>26,874</b>	<b>- 367</b>	<b>26,507</b>

### PARENT

Currency	2022	2021
EUR	1,369	416
GBP	112	109
<b>Total</b>	<b>1,481</b>	<b>525</b>

### Credit risk

Credit risk refers to the risk that a counterparty may not fulfill its obligations. In operations where goods or services are supplied on a deferred payment basis, bad debt losses cannot be wholly avoided. To minimize these risks, credit assessments are carried out regularly for major credit. The normal credit period is 30 days. There are regional variations with both shorter and longer credit periods. Security is not normally held for receivables.

It is our opinion that the Group has an effective credit monitoring process which has meant that the Group has not so far been adversely affected by bad debt losses of any significance. Provisions have been made after individual assessment of overdue receivables.

### Overdue receivables

(SEK million)	2022	2021
Receivables, wholly or partly impaired		
– overdue by less than 3 months	33	161
– overdue by more than 3 months	93	79
Receivables, not impaired		
– overdue by less than 3 months	847	670
– overdue by more than 3 months	230	147
<b>Total overdue receivables</b>	<b>1,203</b>	<b>1,057</b>
Provision for credit losses	– 94	– 88
<b>Total receivables overdue but not impaired</b>	<b>1,109</b>	<b>969</b>

### Provision for credit losses

(SEK million)	2022	2021
Provisions brought forward	88	81
Provisions in acquired companies	–	1
Provisions in sold companies	– 15	–
Established credit losses	– 3	– 2
Reversed provisions	– 17	– 9
Provisions for the year	33	13
Translation differences	8	4
<b>Provisions carried forward</b>	<b>94</b>	<b>88</b>

Credit losses of SEK 25 (15) million on the Group's receivables have been recognized in profit for the year.

### Gains and losses on financial instruments

(SEK million)	Group		Parent	
	2022	2021	2022	2021
Exchange gains and losses on currency derivatives used for hedge accounting recognized				
– as other operating income	–	14	–	–
– in other comprehensive income	– 1	– 12	–	–
Gains and losses on commodity derivatives used for hedge accounting recognized				
– as cost of goods sold	7	4	–	–
– in other comprehensive income	1	–	–	–
Exchange gains and losses on other financial assets and liabilities recognized				
– as other operating income	400	243	–	–
– as cost of goods sold	– 362	– 192	–	–
– as financial income	348	110	212	128
– as other financial expenses	– 315	– 69	– 100	– 28
Credit losses on trade receivables recognized as selling expenses	– 25	– 15	–	–
<b>Total</b>	<b>53</b>	<b>106</b>	<b>112</b>	<b>100</b>

The items recognized above as gains and losses are exchange gains, exchange losses and losses on credit granted. Interest has not been included. The Group's reporting system does not permit the allocation of exchange gains and exchange losses to the various classes of financial assets and liabilities.

### Fair value of financial instruments

The fair value of financial instruments may deviate from their carrying amount as a result of changes in market interest rates and other factors. For the Group's liabilities with a floating rate, fair value is estimated to be the same as the carrying amount. The Group has one fixed-rate bond. For these bonds, fair value has been calculated by discounting future cash flows at current market interest rates. The valuation of these bonds is at level 2 in the valuation hierarchy.

Fair value corresponds to the carrying amount for non-interest-bearing assets and liabilities such as trade receivables and trade payables. No instruments have been offset in the balance sheet. All instruments are recognized at their gross value. For the Group's other financial assets and liabilities, the carrying amounts represent a reasonable approximation of their fair value.

Assets Dec 31, 2022 (SEK million)	Measured at amortized cost	Measured at fair value through profit or loss	Derivatives used for hedge accounting	Non- financial assets	Total carrying amount	Fair value
Intangible assets	-	-	-	22,568	22,568	
Property, plant and equipment	-	-	-	8,273	8,273	
Participations in associates and jointly controlled entities	-	-	-	219	219	
Non-current receivables from associates	211	-	-	-	211	211
Investments held as non-current assets	-	31	-	-	31	31
Deferred tax assets	-	-	-	348	348	
Other non-current receivables	192	-	-	-	192	192
Inventories	-	-	-	10,191	10,191	
Trade receivables	5,813	-	-	-	5,813	5,813
Trade receivables from associates	28	-	-	-	28	28
Tax assets	-	-	-	155	155	
Other receivables	659	-	42	-	701	701
Prepaid expenses and accrued income	-	-	-	447	447	
Investments in securities, etc.	-	190	-	-	190	190
Cash and cash equivalents	4,627	-	-	-	4,627	4,627
<b>Total assets</b>	<b>11,530</b>	<b>221</b>	<b>42</b>	<b>42,201</b>	<b>53,994</b>	

Assets Dec 31, 2021 (SEK million)	Measured at amortized cost	Measured at fair value through profit or loss	Derivatives used for hedge accounting	Non- financial assets	Total carrying amount	Fair value
Intangible assets	-	-	-	20,363	20,363	
Property, plant and equipment	-	-	-	6,131	6,131	
Participations in associates and jointly controlled entities	-	-	-	8	8	
Non-current receivables from associates	48	-	-	-	48	48
Investments held as non-current assets	-	45	-	-	45	45
Deferred tax assets	-	-	-	389	389	
Other non-current receivables	139	-	-	-	139	139
Inventories	-	-	-	6,584	6,584	
Trade receivables	4,064	-	-	-	4,064	4,064
Trade receivables from associates	11	-	-	-	11	11
Tax assets	-	-	-	171	171	
Other receivables	330	-	23	-	353	353
Prepaid expenses and accrued income	-	-	-	342	342	
Investments in securities, etc.	-	224	-	-	224	224
Cash and cash equivalents	4,522	-	-	-	4,522	4,522
<b>Total assets</b>	<b>9,114</b>	<b>269</b>	<b>23</b>	<b>33,988</b>	<b>43,394</b>	

## 29 • FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Equity and liabilities Dec 31, 2022 (SEK million)	Financial liabilities measured at amortized cost	Derivatives used for hedge accounting	Non-financial items	Total carrying amount	Fair value
Equity	-	-	27,973	27,973	
Provisions	-	-	2,787	2,787	
Non-current liabilities*	8,408	-	-	8,408	8,408
Lease liabilities (non-current and current)	1,568	-	-	1,568	1,568
Current interest-bearing liabilities	4,463	-	-	4,463	
Trade payables	4,042	-	-	4,042	4,042
Advance payments from customers	232	-	-	232	232
Tax liabilities	-	-	693	693	
Other liabilities	1,495	40	-	1,535	1,535
Accrued expenses and deferred income	2,293	-	-	2,293	2,293
<b>Total equity and liabilities</b>	<b>22,501</b>	<b>40</b>	<b>31,453</b>	<b>53,994</b>	

\*Of which SEK 1,653 million refers to loans in foreign currencies to hedge net investment in foreign operations.

Equity and liabilities Dec 31, 2021 (SEK million)	Financial liabilities measured at amortized cost	Derivatives used for hedge accounting	Non-financial items	Total carrying amount	Fair value
Equity	-	-	21,657	21,657	
Provisions	-	-	3,012	3,012	
Non-current liabilities*	9,002	-	-	9,002	9,002
Lease liabilities (non-current and current)	1,107	-	-	1,107	1,107
Current interest-bearing liabilities	2,451	-	-	2,451	
Trade payables	2,818	-	-	2,818	2,818
Advance payments from customers	148	-	-	148	148
Tax liabilities	-	-	451	451	
Other liabilities	837	19	-	856	856
Accrued expenses and deferred income	1,892	-	-	1,892	1,892
<b>Total equity and liabilities</b>	<b>18,255</b>	<b>19</b>	<b>25,120</b>	<b>43,394</b>	

\*Of which SEK 97 million refers to loans in foreign currencies to hedge net investment in foreign operations.

### Hedge accounting

In 2022, hedge accounting was applied in accordance with IAS 39 in relation to:

- Cash flow hedging through currency derivatives for future receipts and disbursements in foreign currency.
- Price hedging of raw materials through commodity derivatives. At the end of 2022, outstanding contracts maturing in Q1 2023 totaled SEK 15 million, with SEK 3 million as an unrealized gain recognized in other receivables.
- Hedge accounting by financing net investments in foreign operations in foreign currency. This means that exchange-rate fluctuations on these loan liabilities are recognized directly in other comprehensive income if there is a net asset in the consolidated balance sheet to hedge.

For information on the amounts recognized in other comprehensive income, see the income statements on pages 82 and 96.

### Capital risk

Capital risk refers to the risk that the Group's ability to continue as a going concern may be inhibited due to a shortage of capital. The Group assesses the day-to-day risk based on the equity/assets ratio, calculated as recognized equity as a percentage of total assets. The target is for the equity/assets ratio not to fall below 30%. Over the most recent five-year period, the equity/assets ratio has averaged 48.9%. The Group can counteract any shortage of capital through new issues or reductions in dividends. At NIBE, capital is defined as total equity as recognized in the balance sheet (see pages 86 and 96). The covenants set by the Group's external creditors were met by good margins.

### Interest rate risk

Interest rate risk is the risk that changes in market interest rates will have a negative impact on cash flow or the fair value of financial assets and liabilities. Since all borrowing in the NIBE Group apart from one bond is at floating interest, the Group is exposed only to cash flow risk from financial borrowing.

The Group's interest-bearing liabilities at year-end amounted to SEK 11,357 million. The average interest rate was 2.4%. A 1% change in the interest rate, with constant liabilities, would have an impact of SEK 114 million on the Group's earnings.

The NIBE Group's policy is that the fixed interest period for loans shall, as far as possible, offset the commitment period of the incoming cash flows.

The parent's interest-bearing liabilities at year-end amounted to SEK 7,100 million. A 1% change in the interest rate, with constant liabilities, would have an impact of SEK 71 million on the parent's earnings.

### Financing risks

Financing risk refers to the risk that difficulties may arise in financing the Group's operations, thus leading to an increase in costs in the short and long terms.

The Group's cash flow is good, and is expected to remain so in the future. This is of material significance in enabling necessary investments to be made and other obligations to be fulfilled. The Group also has a proactive strategy related to acquiring businesses. The target is annual growth of 20%. In the long term, at least half of this growth should be organic.

In individual years, the total capital requirement may exceed internal cash flow. It is estimated that this can be financed through the traditional banking system, the stock market and the capital market without incurring abnormal costs. The amounts given in the table are the contractual undiscounted cash flows.

## 29 • FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Group Dec 31, 2022		Maturity structure of financial liabilities				
(SEK million)	Nominal amount	Total	< 1 year	1-2 years	3-4 years	>5 years
Non-current liabilities to credit institutions	852	892	-	892	-	-
Bond loans	5,500	5,863	1,265	1,298	2,168	1,132
Other non-current liabilities	124	125	-	125	-	-
Additional consideration	3,779	3,779	597	1,508	896	778
Current liabilities to credit institutions	3,213	3,213	3,213	-	-	-
Trade payables	4,042	4,042	4,042	-	-	-
Advance payments from customers	232	232	232	-	-	-
Derivatives used for hedge accounting	40	40	40	-	-	-
Other current liabilities	899	899	899	-	-	-
Accrued expenses and deferred income	2,293	2,293	2,293	-	-	-
Lease liabilities	1,568	1,508	453	362	540	153
<b>Total financial liabilities</b>	<b>22,542</b>	<b>22,886</b>	<b>13,034</b>	<b>4,185</b>	<b>3,604</b>	<b>2,063</b>

Group Dec 31, 2021		Maturity structure of financial liabilities				
(SEK million)	Nominal amount	Total	< 1 year	1-2 years	3-4 years	>5 years
Non-current liabilities to credit institutions	713	727	-	168	-	559
Bond loans	7,100	7,364	1,619	2,575	2,100	1,070
Other non-current liabilities	334	341	-	341	-	-
Additional consideration	2,565	2,565	110	268	1,581	606
Current liabilities to credit institutions	851	857	857	-	-	-
Trade payables	2,818	2,818	2,818	-	-	-
Advance payments from customers	148	148	148	-	-	-
Derivatives used for hedge accounting	19	19	19	-	-	-
Other current liabilities	727	727	727	-	-	-
Accrued expenses and deferred income	1,892	1,892	1,892	-	-	-
Lease liabilities	1,107	1,141	325	263	412	141
<b>Total financial liabilities</b>	<b>18,274</b>	<b>18,599</b>	<b>8,515</b>	<b>3,615</b>	<b>4,093</b>	<b>2,376</b>

Parent Dec 31, 2022		Maturity structure of financial liabilities				
(SEK million)	Nominal amount	Total	< 1 year	1-2 years	3-4 years	>5 years
Bond loans	5,500	5,863	1,265	1,298	2,168	1,132
Additional consideration	1,481	1,481	-	656	112	713
Current liabilities to credit institutions	1,600	1,658	1,658	-	-	-
Current liabilities to Group companies	4	4	4	-	-	-
Trade payables	18	18	18	-	-	-
Other current liabilities	3	3	3	-	-	-
Accrued expenses and deferred income	42	42	42	-	-	-
<b>Total financial liabilities</b>	<b>8,648</b>	<b>9,069</b>	<b>2,990</b>	<b>1,954</b>	<b>2,280</b>	<b>1,845</b>

Parent Dec 31, 2021		Maturity structure of financial liabilities				
(SEK million)	Nominal amount	Total	< 1 year	1-2 years	3-4 years	>5 years
Bond loans	7,100	7,364	1,619	2,575	2,100	1,070
Additional consideration	525	525	-	-	416	109
Current liabilities to Group companies	3	3	3	-	-	-
Trade payables	7	7	7	-	-	-
Other current liabilities	2	2	2	-	-	-
Accrued expenses and deferred income	28	28	28	-	-	-
<b>Total financial liabilities</b>	<b>7,665</b>	<b>7,929</b>	<b>1,659</b>	<b>2,575</b>	<b>2,516</b>	<b>1,179</b>



## 30 • PLEDGED ASSETS

(SEK million)	Group		Parent	
	2022	2021	2022	2021
Floating charges	4	2	-	-
Real estate mortgages	3	200	-	-
Equipment with retention of title	46	43	-	-
Receivables	153	120	18	16
<b>Total pledged assets</b>	<b>206</b>	<b>365</b>	<b>18</b>	<b>16</b>

## 31 • CONTINGENT LIABILITIES

(SEK million)	Group		Parent	
	2022	2021	2022	2021
Pension commitments not recognized under liabilities or provisions	6	4	-	-
Contingent liabilities on behalf of other Group companies	-	-	2,499	1,176
<b>Total contingent liabilities</b>	<b>6</b>	<b>4</b>	<b>2,499</b>	<b>1,176</b>

There is contaminated soil at six of the Group's production plants in Sweden, Denmark, the UK and the Czech Republic. No contingent liabilities have been recognized for this as it is deemed extremely unlikely that any of this could entail significant costs if the Group were held liable.

The parent's contingent liabilities mainly concern surety to credit institutions for subsidiaries' borrowings.

## ACCOUNTING POLICY

The indirect method has been used, which means that net profit is adjusted for transactions that have not given rise to cash inflows or outflows during the period, and for any income and expense attributable to cash flow from investing or financing activities. Cash and cash equivalents include cash on hand and demand deposits with banks, as well as investments in securities.

## CASH FLOW FROM FINANCING ACTIVITIES

Group (SEK million)	Liabilities to credit institu- tions	Bonds	Other liabili- ties	Total
<b>Amount on Dec 31, 2020</b>	<b>3,356</b>	<b>5,600</b>	<b>3,642</b>	<b>12,598</b>
<b>Changes affecting cash flow</b>				
Amortization of non- current loans	- 1,980	- 1,500	- 45	- 3,525
Amortization of lease liabilities	-	-	- 338	- 338
Proceeds from borrow- ings	145	3,000	-	3,145
<b>Total</b>	<b>- 1,835</b>	<b>1,500</b>	<b>- 383</b>	<b>- 718</b>
<b>Changes not affecting cash flow</b>				
Liabilities in acquired companies	10	-	31	41
Recognized as liabilities during the year	-	-	651	651
Reversed during the year	-	-	- 187	- 187
Change in fair value	-	-	- 53	- 53
Translation differences	33	-	195	228
<b>Total</b>	<b>43</b>	<b>-</b>	<b>637</b>	<b>680</b>
<b>Amount on Dec 31, 2021</b>	<b>1,564</b>	<b>7,100</b>	<b>3,896</b>	<b>12,560</b>
<b>Changes affecting cash flow</b>				
Amortization of non- current loans	- 183	- 1,600	- 53	- 1,836
Amortization of lease liabilities	-	-	- 365	- 365
Proceeds from borrow- ings	3,059	-	-	3,059
<b>Total</b>	<b>2,876</b>	<b>- 1,600</b>	<b>- 418</b>	<b>858</b>
<b>Changes not affecting cash flow</b>				
Liabilities in acquired companies	159	-	86	245
Liabilities in sold com- panies	- 631	-	- 99	- 730
Recognized as liabilities during the year	-	-	1,239	1,239
Reversed during the year	-	-	- 4	- 4
Change in fair value	-	-	- 246	- 246
Translation differences	97	-	420	517
<b>Total</b>	<b>- 375</b>	<b>-</b>	<b>1,396</b>	<b>1,021</b>
<b>Amount on Dec 31, 2022</b>	<b>4,065</b>	<b>5,500</b>	<b>4,874</b>	<b>14,439</b>

Parent (SEK million)	Liabilities to credit institu- tions	Bonds	Other liabilities non- interest- bearing	Total
<b>Amount on Dec 31, 2020</b>	<b>-</b>	<b>5,600</b>	<b>508</b>	<b>6,108</b>
<b>Changes affecting cash flow</b>				
Amortization of non-current loans	-	- 1,500	-	- 1,500
Proceeds from borrowings	-	3,000	-	3,000
<b>Total</b>	<b>-</b>	<b>1,500</b>	<b>-</b>	<b>1,500</b>
<b>Changes not affecting cash flow</b>				
Recognized as liabilities during the year	-	-	-	-
Reclassification	-	-	- 2	- 2
Translation differences	-	-	19	19
<b>Total</b>	<b>-</b>	<b>-</b>	<b>17</b>	<b>17</b>
<b>Amount on Dec 31, 2021</b>	<b>-</b>	<b>7,100</b>	<b>525</b>	<b>7,625</b>
<b>Changes affecting cash flow</b>				
Amortization of non-current loans	-	- 1,600	-	- 1,600
Proceeds from borrow- ings	1,600	-	-	1,600
<b>Total</b>	<b>1,600</b>	<b>- 1,600</b>	<b>-</b>	<b>-</b>
<b>Changes not affecting cash flow</b>				
Recognized as liabilities during the year	-	-	875	875
Translation differences	-	-	81	81
<b>Total</b>	<b>-</b>	<b>-</b>	<b>956</b>	<b>956</b>
<b>Amount on Dec 31, 2022</b>	<b>1,600</b>	<b>5,500</b>	<b>1,481</b>	<b>8,581</b>

## 33 • SALE OF BUSINESSES

### Disposals during the year

At the end of June, the company sold an additional 26% of the shares in HC Holding ETA AG, a company formed in 2019 together with Helvetica Capital AG and the management of the washing machine company Schulthess Maschinen AG of Switzerland. In connection with the establishment of HC Holding ETA AG in 2019, NIBE acquired 51% of the shares and 100% of the holding in Schulthess Maschinen AG was sold to the newly formed company. The sale of the shares in the reporting period took place after the other shareholders exercised their option to acquire an additional 26% of the shares in 2022, and the aim is to sell the remaining 25% of the shares in three to four years' time. Following the sale, the holding in HC Holding ETA AG is accounted for as an associate. See Note 18. A capital gain of SEK 232 million on the sale is recognized under Other operating income. See Note 5.

The impact on cash and cash equivalents is as follows	Group	
	2022	2021
(SEK million)		
Consideration	229	-
Cash and cash equivalents in sold companies	- 103	-
<b>Effect on the Group's cash and cash equivalents</b>	<b>126</b>	<b>-</b>

Sold net assets are as follows	Group	
	2022	2021
(SEK million)		
Goodwill	921	-
Market positions	106	-
Brands	282	-
Other intangible assets	168	-
Property, plant and equipment	409	-
Financial assets	148	-
Current receivables	184	-
Inventories	290	-
Cash and cash equivalents	103	-
Provisions	- 438	-
Liabilities	- 1,608	-
<b>Sold net assets</b>	<b>565</b>	<b>-</b>

## 34 • SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

At the beginning of January 2023, NIBE acquired 65% of the shares in the Canadian stove company Miles Industries Ltd, which has sales of around CAD 75 million. An agreement is in place to acquire the outstanding shares no later than 2025. The company will be consolidated into NIBE Stoves with effect from January 2023.

# Companies in the NIBE Group

Details of subsidiaries	Corporate ID number	Registered office	Country
ABK-Qviller AS	959 651 094	Oslo	Norway
Aggregatet 1 i Ljungby AB	559161-6932	Ljungby	Sweden
AirSite AB	556725-5780	Lindome	Sweden
ait-austria GmbH	FN469896z	Neudorf	Austria
ait-cesko s.r.o	28077458	České Budějovice	Czech Republic
ait-deutschland GmbH	HRB 2991	Bayreuth	Germany
ait Schweiz AG	CH-100 3 017 337-2	Altshofen	Switzerland
ait-slovensko s.r.o	48103926	Bratislava	Slovakia
ait-värmeteknik-sverige AB	556936-5033	Helsingborg	Sweden
ARGOCLIMA S.p.A.	3258640964	Brescia	Italy *
Askoma AG	CHE-101.048.895	Thunstetten	Switzerland
Askoma SDN BHD	489344-W	Johor Bahru	Malaysia
ATE-Electronics S.r.l.	9518750964	Giaveno	Italy
Backer Alpe S. de R.L. de C.V.	BAL0805266BA	Mexico City	Mexico
Backer AB	556053-0569	Hässleholm	Sweden
Backer Asia Ltd	866 531	Hong Kong	China
Backer Azthermal Engineering SDN BHD	202201036650	Petaling	Malaysia *
Backer Azthermal SDN BHD	202201002974	Petaling	Malaysia *
Backer Cellnergy Engineering PTE Ltd	2004039928E	Singapore	Singapore
Backer EHP Inc.	99-0367868	Murfreesboro	USA
Backer ELC AG	CHE-253.701.740	Teufenthal	Switzerland
Backer Elektro CZ a.s.	60469617	Hlinsko	Czech Republic
Backer ELTOP s.r.o.	44795751	Miretice	Czech Republic
Backer Facsa S.L.	B-62.928.361	Aiguafreda	Spain
Backer Fastighets AB	559223-2952	Hässleholm	Sweden
Backer Fer s.r.l.	REA: 173478	Sant'Agostino	Italy
Backer Grand Heater Co Ltd	105560004323	Muaeng Samutsakorn	Thailand
Backer Heating Technologies Co. Ltd	440301503227017	Shenzhen	China
Backer Heating Technologies France SARL	91379344781	Lyon	France
Backer Heating Technologies GmbH	HRB 34409	Dortmund	Germany *
Backer Heating Technologies Inc	36-4044600	Elgin	USA
Backer Heating Technologies Vietnam Comp Ltd	1101832398	Tan Kim	Vietnam
Backer Hotwatt Inc.	81-4435368	Wilmington	USA
Backer Marathon Inc.	47-3075187	Delaware	USA
Backer OBR Sp. z o.o.	8358936	Pyrzyce	Poland
Backer-Springfield Dongguan Co. Ltd	441900400000302	Dongguan City	China
Backer-Wilson Elements Pty Ltd	100É257É514	Burwood	Australia
Backer Wolff GmbH	HRB 27026	Dortmund	Germany
Bentone AB	556617-3927	Ljungby	Sweden
Biawar Produkcja Sp z.o.o.	5423273185	Bialystok	Poland
Briskheat Corporation	31-1271116	Columbus	USA
BriskHeat Corporation CR S.A	3-101-847273	Alajuela	Costa Rica *
Briskheat Corporation HK Ltd	1511003	Hong Kong	China

\*Sales companies and production companies not included in the 2022 Sustainability Report

Details of subsidiaries	Corporate ID number	Registered office	Country	
Briskheat Shenzhen Trading Company Ltd	914403000942785000	Guangdong Province	China	*
Briskheat Technology Company Co Ltd	42982980	Zhubei City	Taiwan	*
Briskheat Vietnam Co Ltd	3216041512	Dong Nai Industrial Zone	Vietnam	
Cetetherm AB	559147-1437	Ronneby	Sweden	
Cetetherm LLC	1105010000303	Saint Petersburg	Russia	
Cetetherm Oy	3008611-6	Vanda	Finland	
Cetetherm SAS	788262459	Pontcharra sur Turdine	France	
Cetetherm s.r.o.	08300321	Prague	Czech Republic	
CGC Group of Companies Inc.	85828 1728 RC0001	Mississauga	Canada	
CK Fires Ltd	5524093	Wolverhampton	UK	
ClimaCool Corp.	73-1409358	Oklahoma City	USA	
ClimateCraft Inc.	73-1207959	Oklahoma City	USA	
ClimateMaster Inc.	93-0857025	Oklahoma City	USA	
Contura Stoves Ltd	13087424	Doncaster	UK	
CTC AB	556617-3919	Ljungby	Sweden	
CTC Ferrofil AS	832538132	Årnes	Norway	
CTC AG	CHE-105.970.811	Zürich	Switzerland	
Danotherm Electric A/S	10 12 60 61	Rødovre	Denmark	
DMD Dis Ticaret Makine Sanayi AS	510421	Istanbul	Turkey	
Druzstevni Zavody Drazice - strojírna sro	45148465	Benátky nad Jizerou	Czech Republic	
E. Braude (London) Ltd	585474	Sandhurst	UK	
Electro Therm s.a.s	35262056100022	Lyon	France	
ELEKTRON-ETTO, s.r.o.	26906040	Hustopeče nad Bečvou	Czech Republic	*
Elektrotermija Ltd	17578448	Užice	Serbia	
Elmess Thermosystemtechnik GmbH & Co.KG	HRA 120256	Lüneburg	Germany	*
Elmess Thermosystemtechnik Verwaltungs-GmbH	HRB 120337	Lüneburg	Germany	*
Eltwin A/S	13 99 24 44	Risskov	Denmark	
Eltwin Sp. z.o.o.	394767	Stargard	Poland	
Emin Teknik Hortum Ve Makine AS	469632	Istanbul	Turkey	*
Enertech AB	556060-2269	Ljungby	Sweden	
Enertech Belgium Sprl	821427672	Couvin	Belgium	
Enertech Global LLC	45-2301710	Greenville	USA	
Enertech GmbH	HRB 733204	Iserlohn	Germany	
Enertech Ltd	299044	Worcestershire	UK	
Fireplace Products Australia Pty Ltd	117Ê303Ê554	Hallam	Australia	
Fireplace Products US Inc.	601374460	Blaine	USA	
Flex Academy D.O.O.	21296333	Freezone bb Priboj	Serbia	
FPI Fireplace Products International Ltd.	BC0161829	Richmond	Canada	
Gaumer Company Inc	74-1778481	Houston	USA	
Gazco Ltd	2228846	Exeter	UK	
Go Geothermal Ltd	5967652	Newton Aycliffe	UK	
Graybar Ltd	2872001	Wellingborough	UK	
Heat Safe Cable Systems Ltd	4545332	Helsby	UK	
Heat Trace Holdings Ltd	6524757	Helsby	UK	
Heat Trace Ltd	1573447	Helsby	UK	
Heating Group International B.V.	16083429	Nijmegen	Netherlands	
Heatpoint B.V.	30146922	Bodegraven	Netherlands	
Heatrod Elements Ltd	766 637	London	UK	

\*Sales companies and production companies not included in the 2022 Sustainability Report

Details of subsidiaries	Corporate ID number	Registered office	Country
Heatron Inc.	43-1126014	Leavenworth	USA
Hemi Heating AB	556420-8601	Södertälje	Sweden
Hemi Heating Technology Co Ltd	91520100666994785H	Guiyang Guizhou	China
HT S.p.A.	TV 195113	Treviso	Italy
HT Est Division s.r.l.	J02/1489/2007	Arad	Romania
HT Heizelemente Deutschland GmbH	HRB 41822	Bielefeld	Germany
Hydraulik-Service i Markaryd AB	556262-1150	Markaryd	Sweden *
Hyper Engineering Pty Ltd	ACN 148 010 520	Victoria	Australia
Heiax AS	936 030 327	Fredrikstad	Norway
International Environmental Corp.	73-0754306	Oklahoma City	USA
Jac. De Vries Gesta B.V.	36043314	Hoorn	Netherlands
JSC Evan	1065260108517	Nizhny Novgorod	Russia
Jevi A/S	12 85 42 77	Vejle	Denmark
Kaukora Oy	0138194-1	Raisio	Finland
KKT chillers Inc.	83-0486747	Elk Grove	USA
Klöpper GmbH & Co. KG	HRA 12753	Dortmund	Germany *
Klöpper-Therm GmbH & Co.KG	HRA 12322	Dortmund	Germany *
Klöpper-Therm Verwaltungs-GmbH	HRB 8600	Dortmund	Germany *
Klöpper Verwaltungs GmbH	HRB 8456	Dortmund	Germany *
KNV Energietechnik GmbH	78375h	Schörfing	Austria
Koax Corp.	73-1284158	Oklahoma City	USA
KVM-Genvex A/S	21387649	Haderslev	Denmark
Lotus Heating Systems A/S	26 11 04 75	Langeskov	Denmark
Loval Oy	0640930-9	Lovisa	Finland
Lund & Sörensen AB	556731-8562	Sösdala	Sweden
Lund & Sørensen A/S	25 64 75 99	Vejle	Denmark
Lund & Sørensen Electric Heating Equipment Accessory Co Ltd	120000400007673	Tianjin	China
Metro Therm AB	556554-1603	Kalmar	Sweden
METRO THERM A/S	20 56 71 12	Helsingø	Denmark
Meyer Vastus AB, Oy	0215219-8	Monninkylä	Finland
Moravská dopravní společnost, a.s.	61974421	Hlinsko	Czech Republic
Motron A/S	26 41 80 97	Risskov	Denmark
myUptech AB	556633-8140	Markaryd	Sweden
myUptech Inc	92-1303855	Wilmington	USA
Nathan Belgie B.V.	64767175	Duiven	Netherlands
Nathan Holding B.V.	20104506	Arnhem	Netherlands
Nathan Industries B.V.	9188041	Duiven	Netherlands
Nathan Projects B.V.	4768643	Harde	Netherlands
Nathan Projects BVBA	0832.529.125	Zaventem	Belgium
Nathan Service B.V.	9194331	Duiven	Netherlands
Nathan Systems B.V.	64766373	Duiven	Netherlands
Nathan Systems NV	450.269.149	Zaventem	Belgium
Naturenergi IWABO AB	556663-0355	Bollnäs	Sweden
NIBE AB	556056-4485	Markaryd	Sweden

\*Sales companies and production companies not included in the 2022 Sustainability Report

Details of subsidiaries	Corporate ID number	Registered office	Country	
NIBE Beteiligungsverwaltung GmbH	295717d	Vienna	Austria	
NIBE-BIAWAR Sp. z o.o.	50042407	Bialystok	Poland	
Nibe Climate Solutions Canada Corp.	BC110 5117	Vancouver	Canada	
NIBE Energietechnik B.V.	20111793	Willemstad	Netherlands	
NIBE Energy Systems France SAS	501 594 220	Reyrieux	France	
NIBE Energy Systems Inc.	99 03 68 191	Wilmington	USA	
NIBE Energy Systems Ltd	5764 775	Sheffield	UK	
NIBE Energy Systems Oy	9314276	Helsinki	Finland	
NIBE Foyers France S.A.S.	491 434 965	Lyon	France	
NIBE IT R&D d.o.o Beograd	21772291	Belgrade	Serbia	*
NIBE Stoves Canada Corp.	BC1093578	Richmond	Canada	
NIBE Stoves GmbH	HRB 13929	Harrisee	Germany	
NIBE Systemtechnik GmbH	HRB 5879	Celle	Germany	
NIBE Treasury AB	556108-0259	Markaryd	Sweden	
Nordpeis AS	957 329 330	Lierskogen	Norway	
Norske Backer AS	919 799 064	Kongsvinger	Norway	
Nordpeis Sp. z o.o	570844191	Trzcianka	Poland	
Omni Control Technology Inc.	04-3142926	Whitinsville	USA	
Osby Parca AB	559342-3113	Osby	Sweden	
Osby Parca Fastighets AB	556049-4980	Osby	Sweden	
Osby Parca Holding AB	559347-0270	Osby	Sweden	
Pacific Energy Australia Pty Ltd	603809856	Geelong West	Australia	*
Pacific Energy Fireplace Products Ltd	556826	Vancouver	Canada	*
Pellux GmbH	FN485925	Schorfling am Attersee	Austria	
Renting 959 KB	916616-1787	Ljungby	Sweden	
Rhoss Deutschland GmbH	HRB 411169	Stuttgart	Germany	
Rhoss S.p.A.	1142230299	Codroipo	Italy	
Rotterdamse Elementen Fabriek B.V.	000016710339	Rotterdam	Netherlands	
S.A.C srl	8930800159	Gallarate	Italy	*
SAN Electro Heat A/S	42 16 59 13	Graested	Denmark	
Scandymet AB	556194-2474	Söderhamn	Sweden	
Snowcliff AG	CH-020 7 000 720-2	Zürich	Switzerland	
Sinus-Jevi Electric Heating B.V.	37106129	Medemblik	Netherlands	
Springfield Wire de Mexico S.A. de C.V.	SWM710722KW3	Nuevo Laredo	Mexico	
Stovax Ltd	1572550	Exeter	UK	
Stovax D1 Ltd	4826958	Exeter	UK	
Stovax Group Ltd	7127090	Exeter	UK	
Stovax Heating Group Ltd	8299613	Exeter	UK	
Stovax Heating Group (NI) Ltd	NI675194	Belfast	Northern Ireland	
Strukturgruppen AB	556627-5870	Kungsbacka	Sweden	
Tempeff Inc.	812525954	Winnipeg	Canada	
TermaTech A/S	27 24 52 77	Hasselager	Denmark	
Termorad Spolka z.o.o.	000542990	Radom	Poland	
Termotech S.r.l.	183099	Vigevano	Italy	

\*Sales companies and production companies not included in the 2022 Sustainability Report

Details of subsidiaries	Corporate ID number	Registered office	Country
The Climate Control Group Inc.	73-1415062	Oklahoma City	USA
ThermaClime Technologies Inc.	73-1553910	Oklahoma City	USA
Therm-X of California Inc.	94-2393175	Hayward	USA
Therm-x System Vietnam Technology Co. Ltd.	3700810044	Binh Duong Province	Vietnam
Therm-X SVT LLC	20-8024427	Hayward	USA
TIKI d.o.o. Stara Pazova	20104554	Stara Pazova	Serbia
TIKI HVAC d.o.o.	8203687000	Velenje	Slovenia
Turboflame AB	556117-5125	Ljungby	Sweden
Üntes Isitma Klima Sogutma San Ve Tic A.S.	9170016107	Kazan	Turkey
Üntes Rhoss Sogutma Sistemleri A.S.	9960381156	Kazan	Turkey
Üntes VRF Klima Sistemleri A.S.	9170013850	Kazan	Turkey
Varde Ovne A/S	21 55 49 79	Vejle	Denmark
VEÅ AB	556135-7988	Sävsjö	Sweden
VEÅ Holding AB	556954-8596	Sävsjö	Sweden
Viggo Wahl Pedersen AS	996999068	Fredrikstad	Norway
Vølund Varmeteknik A/S	32 93 81 08	Herning	Denmark
Värmeelement i Osby AB	556705-9919	Ljungby	Sweden
WaterFurnace International Inc	35-1873795	Fort Wayne	USA
WaterFurnace Renewable Energy Corp.	BC 100 6504	Toronto	Canada
Waterkotte Austria GmbH	FN 293711d	Klagenfurt	Austria
Waterkotte GmbH	HRB 9537	Bochum	Germany
Waterkotte Schweiz AG	CHE-324.787.906	Fribourg	Switzerland
Wiegand S.A. de C.V.	RFC WIE850624H79	Nuevo Laredo	Mexico

\*Sales companies and production companies not included in the 2022 Sustainability Report



# Non-financial reporting

This year's sustainability report is the twelfth prepared by the NIBE Group. It covers the companies over which NIBE has operational control, that is, where we have majority ownership, but not the operations acquired in 2022. For information on the companies included in the report, see pages 140-144.

The primary audience for the report is investors and shareholders. To give a comprehensive view of NIBE's impact, strategies and approaches in the area of sustainability, the parts most relevant to the company and its stakeholders have been included in the report.

All data collected for the report comes from each company through two IT systems, the accounts system and the sustainability system. Data from these systems is compiled to produce aggregated figures for the NIBE Group. The CEO of each company is responsible for data quality assurance. To assist them, companies have a manual defining what to report and how it should be reported. The manual is used as a tool for traceability, for local documentation of where and how data was collected, for example the invoice system, reports from waste management companies, etc. The figures are compared with the previous years as verification of data.

## Information related to the annual report

The statutory requirements for sustainability reporting in Chapter 6, Section 11 of the Swedish Annual Accounts Act are outside the statutory annual report. NIBE has decided to implement its 2022 sustainability reporting in accordance with the Global Reporting Initiative Standard (GRI) Core 2016 in order to prioritize implementation of the forthcoming Corporate Sustainability Reporting Directive.

Information related to the annual report	145
EU regulation, Taxonomy	146
Climate scenario analyses	152
Stakeholder dialogue	157
Policies that support our values	158
GENERAL DISCLOSURES	159
Organizational profile	160
Strategy	160
Ethics	160
Governance	160
Stakeholder engagement	161
Reporting practice	161
NIBE'S MATERIAL TOPICS	
BUSINESS AND ETHICS TOPICS	
Economic performance	162
Procurement practices	162
Anti-corruption and anti-competitive behavior	163
ENVIRONMENTAL TOPICS	
Materials	164
Energy and emissions	165
Water and effluents	167
Emissions	169
Emissions, waste and compliance with environmental legislation	171
SOCIAL TOPICS	
Evaluation of suppliers	172
Occupational health and safety	173
Employment	174
Training and education	175
Diversity and equal opportunity	176
Human rights	177
Compliance with social and financial regulations	179

## Index, statutory sustainability report

Area	Disclosure requirements under the Swedish Annual Accounts Act	The environment	Human resources	Social conditions	Human rights	Anti-corruption
<b>Business model</b>	'The sustainability report must describe the company's business model'	Pages 19, 21, 23, 25, 29,	Pages 29, 32	Pages 24, 32	Pages 24, 33, 145	Page 24
<b>Policy</b>	'The sustainability report must describe the policy that the company applies to the topics, including the review procedures implemented'	Pages 66, 146-156, 158, 164-172	Pages 158, 173-175	Pages 158, 179-180	Pages 158, 176-178, 180	Pages 158, 163, 172
<b>Result of the policy</b>	'The sustainability report must describe the result of the policy'	Pages 146-156, 164-172	Pages 159, 173-175	Pages 179-180	Pages 172, 176-178, 180	Pages 160, 163, 172
<b>Material risks</b>	'The sustainability report must describe the material risks that relate to the topics and are linked to the company's activities, including, where relevant, the company's business connections, products or services that would probably suffer negative consequences'	Pages 70-72, 99	Pages 70-72, 99	Pages 70-72, 98	Pages 70-72, 99	Pages 70-72, 99
<b>Management of risks</b>	'The sustainability report must describe how the company manages the risks'	Pages 99, 164-171	Pages 99, 173-175	Pages 98, 179-180	Pages 99, 177-178	Pages 99, 163, 172
<b>Result indicators</b>	'The sustainability report must describe central result indicators that are relevant to operations'	Pages 10-11, 164-171	Pages 11, 173-175	Pages 179-180	Pages 177-178	Pages 163, 172

More information on NIBE can be found at [www.nibe.com](http://www.nibe.com)

The Global Reporting Initiative index can be found at [www.nibe.com/gri-index](http://www.nibe.com/gri-index)

# EU regulation, Taxonomy

**In 2022, our long tradition of sustainability work continued to be complemented with work relating to the EU Taxonomy. The purpose of the Taxonomy is to shed light on how large a portion of a company's turnover, capital expenditure (CapEx) and operating expenditure (OpEx) refers to products or services that can significantly contribute to one of the adopted environmental objectives.**

Of the adopted environmental objectives, the objective Climate change mitigation is the one that NIBE Industrier, with its energy-efficient solutions, is partially covered by. The EU has chosen to focus on sectors that currently have the biggest impact on climate and the environment, which means that not all activities are Taxonomy-eligible.

For NIBE Industrier, this has meant that our three business areas are affected in different ways. NIBE Element and NIBE Climate Solutions both have several products that are taxonomy-eligible but NIBE Stoves' products are not.

We have chosen to approach our work on the Taxonomy on the basis of the precautionary principle throughout. In accordance with this principle, only products that are able to meet all applicable technical screening criteria are considered Taxonomy-eligible.

## NIBE Stoves

Products within NIBE Stoves are not Taxonomy-eligible. All turnover and all CapEx and OpEx related to this business area have therefore been included in the figures shown under item B in the tables on pages 148–151.

## NIBE Climate Solutions

The majority of NIBE Climate Solutions' products are Taxonomy-eligible, covered by activity 3.5 Manufacture of energy efficiency equipment for buildings. These include our heat pumps, water heaters, ventilation products and district heating products.

As already described, we have assessed that only those products that are able to meet all technical screening criteria are Taxonomy-eligible. One example is cooling and ventilation products, where a large proportion of our products are intended for commercial properties such as schools and hotels. Since these products have a higher capacity compared with products intended for non-commercial properties, they are not covered by the energy efficiency regulation that activity 3.5 refers to. Many of the commercial products are instead certified by Eurovent. Since the EU taxonomy does not make reference to Eurovent certification, our assessment is that these commercial products are not Taxonomy-eligible, despite their certification.

This approach has been used throughout for all products whose capacity is too high to be covered by the regulations and directives to which the taxonomy refers. For NIBE Climate Solutions, the regulations are to a large extent linked to the products' energy efficiency.

Some companies within Climate Solutions also perform installation and servicing of heat pumps. This activity is therefore not covered by activity 3.5 and instead falls under point (c) of activity 7.6 Installation, maintenance and repair of renewable energy technologies.

## NIBE Element

The activity descriptions in the Taxonomy do not always cover components, which affects the companies within NIBE Element as they, unlike the companies within NIBE Climate Solutions, manufacture components, not end-products. We only consider components to be Taxonomy-eligible in cases where the activity description specifically mentions components. One such example is components for wind turbines and PV panels. Our assessment is that these are not eligible because activity 3.1, Manufacture of renewable energy technologies, does not mention components. Other examples of components that we have assessed as not being Taxonomy-eligible are those for the semiconductor industry, railway carriages and medical equipment.

One activity that does include components is activity 3.4, Manufacture of batteries. This activity applies to NIBE Element because we manufacture battery heaters. Similarly, our assessment is that components and associated technology used for smart heating of railway tracks and switches are covered by Taxonomy activity 3.6, Manufacture of other low carbon technologies.

Furthermore, activity 3.5 also includes components. This activity also applies to NIBE Element because these components are also installed in household appliances such as ovens and washing machines. However, the technical criteria for activity 3.5 are linked to the performance of the end product and not that of the component. As an example, household appliances must belong to one of the highest two classes of energy efficiency. As many of our customers are not located within the EU and are therefore not familiar with this EU regulation, and we do not currently have information about the performance of the end product, it is difficult for us to report which components within NIBE Element meet these criteria. We will monitor the development of the Taxonomy and work towards being able to report a correct breakdown of which components are taxonomy-aligned or not in the future.

### Do no significant harm (DNSH)

As already described, it is mainly activities in sector 3 Manufacture that apply to NIBE Industrier. These activities are subject to DNSH criteria in respect of all five other environmental objectives. These criteria are not product-specific in the same way as the criteria for substantial contribution. During the year we have therefore made a great effort to ensure we understand the practical implications of these criteria for companies located both within and outside the EU. For companies located outside the EU, please see the information on accounting policies.

During this work, we have been able to confirm that we meet many aspects of these criteria, such as mapping of climate risks and any need for adaptation solutions and identification and management of any water stress areas. Our assessment is that we do not meet all DNSH criteria in Appendix C because of the criteria listed in points (f) and (g), which among other things refer to substances listed on the REACH candidate list. Our interpretation is that the

criteria in the Taxonomy do not allow any presence of these substances, whereas applicable legislation does permit certain use. We have, once again based on the precautionary principle, decided on strict interpretation of the Taxonomy, which means that our products must not contain any of these substances in order to be Taxonomy-aligned. Therefore, all turnover, CapEx and OpEx linked to the activities in sector 3 are reported as not taxonomy-aligned under item A2. In the coming year we will continue to pay great attention to these criteria in order to ensure we meet the criteria whenever possible.

### Minimum safeguards

We have updated processes and systems on site in order to identify and reduce risks relating to human rights, anti-corruption and labor rights. Work on implementing these processes and systems for our suppliers, customers and partners is ongoing.

## Accounting policies

### Taxonomy reporting covers the companies in which NIBE has control, that is, where we have majority ownership, including operations acquired in 2022.

#### Turnover

Turnover has been determined through assessment and classification of Taxonomy-eligible products. Where the performance and purpose of products differs, classification has been done at article level. Against the background of the precautionary principle, we have assessed that spare parts and accessories are not Taxonomy-eligible.

All companies have reported external turnover to avoid the risk of double counting. The Group's turnover has therefore been determined in the same way as for financial accounting; see Note 4 for further information.

#### Capital expenditure

Total CapEx consists of property, plant and equipment and intangible assets, acquisitions and leases, see Notes 3 and 14-16. The property, plant and equipment and intangible assets that are taxonomy-eligible refer to investments directly attributable to production of the products that are eligible, or to investments which inherently contribute to one of the set environmental objectives, such as investment in solar panels. In accordance with the precautionary principle, we have decided that all other investments, such as office buildings, IT security and furniture, are not Taxonomy-eligible, irrespective of performance.

For classification of acquisitions, the purpose of the investment and the companies' current operations have guided our assessment. For the sake of simplicity, leases have been classified based on the sales distribution of each company.

#### Operating expenditure

Total OpEx comprises non-capitalized expenditure on research and development and repair and maintenance of properties, machinery and other property, plant and equipment that exist in the operations.

Research and development has been classified in the same way as classification of property, plant and equipment and intangible assets. For the sake of simplicity, repair and maintenance have been classified based on the sales distribution of each company.

#### Breakdown of performance indicators

In cases where CapEx and OpEx were attributable to production plants used in an integrated manner, the breakdown was based on the sales distribution of each company, in the absence of other reliable information. We judged this to be the most fair and reliable approach.

Where sales were classified at article level, no percentage distribution of performance indicators was required.

#### Companies located outside the EU

The principle that all Taxonomy-eligible products should also be able to meet all technical screening criteria, and thus be environmentally sustainable activities, has been applied to all companies within the Group. For companies that manufacture and sell products outside the EU, this has meant that we had to carry out further mapping of which products can be assessed according to the regulations and directives referred to in the Taxonomy, both in respect of substantial contribution and DNSH.

Examples of substantial contribution requirements are heat pumps (activity 3.5, h and k), which must either belong to the two highest energy efficiency classes or use a refrigerant with a GWP value of less than 675, and meet the energy efficiency requirements of the Ecodesign regulation. During the year we carried out mapping to establish which heat pumps are Taxonomy-eligible and performed measurements to compare their performance with the limit values set out in the regulations referred to in the EU Taxonomy.

Similar work is underway and will continue to in the coming year in respect of DNSH criteria. The aim is to be able to establish whether or not operations located outside the EU meet these criteria.

TURNOVER				Substantial contribution criteria					
Economic activities (1)	Code(s) (2)	Absolute turnover (3)	Proportion of turnover (4)	Climate change miti- gation (5)	Climate change ad- aptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiver- sity and ecosys- tems (10)
		SEK M	%	%	%	%	%	%	%
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>									
<b>A.1 Environmentally sustainable activities (Taxonomy-aligned)</b>									
Turnover of environmentally sustainable activities (Taxonomy-aligned) activities (A.1)									
<b>A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)</b>									
3.4. Manufacture of batteries		1,308	3%						
3.5. Manufacture of energy efficiency equipment for buildings		18,209	46%						
3.6. Manufacture of other low carbon technologies		49	0%						
7.6 Installation, maintenance and repair of renewable energy technologies		307	1%						
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		19,873	50%						
<b>Total (A.1 + A.2)</b>		<b>19,873</b>	<b>50%</b>						
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>									
Turnover of Taxonomy-non-eligible activities (B)		20,198	50%						
<b>Total (A + B)</b>		<b>40,071</b>	<b>100%</b>						

CapEx				Substantial contribution criteria					
Economic activities (1)	Code(s) (2)	Absolute CapEx (3)	Proportion of CapEx (4)	Climate change miti- gation (5)	Climate change ad- aptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiver- sity and ecosys- tems (10)
		SEK M	%	%	%	%	%	%	%
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>									
<b>A.1 Environmentally sustainable activities (Taxonomy-aligned)</b>									
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)									
<b>A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)</b>									
3.4. Manufacture of batteries		79	3%						
3.5. Manufacture of energy efficiency equipment for buildings		1,040	33%						
3.6. Manufacture of other low carbon technologies		3	0%						
7.6 Installation, maintenance and repair of renewable energy technologies		5	0%						
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		1,127	36%						
<b>Total (A.1 + A.2)</b>		<b>1,127</b>	<b>36%</b>						
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>									
CapEx of Taxonomy-non-eligible activities (B)		2,035	64%						
<b>Total (A + B)</b>		<b>3,162</b>	<b>100%</b>						

**Do no significant harm (DNSH) criteria**

Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safe guards (17)	Taxonomy-aligned proportion of turnover, 2022 (18)	Category (enabling activity) (20)	Category (transitional activity) (21)
Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	%	Enabling	Transitional

Enabling

0%

**Do no significant harm (DNSH) criteria**

Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safe guards (17)	Taxonomy-aligned proportion of CapEx, 2022 (18)	Category (enabling activity) (20)	Category (transitional activity) (21)
Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	%	Enabling	Transitional

Enabling

%

OpEx	Substantial contribution criteria								
	Code(s) (2)	Absolute OpEx (3)	Proportion of OpEx (4)	Climate change miti- gation (5)	Climate change ad- aptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiver- sity and ecosys- tems (10)
Economic activities (1)		SEK M	%	%	%	%	%	%	%
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>									
<b>A.1 Environmentally sustainable activities (Taxonomy-aligned)</b>									
OpEx of environmen- tally sustainable activities (Taxonomy-aligned) (A.1)									
<b>A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)</b>									
3.4. Manufacture of batteries		35	2%						
3.5. Manufacture of energy ef- ficiency equipment for buildings		530	42%						
3.6. Manufacture of other low carbon technologies		1.3	0%						
7.6 Installation, maintenance and repair of renewable energy technologies		0.6	0%						
<b>OpEx of Taxonomy-eligible but not environmentally sustain- able activities (not Taxonomy- aligned activities) (A.2)</b>		<b>567</b>	<b>44%</b>						
<b>Total (A.1 + A.2)</b>		<b>567</b>	<b>44%</b>						
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>									
<b>OpEx of Taxonomy-non-eligible activities (B)</b>		<b>709</b>	<b>56%</b>						
<b>Total (A + B)</b>		<b>1,277</b>	<b>100%</b>						

**Do no significant harm (DNSH) criteria**

Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safe guards (17)	Taxonomy-aligned proportion of OpEx, 2022 (18)	Category (enabling activity) (20)	Category (transitional activity) (21)
Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	%	Enabling	Transitional

Enabling

%

# Climate scenario analyses

In order to better understand and map future opportunities and risks in respect of climate change and to be able to see the impact on our own operations, we have looked at different simulations of future scenarios involving change in greenhouse gas emissions.

## Overall approach

Scenario analysis is a well-established approach used as supporting evidence for strategic plans to improve flexibility and resilience in respect of a number of possible future scenarios. It provides an understanding of how decisions taken today might play out in various probable future scenarios. The use of scenario analysis within the TCFD framework allows an organization to show the resilience of its business strategies to a number of transition and physical risks that may manifest in various emission scenarios.

The impact of the physical risks of climate change on our operations globally were assessed using Verisk Maplecroft's risk indices and several climate change forecasts. For the transition risk and opportunities, a literature review was conducted to identify a long list of sector-specific actual and potential risks and opportunities for us with respect to policy, technology, market and reputational risks, and opportunities such as resource efficiency, energy sources, products and services, and markets. The risks and opportunities were then ranked based on their potential to impact the business as a whole using a consequence/impact rating scale.

## Transition risks and opportunities

### Assessment approach of transition risk and opportunities under multiple scenarios

The potential impacts of the most material transition risks and opportunities are then assessed under two different emissions scenarios, in the short-, medium- and long-term (1-5 years, 5-10 years and 10-30 years respectively). By undertaking this assessment, NIBE can enhance its critical strategic decision-making and demonstrate to stakeholders how it tests the resilience of its business strategy against a range of possible futures.

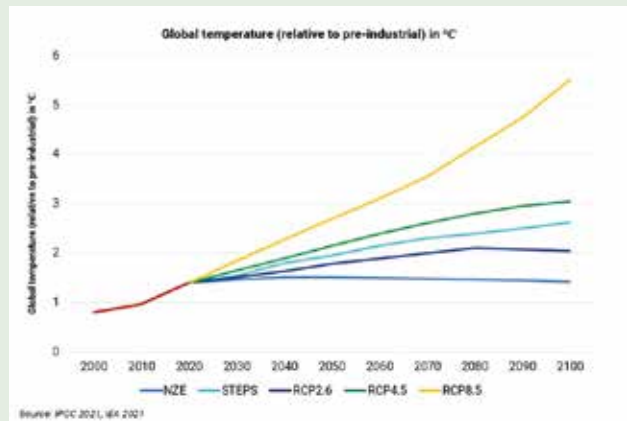
The two scenarios considered here are:

- Net-Zero Pathway, which is based on the IEA's Net Zero Emissions by 2050 Scenario (the NZE). It assumes a rapid implementation of clean energy policies that set the planet on course to meet the objectives of the Paris Climate Agreement and limit warming to 1.5°C
- Stated Policies Scenario (STEPS), which is a more conservative view of the future, in which only current and planned policies are enacted, and fossil fuels play a greater role in the energy system, and society more widely, for longer.

Information on the assessment of transition risks and opportunities under multiple scenarios is provided in a desktop assessment of the current political context in key regions and key global trends. This information is used to complement the broader global trends depicted by the IEA within the NZE and STEPS. Where appropriate, assumptions are made as to the future policy trajectory in key countries under the two scenarios.

Of the scenarios considered here, and indeed those in the companion Physical Risk Scenario Analysis report, only the Net-Zero Pathway, based on NZE, describes a future in which the objectives of the Paris Climate Agreement are achieved, i.e. limiting warming to "well below 2°C". According to the IEA, the NZE is consistent with limiting the global temperature rise to 1.5°C without a temperature overshoot (with a 50% probability).

The global temperature profiles of each scenario considered in the report series are shown in the diagram at the top of the right-hand column.



## Long list and prioritization approach

The transition to a low-carbon economy and the growth of the heat pump industry are likely to be impacted by a number of risks and challenges. Some potential risks that could impact us include:

- Financing and investment: The transition to a low-carbon economy and the growth of the heat pump industry will require significant investments in research and development, as well as the deployment of heat pump technologies. Access to financing and investment could impact the pace of this transition.
- Legal: Companies in the industry may face legal challenges from regulators or other parties who claim that their operations are not in compliance with environmental laws and regulations.
- Market: Volatile energy and materials prices projected under both emissions pathways will impact our suppliers and production costs.
- Technology competition: We will continue to face competition from other technologies that are used for heating and cooling, such as natural gas boilers. The success of our heat pumps, stoves and elements in the market will depend on their ability to compete with these other technologies on factors such as cost, performance, sustainability and reliability.
- Reputation: failing to address climate change can damage a company's reputation with customers, investors, and other stakeholders who are concerned about the environment. This can lead to a loss of trust and credibility, which can in turn lead to financial losses.
- Regulatory uncertainty: The development and deployment of heat pumps and electrification of heat and transport are heavily dependent on government policies and regulations, and any changes or uncertainty in these policies could impact market growth.

Regular meetings and discussions between NIBE and Verisk Maplecroft have been conducted together with a literature review to identify a long list of sector-specific actual and potential transition risks and opportunities for NIBE. The risks consider changes in policy, technology, markets and reputational issues, while opportunities include resource efficiency, energy sources, products and services, and markets. The risks and opportunities are ranked based on their potential to impact the business as a whole, using a consequence/impact rating scale.

A long list of risks and opportunities was identified, as well as the mechanisms through which they are likely to manifest themselves in a financially material impact on us.

The table below shows the highest risks in the different areas and opportunities from the long list including mitigating actions.



## Transition risk and opportunity identification and prioritization

Risk area	Title	Description	Possible environmental impact	Mitigation
Financial	Low ESG score.	Screening of companies by sustainability performance for financing. May also lead to reputational risk if the company does not meet stakeholder expectations.	Loss of investors, negative impact on share price, reduced access to capital, business losses, undervaluation, difficulties attracting long-term investors.	Set carbon dioxide and climate neutrality goals. Disclose to TCFD. Including ESG assessment in all acquisitions.
	Increasing focus on climate change by investors.	Increasing pressure by investment community to disclose on sustainability.	Loss of investors.	Set carbon dioxide and climate neutrality goals. Disclose to TCFD.
	Insurance	Rising cost of insurance from increasing physical risks to facilities.	Rising costs, asset write downs.	Conduct scenario analysis and take appropriate actions.
Legal	Non-compliance with standards or targets.	Not able to comply with TCFD recommendations or e.g SASB Sustainable Accounting Standard Board.	Non-compliance with climate change policies could result in lower level of investor trust. This could also result in fines or additional taxes.	Transparent disclosure of climate risks and carbon accounting.
	Liability exposure.	Acts or omissions that result in litigation.	Liability exposure could result in high legal fees and lead to a risk of access to capital finance.	Transparent disclosure of climate risks and carbon accounting.
Market	Increase in energy prices.	Oil and gas and renewable energy price volatility impacts energy prices.	Higher cost of operating, reduced demand due to rising product prices.	Diversification of sources of energy supply, negotiated long term contracts, productivity improvements, cost reduction.
	Increase in the price of raw materials.	Increase in prices for raw materials due to supply and demand and wider commodity price volatility.	Higher cost of operating, reduced demand due to rising product prices.	Diversification of sources of supply for key raw materials, negotiated long term contracts with minimum purchase obligations, productivity improvements, cost reduction, diversifying energy sources.
	Customers' GHG emissions Scope 3 targets.	Growing pressure from customers for NIBE to reduce its GHG emissions to enable them to meet SBT.	Reduced revenue from loss of customers.	Set a carbon dioxide and climate neutrality goal, invest in greener technologies, diversify to greener products, products that will be required for transition.
Technology	Emerging technologies in low-carbon energy sector	Failure to keep up with new technologies, such as for energy storage, and integrate them into production processes.	Capital investment needed in technology, increased revenue from higher sales, lower fines/taxes for high GHG emissions.	Evaluation of ground-breaking technologies, LCA evaluation for products.
Reputation	Investor sentiment	Unable to meet sustainability standards set by investors.	Negative impact on share price, loss of ability to attract investment.	Set a carbon dioxide and climate neutrality goal and invest in low carbon technologies, transparent carbon emissions reporting, offsetting residual emissions.
	Severe reaction from stakeholders due to action/inaction.	Media headlines or social media activity reflecting strong reaction from stakeholders as a result of negative impact from company regarding GHG emissions.	Reduced access to capital as a result of reputational damage.	Set a carbon dioxide and climate neutrality goal, invest in low carbon technologies, in long term offsetting residual emissions.
	Internal frustration from employees.	Frustration may arise from a lack of action on climate change.	Impact ability to attract and retain talent.	Set a carbon dioxide and climate neutrality goal, invest in low carbon technologies, in long term offsetting residual emissions.
Regulation	Carbon tax rise.	Increased price of carbon through national and international schemes.	Higher cost of operating, reduced demand due to rising product prices.	Use a shadow carbon tax of \$40/CO2 equivalent emissions as a basis for potential investments.
	Rise of emissions trading systems.	Increasing carbon price or higher taxes if cap is exceeded.	Higher cost of operating, higher capital investment, reduced demand due to rising product prices.	Invest in greener technologies to reduce emissions ahead of rising carbon prices, align GHG with Paris agreement.
	International and national measures to reduce GHG emissions.	Regulation that requires significant equipment modifications, operational changes or purchase of emissions credits to reduce GHG emissions from operations.	Increased capital costs, increased compliance, operating and remediation costs.	Investment in greener technologies, change to lower GWP refrigerants, reduction of fossil fuels in production process, efficiency improvements.
	Regulatory changes.	Emerging disclosure requirements.	Emerging regulations and disclosure requirements may result in increased baseline costs.	Engaging with trade associations and tracking strategy development.

# Climate scenario analyses (TCFD)

## Opportunities

Risk area	Title	Description	Possible economic impact	Mitigation
Market	Increasing demand for products required for climate adaptation and resilience.	Increasing demand for heat pumps and other low carbon technologies.	Increased revenue from higher sales of new products.	Invest in product and production development and plan for market growth.
	Increasing oil and gas prices.	A rise in oil and gas prices presents an opportunity for heat pump technology to step in as the low cost option (heat pumps still linked to fluctuating electricity prices).	Increased revenue from higher sales of existing products.	Invest in product and production development to plan for increased demand.
Regulation	Regulation and policy requiring low carbon transition.	Increased demand for low carbon technology to meet regulation.	Increased revenue from higher sales of new products.	Invest in product and production development to plan for increased demand.
	Engage in development of public policies to reduce GHG emissions and the low carbon energy transition.	Improve regulatory certainty, help guide investment decisions, drive growth in demand for energy efficient products.	Emerging regulations may increase demand for heat pump technology.	Invest in product and production development to plan for increased demand.
Technology	Reduce GHG emissions through product enhancements	Reduction of company and downstream GHG emissions through product enhancements using breakthrough technologies.	Capital investment needed in technology, increased revenue from higher sales, lower fines/taxes for high GHG emissions.	Evaluation of ground-breaking technologies, LCA evaluation for products.

## Net-Zero Pathway

This scenario is based on the IEA's Net Zero Emissions by 2050 Scenario (the NZE). The key difference is that the Net-Zero Pathway assumes a disorderly energy transition occurs, in which we see patchwork climate legislation and volatile energy prices. As with NZE, the Net-Zero Pathway considers a future in which an energy-related UN SDGs are achieved (specifically, ensuring universal access to affordable, reliable, sustainable and modern energy services by 2030 (SDG 7). This includes meeting the objectives of the Paris Climate Agreement by limiting warming to 1.5°C. For the purposes of the assessment undertaken here, the transition pathway assumes a surge in clean energy policies and investment and that all current net zero pledges are achieved, following significant efforts to realize near-term reductions. At the same time, carbon prices are introduced in all regions, albeit at different levels for countries and sectors, but on average reaching \$100 per tonne by 2030 in advanced economies and around \$250 per tonne by 2050.

Under NZE, overall net zero emissions electricity in advanced economies is achieved by 2035. In the same year, NZE assumes 50% of heavy truck sales are electric, while more than 65% of new car sales are electric. By 2050, under NZE, nearly 70% of global electricity generation will be derived from solar PV and wind. In the US, emissions in 2030 are half those in 2005 and reach net zero by 2050, through energy efficiency measures and the decarbonization of electricity, electrifying end uses and switching industrial processes to low carbon fuels and hydrogen.

As part of efforts to decarbonize the energy sector, government policy and industry initiatives focus on CO2 emissions from production, as well as incentivizing alternative low-carbon solutions.

## Stated Policies Scenario (STEPS)

This scenario considers specific policy initiatives that have already been put in place but also of those that are under development as of mid-2021. It assumes that policy proposals are implemented in the near term, even if specific measures required for implementation have yet to be specified. For example, certain countries have announced mid-century net zero emissions targets and goals to achieve full energy access by the end of the decade, without specific implementation plans or policy frameworks.

Under STEPS, emissions continue to be higher than today's level through mid-century and global temperature rise exceeds the 2°C limit outlined under the Paris Agreement. Nevertheless, STEPS assumes that the EU phases out coal, and achieves its new 2030 emissions reduction target (a 55% reduction in emissions by 2030 compared with 1990 levels) supported by the "Fit for 55" package of policy proposals, through the EUR 1.8 trillion European Green Deal package (see EU Country profile in Section 4 for more details). STEPS also assumes that under the EU Renewable Energy Directive, the EU achieves its 32% renewables target by 2030. Meanwhile in the US, STEPS assumes 100% carbon-free electricity is generated in 20 US states by 2050, while in the short-term energy provisions in the CARES Act, other COVID-19 recovery measures and the Consolidated Appropriations Act 2021 are also achieved.

## Climate scenario analyses (TCFD)

### Risk profiles for physical climate changes

Verisk Maplecroft's own climate risk indices were used to evaluate and identify the most significant physical climate risks facing the four geographical regions where NIBE has operations: Europe, North America, Australia and South-east Asia. Profiles have been created for every region showing risk exposure to the risks in the list on the right. Risk scores are presented on a relative risk scale from 0 to 10 (where 0 indicates the highest risk), which gives a clear indication of risk exposure in that location. The indices encapsulate complex concepts in a simple score that means companies can compare risks over time and across locations. This may help decision-makers make informed decisions about when and where to make new investments, how to allocate resources for building up resistance, or for risk-adjusted decision-making. Each index is accompanied by a recommended materiality threshold that indicates when the exposure to risk of a specific location may be sufficiently high to

warrant further investigation. For certain indices this threshold is based on acknowledged damage thresholds. One example of this is water stress, where the threshold is based on the definition of water stress, which is when the gap between water supply and demand is 40%, while for other indices the threshold is based on relative assessment of global cities (e.g. heating and cooling degree days).

If an index score for a location is lower than the materiality threshold, it is recommended that further analysis is carried out to understand the potential vulnerability of the location to the risk. To further enable decision-makers to make informed decisions, this assessment must be weighed against broader commercial considerations and must also take into account the company's ability to manage risks. Risk scores for every region and 153 plant locations are reported in a separate, confidential spreadsheet, together with a complete methodology and details of how to interpret the scores in relation to established materiality thresholds.

Climate value	Recommended materiality threshold
Duration of drought	Drought is identified as a significant risk (i.e. Drought Hazard Index score <5.00) for this location and a change in the duration of drought is >10% increase
Extreme rainfall	Change in the volume of extreme rainfall exceeds 25%
Extreme temperatures	Heat stress is identified as a materials risk (i.e. Heat Stress (current climate) Index score <5.00) or cooling degree days are identified as a materials risk (i.e. cooling degree days (current climate) <5.00) for this location and the increase in the proportion of days when extreme temperatures are registered is >20 percentage points
Heatwave duration	Heat stress is identified as a materials risk (i.e. Heat Stress (current climate) Index score <5.00) or cooling degree days are identified as a materials risk (i.e. cooling degree days (current climate) <5.00) for this location and the increase in heatwave duration is >200% increase
Precipitation	Change in precipitation exceeds +/- 10%
Number of days with change in temperature	Heating/Cooling degree days are identified as a materials risk (i.e. Heating/Cooling degree days (current climate) Index score <5.00) and change in degree days exceeds +/- 20%
Temperature	Baseline temperature exceeds 18°C and change in temperature exceeds +/- 2°C
Rise in sea level	Since the risk associated with a rise in sea level is strongly linked to location and elevation, no general materiality threshold is given for sea level rise

### Scenario analysis of the effects of climate change

This assessment takes into consideration the effects of climate change in the following three Representative Concentration Pathways (RCP):

- RCP 2.6: Aggressive reduction that assumes global annual greenhouse gas emissions will peak between 2010-2020 and then fall sharply
- RCP 4.5: Strong reduction that assumes emissions will peak around 2040 and then decline
- RCP 8.5: Business-as-usual assumes emissions will continue to increase throughout the 2000s

RCPs simulate future trends in how concentrations of greenhouse gases in the atmosphere may change in the future as a result of human activity and as such, each RCP is associated with a number of physical impacts. We have chosen to focus on RCP 2.6 and RCP 8.5, which are described in more detail on page 69.

# Climate scenario analyses (TCFD)

Legend 0.00-2.50 2.51-5.00 5.01-7.50 7.51-10.00

## Results of scenario analysis

Based on our mapping we can see that we are not exposed to any extreme risks in the areas where we have operations, and that we require minimal adjustment of operations as a result of the climate scenarios. Our risk exposure to acute physical risks is low and we have medium risk exposure to chronic risks.

## Risk level per region

To be able to perform more detailed analyses and have an overview of exposure, we have divided risks into different regions. One risk area that is shared by all the regions is that linked to temperature changes. However, we can see that South-east Asia is exposed to an extreme risk of heat stress that is not seen for the other regions.

Type of risk	Climate-related risk	Risk level	Average	Potential financial impact
<b>Physical risks</b> <b>ACUTE</b>	Flood risk in coastal areas	9.62	8.3	
	Risk of drought	6.47		
	Risk of extreme tropical cyclones	8.01		
	Flood risk	9.43		
	Risk of landslides	8.95		
	Risk of severe storms	6.9		
	Risk of tropical storms and cyclones	9.8		
	Risk of forest fires	8.05		
<b>Physical risks</b> <b>CHRONIC</b>	Exposure to climate change	6.97	6.58	
	Cooling degree days (future climate)	8.84		
	Cooling degree days (current climate)	9.26		
	Heating degree days (future climate)	3.91		An increase in costs and possible investment may be incurred at external temperatures below 18.3°C because of increased demand for energy.
	Heating degree days (current climate)	3.43		An increase in costs and possible investment may be incurred at external temperatures below 18.3°C because of increased demand for energy.
	Heat stress (future climate)	5.14		Increase in cost due to increased demand for energy and possible investment due to demand for climate control.
	Heat stress (current climate)	5.63		Increase in cost due to increased demand for energy and possible investment due to demand for climate control.
	Rise in sea level	9.65		
	Water stress	6.6		

Region	Number of units	Overall physical risk score	Chronic risk score	Acute risk score
Europe	112	7.62	6.80	8.43
Australia	4	7.48	6.48	8.48
North America	27	7.22	6.03	8.40
South-east Asia	10	6.77	5.40	8.00

## Actions relating to climate risks

Before decisions on investments in new production, supporting evidence, in the form of evaluations of climate risks, focusing on precipitation, extreme weather events and flood risk, are carried out.

Environmental certification and environmental inventories of buildings will be implemented prior to refurbishment and new construction. Implemented and future energy reviews may also identify opportunities for energy efficiency measures, thus reducing demand for energy.

Continued work involving climate control in our operations. This will enable us to reduce the impact of heat stress on our employees and to manage days with temperature changes in respect of heating and cooling.

Production of renewable energy through the installation of e.g. solar panels can help ensure that we have access to energy to be able to produce products and have a climate controlled working environment. We will also carry out reviews with the respective companies to assess the risks the companies are exposed to.

Established climate target for carbon dioxide and carbon dioxide neutrality. Our long-term goal is to be carbon neutral by 2050. Our target is to reduce our direct and indirect carbon dioxide emissions by 65% by 2030.

## Continued work

In 2023, we will continue with transition risks and also start work on how suppliers impact our risks based on their location.

# Our stakeholder dialogue

**NIBE's sustainability profile means that we are engaged in constant communication with a number of stakeholders. This ongoing conversation plays an important role in helping us understand what our stakeholders consider to be important from a sustainability perspective, and provides input for what we should be focusing on.**

In 2016, we conducted the first major dialogue with representatives of external stakeholders. In addition to sending a targeted survey to around 300 representatives of various stakeholder groups, we conducted several interviews and gathered data from analyses of the company.

We then supplemented this data by continuously gathering additional information in connection with spontaneous contacts with the various stakeholder groups, at face-to-face meetings or through questionnaires.

We see a greater interest in sustainability from analysts, banks and funds, as well as from research institutes and universities. In 2022, we continued to receive questions relating to the taxonomy, climate and scenario analyses. In addition to the usual surveys, interviews or visits are often requested. The topics include inputs, the conversion to new technology in the products due to new regulatory requirements, and diversity and human resource management. We have included these interview and visit questions as inputs to our materiality analysis.

STAKEHOLDER*	DIALOGUE	TOPICS
Customers	Surveys Business dialogues Contracts	Safe products Sustainable products Business relationship
Employees	Employee dialogue	Security Expertise
Suppliers	Surveys Business dialogues Contracts	A long-term approach Performance
Investors/Analysts	Surveys Quarterly reports Face-to-face meetings	Risk minimization Return A long-term approach Climate issues
Management	Sustainability council	Management by objectives Focus areas Resources
Shareholders	General Meeting Face-to-face meetings Management discussions	Return A long-term approach Risk minimization
Authorities	Reports Visits/Audits Lobbying	Laws and compliance Human resource management Infrastructure
Local communities	Local collaboration Involvement in stakeholder groups	School partnerships Sponsorships Standard committee issues

\* NIBE used an assessment method in which we considered each stakeholder group based on their power, legitimacy and urgency (Mitchell et al., 1997).

# Policies that support our values

NIBE Group policies implemented in the companies and used as a basis for sustainability visits.

Our values	Supporting policies	Communication*	Indicators	SDGs
<b>Respect for human rights</b>	Privacy Policy (GDPR) Stance against modern slavery and human trafficking NIBE Group policy for diversity on the Board of Directors Human rights policy	Internal External/Internal  External/Internal  External/Internal	Employee training on human rights policies or procedures. Suppliers that were screened using social criteria.	8, 16
<b>Good working conditions</b>	Health and safety policy Alcohol and drugs policy Diversity and equal treatment policy	External/Internal External/Internal External/Internal	<b>Goal: A safe workplace with no accidents.</b> Total number of incidents of discrimination. Incidents of violations involving rights of indigenous peoples.	8
<b>Reduced environmental impact</b>	Environmental policy Chemicals policy Travel policy Car policy	External/Internal Internal External/Internal Internal	<b>Goal: Systematic quality and environmental initiatives.</b> <b>Goal: Increased climate benefit in our product portfolio.</b> <b>Goal: Continuously declining energy use.</b> <b>Goal: Reducing CO2 emissions between 2019 and 2030</b> Number of reported cases of significant emissions.	7, 8, 9, 11, 12, 13
<b>Product liability</b>	Quality policy	External/Internal	<b>Goal: Systematic quality and environmental initiatives.</b> Incidents of non-compliance concerning product and service information and labelling. Incidents of non-compliance concerning marketing communications. Incidents of non-compliance concerning the health and safety impacts of products and services.	9, 12
<b>Sound business ethics</b>	Gift policy Whistleblower policy	Internal External/Internal	Number of cases reported to the whistleblower function.	8, 16
<b>Transparency</b>	Communication policy Tax policy Policy concerning trade sanctions	External/Internal Internal Internal	Annual Report	16
<b>Responsible purchasing</b>	Supplier code of conduct Diversity and equal treatment policy Stance against modern slavery and human trafficking Conflict minerals policy	External/Internal  External/Internal  External/Internal  External/Internal	Suppliers that were screened using social criteria. Operations and suppliers with a significant identified risk of incidents of child labor and measures taken Operations and suppliers with a significant identified risk of incidents of forced or compulsory labor and measures taken. Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk.	8, 9, 12, 16
<b>Social engagement</b>	Conflict minerals policy Stance against modern slavery and human trafficking	External/Internal External/Internal	Number of own companies visited. Suppliers that were screened using social criteria.	7, 8, 9, 11, 12, 16

\*External means communicated externally on request.

# General disclosures

## ORGANIZATIONAL PROFILE

### 102-01 Name of the organization.

NIBE Industrier AB

### 102-02 Activities, brands, products, and services

NIBE Industrier AB is an international group in sustainable energy solutions with business operations organized in three separate business areas: Climate Solutions, Element and Stoves.

More information on NIBE Industrier AB's brands is available on pages 45, 51, 57 and at [www.nibe.com/nibe-group](http://www.nibe.com/nibe-group).

### 102-03 Location of headquarters.

The address of the company's head office is Järnvägsgatan 40, SE-285 32, Markaryd, Sweden.

### 102-04 Location of operations.

NIBE Industrier AB is a global company, and the Group has production operations in 28 countries and sales companies in 22 countries. The Group is present in 32 countries. For more information on NIBE's global presence, see page 5, 140–144.

### 102-05 Ownership and legal form

The parent, NIBE Industrier AB (publ), is registered and domiciled in Sweden. 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. Find out more on page 74. For information on NIBE's shares, see pages 75–76.

### 102-06 Markets served

NIBE Industrier AB is a global player with operations in Europe, North America, Australia and Asia in various sectors. Pages 44–45, 50–51 and 56–57 provide an overview of where and in which sectors the Group is active.

### 102-07 Scale of the organization

Operations are carried out through three business areas that in turn conduct their operations via their own companies or branch offices. For where NIBE is represented and for names of companies, see page 140–144 and [www.nibe.com](http://www.nibe.com).

The Group has just over 21,300 employees. The report and data only cover the companies that have prepared sustainability reports for 2022.

For the Group's net sales, see page 104.

### 102-08 Information about employees and other workers

The figures show the number of employees at the end of December 2022 for the companies submitting sustainability reports.

Data on gender and employment type has been extrapolated from various sources in local HR systems. The majority of the increase in personnel is due to acquisitions made in 2021. Only 4% (3%) of the workforce comprises temporary employees.

2022	Number of employees			
	Employment type	Permanent	Temporary	Total
<b>Number</b>		<b>19,549</b>	<b>1,571</b>	<b>21,120</b>
Nordic region	%	19.6	20.4	19.6
Europe	%	38.2	65.3	40.2
North America	%	32.0	7.8	30.2
Asia	%	10.1	5.7	9.8
Other countries	%	0.1	0.8	0.2
Men	%	63.1	60.5	62.9
Women	%	36.9	39.5	37.1
Non-binary gender	%	0.0	0.0	0.0

2022	Full-time	Proportion	Part-time	Proportion
Men	12,981	62 %	324	1.5 %
Women	7,484	35 %	327	1.5 %
Non-binary gender	4	0 %	0	0 %
<b>Total</b>	<b>20,469</b>	<b>97 %</b>	<b>651</b>	<b>3 %</b>

Employee age distribution, %	2022	2021	2020	2019	2018
age <30	21	21	20	21	25
age 30–50	50	51	52	51	50
age >50	29	28	28	28	25

### 102-09 Supply chain.

NIBE buys both materials and services from suppliers worldwide, which reflects the company's global operations. Purchases consist of raw steel products such as pipes and sheet, electronic components such as cables and circuit boards, other direct materials, as well as subcontracted work and purchased products. In addition to direct materials, NIBE buys consumables, production equipment and various types of services. To support its global production and supplier partnerships, NIBE has its own purchasing offices at its production units.

Around 12% (12%) of supplies to NIBE's factories come from local or regional suppliers. The Group's total purchase volumes amount to approximately SEK 27.4 billion and around 80% of this comes from roughly 2,500 suppliers. More information is available in the Procurement practices section on page 162.

## ORGANIZATIONAL PROFILE

### 102-10 Significant changes to the organization and its supply chain.

In 2022 NIBE acquired: Argoclima S.p.A, Backer AZ Thermal SDN BHD, Scandymet AB, Pacific Energy Fireplace Products, Klöpper-Therm GmbH & CO KG, Klöpper GmbH & CO KG and Elmess-Thermosystemtechnik GmbH & CO KG.

Due to the disposal of the majority shareholding in Schulthess, this company has not been included in the sustainability report for 2022.

The following companies were acquired in 2021 and are included in the 2022 sustainability report: Electro-Therm SAS, Go Geothermal Ltd, Heat Safe Cable Systems Limited, Heat Trace Holdings Limited, Heat Trace Limited and Graybar Ltd.

There have been no significant changes to the supply chain.

### 102-11 Precautionary Principle or approach.

We apply the precautionary principle in all our development work and comply with applicable national and international chemicals legislation such as REACH and RoHS. We are working actively to phase out chemicals in our manufacturing processes as per the substitution principle. Continuous risk assessments ensure that the right protective equipment is used if there is a risk of exposure and that chemicals are used and stored correctly.

### 102-12 External initiatives.

NIBE signed the 2014 Global Compact, which is one of our major initiatives alongside the Sustainable Development Goals. Read more about the Global Compact and the SDGs to which we contribute on page 64–65. We also work in compliance with ISO 26000 – Guidance on social responsibility and the 'Code to Prevent Corruption in Business' of the Swedish Anti-Corruption Institute (Institutet Mot Mutor (IMM)). As part of our climate work we have started working with the TCFD (Task Force on Climate Related Financial Disclosures) initiative, which identifies climate-related risks and opportunities. The Global Reporting Initiative (GRI) is the reporting standard that NIBE has chosen as the reporting method for stakeholders. This means we commit to conduct business in a global context in a responsible manner in compliance with applicable laws and internationally adopted standards.

### 102-13 Membership of associations.

NIBE is a member of several trade associations in which relevant short-term and long-term aspects are discussed, for example the GEO-Exchange Coalition, ASHRAE, the Swedish Society of Refrigeration (Svenska Kyltekniska Föreningen), as well as various standardization organizations. We also work with high-profile universities and organizations such as Tekniska museet (the Swedish Museum of Technology) and the Nobel Prize Museum.

## STRATEGY

### 102-14 Statement from senior decision-maker.

The Chief Executive's report is on pages 14–17. The annual report contains descriptions of strategic priorities, trends and goals, what has been achieved and the outlook for the future.

## ETHICS

### 102-16 Values, principles, standards and norms of behavior.

NIBE's ethical guidelines are defined in Our Values, Our Business Principles and our policies. There are several related policies at Group level, as well as local adaptations of NIBE's policies. NIBE's values and guidelines are, however, generally applicable and all other policies are subordinate to them. Our guidelines are available in 20 languages, on NIBE's intranet and at [www.nibe.com](http://www.nibe.com). Read more on pages 12–13 and 158 (Our Values and Policies).

NIBE's employees are urged to report departures from NIBE's values to their managers or local HR departments or to forward the matter to other senior managers. Employees may also report to a groupwide whistleblower portal (<https://report.whistleb.com/en/NIBE>). The reporting channel is managed by a third party, and re-

ports may be made anonymously in the reporter's own language. NIBE has a strict policy against reprisals against persons who report suspected infringements in good faith.

In 2022, five cases were submitted to NIBE's whistleblower system. Three of the reports were received anonymously through NIBE's web portal for whistleblowing cases, one was received by email to NIBE's whistleblower unit and one was received by the head of one of the business areas. Two of the reported cases were classified as whistleblowing cases and investigated within the framework of the whistleblowing policy. The other three were categorized as HR cases and were submitted for handling by NIBE outside the whistleblower system.

## GOVERNANCE

### 102-18 Governance structure

The MD and CEO is appointed by the Board of Directors and is responsible for ongoing management of the company's operations in compliance with the guidelines and instructions issued by the Board of Directors. Group management and the Board of Directors have ultimate responsibility for adopting NIBE's business concept and ensuring that work is governed based on the company's values and drivers. The sustainability team reports directly to the CEO and is responsible for ensuring that all relevant aspects of sustainability are managed and integrated in all operations and activities of the Group and for the preparation of policy documents, strategies and

objectives linked to NIBE's overarching sustainability initiatives. Each operational unit is responsible for sustainability initiatives, which should be implemented according to the strategy and basic requirements adopted by Group management. Each business area is responsible for implementing the sustainability program in the line organization. Each company CEO is responsible for their company's results, comprising financial performance, social impact, compliance and other aspects specified in the NIBE Group's guidelines for management at company level. Read more about management and governance on pages 182–186.



## STAKEHOLDER ENGAGEMENT

### 102-40 List of stakeholder groups.

The biggest high-influence groups of stakeholders are owners, customers, employees, suppliers, investors and fund management companies as well as government authorities and the local community.

See page 157 for a list of stakeholder groups.

### 102-41 Collective bargaining agreements.

In most countries in which NIBE operates, the employees have collective bargaining agreements. Collective agreements cover 45% of all our employees.

### 102-42 Identifying and selecting stakeholders.

Through a continuous dialogue with our stakeholders, we ensure that we have identified our most important sustainability areas and that we focus on the right issues for the future as well. In 2016, we conducted the first major dialogue with a selection of stakeholders from most of these groups. In addition to sending a targeted survey to around 300 representatives of various stakeholder groups, we conducted several interviews and gathered data from analyses of the company. We then supplemented this data by continuously gathering additional information in connection with spontaneous contacts with the various stakeholder groups, at face-to-face meetings and through questionnaires, and added it to the materiality analysis. In addition to the usual surveys, interviews or visits are often requested.

Read more on pages 68 and 157 about our work with stakeholders. The method used is Mitchell et al. 1997.

### 102-43 Approach to stakeholder engagement.

The materiality analysis conducted at the end of 2016 was updated in respect of this year's developments and stakeholder dialogue. The analyses and boundaries for the topics were set in dialogue with management and stakeholders based on trends and GRI topics, along with their impact on our value chain both within and outside the organization. Our strategic focus areas are described on page 68.

If we compare NIBE's current work in the areas identified as strategic focus areas, it is well aligned with the choices and priorities made by NIBE to date.

### 102-44 Key topics and concerns raised.

Key topics identified are Climate, the Environment and Corruption, as well as Diversity and Human Resource Management.

Read more on page 68.

### 102-45 Entities included in the consolidated financial statements.

For entities included in the consolidated financial statements, see page 100 and 117–119.

### 102-46 Defining report content and topic boundaries.

NIBE aims to give stakeholders relevant information about operational, financial, environmental and social topics. To do this, NIBE applies reporting principles as per GRI (Global Reporting Initiative) which include stakeholders, the sustainability context, materiality and completeness. The boundaries of the topics were assessed based on organizational and business contexts and from the point of view of stakeholders. They were also assessed based on to what extent they can affect and contribute to the UN's Sustainable Development Goals. When stakeholders are asked proactively, the respondent usually receives a summary of topics that may be material. The stakeholders are asked to emphasize the topics that are important to their evaluation and decision in relation to NIBE. They are also asked to add other topics or remove those they deem to be irrelevant. NIBE uses these views in risk assessments to define environmental, economic and social impact. The common boundary that exists for both the Sustainability Report and the Materiality Report is that companies acquired in 2022 are not included in the reports. See pages 140–144 for the companies that are included in the Sustainability Report.

### 102-47 List of material topics.

The description above, combined with views collected previously from stakeholder groups, produces a result that has been converted and presented according to the topics in the GRI standard. All these topics are deemed material and relevant to the report. As shown on page 68, several topics stand out as material. The ambition is to provide an approximate assessment. The content, scope and boundaries for each topic, and the management strategy, are described in further detail in the more specific disclosures on pages 162–180.

### 102-48 Restatement of information.

The 2022 report includes the companies acquired in 2021 in which we retained a majority holding at the end of the reporting period. See 102-10 above.

### 102-49 Changes in reporting.

No significant changes were made in material areas in 2022.

## REPORTING PRACTICE

### 102-50 Reporting period.

January 1 to December 31, 2022.

### 102-51 Date of most recent report.

The most recent Annual Report was published on April 14, 2022.

### 102-52 Reporting cycle.

Annual.

### 102-53 Contact point for questions regarding the report.

sustainability@nibe.se

### 102-54 Claims of reporting in accordance with the GRI Standards

This report was compiled in accordance with GRI Standards 2016 Core option.

### 102-55 GRI index.

The content index is at [www.nibe.com/gri-index](http://www.nibe.com/gri-index)

### 102-56 External assurance.

No external audit of the sustainability report was conducted. NIBE Industrier AB's Board is responsible for ensuring that risks are managed and that sustainability initiatives comply with laws and the requirements of authorities, shareholders and other stakeholders.

# NIBE's material topics

## ECONOMIC PERFORMANCE

**GRI 201: Economic performance 2016**  
**GRI 103: Management approach 2016**

### 103-1 Explanation of the material topic and its Boundary.

The consolidated accounts include the parent company, NIBE Industrier AB, and the companies in which the parent company has direct or indirect control.

### 103-2 The management approach and its components.

Financial performance is the general indicator in our value chain of NIBE's economic impact on society. All NIBE units are responsible for their economic performance. NIBE reports its economic performance in accordance with IFRS. For more information about the accounting policies, see pages 100-139.

### 103-3 Evaluation of the management approach.

Information from the financial statements has been used to divide up the economic value and it is distributed as shown on pages 80-81.

### 201-1 Direct economic value generated and distributed.

Information from the financial statements divides up the economic value, pages 77-139.

### 201-4 Financial assistance received from government.

No financial assistance was received at Group level.

### 201-3 Defined-benefit plan obligations and other retirement plans.

Information on defined-benefit plan obligations and other retirement plans is described on pages 122-125.

## PROCUREMENT PRACTICES

**GRI 204: Procurement practices 2016**  
**GRI 103: Management approach 2016**

### 103-1 Explanation of the material topic and its Boundary.

NIBE's approach entails acquired companies continuing to be active in their locations. The companies can then continue to play a vital, responsible role and make a positive contribution to both economic and social growth in several areas, including suppliers, and in their local communities in the form of jobs and taxes.

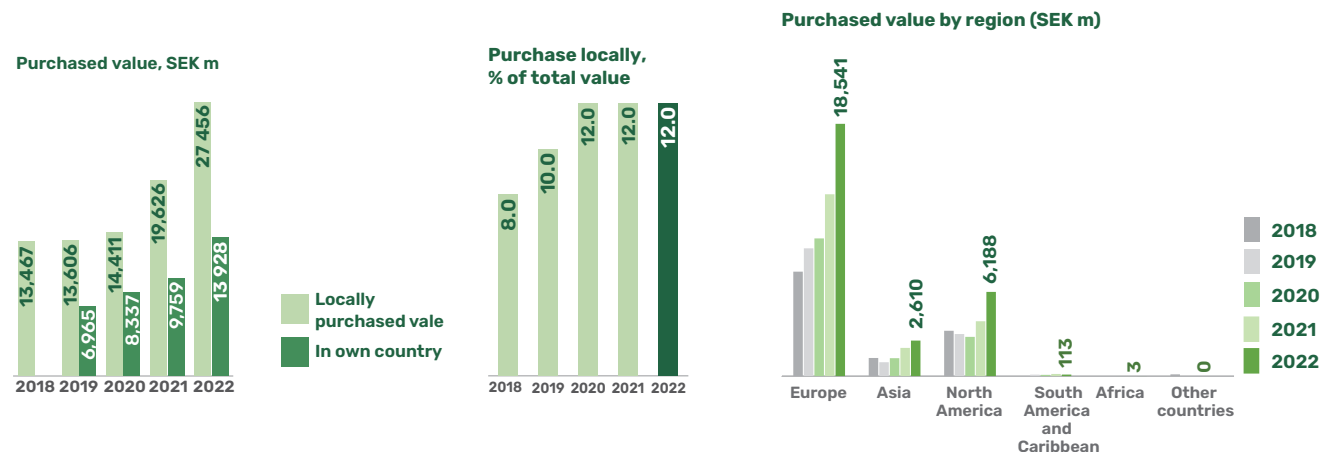
### 103-2 The management approach and its components.

NIBE practices responsible purchasing, comprising a supplier code of conduct and evaluation of direct materials suppliers. The approach to our work with suppliers is described in further detail on pages 12-13 in Our Business Principles, and Our Values and page 29 responsible purchasing.

### 103-3 Evaluation of the management approach.

A number of metrics are monitored in respect of suppliers, including the number of suppliers and purchased value. Purchasing in own countries is increasing while the percentage of local purchasing in relation to total purchased value remained unchanged. The number of suppliers has grown to 16,583 (15,162), largely due to the acquisition of new companies. Our supply chains are largely located where the major manufacturing units are located, i.e. Europe and North America.

### 204-1 Proportion of spending on local suppliers.



**GRI 205: Anti-corruption 2016 and Anti-competitive behavior**  
**GRI 103: Management approach 2016**
**103-1 Explanation of the material topic and its Boundary.**

NIBE's work to prevent corruption and prohibited restraints of competition is included in the Group's business principles and values. The Group has a general assessment of corruption risks and all companies carry out an annual risk assessment in line with NIBE's internal control program NICS, page 70–72.

**103-2 The management approach and its components.**

NIBE's code of conduct covers fraud, prohibited restraints of competition, corruption, money laundering, data protection, export control, the environment, health and safety, responsible purchasing and human rights. Our work on the code of conduct includes a financial manual, policies, training and tools that are available to employees on the Group's internal networks.

**103-3 Evaluation of the management approach.**

All employees receive information on NIBE's values in connection with onboarding. Employees deemed more vulnerable, i.e. administrative employees and Board members, undergo regular anti-corruption training via NIBE's e-learning platform.

**205-1 Operations assessed for risks related to corruption.**

All units are obliged to conduct annual risk assessments in respect of compliance. All active sales and production companies included in the sustainability report have evaluated their corruption risks in operations following our internal process, NIBE Internal Control Standard (NICS). See page 70–72 and pages 98–99.

**205-2 Communication and training about anti-corruption policies and procedures**

Board members often represent several boards in different countries, for which reason no breakdown is available.

The number of suppliers that have received information on anti-corruption policy is reported under 414-1.

**205-3 Confirmed incidents of corruption and actions taken.**

No confirmed incidents.

**206-1 Total number of legal actions for anti-competitive behavior.**

No cases received.

**Board members who received information and training on anti-corruption, number**

	2022	2021	2020	2019	2018
<b>Total</b>	<b>186</b>	<b>125</b>	<b>58</b>	<b>361</b>	<b>296</b>

Work on quality assurance of the information on unique board members continued in 2022, resulting in an increase in the number compared with 2021.

**Employees who received information on anti-corruption, number**

	2022	2021	2020	2019	2018
<b>Total</b>	<b>21,120</b>	<b>20,583</b>	<b>17,914</b>	<b>16,505</b>	<b>15,100</b>
Nordic region	4,156	3,712	3,300	3,136	
Europe	8,491	8,423	6,758	5,942	
North America	6,373	6,385	5,933	5,777	
Asia	2,064	2,034	1,910	1,633	
Other countries	36	29	13	17	

**Employees who received training in anti-corruption, administrative employees, number**

	2022	2021	2020	2019	2018
<b>Total</b>	<b>5,663</b>	<b>6,346</b>	<b>5,549</b>	<b>4,950</b>	<b>3,407</b>
Nordic region	1,017	2,110	1,532	1,440	
Europe	1,668	2,254	2,408	2,087	
North America	2,169	1,312	1,324	1,199	
Asia	807	656	272	210	
Other countries	2	14	13	14	

**Business partners who received information on anti-corruption policy, number**

	2022	2021	2020	2019	2018
<b>Total</b>	<b>1,296</b>	<b>1,318</b>	<b>844</b>	<b>528</b>	<b>298</b>
Nordic region	340	461	118	65	
Europe	802	717	676	421	
North America	141	126	36	29	
Asia	13	14	14	13	
Other countries	0	0	0	0	

**GRI 301: Materials 2016**

**GRI 103: Management approach 2016**

**103-1 Explanation of the material topic and its Boundary.**

NIBE has identified four main areas in the value chain in which we have great impact: raw materials and components, our own plants, transport of goods and customer benefit. The areas are based on NIBE's influence and its opportunity to affect results in each area. The biggest environmental impact from these is in the value chain and NIBE is able to affect this mainly by focussing on materials efficiency in the manufacturing process in its own plants. Improving materials efficiency also reduces energy consumption and emissions upstream. Producing this data requires supplementary systems support for materials. We see a challenge here as our companies' various ERP systems are unable to distinguish between renewable and non-renewable materials.

**103-2 The management approach and its components.**

The use of natural materials and metals is our greatest impact on the environment. By optimising the use of inputs in our manufacturing processes, we reduce the amount of waste and emissions from our processes, thereby reducing environmental impact. In line with increased demand for resource efficiency around the world, we are working on using more recycled materials and reducing production waste through optimized production processes. Systematic quality and environmental work is a natural driver for improvement work.

NIBE has quantified the target for its own organization.

- 100% of our production units with more than 10 employees must have certified management systems for ISO 9001 and ISO 14001 within two financial years after acquisition.

The Group's sustainability targets are described in further detail on pages 10–11.

**103-3 Evaluation of the management approach.**

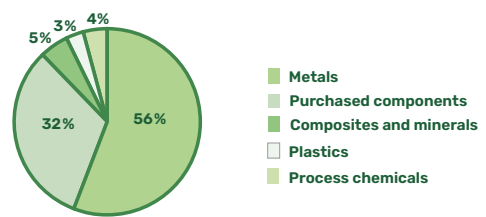
NIBE applies a decentralized approach in which improvement work related to resource management is integrated in the units' quality and environmental management systems. In addition to the target, we measure resource use to monitor the environmental impact of the organization. We see an increase in material use but it corresponds well to the use from acquisitions and volume growth.

**301-1 Materials used by weight or volume**

Total weight of materials used within the organization.

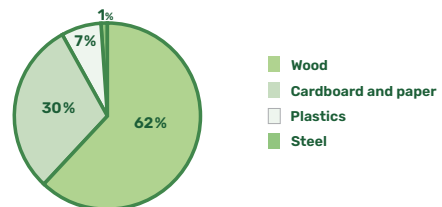
Material use in tonnes	2022	2021	2020	2019	2018
Metals	139,209	138,431	115,908	104,625	108,689
Components purchased	78,017	83,770	69,502	66,047*	73,239
Composites and minerals	12,280	17,091	15,954	15,218	15,430
Plastic	8,205	9,462	6,511	5,832	5,387
Paint, glue etc.	1,321	1,042	740	841	758
Chemicals	918	853	808	660	555
Acids	200	157	162	144	136
Gases	6,763	7,633	5,246	4,299	3,894
Refrigerants	854	558	491	461	469

**Material use in % of total use**



Packaging materials, tonnes	2022	2021	2020	2019	2018
<b>Total</b>	<b>20,902</b>	<b>23,184</b>	<b>18,946</b>	<b>18,414</b>	<b>17,382</b>
Plastic	1,566	2,804	1,352	1,422	1,414
Wood	12,930	13,559	11,645	11,084	10,767
Board	6,293	6,732	5,864	5,828	5,051
Steel	113	89	85	80	150

**Packaging material in % of total use**



\*A miscalculation was made in 2019 since some components were counted as both raw materials and components.

**GRI 302: Energy 2016****GRI 103: Management approach 2016****103-1 Explanation of the material topic and its Boundary.**

Climate change is a big challenge to companies, public authorities and societies. NIBE has identified four main areas in the value chain in which we have great impact: raw materials and components, our own plants, shipping and customer benefit. The areas have been chosen based on NIBE's influence and its opportunity to affect results in each area.

**103-2 The management approach and its components.**

NIBE's long-term strategy is to produce world-class solutions in sustainable energy, thereby helping the world transition to a more sustainable society and reduced carbon footprint. To reduce our global climate impact, we are working to eliminate fossil fuel in our production units and replace heating systems with heat pump solutions to optimize energy use and reduce energy consumption and carbon dioxide emissions. This is done through systematic energy mapping that identifies small and large improvements in our properties as regards cooling, heating and ventilation systems and energy losses in manufacturing processes. Investments are made continuously in technical and purification equipment in our properties and manufacturing processes.

**The quantifiable targets for Energy are**

- Increased climate benefit in our product portfolio - the target is for 70% of our sales to consist of LCE\*-classified products by the end of 2026. New target because the target of 60% was reached in 2022.
- Continuously declining energy use - the target is to reduce purchased energy use 40% by 2030 compared with 2019 as the baseline (measured in MWh/SEK million in sales) and then reduce it even further.

The Group's sustainability targets are described on pages 10–11.

**103-3 Evaluation of the management approach.**

We are working to increase our opportunities to produce our own energy, for example by installing solar panels and heat pumps and actively buying renewable electricity (GoO certificate\*\*) for our operations worldwide. For our reduction of environmental impact by buying GoO, see 305-5.

For internal transportation, we have a project at one of our units where we are discussing converting heavy vehicles to use renewable fuel. Some units are also evaluating the use of hybrid/electric company vehicles. Our LCE\* products support a shift towards a smaller carbon footprint and help customers improve energy efficiency and convert to renewable energy. Within Scope 1 we are seeing an increase in own-produced energy from companies with solar panels installed and from heat pump installations. The transition to renewable district heating in many of our companies means that we are seeing an improvement in Scope 2 emissions.

\*FTSE LCE ICS™ (Financial Times Stock Exchange Low Carbon Economy Industrial Classification System) is a quantitative model designed to permit investors to assess a company's ability to adapt its business to the requirements related to reduced climate impact and depletion of resources. Product groups included in LCE: heat pumps, district heating, boilers, stoves for burning pellets and wood, PV panels, heat exchangers, components for rail, electric and hybrid vehicles, ventilation and building cooling, and renewable energy production.

\*\*GoO is information and a guarantee that the electricity we buy originates from renewable sources.

## ENERGY AND EMISSIONS

### 302-1 Energy consumption within the organization.

Energy consumption Scope 1 (MWh)	2022	2021	2020	2019	2018
<b>Non-renewable sources</b>					
Gasoline	6,356	4,558	3,080	4,261	2,369
Diesel	28,311	29,649	22,764	24,070	21,210
CNG	603	639	380	691	18
LPG	19,025	27,316	22,431	31,288	35,753
Acetylene	623	580			
Propane	3,340	3,163			
Light fuel	233	1,500	1,568	2,540	2,973
Heavy fuel	0	0	0	86	172
Natural gas	79,764	81,960	76,594	81,940	68,329
Methane	5,384	7,283	6,444	132	-
Coal	291				
<b>Renewable sources</b>					
Pellets	1.16	1.38	0.41	0.9	1.2
Biogas	0	0	0	0	0
Biodiesel	956	1,125	231	114	67
Bioethanol	0	0	0	0	0

Energy use (GWh)	2022	2021	2020	2019	2018
Total	334	344	307	308	263

Self-Generated energy (MWh)	2022	2021	2020	2019	2018
Total self-Generated energy	2,422	2,579	2,450	46	74
Total self-Generated heating	8,598	8,049	5,182	4,816	2,356
Total self-Generated cooling	1,629	318	237	189	190
Self-Generated energy sold	930	648	392	4.3	3.0

### 302-2 Energy consumption outside the organization.

Energy consumption - Scope 2 (GWh)	2022	2021	2020	2019	2018
Total electricity consumption	175	173	154	147	142
Total heating consumption (renewable)	7.5	6.5	3.5	6.3	
Total heating consumption (non-renewable)	6.0	6.8	11.5	4.7	
Total cooling consumption	0	0	0	0	0
Total steam consumption	0	0	0	0	0

### 302-3 Energy intensity.

Intensity (Scope 1 and 2)	2022	2021	2020	2019	2018
Energy intensity (energy consumption/SEK million)	8.6	11.2	12.0	12.2	11.7

### 302-4 Reduction of energy consumption.

According to our energy mapping, over a cycle of 4-5 years we achieve, on average, a reduction in absolute energy consumption of around 1% per year in our total energy consumption, based on historical data. During monitoring we have verified the results of actions carried out and this forms the basis for this calculation.

**GRI 303: Water and effluents 2018**  
**GRI 103: Management approach 2016**

**103-1 Explanation of the material topic and its Boundary.**

Clean water may be in short supply globally in the future and will therefore become increasingly important. Monitoring of water use is essential at the plants located in areas in which there is water stress or a risk of water stress. Wastewater from NIBE's operations is relevant from an environmental point of view as metals and organic substances may enter water supply sources.

**103-2 The management approach and its components.**

Our production plants currently use relatively small amounts of water in their processes. Although the water supply at our production facilities is good today, we are constantly working to reduce water consumption through recycling and purification processes. To identify any water stress areas in which NIBE's plants are located, the mapping performed within TCFD of water stress areas is used.

For 2022 we have decided to include areas classified as high and extreme water stress areas, which is why there is a large increase compared with previous years, when only extreme water stress areas were included in the calculation

Based on our production companies' manufacturing processes that include water, we have identified the substances (metals and organic substances) that can be released into the water. We therefore measure the content of these substances by means of water samples according to the companies' environmental permits or regulatory requirements, and several of our companies use third parties to measure levels.

**103-3 Evaluation of the management approach.**

NIBE has production plants in areas with high or extreme water stress. These production plants are in specific areas in, among others, Spain, Turkey, Romania, Mexico, Thailand and Vietnam. We see an increase in ground water in water stress areas. This is primarily related to one of the acquisitions in Turkey. Water is used to some extent in our processes, and the volume of water consumed comes from evaporation. Our emissions of organic matter have decreased, for example, through the implementation of test tanks equipped with ultrasound units at our plant in Mexico.

**303-3 Water withdrawal.**

Water (m3)	2022	2021	2020	2019	2018
<b>Total water withdrawal by source</b>	<b>521,014</b>	<b>468,822</b>	<b>419,880</b>	<b>391,092</b>	<b>372,709</b>
Municipal water (third-party water)	433,441	386,535	333,519	353,436	284,979
Surface water	0	0	446	1,775	1,617
Groundwater	87,573	82,287	85,915	35,881	34,376
Seawater	0	0			
Produced water	0	0			
<b>Water quality, total water withdrawal by source</b>					
Fresh water (<1,000 mg/l dissolved solids)	460,029	381,986	322,536	351,282	
Other water (>1,000 mg/l dissolved solids)	60,985	86,836	97,344	39,810	

Of which water from areas with water stress (m3)	2022	2021	2020	2019
<b>Total</b>	<b>168,732</b>	<b>55,402</b>	<b>35,052</b>	<b>52,160</b>
Municipal water (third-party water)	146,982	35,112	27,349	44,324
Surface water	0	0	0	0
Groundwater	21,750	20,290	7,703	7,836
Seawater	0	0		
Produced water	0	0		
<b>Water quality, total water withdrawal from water stress area</b>				
Fresh water (<1,000 mg/l dissolved solids)	146,982	35,112	27,349	44,324
Other water (>1,000 mg/l dissolved solids)	21,750	20,290	7,703	7,836

## 303-4 Water discharge.

Reclaimed water (m3)	2022	2021	2020	2019	2018
<b>Water recycling and reuse</b>	<b>449,816</b>	<b>437,626</b>	<b>386,753</b>	<b>324,100</b>	<b>340,713</b>
Municipal water treatment plant	396,512	360,947	320,050	311,492	329,891
Surface water	52,544	31,729	33,395	11,758	0
Groundwater	760	850	880	850	0
Seawater	0	0			
Produced water	0	0			
<b>Water quality, total water recycling and reuse</b>					
Fresh water (<1,000 mg/l dissolved solids)	0	0	0	0	
Other water (>1,000 mg/l dissolved solids)	449,816	393,526	354,325	324,100	

Of which water from water stress areas (m3)	2022	2021	2020	2019
<b>Total</b>	<b>162,946</b>	<b>41,692</b>	<b>30,262</b>	<b>34,207</b>
Municipal water (third-party water)	135,228	18,513	9,753	34,207
Surface water	27,718	0	0	0
Groundwater	0	23,179	20,509	0
Seawater	0	0		
Produced water	0	0		
<b>Water quality, total water withdrawal from water stress area</b>				
Fresh water (<1,000 mg/l dissolved solids)	0	0	0	0
Other water (>1,000 mg/l dissolved solids)	162,946	41,692	30,262	34,207

Discharges to water		2022	2021	2020	2019	2018
Metals	kg	33.5	26.1	16.9	9.0	17.6
Organic material	tonnes	19.8	33.8	24.0	37.0	36.0

## 303-5 Water consumption

Water consumption (m3)	2022	2021	2020	2019	2018
<b>Total water consumption</b>	<b>70,198</b>	<b>31,196</b>	<b>33,127</b>	<b>66,992</b>	<b>-</b>
Of which water consumption in areas with extreme water stress	4,529	0	0	3,832	-
Of which water consumption in areas with high water stress	1,256	13,710	4,004	18,431	-

Mapping shows that any water storage is only intended for fire protection and is not classified as significant.



**GRI 305: Emissions 2016****GRI 103: Management approach 2016****103-1 Explanation of the material topic and its Boundary.**

Climate change is a big challenge to companies, public authorities and societies in terms of emissions as well. NIBE has the opportunity to help improve the climate by reducing emissions from our own operations and help reduce our customers' emissions.

**103-2 The management approach and its components.**

In its innovative product development, NIBE focusses on reducing products' climate impact throughout their life cycles. Product development initiatives are underway to replace today's refrigerants with new ones that have lower climate impact. Both for our present and future product ranges, we work with natural, new refrigerants with lower Global Warming Potential (GWP). The focus is on carbon dioxide emissions, where our impact is high.

An updated vehicle policy including electric and hybrid vehicles was launched in 2020. Ongoing initiatives include replacement of fossil fuels in our operations and the installation of solar panels. For internal transportation, a project is underway at one of our units to convert heavy vehicles to use renewable fuel. In Swedish operations, HVO100 has replaced diesel where possible.

**The quantifiable targets for Emissions are**

- Reduce CO<sub>2</sub> emissions - Our long-term goal is to be carbon neutral by 2050 Our target is to reduce our direct and indirect carbon dioxide emissions by 65% by 2030, based on the companies included in the 2019 baseline.

The Group's sustainability targets are described on pages 10-11.

**103-3 Evaluation of the management approach.**

In the areas in which NIBE is able to have an impact on climate via various emissions, the impact of our operations is measured and monitored. Measurement has begun for other impacts to enable us to report the volume of reduction in GHG emissions to which our products contribute; these emissions avoided are included in the second table under 305-3.

NIBE's acquisition strategy, in which we add a number of companies every year, means that it is a challenge to reduce GHG emissions in absolute figures. Our heat pump sales volume in the European and North American markets cut CO<sub>2</sub> emissions for our customers, and this is something we are proud of.

## EMISSIONS

### 305-1 Direct (Scope 1) GHG emissions and

### 305-2 Energy indirect (Scope 2) GHG emissions.

Emissions are calculated only for carbon dioxide.

GHG emissions (tonnes of CO <sub>2</sub> eq.)	2022	2021	2020	2019	2018
<b>Greenhouse gas emissions, total (incl GoOs)</b>	<b>32,042</b>	<b>35,363</b>	<b>30,662</b>	<b>33,029</b>	<b>31,200</b>
of which emissions from own vehicles (Scope 1)	7,094	7,232	5,146	5,693	4,535
of which emissions from filling losses of refrigerants (Scope 1)	1,057	1,037	831	1,349	998
of which emissions from own operations (Scope 1)	22,540	25,651	22,328	25,021	23,502
of which indirect emissions (Scope 2)	68,794	68,262	61,653	56,822	55,411
of which purchases of GoOs (Scope 2)	-67,445	-66,819	-59,296	-55,856	-53,246

Emission factors and GWP values from:  
Swedish Energy Agency Heat values 2021

<https://www.energimyndigheten.se/48e101/globalassets/statistik/puffblock/ems-varmevarden-2021.xlsx>

Swedish Environmental Protection Agency Emission factors 2021

<https://www.naturvardsverket.se/492c56/globalassets/vagledning/luft-och-klimat/berakna-klimatutslapp/emissionsfaktorer-och-varmevarden-2021-v3.xlsx>

Swedish Environmental Protection Agency's instructions for Klimatklivet support for climate investments May 6, 2022

<https://www.naturvardsverket.se/contentassets/9db319015c994a9d88f64fffae725765/vagledning-berakna-utslappsminskning-2022-05-06.pdf>

Methodology for Reporting 2011 B. C. Public Sector Greenhouse Gas Emissions Ministry of Environment British Columbia

<https://www2.gov.bc.ca/assets/gov/environment/climate-change/cng/methodology/2011-pso-methodology.pdf>

Consolidated reports from companies in two Group-wide IT systems

### 305-3 Other indirect (Scope 3) GHG emissions.

In 2022, comprehensive mapping was carried out for all 15 categories within Scope 3 based on operations in 2021. The category with the single biggest emissions is use of sold products, which is due to the fact that our products consume some form of energy when used by customers. The two factors with the biggest impact on these emissions are product life and the type of energy used by our customers. In our calculations, we have assumed an average service life for each product group and that the electricity purchased by our customers refers to the general energy mix in the different countries. If our customers were to purchase only fossil-free energy, the emissions in this category would be significantly lower, which is shown in the second table above right. In 2023, we will be working on quality assurance of information concerning the most material categories in Scope 3. Information on 2022 emissions within Scope 3 will be presented in next year's Annual Report.

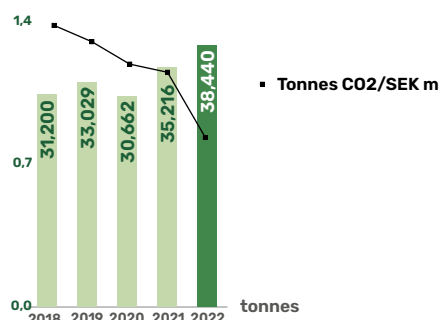
GHG emissions (tonnes of CO <sub>2</sub> eq.)	2021	2020	2019
<b>Greenhouse gas emissions, total</b>	<b>41,723,607</b>	<b>610,463</b>	<b>551,067</b>
of which purchased products and services	338,000		
of which use of sold products	41,200,000		
of which other categories	185,607		
Tonnes CO <sub>2</sub> /SEK million	1,363	22	22

GHG emissions (tonnes of CO <sub>2</sub> eq.)	2021
<b>Emissions of greenhouse gases, incl. avoided emissions and use of fossil-free energy</b>	<b>1,723,607</b>
Greenhouse gas emissions (Scope 3)	41,723,607
Avoided emissions from heat pumps	-5,400,000
Adjustment of calculation of 100% fossil-free energy	-34,600,000

### 305-4 GHG emissions intensity.

Our carbon intensity declined to 0.83 as a result of our work on transition to renewable energy.

### Carbon dioxide emissions



### 305-5 Reduction of GHG emissions.

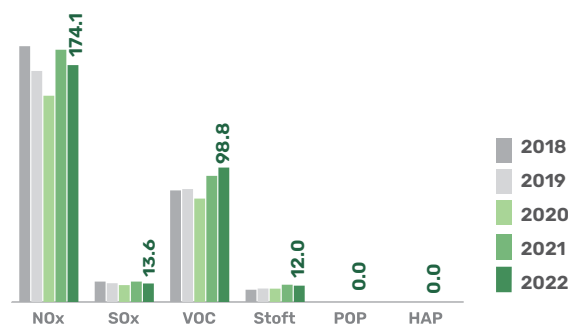
Savings of GHG emissions from the type of heating system that our heat pumps replaced in 2021 on each market amounted to 360,000 tonnes of CO<sub>2</sub> in 2021. This calculation is based on national market conditions in each country in Europe and North America. All types of heating systems that our heat pumps replace are taken into account, and the calculations are based on the energy efficiency of the different types and the specific power generation in each country. In total, national assessments of 39 different parameters for 29 different countries are included.

GoO, Guarantees of Origin, are purchased for all our operations worldwide to guarantee the origin of renewable electricity. These helped us reduce GHG emissions by 67,445 tonnes of CO<sub>2</sub>. Residual mix figures from 2021 within and outside the EU were used for the calculation. The figures were obtained from World Kinect Energy Services.

### 305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions.

Emissions of NOx, SOx, VOC and dust into the air from our own production plants are measured and monitored to comply with applicable environmental permits and regulatory requirements. Information from suppliers and safety data sheets for chemicals are used as the basis for the measurement.

### Air emissions



**GRI 306: Effluents and waste 2016**  
**GRI 103: Management approach 2016**  
**GRI 307: Environmental compliance 2016**

**103-1 Explanation of the material topic and its Boundaries.**

A large part of NIBE’s environmental impact comes from waste generation, so recycling is a very important matter. We are working to reduce the consumption of raw materials and the amount of waste that goes to landfills and hazardous waste disposal.

**103-2 The management approach and its components.**

The greatest challenge to succeeding in increasing recycling and reducing waste to landfills is in countries where the systems and infrastructure for sorting waste are not in place. In such cases, as

far as possible, we make every effort to create our own solutions while also influencing society to assume greater responsibility for its waste management.

At our production units, authorized waste management companies are hired to manage hazardous waste.

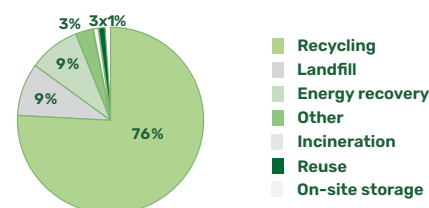
**103-3 Evaluation of the management approach.**

The most recent acquisitions have been in countries that have less well developed systems and infrastructure for waste. We are working to find solutions for these companies to reduce the volume of waste that goes to landfill.

**306-2 Waste by type and disposal method.**

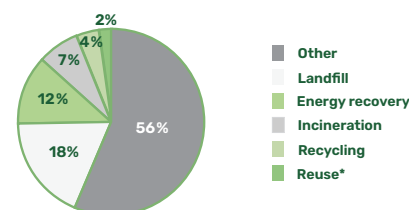
Non-hazardous waste (tonnes)	2022	2021	2020	2019	2018
<b>Total non-hazardous waste</b>	<b>37,501</b>	<b>40,887</b>	<b>29,001</b>	<b>27,287</b>	<b>24,638</b>
Reuse	313	350	751	220	225
Recycling	28,571	31,475	20,919	20,901	17,864
Composting	106	94	84	81	81
Energy recovery	3,562	3,324	2,858	2,465	2,268
Incineration	197	205	75	174	171
Deep well injection	0	0	0	0	0
Landfill	3,328	4,202	2,955	2,929	3,420
On-site storage	286	248	118	76	73
Other	1,138	989	1,023	268	371

**Waste categories in % of total non hazardous use**



Hazardous waste (tonnes)	2022	2021	2020	2019	2018
<b>Total hazardous waste</b>	<b>2,631</b>	<b>2,812</b>	<b>2,250</b>	<b>1,799</b>	<b>1,614</b>
Reuse	55	16	22	5	6
Recycling	323	441	283	164	348
Composting	0	0	0	0	0
Energy recovery	109	90	85	119	94
Incineration	178	166	1,342	1,069	463
Deep well injection	0	0	0	0	0
Landfill	467	517	129	94	202
On-site storage	14	14	11	10	10
Other	1,485	1,568	328	319	479

**Waste categories in % of total hazardous use**



\* The pie chart integrates these 2 categories as per GRI.

**307-1 Non-compliance with environmental laws and regulations**

In 2022, NIBE had two cases. One of these cases concerned breach of environmental permit, where the case involved emissions to water and did not result in any significant fines or instructions from environmental authorities. The second case is an ongoing case from previous years concerning the activities of a former owner.

**GRI 308: Supplier environmental assessment 2016**

**GRI 103: Management approach 2016**

**GRI 414: Supplier social assessment 2016**

**GRI 103: Management approach 2016**

### **103-1 Explanation of the material topic and its Boundary.**

NIBE manages suppliers' impact on the environment, human rights, employees and society under the program for responsible purchasing. The program covers all NIBE suppliers, but has a risk-based method in which audits focus mainly on first-tier suppliers and also to some extent on second-tier suppliers.

### **103-2 The management approach and its components.**

NIBE's work on responsible purchasing is designed to ensure that our ethical guidelines are followed by suppliers and subcontractors. The work forms part of supplier development and comprises areas such as health and safety, the environment, quality, human rights, product legislation and ethical guidelines. See page 29.

NIBE's strategy for responsible purchasing uses a risk-based method in which suppliers of direct materials have to undergo audits or visits if they are in high-risk regions. This evaluation must take place in NIBE's global system.

### **103-3 Evaluation of the management approach.**

Several companies are working on implementation in the global system and this will gradually increase. One effect of the pandemic is that it has not been possible to visit suppliers to the extent planned. Evaluations have had to be done using other methods such as digital meetings and documentation.

No supplier collaborations have been terminated in relation to the environment, corruption or social aspects.

### **308-1 Percentage of new suppliers that were screened using environmental criteria.**

In 2022, 47% (38%) of new suppliers of direct materials were screened using environmental criteria.

### **414-1 New suppliers that were screened using social criteria.**

In 2022, 45% (35%) of new suppliers of direct materials were screened using social criteria. The pandemic has resulted in delays to the screening of new suppliers as it has not been possible to visit them.

The supplier code of conduct was communicated to 3,469 direct materials suppliers in 2022. The supplier code of conduct includes aspects such as human rights, gender equality and corruption.

## GRI 403: Occupational health and safety 2018

## GRI 103: Management approach 2016

### 103-1 Explanation of the material topic and its Boundary.

Health and safety is a very important matter for NIBE, both in our direct operations and in activities along the value chain. NIBE employs around 14,600 production employees and has a tradition of focussing intensively on physical health and safety. This is also relevant for suppliers and is incorporated in NIBE's strategy for responsible purchasing. See page 29.

### 103-2 The management approach and its components.

Our occupational health and safety policy is the same for all types of employment; everyone in every company is included. A greater focus on compliance with our health and safety policy and accident reporting has resulted in more companies improving their reporting. Our occupational health and safety policy contains clear requirements for systematic work on risk analyses, safety inspections, accident reporting, emergency contingency plans, objectives and action plans.

### 403-5 Worker training on occupational health and safety.

NIBE has no Group training on health and safety. This takes place locally at the various companies. There is a health and safety policy at Group level, which is implemented at the companies. Health and safety is one of the areas covered in the Group's sustainability visits.

### 403-8 Workers covered by an occupational health and safety management system.

In addition to staff employed by the companies, staff from recruitment companies who are under the responsibility of the companies are also covered. No specific types of employee are excluded from our health and safety policy. No external processes are covered by the management system. Data has been collected from NIBE's sustainability system, including total number of employees and how many are affected.

91% (90%) of our employees are covered by a safety committee. The others are usually in sales companies with few employees and only offices.

### 403-9 Work-related injuries.

The most common types of injury that occurred are mainly due to deficiencies in the physical work environment such as manual handling of materials, injuries caused by machinery and equipment, and slipping and falling accidents.

Sickness absences, %



NIBE's accident rate per million hours worked has been quantified and targets have been set.

- A safe workplace with no accidents Our long-term goal is zero accidents, of course, even though this is difficult to achieve. The interim target is an accident frequency of fewer than six accidents by the end of 2023. The Group's sustainability targets are described on pages 10-11.

Near-misses and first aid incidents at local units are not always reported at Group level. Health and safety data is collected annually using NIBE's reporting and consolidation tools.

### 103-3 Evaluation of the management approach.

The accident rate increased slightly, mostly because of high rates reported by a handful of companies. Action plans have been drawn up to reduce the rate in the companies in question. The work on implementing ISO 45001 in a number of companies is ongoing. Our aim is that all companies with more than 100 employees should be certified according to ISO 45001. Currently, 28% (23%) of these companies are certified.

Work-related injuries (number)	2022	2021	2020	2019	2018
Fatalities	0	0	0	0	0
High-consequence work-related injuries	0	2	2	7	4
High-consequence work-related injuries per million hours worked	0.00	0.00	0.06	0.20	
Recorded injuries	290	270	223	310	316
Recorded injuries per million hours worked	6.9	6.6	7.1	9.9	
Number of hours worked (thousands)	42,288	40,606	31,578	31,028	24,254

Work-related injuries - other workers (number)	2022	2021	2020	2019
Fatalities	0	0	0	0
High-consequence work-related injuries	0	0	0	1
High-consequence work-related injuries per million hours worked	0.0	0.0	0.0	0.9
Recorded injuries	9	8	6	19
Recorded injuries per million hours worked	4.8	4.3	6.0	17.5
Number of hours worked (thousands)	1,881	1,853	997	1,084

### 403-10 Work-related ill health.

Muscle pain is the most common type of reported ill health.

Work-related ill health (number)	2022	2021	2020	2019
Fatalities	0	0	0	0
Recorded cases of ill health	22	62	65	77

Work-related ill health - other workers (number)	2022	2021	2020	2019
Fatalities	0	0	0	0
Recorded cases of ill health	4	2	4	12

GRI 401: Employment 2016

GRI 103: Management approach 2016

**103-1 Explanation of the material topic and its Boundary.**

It is our ambition to ensure that NIBE is perceived as an attractive employer offering numerous opportunities for development. We want to retain and develop current employees and recruit new talent for the future so we can retain our competitiveness and achieve our objectives. Recruitment processes, training and talent management usually take place locally.

**103-2 The management approach and its components.**

We work with several schools to ensure a good influx of new employees to our businesses in the long term. Young people of all ages are invited to visit our companies to learn about the opportu-

nities available and encourage them to study. In firmly established partnerships with universities and institutes of higher education, we offer opportunities for joint development projects, degree projects and internships, both locally and internationally. See page 33.

**103-3 Evaluation of the management approach.**

NIBE's biggest recruitment challenge is the shortage of people with the right skills on the labor market. As society and industry are digitized, an increasing number of organizations are competing for people with similar skills.

The average employment period is 7.8 (8.4) years for 2022.

**401-1 New employee hires and employee turnover.**

New employees (reporting period)		2022
<b>Total number</b>		<b>6,808</b>
age <30	%	17
age 30-50	%	36
age >50	%	47
Nordic region	%	16.6
Europe	%	28.7
North America	%	41.4
Asia	%	13.2
Other countries	%	0.1

**Employee turnover, %**

	2022	2021	2020	2019	2018
<b>Total</b>	<b>31</b>	<b>33</b>	<b>23</b>	<b>28</b>	<b>26</b>
Nordic region	17	12	9	13	9
Europe	18	16	12	15	11
North America - excl. Mexico	33	31	18	28	15
Mexico	74	106	58	75	94
Asia	60	49	51	37	16
Other countries	17	7	8	36	6

**Employment ended, %**

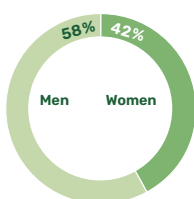
	2022	2021	2020	2019
age <30	42	43	41	48
age 30-50	44	41	45	40
age >50	14	16	14	12

**Parental leave (number)**

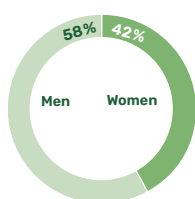
	2022	2021	2020	2019
<b>Total affected</b>	<b>21,052</b>	<b>20,519</b>	<b>17,845</b>	<b>16,404</b>
Men	369	355	282	291
Women	233	287	619	584
Non-binary gender	2			

The total number of employees covered by parental leave is lower than the total number of employees as there are businesses in countries in which parental leave is not available.

Exception: Complete data is not available for how many returned to work and continue to work after 12 months. Work is in progress to produce data for all companies preparing sustainability reports.



New employees



Employee turnover

## EMPLOYMENT

### GRI 402: Labor/management relations 2016

### GRI 103: Management approach 2016

#### 103-1 Explanation of the material topic and its Boundary.

NIBE's code of conduct supports human rights and workers' rights. The main priority in the relationship between employees and the local company management is to ensure that agreements work well in practice.

#### 103-2 The management approach and its components.

Issues concerning major changes in local companies are managed in the countries in which the change will take place. In this way, we ensure that laws and agreements in the company and the country are complied with.

#### 103-3 Evaluation of the management approach.

Labor/management relations are not handled at Group level. This takes place at local company level.

#### 402-1 Minimum notice periods regarding operational changes.

NIBE indicates no specific minimum period as it has no global agreements and complies instead with the laws in the countries in which it operates.

## TRAINING

### GRI 404: Training and education 2016

### GRI 103: Management approach 2016

#### 103-1 Explanation of the material topic and its Boundary.

NIBE's successful history has largely depended on the skill and experience of our employees. Digitization and new technology offer new opportunities to improve production processes and working methods. This entails both challenges and opportunities for employees to develop new skills that are of value to them, to NIBE and to our customers. To maintain our competitiveness in the global economy, it is necessary to continue to develop the skills of our staff.

#### 103-2 The management approach and its components.

It is our ambition to ensure that NIBE is perceived as an attractive employer offering numerous opportunities for development. We want to retain and develop current employees and recruit new talent for the future. The maintenance of skills depends on the commitment and motivation of employees to develop their skills. See page 33.

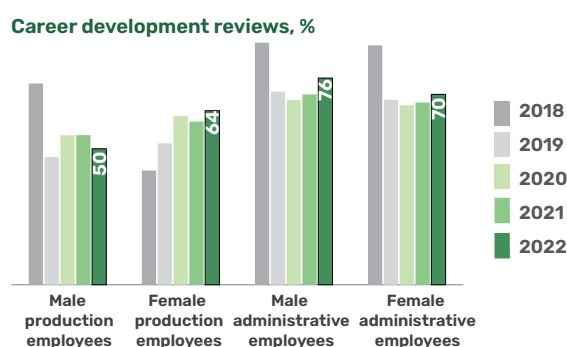
#### 103-3 Evaluation of the management approach.

Performance and career development reviews are used as the basis for setting pay and establishing training plans. The number of hours of training has increased and is approaching the number of hours before Covid-19.

#### 404-1 Average hours of training per year per employee.

Training and education (number of hours)	2022	2021	2020	2019	2018
Training hours, male production employees	128,041	125,932	99,817	111,747	138,587
Training hours, female production employees	90,863	89,640	68,901	76,445	112,247
Training hours, non-binary production employees	45				
Training hours, male administrative employees	75,854	59,170	39,631	46,689	47,051
Training hours, female administrative employees	35,922	27,438	21,150	23,584	23,421
Training hours, non-binary administrative employees	1				
Training hours per employee	16	14	13	16	21

#### 404-3 Percentage of employees receiving regular performance and career development reviews.



**GRI 405: Diversity and equal opportunity 2016**

**GRI 103: Management approach 2016**

**103-1 Explanation of the material topic and its Boundary.**

Equal opportunities and non-discrimination are important components of NIBE's values. For NIBE, it is essential that all employees compete on equal terms for vacancies. In the increasingly tough competition for talent, we are recruiting widely to ensure we have the right skills.

**103-2 The management approach and its components.**

NIBE's overarching approach is to create equality and ensure that everyone at NIBE has the opportunity to develop and compete on equal terms based on their proficiency.

**103-3 Evaluation of the management approach.**

We are in a relatively male-dominated industry, and the balance between numbers of men and women is roughly on the same level as in 2021. The work carried out in respect of Board members means that we have a clearer picture of the gender distribution. No change in the distribution between men and women was reported in 2022. Questions concerning gender also include the option "non-binary". In cases where no data is reported, this option is included in the tables below.

**405-2 Ratio of basic salary and remuneration of women to men.**

We have the same rules and values regarding wages in all NIBE companies. Wage levels comply with each country's applicable laws and do not fall below minimum levels. Exception: Confidentiality limitations. Company policy not to disclose wages. Data is available internally.

**405-1 Diversity of governance bodies and employees.**

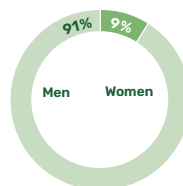
Board members		2022	2021	2020	2019	2018
Total number		186	125	62	361	296
age <30	%	0	1	0	1	
30-50	%	26	22	30	32	
age >50	%	74	77	70	67	

Management team		2022	2021	2020	2019	2018
Total number		872	862	788	685	728
age <30	%	4	5	5	5	5
30-50	%	48	50	51	51	49
age >50	%	48	45	44	44	46

Managers (other than the management team)		2022	2021	2020
Total number		1,468	1,414	1,290
age <30	%	3	3	2
30-50	%	54	56	55
age >50	%	43	41	43

Administrative staff, %		2022	2021	2020	2019
age <30		15	16	15	17
age 30-50		53	53	54	53
age >50		32	31	31	30

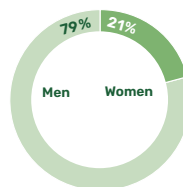
Production employees, %		2022	2021	2020	2019
age <30		24	24	23	23
age 30-50		49	50	51	52
age >50		27	26	26	25



Board of directors

**Board of Directors**

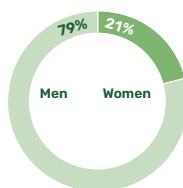
Women 9% and men 91%. Board of Directors refers to all company boards. An increase of 1% men from 2021.



Management team

**Management team**

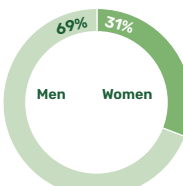
Women 21% and men 79%. Management teams in our reporting companies. No change compared with 2021.



Managers

**Managers**

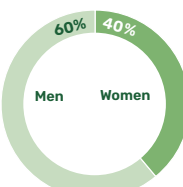
Women 21% and men 79%. Refers to other managers in our companies outside management teams. No change compared with 2021.



Administrative

**Administrative**

Women 31% and men 69%. An increase of 1% women from 2021.



Production

**Production**

Women 40% and men 60%. An increase of 1% women from 2021.



**GRI 406: Non-discrimination 2016**

**GRI 407: Freedom of association and collective bargaining 2016**

**GRI 408: Child labor 2016**

**GRI 409: Forced or compulsory labor 2016**

**GRI 411: Rights of indigenous peoples 2016**

**GRI 412: Human rights assessment**

**GRI 103: Management approach 2016**

### **103-1 Explanation of the material topic and its Boundary.**

NIBE owns and operates factories worldwide and employs approximately 14,600 employees in direct manufacturing. In terms of NIBE's impact on risks for people, the main issues are employees at NIBE and employees in the supply chain. The work in this area changes continuously as risk assessment and due diligence processes are developed and knowledge increases on how the Group's activities may affect people who are closely linked to the company's operations, distribution, sales and end use of products and services.

For the above material issues, we have combined the management approach as the approaches are the same.

### **103-2 The management approach and its components.**

NIBE's values are based on a number of external international principles and regulations such as the ILO's conventions, the UN guiding principles on human rights, the UN Global Compact and ISO 26000 Guidance on social responsibility. In 2021 NIBE drew up a policy on Human Rights and the company also has a documented stance against modern slavery and human trafficking. The guidelines have been the basis for collaboration with business partners along the value chain. Our values are available at [www.nibe.com/ledningsfilosofi](http://www.nibe.com/ledningsfilosofi) and are included in contracts with suppliers and retailers. NIBE's ethical guidelines are the fundamental guidelines on human rights. They have been supplemented with an adapted version for suppliers but all are based on the same principles. This means that NIBE takes account of human rights when making visits and performing audits, such as sustainability visits, when evaluating compliance with ethics and regulations and when assessing the ethical guidelines at suppliers.

The risks are primarily linked to freedom of association and collective bargaining agreements, remuneration, working hours, health, safety, wellbeing and discrimination. The most salient risks exist in the supply chain. We also monitor other human rights, even if there is no major risk of their contravention in NIBE's own operations, for example children's rights, child labor, workers who are minors, forced labor and slave labor. We do not permit employees under the age of 18 to perform risky work.

In respect of risks concerning human rights, we perform careful checks. This primarily concerns potential new suppliers. In this work, we focus on geographical areas in which the risks are generally higher and the rule of law and social justice are weaker. NIBE obtains data from third-party systems to assess the overarching risks of breaches of human rights in each country.

### **103-3 Evaluation of the management approach.**

Employees in NIBE's businesses are entitled to express themselves and to communicate information responsibly. We look after our employees and they are able to report complaints internally through local systems and procedures, and also through our global whistleblower system. Nonconformities or risks are managed within businesses or escalated as required. Our sustainability visits to our companies play a central role in the management of human rights in NIBE's operations and in our supply chain we monitor respect for human rights through supplier assessments. In connection with drawing up our Policy on Human Rights, we also established a training program concerning Human Rights. This was launched in the third quarter of 2021 and will be completed every other year by everyone with a company email address.

#### 406-1 Total number of incidents of discrimination and corrective actions taken.

No new incidents were reported in 2022.

#### 407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk.

Collective agreements cover 45% (45%) of NIBE's employees. One challenge in this area is the state's general view of membership of trade unions and the independence of trade unions in certain countries in which NIBE has operations or suppliers. As NIBE has only a small number of direct materials suppliers in these countries, we only have a small risk of exposure. Around 3% of assessed suppliers have been identified as being at risk and actions such as improvement plans and visits are planned or have been implemented.

#### 408-1 Operations and suppliers with a significant identified risk of incidents of child labor and measures taken

NIBE considers that the risk of child labor in the Group's operations is low. Nevertheless, the issue of child labor is included in NIBE's sustainability visits. The risk of child labor at NIBE's suppliers may, in some cases, be deemed higher and is therefore an important component of NIBE's supplier assessments. We have suppliers in India, China, Vietnam and Turkey, which are high on the list of countries with child labor. These suppliers are assessed, audited as required and asked to sign NIBE's supplier code of conduct.

In 2022, no cases of child labor were reported in either the company's own operations or at our suppliers. As NIBE has only a small number of direct materials suppliers in these countries, we only have a small risk of exposure. Around 2% of assessed suppliers have been identified as being at risk and actions such as improvement plans and visits are planned or have been implemented.

#### 409-1 Operations and suppliers with a significant identified risk of incidents of forced or compulsory labor and measures taken.

The issue of forced and slave labor is included in NIBE's assessments, internal sustainability visits and supplier assessments. No forced or compulsory labor was identified in our own operations in 2022.

NIBE has suppliers in India and China, which are high on the list of countries with forced labor. These suppliers are assessed, visited and asked to sign NIBE's supplier code of conduct. As NIBE has only a small number of direct materials suppliers in these countries, we only have a small risk of exposure. Around 2% of assessed suppliers have been identified as being at risk and actions such as improvement plans and visits are planned or have been implemented. No cases of forced or slave labor were reported in 2022.

#### 411-1 Incidents of violations involving rights of indigenous peoples.

No cases were registered involving rights of indigenous peoples.

#### 412-1 Operations that have been subject to human rights reviews or impact assessments

All companies perform internal risk assessment in relation to human rights. 86 (81) production companies of the companies preparing sustainability reports in 2022 were assessed via sustainability visits, equivalent to 78% (83%). It was not possible to visit the other 22% as planned because of backlogs due to the pandemic.

#### 412-2 Employee training on human rights policies or procedures.

Training and education		2022	2021	2020	2019
Employees who received basic training in human rights	%	27	43	31	31
Employees who completed NIBE Group e-learning in human rights	%	26	59		
Training hours in human rights		11,261	17,928	10,521	10,446

**GRI 415: Public policy 2016**

**GRI 103: Management approach 2016**

**103-1 Explanation of the material topic and its Boundary.**

NIBE's communication is straightforward and honest and complies with existing legislation, rules and standards. We maintain close relations with our stakeholders, and communication is based on regular contact, clarity and sound ethics.

**103-2 The management approach and its components.**

We prioritize contributions and sponsorship agreements that benefit locations in which we operate and support our values, while enhancing relations with customers and partners. We do not contribute to or become involved with political parties, politicians or political organizations. We do not provide financial support to political organizations or to individuals.

**103-3 Evaluation of the management approach.**

We do not provide financial support to political organizations or to individuals. A large amount of financial support has been donated to UNHCR in support of families with children in Ukraine.

**415-1 Monetary contributions.**

Contributions and sponsorship	2022	2021	2020	2019	2018
Sponsorship of culture, sports, health and young people, SEK million	13.4	2.8	3.3	3.0	2.5
Political contributions, SEK	0	0	0	0	0

**GRI 416: Customer health and safety 2016**

**GRI 417: Marketing and labeling 2016**

**GRI 103: Management approach 2016**

**GRI 103: Management approach 2016**

**103-1 Explanation of the material topic and its Boundary.**

At NIBE, the function, quality, safety and environmental properties of products are the main preconditions for the continued development of the Group. The basic principle for NIBE is that we will pay due regard to all factors which have a bearing on the quality, safety and environmental performance of products. Customers must receive rapid responses to product queries and requests for information.

**103-2 The management approach and its components.**

The detailed requirements for product liability continue to grow in areas such as product safety. For us, it is a matter of course that our products must comply with agreed standards and statu-

tory requirements for health and safety throughout their life cycle. We provide relevant, clear information about safe, environmentally adapted installation, use, maintenance, storage and final disposal.

**103-3 Evaluation of the management approach.**

We monitor our products by means of well-established processes to assess customer satisfaction and nonconformities on the market.

**416-2 Incidents of non-compliance concerning the health and safety impacts of products and services.**

No cases received.

**417-1 Cases involving non-compliance with product and service information and labeling.**

No cases received.

**417-2 Incidents of non-compliance concerning product and service information and labeling.**

No cases received.

**417-3 Incidents of non-compliance concerning marketing communications.**

No cases received.

### GRI 418: Customer privacy 2016

### GRI 103: Management approach 2016

#### 103-1 Explanation of the material topic and its Boundary.

NIBE manages customer privacy as part of the Group's values. In this report, the focus is on NIBE's own operations and on parties with which the Group has business relationships. Compliance with international declarations, conventions and agreements and local regulations is one of the most important tasks a multinational company performs to support sustainable development.

#### 103-2 The management approach and its components.

NIBE has a Group-wide program of short online courses in topics such as data protection, anti-corruption and GDPR. The courses are

compulsory for all employees who have an email address. Compliance with data protection regulations is another important area for NIBE. The General Data Protection Regulation (GDPR) entered into force in the EU in 2018 and imposes clear responsibilities on companies that process personal data.

#### 103-3 Evaluation of the management approach.

There is an internal policy for NIBE companies to describe how we work to ensure compliance with the General Data Protection Regulation (GDPR).

#### 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data

One case received, which has been reported, investigated and action has been taken.

### GRI 419: Socioeconomic compliance 2016

### GRI 103: Management approach 2016

#### 103-1 Explanation of the material topic and its Boundary.

NIBE manages socioeconomic compliance as part of the Group's program for ethics and compliance in the value chain. In this report, the focus is on NIBE's own operations and on parties with which the Group has business relationships. Compliance with international declarations, conventions and agreements and local regulations is one of the most important tasks a multinational company performs to support sustainable development. NIBE works to meet such requirements.

#### 103-2 The management approach and its components.

We maintain close relations with our stakeholders, and communication is based on regular contact, clarity and sound ethics. We keep

our shareholders informed about the Group's operations, results and strategies. This is done in accordance with the rules for the stock exchanges on which NIBE is listed. One clear expectation we have of all companies in the Group is that they comply with statutory requirements, agreements and contracts, and our shared principles and values, regardless of the type of society in which the companies are based.

#### 103-3 Evaluation of the management approach.

For evaluation of socioeconomic compliance and financial reporting, see the Auditors' statement and Corporate governance report on pages 181-185.

#### 419-1 Non-compliance with laws and regulations in the social and economic area.

Four cases were received in 2022. Three cases concerned Health and Safety issues, of which two cases are still being reviewed while one has been closed. The fourth case concerned a leak and was referred to the National Mediation Service (Konfliktrådet) in Norway. It was decided in favor of NIBE.

## Auditor's statement on the statutory sustainability report

To the annual meeting of the shareholders of NIBE Industrier AB (publ) Corporate ID no. 556374-8309

### Tasks and division of responsibilities

The Board of Directors is responsible for the sustainability report for 2022 on page 145, and for ensuring that it has been prepared in accordance with the Annual Accounts Act.

### Focus and scope of the review

Our review was conducted in accordance with FAR's recommendation RevR 12, *Auditor's Opinion on the Statutory Sustainability Report*. This means that our statutory review of the sustainability report has a different focus and is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices in Sweden. We consider that this review provides an adequate basis for our opinion.

### Opinion

A sustainability report has been prepared.

Markaryd, March 23, 2023

KPMG AB  
Jonas Nihlberg  
*Authorized Public Accountant*

# Corporate governance report

Corporate governance in NIBE Industrier AB (publ) (NIBE) is exercised through the Annual General Meeting, the Board of Directors and the CEO in accordance with the Swedish Companies Act (2005:551), the company's Articles of Association, the Swedish Annual Accounts Act (1995:1554), Nasdaq Stockholm's Rules for Issuers, and good practice on the stock market.

It is good practice for Swedish companies whose shares are traded on regulated markets to comply with the Swedish Corporate Governance Code (the Code). NIBE complies with the Code, and this corporate governance report has been drawn up in accordance with the Code. The current Code may be accessed on the Swedish Corporate Governance Board's website, [www.bolagsstyrning.se](http://www.bolagsstyrning.se). In addition, NIBE also provides information via the company's website in accordance with the Market Abuse Regulation and other requirements.

The corporate governance report is not part of the formal annual report documents. The company's auditors have examined the corporate governance report, and it is their opinion that the corporate governance report has been properly drawn up and that the statutory information in the report is consistent with other parts of the annual report and consolidated financial statements.



**Hans Linnarson**  
Chairman of the Board

## Ownership

**NIBE has its registered office in Markaryd, Sweden, and has been listed on Nasdaq Stockholm since 1997.**

NIBE class B shares have also had a secondary listing on the SIX Swiss Exchange since August 2011. On December 31, 2022, NIBE had 125,980 registered shareholders, excluding previous shareholders in Schulthess Group AG who have become shareholders in NIBE. As the Swiss authorities do not report any details relating to individual shareholders in Switzerland to NIBE, it is not possible to determine the total number of shareholders.

The ten largest shareholders comprise the constellations of "current and former board members and senior executives" with a total of 20% of the capital and 46% of voting rights, followed by the Schörling family, which holds 7% of the capital and 19% of the voting rights, and eight institutional investors with a total of 27% of the capital and 13% of the voting rights. Together these ten constellations of investors hold a total of 54% of the capital in the company and 78% of the votes. No individual shareholder has a direct or indirect shareholding which represents at least 10% of the number of votes of all shares in NIBE.

## Annual General Meeting

**The Annual General Meeting (AGM) is NIBE's highest decision-making body. The AGM elects the company's Board of Directors and auditors, adopts the accounts, makes decisions on dividends and other appropriations of profits/losses, and discharges the Board of Directors and CEO from liability.**

The most recent AGM on May 17, 2022 in Markaryd was attended by 1,409 shareholders, 452 of which attended in person, and 957 of which attended through proxies. 59% of the shares and 79% of the total number of votes in the company were represented. The AGM was attended by the Board of Directors, the CEO and the company's auditors. The minutes of the AGM and the company's Articles of Association are available on the company's website.

There are no limitations in the articles of association as to the number of votes a shareholder may hold at a general meeting of the company. Nor are there any provisions on the appointment or dismissal of directors of the company, or changes to the company's articles of association.

The 2022 AGM gave the Board of Directors a mandate to issue new class B shares in the company, on one or more occasions and with or without regard for the shareholders' preferential rights, to be used to finance the acquisition of companies or businesses. This mandate is valid until the 2023 AGM and is restricted to a maximum of 10% of the number of shares issued at the time of the AGM.

## Communication with the stock market

**The ambition is to maintain a high standard of information issued by the company to the stock market. Such information must be accurate and transparent to create long-term confidence in the company.**

Earnings and a summary of the Group's financial position are presented quarterly and, like the annual report, are issued in printed form to all shareholders who so wish. All information that may have an effect on the company's share price and information on all

acquisitions is announced via press releases. All financial information is also available on the website, [www.nibe.com](http://www.nibe.com). Press releases and reports are posted there at the same time as they are made public.

Press and financial analyst conferences are held when quarterly reports are published. There is also continuous dialogue with Swedish and foreign investors and financial analysts, the media and Aktiespararna, the Swedish Shareholders' Association.

## Board procedures

**The NIBE Board of Directors consists of seven members, elected by the AGM. Directors and the Chairman of the Board are elected annually by the AGM to serve for the period until the next AGM. Company employees participate in Board meetings as required to submit reports or to contribute expert knowledge in individual matters.**

In 2022, the Board of Directors comprised Hans Linnarson (Chair), Georg Brunstam, Anders Pålsson, Jenny Larsson, Eva Karlsson and Eva Thunholm, as well as MD & CEO Gerteric Lindquist. With the exception of the MD & CEO, none of the directors is employed by the company or has any operational responsibilities in the company.

It is the opinion of the Board of Directors that all directors are independent in relation to the company, with the exception of the MD & CEO. A presentation of the Board members can be found on page 192.

The work of the Board is governed by formal rules of procedure adopted annually to regulate the decision-making processes within the company, authority to sign for the company, meetings of the Board and the duties of the Chairman of the Board. The Board of Directors has not otherwise distributed responsibilities among its members. However, some Board members are more familiar with certain matters than others due to their particular expertise and experience.

The Board of Directors oversees the work of the CEO and is responsible for ensuring that the organization, management and administrative guidelines for the company's funds are suitable for the purpose. The Board is also responsible for developing and monitoring the company's strategies through plans and objectives, decisions on acquisitions, major investments, appointments to managerial positions and the continual supervision of operations during the year. In addition, the Board sets the budget and is responsible for the annual accounts.

The Chairman leads the work of the Board and ensures that it is carried out in accordance with the Swedish Companies Act and other relevant legislation. The Chairman follows the progress of operations through consultations with the CEO, and is responsible for ensuring that other members of the Board receive the information they need to hold discussions of a high quality and make the best possible decisions.

The Board of Directors evaluates its work every year. The evaluation is carried out by means of a survey of the directors. The results of the survey are then presented to the full Board, which uses them to make specific proposals on how its work can be developed, improved and made more efficient, where necessary. The Board survey for 2022 revealed an open, constructive climate with well-functioning control and decision-making processes. The areas covered by the evaluation included the composition, working methods, communication and internal control of the Board, the Board's evaluation of the CEO and other company management, and the need for committees.

## Decision-making process

### The NIBE Board deals with all matters of significance.

Issues such as the composition of the Board and directors' fees are dealt with once a year prior to the AGM, when the Chairman of the Board contacts major shareholders personally.

The company's auditor makes his report to the full Board.

The company does not have a nomination committee (Section III, item 2.1, of the Code), a remuneration committee (Section III, item 9.1, of the Code) or an audit committee (Section III, item 7.2, of the Code). NIBE does not comply with the Code in respect of nominations because of the clear ownership structure with two principal shareholder constellations, which together control 65% of the company's votes, and which also enjoy mutually cordial relations. The Board of Directors is not too large to carry out the tasks of the audit and remuneration committees and possesses the necessary expertise, which is consistent with the Swedish Companies Act and the Code. The CEO (who is also a Board member) does not participate in the Board's work on the tasks that are otherwise performed by a remuneration committee.

## Group management

### The MD & CEO, who is also appointed by the Board of Directors as CEO of the parent, exercises day-to-day control of the Group, and the three heads of the Group's business areas report to him.

The CEO leads operations in accordance with the instructions adopted by the Board in respect of the division of duties between the Board and the CEO. The work of the CEO and of Group management is evaluated annually.

Financing, currency management, corporate acquisitions, new establishments, financial control, financial information, human resources policy, sustainability and other overall policy matters are coordinated at Group level.

## Governance of business areas

### NIBE consists of three business areas.

Each business area has its own operational management with profit responsibility. Each business area has a Business Area Board chaired by the MD & CEO.

Each Business Area Board, in addition to responsibility for day-to-day operations, is also responsible to the NIBE Board of Directors for the strategic development of its respective business area. Each Business Area Board meets once per quarter.

## The work of the Board in 2022

### The agenda includes several standing items, which are considered at every meeting.

<b>Status report</b>	Report of significant events affecting operations that have not been listed in the written report that has been circulated.
<b>Financial report</b>	Review of the financial information circulated.
<b>Investments</b>	Decisions regarding investments exceeding SEK 20 million, based on the data circulated.
<b>Legal processes</b>	Review of new or ongoing legal processes, where appropriate.
<b>Acquisitions</b>	Report on ongoing discussions and decisions concerning the acquisition of companies, as and when appropriate.
<b>Press releases, etc.</b>	When appropriate, a review of proposals for external reports to be published after the meeting.
<b>Internal control</b>	Report on the internal control work.

### Every ordinary board meeting focusses on one principal topic of discussion

#### February

##### Year-end accounts

The meeting in February considers the annual accounts of the preceding year. The company auditor presents his comments to the entire Board of Directors on this occasion.

#### May

##### Inaugural meeting

Following the AGM, the Board of Directors holds its inaugural meeting, at which the Board discusses the rules of procedure and determines who has authority to sign for the company.

#### August

##### Strategy

In August, the Board holds strategic discussions over two working days.

#### November

##### Audit review

In November, the company's auditor reports on the review of the interim report for the period January to September and the status of the audit.

#### December

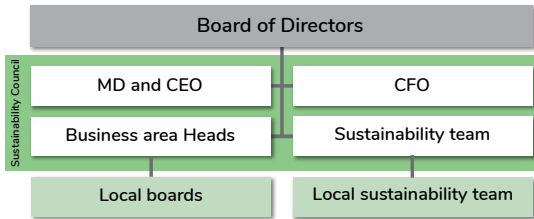
##### Budget

At the end of the year, the Board discusses the Group's budget for the coming year.

## Governance of the Group's sustainability management

The Group's sustainability workgroup reports to the Sustainability Council which, in addition to the workgroup, consists of the CEO, CFO and business area managers.

Much of the work is regulated in national legislation, such as environmental laws and labor law, but we are also obliged to comply with regional and international law and make voluntary commitments such as to the UN Global Compact and the UN Sustainable Development Goals/Agenda 2030.



NIBE's Board has the ultimate responsibility for ensuring that risks are managed and that sustainability initiatives comply with the requirements of authorities, shareholders and other stakeholders. The CEO reports to the Board. The heads of the business areas are responsible for communicating and implementing their strategic work at the local board level.

The management of each company is responsible for local operational sustainability work and for compliance with Group guidelines. These managers report to the heads of the business areas in each area.

The sustainability workgroup regularly visits companies in the Group to monitor compliance with common policies and guidelines. The workgroup also works strategically and reports on sustainability issues to the Boards at Group and business area level.

Any need for improvement or nonconformities are documented and reported to the individual company, business area managers and Group management. Each business area head is responsible for ensuring that measures proposed are taken.

## Code of Conduct

**NIBE has a code of conduct that reflects the NIBE culture and the ten principles of the UN Global Compact.**

The Code of Conduct is reflected in NIBE's documents on business principles, values and working methods and the content of these is based on a long tradition of honest and sincere business practices. The information can be found on pages 12–13.

All employees receive the printed version in the local language. When a new company joins the Group, its management is obliged to communicate and implement the Code of Conduct in the organization.

The Code of Conduct is available to external parties and stakeholders on NIBE's website at [nibe.com](http://nibe.com).

All businesses comply with national legislation regarding financial, environmental and labor legislation, and are also obliged to comply with regional and international law and voluntary commitments such as the UN Global Compact. Management is responsible for seeking advice on ethical and legal behavior according to established escalation procedures when their knowledge or mandate is insufficient.

NIBE has a whistleblower function through which all Group employees and others can confidentially report suspicions of serious irregularities without risk of retaliation. To ensure the anonymity of the whistleblower and the proper, secure handling of submissions, whistleblower cases go directly to an external recipient who also leads the investigation of the case.

## Policy for composition of Board of Directors/ diversity policy

**NIBE has adopted a diversity policy for the Board.**

NIBE's Board of Directors must have overall expertise and experience that is appropriate to its work and the business that is conducted, as well as to be able to identify and analyze opportunities for and risks to the Group. When new directors are nominated and elected, it is necessary to consider each director's suitability to obtain a Board of Directors with the overall expertise required for appropriate governance of the Group. The composition of the Board of Directors must be characterized by versatility and breadth in terms of the expertise, experience, gender, age, education and professional background of the directors elected. The objective of the policy is to achieve an appropriate composition of the Board as regards the company's operations and relationships in general. In 2022, the composition of the Board was evaluated within the framework of the Board's own annual evaluation (presented above under 'Board procedures') and taking into account the diversity policy for the Board. The result of the evaluation is that the composition of the Board is deemed compliant with the policy.

## Remuneration 2022

**The 2022 AGM resolved that the fees to the Board of Directors and the fees to the auditors should be paid in accordance with approved accounts.**

At the same time, policies for the remuneration of the CEO and other senior executives were detailed and approved. Further information about the principles that apply can be found in Note 6 to the annual report and on NIBE's website at [www.nibe.com](http://www.nibe.com).

Remuneration of the CEO is a matter decided by the Board, but the preparatory work for this decision is undertaken by the Chairman of the Board after discussions with the CEO. Remuneration of other senior executives is determined by the CEO in consultation with the Chairman of the Board and in accordance with the guidelines adopted by the AGM. Decisions in this regard are reported to the Board of Directors.

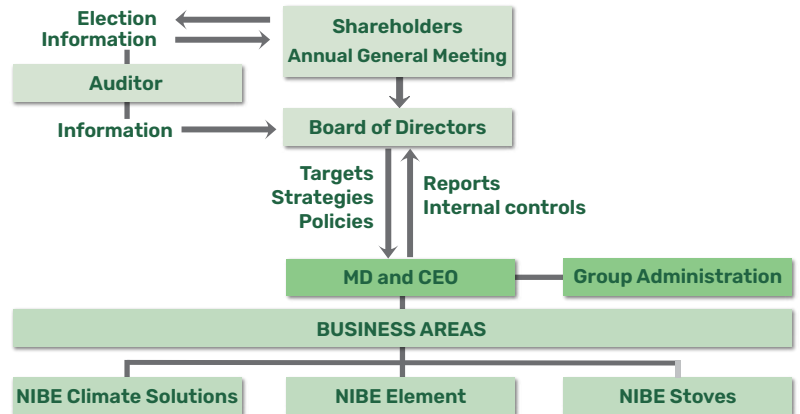
Information on the fees paid to directors, as well as the salary and other remuneration paid to the CEO and other senior executives can be found in Note 6 to the annual report.

## Incentive program

**Under an incentive program, certain key employees are paid variable remuneration if set targets are met.**

The variable bonus is limited to a maximum of four months' salary. It is also possible for an additional month's salary to be paid on condition that this additional payment plus another monthly salary paid as a variable bonus or part of a variable bonus is used to purchase NIBE shares on the stock market. A further condition for entitlement to receive this additional month's remuneration is that the NIBE shares purchased are retained for at least three years. Under normal circumstances, shares acquired in this way by members of staff shall be purchased on one occasion each year in February/March and the purchase shall be subject to the relevant market abuse regulations. No incentive program is offered to the CEO. Certain key individuals in the foreign companies acquired during the year have incentive programs that, in certain respects, deviate from the principles for remuneration that are otherwise applied in the NIBE Group. Further information about the principles that apply for senior executives can be found in Note 6 to the annual report.





## Severance pay

**No severance pay or other benefits apply to the Chairman of the Board or to the directors, apart from the CEO.**

The period of notice for the CEO is six months for termination of employment by the company. In addition to salary during the period of notice, the CEO is entitled to severance pay equal to 12 months' salary. Other senior executives are entitled to receive their salaries during a period of notice which varies between 6 and 12 months.

## Pensions

**The Chairman of the Board and directors do not receive any retirement benefits for their work on the Board.**

No special agreements have been reached that entitle senior executives to retire before the official retirement age while still retaining part of their salary in the interim.

Information on the retirement benefits of the CEO and other senior executives can be found in Note 6 to the annual report.

Under the Group's policy, no further pension premium payments are made if employment continues after the age of 65.

## Internal control over financial reporting in 2022

**Under the Swedish Companies Act and the Code, the Board of Directors is responsible for internal control.**

This report on internal control and risk management as regards financial reporting complies with the requirements in Chapter 6, Section 6, of the Annual Accounts Act.

NIBE is characterized by simplicity in its legal and operational structure, transparency in its organization, clear divisions of responsibility, and an efficient management and control system.

NIBE complies not only with laws and regulations in respect of financial reporting, but also with internal instructions and policies set out in the Group's Finance Handbook. These are applied by all companies in the Group, along with systems aimed at ensuring effective internal controls in financial reporting.

Consolidated financial statements containing comprehensive analyses and comments are prepared each quarter for the Group and its business areas. Monitoring also takes place monthly.

There are finance functions and controllers with responsibility

for accounting, reporting and the analysis of financial trends at Group level, business area level and unit level.

In addition to the statutory audits of the annual report and statutory audits of the parent and all subsidiaries, the auditors carry out an annual review of how the companies are organized, of existing routines and of compliance with the instructions issued, based on guidelines drawn up by corporate management and approved by the Board of Directors. A summary of internal control procedures is presented each year as part of the Board meeting that deals with the year-end financial statements. The Board also has the option of requesting a special audit of a selected business during the year if the Board deems it necessary.

In 2022, the project aimed at reinforcing internal control continued. It is our opinion that this review increases insight and awareness, provides explicit instructions and proposes a clear organization as regards internal control. It is, therefore, the opinion of the Board that, because of the implementation of this review, there is no need for any separate internal control (item 7.3, section III in the Code).

## External auditors

**NIBE's auditors were elected at the AGM to serve for a period of one year.**

The registered public accounting firm KPMG AB has held the position of the company's auditors since the AGM in 2013. Jonas Nihlberg has been auditor in charge since the AGM in 2021.

The auditor in charge has continual access to the approved minutes of company Board meetings and the monthly reports that the Board receives.

The company's auditor in charge reports his observations from the audit and his assessment of the company's internal controls to the full Board.

Over and above normal auditing duties, KPMG AB assists in particular with due diligence reviews in conjunction with corporate acquisitions and with consulting services in accounting and tax matters. Information on the remuneration of auditors is given in Note 9 to the annual report.

Prior to the 2023 AGM, NIBE has carried out mandatory procurement of auditing in accordance with the provisions of Article 16 of EU Regulation No 537/2014 on specific requirements regarding statutory audit of public-interest entities.

## Auditor's statement on the corporate governance report

To the annual meeting of the shareholders of NIBE Industrier AB (publ) Corporate ID no. 556374-8309

### Tasks and division of responsibilities

The Board of Directors is responsible for the corporate governance report for 2022 on pages 182–185, and for ensuring that it has been prepared in accordance with the Annual Accounts Act.

### Focus and scope of the review

Our review was conducted in accordance with FAR's statement RevU 16 *The Auditor's Review of the Corporate Governance Report*. This means that our review of the corporate governance report has a different focus and is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices in Sweden. We consider that this review provides an adequate basis for our opinions.

### Opinion

A corporate governance report has been prepared. Disclosures in accordance with Chapter 6, Section 6 (2), 2–6, of the Swedish Annual Accounts Act, and Chapter 7, Section 31 (2), of the same Act are consistent with the annual report and consolidated financial statements and comply with the Swedish Annual Accounts Act.

Markaryd, March 23, 2023

KPMG AB  
Jonas Nihlberg  
*Authorized Public Accountant*



### **The Board of Directors' declaration**

The Board of Directors and the CEO declare that the consolidated financial statements have been prepared in accordance with IFRS, as adopted by the EU, and give a fair view of the Group's financial position and results of operations. The financial statements of the parent have been prepared in accordance with generally accepted accounting principles in Sweden and give a fair view of the parent's financial position and results of operations.

The Board of Directors' Administration Report for the Group and the parent provides a fair review of the development of the Group's and the parent's operations, financial position and results of operations and describes material risks and uncertainties facing the parent and the companies included in the Group.

Markaryd, 22 March 2023

Hans Linnarson  
*Chairman of the Board*

Georg Brunstam  
*Director*

Eva Karlsson  
*Director*

Jenny Larsson  
*Director*

Anders Pålsson  
*Director*

Eva Thunholm  
*Director*

Gerteric Lindquist  
*MD and CEO*

The annual report and the consolidated financial statements were, as shown above, approved for publication by the Board and the CEO on March 22, 2023. The consolidated balance sheet and income statement and the parent's balance sheet and income statement will be presented for approval at the Annual General Meeting on May 16, 2023.

# Auditor's report

To the annual meeting of shareholders of NIBE Industrier AB (publ), Corporate ID no. 556374-8309

## Report on the annual report and consolidated financial statements

### Opinions

We have audited the annual accounts and consolidated accounts of NIBE Industrier AB (publ) for the 2022 financial year. The annual report and consolidated financial statements of the company are included in the printed version of this document on pages 77–144 and 187.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent as of December 31, 2022 and of its financial performance and its cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated financial statements have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of December 31, 2022 and of its financial performance and cash flow in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory Administration Report is consistent with the other parts of the annual report and the consolidated financial statements.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent and the Group.

Our opinions in this report on the annual accounts and the consolidated financial statements are consistent with the content of the supplementary report submitted to the parent's Board in accordance with Article 11 of EU Regulation 537/2014 on statutory audits.

### Basis for our opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibility under these standards is described in further detail in the 'Auditor's responsibility' section. We are independent of the parent and the Group in accordance with professional ethics for accountants in Sweden and have fulfilled our ethical responsibility under these standards. This means that, based on our best knowledge and belief, no prohibited services referred to in Article 5 (1) of EU regulation 537/2014 on statutory audits were provided to the audited company or, as the case may be, its parent or its companies under its control within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual report and consolidated financial statements for the current period. These matters were addressed in the context of our audit of, and our opinion on, the annual report and consolidated financial statements as a whole, but we do not provide a separate opinion on these matters.

### Valuation of goodwill

See Note 14 in the annual accounts and the consolidated financial statements for detailed information and a description of this matter.

### Description of the matter

As at December 31, 2022, the Group had goodwill of SEK 17,630 million, representing 33% of total assets.

Every year, goodwill must be subject to at least one impairment test which contains both complexity and significant features of assessments from the Group management.

Under the existing rules, the test must be performed using a technique in which the management makes future assessments of the business's internal and external conditions and plans. Examples of such assessments are future receipts and payments, which require assumptions about future market conditions, among other things. Another important assumption is the discount rate that should be used to show that future assessed receipts are subject to risk and are thus worth less than the cash and cash equivalents that are directly available to the Group.

### Response in the audit

We have studied the company's impairment tests to assess whether they were performed in accordance with the technique prescribed.

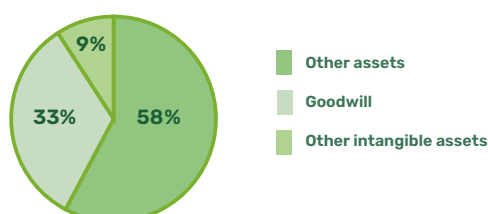
We have also assessed the reasonableness of the future receipts and payments and the assumed discount rates by studying and evaluating the management's written documentation and plans. We have also interviewed the management and evaluated previous years' assessments in relation to actual outcomes.

We have consulted our own valuation specialists in order to ensure experience and expertise in this area.

It has also been an important part of our work to evaluate how changes in assumptions may affect the valuation, i.e. a critical evaluation of the Group's sensitivity analysis.

We have also checked the completeness of the information in the annual report and assessed whether the information matches the assumptions applied by the company in its impairment test and whether the information is extensive enough to understand the assessments made by the company management.

Group assets



### Acquisition analyses

See Note 3 and Note 26 in the consolidated financial statements for detailed information and a description of this matter.

#### Description of the matter

Several acquisitions were made within the Group during the year. No single acquisition is deemed to be significant.

In connection with business combinations, the new business must be recognized in the consolidated financial statements, which requires the preparation of an acquisition analysis. The preparation of this analysis involves acquired assets and liabilities being identified and having amounts allocated to them that correspond to their fair values on the acquisition date, whether they were previously recognized or not. When contingent consideration, also referred to as additional consideration, arises, it is also estimated in the acquisition analysis.

Preparation of this analysis also requires access to knowledge of the methods to be used in the analysis and knowledge of the circumstances in the acquired business that give rise to the values to be recognized in the Group. In particular, intangible assets and additional consideration are difficult to assess. These assessments affect the Group's future earnings, partly depending on whether depreciable or non-depreciable assets are recognized in the financial statements, and the accuracy of current assessed additional consideration.

The value that remains after all assets and liabilities have been assessed and valued in the acquisition analysis is recognized as goodwill. Such goodwill is not subject to amortization but it must be subject to impairment testing at least once a year instead.

#### Response in the audit

We have analyzed acquisition analyses in order to assess whether they were prepared using the correct methods. In our work, we focused in part on the intangible assets and on whether the techniques used by the Group management to allocate values to these assets in the financial statements are compatible with the rules and established valuation techniques.

Other important aspects of our work involved assessing whether the assets and liabilities included in the acquisition analysis exist. Such assessment is based on inspection of a selection of contracts concluded, management's current assumptions about additional consideration and reports prepared by the external consultants engaged by the Group in order to prepare basic data and calculations for the acquisition analyses.

We have also checked the completeness of the information in the annual report and assessed whether the information matches the information the Group uses, and whether the information is extensive enough to understand the assessments made by the company management.

### Information other than the annual accounts and consolidated financial statements

This document also contains information other than the annual accounts and consolidated financial statements and can be found on pages 2–76 and 145–186. This other information also consists of the remuneration report, which we gained access to before the date of this audit report. The Board and the CEO are responsible for this other information.

Our opinion concerning the annual report and consolidated financial statements does not include this information and we do not give an assured opinion on this other information.

In connection with our audit of the annual accounts and consolidated financial statements, it is our responsibility to read the in-

formation identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated financial statements. In this review, we also take into account the knowledge we have obtained during the audit and assess whether the information appears to contain material misstatements in other respects.

If, based on the work performed concerning this information, we conclude that the other information contains a material misstatement, we are liable to report this. We have nothing to report in this respect.

### Responsibilities of the Board of Directors and the CEO

The Board of Directors and the CEO are responsible for the preparation and fair presentation of the annual accounts in accordance with the Annual Accounts Act and of the consolidated financial statements in accordance with IFRS, as adopted by the EU. The Board of Directors and the CEO are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated financial statements, the Board of Directors and the CEO are responsible for assessing the company's and the Group's ability to continue as a going concern. They disclose, as applicable, matters related to the going concern and use of the going concern basis of accounting. However, the going concern basis of accounting is not applied if the Board of Directors and the CEO intend to liquidate the Company, cease operations, or have no realistic alternative but to do so.

### Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements may arise due to fraud or error and are regarded as material if, individually or in aggregate, they could reasonably be expected to affect the economic decisions of users taken on the basis of the annual accounts and consolidated financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. In addition:

- we identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not identifying a material misstatement as a consequence of fraud is higher than the risk of not identifying a material misstatement due to error as fraud may involve agency in collusion, forgery, intentional omissions, incorrect information or disregard for internal controls.
- obtain an understanding of the Company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- we evaluate the appropriateness of the accounting policies used and the reasonableness of the Board of Directors' and the CEO's estimates in the financial statements and related disclosures.

- we draw a conclusion on the appropriateness of the Board of Directors' and the CEO's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or circumstances may mean that a company and a Group are no longer able to continue as a going concern.
- we evaluate the overall presentation, structure and content of the annual accounts and consolidated financial statements, including any disclosures, and whether the annual accounts and consolidated financial statements present the underlying transactions and events in a way that achieves fair presentation.
- we obtain sufficient and appropriate audit evidence regarding the financial information for the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors about matters including the planned scope, focus and timing of the audit. We must also inform them of significant audit findings, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Of the matters communicated to the Board of Directors, we determine which of them were the most significant to the audit of the annual accounts and consolidated financial statements, including the risks of material misstatements considered to be the most significant, and which therefore represent the key audit matters. We describe these matters in the auditor's report unless laws or other statutes preclude disclosure of the matter.

## Report on other legal and regulatory requirements

### Auditor's review of administration and the proposed appropriation of the company's profit or loss

#### Opinions

In addition to our audit of the annual accounts and consolidated financial statements, we have examined the administration by the Board of Directors and the CEO of NIBE Industrier AB (publ) for the 2022 financial year and the proposed appropriation of the company's profit or loss.

We recommend to the Annual General Meeting that the profit be appropriated in accordance with the proposal in the Administration Report, and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

#### Basis for our opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibility under these standards is described in further detail in the 'Auditor's responsibility' section. We are independent of the parent and the Group in accordance with professional ethics for accountants in Sweden and have fulfilled our ethical responsibility under these standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Responsibilities of the Board of Directors and the CEO

The Board of Directors is responsible for the proposed appropriation of the company's profit or loss. Proposing a dividend includes an assessment of whether the dividend is justifiable considering the requirements that the nature, scope and risks of the company's and the Group's operations place on the size of the parent's and the Group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the organization of the company and the administration of its affairs. This includes, among other things, continuous assessment of the company's and the Group's financial situation and ensuring that the company's organization is designed so that accounting, management of assets and the company's financial affairs are otherwise controlled in a reassuring manner.

The CEO is responsible for ongoing administration in accordance with the guidelines and instructions issued by the Board of Directors and for taking measures that are necessary to fulfill the company's accounting in accordance with law and to conduct the management of assets in a reassuring manner.

#### Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any Board member or the CEO has, in any material respect:

- undertaken any action or been guilty of any omission which could give rise to liability to the company, or
- in any other way acted in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the Company's profit or loss, and thereby our opinion about this, is to assess with a reasonable degree of assurance whether the proposal is in accordance with the Swedish Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Swedish Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. Our examination of the administration and the proposed appropriation of the company's profit or loss is based primarily on our audit of the accounts. Any additional audit procedures performed are based on our professional judgment with reference to risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions made, decision data, actions taken and other matters that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriation of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

## Auditor's examination of the ESEF report

### Opinion

In addition to our audit of the annual report and consolidated financial statements, we have also examined whether the Board of Directors and the CEO have prepared the annual report and consolidated financial statements in a format that enables uniform electronic reporting (ESEF report) in accordance with Chapter 16, Section 4a of the Swedish Securities Market Act (2007:528) for NIBE Industrier AB (publ) for the financial year 2022.

Our examination and our opinion relate only to the statutory requirement.

In our opinion, the ESEF report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

### Basis for our opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Auditor's examination of the ESEF report. Our responsibility under this recommendation is described in more detail in the 'Auditor's responsibility' section. We are independent of NIBE Industrier AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of the Board of Directors and the CEO

The Board and the CEO are responsible for ensuring that the ESEF report has been prepared in accordance with Chapter 16, Section 4a of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the CEO determine is necessary to prepare the ESEF report without material misstatements, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to form an opinion with reasonable assurance as to whether the ESEF report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4a of the Swedish Securities Market Act (2007:528) for NIBE Industrier AB (publ), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the ESEF report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an examination performed in accordance with RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise due to fraud or error and are regarded as material if, individually

or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the ESEF report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control which includes documented policies and procedures regarding compliance with professional ethical requirements, standards of professional conduct and applicable legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the ESEF report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design examination procedures that are appropriate in the circumstances, we consider those elements of internal control that are relevant to the preparation of the supporting documentation, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the CEO.

The procedures mainly include validation that the ESEF report has been prepared in a valid XHTML format and reconciliation of the ESEF report with the audited annual accounts and consolidated financial statements.

The examination also includes an assessment of whether the consolidated income statement, balance sheet, statement of changes in equity, cash flow statement and notes in the ESEF report have been marked up using iXBRL, in accordance with the ESEF regulation.

KPMG AB was appointed auditor of NIBE Industrier AB (publ) by the Annual General Meeting on May 17, 2022. KPMG AB or auditors working at KPMG AB have been the company's auditor since 2013.

Markaryd, March 23, 2023

KPMG AB

Jonas Nihlberg  
Authorized Public Accountant

# Board of Directors



**HANS LINNARSON**  
born 1952

2006, Chair in 2015

B.Sc. (Electrical Engineering)

Chairman of the Board of HP Tronic AB, director of Eolusvind AB, Inission AB, NP Nilsson AB, Nordiska Plast AB, Zinkteknik AB och ELLWEE AB.

Several different positions as CEO of international Swedish industrial companies over more than 30 years, such as Enertec Component AB, CTC AB and Asko Cylinda AB. Executive positions in the Electrolux Group and President & CEO of Husqvarna AB.

SEK 960,000

14/15

6,556 B shares.

Yes



**GEORG BRUNSTAM**  
born 1957

2003

M.Sc. in Engineering

President & CEO of HEXPOL AB, chairman of AAK AB.

More than 35 years' experience in international industrial companies, including CEO of HEXPOL AB and Nolato AB, and business area manager and member of Group management at Trelleborg AB.

SEK 480,000

14/15

7,312 B shares.

Yes



**JENNY LARSSON**  
born 1973

2020

M.Sc. in Engineering

CEO of Schneider Electric Sverige AB. Director of JM AB.

Considerable experience of business in the energy sector and solid industrial experience from several different positions at Vattenfall and ABB.

SEK 480,000

15/15

300 B shares.

Yes

Elected to NIBE's Board of Directors

Training and education

Directorships

Experience

Fees

Present at Board meetings

Shareholding in NIBE Industrier AB

Independence

LOKASJÖN, MARKARYD 29 MAY 2022 AT 05:49





**GERTERIC LINDQUIST**

born 1951

1989

M.Sc. in Engineering and M.Sc. in Business & Economics

MD & CEO of NIBE Industrier AB and NIBE AB.

More than 35 years' experience of international industrial operations, including as Exports Director of ASSA Stenman AB, now ASSA Abloy.

No fee payable

15/15

27,511,952 class A shares and 65,160,044 class B shares.

Not independent due to his position, his shareholding and the length of his Board service.



**EVA KARLSSON**

born 1966

2022

M.Sc. in Engineering

EVP Operations at Dometic Group.

Extensive industrial experience from various management positions at several international Groups such as ABB, Assa Abloy and Dometic.

SEK 480,000

6/15

4,936 B shares.

Yes



**ANDERS PÅLSSON**

born 1958

2010

M.Sc. in Business & Economics

Chairman of Malmö FF.

More than 35 years' experience in international industrial companies, including President & CEO of Hilding Anders and divisional manager at Trelleborg AB and in PLM/Rexam. Worked at Gambro and the E.on Group.

SEK 480,000

15/15

91,428 B shares.

Yes



**EVA THUNHOLM**

born 1966

2022

BA in Engineering

VP Business Unit Protective Materials in Ahlstrom Group. Board member of Sydved AB, Alutrade AB and Skogsindustrierna.

Considerable experience of international business and solid industrial experience, including in the ventilation industry.

SEK 480,000

7/15

No shareholding.

Yes

**CEO  
CFO**



<b>Year employed</b>
<b>Training and education</b>
<b>Position</b>
<b>Shareholding</b>

**GERTERIC LINDQUIST**  
born 1951

1988

M.Sc. in Engineering and M.Sc. in Business & Economics

MD & CEO of NIBE Industrier AB and NIBE AB

27,511,952 class A shares and 65,160,044 class B shares

**HANS BACKMAN**  
born 1966

2011

M.Sc. in Business & Economics and MBA

CFO, NIBE Industrier AB

252,920 B shares.

**Heads of Business Areas**



<b>Year employed</b>
<b>Training and education</b>
<b>Position</b>
<b>Shareholding</b>

**KLAS DAHLBERG**  
born 1964

2016

M.Sc. in Engineering

Head of NIBE Climate Solutions

74,400 B shares.

**CHRISTER FREDRIKSSON**  
born 1955

1992

M.Sc. in Engineering

Head of NIBE Element and CEO for Backer AB

6,872,500 A shares and 11,471,360 B shares.

**NIKLAS GUNNARSSON**  
born 1965

1987

Engineer

Head of NIBE Stoves

1,955,568 B shares.

**Auditor**

<b>Elected</b>
<b>Training and education</b>
<b>Position</b>
<b>Accounting firm</b>

**JONAS NIHLBERG**  
born 1973

2021

Authorized Public Accountant

Auditor in charge

KPMG AB



HOVS HALLAR BJÄRE PENINSULA 18 FEBRUARY 2023 AT 12:50

# **NIBE**

**NIBE Industrier AB (publ)**  
**PO Box 14 • SE-285 21 MARKARYD**  
**Tel +46 433 27 30 00**  
**[www.nibe.com](http://www.nibe.com)**  
**Corp. ID No: 55 63 74 - 8309**

Production: NIBE Industrier AB Photos: NIBE, Jerry Gladh, TEKNISKA, Shutterstock, etc.  
Printed by: BYWIND, Sweden. English translation by Fluid Translation AB.

The complete annual report and AGM notice are sent to all shareholders unless they have informed the company that they do not wish to receive any written information. The annual report is also published on our website at [www.nibe.com](http://www.nibe.com).