



NIBE

2023 Annual report

World-class solutions in sustainable energy

Contents



NIBE GROUP	4
CEOs 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 goals	64

Vision	6
Management philosophy	
– Our business principles	12
– Our values	13
Strategic focus areas	24
– Growth	26
– Expansion	28
– Innovation	30
– Responsibility	32
Business opportunities and risks	68
NIBE share performance	72



3 NIBE Group is an international group with companies and a presence in a large number of countries throughout the world. Development, manufacturing and sales of energy-efficient solutions take place within three business areas: Climate Solutions, Stoves and Element.

This version is an adjusted version for layout purposes of the statutory annual accounts to be presented at the Annual General Meeting and which are available in Esef format.

småland

Since its beginnings in the town of Markaryd in the province of Småland more than 70 years ago, NIBE has grown into an international Group with an average of 23,100 employees. From the very start, the company has been driven by a strong culture of entrepreneurship and a passion for corporate responsibility. Its success factors are long-term investments in sustainable product development and strategic acquisitions. Combined, these factors have brought about strong, targeted growth, which generated sales of just under SEK 47 billion in 2023.



FINANCIAL STATEMENTS

• Annual accounts 2023	76
• Five-year overview	78
• Consolidated income statement	80
• Business areas	82
• Consolidated balance sheet	84
• Consolidated statement of cash flows	87
• Key ratios	88
• Parent	92
• Risks and risk management	94
• Notes	96
Companies in the Group	136

• Audit

NON-FINANCIAL REPORTING

General disclosures	157
NIBE's material issues	160
– Business and ethics topics	160
– Environmental topics	162
– Social topics	170
• Auditor's statement on the sustainability report	179
Corporate governance report	180
• Auditor's statement on the corporate governance report	184
• Auditor's report	186
NIBE's Board	190
NIBE's management	192

Calendar

May 16, 2024

Interim report 1, January – March 2024
Annual General Meeting in Markaryd, Sweden, 5:00 PM (CEST)

August 16, 2024

Interim Report 2, January – June 2024

November 15, 2024

Interim Report 3, January – September 2024

The financial statements have been audited by NIBE's external auditor. Auditor's report, see pages 186–189.

Auditor's statement on the statutory sustainability report, see page 179.

Auditor's statement on the corporate governance report, see page 184.

listed

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.

2023

SALES, SEK M

46,649

GROWTH, %

16.4

OPERATING MARGIN, %

14.9

RETURN
ON EQUITY, %

17.3

EQUITY/ASSETS RATIO, %

44.4

PROFIT AFTER NET
FINANCIAL ITEMS, SEK M

6,331

PROFIT
AFTER TAX, SEK M

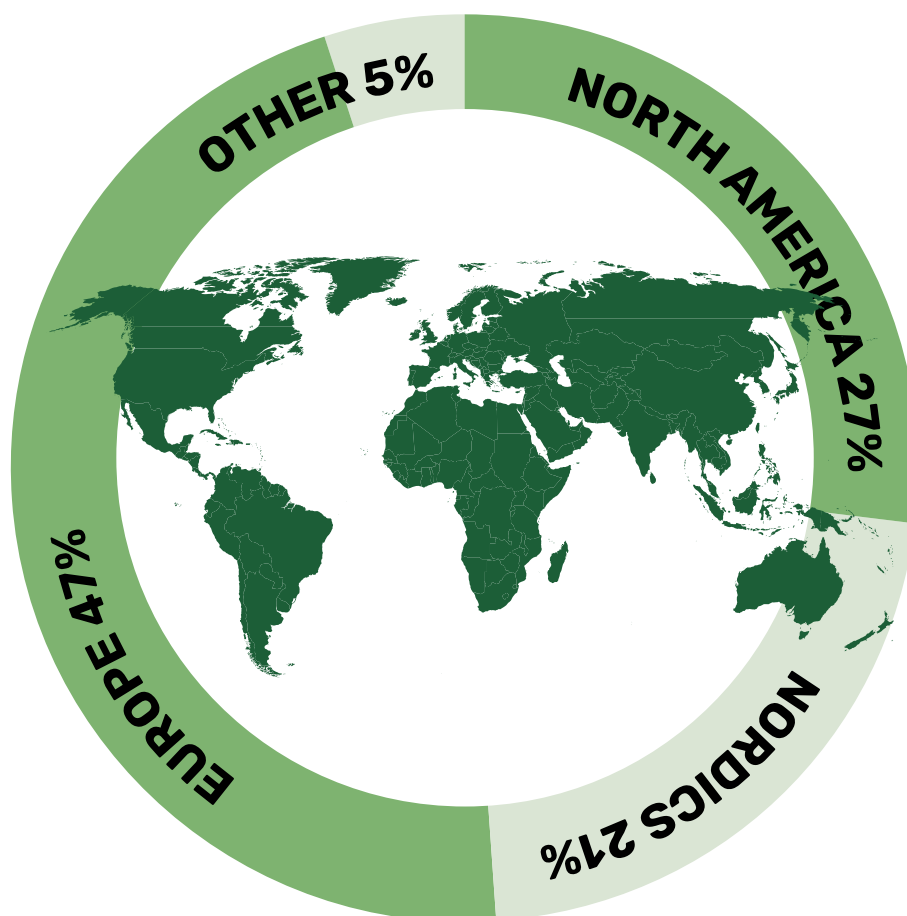
4,796

EARNINGS
PER SHARE, SEK

2.37

PROPOSED
DIVIDEND, SEK

0.65



Development of key ratios

Financial key ratios		2023	2022	2021	2020	2019
Net sales	SEK m	46,649	40,071	30,832	27,146	25,342
Growth	%	16.4	30.0	13.6	7.1	12.5
Operating margin	%	14.9	14.6	14.5	14.3	12.0
Profit after net financial items	SEK m	6,331	5,675	4,318	3,658	2,836
Profit after tax	SEK m	4,796	4,395	3,378	2,923	2,184
Equity/assets ratio	%	44.4	51.8	49.9	46.3	47.3
Earnings per share	SEK	2.37	2.16	1.65	1.42	1.08
Proposed dividend	SEK	0.65	0.65	0.50	0.39	0.35

Press releases 2023

First quarter

Jan 13 Acquisition of 65% of the shares in Miles Industries Ltd., Canada

Feb 15 NIBE's Year-end report 2022

Feb 28 Comment on media speculation

Mar 20 NIBE has decided not to go forward with the process of evaluating a potential acquisition of all or a majority of Fujitsu General Limited



Second quarter

Apr 14 Notice of NIBE's 2023 Annual General Meeting

Apr 14 NIBE's Annual Report is published

May 16 NIBE's Interim Report 1, 2023

May 16 Annual General Meeting in NIBE Industrier AB

Jun 12 Acquisition of Dutch group Climate for Life (CFL)



Third quarter

Jul 5 Acquisition of 83% of the shares in Solzaima of Portugal

Jul 12 NIBE receives clearance from the Netherlands for the acquisition of Climate For Life (CFL)

Jul 20 Acquisition of 77% of the shares in Ceramicx of Ireland

Aug 17 NIBE's Interim Report 2, 2023

Sep 1 Board member Georg Brunstam passed away suddenly



Fourth quarter

Nov 15 NIBE's Interim Report 3, 2023

Nov 17 Acquisition of 70% of the shares in LS Control A/S of Denmark

Dec 19 Head of Business Area Klas Dahlberg announces that he is moving to Hexpol in mid-2024



Vision

Our sustainable, world-class energy solutions contribute to a faster transition to a resource-efficient and fossil-free society.

Our mission is to provide the world with better sustainable energy solutions. From our earliest beginnings we have been 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.

At the same time, we are also a result-oriented world leader in innovation 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. Our feet are planted firmly on the ground while our eyes are fixed resolutely on the future. We work tirelessly to serve the world with more sustainable energy solutions – and we will never stop doing so!

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 good market presence on several continents, and we consider that we are in a strong position to be able to continue to grow 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.

Brand promise

World-class solutions in sustainable energy



Mission

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

Business concept

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

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 an international scale.

The overall addressable market size for NIBE is significant and is currently estimated to be at least SEK 1,200 billion. The biggest market is in energy-efficient and sustainable products in the domestic and commercial heating/air conditioning/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

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 15.7%.

2023

Sales in 2023 totaled SEK 46.6 million. The companies acquired in the year injected combined annual sales of just over SEK 3 billion into the Group.

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 consolidated operating margin has been 14.2%.

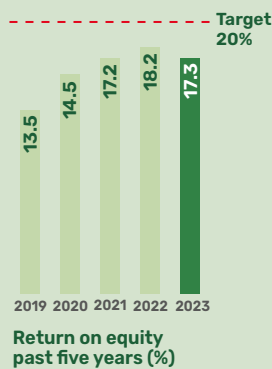
2023

Operating profit improved by 18.9% compared with the previous year, and the operating margin rose from 14.6% to 14.9%. Administrative acquisition expenses amounted to SEK 96 (19) million during the year and in addition to this, costs were recognized for acquisition processes that were discontinued.

for long-term positive development

Return on equity

20%



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

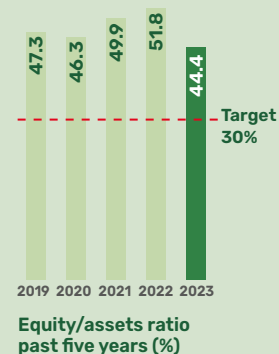
Good return on equity indicates how efficiently the Group is able to generate profit from its net assets. It increases the ability to attract additional capital. During the past five years, the average return on equity has been 16.5%.

2023

At year-end, equity was SEK 30.2 billion, an increase of SEK 2.2 billion on 2022.

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 47.8%.

2023

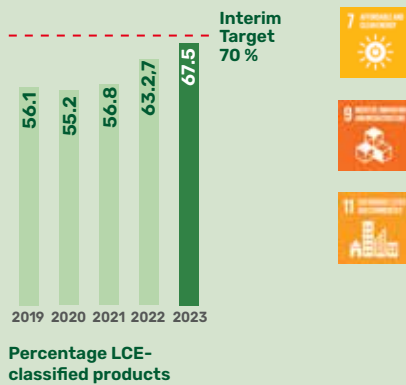
During the past year, equity increased by 8%, while total assets increased by 26%, which means that the equity/assets ratio fell to 44.4%.

Sustainability

targets for responsible business conduct

Increased benefit in our product portfolio

70%



The target is for 70% of our sales to consist of LCE classified products* by the end of 2026.

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.

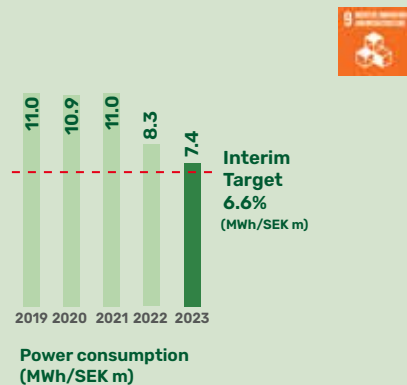
2023

Of our total 2023 sales, 67.5% consisted of LCE-classified products*. This is in line with our target and the rise clearly reflects the strong demand we are seeing in these product categories.

*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 are 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.

Continuously declining energy use

40%



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

The target was set with the initial intention of reducing the amount of energy purchased for our properties and processes. 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.

2023

We decided to include all companies preparing sustainability reports in the calculations for the year. Previously, only companies that were included in the baseline figures were included. Together with the exclusion of process gases that are not used for the purpose of heating, this has prompted adjustment of the results in prior years. In 2023 we recorded energy intensity of 7.4 MWh/SEK million, which corresponds to a decrease of 32.7% compared with the 2019 baseline. The decrease was mainly due to implemented energy-saving measures.

Ensuring systematic quality and environmental initiatives

100%

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

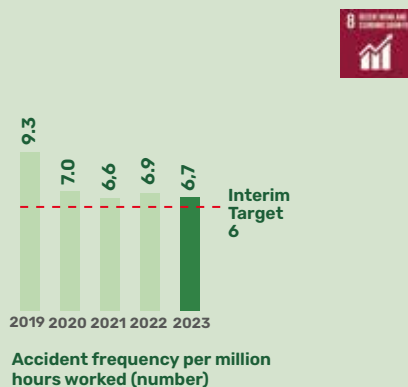


We are working to introduce certified quality and environmental management systems to all our production units with more than 25 employees overall. Acquired production units have a time frame of two full calendar years before certification must be completed. We measure the 2023 outcome against companies that have been in the Group since 2021. The target supports our focus areas' compliance with laws, regulations and standards.

2023 We had an increase for ISO 9001 to 99% (96%) and an increase for ISO 14001 to 95% (86%). The increase was due to the fact that the majority of companies have now had an opportunity to carry out postponed certification audits, in addition to which we have initiated more measures in the last few years to meet the target.

A safe workplace with no accidents.

0



Our long-term goal is zero accidents, though of course this is difficult to achieve. The target has been an accident frequency rate of fewer than six accidents by the end of 2023, which was not achieved.

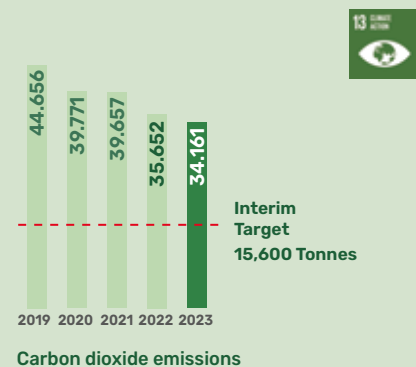
Implementation of the occupational health and safety policy continues, and systematic preventive measures are carried out continuously. The measurement includes everyone who has performed work in our company. The measurement refers to the lost time injury frequency rate (LTIF), which measures accidents 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.

2023

The outcome for LTIF 2023 was a reduction in the rate to 6.7. The target had been to reach an accident frequency rate of 6 by the end of 2023, which was not achieved. The companies prepare action plans, which are monitored on an ongoing basis via local Board meetings and followed up by the sustainability team. The target of 6 remains and should be achieved in 2024.

Reduce CO2 emissions between 2019 and 2030.

65%



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 base year 2019. The target is linked to our climate and environment focus areas as well as use of our own energy-efficient products, which use renewable energy, in the operations.

2023

The work to reduce our carbon dioxide emissions is underway, in line with the action plans drawn up by the respective businesses. Base year recalculation has been performed against the background that the GHG Protocol requires the goal to also include companies acquired after 2019. The recalculation triggered an adjustment of the figures in prior years. Compared with 2019, we achieved a reduction of 24% as a result of completed capital expenditure on, for example, vehicle fleet and climate control systems and due to the transition to renewable electricity for acquired companies.

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 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 wages.

Proactive product development

Proactive 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 adapted products that help reduce 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 quality and environmental management systems 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 in the best way to maintain the vitality of the organization. Expansion into new markets must be carefully considered and consistently implemented.

Focus on three core operations

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 knowledge in each area, which gives us an analytical advantage that can be used for acquisitions.

Dedicated employees

Dedication 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 win 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 people both internally and externally, 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.



OUR VALUES

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 that 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.



Gerteric Lindquist, President and CEO

“Good performance in 2023 – large fluctuations in demand”

The Group's sales amounted to nearly SEK 47 billion and our target of SEK 80 billion is unchanged. Sales growth for the full year was 16.4% (30.0%), of which 10.2% (26.5%) was organic. The weak Swedish krona had a slightly positive effect on sales growth.

The year was characterized by large fluctuations in demand and a clear decline in the second half of the year.

Clear reasons for fluctuations in demand

In order to combat the high inflation, central banks the world over have raised interest rates quite significantly and also comparatively rapidly, which has resulted in generally restrained consumer spending. It has also led to a sharp drop in new residential construction. For example, in Sweden new housing output is now down to the same levels seen during the banking crisis in 1992–1993.

The sharp increase in energy prices at the beginning of 2022, caused, among other things, by Russia's abhorrent invasion of Ukraine, resulted in a significant increase in demand for our products, with a particular focus on fossil-free climate control (heating-ventilation-cooling) of residential properties. Manufacturers were initially unable to keep up with the spike in demand and the distribution chain actors, i. e. wholesalers and installers, therefore, attempted to cover their backs by over-ordering. By the middle of 2023, when manufacturers had finally managed to safeguard the supply of components and capacity, energy prices started to fall again, which had a somewhat cooling effect on the immediate demand. Additionally, wholesalers and installers started to realize that their inventories had grown far in excess of actual customer demand and the manufacturers' restored delivery performance. The painstaking work of restoring a more proportionate balance between manufacturers, the distribution chain actors and final consumers which, as previously mentioned, had begun in the third quarter, continued in the fourth quarter.

A third factor was the unpredictable political will when it came to starting work in earnest on replacing the fossil fuels used in the climate control of housing with sustainable alternatives such as heat pumps. Many European countries saw fitful development for most of the year regarding a long-term approach and ambition.

A fourth factor involved the tense overall political situation, with trade barriers being introduced between both countries and continents.

However, our widespread geographical presence, our broad, market-oriented product range, and our distinct sustainability profile,

2023 was a year of large swings in demand, both over the year as a whole and between different product areas. The prevailing external environment, including a significantly higher interest rate level, affected the consumption capacity of end customers and led to a sharp slowdown in new housing production, particularly in the second half of the year. We gradually restored our delivery capacity and both growth and profitability showed good development. Our next intermediate target of sales of SEK 80 billion, ideally by 2026 and not later than 2029, is unchanged.

combined with a continued strong financial position gives us a stable platform in an uncertain external environment and an economic situation that is hard to predict.

The business area NIBE Climate Solutions has, of course, been impacted by the current external environment and has taken proactive steps to preserve both sales and operating margin. At the same time, the business area has taken a responsible and long-term approach and has successfully navigated essential cost adjustments and adjustments of working hours, while also nurturing its relationships with customers and sub-suppliers.

We predict that the European heat pump market faces at least a couple of quarters of weaker development and this might even last until the end of the year. This is based on our assumption that inventory adjustments have not yet been fully implemented, that the first two quarters of 2023 were very strong, and the fact that, while interest rates may no longer be rising, any clear indications of potential cuts in interest rates are unlikely to have an effect on consumers until at least the second half of the year.

This cautious view of the immediate future notwithstanding, we are relentlessly positive about the future good growth opportunities in the heat pump market, not least against the background that there are few other realistic, sustainable alternatives to climate control in either existing properties or new housing output. For several years, we have, therefore, purposefully invested in building up a strong international platform of companies, products and genuine know-how to become a full-service supplier of sustainable, efficient, intelligent energy solutions with a focus on climate control for all types of properties.

In Europe, several countries have introduced revised incentive programs aimed at stimulating the climate transition by means of heat pump installation. The programs are generally less generous and also vary significantly between countries in terms of both incentive levels and time horizons. However, the programs all provide a clear route away from fossil heating.

The North American market showed a markedly higher and also more uniform rate of growth, albeit starting from a significantly lower level. The substantial US subsidy program, "Inflation Reduction Act", played a key role, primarily by ensuring predictability and a long-term perspective.

The comprehensive investment programs within the business area are gradually being implemented. The strategy is based on continuously streamlining both product development and production, and on creating a good capacity for the expected continuing expansion.

The growth in sales and improved productivity led to a significant improvement in both full-year operating profit and operating margin; the operating margin, in particular, was the best ever posted by the business area. However, the decrease in organic growth in the fourth quarter, together with essential adjustment costs, resulted in a lower operating margin compared with the same period in the previous year. When comparing these figures, it is important to remember that the fourth quarter of the previous year was the strongest ever posted by the business area.

The business area NIBE Stoves has also seen large fluctuations in demand, both over the year as a whole and between product categories. The background to this is similar to that for NIBE Climate Solutions, where high energy prices and insufficient production capacity initially led to a significant imbalance, which was later amplified by falling energy prices and restored production capacity.

In the European market, wood-fired products have undergone a renaissance, while both pellet-fired and gas-fired products have reported weaker performance.

The North American market in general showed weaker development during the year and, here too, the decline primarily affected the gas-fired product category.

The business area's extensive investment program, which focuses on future capacity and improved productivity, is proceeding according to plan.

The major investments carried out in recent years in the development of the wood-fired products of the future, with specific focus on particle reduction, have started to bear fruit. The first model series featuring electronic control of the combustion air has already been launched and the future concept Contura Zero will be commercialized in 2024.

Despite the significant increase in sales, which primarily comprised acquired sales, both operating profit and operating margin declined compared with the full year 2022. The main reason for this were the large adjustment costs implemented by the business area, but also large marketing and development expenses.



Georg Brunstam
1957–2023

In memory of the former member of NIBE Industrier's Board of Directors, Georg Brunstam

Georg was elected to the Board by the AGM in spring 2003 and he remained a member of the Board until his death on September 1, 2023.

When Georg joined the Board, the NIBE Group's sales amounted to just over SEK 2 billion. Over the next 20 years his commitment, his wisdom, his clarity of vision regarding industry and his wonderful personality made him a vital member of the team behind the expansion that has turned NIBE into an international Group with sales of nearly SEK 47 billion in 2023.

In addition to his committed contribution to our Board, Georg, in his role as chief executive, managed the listed company Hexpol extremely successfully for many years. We, therefore, remember fondly and gratefully how Georg nevertheless used to refer to NIBE as "our Company".

It is with great sadness that we now have to carry on without Georg, but his wisdom and warmth will remain with us and guide us.

A heartfelt thanks to you, Georg.



The new experience arena Wisdome Stockholm, built in the courtyard of the National Museum of Science and Technology (Tekniska Museet) opened at the beginning of December. As the sustainability partner, NIBE has provided climate control solutions for heating, hot water, cooling and ventilation, with as much as 71 percent of the required heating being extracted from the bedrock.

NIBE's installation is a visible part of the exhibition and digital screens next to the heat pumps and ventilation units, will be used for an educational demonstration of the heat pump technology. Many visitors will recognize the heat pumps from their own homes, and here they will get a visual demonstration of how they work.

Wisdome Stockholm is Tekniska's biggest investment ever and, when King Carl XI Gustav cut the ribbon to the new events arena, this also marked the start of the museum's centenary. The participants at the event included many of the parties involved in the project, including Gerteric Lindquist and Minister of Culture, Parisa Liljestrand.

The business area NIBE Element, like the two other business areas, saw significant variations in demand during the year. Product areas related to pure consumer goods continued to report weak performance, primarily as a result of higher interest rates and economic uncertainty. This was also the case in product areas linked to the semiconductor industry, mostly due to trade policy measures.

Product areas related to sustainability reported a decline in demand, particularly in the second half of the year, largely for the same reasons as those described under the business area NIBE Climate Solutions.

However, we were particularly pleased to see growth in product areas related to vehicle electrification, both in respect of passenger cars and commercial vehicles. Another positive feature was the strong demand for products for the railway sector.

Despite the positive sales performance, both operating profit and operating margin declined, primarily as a result of adjustment costs in the product segments showing weaker performance and large investments in more expansive product lines.

Acquisition strategy remains unchanged

The pace of acquisitions increased again in 2023 after a few years at a lower level. We note with satisfaction that we carried out five strategic acquisitions with combined sales of more than SEK 3 billion during the year, and that these have been integrated into the business in line with our objectives.

We saw a large change in the number of acquisition opportunities in the year. Many companies and their owners find our clear sustainability profile attractive.

Investments for the future

The level of investment in our existing businesses amounted to SEK 3,852 million in the year, compared with SEK 2,065 million in the previous year. Excluding leases, the rate of depreciation was SEK 1,296 million, compared with SEK 1,080 million in the previous year.

In view of the expected opportunities for future growth, we had already established a proactive investment program of SEK 10 billion in 2020. The majority of the investments, around SEK 8 billion, have already been implemented and the remainder will largely be completed in 2024/2025. In addition, just over SEK 1.3 billion was invested in product development in 2023.

Good earnings performance

Operating profit improved by 18.9% compared with the previous year and the operating margin increased from 14.6% to 14.9%. It is especially gratifying to note that positive growth in all three business areas facilitated the strong improvement in the Group's results.

Profit after net financial items improved by 11.6% compared with the previous year, while the profit margin declined from 14.2% to 13.6%.

Continued development of long-term responsible business conduct

Our vision is built on the conviction that we as a company must strive to be as resource-efficient and environmentally aware as possible, both in respect of our products and in respect of the operations in which the products are developed, manufactured and sold.



Both the product development and production development engineers have now moved into the new Innovation Center in Markaryd, Sweden. The new office space and communal areas are built to encourage cross-disciplinary collaboration and reduce development time from product concept to series production. In the laboratory section, an EMC laboratory, unique in its kind in Sweden, is nearing completion. A large number of test rigs are currently being equipped to facilitate increased test capacity and reduce lead times. The engineers will be able to closely monitor their projects and the performance of future projects in real time.

This conviction runs like a red thread through the entire history of our company, which was founded on the idea that long-term, innovative enterprise both develops and underpins our society. Enterprise must be conducted in an exceptionally responsible manner nowadays to gain legitimacy and win the trust of society.

We try to set a good example and, in this way, hopefully will be able to contribute to a faster transition to a more resource-efficient and fossil-free society.

Our goal is for our company culture to naturally attract both customers, employees and society in general. For them to discover that a resource-efficient alternative such as a heat pump is not a step back but a responsible step into a comfortable, smart future – this is what ultimately drives us. In other words, we are ready!

Europe in standby mode

If there is one thing that we would wish for, it is for clearer political signals, both nationally and internationally, that show serious commitment to major pledges such as the "Green Deal" and a fossil-free society. In addition, interest rates should be reduced as soon as possible to encourage new residential construction and a general increase in consumption of infrequently bought products.

While we wait for these signals, as announced on February 16 in connection with the publication of our year-end report, we are, unfortunately, forced to implement a major cost-cutting program in Europe. This means that, among others, consultants, temporary staff, and 340 permanent employees in Sweden and approximately the same number in the rest of Europe will be made redundant during 2024.

Outlook for 2024

- Our corporate philosophy and our strong range of products, with their focus on sustainability and energy efficiency, are in tune with the times as the transition to a fossil-free society is 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 effects of the deteriorating security situation in the world, the development of interest rates and volatile energy prices are difficult to predict, however.
- Our assessment is that we will see a weaker development in the first two quarters of the year, and possibly throughout the year. This assessment should also be viewed against our performance in 2023, when we reported very strong first-half results and a weaker second half.
- As is our habit, and based on experience, we are optimistic about our long-term performance, despite the situation this year being particularly difficult to predict.

Markaryd, Sweden, March 2024

Gerteric Lindquist
Managing Director and CEO

Climate targets require continued energy efficiency

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.

2023 Fluctuations in demand

Energy efficiency and environmentally friendly climate control of properties of all sizes are high on the international agenda. Heating of properties accounts for 40% of global energy consumption and heat pumps are being promoted as the most natural and efficient alternative to oil and gas boilers. The electrification and digitalization of society is intensifying and the requirements linked to reduced climate impact are becoming more stringent.

The 2023 financial year was a year of sharp fluctuations in terms of both delivery capacity and demand in Europe. High interest rates, a sharp downturn in new housing output, lower energy prices, unpredictable political decisions and unusually high stock levels at the distribution stage affected short-term demand in many markets, primarily in the second half of the year. During the spring of 2024, the number of employees will therefore be adjusted due to lower demand, primarily in Europe, which was previously reported. However, there is a large underlying need in the heating sector to switch to fossil-free alternatives, and we are convinced that the long-term demand is still there. The North American market showed a much higher and more even rate of growth, largely thanks to an extensive transition program that is both foreseeable and long-term.

Key strategic acquisition

Our strategy of growth through acquisition remains in place and acquisition talks are continuously taking place.

The strategic acquisition of the Dutch ventilation and heat pump group Climate for Life at the end of June has meant that together we are one of the largest suppliers of climate control solutions in Europe. The company's home market, the Netherlands, is very interesting. The country has undergone a transformation to a fossil-free society in recent years, with heat pumps forming a key part of the solution. We see significant future opportunities for their product solutions, which have also been developed for several other markets in Europe.



Capacity

Because we firmly believe in continuing long-term, strong volume growth for heat pumps, we are continuing to implement our comprehensive investment program to expand capacity at the majority of both our European and our North American operations.

The improved components supply from our sub-suppliers in the first half of the year meant that we were able to restore our own, usually good, delivery capacity. At the same time, the global labor shortage improved, particularly in North America, where it has previously been difficult to recruit workers to the extent required for our expansion.

Targets

Growth target

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

In 2023, total growth was 20.3% (29.6%), of which 14.4% (25.9%) was organic. This means that organic growth was 11.5 percentage points lower than in 2022. Growth has been 17.1% 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 2023 was 17.8% (16.6%) of sales. This means that the operating margin improved by 1.2 percentage points compared with 2022. The operating margin has been 16.2% on average over the last five years.

Objective fulfilment Growth (%)



Objective fulfilment Operating margin (%)



R290

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 in Europe of our brand-new generations of high performance heat pumps, featuring natural refrigerants (R290), 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.



KLAS DAHLBERG
Head of Business Area
NIBE Climate Solutions

Agenda 2030

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 the biggest 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 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 being done 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.

CO₂

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 90% of energy compared to the traditional light bulb, a level of saving that our latest geothermal heat pumps are now close to reaching.

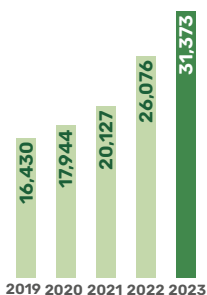
Because the heat pump market is driven by the EU "Green Deal", the transition to fossil-free heating and the substantial American state subsidy package, the "Inflation Reduction Act", we believe in continued strong long-term volume growth, despite the current temporary lull in demand.

We also see good opportunities to further strengthen our market position in both Europe and North America.

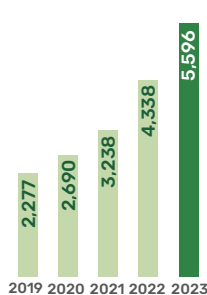
// More and more countries the world over are realizing that heat pumps are a key part of the solution in efforts to achieve climate targets.

Figures for 2023

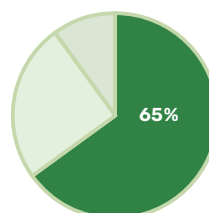
Net sales
(SEK m)



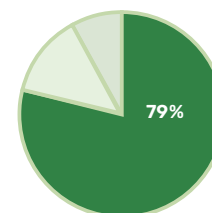
Operating profit
(SEK m)



Net sales
Percentage of Group



Operating profit
Percentage of Group



Net sales increased by 20.3% compared with 2022. The increase was attributable to good organic growth.

Operating profit increased by 29.0% compared with 2022. The increase was primarily due to growth and the careful control of fixed costs.

Fluctuating demand

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.

2023

Sharp swings

The sharp rise in demand for wood-fired stove products seen for several years peaked in the first quarter. Since then order intake has declined steadily. This was a completely natural development after exceptionally strong growth in the wake of the pandemic, followed by Russia's invasion of Ukraine, which resulted in considerable uncertainty about energy supply and a sharp increase in energy prices in late 2022 and early 2023. Energy prices returned to more normal levels and delivery times stabilized in the year.

The 2023 financial year was a year of sharp fluctuations in demand, both between different product types and regions and over the year. In the European market, wood-fired products continued to perform well, while both pellet-fired and gas-fired products reported weaker performance. The North American market in general showed weaker development, primarily within the gas-fired product category. To mitigate the sharp fluctuations in demand, we adjusted production to match prevailing demand.

Complementary acquisitions strengthen our market position

At the beginning of the year we acquired Miles Industries of Canada, a family-owned company whose products are sold under the well-known brand Valor. The company has built up a strong network of retailers in both Canada and the USA over several decades, resulting in a very strong and well-established market position in North America. Overall, we have further bolstered our platform in North America for continued profitable growth.

At the half-year point we acquired the Portuguese stove company Solzaima, which has a very broad product range consisting primarily of pellet products, but also wood-fired products for both secondary and primary heating. The acquisition of Solzaima enables us to gain a proper foothold in the pellet products market. Because this product range accounts for the bulk of the market in southern Europe, Solzaima complements our Group both geographically and in terms of products, and the company will play a key part in our future expansion.



Targets

Growth target

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

In 2023, total growth was 18.6% (31.5%), of which 2.3% (26.1%) was organic. This means that organic growth was 23.8 percentage points lower than in 2022. Growth has been 14.9% 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 2023 was 11.2% (13.7%) of sales. This means that the operating margin decreased by 2.5 percentage points compared with 2022. The operating margin has been 12.0% on average over the last five years.

Objective fulfilment
Growth (%)



Objective fulfilment
Operating margin (%)



Continuous improvement of products

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

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

Growth



NIKLAS GUNNARSSON
Head of Business Area
NIBE Stoves

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 not only meet but surpass by a good margin 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.

The new future concept Contura Zero was presented to the European market in the spring. The concept means that particle emissions can be significantly reduced without compromising either the design of the products or the visibility of the flame. Intensive development work is underway to be able to commercialize the concept in 2024.

Eco-design

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 we are correctly positioned in this transition process.

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

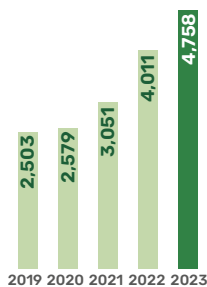
As mentioned previously, we carried out two large acquisitions during the year, and we see good opportunities for continued consolidation in a large but fragmented market, where our goal is to further strengthen our market position.

Digital

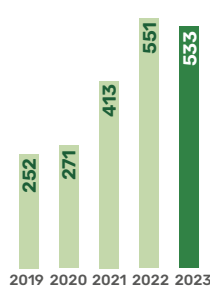
We devote considerable resources to product development, especially regarding environmental performance and innovative design.

Figures for 2023

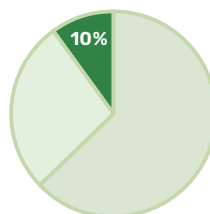
Net sales (SEK m)



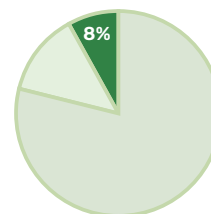
Operating profit (SEK m)



Net sales
Percentage of Group



Operating profit
Percentage of Group



Net sales increased by 18.6% compared with 2022. The increase was primarily attributable to growth through acquisitions.

Operating profit decreased by 3.2% compared with 2022. This was primarily due to necessary adjustments to mitigate the sharp fluctuations in demand between different types of products and regions.

Our products and systems are part of the solution

2023

Large variations

The majority of the business area's market segments reported strong demand for the full year. However, there were significant variations between different segments and also between different periods during the year.

As early as 2022, we recorded a decline in demand for consumer-related domestic appliances and this development continued in the financial year. Towards the end of 2022 we also saw a slowdown in the market for semiconductor equipment, a key market for us. This was due to a combination of inventory buildup worldwide and political decisions in the USA to curb exports to China of the most advanced technology within this segment. Investments in expanding the semiconductor industry in both North America and Europe to reduce dependence on Asia in this important technology area are currently being implemented. This will boost demand for our components and systems.

Having reported very high demand for products relating to renewable energy and energy efficiency at the beginning of the year, we saw a gradual slowdown in the second half of the year in respect of construction-related products. This was due both to reduced demand from end consumers as a result of the falling economy and to inventory reductions at the distribution stage in respect of both components and finished products. We estimate that the effect of reductions in inventories will gradually decrease in 2024.

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.

We are strengthening our market position

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

The acquisition of Ceramicx of Ireland, a market leader in infrared heating, complemented the business area's product range both in industry and in certain specialized areas such as automotive. The Danish company LS Control A/S, which was acquired in the fall, specializes in electronics and control of heat pumps and ventilation. We also carried out some minor, supplementary acquisitions, including the Belgian industrial company P.G.R. and the British element company Backer Electric.

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.



Targets

Growth target

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

In 2023, total growth was 8.9% (29.7%), of which 6.3% (27.8%) was organic. This means that organic growth was 21.5 percentage points lower than in 2022. Growth has been 13.4% on average over the last five years.

Objective fulfilment Growth (%)



Objective fulfilment Operating margin (%)



Operating margin target

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

Operating profit in 2023 was 7.9% (10.3%) of sales. This means that the operating margin decreased by 2.4 percentage points compared with 2022. The operating margin has been 9.3% on average over the last five years.

Sustainability increasingly important

A fossil-free society

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 stricter international 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.

The electrification of vehicles is presenting a new business opportunity for us, with regard to both passenger cars and commercial vehicles. We are involved in a number of development projects with large international companies and a number of products will enter series production in 2024. The projects relate to several of our production facilities. The railway sector saw good development both in respect of infrastructure and heating of railway vehicles.

The ambition to reduce greenhouse gas emissions also means that the number of industrial projects based on electric heating is growing steadily. Demand for various kinds of energy storage solutions is also growing. The majority of these projects involve some form of electric heating and control.

Bringing production back home

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.

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 and components and systems for the semi-conductor industry and 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 and 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.



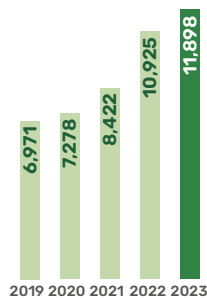
CHRISTER FREDRIKSSON
Head of Business Area
NIBE Element

Storage of energy

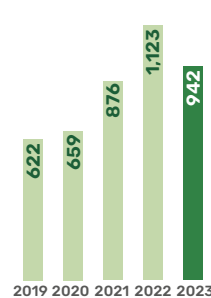
// The increasing electrification of society offers large opportunities for future international growth.

Figures for 2023

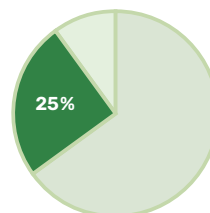
Net sales (SEK m)



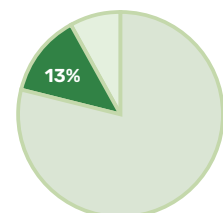
Operating profit (SEK m)



Net sales Percentage of Group



Operating profit Percentage of Group



In 2023, net sales increased by 8.9% compared with 2022. The increase was attributable both to increased demand in certain segments and to a stronger market position.

Operating profit decreased by 16.2% compared with 2022. This was due to a decline in demand in several profitable growth segments.

4

Strategic focus areas that combine good profitability and responsible value creation



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 world-class, sustainable energy solutions, thereby helping the 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.

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 whistleblower policy has been translated into all local languages where we operate.

[Read more about the SDG goals and Agenda 2030 on page 64.](#)

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, expansion, innovation and responsibility. Our goals and strategies are also linked to the global sustainable development goals (SDG) in Agenda 2030 that we have decided to focus on.



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 optimisation 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.



Responsibility

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.





Organic

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.

Digitalization

Proactive 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 2023, we set aside just over SEK 1.3 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.

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.

Materials

The customer

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.

Acquired

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.

2023 Acquisitions during the year
 We carried out acquisitions of companies in two countries in which we did not previously have our own companies: Solzaima in Portugal and Ceramicx in Ireland. Other companies acquired in the year were Miles Industries of Canada with the brand Valor, Climate for Life of the Netherlands with the brands Itho Daalderop and Klimaatgarant, and LS Control of Denmark.

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 period of time.

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.

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 and financially stronger cluster of companies.

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

Brands

Local development Job opportunities

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.

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 financially strong international Group.

We invest in attractive market segments and thereby ensure an optimal market presence internationally. 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 dedication

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.

Companies acquired in 2023

Miles Industries Ltd., Canada



NIBE Industrier AB acquired 65% of the shares in the Canadian stove company Miles Industries Ltd., with the remaining shares to be acquired by 2026.

Miles Industries is a family-owned company founded in 1977 by Garry and Barbara Miles. Today, the owners of Miles Industries are their sons, Martin and Paul Miles, who have also worked at the company for a long time. Miles Industries, which sells its products under the well-known Valor brand, has built up a strong network of retailers in both Canada and the USA over several decades, resulting in a very strong and well-established market position in North America. Their operations are based in Vancouver with around 80 employees, and the company has sales of some CAD 75 million and an operating margin that clearly exceeds 10%.

Climate for Life (CFL), the Netherlands



NIBE Industrier AB entered into an agreement to acquire 100% of the shares in the Dutch group Climate for Life (CFL) from its current shareholders, including majority shareholder Parcom and their co-investor Smile Invest.

CFL develops, produces and sells energy-efficient solutions in the areas of heating and cooling, hot water, ventilation and climate control, and is a market leader in the Dutch market for solutions for residential and commercial buildings. CLF has high ambitions when it comes to energy neutrality and is a well-respected player with impressive knowledge and a strong product offering in the water heater, heat pump and ventilation segment.

Climate for Life has operations in the Netherlands and Belgium via its subsidiaries Itho Daalderop, Klimaatgarant and Exploitatie. Annual sales in 2022 amounted to EUR 221 million (approximately SEK 2,580 million) and operating profit before interest, tax, depreciation and amortization (EBITDA) was EUR 40 million, corresponding to an operating margin of 18.1%. The company's head office is in Tiel in the Netherlands and the group is the result of a number of acquisitions and mergers. Its origins can be traced back to the founding of Daalderop in 1880.

LS Control A/S, Denmark



NIBE Industrier AB acquired 70% of the shares in Danish LS Control A/S. The remaining 30% of the shares are to be acquired in two stages by 2028 at the latest.

LS Control develops, manufactures and sells electronics for control and regulation to customers in the ventilation and heat pump industry. The company also has customers in medical technology, laboratory equipment and professional catering. The company's range consists partly of customer-unique products and partly of a standard assortment.

The company, which was founded in 1969 and conducts its operations in southern Zealand, employs 55 people directly and a further 30 people via partners. LS Control has annual sales of approximately DKK 100 million (approximately SEK 150 million) and an operating margin of over 15%.

Solzaima, Portugal

ΣΟΛΖΑΙΜΑ



NIBE Industrier AB acquired 83% of the shares in the Portuguese stove company Solzaima - Renewable Energy Equipment, with the remaining shares to be acquired by 2028.

Solzaima has a very wide product range consisting primarily of pellet products, as well as wood-fired products for both secondary and primary heating. The company has a strong market position in Portugal but has also built a strong market position in Spain and France.

The company was set up in 1978 and is based in Agueda in Portugal, just south of Porto. The products are manufactured in a new, efficient and streamlined production plant of just over 20,000 sq m, which came on stream in summer 2020. Solzaima has turnover of just over EUR 20 million and an operating margin of well above 10%. The company employs 200 people.

Ceramicx, Ireland



NIBE Industrier AB acquired 77.5% of the shares in Ceramicx Ireland Limited, with the remaining shares to be acquired by 2025.

Ceramicx is a leading manufacturer of infrared heating components and systems. The company was founded in 1992 and is based in West Cork in Ireland. Ceramicx has sales of EUR 10 million and an operating margin of over 10%. Exports account for more than 90% of sales. The company employs around 100 people.

Innovation



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

Environmental categories

The environment

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.

Product development Customized

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.

Commercialization Brands

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 both increase our market share on existing markets and expand into new markets.

Regulatory requirements

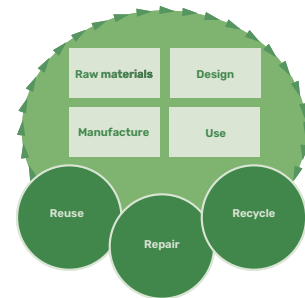
Circular economy

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 requirements 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 older recirculated material from containing banned substances.



Supplier requirements

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, regulatory compliance 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.

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.

Satisfied

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.

LCE

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.

Remote control

Responsibility



Since our beginnings more than 70 years ago, we have created an international Group and a presence in large parts of the world 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.

Business

Innovative 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 business area NIBE Element.

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 business area NIBE Climate Solutions.

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 business area NIBE Stoves.

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

Stable

Employees

Dedicated 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.

Society

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.

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 President 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.

Bernerup

Diversity Respect for human rights

Our employees, with their unique experience, knowledge and talents, add great value to our operations. We conduct an international 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, but also 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.

The environment

systems

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.

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.

NIBE – for security in everyday life in the home

Our products are found in most modern energy solutions that form 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.



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.



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.

Energy efficiency required for a more resource-efficient society

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

To be able to combine our growth targets with our 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-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 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.

Properties

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 when energy is used to run the facilities.

NIBE – for energy-efficient properties

Our products are found in most modern energy solutions that form 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.



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 both air conditioning and ventilation.

Ecosystem for energy efficiency in large properties

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.



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 a 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 products and knowledge when it comes to the latest renewable energy technology, which permits old properties to be climate-friendly without losing their charm and beauty.

The world's 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.

NIBE an industrial partner to many companies

The use of private cars and heavy goods vehicles on roads both present 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 optimisation 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.



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.



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.

Energy-efficient infrastructure and clean technology

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 both energy optimization and renewable energy. We believe that we stand at the forefront of our industry.



Solar panels are important for our 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.



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.

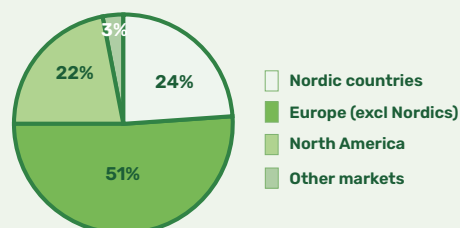
The entire chain through to end user is vital for us

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 products and system solutions combined with visits to our production units. Trade fairs remain an import arena for meeting our customers.



The business area's brands



Heat pumps

A key part of the transition

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 currently meet only 10% of global heating needs in residential buildings, which according to the IEA must double by 2030¹ if climate goals are to be realized. Our assessment is that this figure will be even higher for Europe.

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

The pace of this transition is driven by several factors:

- Energy price trends, particularly with regard to the price difference between electricity prices and fossil fuels such as oil and natural gas.
- 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.
- Restrictions on installation of gas boilers in connection with replacement of heating systems, and prohibition on installation of gas systems in new builds.
- Expansion of fossil-free infrastructure for climate control and hot water.
- "Smart buildings", which result in increased demand for better energy performance and control of the climate systems of both single-family homes and commercial property.
- The property and construction market, where new construction and renovation often involve sustainable energy solutions.
- Costs to the end consumer are crucial for investment and operating costs, depending on the type of energy.
- The prevailing economic situation, which could reduce consumers' purchasing power temporarily, but could also unleash pent-up demand when the economy starts to improve.

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 significantly 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, ventilation and hot water, as well as various algorithms for optimal performance and household energy consumption patterns. For example, as energy costs have fluctuated sharply, 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.

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 climate control sector (heating/ventilation/cooling) 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 at least SEK 1,200 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 underlying need for transition to more sustainable climate control solutions will remain and in the long term will result in a sharp increase in demand for heat pumps, even if the prevailing economic situation in Europe is having an adverse effect on demand.

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 more

tangible 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 seeing a rapid 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 and in connection with this, the importance of urgently improving the energy efficiency of existing properties has also been highlighted.

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.

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 in recent years, which combined with the market platform we have built up over the years through both acquisitions and new establishments has facilitated our own expansion. Currently, market growth in Europe has been hampered by the prevailing economic situation, but the market potential remains and by maintaining our strong market position, we will benefit from the continued long-term growth in the market. 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 in future production and in upgrading to modern technology, both 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 intended to 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 too. Large international HVAC groups are also focusing on energy conservation and environmentally sound products.

Instead of disturbing noise, it became quiet and renewable

NORTON COMMONS



Norton Commons energy supply

Construction of the Norton Commons neighborhood began in September 2003 and the first house was completed in 2005. Over the next six years, construction carried on at pace, in some cases leaving less than two meters of space between the houses. Noise was starting to become a problem, with external units that were basically touching and were running right opposite each other.

Discovery of heat pump technology

To reduce noise that was caused by the traditional air conditioning technology, something needed to change. This is where ClimateMaster entered the picture. Although the Norton team came across heat pump technology as a means of dealing with noise nuisance, they were quick to adopt the sustainable, energy efficient technology which since it was first introduced has enabled the Norton Commons homeowners to reduce their energy costs by up to 70%. The heat pumps have become a great attraction in the development of the area.

The first trials involving ClimateMaster units began in 2013 and having been hugely successful, their products have become the standard and a requirement for all residential new builds in the district.

FACTS ABOUT CLIMATE MASTER

For more than 50 years, the company has been developing and producing innovative and energy efficient heating and cooling systems.

ClimateMaster is part of the business area Climate Solutions and its headquarters and production plants are in Oklahoma in the USA. Sales and training take place via national networks of distributors.

NIBE acquired the company in 2016.

Forecast for more than 1,100 homes in future

A total of 676 homes have installed ClimateMaster system solutions. Norton Commons expects another 1,100 homes to be able to start enjoying the comfort and savings derived from ClimateMaster's sustainable and renewable technology over the next five to seven years. ClimateMaster's products have also been installed in commercial buildings, from post offices to office buildings. One ongoing project comprising both condos and a bakery has required twelve boreholes of 100 meters. ClimateMaster is Norton Commons' preferred partner for future development projects.

Norton Commons winning awards

Norton Commons has won several awards, including winning the Best Community Awards by the National Association of Homebuilders. They have also been praised for their renewable initiative and are now being used as a model for new development through the USA.



FACTS ABOUT NORTON COMMONS

Norton Commons is a neighborhood just outside Louisville, Kentucky in the USA. It consists of more than 2,500 buildings, including single family homes, condos and commercial buildings. The neighborhood is designed as its own little town, including parks, squares, plazas, trails, recreational and civic amenities. It is also one of the largest private community development initiatives focused on heat pumps in the USA.

Products

that make the sustainable society
of the future possible

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

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



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.



Tap water heat pumps

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



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.

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.



District heating products

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



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. By combining these products with heat pumps it is possible to achieve both energy recovery and optimal operational efficiency.



Domestic boilers

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

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.



Product development

The innovation center is an important part of future development

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 design 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 cooling.

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 three, in a 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/cooling in summer)
- Recyclable
- Environmentally adapted and lower GWP* for refrigerants
- Appealing and timeless 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, by installing heat pumps in our own facilities within Climate Solutions, we have increased the production of self-generated heating by 100% since 2019.

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 2023, we invested SEK 2,717 (SEK 1,436) million in our 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 for all our production units with more than 25 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 (CO₂) of one kilogram of a specific refrigerant

Comfort and elegance

Efficiency that stands out, yet is unobtrusive thanks to RHOSS solutions for hotels

The hotel sector has very strict requirements when it comes to comfort and energy use. When it comes to climate control systems for hotels, the relaxation and wellbeing of guests is paramount, while the systems must also keep energy consumption to a minimum for the hotel owners. Hotel climate control systems must also be capable of being adapted to wide variety of spaces. Hotel rooms, public spaces, restaurants and swimming pools are areas with specific and distinctive requirements in respect of climate control and efficient energy use, requiring very advanced engineering.

Guaranteed comfort and relaxation for guests

The hotel stay experience can be significantly improved by efficient climate control. When guests enter a climate-controlled room, they notice the comfort immediately. An optimal room temperature combined with adequate humidity control, creates a welcoming environment where guests can unwind. Additionally, the quiet but efficient control of the climate control system guarantees a good night's sleep, which contributes to a pleasant and enjoyable visit.

To ensure optimal comfort, a complete Rhoss solution was installed

- 1 multipurpose unit, for simultaneous or independent production of hot and cold water all year round; a unit that offers significant savings in terms of energy costs.
- 1 customized solution and modular air handling unit
- 4 packaged air-cooled high-efficiency inverter-controlled heat pumps
- more than 50 fan coil units with cabinet for recessed wall or false ceiling installation and cassette fan coils in various sizes.

All Rhoss units that are installed and used in the hotel's public areas and rooms maintain correct temperature and humidity levels and ensure optimal air quality without compromising the energy saving aspect and respect for the environment.



FACTS ABOUT RHOSS

Rhoss offers several different system solutions for heating, cooling and ventilation and its products include fan coil units, terminal units and EXP multi-purpose systems, a technology that can produce hot and cold water for the system and free hot tap water during the summer months.

NIBE acquired the company in 2018.

FACTS ABOUT PALAZZO SANGIORGIO



Palazzo Sangiorgio, a 5-star luxury hotel with modern comforts in the historic city center in Catania, Italy. Palazzo Sangiorgio, which recently opened in the old Civita district in Catania, has 25 rooms, all different from each other and divided into Superior rooms and suites designed according to the new standards required from a modern, sustainable hotel.

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

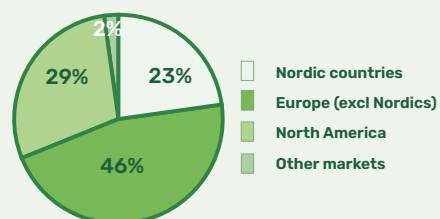
We are well represented in all our main markets through our subsidiaries and cooperate closely with our retailers in each market, a prerequisite for being able to reach the end customers.

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.



The business area's brands

Our product portfolio, with its 20 strong brands in a large number of product groups, makes us an all-round supplier and a strong business partner in our industry.



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 also feel the warmth of the burning fire, 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. A contributing factor is regional 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

Reduced vulnerability

- 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.

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 boosted 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 recent years, the disturbing external environment, with a state of war in Europe, has created a lot of uncertainty around energy supply, resulting in 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.

Secure heating

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 France has also become a large market for pellet products. 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.

Products

for warmth, comfort and security

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 European 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.



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 designed to maximize the view of the fire. Available for wood, gas, pellets or electricity.



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. Often designed to maximize the view of the fire. Provide fast heat transfer but also retain heat when wood is used. Primarily for use with wood, gas and electricity.

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.



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.



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.



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.

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.



Outdoor fire products

A fireplace for outdoor use creates a cosy outdoor environment. High fire visibility is crucial. Primarily for use with wood or gas.

Product development

Development of 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, Canada and Portugal.

Most of our products made from steel plate are made in Sweden and sold all over Europe. 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 complete production facilities for the production of their brands. Miles Industries, which sells its products under the Valor brand, has a small production facility earmarked solely for the assembly of gas-fired products.

For the past few years, Solzaima has had a cutting edge production plant in Portugal for the production of pellet-fired and wood-fired stoves.

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 heataining 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 2023, investments of SEK 282 (123) 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 for all our production units with more than 25 employees. The aim is for this to be implemented within a two-year period after an 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.

Pleasant heating with digital app control



Smart, simple and connected

The Connect 556 takes the Contura stove into a new, digital era, as part of smart, sustainable homes. The stove is as groundbreakingly innovative as it is simple to use. The related app gives users full control and an overview of the fire.

Always informed

The Contura Connect 556 ensures control of the stove is always at your fingertips, even when you're not at home. The app is connected to the cloud and users get continual software updates. The smart functions simplify the lighting and burning processes, enable automatic heat control and give an overview of supplied heating energy and notifications, including from weather services.

Reduced energy consumption

The Contura Connect 556 features automatic control of the supply air for combustion for optimized, cleaner and more effective combustion with reduced emissions. Additionally, the burn time before needing to reload the stove is longer.

FACTS ABOUT CONTURA

Contura is one of the NIBE Group's oldest brands. Contura is the market leader in Sweden in stove products and all production takes place at Markaryd in Sweden. In 2024, Contura will become a separate company, having previously been part of NIBE AB.

Contura was acquired in 1994.

BUSINESS AREA

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.

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, global 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.

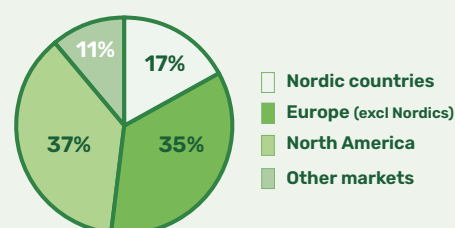
As one of the world-leading operators, we are represented globally and can distribute our products to both these customer

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.



The business area's brands



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.

Semiconductors

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 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, and to new areas of application.

Electric vehicles

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.

Global player

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.

Variable growth

Different market segments

Overall, the international element market showed good development in many market segments during 2023. However, growth has gradually, and to an increasing extent, been affected by geopolitical developments and a weaker economy. This means, among other things, that demand for consumer-related products and certain commercial products declined in the second half of the year.

Even market segments that are linked to energy saving and sustainable energy solutions with a focus on renewable energy, and which recorded a strong start to the year, saw a gradual slowdown in the second half of the year in respect of construction-related products, such as energy-efficient heating solutions.

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.

Energy efficiency in several industries

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.



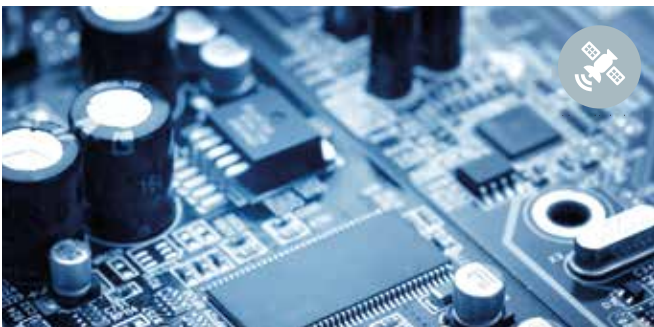
ENERGY/ENVIRONMENT

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.



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.



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.



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, measurement and control.

We are at the forefront of technological development so we can continue to be a key 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.



HOUSEHOLD APPLIANCES

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



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.



HEATING/COOLING/VENTILATION

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.

Energy efficiency

Components and solutions



Foil elements

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



Thick film elements

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



Heat pump technology

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



Control equipment

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



PTC elements

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



Heating jackets

Flexible elements that are sewn into synthetic textile for wrapping around vessels or pipes to maintain temperatures, for example, the semiconductor industry.



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.



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.

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.



Flexible hoses

Fluid coupling system used for energy equipment.



Open spirals and tapes

For heating air in tumble dryers and fan heaters.



Infrared heaters

Used to heat specific objects and not the surrounding air, for example car headlights.



Resistors

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



Temperature sensors

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



Plate heat exchangers

Production of plate heat exchangers is carried out by means of soldering under vacuum conditions. For technically demanding items such as laboratory equipment and heat pumps.



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.



Flow-through heaters

Manufacturing of flow-through heaters is carried out by means of welding or furnace soldering. The products are used for heats pumps and medical equipment, among others.



Heating cables

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

Product development

Sustainability drives development

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 90 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 2023, we invested SEK 886 (609) million in production capacity and efficiency.

Quality and environmental certification

We are working to introduce certified quality and environmental management systems for all our production units with more than 25 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.

Energy savings and keeping trains running



Energy-consuming and challenging operations

For many railway operators, rail switch heating systems are the second most energy-consuming aspect of rail infrastructure. Railway operations have always had to deal with challenging winter conditions, when build-up of snow and ice interferes with the function of switches, causing severe traffic delays. SAN of Denmark has developed a heating system called BluePoint, which can produce energy savings of up to 80% compared with the conventional systems already in use. It has been designed to melt snow and ice on switches to keep rail services running without interruptions.

Rail tracks are adjusted according to weather conditions by means of the BluePoint heating system

Intelligent use of weather forecasts and real-time measurement of track temperature and local climate ensures the system can be adapted for all types of winter weather conditions.

The BluePoint heating system has been designed for new, changing climate conditions and weather patterns. The system can detect large variations in the changing weather, from extreme peaks of snow and ice to warmer days with persistent rain. The functions of the heating system focus on efficiency, energy savings, a reduced carbon footprint and on extending the service life of switch heating installations.



FACTS ABOUT SAN ELECTRO HEAT

SAN Electro Heat is a Danish company within the NIBE Group that supplies heating solutions for industrial processes and railway infrastructure, with the focus on energy-efficient solutions. An industrial partner that designs, manufactures and manages sustainable and intelligent heating solutions tailored to customers needs.

SAN Electro Heat was acquired in 2001.

Sustainability

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 a world where it is becoming increasingly difficult to know what is real and what is artificial, stakeholders are looking for transparency, authenticity and honesty. To an ever greater extent, this is reflected in future requirements for sustainability information of various kinds and of ever greater complexity, for various stakeholders.

At the same time as technological development is improving the opportunities for transparency, we are seeing a growing demand for sustainability information to be produced more quickly and be more easily accessible to various stakeholders.

We are also seeing a shift in the requirements of fundamental information to insight into value chains and the business, from suppliers and manufacturing processes to life cycles and use, and also strategic initiatives in areas such as social sustainability both internally and externally. This requires the collection of more detailed information throughout the value chain, and, moreover, this must be carried out on a recurring basis to create a sense of security and place a premium on ownership of the company and products.

It is important to be careful and report facts while also ensuring that unique information involving competitive advantages is restricted to internal use only. However, we are committed to being genuine, taking responsibility and offering good insight to avoid the risk of “greenwashing”.

Phasing out of fossil CO2 emissions

In our own operations, we are working on strategies that will enable us to become fossil-free. Currently, we have a good idea of our own direct and indirect carbon dioxide emissions. In 2023, we continued our steadfast work on converting our factories and operations to become fossil-free. During the year, we continued to map our indirect emissions (Scope 3), now for operations in 2022 and 2023, in accordance with the GHG Protocol. The next step is to continue to improve the collection of data, particularly with regard to Scope 3, and to continue working on creating activities that will also reduce our indirect emissions.

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 also collaborating with suppliers on 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 EU Taxonomy and the Corporate Sustainability Reporting Directive (CSRD), the future updated Ecodesign Directive and the Corporate Sustainability Due Diligence Directive (CSDDD).

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 and social aspects 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 targets for 2030 to reduce energy consumption and carbon dioxide emissions in our operations.

For more information, see pages 141–178.

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 electricity (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-related targets, we have begun intensive work on converting our climate control facility 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 mapping, which will generate both energy savings and a reduction in carbon dioxide emissions.

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, material recovery and the energy used to run both our plants and our customers' products. 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 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.

*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 initiative 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 Agenda 2030

As a company, we have a responsibility to lead the way and drive change towards a more sustainable future. 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.

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 and customers, as well as other stakeholders.

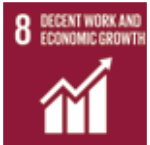
Goal 7



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 our 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.

Framework

The Group's framework encompasses the Group's financial results and responsibility for business and ethics topics, environmental topics and social topics.

Long-term

By delivering long-term value to our stakeholders, we are also able to maintain profitability and help achieve the global development goals.

The value chain

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.



WE SUPPORT

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 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.

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.

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.

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 means of various actions. For example, for the past eight years, we have had zero emissions from purchased electricity 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 in our companies, we have analyzed data and identified technical solutions that can be implemented, as well as their investment needs.

We see the largest carbon dioxide reductions 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 solutions 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.

In 2022, we carried out comprehensive mapping of the outcome of emissions in 2021 in all fifteen categories. In 2023, we continued the

work on mapping and calculating emissions for both 2022 and 2023. The result of the calculations show that the three categories with the biggest impact are Use of sold products, Upstream transportation and Purchased goods and services. In future we will, therefore, continue to focus on these three categories.

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 calculations, we have, therefore, tried to produce estimates linked to the useful lives of various products, number of hours they are used, which type of electricity is used, etc. All these parameters have a significant effect on the end-result.

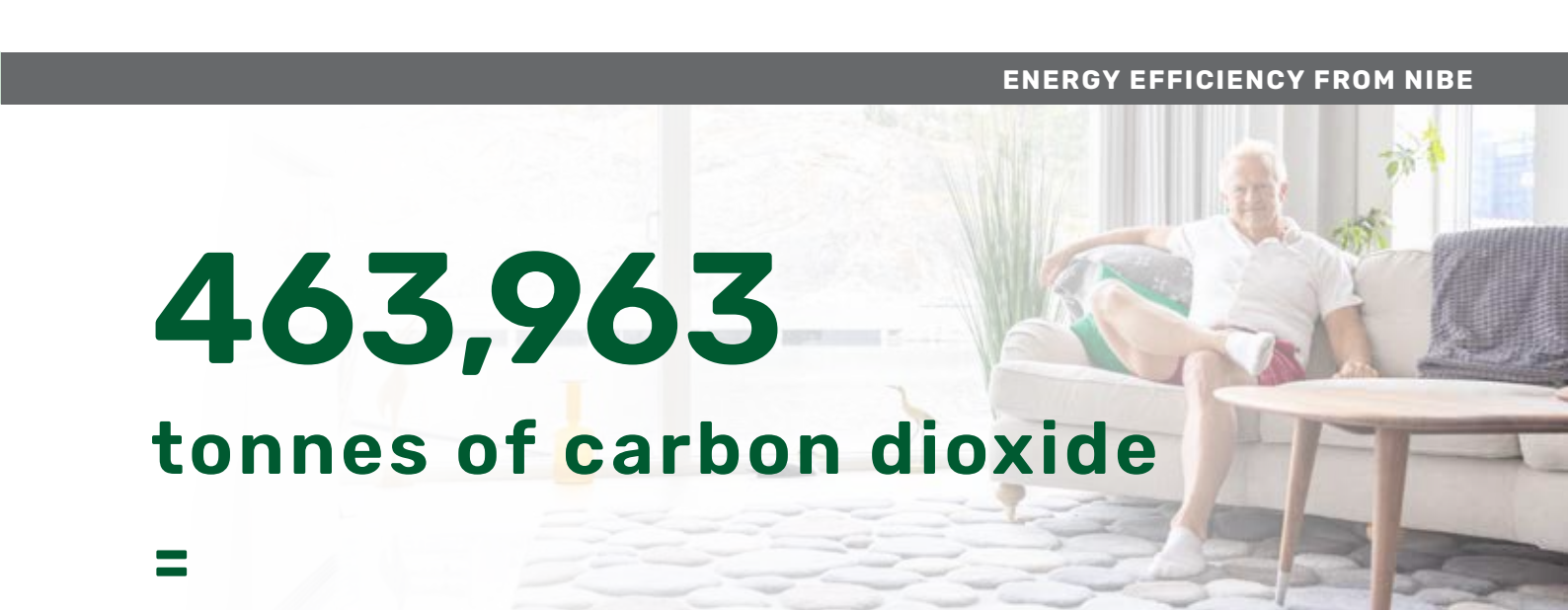
During the year we began work on improving and validating the calculation methods and estimates we use in order to ensure that our reporting provides as accurate a picture as possible, and this work will continue.

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 and 2, but also in Scope 3. If society succeeds in the transition to fossil-free electricity production with low CO₂ emissions, we will be able to significantly reduce our Scope 3 emissions. To become completely 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 167–168



463,963
tonnes of carbon dioxide
=



210,891
journeys by air

We are reducing customers' emissions

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.

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 CO₂ emissions for both our customers and society and this is something we are proud of.

463,963 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 2022 alone, the reduction was 463,963 tonnes of CO₂ in that year. This is roughly equivalent to the emissions of 210,891 return flights per person from Sweden to Thailand*. Thanks to the positive transition in the global electricity sector, emissions of carbon di-

oxide from the electricity used by our heat pumps are also 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.

* Heat pumps sold by NIBE in 2022 gave rise to a reduction in greenhouse gas emissions corresponding to 210,891 return flights from Sweden to Thailand. The above comparison is, as before, based on information in the Swedish Environmental Protection Agency's publication Environmental Impact of Consumption (Konsumtionens Klimatpåverkan ISBN 978-91-620-5903-3, see Appendix) p. 53. (<http://naturvardsverket.diva-portal.org/smash/get/diva2:1618272/FULLTEXT01.pdf>)

Business opportunities and risks

As an international 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.

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 for risk management and facilitate ongoing efforts.

In accordance with NICS, the process starts locally and is finally added up at Group level. Risks and opportunities are divided into four sections: business, finance, IT and sustainability.

Identified risks are classified according to the probability that a risk materializes 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 and 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 prepared and implemented locally by each company's Board. These risks are managed in accordance with our values and guidelines. During the year we continued our work on development of risk scenarios at Group level.

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 in large parts of the world. Having production units in different currency zones provides great flexibility and increases our competitiveness.

For more information on NIBE's external risks and financial risk management, see pages 94–95.

Shared prerequisites

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 too tight a time horizon 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
- Unclear or fast-changing subsidy programs
- High interest rate levels

Opportunities and risks of climate change

Climate change is a complex and global problem. When the world needs to reduce carbon dioxide emissions, demand for energy-efficient products that use renewable energy rises, which 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. At the same time, these installations can be used for product exposure to customers.

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 estimated useful life of buildings, focusing on precipitation, extreme weather events and flooding, thereby ensuring that production and other operations can continue.

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



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.

*See pages 94–95 for more information on our risks.

Prerequisites by business area

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, regulations and other requirements for listed companies. Financial reports shall 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.
- The heads of business areas are responsible for ensuring that the required process is in place in their respective areas, which in turn means that all local Boards apply the process to each lower-tier subsidiary.
- The local Boards are responsible for ensuring that NICS is implemented in their companies and, where applicable, 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

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 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 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

NIBE Element

Opportunities

- Electrification leads to a globally expanding market in several product segments
- 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 shares

NIBE's shares prove to be a 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.

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 and ownership structure since the initial public offering.

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.

Energy efficiency and less environmental impact

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

We have long been developing our products with the vision of creating world-class sustainable energy solutions at the same time as we have been and continue to be fully focused on using resources in our business and value chain respectfully.

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.

The trading year for the NIBE share

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 June 16, 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.

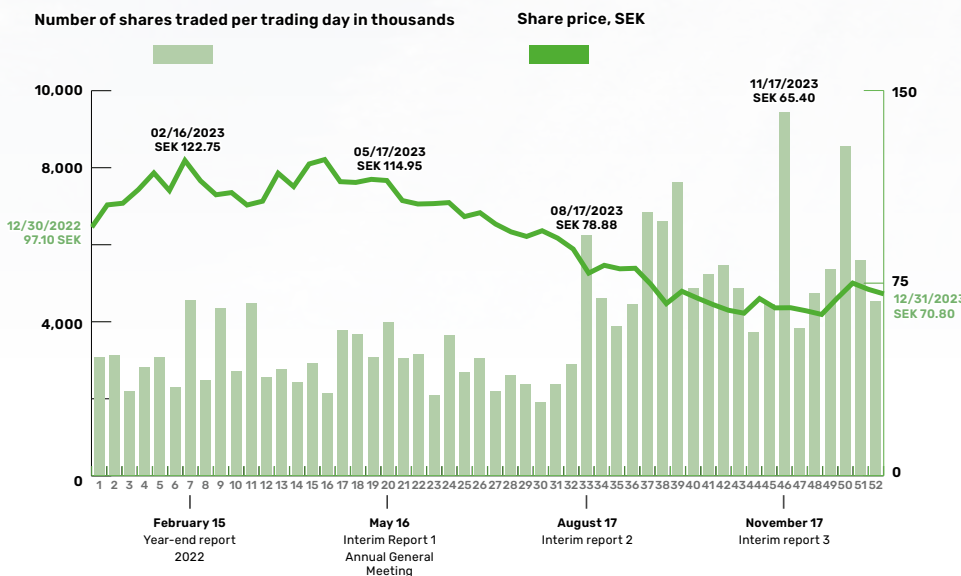
Share capital

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 2023, 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.

The share in 2023



Share performance and sales

In 2023, NIBE's share price declined by 27.1%, from SEK 97.10 to SEK 70.80. During the same period, the OMX Stockholm PI increased by 15.5% and the OMX Stockholm PI (OMX30) by 17.4%. At the end of 2023, NIBE's market capitalization, based on the latest price paid, was SEK 142,738 million. In 2023, a total of 997,689,640 NIBE shares were traded, corresponding to a share turnover of 49.5% over the year.

Dividend policy

The aim is for the company to pay a dividend equivalent to 25–30% of Group profit after tax over the long term. The Board proposes a dividend of SEK 0.65 per share for the 2023 financial year, which corresponds to 27.5% of Group earnings per share 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 160,650 individual shareholders at the end of 2023, compared with 125,980 at the same time in the previous year. The ten largest shareholders held 59.8% of the votes and 42.2% of capital.

Shareholder structure

(Source: Euroclear Sweden share register 31/12/2023)

Number of shares (no.)	Number of owners (no.)	Number of owners (%)	Number of shares (no.)	Number of shares (%)
1 - 500	117,798	73.3	14,567,966	0.72
501 - 1,000	15,409	9.6	11,795,493	0.59
1,001 - 5,000	18,498	11.6	42,747,882	2.12
5,001 - 10,000	3,773	2.3	27,528,986	1.37
10,001 - 20,000	2,253	1.4	33,055,520	1.64
20,001 -	2,920	1.8	1,886,370,641	93.56
Total	160,651	100.0	2,016,066,488	100.0

Analysts

The following analysts are among those who track and analyze the NIBE share:

Karl Bokvist	ABG Sundal Collier
Alexander Virgo	Bank of America
Philip Buller	Berenberg
Carl Deijenberg	Carnegie
Viktor Trollsten	Danske Bank Equity Research
Douglas Lindahl	DNB Bank Markets
Gustaf Schwerin	Handelsbanken Capital Markets
Brijesh Kumar Siya	HSBC
Johan Sjöberg	Kepler Cheuvreux
Axel Stasse	Morgan Stanley
Carl Ragnestam	Nordea Markets
Anders Roslund	Pareto
Fredrik Agardh	SEB Equity Research

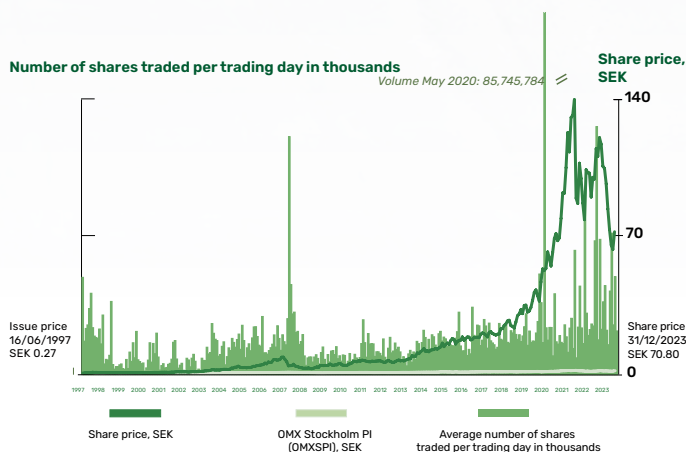
Major shareholders

(Source: Euroclear Sweden share register 12/31/2023)

Shareholders	Number of shares (no.)	Share of votes (%)
Current and former Board members and senior executives ¹⁾	408,529,360	45.89
Schörling	149,338,714	18.68
SSB and Trust Co, W9	149,644,860	3.64
JPM Chase Bank NA	114,908,489	2.79
Alecta Pensionsförsäkring	110,562,000	2.69
Clearstream Banking S.A., W8IMY	31,903,323	0.78
AMF Tjänstepension AB	30,000,000	0.73
The Bank of New York Mellon W9	26,024,337	0.63
Första AP-fonden	20,270,991	0.49
Northern Trust Company, London B	20,219,330	0.49
Brown Brothers Harriman & Co	18,086,375	0.44
Swedbank Robour Allemansfond Komplet	17,500,000	0.43
SWB Roburs Sverige	17,200,000	0.42
Other holdings (160,651 shareholders)	901,878,709	21.92
Total	2,016,066,488	100.0

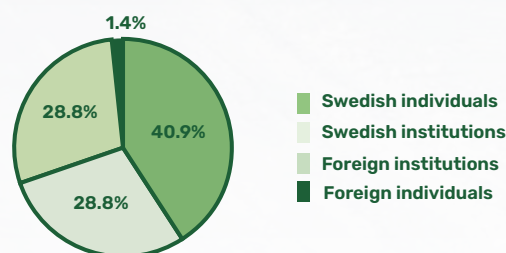
¹⁾ For current Board, see page 190.

Share performance, 1997-2023



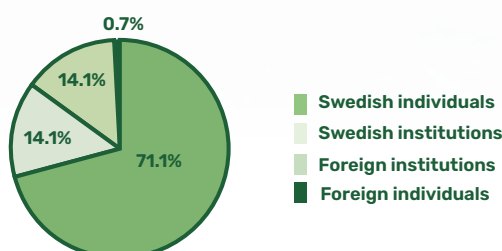
Share of capital, %

(Source Euroclear sharebook 31/12/2023)



Share of voting rights, %

(Source Euroclear sharebook 31/12/2023)



Changes in share capital

	Increase in share capital (SEK)	Quota value (SEK)	Total number of shares (no.)	Total share capital (SEK)
1990 New share issue ¹⁾	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 ²⁾	–	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 ³⁾	–	2.50	23,480,000	58,700,000
2006 Split 4:1 ⁴⁾	–	0.625	93,920,000	58,700,000
2011 New share issue ⁵⁾	10,074,648	0.625	110,039,437	68,774,648
2012 New share issue ⁶⁾	133,876	0.625	110,253,638	68,908,524
2016 Split 4:1 ⁷⁾	–	0.15625	441,014,552	68,908,524
2016 New share issue ⁸⁾	9,844,073	0.15625	504,016,622	78,752,597
2021 Split 4:1 ⁹⁾	–	0.03906	2,016,066,488	78,752,597

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

price of SEK 108.25 per share.

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

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

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

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

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

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

⁵⁾ Private placement to the former owners of the Schulthess Group at a subscription

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

Data per share

		2023	2022	2021	2020	2019
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	70.80	97.10	136.75	67.43	40.60
EPS (after tax)	SEK	2.36	2.16	1.65	1.42	1.08
Profit after tax/share excluding acquisition-related revaluations	SEK	2.30	2.17	1.63	1.25	1.08
Equity/share	SEK	14.98	13.86	10.63	8.73	8.68
Proposed dividend	SEK	0.65	0.65	0.50	0.39	0.35
Price/equity	times	4.73	7.01	12.86	7.72	4.67
Yield	%	0.92	0.67	0.37	0.58	0.86
Total return	%	- 26.42	- 28.52	103.54	67.04	80.16
Operating cash flow per share	SEK	0.30	0.27	1.00	1.94	0.94
Payout ratio	%	27.4	30.1	30.4	27.4	32.5
Payout ratio, excluding acquisition-related revaluations	%	28.2	29.9	30.6	31.3	32.5
PE ratio (after tax)	times	29.8	45.0	83.0	47.4	37.7
Market capitalisation	SEK m	142,738	195,760	275,697	135,943	81,852
EBIT multiple	times	22.9	34.5	63.0	36.6	29.1
EV/sales	times	3.43	5.05	9.13	5.23	3.49
Share turnover	%	49.5	39.7	29.7	50.9	34.9

DEFINITIONS

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.

Dividend yield

Dividend as percentage of year-end share price.

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 2023	76	Note 1	General accounting policies	96
Administration report excl. accounts	76-77	Note 2	Segment reporting, business areas	98
Five-year overview	78	Note 3	Acquisitions	99
Consolidated income statement	80	Note 4	Net sales	100
Business areas	82	Note 5	Other operating income	100
Consolidated balance sheet	84	Note 6	Remuneration of senior executives, numbers of men and women in senior positions	102
Consolidated statement of cash flows	87	Note 7	Personnel costs	103
Key ratios	88	Note 8	Research and development costs	104
Parent	92	Note 9	Remuneration of auditors	104
Risks and risk management	94	Note 10	Income statement by nature of expense	104
Notes	96	Note 11	Profit from financial items	105
		Note 12	Appropriations	105
		Note 13	Taxes	106
		Note 14	Intangible assets	108
		Note 15	Property, plant and equipment	110
		Note 16	Right-of-use assets	111
		Note 17	Shares in subsidiaries	113
		Note 18	Participations in associates and jointly controlled entities	116
		Note 19	Other non-current receivables	117
		Note 20	Inventories	117
		Note 21	Equity	117
		Note 22	Provisions for pensions	118
		Note 23	Other provisions	122
		Note 24	Liabilities to credit institutions	122
		Note 25	Bond loans	123
		Note 26	Other liabilities, non-interest-bearing	123
		Note 27	Other liabilities	123
		Note 28	Accrued expenses and deferred income	123
		Note 29	Financial instruments and risk management	124
		Note 30	Pledged assets	133
		Note 31	Contingent liabilities	133
		Note 32	Statement of cash flows	134
		Note 33	Sale of businesses	135
		Note 34	Significant events after the end of the period	135

Annual Accounts 2023

Significant events during the financial year

Acquisitions

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. We have an agreement to acquire the outstanding shares by 2026. The company was consolidated into NIBE Stoves as of January 2023.

In June, NIBE entered into an agreement to acquire all the shares in the Dutch group Climate for Life (CFL), which has sales of around EUR 221 million and operating profit before interest, tax, depreciation and amortization (EBITDA) of EUR 40 million, corresponding to an operating margin of 18.1%. The purchase price amounted to SEK 7,154 million. The group was consolidated into NIBE Climate Solutions as of August 2023. The acquisition balance sheet is still provisional.

In July, we acquired 83.2% of the shares in the Portuguese stove company Solzaima and we have an agreement to acquire the remaining shares by 2028. The company has sales of around EUR 20 million. Solzaima is part of NIBE Stoves and was consolidated with effect from August 2023. The acquisition balance sheet is still provisional.

In July, we acquired 77.5% of the shares in the Irish elements company Ceramicx Ireland Limited, which has sales of around EUR 10 million. We have an agreement to acquire the outstanding shares in 2025. The company is part of NIBE Element and has been consolidated with effect from August 2023. The acquisition balance sheet is still provisional.

In November, we acquired 70.0% of the shares in the Danish elements company LS Control A/S, which has sales of around DKK 100 million. We have an agreement to acquire the outstanding shares in 2028. The company is part of NIBE Element and was consolidated with effect from December 2023. The acquisition balance sheet is still provisional.

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 Managing Director & CEO and other senior executives. Based on these guidelines, the Board of Directors decides on the remuneration of the Managing Director & CEO. The remuneration of other senior executives is determined by the Managing Director & CEO 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 2023.

The Board's proposal for guidelines for 2024 largely matches the principles approved at the 2023 Annual General Meeting.

Environmental issues

NIBE has production facilities in 29 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 concerned and to the Group's sustainability department. One occurrence of failure to comply with environmental conditions was reported in 2023. The case concerned emissions to air 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 eight of the Group's production plants in Denmark, the Czech Republic, the UK, the USA 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 141 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 141.

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 13.

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 effects of the deteriorating geopolitical situation, interest rate developments and volatile energy prices are difficult to predict, however.
- Our assessment is that we will see weaker development in the first two quarters of the year, and possibly throughout the year. This assessment should also be viewed against our performance in 2023, when we reported very strong first-half results and a weaker second half.
- As is our habit, and based on experience, we are optimistic about our long-term performance, despite the situation this year being particularly difficult to predict.

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 40% 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 3,612 million
Share premium reserve	SEK 4,751 million
Net profit for the year	SEK 833 million
Total	SEK 9,196 million

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 7,886 million will be carried over in the accounts: SEK 4,751 million of this in the share premium reserve and SEK 3,135 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 180-183 is not part of the administration report.

Five-year overview

Income statement

(SEK million)	2023	2022	2021	2020	2019
Net sales	46,649	40,071	30,832	27,146	25,342
Cost of goods sold	- 31,026	- 27,462	- 20,628	- 18,171	- 17,036
Gross profit	15,623	12,609	10,204	8,975	8,306
Selling expenses	- 6,016	- 4,921	- 4,210	- 3,917	- 3,765
Administrative expenses	- 3,458	- 2,615	- 2,018	- 1,895	- 1,757
Acquisition-related revaluations	120	- 33	30	353	-
Other operating income	704	823	462	364	254
Operating profit	6,973	5,863	4,468	3,880	3,038
Net financial items	- 642	- 188	- 150	- 222	- 202
Profit after financial items	6,331	5,675	4,318	3,658	2,836
Tax	- 1,535	- 1,280	- 940	- 735	- 652
Net profit	4,796	4,395	3,378	2,923	2,184
<i>Net profit attributable to non-controlling interests</i>	<i>11</i>	<i>44</i>	<i>58</i>	<i>57</i>	<i>14</i>
<i>Includes depreciation/amortization according to plan as follows:</i>	<i>1,772</i>	<i>1,484</i>	<i>1,297</i>	<i>1,236</i>	<i>1,036</i>

Balance sheet

(SEK million)	2023	2022	2021	2020	2019
Intangible assets	31,014	22,568	20,363	18,958	18,703
Property, plant and equipment	11,568	8,273	6,131	5,350	4,963
Financial assets	1,324	1,001	629	655	589
Total non-current assets	43,906	31,842	27,123	24,963	24,255
Inventories	13,227	10,191	6,584	4,431	4,403
Current receivables	6,688	7,144	4,941	4,149	4,400
Investments in securities, etc.	527	190	224	201	227
Cash and cash equivalents	3,756	4,627	4,522	4,593	3,944
Total current assets	24,198	22,152	16,271	13,374	12,974
Total assets	68,104	53,994	43,394	38,337	37,229
Equity	30,207	27,973	21,657	17,737	17,604
Non-current liabilities and provisions					
- non-interest-bearing	5,410	5,869	5,252	4,859	4,759
- interest-bearing	16,922	6,399	7,505	6,298	7,653
Current liabilities and provisions					
- non-interest-bearing	9,716	8,795	6,165	5,081	4,212
- interest-bearing	5,849	4,958	2,815	4,362	3,001
Total equity and liabilities	68,104	53,994	43,394	38,337	37,229

Statement of cash flows

(SEK million)	2023	2022	2021	2020	2019
Cash flow before change in working capital	6,473	5,800	4,749	4,123	3,448
Change in working capital	- 2,643	- 3,186	- 1,487	900	- 490
Cash flow from operating activities	3,830	2,614	3,262	5,023	2,958
Investments in existing operations	- 3,852	- 2,065	- 1,242	- 1,109	- 1,054
Operating cash flow	- 22	549	2,020	3,914	1,904
Acquisition of businesses	- 8,747	- 839	- 768	- 1,792	- 569
Sale of businesses	- 5	126	-	-	-
Cash flow after investments	- 8,774	- 164	1,252	2,122	1,335
Financing	9,662	858	- 718	- 485	217
Shareholders' dividends	- 1,310	- 1,009	- 784	- 707	- 656
Cash flow for the year	- 422	- 315	- 250	930	896
Cash and cash equivalents at start of year	4,817	4,746	4,794	4,171	3,189
Exchange difference in cash and cash equivalents	- 112	386	202	- 307	86
Cash and cash equivalents at end of year	4,283	4,817	4,746	4,794	4,171

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 22,516 million to SEK 46,649 million over the last five-year period. To some extent, this was achieved by means of a proactive acquisition strategy. During the period, 37 acquisitions and business combinations were implemented.

Average growth during the five-year period was 15.7%. The Group's sales have shown organic growth of 11.1% over the last five years, with acquired growth of 4.6%. 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 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 16.2%. NIBE Element's operating margin was an average of 9.3% during the period, while NIBE Stoves' average operating margin was 12.0%.

The Group's operating margin over the five-year period averaged 14.2% and return on equity during the same period averaged 16.5%.

Balance sheet over the last five years

Total assets have increased from SEK 32,291 million to SEK 68,104 million over the last five years.

Intangible assets

Intangible assets consist mainly of goodwill, trademarks/brands and market positions that have arisen in connection with the acquisition of businesses or operations. Goodwill and trademarks 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, which were valued at SEK 1,965 million. The value of property, plant and equipment has increased by SEK 8,158 million over the most recent five-year period. Without the right-of-use assets, the increase would have been SEK 6,193 million. Of this increase, approximately 14% was added through acquisitions, and the remaining 86% 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 29% 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, liabilities to credit institutions, bond loans and pension provisions. These items have increased from SEK 9,239 million to SEK 22,771 million over the last five years. The increase is partly due to the implementation of IFRS 16 in 2019, which resulted in additional lease liabilities of SEK 1,982 million, but is primarily due to increased liabilities in the form of bonds and loans from banks.

The Group's target is for the equity/assets ratio not to fall below 30%. This ratio has averaged 47.8% 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 3,972 million to SEK 5,410 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 6,058 million over the last five years, from SEK 3,658 million to SEK 9,716 million, approximately 60% 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 137% of depreciation according to plan. In 2023, however, investments amounted to SEK 3,852 million, compared with depreciation according to plan of SEK 1,296 million, if depreciation of right-of-use assets is excluded. In view of the expected opportunities for future growth, we established a proactive investment program of SEK 10 billion back in 2020. The majority of the investments, around SEK 8 billion, have already been implemented and the remainder will largely be completed in 2024/25.

Operating cash flow

The Group's operating cash flow has been positive over the last five years, with the exception of 2023, which showed a weak negative cash flow after investments in existing operations due to the ambitious investment program underway. 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 2023 and 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, 37 acquisitions and business combinations have been implemented, with 15 of these in business area NIBE Climate Solutions, 19 in business area NIBE Element and 3 in business area NIBE Stoves. Acquisition intensity tailed off during and after the pandemic, only to increase again in 2023. 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 supplemented 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)		2023	2022
Net sales	Note 4	46,649	40,071
Cost of goods sold		- 31,026	- 27,462
Gross profit		15,623	12,609
Selling expenses		- 6,016	- 4,921
Administrative expenses		- 3,458	- 2,648
Other operating income	Note 5	824	823
Operating profit	Notes 6-10	6,973	5,863
Profit/loss from financial items			
Profit/loss from participations in associates and jointly controlled entities	Note 18	39	21
Financial income	Note 11	422	417
Financial expenses	Note 11	- 1,103	- 626
Profit after net financial items		6,331	5,675
Tax	Note 13	- 1,535	- 1,280
Net profit		4,796	4,395
Profit for the year attributable to			
Parent shareholders		4,785	4,351
Non-controlling interests		11	44
Net profit		4,796	4,395
<i>Includes depreciation/amortization according to plan as follows:</i>		1,772	1,484
<i>Average number of shares</i>		2,016,066,488	2,016,066,488
<i>Earnings per share before and after dilution, SEK</i>		2.37	2.16
<i>Proposed dividend per share, SEK</i>		0.65	0.65
Net profit		4,796	4,395
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial gains and losses in retirement benefit plans	Note 22	- 79	160
Tax attributable to other comprehensive income	Note 13	10	- 34
		-69	126
Items that may be reclassified to profit or loss			
Cash flow hedges		43	-
Hedging of net investment		194	- 91
Exchange differences		- 1,431	3,123
Tax attributable to other comprehensive income	Note 13	15	- 172
		- 1,179	2,860
Total other comprehensive income		- 1,248	2,986
Total comprehensive income		3,548	7,381
Total comprehensive income attributable to			
Parent shareholders		3,535	7,319
Non-controlling interests		13	62
Total comprehensive income		3,548	7,381

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 6,578 million (16.4%) to SEK 46,649 (40,071) million during the year.

The Group's net sales outside Sweden amounted to SEK 41,924 (36,170) million, an increase of SEK 5,754 million (15.9%). This means that net sales abroad accounted for 89.9% (90.3%) of total net sales. The Group's net sales on the Swedish market increased by 21.1% to SEK 4,725 (3,901) million.

As acquired sales growth during the year totaled SEK 2,472 million (6.2%), which means that organic sales increased by SEK 4,106 million or 10.2%. The weak Swedish krona had a slightly positive effect on sales 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.

The Group's operating profit amounted to SEK 6,973 million, an increase of 18.9% on the previous year's operating profit of SEK 5,863 million. The operating margin was 14.9%, compared with 14.6% in the previous year. Operating profit for the year was affected by acquisition expenses of SEK 96 million, compared with SEK 19 million in the previous year, which were recognized as administrative expenses in the consolidated income statement.

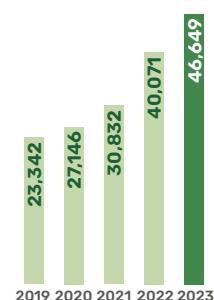
Profit after financial items

Profit after financial items rose by 11.6% to SEK 6,331 (5,675) million, corresponding to a profit margin of SEK 13.6% (14.2%). Net financial items for the Group amounted to SEK - 642 (- 188) million. The Group's interest-bearing liabilities at year-end amounted to SEK 22,771 million, compared with SEK 11,357 million at the start of the year. The average interest rate during the year was 5.2% (2.4%). Net financial items include exchange gains and losses.

Tax

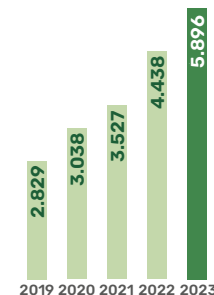
The tax expense for the year was SEK 1,535 (1,280) million, which gives an effective tax rate of 24.2% (22.6%). The higher tax rate compared with the previous year was mostly due to a different geographical distribution of the Group's taxable profit.

Net sales past five years (SEK m)



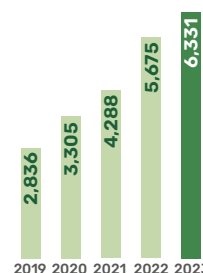
Net sales rose by 16.4% in 2023

Operating profit past five years (SEK m)



Operating profit rose by 18.9% in 2023

Profit after financial items past five years (SEK m)



Profit after financial items rose by 11.6% in 2023

Performance by business area during the year

Quarterly data

Consolidated income statement (SEK million)	2023				2022			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	11,646	11,833	11,514	11,656	8,749	9,656	9,999	11,667
Operating expenses	- 9,891	- 9,986	- 9,735	- 10,064	- 7,808	- 8,087	- 8,534	- 9,779
Operating profit	1,755	1,847	1,779	1,592	941	1,569	1,465	1,888
Net financial items	- 101	- 146	- 181	- 214	- 35	- 22	- 14	- 117
Profit after net financial items	1,654	1,701	1,598	1,378	906	1,547	1,451	1,771
Tax	- 380	- 378	- 378	- 399	- 226	- 310	- 343	- 401
Net profit	1,274	1,323	1,220	979	680	1,237	1,108	1,370

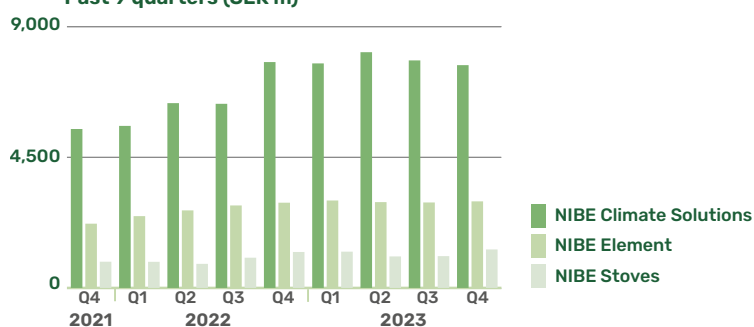
Net sales - by business area

NIBE Climate Solutions	7,736	8,122	7,839	7,676	5,583	6,367	6,344	7,782
NIBE Element	3,013	2,957	2,945	2,983	2,474	2,672	2,842	2,937
NIBE Stoves	1,250	1,086	1,096	1,326	900	830	1,042	1,239
Elimination of Group transactions	- 353	- 332	- 366	- 329	- 208	- 213	- 229	- 291
Group total	11,646	11,833	11,514	11,656	8,749	9,656	9,999	11,667

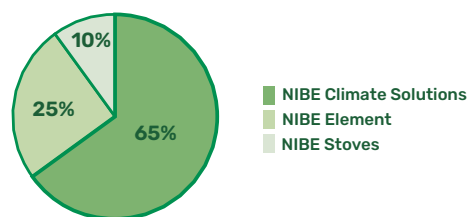
Operating profit - by business area

NIBE Climate Solutions	1,353	1,538	1,484	1,221	612	1,204	1,022	1,500
NIBE Element	280	243	235	184	250	299	325	249
NIBE Stoves	165	101	99	168	103	95	137	216
Elimination of Group transactions	- 43	- 35	- 39	19	- 24	- 29	- 19	- 77
Group total	1,755	1,847	1,779	1,592	941	1,569	1,465	1,888

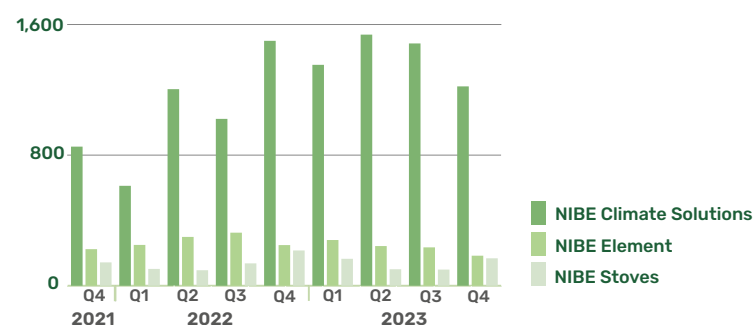
Sales by Business Area Past 9 quarters (SEK m)



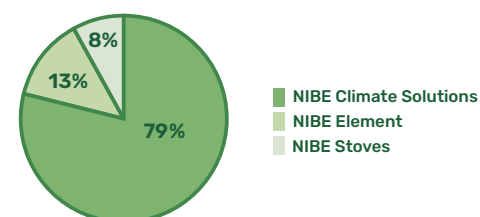
Business Area contributions to sales



Operating profit by Business Area Past 9 quarters (SEK m)



Business Area contributions to profit



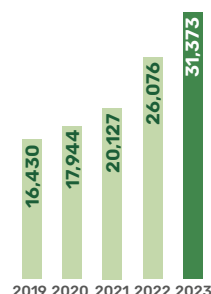
NIBE Climate Solutions

Net sales for the year amounted to SEK 31,373 million, compared with SEK 26,076 million for the previous year. SEK 1,537 million (5.9%) of the sales growth of SEK 5,297 million (20.3%) was attributable to acquisitions, which means that organic sales growth was SEK 3,760 million (14.4%). Sales have increased from SEK 14,254 million to SEK 31,373 million over the last five years.

Operating profit increased from SEK 4,338 million to SEK 5,596 million, which represents earnings growth of 29.0% and an operating margin of 17.8% (16.6%) for the year. The operating margin has averaged 16.2% over the last five years.

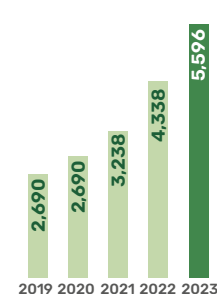
The 2023 financial year was a year of sharp fluctuations in terms of both delivery capacity and demand in Europe. High interest rates, a sharp downturn in new housing output, unpredictable political decisions and high stock levels in the distribution channels affected short-term demand, particularly in the second half of the year. The North American market showed a higher and more even rate of growth, largely thanks to an extensive transition program.

Net sales
(SEK m)



Net sales rose by 20.3% in 2023.

Operating profit
(SEK m)



Operating profit increased by 29.0% in 2023.

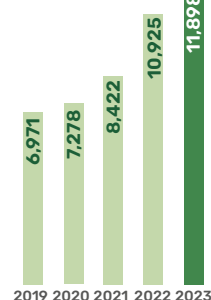
NIBE Element

Net sales for the year amounted to SEK 11,898 million, compared with SEK 10,925 million for the previous year. SEK 281 million (2.6%) of the sales growth of SEK 973 million (8.9%) was attributable to acquisitions, which means that organic sales growth was SEK 692 million (6.3%). Sales have increased from SEK 6,349 million to SEK 11,898 million over the last five years.

Operating profit decreased from SEK 1,123 million to SEK 942 million, which represents an earnings decline of 16.1% and an operating margin of 7.9% (10.3%) for the year. The operating margin has averaged 9.3% over the last five years.

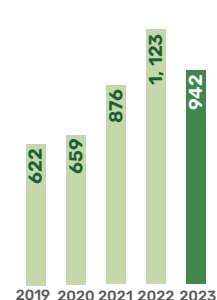
Demand has remained good for NIBE Element within most market segments during the year as a whole. However, there were significant variations between different segments and also between different periods during the year. The demand for products for renewable energy and energy efficiency has gradually decreased during the year in terms of construction-related products. Equipment for semiconductor industry has been negatively affected by, among other things, global stockpiling and political decisions in the USA to curb exports to China within this segment.

Net sales
(SEK m)



Net sales rose by 8.9% in 2023.

Operating profit
(SEK m)



Operating profit fell by 16.1% in 2023.

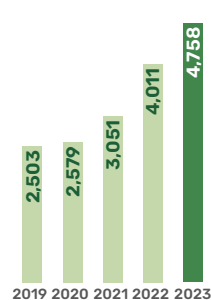
NIBE Stoves

Net sales for the year amounted to SEK 4,758 million, compared with SEK 4,011 million for the previous year. SEK 655 million (16.3%) of the sales growth of SEK 747 million (18.6%) was attributable to acquisitions, which means that organic sales growth was SEK 92 million (2.3%). Sales have increased from SEK 2,379 million to SEK 4,758 million over the last five years.

Operating profit decreased from SEK 551 million to SEK 533 million, which represents an earnings decline of 3.3% and an operating margin of 11.2% (13.7%) for the year. The operating margin has averaged 12.0% over the last five years.

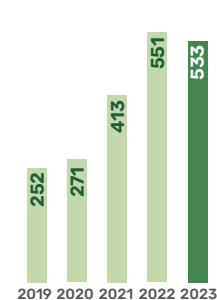
Demand between different product types and regions has fluctuated greatly during the year. In the European market, wood-fired products continued to perform well. However, pellet-fired and gas-fired products showed a weaker performance. To mitigate the sharp fluctuations in demand, we adjusted production to match prevailing demand.

Net sales
(SEK)



Net sales rose by 18.6% in 2023.

Operating profit
(SEK m)



Operating profit fell by 3.3% in 2023.

Consolidated balance sheet

Assets

(SEK million)		Dec 31, 2023	Dec 31, 2022
NON-CURRENT ASSETS			
Intangible assets			
Market positions	Note 14	3,432	1,615
Brands	Note 14	3,374	2,579
Goodwill	Note 14	22,925	17,630
Other intangible assets	Note 14	1,283	744
Total intangible assets		31,014	22,568
Property, plant and equipment			
Land and buildings	Note 15	3,441	3,087
Machinery and equipment	Note 15	3,303	2,374
Right-of-use assets	Note 16	1,965	1,562
Construction in progress	Note 15	2,859	1,250
Total property, plant and equipment		11,568	8,273
Financial assets			
Participations in associates and jointly controlled entities	Note 18	282	219
Non-current receivables from associates		246	211
Investments held as non-current assets		36	31
Deferred tax assets	Note 13	547	348
Other non-current receivables	Note 19	213	192
Total financial assets		1,324	1,001
TOTAL NON-CURRENT ASSETS		43,906	31,842
CURRENT ASSETS			
Inventories Note 20			
Raw materials and consumables		6,394	5,664
Work in progress		809	750
Finished products and goods for resale		6,024	3,777
Total inventories		13,227	10,191
Current receivables			
Trade receivables		5,005	5,813
Trade receivables from associates		28	28
Current tax assets		432	155
Other receivables		640	701
Prepaid expenses and accrued income		583	447
Total current receivables		6,688	7,144
Investments in securities, etc.		527	190
Cash and cash equivalents		3,756	4,627
TOTAL CURRENT ASSETS		24,198	22,152
TOTAL ASSETS		68,104	53,994

Equity and liabilities

(SEK million)		Dec 31, 2023	Dec 31, 2022
EQUITY Note 21			
Share capital		79	79
Contributed capital		4,818	4,818
Other reserves		2,571	3,752
Profit brought forward		22,692	19,286
Equity attributable to parent		30,160	27,935
Non-controlling interests		47	38
TOTAL EQUITY		30,207	27,973
NON-CURRENT LIABILITIES AND PROVISIONS			
Provisions for pensions	Note 22	450	342
Provisions for taxes	Note 13	2,361	1,476
Warranty risk reserve	Note 23	766	821
Other provisions, non-interest-bearing	Note 23	121	148
Liabilities to credit institutions	Note 24	4,749	852
Bond loans	Note 25	8,900	4,250
Lease liabilities	Note 16	1,462	1,073
Other liabilities, interest-bearing		1,510	10
Other liabilities, non-interest-bearing	Note 26	2,013	3,296
TOTAL NON-CURRENT LIABILITIES AND PROVISIONS		22,332	12,268
CURRENT LIABILITIES AND PROVISIONS			
Liabilities to credit institutions	Note 24	4,079	3,213
Bond loans	Note 25	1,250	1,250
Trade payables		3,291	4,042
Advance payments from customers		248	232
Current tax liabilities		545	693
Lease liabilities	Note 16	520	495
Other liabilities	Note 27	3,083	1,535
Accrued expenses and deferred income	Note 28	2,549	2,293
TOTAL CURRENT LIABILITIES AND PROVISIONS		15,565	13,753
TOTAL EQUITY AND LIABILITIES		68,104	53,994

COMMENTS ON THE BALANCE SHEET

Total assets

The Group's total assets rose by SEK 14,110 million (26.1%) during the year, from SEK 53,994 million in the previous year to SEK 68,104 million. The main reasons were company acquisitions and expansion, which resulted in increased working capital and extensive investments in production capacity.

Working capital

The Group's working capital excluding cash and bank balances increased by SEK 1,659 million (4.8%) during the year, from SEK 8,540 million in the previous year to SEK 10,199 million. In relation to net sales, working capital increased from 21.3% to 21.9%.

Equity/assets ratio and returns

The Group's equity/assets ratio at year-end was 44.4% (51.8%). Equity amounted to SEK 30,207 (27,973) million.

The Group's profitability target is a return on equity of at least 20% in the long term. The return on equity in 2023 was 17.3% (18.1%). The decrease was primarily due to a lower profit in relation to average equity. The return on capital employed was 16.1% (17.7%).

Interest-bearing liabilities

The Group's interest-bearing liabilities at year-end amounted to SEK 22,771 (11,357) million. The increase in liabilities since the beginning of the year was due to investments in the Group's production facilities and business acquisitions.

The Group's net debt, defined as interest-bearing liabilities less cash and cash equivalents and investments in securities, increased by SEK 11,948 million during the year, from SEK 6,540 million to SEK 18,488 million.

GROUP

Changes in equity

(SEK million)	Share capital	Contributed capital	Other reserves ¹⁾	Profit brought forward	Equity attributable to parent	Non-controlling interests	Total equity
Equity Dec 31, 2021	79	4,818	954	15,587	21,438	219	21,657
Effect of applying IAS 29			- 44	230	186		186
Adjusted opening equity	79	4,818	910	15,817	21,624	219	21,843
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
Equity Dec 31, 2022	79	4,818	3,752	19,286	27,935	38	27,973
Net profit for the year				4,785	4,785	11	4,796
Other comprehensive income for the year			- 1,181	- 69	- 1,250	2	- 1,248
Comprehensive income for the year			- 1,181	4,716	3,535	13	3,548
Dividend				- 1,310	- 1,310	- 4	- 1,314
Equity Dec 31, 2023	79	4,818	2,571	22,692	30,160	47	30,207

¹⁾ Other reserves

(SEK million)	Cash flow hedges	Hedging of net investments	Exchange differences	Total other reserves
Other reserves Dec 31, 2021	3	- 576	1,527	954
Effect of applying IAS 29			- 44	- 44
Adjusted reserves brought forward	3	- 576	1,483	910
Change during the year		- 91	3,105	3,014
Tax		19	- 191	- 172
Other reserves Dec 31, 2022	3	- 648	4,397	3,752
Change during the year	43	194	- 1,432	- 1,196
Tax	- 10	- 40	65	15
Other reserves carried forward Dec 31, 2023	36	- 494	3,030	2,571

Cash flow hedges

Includes the effective portion of the cumulative net change in fair value of cash flow hedging instruments attributable to hedging transactions that have not yet occurred.

Hedging of net investment

Includes exchange differences arising on the translation of liabilities designated 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)	2023	2022
OPERATING ACTIVITIES		
Operating profit	6,973	5,863
+ depreciation/amortization & impairment charged to this profit	1,824	1,597
+ capital losses/- capital gains	23	- 236
+/- other non-cash items	- 29	- 74
Total	8,791	7,150
Interest received and similar items	732	417
Interest paid and similar items	- 1,022	- 585
Tax paid	- 2,028	- 1,182
Cash flow before change in working capital	6,473	5,800
Change in working capital		
Change in inventories	- 2,465	- 2,861
Change in current receivables	- 397	- 1,258
Change in current liabilities	219	933
Cash flow from operating activities	3,830	2,614
INVESTING ACTIVITIES		
Investment in machinery and equipment	- 1,017	- 643
Investment in land and buildings	- 273	- 307
Investment in construction in progress	- 1,980	- 1,034
Investment in other intangible assets	- 450	- 257
Sale of land and buildings	16	2
Sale of machinery and equipment	42	19
Change in non-current receivables and other securities	- 190	155
Investments in existing operations	- 3,852	- 2,065
OPERATING CASH FLOW	- 22	549
Acquisition of companies <i>Note 3</i>	- 8,747	- 839
Disposal of companies <i>Note 33</i>	- 5	126
Cash flow from investing activities	- 12,604	- 2,778
CASH FLOW AFTER INVESTMENTS	- 8,774	- 164
FINANCING ACTIVITIES		
Amortization of non-current loans <i>Note 32</i>	- 3,365	- 1,836
Amortization of lease liabilities <i>Note 16</i>	- 498	- 365
Proceeds from borrowings <i>Note 32</i>	13,525	3,059
Shareholders' dividend	- 1,310	- 1,009
Cash flow from financing activities	8,352	- 151
Cash flow for the year	- 422	- 315
Cash and cash equivalents at start of year	4,817	4,746
Exchange difference in cash and cash equivalents	- 112	386
Cash and cash equivalents at end of year	4,283	4,817

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 3,830 (2,614) million.

Investments

The Group's acquisitions of operations/subsidiaries totaled SEK 8,747 (839) million. Other investments totaled SEK 3,852 (2,065) million net, allocated as follows:

(SEK million)	2023	2022
Machinery and equipment	975	624
Properties	257	305
Construction in progress	1,980	1,034
Other non-current assets	640	102
Total	3,852	2,065

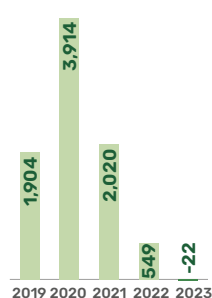
Consequently, cash flow after investing activities was SEK - 8,774 (- 164) million. Operating cash flow - i.e. after investments in existing operations, but excluding acquisitions of operations/subsidiaries - was SEK - 22 (549) million.

The Group's interest-bearing loans

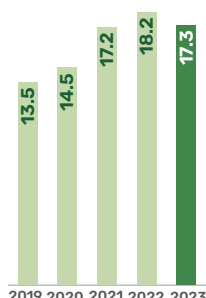
The Group's interest-bearing liabilities at year-end amounted to SEK 22,771 (11,357) million. The average interest expense for total interest-bearing liabilities was 5.2% (2.4%). The Group's net debt, which consists of interest-bearing liabilities less cash and cash equivalents and current investments, amounted to SEK 18,488 (6,540) million.

(SEK million)	2023	2022
Floating rate bank loans	8,761	3,930
Floating rate bond loans	8,550	5,350
Fixed rate bond loans	1,600	150
Lease liabilities	1,982	1,568
Utilized portion of overdraft facilities with floating interest rate	67	135
Provisions for pensions	301	214
Other interest-bearing liabilities	1,510	10
Total interest-bearing liabilities	22,771	11,357
Unutilized overdraft facilities	696	624
Other unutilized credit	7,312	5,679
Total credit available	30,779	17,660

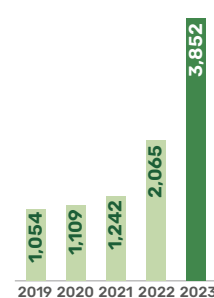
Operating cash flow past five years (SEK m)



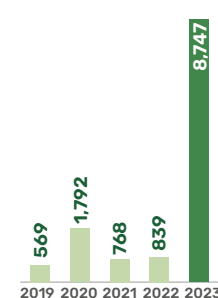
Return on equity past five years (%)



Investments in existing operations past five years (SEK m)



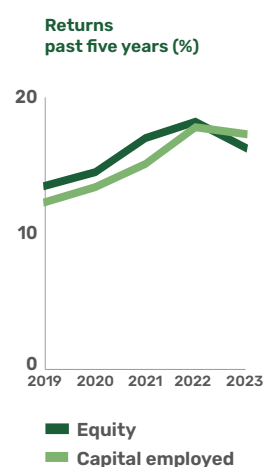
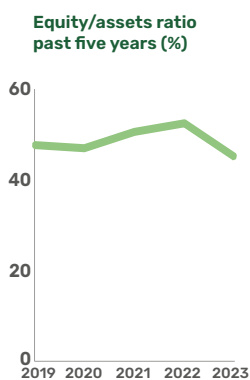
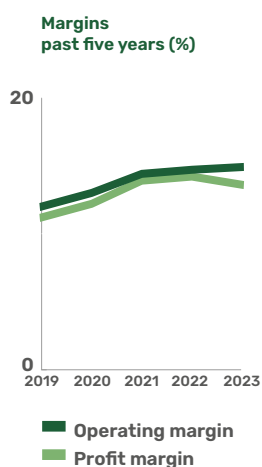
Investments/Acquisitions past five years (SEK m)



Key ratios

		2023	2022	2021	2020	2019
Net sales	SEK m	46,649	40,071	30,832	27,146	25,342
Growth	%	+ 16.4	+ 30.0	+ 13.6	+ 7.1	+ 12.5
Operating profit	SEK m	6,973	5,863	4,468	3,880	3,038
Profit after net financial items	SEK m	6,331	5,675	4,318	3,658	2,836
EBITDA margin*	%	18.9	18.6	18.7	18.8	16.1
Operating margin*	%	14.9	14.6	14.5	14.3	12.0
Profit margin*	%	13.6	14.2	14.0	13.5	11.2
Net investments in non-current assets*	SEK m	13,038	3,745	1,790	3,692	2,059
Operating cash flow	SEK m	- 22	549	2,020	3,914	1,904
Available cash and cash equivalents*	SEK m	4,979	5,441	5,208	5,240	4,703
Working capital, excluding cash and bank balances, in relation to net sales*	%	21.9	21.3	17.4	12.9	18.1
Equity	SEK m	30,207	27,973	21,657	17,737	17,604
Return on equity*	%	17.3	18.1	17.3	16.1	13.5
Return on equity, excluding acquisition-related revaluations	%	16.9	18.2	17.2	14.5	13.5
Equity/assets ratio	%	44.4	51.8	49.9	46.3	47.3
Proportion of risk-bearing capital	%	47.8	54.5	53.1	49.7	50.6
Capital employed	SEK m	52,979	39,330	31,977	28,396	28,258
Return on capital employed*	%	16.1	17.7	15.2	14.6	12.3
Return on capital employed, excluding acquisition-related revaluations	%	15.8	17.8	15.1	13.4	12.3
Return on total capital*	%	12.2	12.9	11.2	10.9	9.4
Capital turnover ratio	times	0.76	0.82	0.75	0.72	0.73
Interest-bearing liabilities/Equity	%	75.5	40.6	47.7	60.1	60.8
Net debt/EBITDA*	times	2.1	0.9	1.0	1.1	1.6
Net debt/EBITDA, excluding acquisition-related revaluations	times	2.1	0.9	1.0	1.2	1.6
Interest coverage ratio*	times	6.7	10.1	16.6	8.7	7.6
Average number of employees	no.	22,462	21,333	20,455	18,740	16,994

*Key ratios with calculation specified on pages 89–90.



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 financial performance and 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.

EBITDA margin

(SEK million)	2023	2022	2021	2020	2019
Operating profit	6,973	5,863	4,468	3,880	3,038
Depreciation, amortization and impairment	1,824	1,597	1,297	1,236	1,036
EBITDA	8,797	7,460	5,765	5,116	4,074
Net sales	46,649	40,071	30,832	27,146	25,342
EBITDA margin	18.9	18.6	18.7	18.8	16.1

Operating margin

(SEK million)	2023	2022	2021	2020	2019
Operating profit	6,973	5,863	4,468	3,880	3,038
Net sales	46,649	40,071	30,832	27,146	25,342
Operating margin	14.9	14.6	14.5	14.3	12.0

Profit margin

(SEK million)	2023	2022	2021	2020	2019
Profit after net financial items	6,331	5,675	4,318	3,658	2,836
Net sales	46,649	40,071	30,832	27,146	25,342
Profit margin	13.6	14.2	14.0	13.5	11.2

Net investments in non-current assets

(SEK million)	2023	2022	2021	2020	2019
Acquisition of non-current assets	13,100	3,767	1,825	3,716	2,073
Disposal of non-current assets	- 62	- 22	- 35	- 24	- 14
Net investments in non-current assets	13,038	3,745	1,790	3,692	2,059

Available cash and cash equivalents

(SEK million)	2023	2022	2021	2020	2019
Cash and bank balances	3,756	4,627	4,522	4,593	3,944
Investments in securities, etc.	527	190	224	201	227
Unutilized overdraft facilities	696	624	462	446	532
Available cash and cash equivalents	4,979	5,441	5,208	5,240	4,703

Working capital, excluding cash and bank balances

(SEK million)	2023	2022	2021	2020	2019
Inventories	13,227	10,191	6,584	4,431	4,403
Current receivables	6,688	7,144	4,941	4,149	4,400
Current liabilities and provisions, non-interest-bearing	- 9,716	- 8,795	- 6,165	- 5,081	- 4,212
Working capital, excluding cash and bank balances	10,199	8,540	5,360	3,499	4,591
Net sales	46,649	40,071	30,832	27,146	25,342
Working capital excluding cash and bank balance relative to net sales, %	21.9	21.3	17.4	12.9	18.1

Alternative performance measures

Return on equity

(SEK million)	2023	2022	2021	2020	2019
Profit after net financial items	6,331	5,675	4,318	3,658	2,836
Standard tax rate, %	20.6	20.6	20.6	21.4	21.4
Profit after net financial items, after tax	5,027	4,506	3,428	2,875	2,229
Of which attributable to parent shareholders	5,016	4,462	3,370	2,818	2,215
Equity at start of year	27,935	21,438	17,588	17,509	15,406
Equity at end of year	30,160	27,935	21,438	17,588	17,509
Average equity	29,048	24,687	19,513	17,549	16,458
Return on equity, %	17.3	18.1	17.3	16.1	13.5

Return on capital employed

(SEK million)	2023	2022	2021	2020	2019
Profit after net financial items	6,331	5,675	4,318	3,658	2,836
Financial expenses	1,103	626	276	477	429
Profit before financial expenses	7,434	6,301	4,594	4,135	3,265
Capital employed at start of year	39,330	31,977	28,396	28,258	24,660
Capital employed at end of year	52,979	39,330	31,977	28,396	28,258
Average capital employed	46,154	35,654	30,187	28,327	26,459
Return on capital employed, %	16.1	17.7	15.2	14.6	12.3

Return on total assets

(SEK million)	2023	2022	2021	2020	2019
Profit after net financial items	6,331	5,675	4,318	3,658	2,836
Financial expenses	1,103	626	276	477	429
Profit before financial expenses	7,434	6,301	4,594	4,135	3,265
Total assets at start of year	53,994	43,394	38,337	37,229	32,291
Total assets at end of year	68,104	53,994	43,394	38,337	37,229
Average total assets	61,049	48,694	40,866	37,783	34,760
Return on total assets, %	12.2	12.9	11.2	10.9	9.4

Net debt/EBITDA

(SEK million)	2023	2022	2021	2020	2019
Non-current liabilities and provisions, interest-bearing	16,922	6,399	7,505	6,298	7,653
Current liabilities and provisions, interest-bearing	5,849	4,958	2,815	4,362	3,001
Cash and bank balances	- 3,756	- 4,627	- 4,522	- 4,593	- 3,944
Investments in securities, etc.	- 527	- 190	- 224	- 201	- 227
Net debt	18,488	6,540	5,574	5,866	6,483
Operating profit	6,973	5,863	4,468	3,880	3,038
Depreciation, amortization and impairment	1,824	1,597	1,297	1,237	1,037
EBITDA	8,797	7,460	5,765	5,117	4,075
Net debt/EBITDA, times	2.1	0.9	1.0	1.1	1.6

Interest coverage ratio

(SEK million)	2023	2022	2021	2020	2019
Profit after net financial items	6,331	5,675	4,318	3,658	2,836
Financial expenses	1,103	626	276	477	429
Profit before financial expenses	7,434	6,301	4,594	4,135	3,265
Interest coverage ratio, times	6.7	10.1	16.6	8.7	7.6

Alternative performance measures

Definitions – key ratios

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.

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.

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.

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.

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.

Operating cash flow

Cash flow after investments but before acquisition of companies/operations.

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.

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.

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%.

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%.

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.

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.

Earnings per share (after full tax)

Earnings after tax divided by average number of shares.

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.

Parent

Income statement

(SEK million)		2023	2022
Net sales	Note 4	48	42
Administrative expenses	Notes 6-10	- 171	- 140
Operating profit		- 123	- 98
Profit/loss from financial items			
Profit from participations in Group companies	Note 11	993	1,583
Financial income	Note 11	509	262
Financial expenses	Note 11	- 516	- 220
Profit after net financial items		863	1,527
Appropriations	Note 12	-	280
Tax	Note 13	- 30	- 48
Net profit		833	1,759
Net profit attributable to Parent shareholders		833	1,759
Net profit		833	1,759
Other comprehensive income		-	-
Total comprehensive income		833	1,759
Parent shareholders		833	1,759
Total comprehensive income		833	1,759

Balance sheet

Assets

(SEK million)		Dec 31, 2023	Dec 31, 2022
NON-CURRENT ASSETS			
Financial assets			
Shares in subsidiaries	Note 17	21,232	12,754
Participations in associates and jointly controlled entities	Note 18	1	1
Receivables from Group companies		4,324	5,341
Non-current receivables from associates		48	48
Investments held as non-current assets		16	14
Other non-current receivables	Note 19	50	-
Deferred tax assets	Note 13	4	4
TOTAL NON-CURRENT ASSETS		25,675	18,162
CURRENT ASSETS			
Current receivables			
Receivables from Group companies		76	329
Receivables from associates		-	2
Other receivables		2	16
Tax assets		20	-
Prepaid expenses and accrued income		50	32
Total current receivables		148	379
Cash and cash equivalents		-	-
TOTAL CURRENT ASSETS		148	379
TOTAL ASSETS		25,823	18,541

Balance sheet

Equity and liabilities

(SEK million)		Dec 31, 2023	Dec 31, 2022
EQUITY	Note 21		
Restricted equity			
Share capital		79	79
Statutory reserve		75	75
Total restricted equity		154	154
Non-restricted equity			
Share premium reserve		4,751	4,751
Profit brought forward		4,445	4,922
Total non-restricted equity		9,196	9,673
TOTAL EQUITY		9,350	9,827
NON-CURRENT LIABILITIES AND PROVISIONS			
Provisions for pensions	Note 22	21	19
Provisions for taxes		10	-
Liabilities to credit institutions	Note 24	2,663	-
Bond loans	Note 25	8,900	4,250
Other liabilities, interest-bearing		3	-
Other liabilities, non-interest-bearing	Note 26	937	1,481
TOTAL NON-CURRENT LIABILITIES AND PROVISIONS		12,534	5,750
CURRENT LIABILITIES AND PROVISIONS			
Liabilities to credit institutions	Note 24	1,450	1,600
Bond loans	Note 25	1,250	1,250
Trade payables		9	18
Liabilities to Group companies		5	4
Tax liabilities		-	47
Other liabilities	Note 27	1,152	3
Accrued expenses and deferred income	Note 28	73	42
TOTAL CURRENT LIABILITIES AND PROVISIONS		3,939	2,964
TOTAL EQUITY AND LIABILITIES		25,823	18,541

Changes in equity

(SEK million)	Share capital	Statutory reserve	Share premium reserve	Profit brought forward	Total equity
Equity Dec 31, 2021	79	75	4,751	4,171	9,076
Comprehensive income for the year				1,759	1,759
Dividend				- 1,008	- 1,008
Equity Dec 31, 2022	79	75	4,751	4,922	9,827
Comprehensive income for the year				833	833
Dividend				- 1,310	- 1,310
Equity Dec 31, 2023	79	75	4,751	4,445	9,350

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)	2023	2022
OPERATING ACTIVITIES		
Operating profit	- 123	- 98
Interest received and similar items	222	260
Interest paid and similar items	- 497	- 205
Tax paid	- 47	- 49
Cash flow before change in working capital	- 445	- 92
Change in working capital		
Change in current receivables	252	153
Change in current liabilities	24	42
Cash flow from operating activities	- 169	103
INVESTING ACTIVITIES		
Change in non-current receivables and other securities	1,014	- 599
Cash flow from investing activities	1,014	- 599
OPERATING CASH FLOW	845	- 496
Investments in operations	- 7,859	- 310
Cash flow from investing activities	- 7,859	- 310
CASH FLOW AFTER INVESTMENTS	- 7,014	- 806
FINANCING ACTIVITIES		
Profit from participations in Group companies	994	1,715
Amortization of non-current loans <i>Note 32</i>	- 2,850	- 1,600
Proceeds from borrowings <i>Note 32</i>	10,180	1,600
Shareholders' dividend	- 1,310	- 1,008
Cash flow from financing activities	7,014	707
Cash flow for the year	-	- 99
Cash and cash equivalents at start of year	-	99
Cash and cash equivalents at end of year	-	-

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 48 (42) million for the year. Administrative expenses consist primarily of personnel costs and purchased services like auditing, acquisition-related expenses 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 18,541 million to SEK 25,823 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. Interest-bearing liabilities at year-end amounted to SEK 14,266 (7,100) million and the average interest rate on these liabilities amounted to 4.5% (1.7%) during the year. At year-end, the parent's interest-bearing liabilities largely consisted 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 68 and the Corporate governance report on page 180.

Political and macroeconomic risks

Political uncertainty, political indecision 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 in established regions where political indecision, or interrupted decision-making can lead to insecurity for the end client. 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. This subsequently shifted to meeting a sharp increase in demand during 2022 and the first half of 2023, and then facing a significant deceleration in the second half of 2023. The reason for this was Russia's war of aggression against Ukraine and the consequences this has brought to the energy supply.

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 2023, 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 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.

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 profit before tax. The changes are calculated based on the 2023 balance sheet and income statement.

	Basis for calculation		Change	Impact
Net sales (margin constant)	46,649 SEK m	+/-	1.0 %	194 SEK m
Operating margin (volume constant)	46,649 SEK m	+/-	1.0 %	466 SEK m
Material costs	20,222 SEK m	+/-	1.0 %	202 SEK m
Personnel costs	11,539 SEK m	+/-	1.0 %	115 SEK m
Interest-bearing liabilities (interest constant)	22,771 SEK m	+/-	10.0 %	118 SEK m
Interest rate % (interest-bearing liability constant)	5.2 %	+/-	1.0 percentage point	228 SEK m

Notes to the consolidated financial statements

1 • GENERAL ACCOUNTING POLICIES

General

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 22,400 employees and operates in 34 countries in Europe, North America, Australia and Asia. The legal structure of the Group comprises several subsidiaries which in turn operate through their own subsidiaries or branches.

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, foreign exchange management, corporate acquisitions, the establishment of 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 RFR 1 Supplementary accounting rules for Groups. Turkey has been classified as a hyperinflationary economy since June 30, 2022 and NIBE's operations in Turkey are therefore recognized in the consolidated financial statements after remeasurement for hyperinflation. Non-monetary items in the balance sheet have been remeasured using the consumer price index in Turkey, published by the Turkish Statistical Institute. The consumer price index stood at 1,859.38 at the end of the year, compared with 1,128.45 at the beginning of year. The remeasured assets were based on historical cost.

Changes to accounting policies resulting from new or amended IFRSs

The following amendments to standards are applied by the Group for the first time for the financial year beginning January 1, 2023: Amendments to IAS 1, IAS 8 and IAS 12. The aim of the amendment to IAS 1 Presentation of Financial Statements is to enhance the usefulness of disclosures relating to accounting policies applied by encouraging description of only material policies and ensuring that these descriptions explain how the policies are applied. The description of NIBE's accounting policies has therefore been concentrated on describing material policies and their application. The IASB has amended IAS 12 Income Taxes. The amendment to IAS 12 clarifies that the standard applies to taxes based on the OECD Pillar 2 Global Anti-Base Erosion Model Rules. At the same time, the standard provides a mandatory temporary exception to the rules on accounting for deferred taxes in respect of such tax rules. The mandatory temporary exception applies retrospectively. As no new legislation to implement the additional tax had been enacted by December 31, 2022 in any jurisdiction in which NIBE operates, and no related

deferred tax had been recognized at that date, retrospective application has not had any impact on the consolidated financial statements. The amendment to IAS 8 has not had any material impact on the consolidated financial statements.

New IFRSs not yet applied

A number of new standards and interpretations come into effect for financial years beginning on or after January 1, 2024 and have not been applied in the preparation of these financial statements. These include the IASB's amendment to IAS 1 Presentation of Financial Statements refer to the disclosure requirements and classification of liabilities with covenants. Other new and amended standards with future application are not expected to have any significant impact on NIBE's financial statements.

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.

Acquired and divested companies are included in the consolidated income statement during the period of ownership. Following Russia's invasion of Ukraine in February 2022, NIBE decided to close down all operations in Russia and the business was written down to zero in the first quarter of 2022. Since then, NIBE has also worked to wind up the formal ownership of companies in Russia in various ways. As of December 31, 2023, the Board of Directors made the assessment that the Group had lost control of the operations in Russia and therefore deconsolidated the already impaired operations as of that date. 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.



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. An item under current liabilities that was reported as non-interest-bearing in the year-end report has been reclassified as interest-bearing. 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 (4) 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 values of trademarks

Every year, the Group tests for impairment of goodwill and consolidated surplus values of trademarks in accordance with the accounting policy described under 'Impairment'. The required estimates and their effects are shown under 'Goodwill and 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 refers to both contingent consideration for already acquired shares and consideration for future acquisitions of non-controlling interests in connection with the application of the AAM (Anticipated Acquisition Method). If the earnings development is not as expected, this will affect the carrying amount of the additional consideration and therefore the 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 led by heads of business areas and supervised 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	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Total net sales	38,730	31,633	13,917	12,934	5,813	4,906	- 11,811	- 9,402	46,649	40,071
Internal net sales	- 7,357	- 5,557	- 2,019	- 2,009	- 1,055	- 895	10,431	8,461	-	-
External net sales	31,373	26,076	11,898	10,925	4,758	4,011	- 1,380	- 941	46,649	40,071
Sales by geographical region										
Nordic region	7,465	6,839	2,099	1,610	1,075	999	- 950	- 581	9,689	8,867
Rest of Europe	15,957	13,108	4,168	3,650	2,214	1,938	- 393	- 331	21,946	18,365
North America	6,955	5,372	4,360	4,329	1,370	961	- 37	- 29	12,648	10,633
Other countries	996	757	1,271	1,336	99	113	-	-	2,366	2,206
External net sales	31,373	26,076	11,898	10,925	4,758	4,011	- 1,380	- 941	46,649	40,071
Profit										
Profit by business area	5,596	4,338	942	1,123	533	551	-	-	7,071	6,012
Unallocated costs									- 98	- 149
Operating profit									6,973	5,863
Financial income									461	438
Financial expenses									- 1,103	- 626
Tax expense for the year									- 1,535	- 1,280
Net profit for the year									4,796	4,395
Other information										
Assets	46,664	33,813	14,995	14,100	6,897	5,000	- 22,794	- 13,047	45,762	39,866
Unallocated assets									22,342	14,128
Total assets									68,104	53,994
Liabilities	6,588	6,504	2,667	2,276	817	1,042	1,414	- 532	11,486	9,290
Unallocated liabilities									26,411	16,731
Total liabilities									37,897	26,021
Investments	2,717	1,436	886	609	282	123				
Depreciation/amortization	1,053	875	520	459	200	150				

SEK 4,725 (3,901) million of the Group's net sales relates to customers in the Swedish market, SEK 5,497 (4,091) million to the German market and SEK 11,087 (9,509) million to customers in the US. SEK 5,614 (3,923) million of the Group's non-current assets are located in Sweden, SEK 10,802 (11,063) million in the US and Mexico, and SEK 5,571 (3,756) million in Germany and Switzerland. Unallocated costs refer primarily to acquisition expenses and Group-wide costs in the parent.

3 • ACQUISITIONS

ACCOUNTING POLICY

The net assets of the acquiree are assessed based on the acquisition-date fair value of assets and liabilities. The purchase price for an acquisition is the fair value of the assets transferred as consideration and the liabilities arising or assumed on the transfer date. In many of the business acquisitions NIBE carries out, the Group does not buy 100% of the shares in the acquired company at the time of acquisition, which means that the seller legally remains a minority shareholder. Normally, however, the minority shareholder has an option to sell its holding to NIBE at a future time or NIBE has an obliga-

Acquisitions during the year

Climate For Life

In June, NIBE entered into an agreement to acquire all shares in the Dutch group Climate for Life, which develops, produces and sells energy-efficient solutions in the areas of heating and cooling, hot water, ventilation and control technology. CFL had sales of around EUR 221 million and operating profit before interest, tax, depreciation and amortization (EBITDA) of EUR 40 million, corresponding to an operating margin of 18.1%. The purchase price amounted to SEK 7,154 million. The group was consolidated into NIBE Climate Solutions as of August 2023. The acquisition balance sheet is still preliminary, mainly due to the fact that a dispute that existed at the acquisition date is still ongoing, which may affect the size of the provision recognized in the acquisition balance sheet.

Other acquisitions

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 outstand-

tion to buy the minority shareholder's shares in the future. In such situations, 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, while the Group recognizes a liability corresponding to the present value of the estimated future purchase price. Consequently, the Group does not recognize any minority interest, referred to under IFRS as "non-controlling interests", in this type of acquisition transaction. Remeasurements of the NCI purchase option liability are recognized in the income statement under operating profit/loss. Profit for the year has been charged with acquisition expenses of SEK 96 million, recognized as administrative expenses in the consolidated income statement.

ing shares no later than 2026. The company was consolidated into NIBE Stoves as of January 2023.

In July, we acquired 83.2% of the shares in the Portuguese stove company Solzaima and have an agreement to acquire the remaining shares by 2028. The company has sales of around EUR 20 million. Solzaima is part of NIBE Stoves and was consolidated with effect from August 2023. The acquisition balance sheet is still provisional. In July, we acquired 77.5% of the shares in the Irish elements company Ceramicx Ireland Limited, which has sales of around EUR 10 million. We have an agreement to acquire the outstanding shares in 2025. The company is part of NIBE Element and has been consolidated with effect from August 2023. The acquisition balance sheet is still provisional. In November, we acquired 70.0% of the shares in the Danish elements company LS Control A/S, which has sales of around DKK 100 million. We have an agreement to acquire the outstanding shares in 2028. The company is part of NIBE Element and was consolidated with effect from December 2023. The acquisition balance sheet is still provisional.

The consideration consists of the following	Group
Climate For Life (SEK million)	2023
Initial consideration	7,154
Additional consideration	-
Total consideration	7,154
Fair value of net assets acquired	2,653
Goodwill	4,501
Consideration	7,154
Cash and cash equivalents in acquired companies	- 188
Additional consideration paid	-
Additional consideration not yet paid	-
Effect on the Group's cash and cash equivalents	6,966

Net assets acquired are as follows	Group	
Climate For Life (SEK million)	Fair values	Acquired carrying amounts
Market positions	2,134	-
Brands	742	275
Other intangible assets	158	847
Property, plant and equipment	167	167
Financial assets	296	296
Current receivables	327	327
Inventories	525	525
Cash and cash equivalents	188	188
Provisions	- 805	- 321
Liabilities	- 1,080	- 1,085
Net assets acquired	2,653	1,228

Acquired current receivables amount to SEK 327 million, of which SEK 327 million is expected to be settled.

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 2023, these revaluations had a net effect of SEK 120 million on the Group's earnings. Goodwill is attributable to the profitability of the operations acquired and the synergies expected in the Group, particularly in material supply and distribution. Tax-deductible goodwill arising from the purchase of the net assets of a business is not included, nor was it included last year.

The consideration consists of the following	Group	
Other acquisitions (SEK million)	2023	2022
Initial consideration	1,271	765
Additional consideration	761	921
Total consideration	2,031	1,686
Fair value of net assets acquired	781	747
Goodwill	1,250	939
Consideration	2,031	1,686
Cash and cash equivalents in acquired companies	- 106	- 35
Additional consideration paid	616	109
Additional consideration not yet paid	- 761	- 921
Effect on the Group's cash and cash equivalents	1,781	839

Net assets acquired are as follows	Group	
Other acquisitions (SEK million)	Fair values	Acquired carrying amounts
Market positions	148	-
Brands	148	-
Other intangible assets	28	28
Property, plant and equipment	234	234
Financial assets	21	21
Current receivables	159	159
Inventories	436	436
Cash and cash equivalents	106	106
Provisions	- 68	- 3
Liabilities	- 432	- 386
Net assets acquired	780	596

Acquired current receivables amount to SEK 159 million, of which SEK 159 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. 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. Deferred income will be recognized as revenue gradually over the coming six-year period.

PARENT COMPANY

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	30,608	765	31,373
NIBE Element	11,898	-	11,898
NIBE Stoves	4,758	-	4,758
Eliminations	- 1,380	-	- 1,380
Total revenue	45,884	765	46,649

Deliverables recognized as revenue over time

	Service contracts	Extended warranties	Other	Total
Prepaid at start of year	43	282	32	357
Prepaid in sold companies	-	-	-	-
Payments received during the year	204	150	497	851
Recognized as revenue during the year	- 166	- 103	- 496	- 765
Translation differences	- 2	- 5	-	- 7
Prepaid at year-end	79	324	33	436

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 December 31, 2023, there were no such obligations that had an original expected term of more than one year.

5 • OTHER OPERATING INCOME

(SEK million)	Group		Parent	
	2023	2022	2023	2022
Gain on sale of non-current assets	5	10	-	-
Gain on sale of businesses	-	232	-	-
Exchange gains	420	400	-	-
Acquisition-related revaluations	120	-	-	-
Other	279	181	-	-
Total	824	823	-	-

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 2023.

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. The additional remuneration is conditional on the senior executive retaining the annually acquired NIBE shares 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 2024 largely matches the principles approved at the 2023 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 2023. 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. 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

(SEK thousands)	2023		2022	
	Salary and other remuneration	Pension costs	Salary and other remuneration	Pension costs
Hans Linnarson, Chairman	1,000	-	960	-
Jenny Larsson	500	-	480	-
Georg Brunstam	500	-	480	-
Anders Pålsson	500	-	480	-
Eva Karlsson	500	-	480	-
Eva Thunholm	500	-	480	-
Gerteric Lindquist, CEO	9,966	-	9,041	-
Other senior executives:				
4 (4) individuals	28,701	5,425	26,311	5,198
Group total	42,167	5,425	38,712	5,198

Gender distribution, Board and management

	2023		2022	
	Number	Of which men	Number	Of which men
Board of Directors	6	3	7	4
Senior management				
Parent	2	2	2	2
Subsidiaries	3	3	3	3
Group	5	5	5	5

7 • PERSONNEL COSTS

Salaries and other remuneration

(SEK million)	2023	2022
Parent	32	28
Subsidiaries	9,260	7,854
Group total	9,292	7,882

Salaries and other remuneration, excluding social security contributions, by country for the Board, CEO, other senior executives and other employees

(SEK million)	2023		2022	
	Board, CEO and senior executives	Other employees	Board, CEO and senior executives	Other employees
Parent	27	9	24	7
Subsidiaries in Sweden ¹⁾ (0 and 1)	15	1,201	15	1,024
Norway ¹⁾ (2 and 1)	-	257	-	238
Finland ¹⁾ (1 and 1)	-	341	-	264
Denmark ¹⁾ (4 and 4)	-	605	-	540
France (1 and 0)	-	70	-	58
Germany ¹⁾ (3 and 3)	-	832	-	654
Poland ¹⁾ (1 and 1)	-	471	-	370
Portugal	-	12	-	-
Czech Republic ¹⁾ (1 and 2)	-	213	-	176
Italy ¹⁾ (1 and 1)	-	422	-	334
Netherlands ¹⁾ (1 and 1)	-	335	-	180
Belgium	-	36	-	15
UK ¹⁾ (0 and 2)	-	296	-	282
Ireland	-	15	-	-
Spain	-	31	-	25
Romania	-	49	-	53
Slovakia	-	2	-	2
Russia	-	26	-	26
Austria ¹⁾ (1 and 0)	-	77	-	68
Switzerland ¹⁾ (2 and 3)	-	417	-	517
Serbia	-	161	-	117
Slovenia	-	34	-	27
Turkey	-	105	-	55
China ¹⁾ (0 and 1)	-	151	-	152
Malaysia	-	4	-	3
Vietnam	-	32	-	60
Taiwan	-	2	-	2
Thailand	-	9	-	9
Singapore	-	3	-	3
Australia	-	23	-	21
Mexico	-	352	-	267
Costa Rica	-	1	-	-
Canada	-	462	-	359
USA ¹⁾ (6 and 3)	-	2,197	-	1,938
Group total	42	9,253	39	7,846

¹⁾ (of which bonus, SEK million)

7 • PERSONNEL COSTS

Personnel costs

(SEK million)	2023		2022	
	Social security costs	of which pension costs	Social security costs	of which pension costs
Parent	13	4	12	4
Subsidiaries	1,689	349	1,383	303
Group total	1,702	353	1,395	307

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 12 (11) million. The Group has no outstanding pension obligations to the previous Board of Directors and CEO.

Average number of employees and gender distribution

	2023			2022		
	Number of employees	Women	Men	Number of employees	Women	Men
Parent	11	6	5	9	5	4
Subsidiaries in Sweden	2,708	710	1,998	2,315	477	1,838
Norway	369	78	291	341	70	271
Finland	627	140	487	551	119	432
Denmark	780	234	546	739	217	522
France	98	24	74	92	23	69
Germany	1,332	257	1,075	1,025	204	821
Poland	2,540	1,292	1,248	2,412	1,256	1,156
Portugal	68	22	46	-	-	-
Czech Republic	842	333	509	850	362	488
Italy	710	226	484	630	192	438
Netherlands	476	89	387	333	48	285
Belgium	41	6	35	17	3	14
UK	617	132	485	668	92	576
Ireland	46	26	20	-	-	-
Spain	67	21	46	66	18	48
Romania	309	209	100	444	300	144
Slovakia	3	1	2	6	1	5
Russia	222	57	165	225	59	166
Austria	86	19	67	92	19	73
Switzerland	377	90	287	545	106	439
Serbia	954	346	608	901	322	579
Slovenia	48	11	37	43	10	33
Turkey	507	40	467	462	36	426
China	863	335	528	843	357	486
Malaysia	26	17	9	30	16	14
Vietnam	844	529	315	1,079	715	364
Taiwan	4	1	3	4	1	3
Thailand	119	55	64	128	63	65
Singapore	10	5	5	9	4	5
Australia	28	6	22	32	7	25
Mexico	2,527	1,366	1,161	2,596	1,418	1,178
Costa Rica	86	71	15	25	19	6
Canada	694	146	548	642	129	513
USA	3,423	1,135	2,288	3,179	1,058	2,121
Group total	22,462	8,035	14,427	21,333	7,726	13,607

8 • RESEARCH AND DEVELOPMENT COSTS

Research and development costs of SEK 1,319 (1,101) million are included in Cost of goods sold.

9 • REMUNERATION OF AUDITORS

Group (SEK million)	2023			2022		
	KPMG	Other auditors	Total Group	KPMG	Other auditors	Total Group
Audit engagements*	24	12	36	20	8	28
Other audit-related fees	3	3	6	3	3	6
Tax advisory services	2	11	13	2	9	11
Other services**	12	15	27	1	7	8
Total	41	41	82	26	27	53

During the year, the parent incurred costs of SEK 2 (1) million for auditing and SEK 18 (4) million for other services from different auditing firms.

* of which SEK 8 million to KPMG AB

** of which SEK 4 million to 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	
	2023	2022	2023	2022
Net sales	46,649	40,071	48	42
Change in inventories	1,924	1,054	-	-
Other operating income	824	823	-	-
	49,397	41,948	48	42
Raw materials and consumables	- 22,146	- 19,139	-	-
Other external costs	- 6,915	- 5,666	- 126	- 100
Personnel costs	- 11,539	- 9,685	- 46	- 40
Depreciation/amortization	- 1,824	- 1,595	-	-
Operating profit	6,973	5,863	- 124	- 98

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	
	2023	2022	2023	2022
Dividend	-	-	993	1,715
Impairment of participations in subsidiaries	-	-	-	- 132
Total	-	-	993	1,583

FINANCIAL INCOME

(SEK million)	Group		Parent	
	2023	2022	2023	2022
Interest income, Group companies	-	-	179	47
Interest income, other	149	49	3	3
Exchange gains	197	348	281	212
Other financial income	76	20	46	-
Total	422	417	509	262

FINANCIAL EXPENSES

(SEK million)	Group		Parent	
	2023	2022	2023	2022
Interest expense, Group companies	-	-	1	-
Interest expense, items at fair value	22	-	22	-
Interest expense, other	860	260	468	118
Exchange losses	158	315	23	100
Other financial expenses	63	51	2	2
Total	1,103	626	516	220

12 • APPROPRIATIONS

ACCOUNTING POLICY

Group contributions

Group contributions are recognised 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 provided by the parent is recognized as an appropriation.

(SEK million)	Parent	
	2023	2022
Group contributions	-	280
Total	-	280

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 offset against 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.

Global minimum tax

The majority of the companies in the Group operate in countries that have adopted the new Pillar 2 legislation to implement the global minimum tax.

The Group's initial calculations of effective tax per country did not indicate any significant effect on the Group.

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 also page 81.

(SEK million)	Group		Parent	
	2023	2022	2023	2022
Current tax for the year	1,656	1,277	20	48
Current tax attributable to prior years	- 28	8	-	-
Deferred tax	- 93	- 5	10	-
Total	1,535	1,280	30	48

Tax on items recognized in other comprehensive income

(SEK million)	Group		Parent	
	2023	2022	2023	2022
Defined-benefit pensions	- 10	34	-	-
Market valuation of currency forward contracts	10	-	-	-
Current tax attributable to exchange differences	- 65	191	-	-
Current tax attributable to foreign net investment	40	- 19	-	-
Total	- 25	206	-	-

(SEK million)	Group		Parent	
	2023	2022	2023	2022
Recognized profit before tax	6,331	5,675	863	1,807
Tax at current rate	1,304	1,169	178	372
Non-deductible expenses	200	91	57	29
Non-taxable earnings	- 138	- 72	-	-
Dividends from subsidiaries	-	-	- 205	- 353
Adjusted tax for prior years	- 28	8	-	-
Loss carryforwards not capitalized	- 19	3	-	-
Effect of foreign tax rates	214	81	-	-
Recognized tax expense	1,535	1,280	30	48

Expiry of loss carryforwards not capitalized

Accumulated loss carryforwards not offset by recognized deferred tax assets amount to SEK 172 (200) million for the Group. The expiry dates for loss carryforwards are within the following intervals:

(SEK million)	Group	
	2023	2022
Expiry within 1-5 years	85	73
Expiry within 6-10 years	3	3
Expiry after 10 years	4	4
Continue indefinitely	80	120
Total	172	200

Temporary differences

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.

Deferred tax assets

(SEK million)	Group		Parent	
	2023	2022	2023	2022
Loss carryforwards	36	35	-	-
Provisions for pension obligations	46	29	-	-
Provisions for warranty obligations	40	74	-	-
Temporary differences in non-current assets	- 15	4	-	-
Other	440	206	4	4
Total	547	348	4	4

Deferred tax liabilities

(SEK million)	Group		Parent	
	2023	2022	2023	2022
Untaxed reserves	75	65	-	-
Temporary differences in non-current assets	2,041	1,190	-	-
Other	245	221	-	-
Total	2,361	1,476	-	-

Deferred tax assets

(SEK million)	Loss carryforwards	Provisions for pension obligations	Provisions for warranty obligations	Temporary differences in non-current assets	Other	Total
Amount at start of year	35	29	74	4	206	348
Acquired companies	-	-	-	-	122	122
Recognized in income statement	- 1	-	- 33	- 20	178	124
Recognized in other comprehensive income	-	14	-	-	- 2	12
Translation difference	2	3	- 1	1	- 64	- 59
Amount at end of year	36	46	40	- 15	440	547

Deferred tax liabilities

(SEK million)	Untaxed reserves	Temporary differences in non-current assets	Other	Total
Amount at start of year	65	1,190	221	1,476
Acquired companies	-	904	3	907
Sold companies	-	-	-	-
Recognized in income statement	11	- 14	16	13
Effect of applying IAS 29	-	-	10	10
Translation difference	- 1	- 39	- 5	- 45
Amount at end of year	75	2,041	245	2,361

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. The previous year's write-downs related to operations in Russia.

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.

Significant assumptions in 2023

Assumptions	Cash-generating unit		
	NIBE Climate Solutions	NIBE Element	NIBE Stoves
Growth rate, years 2-5, %	3.0 – 10.0	3.0 – 10.0	3.0 – 10.0
Growth rate, year 6 and later, %	2.0	2.0	2.0
Working capital requirement for organic growth, %	13.0	15.0	18.0
Pre-tax discount rate, %	9.4	10.0	9.7

- 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

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.

Amortization

Market positions	7-11%
Other intangible assets	5-33%

GOODWILL

(SEK million)	Group	
	2023	2022
Cost		
Opening cost	17,674	15,453
Effect of applying IAS 29	-	183
Adjusted opening cost	17,674	15,636
Cost in acquired companies	793	-
Investments for the year	4,798	939
Sales and retirements	- 12	- 921
Effect of applying IAS 29	118	238
Translation differences	- 412	1,782
Closing accumulated cost	22,959	17,674
Impairment		
Opening impairment	44	-
Impairment for the year	0	46
Translation differences	- 10	- 2
Closing accumulated impairment	34	44
Closing carrying amount	22,925	17,630
Carrying amount by business area		
NIBE Climate Solutions	16,335	12,068
NIBE Element	4,251	3,843
NIBE Stoves	2,339	1,719
Total	22,925	17,630

OTHER INTANGIBLE ASSETS

Rights of tenancy, patents, development costs, computer programs, licenses, etc.

(SEK million)	Group	
	2023	2022
Cost		
Opening cost	1,701	1,820
Cost in acquired companies	292	7
Investments for the year	450	257
Sales and retirements	- 38	- 496
Reclassifications	36	3
Translation differences	- 56	110
Closing accumulated cost	2,385	1,701
Amortization		
Opening amortization	950	1,050
Sales and retirements	- 22	- 328
Amortization for the year	202	160
Reclassifications	- 2	3
Translation differences	- 31	65
Closing accumulated amortization	1,097	950
Impairment		
Opening impairment	7	4
Sales and retirements	- 4	-
Impairment for the year	3	3
Translation differences	- 1	
Closing accumulated impairment	5	7
Closing carrying amount	1,283	744

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	
	2023	2022
Cost		
Opening cost	3,499	3,372
Investments for the year	2,223	111
Sales and retirements	-	- 392
Translation differences	- 122	408
Closing accumulated cost	5,600	3,499
Amortization		
Opening amortization	1,884	1,692
Sales and retirements	-	- 286
Amortization for the year	308	260
Translation differences	- 24	218
Closing accumulated amortization	2,168	1,884
Closing carrying amount	3,432	1,615

BRANDS

(SEK million)	Group	
	2023	2022
Cost		
Opening cost	2,601	2,483
Cost in acquired companies	275	-
Investments for the year	594	102
Sales and retirements	-	- 282
Translation differences	- 69	298
Closing accumulated cost	3,401	2,601
Amortization		
Opening depreciation	22	19
Amortization for the year	10	1
Translation differences	- 5	2
Closing accumulated amortization	27	22
Closing carrying amount	3,374	2,579
Carrying amount by business area		
NIBE Climate Solutions	2,691	2,026
NIBE Element	339	289
NIBE Stoves	344	264
Total	3,374	2,579

Amortization and impairment of other intangible assets are recognized within the following functions:

(SEK million)	Group	
	2023	2022
Cost of goods sold	155	128
Selling expenses	7	5
Administrative expenses	40	27
Total	202	160

Other intangible assets consist mainly (SEK 943 million) of capitalized development costs. Capitalized development costs are amortized over their estimated useful lives. In 2023, 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.

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%

LAND AND BUILDINGS

(SEK million)	Group	
	2023	2022
Cost		
Opening cost	4,258	3,597
Cost in acquired companies	127	324
Investments for the year	273	307
Sales and retirements	- 47	- 444
Reclassifications	161	189
Translation differences	-23	285
Closing accumulated cost	4,749	4,258
Depreciation		
Opening depreciation	1,171	1,139
Depreciation for the year	163	132
Sales and retirements	- 14	- 180
Reclassifications	6	2
Translation differences	- 18	78
Closing accumulated depreciation	1,308	1,171
Closing carrying amount	3,441	3,087
of which land	509	403
Closing carrying amount, land and buildings in Sweden	994	943

CONSTRUCTION IN PROGRESS

(SEK million)	Group	
	2023	2022
Cost		
Opening cost	1,250	570
Costs incurred during the year	1,980	1,034
Sales and retirements	- 1	- 1
Re-allocations during the year	- 354	- 366
Translation differences	- 16	13
Closing accumulated cost	2,859	1,250

MACHINERY AND EQUIPMENT

(SEK million)	Group		Parent	
	2023	2022	2023	2022
Cost				
Opening cost	5,935	5,526	1	1
Effect of applying IAS 29	0	9	-	-
Adjusted opening cost	5,935	5,535	1	1
Cost in acquired companies	410	26	-	-
Investments for the year	1,017	643	-	-
Sales and retirements	- 295	- 839	-	-
Effect of applying IAS 29	9	- 9	-	-
Reclassifications	210	162	-	-
Translation differences	- 146	417	-	-
Closing accumulated cost	7,140	5,935	1	1
Depreciation				
Opening depreciation	3,543	3,526	1	1
Sales and retirements	- 258	- 673	-	-
Depreciation for the year	612	482	-	-
Reclassifications	- 4	- 21	-	-
Translation differences	- 77	229	-	-
Closing accumulated depreciation	3,816	3,543	1	1
Impairment				
Opening impairment	18	7	-	-
Impairment for the year	6	10	-	-
Translation differences	- 3	1	-	-
Closing accumulated impairment	21	18	-	-
Closing carrying amount	3,303	2,374	-	-

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.

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if it 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/company'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 to which companies may be exposed that are not included in the valuation of the lease liability.

The parent has no leases.

CHANGE IN CARRYING AMOUNT

Right-of-use asset (SEK million)	Jan 1, 2023	Acquired companies	Sold companies	Added during the year	Depreciation during the year	Translation differences	Dec 31, 2023
Premises	1,242	158	-	698	- 344	- 201	1,553
Machinery	17	3	-	74	- 14	- 9	71
Vehicles	202	26	-	139	- 87	- 75	205
IT equipment	56	1	-	26	- 10	- 24	50
Other	45	-	-	61	- 22	3	86
Total	1,562	189	-	997	- 477	- 306	1,965

Lease liabilities at end of year

See Note 29 for the maturity structure of the Group's lease liabilities.

(SEK million)	Dec 31, 2023	Dec 31, 2022
Non-current liabilities	1,462	1,073
Current liabilities	520	495
Total lease liabilities at end of year	1,982	1,568

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 50 (32) million in the Group's operating profit for 2023, while net financial items have decreased by a corresponding amount.

(SEK million)	2023	2022
Depreciation of capitalized leases	477	404
Lease payments for non-capitalized short-term leases and low-value leases	40	14
Interest expenses	50	32
Total lease payments in the income statement	567	450

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 and interest expenses. Lease payments for short-term leases and low-value leases are recognized under Operating activities.

(SEK million)	2023	2022
Amortization of lease liabilities	498	365
Lease payments for non-capitalized short-term leases and low-value leases	40	14
Total cash flow	538	379

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 i AirSite AB was written down. The impairment of Varde Ovne A/S has been reversed.

(SEK million)	2023	2022
Cost		
Opening cost	13,480	12,302
Investments for the year	8,478	1,178
Closing accumulated cost	21,958	13,480
Impairment		
Opening impairment	726	595
Impairment for the year	20	131
Reversal of impairment	-20	-
Closing accumulated impairment	726	726
Closing carrying amount	21,232	12,754

Subsidiary	Holding	Shares	Carrying amount SEK m
ABK-Qviller AS	100%	500	210
AirSite AB	100%	1,000	19
ARGOCLIMA S.p.A.	50%	13,416,000	815
Backer AB	100%	37,170	186
Backer EHP Inc.	100%	100	217
Calvin Holdco B.V.	100%	84,368,184	7,192
Cetetherm AB	100%	50,000	5
CK Fires Ltd	51%	204	103
Druzstevni Zavody Drazice-strojirna s.r.o.	100%	7	199
Eltwin 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
LS Control A/S	70%	499,800	489
METRO THERM A/S	100%	3,400	181
NIBE AB	100%	400,000	153
NIBE Climate Solutions Canada Corp.	100%	14,132,000	208
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
Solzaima - Equipamentos para Energias Renováveis S.A.	83%	75,440	441
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	910
Üntes VRF Klima Sistemleri A.S.	39%	1,560	110
Varde Ovne A/S	100%	4,009	21
WaterFurnace Renewable Energy Corp.	100%	14,666,765	96
Waterkotte GmbH	100%		234
Wiegand S.A. de C.V.	100%	15,845,989	21
Total			21,232

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%	1000
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 ELTOP 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%	
Beckasinen i Markaryd AB	100.00%	1,000
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%	
Ceramicx Ireland Ltd	77.50%	947,825
Cetetherm LLC	100.00%	
Cetetherm Oy	100.00%	2,500
Cetetherm SAS	100.00%	30,000
Cetetherm s.r.o.	100.00%	
CFL Group B.V.	100.00%	10
CFL Ontwikkeling en Exploitatie B.V.	100.00%	10
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

Shares owned via subsidiaries	Holding	Number of shares
CTC AG	100.00%	700
Danotherm 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 d.o.o.	100.00%	
Elmess Thermosystemtechnik GmbH & Co.KG	100.00%	
Elmess Thermosystemtechnik Verwaltungs-GmbH	100.00%	
Eltwin Sp. z.o.o.	100.00%	100
Energie Exploitatie De Trip B.V.	50.00%	
Energie Exploitatie Rijswijk Buiten B.V.	100.00%	
Enertech Belgium Sprl	100.00%	859,550
Enertech Global LLC	100.00%	
Enertech 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
Giersch GmbH	100.00%	100
Go Geothermal Ltd	50.00%	200
Graybar Ltd	100.00%	2
Greendraco S.A	100.00%	50,000
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.	100.00%	370
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
HT Est Division s.r.l.	100.00%	100
HT Heizelemente Deutschland GmbH	100.00%	1
Hyper Engineering Pty Ltd	100.00%	
International Environmental Corp.	100.00%	300
IPAR i Sverige AB	60.00%	36,000
Itho Daalderop B.V.	100.00%	6,065
Itho Daalderop Belgium B.V.B.A.	100.00%	36,557
Itho Images B.V.	100.00%	200
Jac. De Vries Gesta B.V.	100.00%	40
KKT chillers Inc.	100.00%	1,000
Klimaatgarant B.V.	100.00%	4,000
Klimaatgarant Exploitatie B.V.	100.00%	1
Klöpper GmbH & Co. KG	100.00%	
Klöpper-Therm GmbH & Co.KG	100.00%	
Klöpper-Therm Verwaltungs-GmbH	100.00%	
Klöpper Verwaltungs GmbH	100.00%	
KNV Energietechnik GmbH	100.00%	
Koax Corp.	100.00%	50
KVM-Genvex A/S	100.00%	2,500
Living Blue B.V.	100.00%	1

17 · SHARES IN SUBSIDIARIES

Shares owned via subsidiaries	Holding	Number of shares
Lund & Sørensen AB	100.00%	1,000
Lund & Sørensen A/S	100.00%	500
Lund & Sørensen Electric Heating Equipment Accessory Co Ltd	100.00%	
METRO THERM AB	100.00%	1,000
Meyer Vastus AB, Oy	100.00%	20
Miles Industries (Australia) Pty Ltd	100.00%	10
Miles Industries Inc	100.00%	
Miles Industries Ltd	65.00%	
Moravská dopravní společnost, a.s.	100.00%	
Motron A/S	100.00%	1,000
myUpTech AB	100.00%	1,000
myUptech Inc	100.00%	100
Nathan Belgie B.V.	100.00%	100
Nathan Holding B.V.	75.00%	13,500
Nathan Industries B.V.	100.00%	180
Nathan Projects B.V.	100.00%	100
Nathan Projects BVBA	100.00%	10
Nathan Service B.V.	100.00%	18,000
Nathan Systems B.V.	100.00%	100
Nathan Systems NV	100.00%	1,008
Naturenergi IWABO AB	100.00%	1,000
Next NRG B.V.	50.00%	
NIBE Beteiligungsverwaltung GmbH	100.00%	
NIBE-BIAWAR Sp. z o.o.	100.00%	83,962
NIBE Energietechnik B.V.	100.00%	180
NIBE Energy Systems Ltd	100.00%	100
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
Osby Parca Fastighets AB	100.00%	5,000
Osby Parca Holding AB	60.00%	5,000
Pacific Energy Australia Pty Ltd	100.00%	100
Pacific Energy Fireplace Products Ltd	100.00%	1,049,310
PGR Partners NV	51.00%	829
Renting 959 KB	100.00%	
Rhoss Deutschland GmbH	100.00%	
Rotterdamse Elementen Fabriek B.V.	100.00%	23
S.A.C srl	100.00%	4,898,635
Scandymet AB	100.00%	1,000
Sinus-Jevi Electric Heating B.V.	100.00%	180
Stovax Ltd	100.00%	190,347
Stovax D1 Ltd	100.00%	1,000
Stovax Group Ltd	100.00%	397,800
Stovax Heating Group (NI) Ltd	100.00%	1
Structurgruppen AB	100.00%	1,000
Tempeff Inc.	86.50%	78,000
Termorad Spolka z.o.o.	100.00%	80,000
Termotech S.r.l.	95.00%	
The Climate Control Group Inc.	100.00%	10,000
ThermaClima Technologies Inc.	100.00%	10,000

Shares owned via subsidiaries	Holding	Number of shares
Therm-X of California Inc.	51.00%	1,205
Therm-x System Vietnam Technology Co. Ltd.	100.00%	
Therm-X SVT LLC	100.00%	
TIKI HVAC d.o.o.	100.00%	
Turboflame AB	100.00%	3,000
Üntes Rhoss Sogutma Sistemleri A.S.	80.00%	8,000
Üntes VRF Klima Sistemleri A.S.	22.00%	880
VEÅ AB	100.00%	750
VEÅ Energi AB	70.00%	7,000
VEÅ Holding AB	60.00%	300
Värmeelement i Osby AB	100.00%	1,000
Velund Varmeteknik A/S	100.00%	1,000
WaterFurnace International Inc.	100.00%	100
Waterkotte Austria GmbH	57.00%	
Waterkotte Schweiz AG	50.00%	
Å.K-Budet i Markaryd AB	100.00%	100

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.

PARTICIPATIONS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

(SEK million)	Group	
	2023	2022
Carrying amount at start of year	219	8
Investments for the year	3	5
Share of profit/loss for the year	39	21
Reclassification	-	175
Translation differences	21	10
Carrying amount at end of year	282	219

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	3	3
Delacroy AB	556590-3613	Gislaved	45.0%	450	1	2	7
HC Holding ETA AG	CHE-168.793.868	Baar, Switzerland	25.0%	25,000	33	259	259
Teramex Austria GmbH	FN333143T	Radentheim, Austria	24.0%	288	1	1	8
Shanghai Canature Fireplace Products Ltd.	9131 0115 7721 1410 65H	Shanghai, China	25.0%	-	1	7	1
Rhoss Iberica Climatizacion SL	B63597074	Barcelona, Spain	30.0%	3,000	-	-	1
Energie Exploitatie De Trip B.V.	60412895	Schiedam, Netherlands	50.0%	500	1	5	-
NEXT NRG B.V.	66397626	Schiedam, Netherlands	50.0%	10,000	1	5	3
Total					39	282	282

The holding in Shanghai Canature Fireplace Products is a joint venture.

Parent (SEK million)

Name	Corporate ID number	Registered office	Holding	Number of 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	
	2023	2022	2023	2022
Interest rate swaps for hedging	49	-	49	-
Advance payment to supplier	12	-	-	-
Other	152	192	1	-
Total	213	192	50	-

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 2023, there were no outstanding convertible loans or options that could risk diluting the share capital. The situation was the same in the previous year.

Proposal for appropriation of profits Profits at the disposal of the Annual General Meeting:

Profit brought forward	SEK 3,612 million
Share premium reserve	SEK 4,751 million
Net profit for the year	SEK 833 million
Total	SEK 9,196 million

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 7,886 million will be carried over in the accounts: SEK 4,751 million of this in the share premium reserve and SEK 3,135 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
At year-end	0.03906	233,130,360	1,782,936,128	2,016,066,488

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.

The special payroll tax is part of the actuarial assumptions and is therefore recognized as part of the net obligation/asset. For reasons of simplicity, the portion of payroll tax calculated in a legal entity based on the Pension Obligations Vesting Act is recognized as an accrued expense rather than part the net obligation/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.

22 • PROVISIONS FOR PENSIONS

The average remaining period of service is 13.2 years for Switzerland and 10.0 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 2023	Switzerland	Sweden
Discount rate on January 1	2.20%	3.70%
Discount rate on December 31	1.50%	3.90%
Expected salary increases	2.00%	3.00%
Expected inflation	1.50%	2.00%
Duration of obligation, years	13	17

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

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	- 66	+ 46
Expected salary increases - 0.25 percentage point	+ 9	- 18
Expected inflation - 0.25 percentage point	+ 4	- 18

22 · PROVISIONS FOR PENSIONS

(SEK million)	2023			2022		
	Funded plans	Unfunded plans	Total	Funded plans	Unfunded plans	Total
Reconciliation of pension obligations						
Present value at start of year	562	301	863	1,318	289	1,607
Present value in acquired companies	-	-	-	-	34	34
Present value in sold companies	-	-	-	- 783	-	- 783
Service cost	21	24	45	24	23	47
Interest on obligations	13	12	25	2	5	7
Contributions from employees	22	-	22	17	-	17
Pensions paid	- 20	- 7	- 27	18	- 5	13
Actuarial gains (-), losses (+) during the period	68	12	80	- 104	- 50	- 154
Settlements	- 12	-	- 12	- 5	-	- 5
Translation differences	90	8	98	75	5	80
Present value at end of year	744	350	1,094	562	301	863
Reconciliation of plan assets						
Fair value at start of year	521	-	521	990	-	990
Fair value in sold companies	-	-	-	- 577	-	- 577
Interest income on plan assets	18	-	18	2	-	2
Return	- 1	-	- 1	- 5	-	- 5
Contributions paid in	44	-	44	19	-	19
Contributions from employees	22	-	22	17	-	17
Settlements	- 12	-	- 12	- 5	-	- 5
Pensions paid	- 20	-	- 20	18	-	18
Translation differences	72	-	72	62	-	62
Fair value at end of year	644	-	644	521	-	521
Provisions for pensions						
Retirement benefit obligations, present value	744	350	1,094	562	301	863
Plan assets, fair value	- 644	-	- 644	- 521	-	- 521
Provisions for pensions	100	350	450	41	301	342
Pension costs recognized in profit or loss						
Service cost	21	24	45	24	23	47
Interest on obligations	13	12	25	2	5	7
Interest income on plan assets	- 18	-	- 18	- 2	-	- 2
Pension costs, defined-benefit plans	16	36	52	24	28	52
Pension costs, defined-contribution plans			301			255
Total pension costs in profit or loss			353			307

22 • PROVISIONS FOR PENSIONS

(SEK million)	2023			2022		
	Funded plans	Unfunded plans	Total	Funded plans	Unfunded plans	Total
Pension costs recognized in other comprehensive income						
Actuarial gains (-), losses (+) in respect of:						
- changed financial assumptions	58	- 6	52	- 139	- 58	- 197
- changed demographic assumptions	2	-	2	-	- 2	- 2
- experience-based adjustments	11	11	22	35	10	45
- difference between actual return and rate according to discount rate on plan assets	1	-	1	5	-	5
- employer's payroll tax	-	2	2	-	- 11	- 11
Pension costs in other comprehensive income	72	7	79	- 99	- 61	- 160
Reconciliation of provisions for pensions, net						
Opening balance	41	301	342	328	289	617
Provisions in acquired companies	-	-	-	-	34	34
Provisions in sold companies	-	-	-	- 206	-	- 206
Pension costs, defined-benefit plans	16	36	52	24	28	52
Actuarial differences	68	12	80	- 99	- 50	- 149
Pensions paid	-	- 7	- 7	-	- 5	- 5
Contributions paid in	- 44	-	- 44	- 19	-	- 19
Translation differences	19	8	27	13	5	18
Closing balance	100	350	450	41	301	342
In 2024, pension costs for defined-benefit plans are expected as follows	8	13	21	21	11	32
Composition of plan assets						
Shares	202			177		
Interest-bearing securities	173			148		
Property, etc.	269			196		
Total plan assets	644			521		

The parent's recognized pension liabilities amount to SEK 21 (19) 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 2023 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 23 (24) million. Alecta's surplus can be distributed to the policyholders and/or the insured. At the end of 2023 Alecta's surplus expressed as the collective funding ratio was 157% (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.

Pensions secured by pension fund (PME)

Dutch companies in the Group secure their pension obligations for their employees through a pension fund, Pensioenfond Metalektro (PME). PME is a multi-employer defined-benefit plan. Since PME does not provide (or is able to provide) information that enables the obligations, plan assets and costs to be allocated to the participating companies, it is reported as a defined-benefit plan. The obligation to PME is to pay the annual contributions, which for the 2023 financial year amount to SEK 41 million. Since there is no reliable basis for allocating the defined-benefit obligation, plan assets and costs, there is most likely no obligation to cover any deficit in the plan. Instead, this would likely be reflected as a reduction in vested rights and/or an increase in the pension premium. PME's surplus in the form of the collective funding ratio amounted to 109.4% at year-end 2023.

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.

(SEK million)	Warranty risk reserve	Other	Total Group	Parent
Amount on Dec 31, 2021	832	176	1,008	-
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	-
Amount on Dec 31, 2022	821	148	969	-
Provisions in acquired companies	37	9	46	-
Provisions during the year	231	17	248	-
Amount utilized during the year	- 151	- 23	- 174	-
Reversed provisions	- 159	- 27	- 186	-
Translation differences	- 13	- 3	- 16	-
Amount on Dec 31, 2023	766	121	887	-

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. Credit facilities granted in the Group totaled SEK 764 (759) million. The Group's overdraft facility was thus increased during the year by SEK 5 million. The parent does not have an overdraft facility.

25 • BOND LOANS

(SEK million)	Group		Parent	
	2023	2022	2023	2022
Loan at a variable rate of Stibor + 105 points due in September 2023	-	1,100	-	1,100
Loan of SEK 150 million at a fixed rate of 1.45% due in September 2023	-	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
Loan at a variable rate of Stibor + 95 points due in September 2025	1,850	-	1,850	-
Loan at a fixed rate of Stibor 4.97% due in September 2025	250	-	250	-
Loan at a variable rate of Stibor +135 points due in September 2027	1,150	-	1,150	-
Loan at a fixed rate of Stibor 4.97% due in September 2027	750	-	750	-
Loan at a variable rate of Stibor +105 points due in December 2026	500	-	500	-
Loan at a fixed rate of Stibor 4.45% due in December 2026	250	-	250	-
Loan at a variable rate of Stibor +145 points due in December 2028	800	-	800	-
Loan at a fixed rate of Stibor 4.58% due in December 2028	350	-	350	-
Total	10,150	5,500	10,150	5,500

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 2023, these revaluations had a net effect of SEK 120 million on the Group's earnings as a result of decreased 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 the maturity structure.

(SEK million)	Additional consideration	Other	Total Group	Parent company
Amount on Dec 31, 2021	2,463	315	2,778	525
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
Amount on Dec 31, 2022	3,182	114	3,296	1,481
Recognized as liabilities during the year	88	332	787	333
Settled during the year	-	- 33	-	- 29
Reclassifications	- 1,567	- 75	- 1,523	- 820
Translation differences	- 18	- 10	- 23	- 28
Amount on Dec 31, 2023	1,685	328	2,013	937

27 • OTHER LIABILITIES

The Group has estimated additional consideration liabilities of SEK 1,872 (597) million that are due for settlement within one year. The parent has additional consideration liabilities of SEK 1,148 million that are due for settlement within one year.

28 • ACCRUED EXPENSES AND DEFERRED INCOME

(SEK million)	Group		Parent	
	2023	2022	2023	2022
Accrued salaries	726	634	11	9
Accrued social security contributions	210	193	3	3
Deferred income	455	357	-	-
Other items	1,158	1,109	59	30
Amount at end of year	2,549	2,293	73	42

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 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 combinations and derivatives with a negative fair value. 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 hedging of interest rate risk

To hedge the risk of changes in the fair value of issued fixed rate bonds, NIBE uses interest rate swaps as hedging instruments. For accounting purposes, fair value hedging is applied and the hedged item is remeasured to reflect the fair value of the hedged risk (the risk-free rate of interest), with changes in value recognized in profit or loss in the same way as for the hedging instrument.

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.

29 • FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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 2023, 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 2023, 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 1,071 (631) 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 2023 represents an unrealized exchange gain of SEK 60 million.

Other receivables in the consolidated balance sheet include derivatives with positive fair values of SEK 41 (39) million. Other liabilities include derivatives with negative fair values of SEK 13 (40) million.

Currency	Group		Parent	
	Net flow in (+)/out (-)	Weakening by 1%	Net flow in (+)/out (-)	Weakening by 1%
AUD	19	-	-	-
CAD	- 32	-	-	-
CHF	498	- 5	- 1	-
CNY	-	-	-	-
CZK	-	-	-	-
DKK	- 27	-	-	-
EUR	6,368	- 64	- 4	-
GBP	324	- 3	-	-
HKD	18	-	-	-
MXN	- 789	8	-	-
NOK	311	- 3	-	-
PLN	- 147	1	-	-
RUB	-	-	-	-
SEK	- 225	2	-	-
USD	- 89	1	- 14	-
Total	6,229	- 63	- 19	

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, 2023	Unrealized gain/loss Dec 31, 2022
AUD	1	2	1	-	6.76	6.82	-	- 1
CHF	2	2	2	2	12.45	11.98	4	- 2
DKK	6	6	6	6	1.60	1.49	3	- 1
EUR	12	11	11	11	11.72	11.10	28	- 4
GBP	-	-	-	-	11.83	12.77	-	1
MXN	232	147	126	102	0.64	0.59	27	12
NOK	6	6	6	6	1.04	0.99	1	-
PLN	- 2	- 1	- 2	- 1	2.59	2.56	-	-
USD	1	- 1	- 1	- 1	11.79	10.04	- 3	-
Total							60	5
Of which recognized in income statement at end of period							14	- 6
Of which recognized in other comprehensive income at end of period							46	1

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 2023, 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 365 (290) mil-

lion. 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 422 (306) 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 47 (15) million. If the Swedish krona weakens by 1% against the named currencies, the reverse applies.

Currency	Net assets	Hedging	2023
AUD	132	-	132
CAD	1,836	-	1,836
CHF	4,594	- 39	4,555
CRC	280	-	280
CZK	1,102	-	1,102
DKK	2,067	- 457	1,610
EUR	14,582	- 5,072	9,510
GBP	1,696	- 189	1,507
HKD	247	-	247
MYR	9	-	9
MXN	148	-	148
NOK	866	-	866
PLN	1,390	-	1,390
RON	88	-	88
RSD	666	-	666
SGD	23	-	23
TRY	502	-	502
TWD	5	-	5
VND	136	-	136
THB	50	-	50
USD	11,800	- 9	11,791
Total	42,219	- 5,766	36,453

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
RSD	601	-	601
SGD	22	-	22
TRY	580	-	580
TWD	3	-	3
VND	128	-	128
THB	51	-	51
USD	11,613	-	11,613
Total	30,642	- 1,653	28,989

PARENT COMPANY

Currency	2023	2022
DKK	207	-
EUR	4,455	1,369
GBP	86	112
Total	4,748	1,481

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)	2023	2022
Receivables, wholly or partly impaired		
– overdue by less than 3 months	106	33
– overdue by more than 3 months	102	93
Receivables, not impaired		
– overdue by less than 3 months	1,095	847
– overdue by more than 3 months	227	230
Total overdue receivables	1,530	1,203
Provision for credit losses	– 126	– 94
Total receivables overdue but not impaired	1,404	1,109

Provision for credit losses

(SEK million)	2023	2022
Provisions brought forward	94	88
Provisions in acquired companies	29	–
Provisions in sold companies	– 15	– 15
Established credit losses	– 13	– 3
Reversed provisions	– 14	– 17
Provisions for the year	47	33
Translation differences	– 2	8
Provisions carried forward	126	94

Credit losses of SEK 12 (25) million on the Group's receivables have been recognized in profit for the year.

Gains and losses on financial instruments

(SEK million)	Group		Parent	
	2023	2022	2023	2022
Exchange gains and losses on currency derivatives used for hedge accounting recognized				
– as other operating income	27	–	–	–
– in other comprehensive income	47	– 1	–	–
Gains and losses on commodity derivatives used for hedge accounting recognized				
– as cost of goods sold	– 4	7	–	–
– in other comprehensive income	– 4	1	–	–
Exchange gains and losses on other financial assets and liabilities recognized				
– as other operating income	420	400	–	–
– as cost of goods sold	– 458	– 362	–	–
– as financial income	197	348	281	212
– as other financial expenses	– 158	– 315	– 22	– 100
Credit losses on trade receivables recognized as selling expenses	– 12	– 25	–	–
Total	55	53	259	112

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 several fixed-rate bonds. 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-inter-

est-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, 2023 (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 amount
Intangible assets	-	-	-	31,014	31,014	
Property, plant and equipment	-	-	-	11,568	11,568	
Participations in associates and jointly controlled entities	-	-	-	282	282	
Non-current receivables from associates	246	-	-	-	246	246
Investments held as non-current assets	-	36	-	-	36	36
Deferred tax assets	-	-	-	547	547	
Other non-current receivables	164	-	49	-	213	213
Inventories	-	-	-	13,227	13,227	
Trade receivables	5,005	-	-	-	5,005	5,005
Trade receivables from associates	28	-	-	-	28	28
Tax assets	-	-	-	432	432	
Other receivables	598	-	42	-	640	640
Prepaid expenses and accrued income	-	-	-	583	583	
Investments in securities, etc.	-	527	-	-	527	527
Cash and cash equivalents	3,756	-	-	-	3,756	3,756
Total assets	9,797	563	91	57,653	68,104	

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 con- trolled 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
Total assets	11,530	221	42	42,201	53,994	

29 • FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Equity and liabilities Dec 31, 2023 (SEK million)	Financial liabilities measured at amortized cost	Derivatives used for hedge accounting	Non-financial items	Total carrying amount	Fair value
Equity	-	-	30,207	30,207	
Provisions	-	-	3,698	3,698	
Non-current liabilities*	17,172	-	-	17,172	17,172
Lease liabilities (non-current and current)	1,982	-	-	1,982	1,982
Current interest-bearing liabilities	5,329	-	-	5,329	
Trade payables	3,291	-	-	3,291	3,291
Advance payments from customers	248	-	-	248	248
Tax liabilities	-	-	545	545	
Other liabilities	3,070	13	-	3,083	3,083
Accrued expenses and deferred income	2,549	-	-	2,549	2,549
Total equity and liabilities	33,641	13	34,450	68,104	

*Of which SEK 4,207 million refers to loans in foreign currencies to hedge net investment in foreign operations.

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
Total equity and liabilities	22,501	40	31,453	53,994	

*Of which SEK 1,653 million refers to loans in foreign currencies to hedge net investment in foreign operations.

Hedge accounting

In 2023, hedge accounting has been applied as follows:

- 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 2023, outstanding contracts maturing in Q1 2024 totaled SEK 4 million, with SEK 1 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.
- Fixed rate bonds were issued during the year. Fixed interest has been replaced with variable as the company has entered into interest rate swaps. The interest rate swaps have been identified as hedging instruments in fair value hedges of interest rate risk with the bonds as hedged items.

For information on the amounts recognized in other comprehensive income, see the income statements on pages 80 and 92.

Fair value hedges of interest rate risk, summary	2023
Hedging instrument	
Carrying amount of hedging instruments that are assets	49
Carrying amount of hedging instruments that are liabilities.	0
Fair value changes used to calculate ineffectiveness during the year.	49
Nominal amount	1,600
Hedged items	
Carrying amount of hedged items	1,603
Accumulated change in value of hedged items	3
Change in fair value used to calculate ineffectiveness for the year.	3
Ineffectiveness recognized during the year.	46

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 47.8%. 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 84 and 92). The covenants set by the Group's external lenders 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. As all borrowing in the NIBE Group apart from four bond loans is at floating interest rates, the Group is exposed only to cash flow risk from financial borrowing.

The Group's interest-bearing liabilities at year-end amounted to SEK 22,771 million. The average interest rate was 5.2%. A 1% change in the interest rate, with constant liabilities, would have an impact of SEK 228 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 14,266 million. A 1% change in the interest rate, with constant liabilities, would have an impact of SEK 143 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 an 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, 2023		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	4,749	5,134	-	2,111	3,023	-
Bond loans	10,150	11,608	1,284	2,270	5,380	2,674
Other non-current liabilities	1,510	1,510	-	1,510	-	-
Additional consideration	3,809	3,966	1,897	470	1,333	266
Current liabilities to credit institutions	4,079	4,079	4,079	-	-	-
Trade payables	3,291	3,291	3,291	-	-	-
Advance payments from customers	248	248	248	-	-	-
Derivatives used for hedge accounting	3	3	3	-	-	-
Other current liabilities	1,285	1,285	1,285	-	-	-
Accrued expenses and deferred income	2,549	2,549	2,549	-	-	-
Lease liabilities	1,982	2,108	508	434	523	643
Total financial liabilities	33,655	35,781	15,144	6,795	10,259	3,583

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	5,853	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
Total financial liabilities	22,542	22,886	13,034	4,185	3,604	2,063

Parent Dec 31, 2023		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	2,663	3,023	-	-	3,023	-
Bond loans	10,150	11,608	1,284	2,270	5,380	2,674
Additional consideration	2,085	2,085	1,148	-	688	249
Current liabilities to credit institutions	1,450	1,450	1,450	-	-	-
Derivatives used for hedge accounting	3	3	3	-	-	-
Current liabilities to Group companies	5	5	5	-	-	-
Trade payables	9	9	9	-	-	-
Other current liabilities	4	4	4	-	-	-
Accrued expenses and deferred income	73	73	73	-	-	-
Total financial liabilities	16,442	18,260	3,976	2,270	9,091	2,923

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	-	-	-
Total financial liabilities	8,648	9,069	2,990	1,954	2,280	1,845

30 • PLEDGED ASSETS

(SEK million)	Group		Parent	
	2023	2022	2023	2022
Floating charges	41	4	-	-
Real estate mortgages	54	3	-	-
Equipment with retention of title	46	46	-	-
Receivables	152	153	20	18
Total pledged assets	293	206	20	18

31 • CONTINGENT LIABILITIES

(SEK million)	Group		Parent	
	2023	2022	2023	2022
Pension commitments not recognized under liabilities or provisions	6	6	-	-
Contingent liabilities on behalf of other Group companies	-	-	5,474	2,499
Total contingent liabilities	6	6	5,474	2,499

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 statement of cash flows has been prepared in accordance with the indirect method. 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 institutions	Bond loans	Other liabilities	Total
Amount on Dec 31, 2021	1,564	7,100	3,896	12,560
Changes affecting cash flow				
Amortization of non-current loans	- 183	- 1,600	- 53	- 1,836
Amortization of lease liabilities	-	-	- 365	- 365
Proceeds from borrowings	3,059	-	-	3,059
Total	2,876	- 1,600	- 418	858
Changes not affecting cash flow				
Liabilities in acquired companies	159	-	86	245
Liabilities in sold companies	- 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
Total	- 375	-	1,396	1,021
Amount on Dec 31, 2022	4,065	5,500	4,874	14,439
Changes affecting cash flow				
Amortization of non-current loans	- 2,081	- 1,250	- 34	- 3,365
Amortization of lease liabilities	-	-	- 498	- 498
Proceeds from borrowings	6,121	5,900	1,504	13,525
Total	4,040	4,650	972	9,662
Changes not affecting cash flow				
Liabilities in acquired companies	898	-	190	1,088
Recognized as liabilities during the year	-	-	196	196
Reversed during the year	-	-	- 887	- 887
Change in fair value	-	3	181	184
Translation differences	- 175	-	- 24	- 199
Total	723	3	- 344	382
Amount on Dec 31, 2023	8,828	10,153	5,502	24,483

Parent (SEK million)	Liabilities to credit institutions	Bonds	Other liabilities, non- interest- bearing	Total
Amount on Dec 31, 2021	-	7,100	525	7,625
Changes affecting cash flow				
Amortization of non-current loans	-	- 1,600	-	- 1,600
Proceeds from borrowings	1,600	-	-	1,600
Total	1,600	- 1,600	-	-
Changes not affecting cash flow				
Recognized as liabilities during the year	-	-	875	875
Reclassification	-	-	-	-
Translation differences	-	-	81	81
Total	-	-	956	956
Amount on Dec 31, 2022	1,600	5,500	1,481	8,581
Changes affecting cash flow				
Amortization of non-current loans	- 1,600	- 1,250	-	- 2,850
Proceeds from borrowings	4,280	5,900	-	10,180
Total	4,280	10,150	-	15,911
Changes not affecting cash flow				
Recognized as liabilities during the year	-	-	618	618
Translation differences	- 167	-	- 14	- 181
Total	- 167	-	604	437
Amount on Dec 31, 2023	4,113	10,150	2,085	16,348

33 • SALE OF BUSINESSES

Sale of businesses

At the end of June of the previous year, 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 previous year 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	
	2023	2022
(SEK million)		
Consideration	-	229
Cash and cash equivalents in sold companies	-	- 103
Effect on the Group's cash and cash equivalents	-	126

Sold net assets are as follows	Group	
	2023	2022
(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
Sold net assets	-	565

34 • SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The start of 2024 has confirmed weaker demand in the European heat pump market. This has led to a decision to introduce an action program to reduce personnel, other fixed costs and inventories and to balance investments, particularly within Climate Solutions in Europe.

As part of the action program, negotiations have been initiated to adjust the Group's workforce in Sweden by approximately 340 employees. In the rest of Europe, negotiations will be initiated for similar staffing reductions.

Companies in the NIBE Group

Subsidiary	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	CHE-100 3.017.337-2	Altishofen	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	100Ě257Ě514	Burwood	Australia
Backer Wolff GmbH	HRB 27026	Dortmund	Germany
Beckasinen i Markaryd AB	556262-1150	Markaryd	Sweden
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
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
Calvin Holdco B.V.	80747108	Amsterdam	Netherlands *
Ceramicx Ireland Limited	183040	Ballydehob	Ireland *

*Sales companies and production companies not included in the 2023 Sustainability Report

Subsidiary	Corporate ID number	Registered office	Country
Cetetherm AB	559147-1437	Ronneby	Sweden
Cetetherm LLC	1105010000303	Saint Petersburg	Russia
Cetetherm Oy	3008611-6	Vanda	Finland
Cetetherm SAS	352696850	Pontcharra sur Turdine	France
Cetetherm s.r.o.	08300321	Prague	Czech Republic
CFL Group B.V.	65247566	Amsterdam	Netherlands *
CFL Ontwikkeling en Exploitatie B.V.	65247701	Tiel	Netherlands *
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 d.o.o.	17578448	Užice	Serbia
Elmess Thermosystemtechnik GmbH & Co.KG	HRA 120256	Lüneburg	Germany
Elmess Thermosystemtechnik Verwaltungs-GmbH	HRB 120337	Lüneburg	Germany
Eitwin A/S	13 99 24 44	Risskov	Denmark
Eitwin Sp. z.o.o.	394767	Stargard	Poland
Energie Exploitation De Trip B.V.	60412895	Rotterdam	Netherlands *
Energie Exploitation Rijswijk Buiten B.V.	56279620	Rotterdam	Netherlands *
Enertech AB	556060-2269	Ljungby	Sweden
Enertech Belgium Sprl	821427672	Couvin	Belgium
Enertech Global LLC	45-2301710	Greenville	USA
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
Giersch GmbH	HRB 733204	Iserlohn	Germany
Go Geothermal Ltd	5967652	Newton Aycliffe	UK
Graybar Ltd	2872001	Wellingborough	UK
Greendraco S.A	513196978	Águeda	Portugal *
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 2023 Sustainability Report

Subsidiary	Corporate ID number	Registered office	Country
Heatron Inc.	43-1126014	Leavenworth	USA
Hemi Heating AB	556420-7586	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
Hyper Engineering Pty Ltd	ACN 148 010 520	Victoria	Australia
Heiix AS	936 030 327	Fredrikstad	Norway
International Environmental Corp.	73-0754306	Oklahoma City	USA
IPAR i Sverige AB	556931-6085	Vetlanda	Sweden *
Itho Daalderop B.V.	11006307	Tiel	Netherlands *
Itho Dalderop Belgium B.V.B.A.	0834385090	Asse	Belgium *
Itho Images B.V.	24323029	Schiedam	Netherlands *
Jac. De Vries Gesta B.V.	36043314	Hoorn	Netherlands
JSC Evan	1065260108517	Nizhniy 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
Klimaatgarant B.V.	56703503	Rotterdam	Netherlands *
Klimaatgarant Exploitatie B.V.	65878965	Schiedam	Netherlands *
Klöpffer GmbH & Co. KG	HRA 12753	Dortmund	Germany
Klöpffer-Therm GmbH & Co.KG	HRA 12322	Dortmund	Germany
Klöpffer-Therm Verwaltungs-GmbH	HRB 8600	Dortmund	Germany
Klöpffer 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
Living Blue B.V.	61467510	Rotterdam	Netherlands *
Lotus Heating Systems A/S	26 11 04 75	Langeskov	Denmark
Loval Oy	0640930-9	Lovisa	Finland
LS Control A/S	15288205	Herlufmagle	Denmark *
Lund & Sörensen AB	556731-8562	Sösådal	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	Helsingør	Denmark
Meyer Vastus AB, Oy	0215219-8	Monninkylä	Finland
Miles Industries (Australia) Pty Ltd	ACN 646 008 899	Brookvale	Australia *
Miles Industries Inc	980É126É981	North Vancouver	Canada *
Miles Industries Ltd	BC0886496	North Vancouver	Canada *
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

*Sales companies and production companies not included in the 2023 Sustainability Report

Subsidiary	Corporate ID number	Registered office	Country
Nathan Projects B.V.	64768643	't 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
Next NRG B.V	66E397E626	Papendrecht	Netherlands
NIBE AB	556056-4485	Markaryd	Sweden
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	Chesterfield	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	Vancouver	Canada
NIBE Stoves GmbH	HRB 13929	Harrislee	Germany
NIBE Systemtechnik GmbH	HRB 10 12 56	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
PGR Partners NV	0436.502.176	Grimbergen	Belgium *
Renting 959 KB	916616-1787	Ljungby	Sweden
Rhoss Deutschland GmbH	HRB 411169	Stuttgart	Germany
Rhoss S.p.A.	01142230299	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
Solzaima - Equipamentos para Energias Renováveis, S.A.	500780455	Águeda	Portugal *
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

*Sales companies and production companies not included in the 2023 Sustainability Report

Subsidiary	Corporate ID number	Registered office	Country
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
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
VEÅ Energi AB	559431-3081	Sävsjö	Sweden *
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
Å.K-Budet i Markaryd AB	556364-4672	Markaryd	Sweden *

*Sales companies and production companies not included in the 2023 Sustainability Report

Non-financial reporting

This year's sustainability report is the thirteenth 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 2023. For information on the companies included in the report, see pages 136–140.

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 sustainability report also documents where and how data was collected, for example the invoice system, reports from waste management companies, etc. The figures are compared with the previous year 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 2023 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 (CSRD).

Information related to the annual report	141
Stakeholder dialogue	142
EU regulation, Taxonomy	144
Climate scenario analyses	150
Policies that support our values	156
GENERAL DISCLOSURES	157
Organizational profile	157
Strategy	158
Ethics	158
Governance	158
Stakeholder engagement	159
Reporting practice	159
NIBE'S MATERIAL TOPICS	
BUSINESS AND ETHICS TOPICS	
Economic performance	160
Procurement practices	160
Anti-corruption and anti-competitive behavior	161
ENVIRONMENTAL TOPICS	
Materials	162
Energy	163
Water	165
Emissions	167
Effluents and waste, and compliance with environmental legislation	169
SOCIAL TOPICS	
Evaluation of suppliers	170
Occupational health and safety	171
Employment	172
Training and education	173
Diversity and equal opportunity	174
Human rights	175
Compliance with social and financial regulations	177

Index, statutory sustainability report

Area	Disclosure requirements under the Swedish Annual Accounts Act	The environment	Human resources	Social conditions	Human rights	Anti-corruption
Business model	'The sustainability report must describe the company's business model'	Pages 18, 21, 23, 25, 28, 33	Pages 28, 33	Pages 24, 33	Pages 24, 32, 141	Page 24
Policy	'The sustainability report must describe the policy that the company applies to the topics, including the review procedures implemented'	Pages 66, 144–156, 162–170	Pages 156, 171–173	Pages 156, 177–178	Pages 156, 174–176, 178	Pages 156, 161, 170
Result of the policy	'The sustainability report must describe the result of the policy'	Pages 144–155, 162–170	Pages 157, 171–173	Pages 177–178	Pages 170, 174–176, 178	Pages 158, 161, 170
Material risks	'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 68–70, 95	Pages 68–70, 95	Pages 68–70, 94	Pages 68–70, 94	Pages 68–70, 94
Management of risks	'The sustainability report must describe how the company manages the risks'	Pages 95, 162–169	Pages 95, 171–173	Pages 94, 177–178	Pages 95, 175–176	Pages 95, 161, 170
Result indicators	'The sustainability report must describe central result indicators that are relevant to operations'	Pages 10–11, 144–149, 162–169	Pages 11, 171–173	Pages 177–178	Pages 175–176	Pages 161, 170

More information on NIBE can be found at www.nibe.com

The Global Reporting Initiative index can be found at www.nibe.com/gri-index

Our stakeholder dialog

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 guidance 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. During the year, 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 assessment.

STAKEHOLDER*	DIALOG	TOPICS
Customers	Surveys Business dialogs Contracts	Safe products Sustainable products Business relationship
Employees	Employee dialog	Security Expertise
Suppliers	Surveys Business dialogs 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).

Dialog with our stakeholders

Through a continuous dialog 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.

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 assessment

We conducted our materiality assessment based on our stakeholder dialog and dialogue with management. We determined the scope and boundaries of aspects based on trends and GRI, 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 frequency 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.

In connection with the impending CSRD, the way the materiality assessment is carried out is changing, and consequently we performed a double materiality assessment in the financial year. In 2024, we will continue to implement and communicate any changes relating to material sustainability matters.

The different areas are described in detail on page 142 and our strategic focus areas are described on pages 157–178.

EU regulation, Taxonomy

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 primarily covered by. In 2023, the Taxonomy Regulation was also applied to the remaining four environmental objectives, which meant that our sale of spare parts is now covered by the objective *Transition to a circular economy*.

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. 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 an interpretation of the Taxonomy on the basis of the precautionary principle throughout, and have only assessed products as being eligible where it is clear that this is the case.

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 146–149.

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.

We have assessed that only those products that are able to meet all technical screening criteria are covered by the taxonomy. 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 referred to in activity 3.5. 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 perform installation, repair 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*. The same assessment is made in the case of companies

offering heat pump leasing. All turnover from leasing is included under activity 7.6 as it is not possible to separate the component relating to the heat pump as such and the component relating to installation and servicing. In cases where materials or spare parts are used in connection with Installation, maintenance or repair, these are also included in activity 7.6. If the companies are unable to make a distinction between the sale of spare parts in connection with the provision of a service and a sale of stand-alone spare parts, the assumption was made that all sales of spare parts are to be regarded as stand-alone sales, see 5.2 below.

In 2023, the EU adopted activity 5.2 *Sale of spare parts* and our assessment is that this primarily concerns companies within Climate Solutions. In some cases, the companies have no information about whether the spare parts have been used to replace existing parts or are used for new installation. Our overall assessment is that only a small number are used for new installation and therefore the assumption was made that all sales of spare parts are Taxonomy-eligible.

NIBE Element

The activity descriptions in the Taxonomy do not always cover components, which affects the companies within NIBE Element as they manufacture components, not end-products. We only consider components to be Taxonomy-eligible in cases where the activity description specifically mentions components. As an example, an activity that does not mention components is 3.1 *Manufacture of renewable energy technologies*, and our assessment is therefore that our components for wind power plants and solar panels are not Taxonomy-eligible. Other examples are components for the semiconductor industry, railway carriages and medical equipment.

During the year, the EU adopted new activities for the environmental objective *Climate change mitigation*. For NIBE Element this means that components and associated technology used for smart heating of railway tracks and switches are not covered by activity 3.6 but by 3.19 *Manufacture of rail rolling stock constituents*. Furthermore, activity 3.18 *Manufacture of automotive and mobility components* is new for 2023 and covers components for fully electric vehicles, such as braking resistors. As before, battery heaters were covered by activity 3.4 *Manufacture of batteries*.

Additionally, activity 3.5 also applies to NIBE Element because some of the companies manufacture components that 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, for example, that household appliances should fall into the highest two populated 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.

Do no significant harm (DNSH)

As already described, it is mainly activities in sector 3 Manufacture that apply to NIBE Industrier. These activities have DNSH criteria for all the other five environmental objectives but the criteria are not product-specific in the same way as the Substantial contribution criteria. 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. However, our products do not currently meet the criteria of Appendix C, point (f). Therefore, all turnover, CapEx and OpEx linked to the activities in sector 3 are reported as not taxonomy-aligned under item A2. The criteria in point (f) are that we must not use in our production, and our products must not contain, substances listed on the Candidate list, except where it is proven that no other suitable, alternative substances or technologies are available on the market.

These criteria mean that the taxonomy is more far-reaching than existing legislation. To be able to provide supporting evidence that an activity complies with Appendix C, thorough mapping of our products and the substances present in the products is required, as are active measures to replace any identified substances where suitable alternative substances or technologies are available on the market.

We have been working on this on an ongoing basis for a number of years, but we will be intensifying this work in the next year in order to be able to ensure alignment with the Taxonomy in future.

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 and is being conducted in accordance with the guidelines and principles set out in the UN Global Compact and the OECD.

Accounting policies

Taxonomy reporting covers the companies in which NIBE has control, that is, where we have majority ownership, including operations acquired in 2023.

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 accessories that are not product-specific 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 in-

angible 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, 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. Against this background, 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 taxonomy.

Similar work is underway and will continue 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	2023			Substantial contribution criteria				
	Economic activities	Code	Turnover	Proportion of turnover, 2023	Climate change mitigation	Climate change adaptation	Water	Pollution
		SEK M	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	
A. TAXONOMY-ELIGIBLE ACTIVITIES								
A.1 Environmentally sustainable activities (Taxonomy-aligned)								
Installation, maintenance and repair of renewable energy technologies	CCM 7.6	381	1%	Y	N/EL	N/EL	N/EL	
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		381	1%	1%	0%	0%	0%	
Of which enabling activities		381	1%	1%	0%	0%	0%	
Of which transitional activities		0	0%	0%				
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)								
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	
Manufacture of batteries	CCM 3.4	84	0%	EL	N/EL	N/EL	N/EL	
Manufacture of energy efficiency equipment for buildings	CCM 3.5	23,077	49%	EL	N/EL	N/EL	N/EL	
Manufacture of automotive and mobility components	CCM 3.18	123	0%	EL	N/EL	N/EL	N/EL	
Manufacture of rail rolling stock constituents	CCM 3.19	268	1%	EL	N/EL	N/EL	N/EL	
Installation, maintenance and repair of renewable energy technologies	CCM 7.6	59	0%	EL	N/EL	N/EL	N/EL	
Sale of spare parts	CE 5.2	884	2%	N/EL	N/EL	N/EL	N/EL	
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		24,494	52%	50%	0%	0%	0%	
A. Turnover of Taxonomy-eligible activities (A.1 + A.2)		24,875	53%	51%	0%	0%	0%	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES								
Turnover of Taxonomy-non-eligible activities		21,774	47%					
Total (A + B)		46,649	100%					

CAPITAL EXPENDITURE	2023			Substantial contribution criteria				
	Economic activities	Code	Capital expenditure	Proportion of CapEx 2023	Climate change mitigation	Climate change adaptation	Water	Pollution
		SEK M	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	
A. TAXONOMY-ELIGIBLE ACTIVITIES								
A.1 Environmentally sustainable activities (Taxonomy-aligned)								
Installation, maintenance and repair of renewable energy technologies	CCM 7.6	163	2%	Y	N/EL	N/EL	N/EL	
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		163	2%	2%	0%	0%	0%	
Of which enabling activities		163	2%	2%	0%	0%	0%	
Of which transitional activities		0	0%	0%				
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)								
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	
Manufacture of batteries	CCM 3.4	12	0%	EL	N/EL	N/EL	N/EL	
Manufacture of energy efficiency equipment for buildings	CCM 3.5	4,152	54%	EL	N/EL	N/EL	N/EL	
Manufacture of automotive and mobility components	CCM 3.18	18	0%	EL	N/EL	N/EL	N/EL	
Manufacture of rail rolling stock constituents	CCM 3.19	39	1%	EL	N/EL	N/EL	N/EL	
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		4,221	55%	55%	0%	0%	0%	
A. CapEx of Taxonomy-eligible activities (A.1 + A.2)		4,384	57%	57%	0%	0%	0%	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES								
CapEx of Taxonomy-non-eligible activities		3,354	43%					
Total (A + B)		7,738	100%					

		Do no significant harm (DNSH) criteria										
Circular economy	Biodiversity	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimum safe-guards	Proportion of taxonomy-aligned (A.1.) or taxonomy-eligible (A.2.) turnover, 2022	Category enabling activity	Category transitional activity	
Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T	
N/EL	N/EL	-	Y	-	-	-	-	Y	1%	E	-	
0%	0%	-	Y	-	-	-	-	Y	1%			
0%	0%	-	Y	-	-	-	-	Y	1%	E		
		-	-	-	-	-	-	-	0%		T	
EL; N/EL	EL; N/EL											
N/EL	N/EL								0%			
N/EL	N/EL								48%			
N/EL	N/EL								-			
N/EL	N/EL								1%			
N/EL	N/EL								0%			
EL	N/EL								-			
2%	0%								49%			
2%	0%								50%			

		Do no significant harm (DNSH) criteria										
Circular economy	Bio-diversity	Climate change mitigation	Climate change adaptation	Water	Circular economy	Pollution	Biodiversity	Minimum safe-guards	Proportion of Taxonomy-aligned (A.1.) or Taxonomy-eligible (A.2.) CapEx, 2022	Category enabling activity	Category transitional activity	
Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T	
N/EL	N/EL	-	Y	-	-	-	-	Y	0%	E	-	
0%	0%	-	Y	-	-	-	-	Y	0%			
0%	0%	-	Y	-	-	-	-	Y	0%	E		
		-	-	-	-	-	-	-	0%		T	
EL; N/EL	EL; N/EL											
N/EL	N/EL								0%			
N/EL	N/EL								36%			
N/EL	N/EL								0%			
N/EL	N/EL								-			
0%	0%								36%			
0%	0%								36%			

OPERATING EXPENDITURE	2023			Substantial contribution criteria				
	Code	Operating expenditure	Proportion of OpEx 2023	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy
Economic activities		SEK M	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL
A. TAXONOMY-ELIGIBLE ACTIVITIES								
A.1 Environmentally sustainable activities (Taxonomy-aligned)								
Installation, maintenance and repair of renewable energy technologies	CCM 7.6	1	0%	Y	N/EL	N/EL	N/EL	N/EL
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		1	0%	0%	0%	0%	0%	0%
Of which enabling activities		1	0%	0%	0%	0%	0%	0%
Of which transitional activities		0	0%	0%				
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)								
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL
Manufacture of batteries	CCM 3.4	2	0%	EL	N/EL	N/EL	N/EL	N/EL
Manufacture of energy efficiency equipment for buildings	CCM 3.5	689	45%	EL	N/EL	N/EL	N/EL	N/EL
Manufacture of automotive and mobility components	CCM 3.18	3	0%	EL	N/EL	N/EL	N/EL	N/EL
Manufacture of rail rolling stock constituents	CCM 3.19	7	1%	EL	N/EL	N/EL	N/EL	N/EL
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		701	46%	46%	0%	0%	0%	0%
A. OpEx of Taxonomy-eligible activities (A.1 + A.2)		702	46%	46%	0%	0%	0%	0%
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)			44%	44%	0%	0%	0%	0%
A. OpEx of Taxonomy-eligible activities (A.1 + A.2)		567	44%	44%	0%	0%	0%	0%
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES								
OpEx of Taxonomy-non-eligible activities		818	54%					
Total (A + B)		1,519	100%					

Nuclear and fossil gas related activities

Nuclear energy related activities

- The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle. NO
- The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies. NO
- The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades. NO

Fossil gas related activities

- The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels. NO
- The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels. NO
- The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels. NO

Do no significant harm (DNSH) criteria											
Biodiversity	Climate change mitigation	Climate change adaptation	Water	Circular economy	Pollution	Biodiversity	Minimum safeguards	Proportion of Taxonomy-aligned (A.1.) or Taxonomy-eligible (A.2.) OpEx, 2022	Category enabling activity	Category transitional activity	
Y: N: N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T	
N/EL	-	Y	-	-	-	-	Y	0%	E	-	
0%	-	Y	-	-	-	-	Y	0%	E	-	
0%	-	Y	-	-	-	-	Y	0%	E	-	
	-	-	-	-	-	-	-	0%		T	
EL: N/EL											
N/EL								0%			
N/EL								44%			
N/EL								0%			
N/EL								-			
0%								44%			
0%								44%			
0%								-			
0%								%			

We look at the future by performing climate and transition 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.

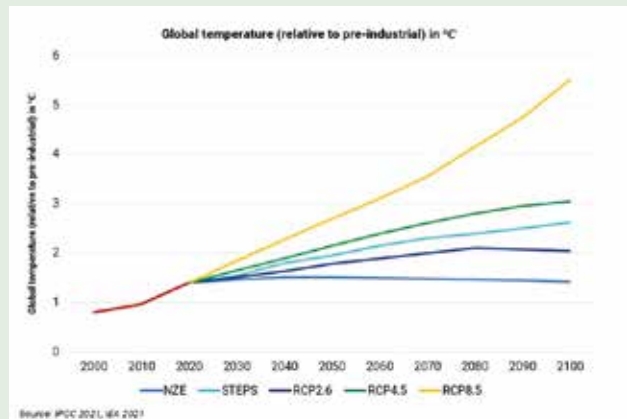
The two scenarios considered here are:

- 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 percent 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 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 that are likely to have a material financial 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. TCFD disclosures. 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 operating expenses, 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 operating expenses, 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, diversification of 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 operating expenses, 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 operating expenses, 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.	Invest in greener technologies, change to lower GWP refrigerants, reduce fossil fuels in production process, efficiency improvements.
	Regulatory changes.	Emerging disclosure requirements.	Emerging regulations and disclosure requirements may result in increased baseline costs.	Engage with trade associations and monitor 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 low carbon energy emissions.	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 percent of heavy truck sales are electric, while more than 65 percent of new car sales are electric. By 2050, under NZE, nearly 70 percent 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 development 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 percent 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 percent renewables target by 2030. Meanwhile in the US, STEPS assumes 100 percent carbon-free electricity is generated in 20 US states by 2050, while 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 change

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 percent, 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 percent increase
Extreme rainfall	Change in the volume of extreme rainfall exceeds 25 percent
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 percent increase
Precipitation	Change in precipitation exceeds +/- 10 percent
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 percent
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 on page 155.

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
Physical risks ACUTE	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		
Physical risks CHRONIC	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 costs due to increased demand for energy and possible capital expenditure due to need for climate control.
	Heat stress (current climate)	5.63		Increase in costs due to increased demand for energy and possible capital expenditure due to need 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 solar

panels, in combination with installation of heat pumps, 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 percent by 2030.

Continued work

We will continue our work on transition risks and on how suppliers impact our risks based on their location. We will also work on explaining the companies' climate risks in NICS (NIBE Internal Control Standard) and take these into account in the double materiality assessment required under CSRD.

Climate 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 150–154 and pages 68–70

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 Disclosures, 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 change through activities and, therefore, their physical impact.

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
Respect for human rights	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
Good working conditions	Occupational health and safety policy Alcohol and drugs policy Diversity and equal treatment policy	External/Internal External/Internal External/Internal	Goal: A safe workplace with no accidents. Total number of incidents of discrimination. Incidents of violations involving rights of indigenous peoples.	8
Reduced environmental impact	Environmental policy Chemicals policy Travel policy Car policy	External/Internal Internal External/Internal Internal	Goal: Systematic quality and environmental initiatives. Goal: Increased climate benefit in our product portfolio. Goal: Continuously declining energy use. Goal: Reducing CO2 emissions between 2019 and 2030. Number of reported cases of significant emissions.	7, 8, 9, 11, 12, 13
Product liability	Quality policy	External/Internal	Goal: Systematic quality and environmental initiatives. 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
Sound business ethics	Gift policy Whistleblower policy	Internal External/Internal	Number of cases reported to the whistleblower function.	8, 16
Transparency	Communication policy Tax policy Policy concerning trade sanctions	External/Internal Internal Internal	Annual Report	16
Responsible purchasing	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 identified significant risk of incidents of child labor and measures have been taken. Operations and suppliers with identified significant risk of incidents of forced or compulsory labor and measures have been taken. Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk.	8, 9, 12, 16
Social engagement	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

Policies relating to climate and responsible purchasing are submitted for approval to the Board of Directors of NIBE Industrier.

*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 business areas; Climate Solutions, Element and Stoves.

More information on NIBE Industrier AB's brands is available on pages 45, 49, 55 and at www.nibe.com/nibe-group

102-03 Location of headquarters.

The address of the company's head office is Hannabadsvägen 5, 285 21, Markaryd.

102-04 Location of operations.

NIBE Industrier AB is an international company, and the Group has production operations in 29 countries and sales companies in 22 countries. The Group is present in 34 countries. For more information on NIBE's worldwide presence, see pages 4, 136–140.

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 72. For information on NIBE's shares, see pages 73–74.

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 information on where NIBE is represented and names of companies, see pages 136–140 and www.nibe.com.

The Group has just over 21,900 employees. The report and data only cover the companies that have prepared sustainability reports for 2023.

For the Group's net sales, see page 100.

102-08 Information on employees and other workers

The figures show the number of employees at the end of December 2023 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 2023. Only 2 percent (4 percent) of the workforce at the end of the reporting year comprised temporary employees.

2023		Number of employees		
Employment type		Permanent	Temporary	Total
Number		20,189	1,735	21,924
Nordic region	%	21	18	21
Europe	%	40	58	41
North America	%	32	2	30
Asia	%	7	21	8
Other countries	%	0	1	0
Men	%	66	45	65
Women	%	34	55	35
Non-binary gender	%	0	0	0

2023	Full-time	Proportion	Part-time	Proportion
Men	13,722	62%	465	2%
Women	7,178	33%	559	3%
Non-binary gender	0	0%	0	0%
Total	20,900	95%	1,024	5%

Employee age distribution, n%	2023	2022	2021	2020	2019
age <30	20	21	21	20	21
age 30–50	51	50	51	52	51
age >50	29	29	28	28	28

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 international production and supplier partnerships, NIBE has its own purchasing offices at its production units.

Around 13 percent (12 percent) of supplies to NIBE's factories come from local or regional suppliers. Around 80 percent of the Group's total purchasing volumes comes from roughly 2,600 suppliers. More information is available in the Procurement practices section on page 160.

ORGANIZATIONAL PROFILE

102-10 Significant changes to the organization and its supply chain.

During 2023 NIBE acquired the following companies: Calvin Holdco B.V., Ceramicx Ireland Ltd, Miles Industries Ltd, P.G.R. Partners, Solzaima - Equipamentos para Energias Renováveis, S.A., IPAR i Sverige AB, LS Control A/S and Å.K.-Budet i Markaryd AB.

The following companies were acquired in 2022 and are included in sustainability reporting for 2023: 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.

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 (SDG). Read more about the Global Compact and the SDGs to which we contribute on pages 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), 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 until the CSRD is implemented. 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. Read more on pages 12–13 and 156 (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 2023, 17 reports were submitted to the NIBE Group's whistleblower function. Several of the reports involved the same concerns. In total, seven different concerns were reported. Two of the submitted reports were classified as whistleblowing cases and have been the subject of investigation within the framework of the whistleblowing policy. The other cases were categorized as HR cases and were submitted for handling by the NIBE Group outside the whistleblower function.

GOVERNANCE

102-18 Governance structure

The President 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 180–184.

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 142 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 percent 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 assessment. In addition to the usual surveys, interviews or visits are often requested.

Read more about our work with stakeholders on pages 142-143. The method used is Mitchell et al. 1997.

102-43 Approach to stakeholder engagement.

The materiality assessment conducted at the end of 2016 was updated in respect of this year's developments and stakeholder dialog. 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 143.

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 143.

102-45 Entities included in the consolidated financial statements.

For entities included in the consolidated financial statements, see page 96 and 113-115.

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 the GRI (Global Reporting Initiative) reporting standards, 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 2023 are not included in the reports. See pages 136-140 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 160-178.

102-48 Restatements of information.

The 2023 report includes the companies acquired in 2022 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 2023.

REPORTING PRACTICE

102-50 Reporting period.

January 1 to December 31, 2023.

102-51 Date of most recent report.

The most recent Annual Report was published on April 4, 2023.

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

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 96–135.

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 per pages 78–79.

201-1 Direct economic value generated and distributed.

Information from the financial statements divides up the economic value, see pages 75–135.

201-3 Defined-benefit plan obligations and other retirement plans.

Information on defined-benefit plan obligations and other retirement plans is described on pages 118–121.

201-4 Financial assistance received from government.

No financial assistance was received at Group level.

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.

We have decided to focus on the percentage distribution between different regions in future, instead of reporting actual purchasing value by region.

103-2 The management approach and its components.

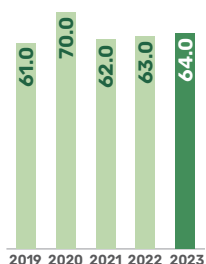
NIBE practices responsible purchasing, comprising a supplier code of conduct and evaluation of direct materials suppliers. The approach to our work with suppliers is described in further detail on pages 12–13 in Our Business Principles, and Our Values, while responsible purchasing is described on page 28.

103-3 Evaluation of the management approach.

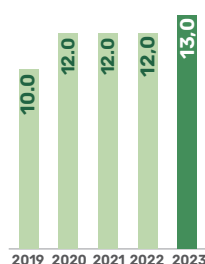
A number of metrics are monitored in respect of suppliers, including the number of suppliers and purchased value. Purchasing in own countries and locally is increasing slightly in relation to total purchased value. The number of suppliers has grown to 17,572 (16,583), largely due to the acquisition of 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.

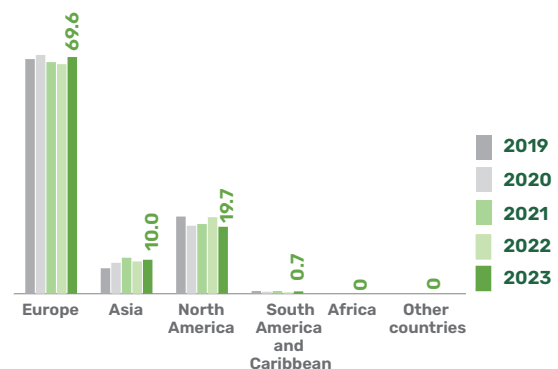
Purchase in own country, % of total value



Purchase locally, % of total value



Purchased value by region (%)



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 accordance with NIBE's internal process NIBE Internal Control Standard (NICS), see pages 68–70.

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 in accordance with our NICS internal process. See pages 68–70 and pages 94–95.

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 training on anti-corruption, number

	2023	2022	2021
Total	49	19	60

Training carried out via NIBE's e-learning platform should be implemented every two years. The figures therefore fluctuate slightly between different years. In 2024 we will work to achieve an increase in the number of Board members completing training.

Board members who received information on anti-corruption, number

	2023	2022	2021	2020	2019
Total	190	186	125	58	361

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.

Employees who received information on anti-corruption, number

	2023	2022	2021	2020	2019
Total	21,924	21,120	20,583	17,914	16,505
Nordic region	4,583	4,156	3,712	3,300	3,136
Europe	8,994	8,491	8,423	6,758	5,942
North America	6,473	6,373	6,385	5,933	5,777
Asia	1,843	2,064	2,034	1,910	1,633
Other countries	31	36	29	13	17

Employees who received training in anti-corruption, administrative employees, number

	2023	2022	2021	2020	2019
Total	5,985	5,663	6,346	5,549	4,950
Nordic region	1,172	1,017	2,110	1,532	1,440
Europe	1,755	1,668	2,254	2,408	2,087
North America	2,342	2,169	1,312	1,324	1,199
Asia	702	807	656	272	210
Other countries	14	2	14	13	14

Business partners who received information on anti-corruption policy, number

	2023	2022	2021	2020	2019
Total	1,168	1,296	1,318	844	528
Nordic region	277	340	461	118	65
Europe	688	802	717	676	421
North America	182	141	126	36	29
Asia	21	13	14	14	13
Other countries	0	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 optimizing 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 percent of our production units with more than 25 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.

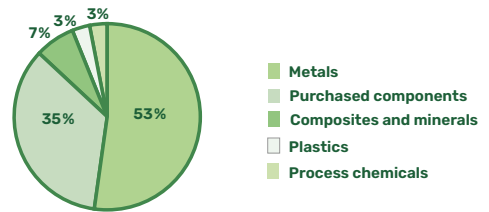
NIBE applies a decentralized approach in which improvement work related to resource management is integrated in the units' quality and environmental management systems. In addition to the target, we measure resource use to monitor the environmental impact of the organization. We see an increase in material 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.

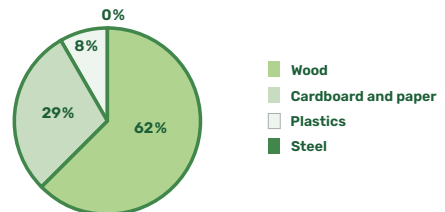
Material use in tonnes	2023	2022	2021	2020	2019
Metals	151,964	139,209	138,431	115,908	104,625
Components purchased	99,849	78,017	83,770	69,502	66,047
Composites and minerals	18,814	12,280	17,091	15,954	15,218
Plastic	8,573	8,205	9,462	6,511	5,832
Paint, glue, etc.	1,042	1,321	1,042	740	841
Chemicals	854	918	853	808	660
Acids	226	200	157	162	144
Gases	5,318	6,763	7,633	5,246	4,299
Refrigerants	689	584	558	491	461

Material use in % of total use



Packaging materials, tonnes	2023	2022	2021	2020	2019
Total	21,649	20,902	23,184	18,946	18,414
Plastic	1,810	1,566	2,804	1,352	1,422
Wood	13,485	12,930	13,559	11,645	11,084
Board	6,258	6,293	6,732	5,864	5,828
Steel	96	113	89	85	80

Packaging material in % of total use



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 percent of our sales to consist of LCE*-classified products by the end of 2026.
- Continuously declining energy use - the target is to reduce purchased energy use by 40 percent 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 by installing solar panels and heat pumps. Within Scope 1, we see a clear increase in self-generated electricity, heating and cooling over time as a result of these measures. We also buy renewable electricity (GoO certificates**) for our operations worldwide. For our reduction of environmental impact by buying GoO, see 305-5.

In accordance with our car policy, hybrid or electric cars should be chosen in preference to fossil fuel company cars, wherever possible. Our LCE* products support a shift towards a smaller carbon footprint and help customers improve energy efficiency and convert to renewable energy.

302-1 Energy consumption within the organization.

Energy consumption Scope 1 (MWh)	2023	2022	2021	2020	2019
Non-renewable sources					
Gasoline	7,605	5,758	4,404	3,080	4,261
Diesel	30,717	28,720	30,365	23,180	24,486
LPG	16,233	16,983	24,014	12,602	17,844
Light fuel	506	233	1,501	1,476	2,526
Heavy fuel	0	0	0	0	86
Natural gas	70,865	73,097	75,656	60,620	58,131
Methane	4,219	4,884	6,406	6,301	0
Coal	207	291	445	399	271
Renewable sources					
Pellets	1,153	726	861	422	922
Biogas	1,248	0	0	0	0
Biodiesel	2,927	956	1,123	232	115
Bioethanol	47	12	0	0	0

Energy consumption (GWh) Scope 1 and 2 and self-generated energy consumed	2023	2022	2021	2020	2019
Total	346	333	342	282	269

Self-generated energy (MWh)	2023	2022	2021	2020	2019
Self-generated electricity consumed	4,098	2,508	2,579	2,450	46
Self-generated heating consumed	9,015	8,598	7,861	5,182	4,816
Self-generated cooling consumed	1,770	1,629	318	237	226
Self-generated energy sold	1,724	1,008	641	385	4

*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. 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.

302-2 Energy consumption outside of the organization.

Energy consumption – Scope 2 (GWh)	2023	2022	2021	2020	2019
Total electricity consumption	183	175	173	154	148
Total heating consumption (renewable)	8.4	7.8	7.7	0.9	3.3
Total heating consumption (non-renewable)	4.8	5.6	5.9	10.7	4.0
Total cooling consumption	0	0	0	0	0
Total steam consumption	0	0	0	0	0

Corrections have been made to the figures for the years 2019–2022 in respect of sections 302-1 and 302-2, as a result of changes in conversion factors, prior reporting errors by subsidiaries and reclassification of process gases. The process gases acetylene, LPG, propane and natural gas are sometimes used for purposes other than as fuel for heating; for example, they can be used as shielding gas. In cases where these process gases are not used for heating purposes, they are not included under energy. However, their carbon dioxide impact, if any, is still included as emissions. During the year we also focused on monitoring the proportion of purchased volume of diesel and gas that comes from renewable sources, which resulted in an increase in the volume of biogas and bioethanol.

302-3 Energy intensity.

Intensity (Scope 1 and 2)	2023	2022	2021	2020	2019
Energy intensity (energy consumption/SEK million)	7.7	8.5	11.2	10.9	11.0

The energy intensity reported above includes consumption of self-generated energy, which is not in line with the target on page 10, which does not include self-generated energy.

302-4 Reduction of energy consumption.

Based on information from our energy mapping, which is performed over a cycle of 4-5 years, historically we have achieved a reduction in absolute energy consumption of around 2 percent per year of our total energy consumption. During follow-up energy mapping in 2023, we verified the results of actions carried out since previous energy mapping and this forms the basis for this calculation. In 2023, among other things, the majority of our propane-driven forklift trucks were replaced with electric forklift trucks, solar panels were installed and a gas-fired enameling furnace was replaced with an electric furnace.

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 and 2023 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. Groundwater withdrawal in water stress areas primarily relates to companies in Turkey. Water is used to some extent in our processes, and the volume of water consumed comes from evaporation.

303-3 Water withdrawal.

Water (m3)	2023	2022	2021	2020	2019
Total water withdrawal.	482,452	521,014	468,822	419,880	391,092
Municipal water (third-party water)	409,579	433,441	386,535	333,519	353,436
Surface water	150	0	0	446	1,775
Groundwater	72,723	87,573	82,287	85,915	35,881
Seawater	0	0	0		
Produced water	0	0	0		
Water quality, total water withdrawal					
Fresh water (<1,000 mg/l dissolved solids)	412,524	460,029	381,986	322,536	351,282
Other water (>1,000 mg/l dissolved solids)	69,928	60,985	86,836	97,344	39,810

Of which water from areas with water stress (m3)	2023	2022	2021	2020	2019
Total water withdrawal.	142,557	168,732	55,402	35,052	52,160
Municipal water (third-party water)	120,713	146,982	35,112	27,349	44,324
Surface water	0	0	0	0	0
Groundwater	21,844	21,750	20,290	7,703	7,836
Seawater	0	0	0		
Produced water	0	0	0		
Water quality, total water withdrawal					
Fresh water (<1,000 mg/l dissolved solids)	110,639	146,982	35,112	27,349	44,324
Other water (>1,000 mg/l dissolved solids)	31,918	21,750	20,290	7,703	7,836

WATER

303-4 Water discharge.

Water (m3)	2023	2022	2021	2020	2019
Total water recycling and reuse*	444,151	483,205	437,626	386,753	324,100
Municipal water treatment plant	387,893	396,512	360,947	320,050	311,492
Surface water	55,558	85,933	75,829	33,395	11,758
Groundwater	700	760	850	880	850
Seawater	0	0	0		
Produced water	0	0	0		
Water quality, total water recycling and reuse					
Fresh water (<1,000 mg/l dissolved solids)	0	0	0	0	0
Other water (>1,000 mg/l dissolved solids)	444,151	483,205	393,526	354,325	324,100

Of which water to areas with water stress (m3)	2023	2022	2021	2020	2019
Total water recycling and reuse	136,199	162,946	41,692	30,262	34,207
Municipal water (third-party water)	131,559	135,228	18,513	9,753	34,207
Surface water	4,640	27,718	23,179	20,509	0
Groundwater	0	0	0	0	0
Seawater	0	0	0		
Produced water	0	0	0		
Water quality, total water recycling and reuse					
Fresh water (<1,000 mg/l dissolved solids)	0	0	0	0	0
Other water (>1,000 mg/l dissolved solids)	136,199	162,946	41,692	30,262	34,207

Water discharge		2023	2022	2021	2020	2019
Metals	kg	31.2	33.5	26.1	16.9	9.0
Organic material	tonnes	23.9	19.8	33.8	24.0	37.0

303-5 Water consumption

Water (m3)	2023	2022	2021	2020	2019
Total water consumption*	38,301	37,809	31,196	33,127	66,992
Of which water consumption in areas with extreme water stress	4,492	4,529	0	0	3,832
Of which water consumption in areas with high water stress	6,506	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.

* Correction in tables 303-4 and 303-5 for 2021-2022 as a result of adjustment of calculation of wastewater.

GRI 305: Emissions 2016

GRI 103: Management approach 2016

103-1 Explanation of the material topic and its Boundary.

Climate change linked to emissions is a big challenge to companies, public authorities and societies. NIBE contributes to an improved climate, partly by reducing emissions from our own operations and partly by helping to 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. We have launched a number of products containing refrigerant with a lower climate impact. Both for our present and future product ranges, we work with natural refrigerants with lower Global Warming Potential (GWP), for example R290. We are continuing to invest in product development to increase the number of products with a lower GWP and the focus is on carbon dioxide emissions, where our impact is high.

We conduct energy mapping on an ongoing basis in order to identify potential activities to reduce carbon dioxide. In 2023, for example, the majority of our propane-driven forklift trucks were replaced with electric forklift trucks, solar panels were installed and a gas-fired enameling furnace was replaced with an electric furnace.

The quantifiable targets for Emissions are

- Reduce CO₂e 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 percent by 2030 with 2019 being the base year. Effective from 2023, we have implemented a base year recalculation in accordance with the GHG Protocol, to take account of the fact that the Group acquires new operations on an ongoing basis that need to be included in our target. The base year emissions indicated in section 305 have not been recalculated and reflect emissions based on our actual ownership of the companies. 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 the 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 greenhouse gas emissions to which our products contribute; these emissions avoided are included in the second table below 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 greenhouse gas emissions in absolute figures. Our heat pump sales volume in the European and North American markets cut CO₂e emissions for our customers, and this is something we are proud of.

305-1 Direct (Scope 1) greenhouse gas emissions and

305-2 Energy indirect (Scope 2) greenhouse gas emissions.

Emissions are calculated only for carbon dioxide. In 2023, we worked to improve our calculations of Scope 2 emissions. In accordance with the GHG Protocol, we therefore began to calculate carbon dioxide emissions according to a Market-based and a Location-based method. In prior years, calculations have been based on the Market-based method alone. Corrections have been made to the figures for the years 2019-2022 as a result of changes in conversion factors and emission factors, as well as prior reporting errors by subsidiaries.

GHG emissions (tonnes of CO ₂ e)	2023	2022	2021	2020	2019
Greenhouse gas emissions Scope 1	32,358	31,449	34,798	26,402	26,623
of which emissions from own vehicles	9,706	8,666	8,782	6,605	7,201
of which emissions from filling losses of refrigerants	1,215	1,057	1,037	936	877
of which emissions from own operations	21,437	21,726	24,979	18,862	18,546
Greenhouse gas emissions Scope 2 - Market-based	1,803	1,975	2,121	1,910	931
of which electricity	0	0	0	0	0
of which district heating	1,803	1,975	2,121	1,910	931
Total emissions Scope 1 and 2	34,161	33,424	36,919	28,312	27,554
Greenhouse gas emissions Scope 2 - Location-based	57,991	55,759	57,964	51,828	50,181
of which electricity	56,099	53,682	55,775	49,798	49,292
of which district heating	1,892	2,077	2,189	2,030	889

Emission factors and GWP values from:

Swedish Energy Agency Heat values 2022

Swedish Environmental Protection Agency Emission factors 2022

Swedish Environmental Protection Agency's instructions for Klimatklivet support for climate investments May 6, 2022

Results and analysis of reporting in accordance with regulations governing sustainability criteria, the reduction obligation and the Swedish Fuel Quality Act (Swedish Energy Authority, 2022:08),

Allt om f-gas website on fluorinated gases (F gases)

IEA - International Energy Agency 2023

EMISSIONS

305-3 Other indirect (Scope 3) greenhouse gas emissions.

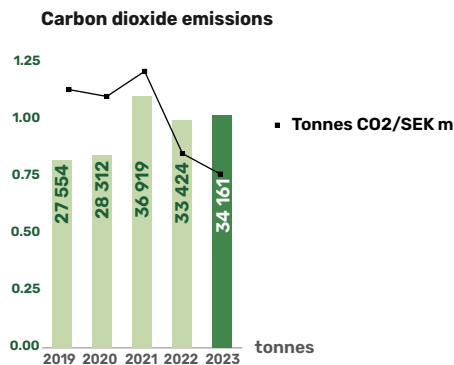
In 2022, comprehensive mapping was carried out for all 15 categories within Scope 3 based on operations in 2021. This mapping continued in 2023 and calculations have been performed of emissions in both 2022 and 2023. The category with the single biggest emissions is use of sold products, which is due 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 below. In 2024, we will be working on quality assurance of information for the most material categories in Scope 3.

GHG emissions (tonnes CO ₂ e)	2023	2022	2021
Greenhouse gas emissions, total	42,020,907	47,069,152	41,723,607
of which purchased products and services	359,001	322,737	338,000
of which use of sold products	41,349,641	46,514,592	41,200,000
of which other categories	312,265	231,823	185,607
Tonnes CO ₂ /SEK million	932	1,203	1,363

GHG emissions (tonnes CO ₂ e)	2022	2021
Emissions of greenhouse gases, incl. avoided emissions and use of fossil-free energy	- 986,996	1,723,607
Greenhouse gas emissions (Scope 3)	47,069,152	41,723,607
Avoided emissions from heat pumps	-6,959,415	-5,400,000
Adjustment of calculation of 100 percent fossil-free energy	-41,096,733	-34,600,000

305-4 GHG emissions intensity.

Our GHG emissions intensity (Scope 1 and 2) declined to 0.76 as a result of our work on transition to renewable energy.



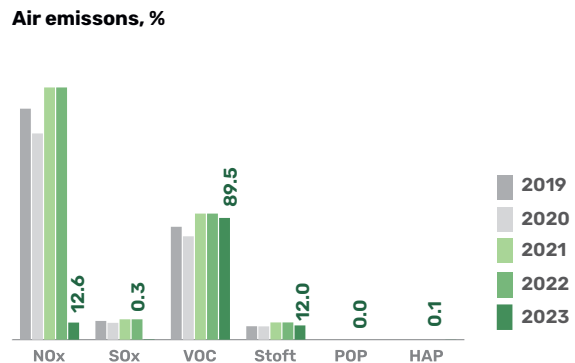
305-5 Reduction of GHG emissions.

Savings of greenhouse gas emissions from the type of heating system that our heat pumps replaced in 2022 on each market amounted to 464,000 tonnes of CO₂e in 2022. 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 greenhouse gas emissions by 56,099 tonnes of CO₂e. The calculation has been performed using the Location-based method, which is based on emission factors from the IEA.

305-7 Nitrogen oxides (NO_x), sulfur oxides (SO_x), and other significant air emissions.

Emissions of NO_x, SO_x, 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. The decrease in NO_x emissions in 2023 was primarily due to the fact that one company had previously reported too high figures by mistake.



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.

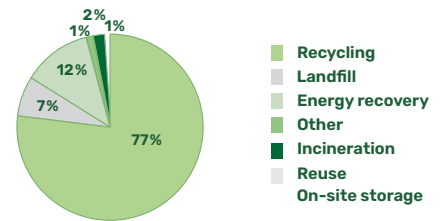
103-3 Evaluation of the management approach.

We saw a significant increase in hazardous waste sent for recycling in the year, which was due to companies taking back products from customers, as well as clearing out their premises and storage facilities. Non-hazardous waste to landfill declined during the year as a result of increased waste sorting at the source.

306-2 Waste by type and disposal method.

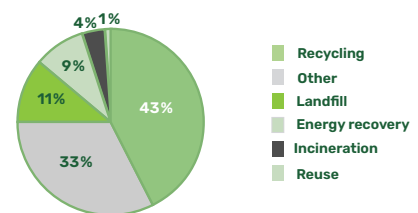
Non-hazardous waste (tonnes)	2023	2022	2021	2020	2019
Total non-hazardous waste	34,202	37,501	40,887	29,001	27,287
Reuse	582	313	350	751	220
Recycling	26,243	28,571	31,475	20,919	20,901
Composting	36	106	94	84	81
Energy recovery	4,137	3,562	3,324	2,858	2,465
Incineration	273	197	205	75	174
Deep well injection	0	0	0	0	0
Landfill	2,413	3,328	4,202	2,955	2,929
On-site storage	367	286	248	118	76
Other	151	1,138	989	1,023	268

Waste categories in % of total non hazardous use



Hazardous waste (tonnes)	2023	2022	2021	2020	2019
Total hazardous waste	4,691	2,631	2,812	2,250	1,799
Reuse	56	55	16	22	5
Recycling	2,011	323	441	283	164
Composting	0	0	0	0	0
Energy recovery	400	109	90	85	119
Incineration	183	178	166	1,342	1,069
Deep well injection	0	0	0	0	0
Landfill	497	467	517	129	94
On-site storage	14	14	14	11	10
Other	1,531	1,485	1,568	328	319

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

A new case was received in 2023. The case concerned breach of environmental permit involving emissions to air and did not result in any fines or instructions from environmental authorities.

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 sub-suppliers. 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 28.

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. We still see an effect of the pandemic in 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 2023, 46 percent (47 percent) of new suppliers of direct materials were screened using environmental criteria.

414-1 New suppliers that were screened using social criteria.

In 2023, 43 percent (45 percent) of new suppliers of direct materials were screened using social criteria. With regard to evaluation of social criteria, we focus on suppliers in high-risk countries.

The supplier code of conduct was communicated to 3,428 direct materials suppliers in 2023. 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 14,700 production employees and has a tradition of focusing intensively on physical health and safety. This is also relevant for suppliers and is incorporated in NIBE's strategy for responsible purchasing, see page 28.

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.

NIBE's accident frequency 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 rate 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 in local companies 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 frequency rate declined slightly and is now level with the outcome in 2021. The companies prepare action plans, which are monitored on an ongoing basis via local Board meetings and followed up by the sustainability team. 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, 33 percent (28 percent) of these companies are certified.

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 an Occupational 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.

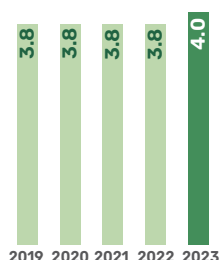
In addition to staff employed by the companies, staff from recruitment companies who are under the responsibility of the companies are also covered. No specific types of employee are excluded from our health and safety policy. No external processes are covered by the management system. Data has been collected from NIBE's sustainability system, including total number of employees and how many are affected.

94 percent (91 percent) 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, %



Work-related injuries (number)	2023	2022	2021	2020	2019
Fatalities	0	0	0	0	0
High-consequence work-related injuries	0	0	2	2	7
High-consequence work-related injuries per million hours worked	0.0	0.0	0.0	0.1	0.2
Recorded injuries	279	290	270	223	310
Recorded injuries per million hours worked	6.7	6.9	6.6	7.1	9.9
Number of hours worked (thousands)	41,856	42,288	40,606	31,578	31,028

Work-related injuries - other workers (number)	2023	2022	2021	2020	2019
Fatalities	0	0	0	0	0
High-consequence work-related injuries	0	0	0	0	1
High-consequence work-related injuries per million hours worked	0.0	0.0	0.0	0.0	0.9
Recorded injuries	10	9	8	6	19
Recorded injuries per million hours worked	6.5	4.8	4.3	6.0	17.5
Number of hours worked (thousands)	1,547	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)	2023	2022	2021	2020	2019
Fatalities	0	0	0	0	0
Recorded cases of ill health	44	22	62	65	77

Work-related ill health - other workers (number)	2023	2022	2021	2020	2019
Fatalities	0	0	0	0	0
Recorded cases of ill health	6	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 opportunities

available and encourage them to study. Through 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 8.3 (7.8) years for 2023.

Non-binary has been included as an option. In cases where no data is reported, this option is not included in the tables below.

401-1 New employee hires and employee turnover.

New employees (reporting period)		2023
Total number		7,130
age <30	%	42
age 30-50	%	46
age >50	%	12
Nordic region	%	18
Europe	%	32
North America	%	40
Asia	%	10
Other countries	%	0

Employee turnover, %

	2023	2022	2021	2020	2019
Total	31	31	33	23	28
Nordic region	18	17	12	9	13
Europe	24	18	16	12	15
North America - excl. Mexico	31	33	31	18	28
Mexico	81	74	106	58	75
Asia	52	60	49	51	37
Other countries	22	17	7	8	36

Employment ended, %

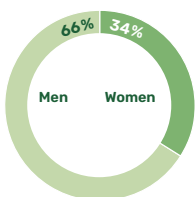
	2023	2022	2021	2020	2019
age <30	40	42	43	41	48
age 30-50	44	44	41	45	40
age >50	16	14	16	14	12

Parental leave (number)

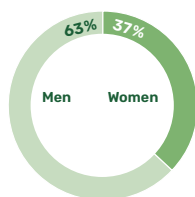
	2023	2022	2021	2020	2019
Total entitled	21,866	21,052	20,519	17,845	16,404
Of which number of persons who have had parental leave					
Men	456	369	355	282	291
Women	535	233	287	619	584
Non-binary gender	1	2			

The total number of employees entitled to parental leave is lower than the total number of employees as there are businesses in countries in which parental leave is not permitted.

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 AND EDUCATION

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.

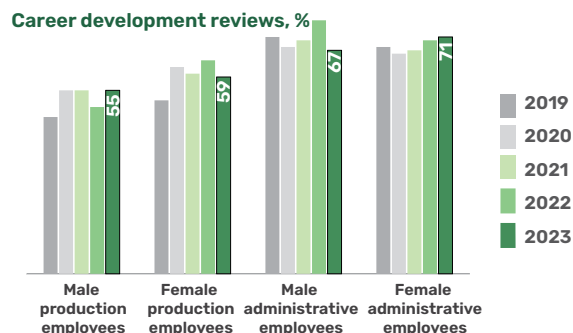
103-3 Evaluation of the management approach.

Performance and career development reviews are used as the basis for setting pay and establishing training plans. The number of hours of training increased in 2023, both as a result of an increase in the number of employees and because the companies have planned more periodic employee training where possible.

404-1 Average hours of training per year per employee.

Training and education (number of hours)	2023	2022	2021	2020	2019
Training hours, male production employees	170,274	128,041	125,932	99,817	111,747
Training hours, female production employees	111,242	90,863	89,640	68,901	76,445
Training hours, non-binary production employees	67	45			
Training hours, male administrative employees	64,536	75,854	59,170	39,631	46,689
Training hours, female administrative employees	31,613	35,922	27,438	21,150	23,584
Training hours, non-binary administrative employees	5	1			
Training hours per employee	17	16	14	13	16

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 2022. For questions relating to gender, non-binary has been included as an option. In cases where no data is reported, this option is not 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. In accordance with our company policy, we do not provide information on salary but data is available internally.

405-1 Diversity of governance bodies and employees.

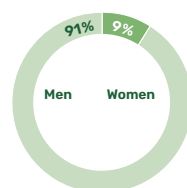
Board members		2023	2022	2021	2020	2019
Total number		190	186	125	62	361
age <30	%	0	0	1	0	1
30-50	%	23	26	22	30	32
age >50	%	77	74	77	70	67

Management team		2023	2022	2021	2020	2019
Total number		871	872	862	788	685
age <30	%	3	4	5	5	5
30-50	%	45	48	50	51	51
age >50	%	52	48	45	44	44

Managers (other than the management team)		2023	2022	2021	2020
Total number		1,563	1,468	1,414	1,290
age <30	%	3	3	3	2
30-50	%	53	54	56	55
age >50	%	44	43	41	43

Administrative staff, %		2023	2022	2021	2020	2019
age <30		14	15	16	15	17
age 30-50		54	53	53	54	53
age >50		32	32	31	31	30

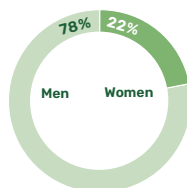
Production employees, %		2023	2022	2021	2020	2019
age <30		22	24	24	23	23
age 30-50		50	49	50	51	52
age >50		28	27	26	26	25



Board of Directors

Board of Directors

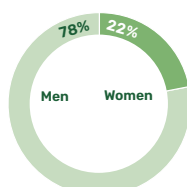
Board of Directors refers to all company boards. No change in gender distribution compared with 2022.



Management team

Management team

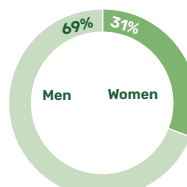
Management teams in our reporting companies. An increase of 1 percent women compared with 2022.



Managers

Managers

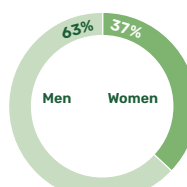
Refers to other managers in our companies outside management teams. An increase of 1 percent women compared with 2022.



Administrative

Administrative

No change in gender distribution compared with 2022.



Production

Production

An increase of 3 percent men compared with 2022.

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 14,700 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 topics, 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. NIBE has implemented 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 <https://www.nibe.com/sv/styrning/nibe-vision-och-mal/nibes-varderingar> 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 at the end of 2021 and should be completed every other year by everyone with a company email address.

406-1 Total number of incidents of discrimination and corrective actions taken.

A total of seven cases were received in the year, three of which have been dealt with and closed by the HR departments of the respective companies. The remaining four cases have been reported to the Equality Ombudsman and settlement has been agreed in one case while the other three remain under investigation.

407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk.

Collective agreements cover 45 percent (45 percent) 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 percent (3 percent) 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 at significant risk for incidents of child labor.

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 risk of child labor. These suppliers are assessed, audited as required and asked to sign NIBE's supplier code of conduct.

In 2023, 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 3 percent (2 percent) of our suppliers have been identified as being at risk. Actions such as improvement plans and visits are planned or have been implemented.

412-2 Employee training on human rights policies or procedures.

Training and education		2023	2022	2021	2020	2019
Employees who received basic training in human rights	%	39	27	43	31	31
Employees who completed NIBE Group e-learning in human rights	%	47	26	59		
Training hours in human rights		12,368	11,261	17,928	10,521	10,446

409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor.

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 2023.

NIBE has suppliers in India and China, which are high on the list of countries with a risk of 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 3 percent (2 percent) 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 2023.

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. Production companies are assessed on an ongoing basis via sustainability visits; in cases where companies have operations in several locations, each site is assessed separately. We have visited 87 percent of the production sites of companies submitting sustainability reports. Sustainability visits are arranged in order of priority based on risk area, company size, etc., which means that return visits are sometimes prioritized before visits to newly acquired companies.

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.

No financial support was given to political organizations or to individuals. In 2023, a sizeable financial donation was given to the Swedish Red Cross Disasters and Emergencies Fund (Svenska Röda Korsets Katastrofhjäl) to help people affected by the earthquakes in Turkey and Syria.

415-1 Political contributions.

Contributions and sponsorship	2023	2022	2021	2020	2019
Sponsorship of culture, sports, health and young people, SEK million	8.1	13.4	2.8	3.3	3.0
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 statutory 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.

One incident that led to limited damage to property was reported in 2023. The case was dealt with and actions have been taken.

417-1 Requirements for 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

No cases received.

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 commu-

nication 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 from 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 179-183.

419-1 Non-compliance with laws and regulations in the social and economic area.

A new case was received in 2023 in relation to health and safety which is under investigation.

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

Engagement and responsibility

The Board of Directors is responsible for the sustainability report for 2023 on page 141, and for ensuring that it has been prepared in accordance with the Annual Accounts Act.

Focus and scope of the examination

Our review was conducted in accordance with FAR's recommendation RevR 12, *Auditor's Opinion on the Statutory Sustainability Report*. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with the International Standards on Auditing and generally accepted auditing standards in Sweden. We consider that this examination provides an adequate basis for our opinion.

Opinion

A sustainability report has been prepared.

Markaryd, March 28, 2024

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. In addition, NIBE also provides information on the company's website in accordance with the Market Abuse Regulation and other legal 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, 2023, NIBE had 160,650 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 25% of the capital and 12% of the voting rights. Together these ten constellations of investors hold a total of 52% of the capital in the company and 77% 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 determines the number of Board members and auditors, adopts the accounts, makes decisions on dividends and other appropriations of profit/loss, and discharges the Board of Directors and CEO from liability.

The most recent AGM on May 16, 2023 in Markaryd was attended by 1,859 shareholders, 713 of which attended in person, and 1,146 of which attended through proxies. 62% of the shares and 81% 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 2023 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 derogation from the shareholders' preferential rights, to be used to finance the acquisition of companies or businesses. This mandate is valid until the 2024 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 the financial position are presented quarterly and, like the annual report, are issued to all shareholders who request a copy. 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. 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 six 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.

The Board of Directors elected by the 2023 AGM comprised Hans Linnarson (Chairman), Georg Brunstam, Anders Pålsson, Jenny Larsson, Eva Karlsson and Eva Thunholm, as well as & CEO Gerteric Lindquist. Georg Brunstam, a director since 2003, passed away in September 2023. This means that the number of directors now amounts to six, instead of the seven elected at the 2023 AGM. With the exception of the Managing Director & 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 Managing Director & CEO. A presentation of the Board members can be found on page 190.

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 evaluation for 2023 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 Board as a whole.

The company does not have a nomination committee (Section III, item 2.1, of the Code), a remuneration committee (Section III, item 7.3, 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 Managing Director & CEO, who is also appointed by the Board of Directors as Managing Director 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 Managing Director & 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 2023

The agenda includes several standing items, which are considered at every meeting.

Status report	Report of significant events affecting operations that have not been listed in the written report that has been circulated.
Financial report	Review of the financial information circulated.
Investments	Decisions regarding investments exceeding SEK 20 million, based on the data circulated.
Legal processes	Review of new or ongoing legal processes, where appropriate.
Acquisitions	Report on ongoing discussions and decisions concerning the acquisition of companies, as and when appropriate.
Press releases, etc.	When appropriate, a review of proposals for external reports to be published after the meeting.
Internal control	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 full 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

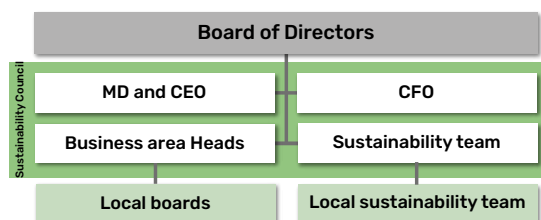
Budget

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 NIBE is also obliged to comply with regional and international law. In addition, NIBE is governed by voluntary commitments such as 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, heads of business areas 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.

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 2023, 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 2023

The 2023 AGM resolved that fees to the Board of Directors and fees to the auditors would be paid according to approved invoice.

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.

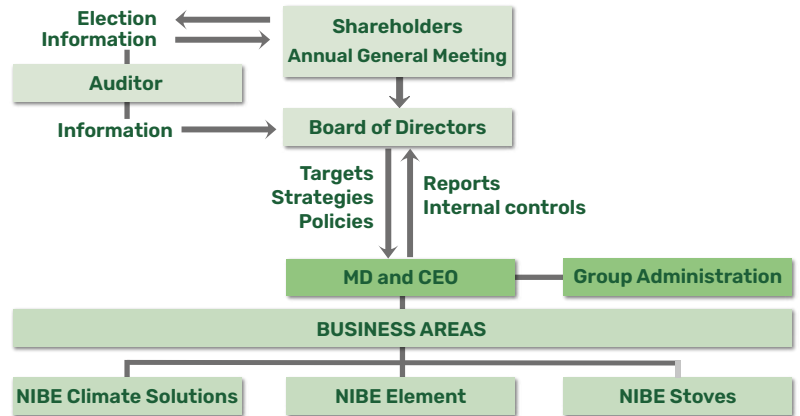
Remuneration of the CEO is a matter decided by the Board, but the preparatory work for this decision is undertaken by the Chairman of the Board after discussions with the CEO. Remuneration of other senior executives is determined by the CEO in consultation with the Chairman of the Board and in accordance with the guidelines adopted by the AGM. Decisions in this regard are reported to the Board of Directors.

Information on Board fees and salaries 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. The additional remuneration is conditional on the employee retaining the annually acquired NIBE shares for at least three years. Under normal circumstances, the acquisition of NIBE shares by the employees concerned shall take place once a year in February/March and shall be subject to the applicable market abuse regulations. No incentive program is offered to the CEO. Certain key individuals in the foreign companies acquired in recent years have incentive programs that deviate from the NIBE Group's remuneration principles set out above. 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 2023

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 audit of the annual report and statutory audit of the parent and all of its subsidiaries, the Board also has the option of requesting a special audit of a selected business during the year if the Board deems it necessary. A summary of the auditors' review of selected controls is presented each year as part of the Board meeting that deals with the year-end financial statements.

In 2023, the project on strengthening and internal evaluation of 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. On the basis of these factors, it is the Board's assessment that there is no need for any separate internal audit function (Section III, item 8.1, of 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 assists in particular with consulting services in accounting and tax matters. Information on the remuneration of auditors is given in Note 9 to the annual report.

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 2023 on pages 180–183, 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 auditing standard RevR 16 *The auditor's examination 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 28, 2024

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, March 26, 2024

Hans Linnarson
Chairman of the Board

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 26, 2024. The consolidated balance sheet and income statement and the parent's balance sheet and income statement will be presented for adoption at the Annual General Meeting on May 16, 2024.

Auditor's report

To the annual meeting of shareholders of NIBE Industrier AB (publ), Corporate ID no. 556374-8309

Report on the annual accounts and consolidated financial statements

Opinions

We have audited the annual accounts and consolidated accounts of NIBE Industrier AB (publ) for the 2023 financial year. The company's annual accounts and the consolidated financial statements are included on pages 75-140 and 185 of this document.

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 Company as of December 31, 2023 and its financial performance and 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, 2023 and its financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 180-183. 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 additional report that has been submitted to the parent's Board in accordance with Article 11 of EU Regulation 537/2014 on statutory audits.

in accordance with Article 11 of EU Regulation 537/2014 on statutory audits.

Basis for 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 accounts 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 accounts 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, 2023, the Group had goodwill of SEK 22,925 million, representing 34% 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.

According to current regulations, impairment testing must be performed using a

method where management makes future assumptions about internal and external factors and plans in the organization. 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.

Acquisition analyses

See Note 3, Note 26 and Note 27 in the annual accounts and 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, of which the acquisition of the Dutch group Climate for Life is considered 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 identi-

fied 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 are to inspect 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 2-74 and 141-184. The other information also comprises the remuneration report which we obtained before the date of this audit report. The Board and the CEO are responsible for this other information.

Our opinion on the annual accounts and consolidated financial statements does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated financial statements, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated financial statements. In this procedure, 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 of the annual accounts and consolidated financial statements and ensuring that they give a fair presentation in accordance with the Annual Accounts Act and, concerning 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 financial statements, 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.
- 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.
- 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 financial statements. 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 financial statements or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated financial statements. 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.

- evaluate the overall presentation, structure and content of the annual accounts and consolidated financial statements, including the disclosures, and whether the annual accounts and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient and appropriate audit evidence regarding the financial information of 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 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 2023 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 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 Companies Act, the 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 2023.

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 the International Standard on Quality Management 1, which requires it to design, implement and operate a quality management system including guidelines or procedures related to compliance with ethical requirements, professional standards 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 audit also involves an evaluation of the appropriateness and reasonableness of the 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 tagged with iXBRL, in accordance with the ESEF regulation.

KPMG AB was appointed auditor of NIBE Industrier AB (publ) by the Annual General Meeting on May 16, 2023. KPMG AB or auditors working at KPMG AB have been the company's auditor since 2013.

Markaryd, March 28, 2024

KPMG AB

Jonas Nihlberg
Authorized Public Accountant

Board of Directors



	HANS LINNARSON born 1952	JENNY LARSSON born 1973	GERTERIC LINDQUIST born 1951
Elected to NIBE's Board of Directors	2006, Chairman in 2015	2020	1989
Training and education	B.Sc. (Electrical Engineering)	M.Sc. in Engineering	M.Sc. in Engineering and Business & Economics
Directorships	Chairman of the Board of HP Tronic AB, Director of Eolusvind AB, Inission AB, NP Nilsson AB, Nordiska Plast AB, Zinkteknik AB and ELLWEE AB.	CEO of Schneider Electric Sverige AB. Director of JM AB and Vectura Fastigheter AB.	Managing Director & CEO of NIBE Industrier AB and NIBE AB.
Experience	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.	Considerable experience of business in the energy sector and solid industrial experience from several different positions at Vattenfall and ABB.	More than 40 years' experience of international industrial operations, including as Exports Director of ASSA Stenman AB, now ASSA Abloy.
Fees	SEK 1,000,000	SEK 500,000	No fee payable
Present at Board meetings	12/12	12/12	12/12
Shareholding in NIBE Industrier AB	9,556 class B shares.	300 class B shares.	27,511,952 class A shares and 65,160,044 class B shares.
Independence	Yes	Yes	Not independent due to his position, his shareholding and the length of his Board service.

LOKASJÖN, MARKARYD MAY 19, 2021 AT 07.02



EVA KARLSSON
born 1966

2022

M.Sc. in Engineering

President of EMEA in Dometic Group.

Extensive industrial experience from various management positions at several international Groups such as ABB, Assa Abloy and Dometic.

SEK 500,000

11/12

6,192 class 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 500,000

12/12

91,428 class B shares.

Yes



EVA THUNHOLM
born 1966

2022

BA in Engineering

VP Business Unit Protective Materials in Ahlstrom Group. Director of Sydved AB, Alutrade AB and Skogsindustrierna.

Considerable experience of international business and solid industrial experience, including in the ventilation industry.

SEK 500,000

12/12

2,000 class B shares.

Yes

CEO CFO



GERTERIC LINDQUIST
born 1951

Year employed

1988

Training and
education

M.Sc. in Engineering and
Business & Economics

Position

MD & CEO of NIBE
Industrier AB and NIBE AB

Shareholding

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

256,381 class B shares.

Heads of Business Areas



KLAS DAHLBERG
born 1964

Year employed

2016

Training and
education

M.Sc. in Engineering

Position

Head of
NIBE Climate Solutions

Shareholding

77,780 class B shares.



CHRISTER FREDRIKSSON
born 1955

1992

M.Sc. in Engineering

Head of NIBE Element and
CEO of Backer AB

6,872,500 class A shares and
11,471,360 class B shares.



NIKLAS GUNNARSSON
born 1965

1987

Engineer

Head of
NIBE Stoves

1,958,568 class B shares.

Auditor

JONAS NIHLBERG
born 1973

Elected

2021

Training and
education

Authorized Public
Accountant

Position

Auditor in charge

Accounting firm

KPMG AB



EKEBACKEN MARKARYD, JUNE 29, 2022 AT 06.44

NIBE

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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.