

## Weak first quarter

**Large reductions in inventories at distributors, continued high interest rates and unusually low level of housing production – gradual improvement in demand expected in the second half of the year.**

- Sales decreased by 18.5% to SEK 9,494 (11,646) million
- Adjusted operating profit amounted to SEK 516 (1,755) million
- Adjusted profit after net financial items amounted to SEK 184 (1,654) million
- Earnings per share adjusted for items affecting comparability amounted to SEK 0.02 (0.63)
- Review of total costs as a result of weak demand in the European heat pump market at the beginning of 2024 – action plan underway

***“Demand remained weak in the first three months of 2024 due to an unfortunate combination of a number of adverse factors. Consequently, we are currently in the process of implementing the action plan initiated on February 16 this year,” says Gerteric Lindquist, Managing Director and CEO of NIBE.***

### **Clear reasons**

In Europe, work has been underway since the end of 2023 to return to more normal inventory levels at distributors, particularly for heat pumps, but also stoves. This means that orders received by manufacturers have been unusually low and do not correspond to the number of products delivered and installed at end customers. For example, the European heat pump manufacturing market has almost halved in the year to date.

The appreciable and relatively rapid rise in interest rates has resulted in a sharp slowdown in new housing production, which in turn has significantly reduced demand for both heat pumps and stoves. The high interest rate level has also contributed to general restraint in consumer spending.

Unlike in North America, where political decision-making has resulted in a robust, long-term incentive program for transition to fossil-free climate control, political decision-making in Europe on replacing fossil fuels with sustainable alternatives such as heat pumps is not as strong. The subsidy application process is often complicated and the date for ceasing use of fossil fuels in existing properties is up to 20 years in the future in some countries. At the same time, the price difference between gas and electricity in terms of price per kWh is disproportionately large, to the detriment of electricity.

### **Action plan underway**

We are now implementing measures to reduce personnel and other fixed costs, and also to reduce inventories and balance investments to adjust to the current lower sales volumes. At the same time, we are striving to create optimal conditions for a suitably sized and efficient organization once demand starts to recover.

The action plan will result in annual savings corresponding to around SEK 750 million, which will take full effect from 2025 onwards. The costs of the action plan are estimated at around SEK 1,095 million, which burdened results in the first quarter.

## Outlook

In the short term, the ongoing inventory adjustments at distributors are expected to be largely completed in the second quarter of this year. Demand at the manufacturing level should therefore gradually improve in the second half of the year. In addition, clear indications of interest rate cuts should contribute positively to a gradual improvement in the economic situation.

We have long been convinced of the future growth potential to be found in the transition to a fossil-free society and reduced carbon dioxide emissions. With our company philosophy and our strong product range, we are well positioned in this market.

Four years ago, we established a proactive investment program worth SEK 10 billion to further reinforce our market position by enabling even faster product development and to safeguard increased production capacity. The majority of this program has now been completed, which will create favorable conditions for future growth opportunities, which we assess to be good.

***“We will take all steps necessary to manage the current difficult situation, and will do so in a responsible manner. As is our habit, and based on experience, we remain optimistic about our long-term performance, despite the situation this year being particularly difficult to predict,” says Gerteric Lindquist.***

## Press information

A media and analysts webcast (in English) will take place today at 11:00 AM (CEST) with CEO Gerteric Lindquist and CFO Hans Backman.

NB: Registration on our website [www.nibe.com](http://www.nibe.com) is required in order to participate in the conference and to obtain a code to be able to ask questions.

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*NIBE Industrier AB (publ) is required to disclose the information in this press release under the EU’s Market Abuse Regulation and the Swedish Securities Market Act. This information was submitted by the contact persons above for publication on May 16, 2024 at 8:00 AM (CEST).*

## ***NIBE Group – an international organization with companies and a presence worldwide***

NIBE Group is an international organization that contributes to a lower carbon footprint and better utilization of energy. In our three business areas – Climate Solutions, Element and Stoves – we develop, manufacture and market a wide range of environmentally friendly, energy-efficient solutions for indoor climate comfort in all types of properties, plus components and solutions for intelligent heating and control in industry and infrastructure.

Since its beginnings in the town of Markaryd in the Swedish province of Småland more than 70 years ago, NIBE has grown into an international company with an average of 22,500 (21,300) employees and an international presence.

From the very start, the company has been driven by a strong culture of entrepreneurship and a passion for corporate responsibility. Its success factors are long-term investments in sustainable product development and strategic acquisitions. Combined, these factors have brought about strong, targeted growth, which generated sales of just under SEK 47 (40) billion in 2023. 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.