



Interim Report 3, 2023

- › **SALES** amounted to SEK 34,993 million (SEK 28,404 million)
- › **PROFIT AFTER NET FINANCIAL ITEMS** amounted to SEK 4,953 million (SEK 3,904 million)
(Profit after net financial items in the previous year was boosted by non-recurring gains of SEK 118 million: SEK -114 million in Q1 and SEK 232 million in Q2)
- › **PROFIT AFTER TAX** was SEK 3,817 million (SEK 3,025 million)
- › **EARNINGS** per share before and after dilution, based on average number of shares outstanding during the period, amounted to SEK 1.89 (SEK 1.48)
- › **ACQUISITION OF**
 - 65% of the shares in the Canadian stove company Miles Industries Ltd
 - 100% of the shares in the Dutch heat pump and water heater manufacturer ITHO/Climate for Life
 - 83.2% of the shares in the Portuguese stove company Solzaima
 - 77.5% of the shares in the Irish elements company Ceramicx Ireland Limited

Continued good sales and earnings performance

Overall, good demand so far but with large variations. Return to normal delivery times.

The Group's sales in the first nine months of the year grew by 23.2% (26.6%), of which 17.4% (23.6%) was organic growth. The weak Swedish krona had a positive effect on sales growth, as did the price increases introduced in the first half of the previous year. In real terms, organic growth was well above the target of 10%, however.

Overall, growth in demand was good in the period, but there were large variations between markets and product segments. The Central banks' measures to combat inflation, primarily by means of interest rate hikes, have had an adverse effect on new production of housing in particular. This, in turn, has a dampening effect on several product segments directly related to housing production.

Our strong position in product segments aimed at the property refurbishment market as well as product segments focusing on sustainable energy solutions gives us a robust profile now when the financial environment is getting noticeably weaker.

The improvement in the components supply chain that could be seen towards the end of the first half of the year continued in the third quarter. This enabled us to bring our own delivery times back to more normal levels.

The acquisitions carried out so far in the financial year have been fully integrated into the Group in line with expectations.

The business area NIBE Climate Solutions The heat pump market in Europe began to grow rapidly already during the pandemic, boosted by the renovation trend triggered by the pandemic. Growth was further boosted by the spike in energy prices caused by Russia's abominable invasion of Ukraine. At the same time, several ambitious incentive programs for heat pump installations were launched in a number of countries within the EU.

However, at the midyear point, the strong European heat pump market started to slow down somewhat. The reasons for this were that a number of countries started to review their incentive programs, energy prices started to fall, the higher interest rates started to make themselves felt, while it became apparent that distributor inventories were not only too large, but to some extent also comprised products that for various reasons were not the first choices of end-consumers.

Calendar

November 15, 2023

08:00 (CEST) Interim Report 3, January – September 2023

11:00 (CEST) Teleconference (in English):

Presentation of Interim Report 3, 2023 and opportunity to ask questions.

Registration on our website www.nibe.com is required in order to access the presentation images and to obtain a code to be able to ask questions.

February 16, 2024

Year-end report

May 16, 2024

Interim Report 1, January – March 2024

Annual General Meeting

The reported quarterly percentage increase in the number of heat pumps produced and delivered from the manufacturers was found to be unrealistically high in the long run, not only for the reasons mentioned above, as well as a shortage of installers, but also from a quality and sustainability perspective. Now that the transition from fossil heating solutions to heat pumps is underway, end-customers must be able to feel reassured that both products and installations are of the highest quality, and this also applies to future service and product liability.

Many European countries have now completed the reviews of their incentive programmes for installation of heat pumps and although in some cases the programs are less generous than before, they continue to provide very clear guidance and substantial financial assistance. The necessary adjustments to inventories will be of a transitory nature and also appear to have had a lesser effect on manufacturers that struggled to fulfill orders from distributors at the height of demand.

Interest rate developments are of course difficult to predict with any great certainty, but the general consensus appears to be that interest rates are close to peaking, and experience tells us that when it becomes clear that this is the case, new production of housing will start to increase.

Our assessment continues to be that the European heat pump market, with the exception of one or possibly a few coming quarters, will show good, continuous annual growth for the foreseeable future, because it is one of few realistically sustainable alternatives for climate control of both existing and newly produced housing and most other types of property.

Unlike the European heat pump market, the North American market has shown positive development and even achieved an increased rate of growth, primarily as a result of the US administration's extensive transition program, the "Inflation Reduction Act", which, unlike the more short-term and country-specific programs in Europe, offers end-consumers clear economic incentives to invest in a heat pump in the next 10-year period.

The wide-ranging investment programs, which focus on even faster and more efficient product development, increased production capacity and additional efficiency measures, will be launched gradually. For example, it is worth mentioning that we are far ahead of the EU schedule for transition to natural refrigerants.

Operating profit as well as operating margin have improved as a result of the growth in sales, the normalized supply chain and hereby improved productivity. Compared with the corresponding period in the previous year, it is important to remember that the operating profit at the time was boosted by combined non-recurring effects of SEK 118 million.

The business area NIBE Stoves continued to see a split in demand in Europe. While growth in demand for wood-fired products remained good, gas-fired and pellet stoves showed weaker development. In North America, the entire stove market has seen demand drop in the current financial year, particularly with regard to gas-fired products.

Just like the other two business areas, the supply chain situation in terms of components has returned to normal and, combined with our own capacity increases, we are now gradually returning to more normal delivery times.

The ambitious investment program is progressing according to plan, and the main focus, as described previously, is on future capacity and improved efficiency.

Besides the ongoing work of developing new model series, large resources are allocated to better control the combustion in wood-fired stoves, as well as to reduction of the amount of particles from wood burning. The first model series featuring electric control of the combustion air, also possible via smartphone has already been launched, and the first products featuring advanced particle filtering will be launched in 2024.

Operating profit was higher than in the corresponding period in the previous year, but the cost adjustments carried out, together with high marketing and development costs, have had an adverse impact on operating margin in the short term.

The business area NIBE Element, in much the same way as NIBE Stoves, has seen uneven development in demand. Product areas associated with pure consumer goods saw weaker development as a result of the economic downturn. This, in turn, has necessitated inventory adjustments among our customers, which meant the downturn affected us twice over in the short term.

The semiconductor segment also saw weak development, primarily as a result of trade policies. However, this segment is expected to start growing again already in 2024 as the new semiconductor production units currently under construction in both North America and Europe gradually start to take delivery of new production equipment during the year.

As regards product segments associated with sustainability, renewable energy and energy efficiency, we are seeing a clear increase in demand.

We are also seeing significant opportunities in the electrification of the automotive industry and several major ongoing projects will enter into full scale production as early as next year.

The relatively weak performance of the wind power industry in the current financial year has been slightly surprising, considering the hopes and expectations linked to the future of this segment in particular. The main reason for this is that most countries have long planning permission processes. However, the assessment is that this situation too could improve slightly in 2024

After many difficult quarters with constant shortages of components we are pleased to say that our delivery reliability has returned to a satisfying level.

We are implementing significant investments in both capacity and efficiency in order to meet expected demand in more future-oriented product areas. In parallel with this, product areas with lower levels of demand are being streamlined. This measure has had an adverse effect on operating profit and operating margin.

Investments

The level of investment in the existing activities in the first nine months of the year amounted to SEK 2,277 million, compared with SEK 1,300 million in the corresponding period in the previous year. Excluding leases, depreciation amounted to SEK 922 million, compared with SEK 819 million in the first half of the previous year. In view of the expected continued good market conditions in all three business areas, together with further automation, rationalizations and sustainable development, the rate of investment in our existing businesses will remain high. In the next three to four years alone, accumulated investments are expected to amount to around SEK 10 billion, of which around half will comprise increased production capacity.

Profit

Operating profit for the first nine months of the year improved by 35.4% compared with the corresponding period last year and the operating margin rose from 14.0% to 15.4%.

Profit after net financial items improved by 26.9% in the first nine months of the year, while the profit margin rose to 14.2% from 13.7% in the previous year.

Excluding the one-off effect of write-downs of SEK 114 million in the first quarter of 2022 in respect of our Russian operations and the one-off gain of SEK 232 million on the sale of our shares in Schultess in the second quarter of 2022, the operating margin in the first nine months of 2022 would have been 13.6% and the profit margin 13.3%.



Gerteric Lindquist
Managing Director and CEO

Outlook for 2023

- Our corporate philosophy and our strong range of products, with their focus on sustainability and energy efficiency, are in tune with the times because the transition to a fossil-free society is considered to be irrevocable.
- We are well prepared to continue being proactive on acquisitions.
- Our internal efforts to enhance efficiency, combined with our rigorous cost control, will ensure consistently healthy margins.
- All three business areas have a good geographical spread, which makes us less vulnerable to local downturns in demand.
- Our decentralized organisation, based on independent units, is well proven and creates the conditions for greater motivation and flexibility.
- The pandemic effects are continuing to fade, which is a very significant and positive factor.
- The problems relating to sub-suppliers have gradually diminished over the year and are no longer an obstacle.
- The effects of the war in Ukraine, general political unrest, interest rate developments and high energy prices are factors that are difficult to predict, however.
- However, as is our habit, and based on experience, we remain cautiously optimistic about our full-year performance.

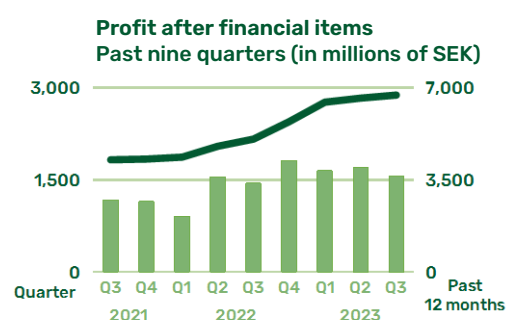
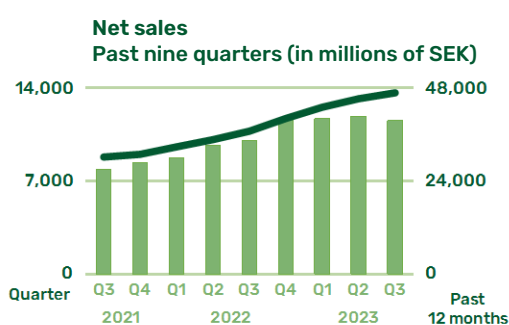
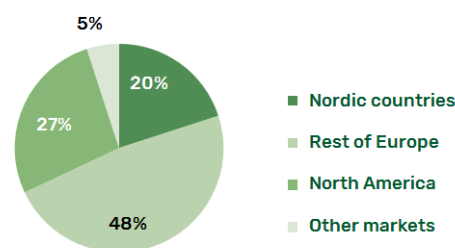
Markaryd, November 15, 2023

Gerteric Lindquist
Managing Director and CEO

NIBE Group

Key figures		Q1-Q3 2023	Q1-Q3 2022	Past 12 months	Full year 2022
Net sales	SEK m	34,993	28,404	46,660	40,071
Growth	%	23.2	26.6	26.8	30.0
of which acquired	%	5.8	3.0	5.6	3.5
Operating profit	SEK m	5,381	3,975	7,269	5,863
Operating margin	%	15.4	14.0	15.6	14.6
Profit after net financial items	SEK m	4,953	3,904	6,724	5,675
Profit margin	%	14.2	13.7	14.4	14.2
Equity/assets ratio	%	44.4	51.0	44.4	51.8
Return on equity	%	17.9	16.4	18.2	18.1

Group sales by geographical region



Sales

The Group's net sales totalled SEK 34,993 (28,404) million. This corresponds to growth of 23.2%. Of the total increase in sales of SEK 6,589 million, acquired sales amounted to SEK 1,651 million, which means that organic sales increased by 17.4%.

Profit

Profit after net financial items for the period was SEK 4,953 million. This equates to a 26.9% increase in earnings compared with 2022. In the same period in the previous year, profit after net financial items amounted to SEK 3,904 million. Net financial items amounted to SEK -428 million at the end of the period, an increase of SEK 357 million compared with the same period of the previous year. The increase in net financial costs was due the general interest rate situation because the Group's credit facilities mostly have variable interest rates. Profit for the period was charged with acquisition expenses of SEK 92 million (SEK 11 million). Return on equity was 17.9% (16.4%).

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 not later than in 2026. The company was consolidated into NIBE Stoves as of January 2023. The acquisition balance sheet is still provisional.

In June, we entered into an agreement to acquire all 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 the NIBE Climate Solutions business area 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 has been consolidated with effect from August 2023. The acquisition value is still provisional.

In July, we also 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.

Investments

During the year, the Group made investments totalling SEK 10,908 million (SEK 2,873 million). A total of SEK 8,631 (SEK 1,573) million of the investments relate to business combinations. The remaining SEK 2,277 (1,300) million mainly comprised investments in machinery and equipment and buildings in existing operations. The investment amount relating to acquisitions is based on both initial considerations and an estimate of additional considerations to be paid.

Cash flow and financial position

Cash flow from operating activities before changes in working capital amounted to SEK 5,096 million (SEK 3,845 million). Cash flow after changes in working capital amounted to SEK 1,586 million (SEK 1,521 million). The increase in working capital was primarily due to stockbuilding of components and materials that were ordered to protect us against the supplier problem. No actual season-related stockbuilding has taken place. Interest-bearing liabilities at the end of the period amounted to SEK 22,353 million, compared with SEK 11,357 million at the start of the year. The increase in liabilities since the beginning of the year was due to investments in the Group's production facilities and business acquisitions. At the end of the period, the Group had cash and cash equivalents of SEK 4,750 million, compared with SEK 5,441 million at the start of the period. The equity/assets ratio at the end of the period was 44.4%, compared with 51.8% at the start of the year and 51.0% at the corresponding time in the previous year.

Parent

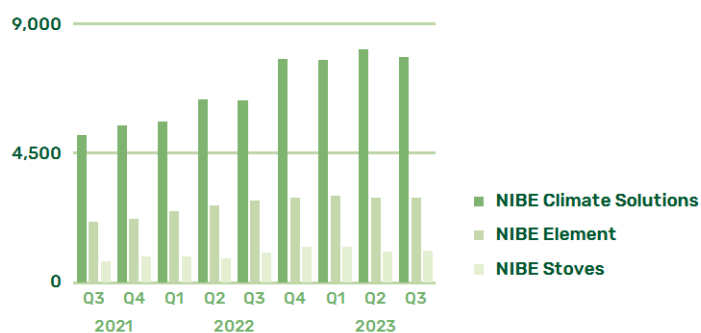
Parent activities comprise Group executive management functions, certain shared Group functions and financing. Sales for the year totalled SEK 37 (SEK 33) million and profit after financial items was SEK 848 (SEK 1,643) million.

Business area trends

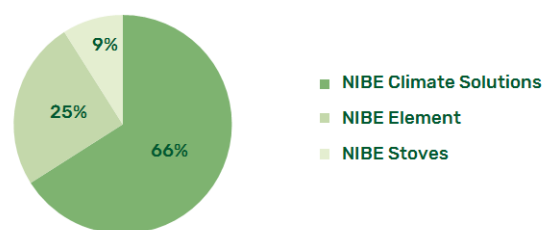
Quarterly data

Consolidated income statement (SEK million)	2023			2022				2021	
	Q1	Q2	Q3	Q1	Q2	Q3	Q4	Q3	Q4
Net sales	11,646	11,833	11,514	8,749	9,656	9,999	11,667	7,823	8,388
Operating expenses	-9,891	-9,986	-9,735	-7,808	-8,087	-8,534	-9,779	-6,621	-7,209
Operating profit	1,755	1,847	1,779	941	1,569	1,465	1,888	1,202	1,179
Net financial items	-101	-146	-181	-35	-22	-14	-117	-31	-36
Profit after net financial items	1,654	1,701	1,598	906	1,547	1,451	1,771	1,171	1,143
Tax	-380	-378	-378	-226	-310	-343	-401	-260	-233
Net profit	1,274	1,323	1,220	680	1,237	1,108	1,370	911	910
Net sales, business areas									
NIBE Climate Solutions	7,736	8,122	7,839	5,583	6,367	6,344	7,782	5,142	5,476
NIBE Element	3,013	2,957	2,945	2,474	2,672	2,842	2,937	2,125	2,214
NIBE Stoves	1,250	1,086	1,096	900	830	1,042	1,239	746	904
Elimination of Group transactions	-353	-332	-366	-208	-213	-229	-291	-190	-206
Group total	11,646	11,833	11,514	8,749	9,656	9,999	11,667	7,823	8,388
Operating profit, business areas									
NIBE Climate Solutions	1,353	1,538	1,484	612	1,204	1,022	1,500	907	852
NIBE Element	280	243	235	250	299	325	249	213	224
NIBE Stoves	165	101	99	103	95	137	216	103	143
Elimination of Group transactions	-43	-35	-39	-24	-29	-19	-77	-21	-40
Group total	1,755	1,847	1,779	941	1,569	1,465	1,888	1,202	1,179

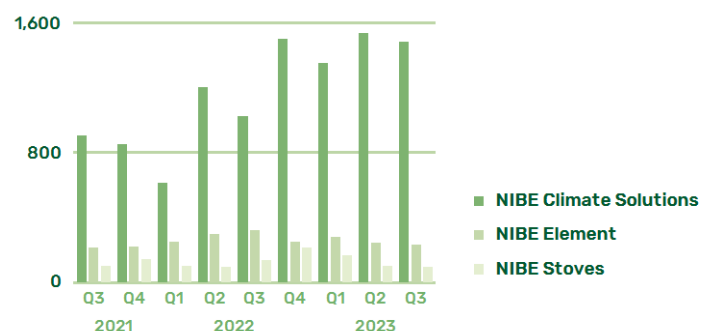
Sales per business area, last nine quarters (SEK million)



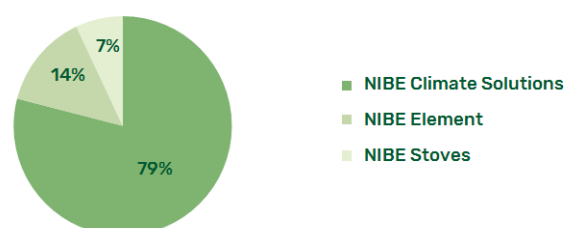
Each business area's share of total sales (Q1-Q3, 2023)



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



Each business area's share of total profit (Q1-Q3, 2023)



Business area NIBE Climate Solutions

Key figures		Q1-Q3 2023	Q1-Q3 2022	Past 12 months	Full year 2022
Net sales	SEK m	23,697	18,294	31,480	26,076
Growth	%	29.5	24.9	32.4	29.6
of which acquired	%	5.0	3.7	4.7	3.7
Operating profit	SEK m	4,375	2,838	5,875	4,338
Operating margin	%	18.5	15.5	18.7	16.6
Assets	SEK m	49,072	32,903	49,072	33,813
Liabilities	SEK m	8,123	6,154	8,123	6,504
Investments in non-current assets	SEK m	1,841	963	2,314	1,436
Amortisation/Depreciation	SEK m	734	630	979	875

Sales and profit

Sales for the period totaled SEK 23,697 million, compared with SEK 18,294 million in the corresponding period of the previous year. Of the increase in sales of SEK 5,403 million, acquired sales accounted for SEK 916 million, which means that organic growth was 24.5%.

Operating profit for the period amounted to SEK 4,375 million, compared with SEK 2,838 million in the corresponding period in the previous year. This equates to an operating margin of 18.5%, compared with 15.5% in the previous year. This means the operating margin for the past 12 months is 18.7%.

Market

Energy efficiency and environmentally friendly climate control of properties of all sizes are at the top of the international agenda. Heating of properties accounts for 40% of global energy consumption and heat pumps are being promoted internationally as the most natural and efficient alternative to oil and gas boilers. The EU "Green Deal" is the driver behind the move away from fossil fuels in Europe. A sustainability transition program, the "Inflation Reduction Act", is also underway in North America.

We are seeing strong interest in heat pumps internationally, but at the same time the unsettled global situation, deteriorating economy and higher interest rates are impacting consumers' purchasing power and consequently short-term demand in many markets across Europe. Of our processed markets, however, a number show continued growth, such as, for example, the Netherlands, which has come a long way in the transition to fossil-free fuels. The German market also shows continued growth.

Lack of political clarity in a number of European countries concerning the form of future subsidies has contributed to what we consider to be a mostly temporary slowdown in demand reported by manufacturers since the half-year mark. It has also become apparent that of the large number of heat pumps manufactured in recent quarters, a significant proportion have not been installed but are instead held as inventory at various stages in the supply chain from manufacturers to wholesalers and installers. This has also contributed to the slowdown in demand seen by manufacturers. However, in Germany and Denmark, for example, the conditions and time frames relating to subsidies were finalized in the third quarter. This is expected to have a positive impact on demand in the future but probably not at the rate previously forecast by the industry.

The North American market is continuing to perform well in respect of heat pumps, which we believe is the result of a combination of a genuine desire on the part of end-consumers to make the transition from fossil fuels and government measures such as a robust and long-term incentive program.

Our units in Eastern Europe reported a downturn in demand compared with the very sharp upturn recorded in the corresponding period of the previous year. Several of these markets, in which we are well represented both through our own production of water heaters and sales of heat pumps, are continuing to switch to heat pumps in order to reduce dependence on coal, gas and oil. Our assessment is therefore that the market development will start to move in a more normal, positive direction once inventory adjustments have been implemented.

The rate of growth in the Swedish domestic market for heat pumps was strong, as the industry's delivery capacity in respect of heat pumps has improved significantly. There is considerable underlying demand for replacement products, while new-build of single-family houses has slowed markedly from an already low level. We have a strong market position in both segments, which enables us to adapt to changes in the market.



NIBE's newly launched S-series A+++ geothermal heat pump is a smart inverter-controlled heat pump featuring an integrated water heater and climate-friendly refrigerant. The Seasonal Coefficient of Performance (SCOP) amounts to a whole 6.22, which means that 1 kWh of electrical energy produces 6.22 kWh of heat energy. The S-series featured integrated WiFi, enabling the use of wireless accessories.

Completed investment projects

Considerable progress has been made in the major changes taking place in the western industrial area in Markaryd. In the fall, both product development personnel and production personnel moved into the new Innovation Center. The entire building has been awarded a Miljöbyggnad Gold rating, which means sustainability has been taken into consideration in everything from building design to choices of materials for interior design. The new production unit for heat pumps is also complete and installation of production equipment is in full swing. The entire building has been awarded a Green Building rating, which means that the building has at least 25% better energy performance than the requirements set by the Swedish National Board of Housing, Building and Planning for the construction of a new building.



The new heat pump production plant has reached completion and is expected to come on stream in the new year. The building comprises a total area of 16,500 square metres. Behind this, on the right, the new production plant for stainless steel water heaters is taking shape, while in the distance, the extension to the stove production facility, which is currently under construction, can be seen.



The new advanced technology Innovation Center, which houses 200 new individual offices, has also reached completion. The building comprises a total area of 8,400 square metres. The laboratory contains all the test equipment, including new EMC chambers, required to be able to carry out the advanced testing required to meet requirements for the development of new products. This will ensure top quality and shorter lead times in product development.

Operations

We continued to focus on boosting our production capacity. At the same time, the subcontractors that supply our most critical components have also increased their respective capacities. The end-result is that we now have a completely different level of stability in our delivery situation and more normal delivery times, and we are consequently regaining the trust of the market. We also continued to see an upturn in respect of delivery performance in North America, where low unemployment levels have been a challenge when it comes to finding and retaining workers.

Because we are convinced that heat pumps are the most energy-efficient and climate-friendly solution for climate control of buildings, we are continuing to invest in heat pump production capacity in several of our European operations as well as North America, the slight slowdown in demand notwithstanding. Alongside this, we are also expanding our production capacity of pressure vessels, which are an important component of heat pump installations. Our brand new and unique Innovation Center in Markaryd was commissioned during the third quarter and will play a vital part in safeguarding our future product development and help attract new development engineers.

Proactive product development and frequent launches of new high-performance products within all areas of application are basic prerequisites for continued expansion. We are at the cutting edge and have already launched the natural refrigerant R290 for two of our three heat pump families, with the launch for the remaining family due in 2024, which means we are ahead of EU requirements. In the fall, we also launched the market's most energy-efficient and smart geothermal heat pump ever, with a more climate-friendly refrigerant into the bargain. This is the result of a wealth of experience of geothermal heat pump development combined with innovative technology.

We are continuing to implement large-scale international marketing campaigns. The International Energy Agency (IEA) has identified heat pumps as a key technology in the transition to renewable energy sources and consequently also in reducing carbon dioxide emissions. Because Sweden has been at the vanguard in the transition from fossil fuels to heat pumps and NIBE is a market-leading operator, we joined forces with the IEA to share our experiences with the international market at several events during the year.

Integration of the Dutch group Climate for Life (CFL), which was acquired at the end of June, is in full swing and we have already identified interesting opportunities in terms of both revenue and costs.

Operating profit improved thanks to volume growth and improved materials supply, which benefited productivity in particular. Exchange rates continued to have a slightly positive impact. Overall, this led to an improvement in the operating margin compared with the corresponding period of the previous year, and we are well prepared for the future.

Business area NIBE Stoves

Key figures		Q1-Q3 2023	Q1-Q3 2022	Past 12 months	Full year 2022
Net sales	SEK m	3,432	2,772	4,671	4,011
Growth	%	23.8	29.1	27.1	31.5
of which acquired	%	17.5	3.8	15.4	5.4
Operating profit	SEK m	365	335	581	551
Operating margin	%	10.6	12.1	12.4	13.7
Assets	SEK m	7,313	5,135	7,313	5,000
Liabilities	SEK m	881	1,043	881	1,042
Investments in non-current assets	SEK m	191	74	239	123
Amortisation/Depreciation	SEK m	140	106	184	150

Sales and profit

Sales for the period totaled SEK 3,432 million, compared with SEK 2,772 million in the corresponding period of the previous year. Of the increase in sales of SEK 660 million, acquired sales accounted for SEK 484 million, which means that organic growth was 6.3%.

Operating profit for the period totaled SEK 365 million, compared with SEK 335 million in the previous year. This equates to an operating margin of 10.6%, compared with 12.1% in the previous year. This means that the operating margin for the past 12 months is 12.4%.

Market

Sales from wood-fired stove products in Europe remain high, thanks to very strong demand in the previous fall and winter season and generally limited production capacity in the industry. This resulted in extended delivery times. The unsettled global situation and higher energy prices prompted many consumers in Europe to invest in a secondary source of heating to safeguard heat supply, resulting in an extraordinary spike in demand and subsequent huge order backlogs throughout the industry. However, orders received have fallen substantially compared with the extraordinary upturn in fall 2022.

Demand in Scandinavia remains good, and there is a lot of interest in investing in stove products. Rising interest rates and uncertainty around future economic developments are affecting both the residential refurbishment and new construction markets, which in turn will also impact the stove sector in the long term.

In Germany, which was one of the markets reporting the largest growth in 2022, demand remains strong. It is clear that the dependence on gas must be reduced, which means interest in alternative heat sources is growing. Demand is also driven by government requirements under which older products that do not meet applicable Ecodesign requirements will not be allowed in the future.

The rise in the cost of living, and subsequent reduction in spending power, meant demand for gas-fired and electric stoves in the UK remained weak at the beginning of fall 2023. Demand for wood-fired products has also fallen recently, following the strong start to the year driven by the high energy prices in 2022.

In France, rising pellet prices resulted in reduced demand for pellet-fired stoves and French consumers chose to invest in wood-fired products instead. This means that the overall market is at roughly the same level as in the previous year, but the product mix is very different.

Demand in the North American market has been weaker throughout the first nine months of the financial year and demand for gas-fired products, which continue to account for the largest share of the market, fell sharply. Demand for wood-fired products has also performed less well compared with the previous year, while interest in electric stoves is growing steadily, albeit from a low level.

Operations

Although orders received for wood-fired products have fallen recently, at the same time as production capacity has improved, we still have large order backlogs, resulting in relatively long delivery times for new orders. Delivery times will gradually improve as production capacity improves further. At the same time, we have adjusted production capacity for gas-fired products to prevailing market conditions in both North America and the UK.

At the beginning of July, we acquired 83% of the shares in 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.

The rise in sales was not reflected in operating margin, which was lower than in the corresponding period of the previous year. To mitigate the sharp fluctuations in demand between different types of products and regions, we have adjusted production to match prevailing demand, which is affecting the operating margin in the short term. At the same time, we are continuing our long-term investments in marketing and product development. The former will enable us to realize our long-term ambitions for growth, and the latter will enable us to meet the requirements of future consumers with an even stronger focus on sustainability.



The newly acquired Portuguese company Solzaima's products include pellet stoves featuring a new, innovative and more efficient automatic cleaning system and a touchscreen for simple control of the system. A Wi-Fi kit is included as standard, enabling remote control of the stove using a smartphone..

Business area NIBE Element

Key figures		Q1-Q3 2023	Q1-Q3 2022	Past 12 months	Full year 2022
Net sales	SEK m	8,915	7,988	11,853	10,925
Growth	%	11.6	28.7	16.2	29.7
of which acquired	%	3.2	1.0	3.4	1.9
Operating profit	SEK m	758	874	1,008	1,123
Operating margin	%	8.5	10.9	8.5	10.3
Assets	SEK m	15,361	13,859	15,361	14,100
Liabilities	SEK m	3,081	2,466	3,081	2,276
Investments in non-current assets	SEK m	589	481	717	609
Amortisation/Depreciation	SEK m	384	325	518	459

Sales and profit

Sales for the period totaled SEK 8,915 million, compared with SEK 7,988 million in the corresponding period in the previous year. Of the increase in sales of SEK 927 million, acquired sales accounted for SEK 252 million, which means that organic sales increased by 8.4%.

Operating profit for the period totaled SEK 758 million, compared with SEK 874 million in the previous year. This equates to an operating margin of 8.5%, compared with 10.9% for the previous year. This means that the operating margin for the past 12 months is 8.5%.

Market

Demand remained strong in several of the business area's market segments during the period, but there were considerable variations between segments. This requires significant flexibility and preparedness, as well as adaptation of operations.

We saw an increase in demand in several of our most important market segments, particularly products linked to sustainability, renewable energy and energy-efficient solutions. This applies to both products for private and commercial use. However, the improved delivery situation for many raw materials and components, together with increased finance costs, has meant that many customers are now reducing their inventories, which in turn will have a negative impact on demand for a limited period of time.

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 solutions involve some form of electric heating and control. Demand for products for the wind power industry declined as a result of a significant drop in the number of projects in 2023, largely due to delays in permitting processes. However, the assessment is that this market will improve significantly next year.

Demand for products in the consumer segment, such as domestic appliances and direct electric heating, showed a clear reduction compared with the previous year. This was due to a combination of significantly lower consumer demand and inventory adjustments by our customers.

The electrification of vehicles is presenting new business opportunities for us, with regard to both passenger cars and commercial vehicles. We are conducting a number of development projects with large international customers and the products will enter series production next year. The projects relate to several of our product areas and production facilities. Demand in the railway sector is growing.

Demand in the semiconductor industry has been weak since the USA introduced trade restrictions in respect of exports of advanced technology to China at the end of 2022. Investments in expanding the semiconductor industry in both North America and Europe in order to reduce dependence on Asia in this important technology area will boost demand for our components in the long term. Demand in the semiconductor industry has also historically been cyclical, and when demand falls in certain product segments, the semiconductor industry's investments also decline. However, demand is expected to recover again in 2024, partly driven by new AI applications. We will also be launching a number of new products within the semiconductor segment going forward.

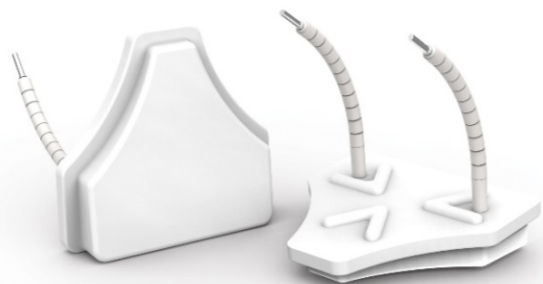
Operations

To meet growing demand in segments with strong organic growth, we have continued to boost production capacity in our units both through new recruitment and capacity investments. At the same time, we have reduced our production capacity in segments with falling demand. Alongside this, we have implemented additional investments in robotics and automation as well as productivity improvement measures in order to maintain competitiveness and keep the operating margin at the target of 10%.

Exchange rates remain volatile, with a considerable effect on pricing and competitiveness. In this situation, our international presence with production units in different currency zones gives us a clear advantage. In general, there are labor shortages in many of the countries in which we have production units.

In July, we acquired 77.5% of the shares in the Irish elements company Ceramicx, which is a leading producer of infrared heating components and systems. The acquisition supplements our product portfolio in industrial electrical heating, a sector that is showing strong growth as a result of efforts to reduce carbon dioxide emissions.

Despite falling demand in key product segments, overall growth has been strong. Although all operations have rapidly adapted to prevailing demand, the operating profit has been adversely affected by the short-term drop in demand, and subsequent readjustment costs, in several profitable growth segments, at the same time as we have absorbed costs from investments in those segments in order to meet an expected increase in demand in the coming years.



The newly acquired company Ceramicx specializes in infrared heating. The company has produced a headlight de-icing element for vehicles that can be used in temperatures down to -30 °C. Current LED lights produce much less heat than previously, which has been shown to often cause a buildup of fog and ice on headlights, making driving difficult in adverse weather conditions

Condensed income statement

(SEK million)	Group						Parent	
	Q3 2023	Q3 2022	Jan-Sept 2023	Jan-Sept 2022	Past 12 months	Full year 2022	Jan-Sept 2023	Jan-Sept 2022
Net sales	11,514	9,999	34,993	28,404	46,660	40,071	37	33
Cost of goods sold	-7,628	-6,894	-23,253	-19,698	-31,017	-27,462	0	0
Gross profit	3,886	3,105	11,740	8,706	15,643	12,609	37	33
Selling expenses	-1,371	-1,170	-4,401	-3,538	-5,784	-4,921	0	0
Administrative expenses	-910	-637	-2,502	-1,863	-3,287	-2,648	-126	-95
Other operating income	174	167	544	670	697	823	0	0
Operating profit	1,779	1,465	5,381	3,975	7,269	5,863	-89	-62
Net financial items	-181	-14	-428	-71	-545	-188	937	1,705
Profit after net financial items	1,598	1,451	4,953	3,904	6,724	5,675	848	1,643
Tax	-378	-343	-1,136	-879	-1,537	-1,280	0	0
Net profit	1,220	1,108	3,817	3,025	5,187	4,395	848	1,643
Net profit attributable to Parent shareholders	1,216	1,104	3,805	2,982	5,174	4,351	848	1,643
Net profit attributable to non-controlling interest	4	4	12	43	13	44	0	0
Net profit	1,220	1,108	3,817	3,025	5,187	4,395	848	1,643
Includes amortisation/depreciation according to plan as follows	464	359	1,258	1,061	1,681	1,484	0	0
Net profit per share before and after dilution, SEK	0.60	0.55	1.89	1.48	2.57	2.16	0	0

Statement of comprehensive income

Net profit	1,220	1,108	3,817	3,025	5,187	4,395	848	1,643
Other comprehensive income								
Items that will not be reclassified to profit or loss								
Actuarial gains and losses in retirement benefit plans	20	0	48	57	151	160	0	0
Tax	-4	0	-10	-12	-32	-34	0	0
	16	0	38	45	119	126	0	0
Items that may be reclassified to profit or loss								
Cash flow hedges	17	-12	20	-9	29	0	0	0
Hedging of net investments	109	-37	14	-59	-18	-91	0	0
Exchange differences on translation of foreign operations	-478	1,504	1,209	3,676	656	3,123	0	0
Tax	-31	-106	-69	-279	38	-172	0	0
	-383	1,349	1,174	3,329	705	2,860	0	0
Total other comprehensive income	-367	1,349	1,212	3,374	824	2,986	0	0
Total comprehensive income	853	2,457	5,029	6,399	6,011	7,381	848	1,643
Comprehensive income attributable to Parent shareholders	849	2,446	5,014	6,342	5,991	7,319	848	1,643
Comprehensive income attributable to non-controlling interest	4	11	15	57	20	62	0	0
Total comprehensive income	853	2,457	5,029	6,399	6,011	7,381	848	1,643

Condensed balance sheet

(SEK million)	Group			Parent		
	30 Sept 2023	30 Sept 2022	31 Dec 2022	30 Sept 2023	30 Sept 2022	31 Dec 2022
Intangible assets	32,031	22,897	22,568	0	0	0
Property, plant and equipment	10,798	7,506	8,273	0	0	0
Financial assets	1,237	972	1,001	25,443	18,064	18,162
Total non-current assets	44,066	31,375	31,842	25,443	18,064	18,162
Inventories	13,734	9,834	10,191	0	0	0
Current receivables	9,419	7,412	7,144	132	104	379
Investments in securities, etc	476	199	190	0	0	0
Cash and bank balances	3,685	3,707	4,627	0	0	0
Total currents assets	27,314	21,152	22,152	132	104	379
Total assets	71,380	52,527	53,994	25,575	18,168	18,541
Equity	31,688	26,809	27,973	9,365	9,711	9,827
Non-current liabilities, non-interest bearing	5,836	5,881	5,869	991	1,316	1,500
Non-current liabilities, interest bearing	18,044	6,189	6,399	13,110	4,251	4,250
Current liabilities, non-interest bearing	11,504	8,782	8,795	859	40	114
Current liabilities, interest bearing	4,308	4,866	4,958	1,250	2,850	2,850
Total equity and liabilities	71,380	52,527	53,994	25,575	18,168	18,541

Key figures

		Jan-Sept 2023	Jan-Sept 2022	Full year 2022
Growth	%	23.2	26.6	30.0
Operating profit	SEK m	5,381	3,975	5,863
Operating margin	%	15.4	14.0	14.6
Profit margin	%	14.2	13.7	14.2
Investments in non-current assets, including acquisitions	SEK m	10,908	2,873	3,745
Available cash and equivalents	SEK m	4,750	4,432	5,441
Working capital incl. cash and bank balances	SEK m	15,810	12,370	13,357
as share of net sales	%	33.9	33.6	33.3
Working capital excl. cash and bank balances	SEK m	11,649	8,464	8,540
as share of net sales	%	25.0	23.0	21.3
Interest-bearing liabilities/Equity	%	70.5	41.2	40.6
Equity/assets ratio	%	44.4	51.0	51.8
Return on capital employed	%	16.4	16.0	17.7
Return on equity	%	17.9	16.4	18.1
Net debt/EBITDA	times	2.0	1.1	0.9
Interest coverage ratio	times	7.3	9.3	10.1

Data per share

		Jan-Sept 2023	Jan-Sept 2022	Full year 2022
Net earnings per share (total 2,016,066,488 shares)	SEK	1.89	1.48	2.16
Equity per share	SEK	15.69	13.28	13.86
Closing day share price	SEK	71.80	100.10	97.10

Sales by geographical region

(SEK million)	NIBE Climate Solutions	NIBE Element	NIBE Stoves	Eliminations	Total
Nordic region	5,572	1,535	778	-698	7,187
Europe (excl. Nordic region)	12,167	3,235	1,610	-329	16,683
North America	5,305	3,236	958	-24	9,475
Other countries	653	909	86	0	1,648
Total	23,697	8,915	3,432	-1,051	34,993

Time of accounting for sales

(SEK million)	NIBE Climate Solutions	NIBE Element	NIBE Stoves	Eliminations	Total
Deliverables taken up as revenue once	23,055	8,915	3,432	-1,051	34,351
Deliverables taken up as revenue gradually	642	0	0	0	642
Total	23,697	8,915	3,432	-1,051	34,993

SERVICE CONTRACTS

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

Financial instrument measured at fair value

(SEK million)	30 Sept 2023	30 Sept 2022	31 Dec 2022
Current receivables			
Currency futures	25	0	10
Commodity futures	0	0	3
Total	25	0	13
Current liabilities and provisions, non-interest bearing			
Currency futures	2	5	11
Commodity futures	1	2	0
Total	3	7	11
Non-current liabilities, interest bearing			
Interest rate derivatives	3	0	0
Total	3	0	0

No instruments have been offset in the statement of financial position, so all instruments are recognised at their gross value. For a detailed account of the measurement process, see Note 29 in the Annual Report for 2022. For other consolidated financial assets and liabilities, the carrying amounts represent a reasonable approximation of their fair value. A specification of the financial assets and liabilities involved is given in Note 29 in the Annual Report for 2022.

Condensed cash flow statement

(SEK million)	Jan-Sept 2023	Jan-Sept 2022	Full year 2022
Cash flow from operating activities	5,096	3,845	5,800
Change in working capital	-3,510	-2,324	-3,186
Investing activities	-10,750	-1,943	-2,778
Financing activities	8,407	-872	-151
Exchange difference in cash and equivalents	101	454	386
Change in cash and equivalents	-656	-840	71

Change in equity - summaries

(SEK million)	Jan-Sept 2023	Jan-Sept 2022	Full year 2022
Opening equity	27,973	21,657	21,657
Effect of applying IAS29*	0	0	186
Adjusted opening equity	27,973	21,657	21,843
Shareholders' dividend	-1,310	-1,008	-1,008
Dividend to non-controlling interest	-4	-1	-1
Change in non-controlling interest	0	-238	-242
Comprehensive income for the period	5,029	6,399	7,381
Closing equity	31,688	26,809	27,973

*IAS 29 has been implemented - for more information, see Accounting policies.

Alternative performance measures

Alternative performance measures are financial measures that are used by the company's management and by investors to evaluate the Group's profit and financial position using calculations that cannot be directly derived from the financial statements. The alternative performance measures provided in this report may be calculated using methods that differ from those used to produce similar measures that are used by other companies.

Net investments in non-current assets

(SEK million)	Jan-Sept 2023	Jan-Sept 2022	Full year 2022
Acquisition of non-current assets	10,939	2,885	3,767
Disposal of non-current assets	-31	-12	-22
Net investments in non-current assets, including acquisitions	10,908	2,873	3,745

Available cash and cash equivalents

(SEK million)	Jan-Sept 2023	Jan-Sept 2022	Full year 2022
Cash and bank balances	3,685	3,707	4,627
Investments in securities, etc.	476	199	190
Unutilised overdraft facilities	589	526	624
Available cash and cash equivalents	4,750	4,432	5,441

Working capital, including cash and bank balances

(SEK million)	Jan-Sept 2023	Jan-Sept 2022	Full year 2022
Total current assets	27,314	21,152	22,152
Current liabilities and provisions, non-interest bearing	-11,504	-8,782	-8,795
Working capital, including cash and bank balances	15,810	12,370	13,357
Net sales, past 12 months	46,660	36,792	40,071
Working capital, including cash and bank balances, in relation to net sales, %	33.9	33.6	33.3

Working capital, excluding cash and bank balances

(SEK million)	Jan-Sept 2023	Jan-Sept 2022	Full year 2022
Inventories	13,734	9,834	10,191
Current receivables	9,419	7,412	7,144
Current liabilities and provisions, non-interest bearing	-11,504	-8,782	-8,795
Working capital, excluding cash and bank balances	11,649	8,464	8,540
Net sales, past 12 months	46,660	36,792	40,071
Working capital, excluding cash and bank balances, in relation to net sales, %	25.0	23.0	21.3

Return on capital employed

(SEK million)	Jan-Sept 2023	Jan-Sept 2022	Full year 2022
Profit after net financial items, past 12 months	6,724	5,048	5,675
Financial expenses, past 12 months	939	547	626
Profit before financial expenses	7,663	5,595	6,301
Capital employed at start of period	39,330	31,977	31,977
Capital employed at end of period	54,039	37,864	39,330
Average capital employed	46,685	34,921	35,654
Return on capital employed, %	16.4	16.0	17.7

Return on equity

(SEK million)	Jan-Sept 2023	Jan-Sept 2022	Full year 2022
Profit after net financial items, past 12 months	6,724	5,048	5,675
Standard tax rate, %	20.6	20.6	20.6
Profit after net financial items, after tax	5,339	4,008	4,506
Of which attributable to Parent shareholders	5,327	3,947	4,462
Equity at start of period	27,936	21,438	21,438
Equity at end of period	31,638	26,772	27,936
Average equity	29,787	24,105	24,687
Return on equity, %	17.9	16.4	18.1

Net debt/EBITDA

(SEK million)	Jan-Sept 2023	Jan-Sept 2022	Full year 2022
Non-current liabilities and provisions, interest bearing	18,044	6,189	6,399
Current liabilities and provisions, interest bearing	4,308	4,866	4,958
Cash and bank balances	-3,685	-3,707	-4,627
Investments in securities, etc.	-476	-199	-190
Net debt	18,191	7,149	6,540
Operating profit, past 12 months	7,269	5,154	5,863
Depreciation/amortisation and impairment, past 12 months	1,723	1,472	1,597
EBITDA	8,992	6,626	7,460
Net debt/EBITDA excluding revaluation of additional considerations, multiple	2.0	1.1	0.9

Interest coverage ratio

(SEK million)	Jan-Sept 2023	Jan-Sept 2022	Full year 2022
Profit after net financial items	4,953	3,904	5,675
Financial expenses	782	469	626
Profit before financial expenses	5,735	4,373	6,301
Interest coverage ratio, multiple	7.3	9.3	10.1

Accounting policies

NIBE Industrier's consolidated accounts are prepared in accordance with International Financial Reporting Standards (IFRS). NIBE Industrier's interim report for the third quarter of 2023 has been prepared in accordance with IAS 34 'Interim Financial Reporting'. Disclosures in accordance with IAS 34 16A are presented in the financial statements and related notes as well as in other parts of the interim report.

For the Group, the accounting policies applied in this report are the same as those described on pages 100–139 of the Annual Report for 2022. The Group started to apply IAS 29 Financial Reporting in Hyperinflationary Economies in 2022 as a result of its operations in Turkey. Application had an effect on opening balance equity in 2022 as comparative figures are not restated.

Reporting for the Parent follows the Swedish Annual Accounts Act and the Swedish Financial Accounting Standards Board's recommendation RFR 2 Reporting for Legal Entities.

Related party transactions have taken place to the same extent as in the previous year and the same accounting policies have been applied as those described on page 101 of the company's Annual Report for 2022

Risks and uncertainties

NIBE Industrier is an international industrial group that is represented in around 40 countries. As such, it is exposed to several business and financial risks. Risk management is, therefore, an important process relative to the goals that the company has set up. Throughout the NIBE Group, efficient risk management routines are an ongoing process within the framework of the Group's operational management and a natural part of the continual follow-up of activities. It is our opinion that no significant risks or uncertainties have arisen in addition to those described in NIBE Industrier's Annual Report for 2022.

The interim report provides a fair review of the business, financial position and results of the Parent and the Group and describes the principal risks and uncertainties facing the Parent and companies in the Group.

Markaryd, Sweden, November 15, 2023

Hans Linnarson
Chairman of the Board

Eva Karlsson
Director

Jenny Larsson
Director

Gerteric Lindquist
Managing Director and CEO

Anders Pålsson
Director

Eva Thunholm
Director

Review report

We have reviewed the summary interim financial information (interim report) of NIBE Industrier AB as of 30 September 2022 and the nine-month period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices.

The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, for the Group in accordance with IAS 34 and the Annual Accounts Act and for the Parent Company in accordance with the Annual Accounts Act.

Markaryd 15 November 2023
KPMG AB

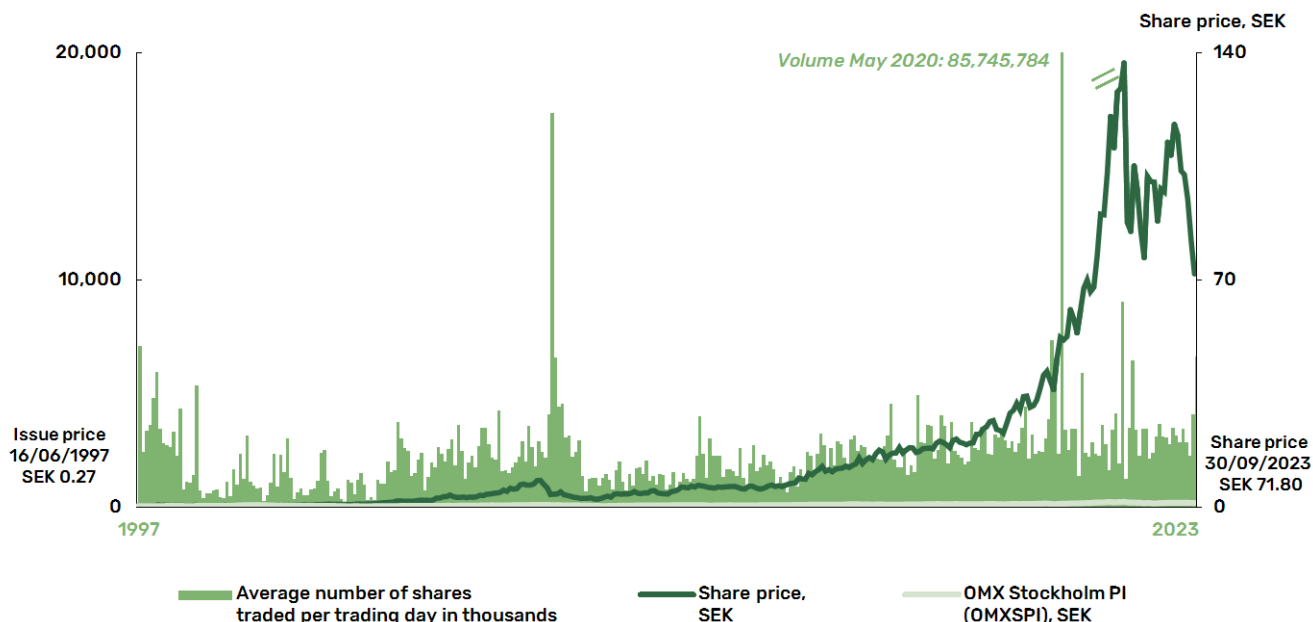
Jonas Nihlberg
Authorised Public Accountant
Auditor in charge

NIBE shares

NIBE's Class B shares are listed on the NASDAQ Nordic Large Cap list in Stockholm, with a secondary listing on the SIX Swiss Exchange in Zurich. The NIBE share's closing price on September 30, 2023 was SEK 71.80. During the first nine months of 2023, NIBE's share price fell by 26%, from SEK 97.10 to SEK 71.80. Over the same period, the OMX Stockholm PI (OMXSPI) rose by 1.7%. This means that, at the end of September 2023, the market capitalisation of NIBE, based on the latest price paid, amounted to SEK 144,754 million. A total of 653,309,089 NIBE shares were traded, which corresponds to a share turnover of 43.2% in the first three quarters of 2023.

All figures were restated following the 4:1 splits implemented in 2003, 2006, 2016 and May 2021, and the dilution effect of the preferential rights issue in October 2016.

Number of shares traded per trading day in thousands



The information in this Interim Report is information that NIBE Industrier AB is obliged to publish under the Swedish Securities Market Act and/or the Financial Instruments Trading Act. This information was submitted for publication on November 15, 2023 at 08:00 (CEST).

Please email any questions to:
Gerteric Lindquist, MD and Group CEO, gerteric.lindquist@nibe.se
Hans Backman, CFO, hans.backman@nibe.se



NIBE Group

- an international Group with companies and a presence worldwide

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

Since its beginnings in the town of Markaryd in the Swedish province of Småland 70 years ago, NIBE has grown into an international company with an average of 21,300 (20,400) 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. It's success factors are long-term investments in sustainable product development and strategic acquisitions. Combined, these factors have brought about strong, targeted growth, which generated sales of just over SEK 40 (30) billion in 2022.

NIBE has been listed under the name NIBE Industrier AB on the Nasdaq Nordic Large Cap list since 1997, with a secondary listing on the SIX Swiss Exchange since 2011.

NIBE

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