

# NIBE

– world-class solutions in sustainable energy



Annual Report 2020

## Contents

NIBE GROUP	4
Chief Executive's Report	6
NIBE Climate Solutions	10
NIBE Element	12
NIBE Stoves	14
Drivers and trends	16
Financial targets	22
Sustainability targets	24
International targets	26
Vision	28
Management philosophy	
– Our business principles	30
– Our values	31
Strategic focus areas	34
– Growth with profitability	36
– Market-oriented expansion	38
– Innovation	48
– A long-term approach	66
NIBE's value chain	70
NIBE's stakeholders	72
Business opportunities and risks	74
NIBE share performance	76
FINANCIAL STATEMENTS	
• Annual accounts 2020	80
• Five-year overview	82
• Consolidated income statement	84
• Business areas	86
• Consolidated balance sheet	88
• Consolidated statement of cash flows	91
• Key ratios	92
• Parent company	98
• Risks and risk management	100
• Notes	102
Companies in the Group	140
NON-FINANCIAL REPORTING	
General information	145
NIBE's material topics	150
– Business and ethics topics	151
– Environmental topics	153
– Social topics	160
• Auditor's statement on the sustainability report	170
Corporate governance report	171
• Auditor's statement on the corporate governance report	175
• Auditor's report	177
NIBE's Board of Directors	181
NIBE's management	182

## Press releases during the year

### First quarter

- 11 Feb** NIBE acquires 51% of the shares in Nathan Holding B.V.
- 13 Feb** NIBE's year-end report 2019
- 1 Mar** NIBE acquires 50% of ÜNTES
- 10 Mar** NIBE acquires 100% of the shares in WATERKOTTE GmbH
- 30 Mar** Amended dividend proposal

### Second quarter

- 14 Apr** Notice of NIBE's 2020 Annual General Meeting
- 14 Apr** NIBE's Annual Report is published
- 7 May** NIBE acquires 60% of the shares in VEÅ AB
- 14 May** NIBE's Interim Report 1 2020
- 14 May** Annual General Meeting of Shareholders in NIBE Industrier AB

### Third quarter

- 2 Jul** NIBE acquires 87.5% of the shares in Termotech s.r.l.
- 19 Aug** NIBE's Interim Report 2 2020

### Fourth quarter

- 17 Nov** NIBE proposes a dividend of SEK 1.40 per share
- 18 Nov** NIBE's Interim Report 3 2020
- 23 Nov** Notice of NIBE's Extraordinary General Meeting
- 16 Dec** Extraordinary General Meeting of Shareholders in NIBE Industrier AB

#### • Audit

The financial statements have been audited by NIBE's external auditor. Auditor's report, see pages 177–180.

Auditor's statement on the statutory sustainability report, see page 170.

Auditor's statement on the corporate governance report, see page 175.

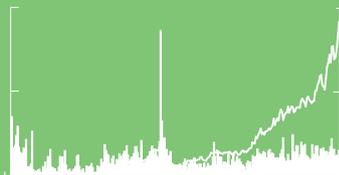


### More energy-efficient, every day

NIBE contributes to an energy-efficient life every day, and our customers should expect comfort, convenience and peace of mind. With intelligent, world-class solutions in sustainable energy, we contribute to a more sustainable society.

Find out more on page 16.

### NIBE shares



Find out more on page 76.

### Energy efficiency with a wide range of products

Thanks to its products, it is natural for NIBE to play a key role in international ambitions for a transition to a fossil-free society with reduced energy consumption. At the same time, we are gradually reducing our own climate and environmental impact throughout our added-value chain.

Find out more on page 50.



### Industrial partners

NIBE is a key industrial partner for many companies in various industries that require different components and solutions for intelligent heating and control.

Find out more on page 56.

### Strategic focus areas

NIBE's strategies for achieving our goals are well proven and based on our business principles, focusing on four strategic areas: growth with profitability, market-oriented expansion, innovation and a long-term approach.

Find out more on page 34.



### Calendar

#### 11 May 2021

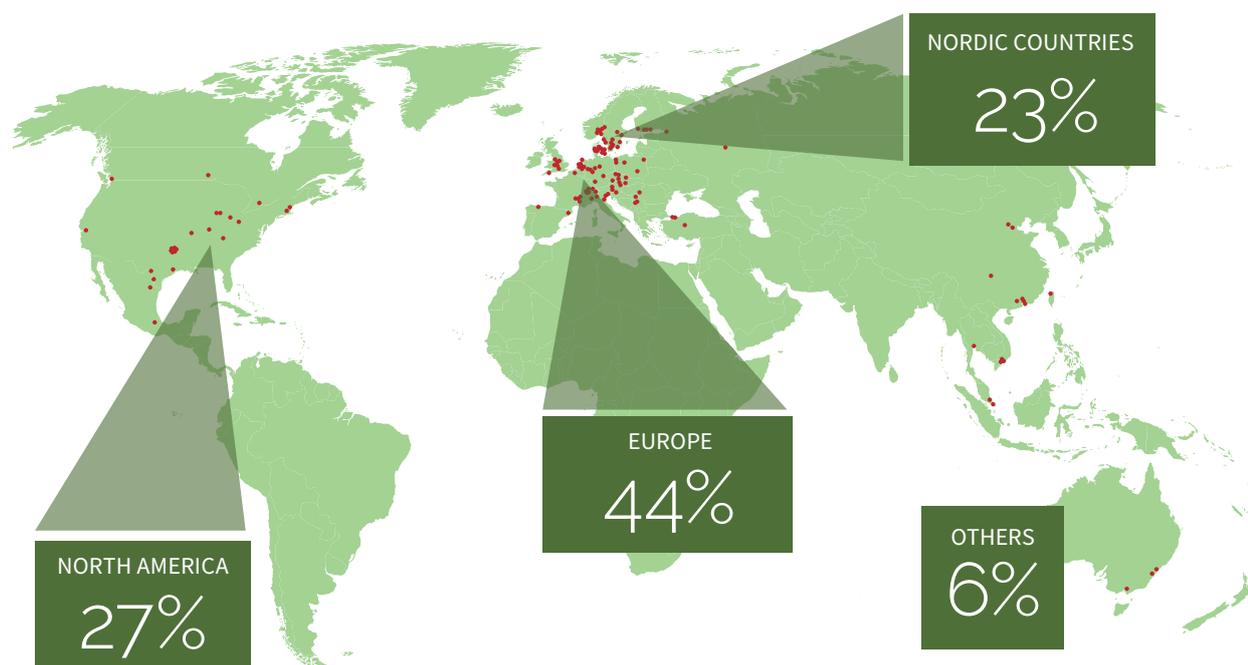
Interim Report 1, January – March 2021  
Annual General Meeting in Markaryd, Sweden,  
17:00

#### 19 August 2021

Interim Report 2, January – June 2021

#### 17 November 2021

Interim Report 3, January – September 2021



SALES SEK M

27,146

GROWTH %

7.1

OPERATING MARGIN\* %

13.0

PROFIT AFTER NET  
FINANCIAL ITEMS\* SEK M

3,305

PROFIT  
AFTER TAX\* SEK M

2,570

EQUITY/ASSETS RATIO %

46.3

EARNINGS PER SHARE\* SEK

4.98

PROPOSED DIVIDEND SEK

1.55

## NIBE Group ratios

Financial ratios		2020	2019	2018	2017	2016
Net sales	SEK m	27,146	25,342	22,516	19,009	15,348
Growth	%	7.1	12.5	18.5	23.9	15.9
Operating margin*	%	13.0	12.0	12.4	12.4	12.9
Profit after net financial items*	SEK m	3,305	2,836	2,632	2,195	1,871
Profit after tax*	SEK m	2,570	2,184	2,037	1,716	1,376
Equity/assets ratio	%	46.3	47.3	47.8	45.8	46.6
Earnings per share*	SEK	4.98	4.31	4.05	3.40	2.93
Proposed dividend	SEK	1.55	1.40	1.30	1.05	0.88

\*Excluding revaluation of additional considerations

For definitions, see page 97.

## A global Group with companies and a presence worldwide

NIBE Group is a global organisation that contributes to a lower carbon footprint and better utilisation 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.




---

### NIBE Climate Solutions

---

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

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

Find out more on page 50.




---

### NIBE Element

---

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

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

Find out more on page 56.




---

### NIBE Stoves

---

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

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

Find out more on page 62.

Since its beginnings in the town of Markaryd in the province of Småland nearly 70 years ago, NIBE has grown into a global group with 18,700 (17,000) employees on average and a global presence. From the very start, the company has been driven by a strong culture of entrepreneurship and a passion for corporate responsibility. Its success factors are long-term investments in sustainable product development and strategic acquisitions. Combined, these factors have brought about strong, targeted growth, which generated sales of just over SEK 27 (25) billion in 2020.

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.

# A strong 2020 despite Covid-19



Gerteric Lindquist, Managing Director and CEO

2020 was an extraordinarily different and extremely stressful year both for all societies and institutions worldwide and for all their citizens and individual companies. For us, overall demand has been fairly varied, largely reflecting the different phases of the pandemic.

The year began with generally very high demand, which then declined at the end of the first quarter. Demand then became even weaker in Q2, only to return in Q3 and Q4 with surprising vigour. This meant that, despite all the difficulties, the year as a whole enjoyed some purely organic growth, although this was slightly lower than the effect of the overall strengthening of the Swedish currency during the year. In turn, this means that organic sales fell by 0.9% (+7.9%). However, including acquisitions, annual sales rose by 7.1% (12.5%).

There was relatively stable demand for products with a clear sustainability profile during the year, which naturally benefited us. In addition, in a year like 2020, our corporate philosophy, with an extremely decentralised organisation, once again proved to be hard to beat. Our local management teams have been able to cope with the effects of the uneven demand in an admirable fashion, while also protecting the health of staff.

**The NIBE Climate Solutions business area** experienced relatively good market conditions for most of the year, despite the prevailing situation, thanks to its clear sustainability profile.

The ambitious goal to be the market leader for sustainable, advanced climate control solutions for both single-family homes and commercial properties also places particularly heavy, constantly growing demands on the organisation. Both individual products and turnkey solutions are always expected to meet customers' legitimate requirements for performance and quality, as well as the products being certified as environmentally-friendly both during manufacture and throughout their life cycle, including the disposal phase.

The reward for our hard work in achieving this goal is constantly growing trust from customers in the form of continued growth. Naturally, the acquisition activity declined during the year. However, the five acquisitions completed at the start of the year (TIKI, Nathan Holding, WATERKOTTE, VEÅ and ÜNTES) meant that, despite everything, approximately SEK 1.5 billion in annual sales was added to the business area. With these acquisitions, the business area continues to increase its market share, while expanding its market presence and technology base.

Both sales and profit enjoyed stable growth during the year. The businesses acquired had a significant influence on this growth throughout the year but purely organic growth was also positive. Sales growth was good for almost all of Q1. Q2 saw a minor organic decrease, while organic growth gradually improved in the second half of the year. The strengthening of the Swedish currency in the corresponding period, however, had a negative impact on sales growth to roughly the same extent. The primary reason for the further improvement in the operating margin is continued growth, combined with good cost control and improved productivity.

**The NIBE Element business area**, with its large geographical spread and exposure to a large number of different market segments, was subject to major demand variations during the year.



## NIBE – sustainability partner for Tekniska, the National Museum of Science and Technology in Stockholm

*In November, NIBE Industrier AB became a new sustainability partner for the National Museum of Science and Technology in Stockholm. NIBE will, for instance, be involved in the construction of the museum's new Wisdome Stockholm building, which will provide an interactive, digital learning and testing environment for science communication. The agreement with the Museum of Science and Technology, together with our agreement with NOBEL Prize Museum, represents yet another important step in our ambition to help increase interest in technology and science among children and young people.*

In this business area, it was also the market segments with a clear sustainability profile that enjoyed favourable growth during the year as a whole. In addition, the semiconductor segment grew strongly, largely driven by increased electrification in the automotive industry and the expansion of 5G. Virtually all other market segments saw widely varying demand patterns.

The year began with stable demand, only to deteriorate markedly at the end of Q1 and throughout Q2. However, after the end of Q2, demand improved considerably in most market segments. Those segments that have not yet recovered are primarily commercial products such as restaurant and catering equipment and purely industrial products. This is probably explained by the considerable caution caused by the prevailing situation.

Acquisition activity in this business area was also affected by the prevailing situation. However, despite everything, seven minor bolt-on acquisitions were completed. Our experience with such minor acquisitions has been good, as they relatively quickly generate synergy gains and our market share improves. One of the big advantages of being market leader is that we are sought out by major potential customers that are in the process of developing pioneering new products and see us as a natural partner. Examples of this are a number of big projects in the automotive industry, which is now moving rapidly towards electrification.

Thanks to the acquisitions, sales continued to grow despite the prevailing conditions. Purely organically, the business area saw a small fall in sales, and the strong Swedish currency further underscored this trend. Fortunately, both operating profit and operating margin increased during the year, which is a clear indication of our strength and ability to rapidly adapt to current market conditions, keep costs down and continue product development with no change in tempo.

**The NIBE Stoves business area** saw great variation in demand following roughly the same pattern as our two other business areas.

The year began well, but total demand fell dramatically from March to the end of June, only to improve considerably again in the second half of the year. Demand is estimated to have been roughly at the same level as in the previous year overall.

The business area continues to allocate major resources on product development to enable it to further consolidate its market-leading position and to take the business area to an even higher level in terms of sustainability.

In terms of acquisitions, the sales rights to a well-known, well-reputed brand in Norway were taken over. In addition, a minority holding in another Canadian stove company has been acquired, with the option to acquire the remaining shares in the years to come.

Despite a big decline in invoicing during the spring months, the recovery over the rest of the year was even bigger. Overall, the business area had purely organic growth that was able to compensate for the strengthening of the Swedish currency by a good margin. Both operating profit and operating margin increased. This is very satisfying and yet another good indication of the strength of our decentralised organisation model.

### Acquisition strategy remains unchanged

For obvious reasons, the pace of acquisitions did not meet expectations in the second half of the year.

The conditions for continued acquisitions appear to be very favourable, however. Many companies and their owners find our clear sustainability profile attractive and furthermore our access to capital is good, internally as well as externally.



NIBE invests and builds for the future, both in Markaryd and in the local community

*In September 2020, NIBE AB opened an 11,000 square metre extension to the company's Logistics Centre in Markaryd, which now comprises 31,000 square metres.*

**Pace of investment driven by strong belief in the future and next sales target of SEK 40 billion**

Investments in our existing businesses amounted to SEK 1,109 million in the period, compared with last year's SEK 1,054 million, and the depreciation rate, including leases, was SEK 1,236 million, compared with SEK 1,036 million last year. Excluding leases, the depreciation rate was SEK 938 million, compared with SEK 813 million last year. The investment rate may vary slightly over time but because of continued capacity increases and the need for further rationalisation investments, the investment rate over the next few years will continue to be equal to or just above the depreciation rate, excluding leases.

**Strong earnings performance**

The yearly profit includes revaluation of additional considerations of SEK 353 million. This income is recognised on a separate line in the income statement for the year, which was not the case in previous years as the amounts were insignificant. In order to facilitate comparisons with previous years, the main figures that are affected are listed, excluding the revaluation of additional considerations. The Group's liabilities for additional considerations are reevaluated regularly and are based on the expected earnings growth in a number of the businesses acquired in recent years. The expected additional

considerations are based on the business plans that we put together with the respective sellers at the time of acquisition and that have historically proved to be fairly accurate. However, the pandemic has caused the recognised liabilities relating to expected additional considerations for a number of the companies that were acquired to be revalued, which had a corresponding positive effect on the profit for the year.

The operating profit, excluding revaluation of additional considerations, improved during the period by 16.1% compared with last year, and the operating margin improved from 12.0% to 13.0%. With satisfaction we can also note that both operating profit and operating margin were slightly better in all quarters this year than in the corresponding quarters last year. Operating profit does not include furlough support applied for in Sweden as a consequence of Covid-19.

Profit after net financial items, excluding revaluation of additional considerations, improved by 16.5% in the period compared with the corresponding period last year.

**A concept that is hard to beat**

Now that the highly unusual year 2020 has drawn to a close, it seems natural to offer a few reflections.

From a purely business point of view, we navigated excellently



**NIBE's culture carriers**

*In autumn 2020 we launched new versions of the three important manuals which in a simple and educational way explain the actual core of NIBE's corporate philosophy.*



### NIBE contributes to sustainable initiatives in North America

*NIBE is the main sponsor of the US organisation ASHRAE's new head office in Peachtree Corners, Georgia, USA, which opened in March 2021. ASHRAE, American Society of Heating, Refrigeration and Air-Conditioning Engineers, is a US professional not-for-profit membership organisation that seeks to advance modern, sustainable construction and design of heating, ventilation, air conditioning and refrigeration products and systems.*

through 2020. Our uninterrupted, profitable expansion survived the exceptional situation caused by Covid-19 and we took yet another important step forward towards achieving our sales target of SEK 40 billion by 2025 or sooner.

In this context it is important to point out that this development had not been possible, were it not for our special corporate philosophy, carefully honed over many decades. A corporate philosophy that is based on creating good profitability through a long-term perspective, decentralisation and accountability, which takes both the environment and individuals into consideration, thereby fostering employee motivation and engagement.

In 2020 all our employees demonstrated the strength of our model in an admirable way by safeguarding the company's future good performance while also focusing on showing respect for colleagues through measures such as distancing, good hand hygiene and staying away from the workplace at the first sign of illness. Put simply, this is sustainable behaviour that is second nature to us.

The term sustainability is probably one of the most commonly used words in the era in which we live, almost to the point of it becoming meaningless. For us at NIBE, sustainability is something that in principle has always been an integral part of the company, although we did not always use this particular term but instead words such as honesty, moderation, transparency and efficient use of resources.

Behind it all lies a deep-rooted awareness that a company's long-term success and survival depends on being able to create long-term value for both its customers and society in general. This, in turn, is based on curiosity about what lies around the corner and an unyielding desire to always try to improve our products and make them more efficient, while also using fewer resources.

To be able to one day realise our vision for production of world-class energy solutions with no environmental impact whatsoever. To be able to one day provide a shining example of what it really means to live up to the UN's sustainable development guiding principles, the Global Compact. This would represent yet another major step forward for our already almost unrivalled concept.

### Outlook for 2021

- Our corporate philosophy and our strong range of products, with their focus on sustainability and energy efficiency, are in tune with the times in which we are living.
- 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.
- Our three business areas have a good geographical spread, which makes us less vulnerable to local downturns in demand.
- Our decentralised organisation, based on independent units, is tried and tested, and creates the conditions for greater motivation and flexibility.
- The effects of economic trends, currency concerns, volatile energy prices and political turbulence in some parts of the world are always hard to predict.
- The outbreak of Covid-19 in Q1 2020 is another such uncertainty that has caused widespread change for most of the world's citizens and companies, including our own. Compared with 2020, the start of 2021 has seen a clear improvement in the situation with several vaccines entering into widespread use. Therefore, we hope that society will be able to return to slightly more normal conditions in the second half of the year. As is our way, we will continue to operate our businesses as normally as possible while exercising the greatest possible caution and being prepared for what the future may hold. This, and the fact that our products are largely both necessary and sustainable, permits us to be cautiously positive about our performance throughout the year, despite everything.

Markaryd, Sweden – March 2021

A handwritten signature in blue ink, appearing to read 'Gerteric Lindquist'.

Gerteric Lindquist  
Managing Director and CEO

### Business focus

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

### Business objective

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

### Targets

#### Growth target

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

In 2020, total growth was 9.2% (15.3%), of which 1.0% (9.6%) was organic. This means that organic growth was 8.6 percentage points lower than in 2019.

Growth has been 17.4% on average over the last five years.

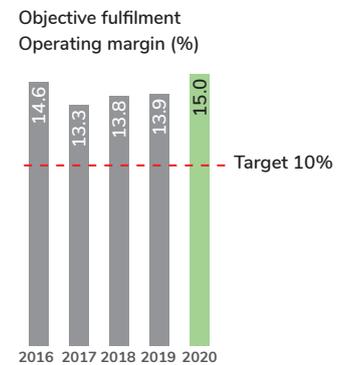


#### Operating margin target

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

The operating profit in 2020 was 15.0% (13.9%) of sales. This means that the operating margin improved by 1.1 percentage points compared with 2019.

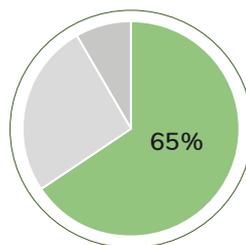
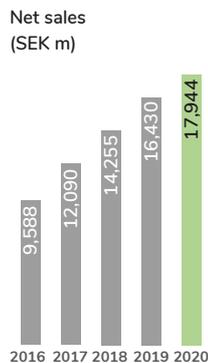
The operating margin has been 14.1% on average over the last five years.



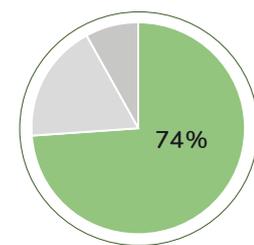
### Figures for 2020

In 2020, the Climate Solutions business area increased its net sales by 9.2% compared with 2019. The increase was primarily attributable to growth through acquisitions.

The operating profit for the business area increased by 18.1% compared with 2019. The increase was mainly due to acquisitions and good cost control.



Net sales  
Percentage of Group



Operating profit  
Percentage of Group



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



**Klas Dahlberg,**  
Head of Business Area  
NIBE Climate Solutions

## Climate benefit is a fundamental part of our business model

### We contribute to fulfilment of the global goals set out in the Paris Agreement and Agenda 2030

Climate benefit is a fundamental part of our business model and thanks to our sustainable energy solutions we are able to contribute to a more sustainable society. The outlook for energy-saving and climate-protecting solutions is very positive and demand for heat pumps is growing stronger as more countries are starting to implement big changes. A structural transition from fossil fuels to renewable sources of energy is underway in large parts of Europe thanks to the introduction of new climate control systems for buildings, while political decisions are all in our favour.

Although international goals such as the Paris Agreement and Agenda 2030 create a will to change, it is political decisions at the national level that will actually have an impact. There have already been examples of this over the years, such as when the Netherlands decided to phase out natural gas as a primary source of heating, Norway banned oil heating systems and Germany introduced a comprehensive climate protection programme. The UK too is starting the transition with a green ten point plan that covers both private homes and municipal housing companies, and which singles out heat pumps as a solution.

### Our market presence is growing

Countries that are abandoning natural gas based systems, primarily in Central Europe, are having to find new solutions, and we are in an ideal position as we can offer ready-made, energy-efficient systems that use renewable energy extracted from the air, ground and water. Demand for cooling is also rising, partly as a result of climate change. The challenge is that production of cooling requires proportionately more energy than heating a property, but here too we are able to offer energy-efficient climate control solutions for both active and passive cooling.

We are continuing our expansion by strengthening our market presence in Europe and North America, both through acquisitions and increased market share. Our acquisitions in 2020 enabled us to strengthen our presence in Eastern Europe in the water heater segment, in Turkey and the Middle East in the ventilation and air conditioning products segment, in the Netherlands in the heat pump market and in Germany, Austria, Switzerland and Italy in the segment for heat pumps for larger properties.

### A different kind of year

2020 was a very different year, characterised by greater focus on health, climate and the environment. However, heating, cooling, hot water and ventilation for indoor climate comfort meet important needs for everyone in our society and there is always a need for them, regardless of the economic situation. These factors together contributed to a positive trend for sustainable energy solutions

and higher international demand for products that are fossil-free and energy-efficient. We were therefore only affected by the effects of Covid-19 to a limited extent as demand for our intelligent heat pump solutions remained strong and even increased over the year as a whole. This, combined with the fact that as a precaution we decided to implement cost-saving measures throughout the organisation, without compromising our future ambitions, contributed to a positive operating margin.

### Product development for continued expansion

Product development is essential to continued expansion and to strengthen our profile as a market leader in sustainable energy solutions for indoor comfort based on renewable energy. In a growing market, in which the interest from other operators continues to increase, it is vital to be ahead of the competition at all times. During the year, we therefore continued to focus major resources on product development and the introduction of new high-performance products in all application areas.

JPI, the Joint Platform Initiative for digitalisation, is yet another important step and essential if we are to maintain our position as the market leader for connected products with intelligent controls. This gives installers, the aftermarket and end consumers new opportunities to streamline installation, reduce energy use, remotely control heat pumps and benefit from program developments.

### Our acquisitions contribute to the business

Expansion via acquisitions is a major part of our strategy. Naturally, the prevailing situation means that the rate of acquisition has not been as high. However, the integration of the acquisitions completed in the first half of the year continued undiminished. The completed acquisitions are in line with our strategy to enhance our position in the commercial segment worldwide and to expand into markets that have great growth potential in Europe.

### Our opportunities for achieving our growth target

We are convinced that we will be able to achieve our next growth target, which is sales of SEK 25 billion by 2025 or earlier, by increasing our market share in a growing international market and by seeking out targets for acquisition in our industry which offer climate control solutions for both single-family homes and larger buildings in both Europe and North America.

We are focusing on expanding our geographical presence in several European markets where we are able to contribute to the transition to a more sustainable society through our climate control solutions, thereby further strengthening our market position. Heat pumps as a source of energy have a lot of potential in individual properties, but also play an increasingly important part in district heating networks, as verified by the International Energy Agency (IEA).

## 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

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

## Targets

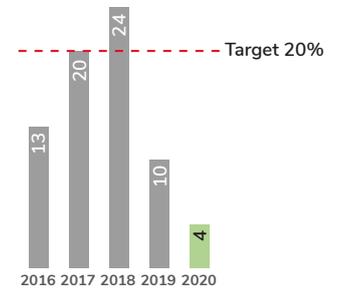
### Growth target

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

In 2020 total growth was 4.4% (9.8%) of which -5.2% (5.8%) was organic. This means that organic growth was 11.0 percentage points lower than in 2019.

Growth has been 14.1% on average over the last five years.

Objective fulfilment  
Growth (%)



### Operating margin target

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

The operating profit in 2020 was 9.1% (8.9%) of sales. This means that the operating margin improved by 0.2 percentage points compared with 2019.

The operating margin has been 9.9% on average over the last five years.

Objective fulfilment  
Operating margin (%)

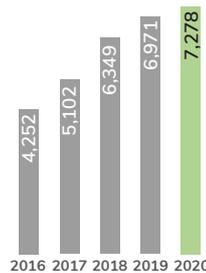


## Figures for 2020

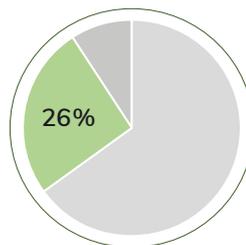
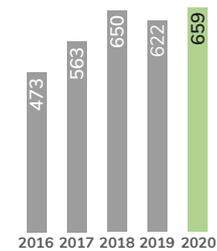
In 2020, the Element business area increased its net sales by 4.4% compared with 2019. The increase is attributable to acquisitions and a strong market position.

The operating profit for the business area increased by 6.0% compared with 2019. The increase was primarily due to acquisitions and strict cost control, together with rapid adaptation of operations to demand.

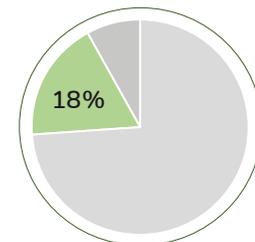
Net sales  
(SEK m)



Operating profit (SEK m)



Net sales  
Percentage of Group



Operating profit  
Percentage of Group

“ Technological advances in energy conservation continue to create new business opportunities for us globally.



Christer Fredriksson,  
Head of Business Area  
NIBE Element

## Our products are part of the solution

### Market trends in our favour

The trend towards electrification is continuing and growing stronger throughout the entire chain, from electricity production to consumer products, as a step on the way to creating a more sustainable society. This opens up a lot of opportunities for us because our products are part of the solution to today's climate problems. We can see this in several sectors, including climate control in buildings and passenger transport, wind power, electric vehicles, a growing proportion of rail traffic, digitalisation of all sectors of society as well as expansion and modernisation of healthcare.

The semiconductor industry, for which we are an important sub-contractor, is showing strong growth and the global shortage in semiconductor components is further boosting demand for equipment in this segment. Driving factors include the expansion of 5G, the transition in the automotive industry, increased demand for data storage and, most recently, equipment for remote working.

### Global partner with a local presence

Our strategy and objective is to become an even bigger global supplier, with a local presence, of components and solutions for intelligent heating and control.

In order to strengthen our market position, we are implementing a number of structural measures to create competitive units within each market segment. At the same time, we are continuously acquiring small businesses in different markets and, in some cases, integrating them in existing businesses. In 2020, seven small bolt-on acquisitions were completed. Among other things, we reinforced our position in Serbia by acquiring Serbia's leading supplier of elements to the industrial sector. In the Netherlands, we completed four small acquisitions in the industrial segment and in Italy one acquisition in the control components sector. We also acquired one small unit for special elements in the US.

### A year of major challenges

The year began stable, but this was followed by a severe downturn at the end of Q1 and throughout Q2. In the second half of the year the market improved in most market segments, in some cases to the extent that production capacity fell short. As early as February, we were affected by public authority decisions leading to the closure of our operations in China. This development then gradually spread around the world as the spread of the virus accelerated. For all units, the focus was on the safety of staff, strict cost control and rapid adaptation of their operations to the prevailing demand. The outcome of this was that we were able to improve our operating margin compared with the previous year, despite also keeping up the pace of our investment and development projects in order to safeguard future growth.

### System solutions require more product development

Through continued refinement of our offer we are seeking to move up a step in the supply chain, progressing from being simply a component supplier to becoming a supplier of system solutions for OEM companies. We are therefore continuously strengthening our organisation by investing in product development resources in new areas of expertise.

At the same time, our deliveries currently consist more of project-specific product development, which requires close collaboration with customers and a different type of team set-up in our product development operations.

### We contribute to the global goals in the Paris Agreement and Agenda 2030

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. Products linked to sustainability, renewable energy and energy storage, such as heat pumps and resistors, performed well and we have several ongoing development projects in collaboration with a number of customers.

### Good opportunities for further expansion

Technological advances in energy conservation are continuing and these create new business opportunities for us globally. Through continued refinement of our products with increased technology content, we further broaden our offer, even to high-tech industries. Thanks to sales targeted at many industries and product segments, we have a good risk spread and continued good business opportunities in various specialist areas.

At the same time, internal collaboration is a very important part of creating growth opportunities. With a growing number of subsidiaries in more and more markets, it is also easier to identify new acquisition opportunities in a fragmented market with many local, owner-led players.

Escalating global protectionism, with increased costs of tariffs, necessitates flexibility. Thanks to our large geographical spread, with large production units in Asia, Europe and North America, we are well placed to operate more regionally.

### Business focus

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

### Business objective

NIBE Stoves' objective is to supply a wide and complete range of stove products in order to confirm and consolidate its position as the market leader.

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

### Targets

#### Growth target

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

In 2020, total growth was 3.0% (5.2%), of which 2.1% (3.6%) was organic. This is a reduction in organic growth of 1.5 percentage points compared with 2019.

Growth has been 9.3% on average over the last five years.

Objective fulfilment  
Growth (%)



#### Operating margin target

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

The operating profit in 2020 was 10.5% (10.1%) of sales. This means that the operating margin improved by 0.4 percentage points compared with 2019.

The operating margin has been 11.2% on average over the last five years.

Objective fulfilment  
Operating margin (%)

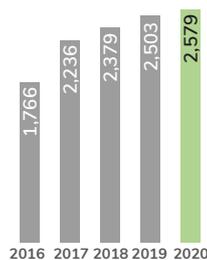


### Figures for 2020

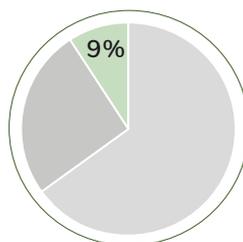
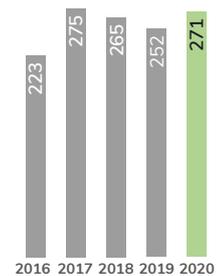
In 2020, the Stoves business area increased its net sales by 3.0% compared with 2019. The increase is primarily attributable to new product launches and consistent marketing.

The operating profit for the business area increased by 7.3% compared with 2019. The positive development in the second half of the year, together with carefully considered cost savings, resulted in an improved operating margin compared with the previous year.

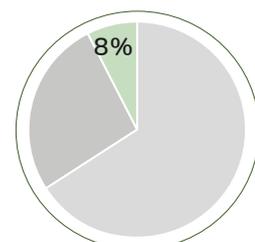
Net sales (SEK m)



Operating profit (SEK m)



Net sales  
Percentage of Group



Operating profit  
Percentage of Group

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



Niklas Gunnarsson,  
Head of Business Area  
NIBE Stoves

## Comfort and security

### Home in focus in turbulent times

A stove with a real fire provides warmth and a sense of comfort and security. The clearest trend by far in the market is end-consumers' willingness to invest in their homes for a sense of comfort and security in the wake of Covid-19. In addition to stoves in the home, we are also seeing increased interest in installing stoves in conservatories in order to extend the season. More and more people are also realising that a stove offers security when no other sources of heating are functioning, a realisation that has become more marked in the current situation.

Demand was also affected positively by various political decisions to phase out old products that do not meet Ecodesign requirements. Several countries are using political instruments to influence the upgrade to more efficient and environmentally sound stoves. Denmark is introducing a requirement that stoves manufactured before 2003 must be replaced in connection with a property changing hands. Germany, too, has a replacement programme, according to which stoves manufactured prior to 1994 and which do not meet Ecodesign requirements, must no longer be used.

### We have a strong market presence

We remain the market leader in Europe, have a strong market position in North America and are also represented in Australia.

We are continuing to realise our strategy to expand via acquisitions. At the end of June, Nordpeis completed a strategic acquisition of the sales rights to Dovre's products in Norway, which is helping us to move towards a market leading position in Norway, too.

Immediately after the year-end, 10% of the shares in Canadian company Pacific Energy were acquired with an option to acquire the remainder over the next few years. The company has a wide range of mainly wood-fired products, as well as gas-fired products that are sold under a number of brand names in North America and Australia. We are thus further reinforcing our position on these markets.

### A year of large fluctuations

Demand for stove products fluctuated dramatically in the past year. After a stable start, demand fell dramatically in both Europe and North America at the end of Q1 in connection with the outbreak of the pandemic. In Q2, demand remained at a very low level, but recovered for the start of the peak season in September. The unexpectedly rapid recovery in demand during the peak season, combined with some disruption in supply chains, led to longer than normal delivery times towards the end of the year. The entire industry was in a similar situation and our assessment is that we maintained our strong

market position despite the challenges. The positive development in the second half of the year, together with carefully considered cost savings, resulted in an improved operating margin compared with the previous year.

### Continuous focus on product development

The focus on climate impact and sustainability is also ever clearer in our industry and we are continuing to allocate significant resources to improve product performance and combustion to meet the requirements of future consumers. Our products already, of course, meet the latest Ecodesign requirements that will be introduced in 2022 and the requirements recently introduced in North America, but our ambition is to develop our products to be able to realise even lower emissions.

No major product launches took place in 2020, but a large number were carried out in 2019. We were also able to take advantage of the strong rise in demand in the autumn. Naturally, we were unable to host visits by dealers, but we instead visited them at mobile exhibitions in order to be able to show and demonstrate our products.

### We contribute to fulfilment of the global goals set out in the Paris Agreement and Agenda 2030

Wood and pellets are renewable fuels. We have also helped reduce environmental impact by improving efficiency and reducing emissions over time so that our products now significantly outperform emission standards.

### Future opportunities

A continued focus on emissions from wood-burning stoves and requirements to replace older models will boost demand. At the same time, demand is adversely affected by the debate about emissions from burning of wood. Our ambition is to continue to develop our products to reduce emissions even further, and we can see solutions that may have a lot of potential.

In addition to investing significant resources in product development as regards environmental performance and new design, we are investing significant amounts in digital marketing in response to changing buying habits, where end consumers are generally better informed when visiting stores or showrooms to make a purchase decision.

We also see continued good opportunities for consolidation in a large but still fragmented market, which is well suited to NIBE's acquisition model.

# Climate change – the greatest challenge of our time

We at NIBE work actively to create products and systems that are adapted to modern specifications for sustainable energy solutions. The aim is to increase energy efficiency and the proportion of renewable energy and thus create long-term value, both for our customers and for the climate. Like all international companies, we are affected by global trends that we constantly monitor and evaluate.

## Energy efficiency required for a more sustainable society

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

The international ambition is to reduce global warming to less than two degrees Celsius. This requires a reduction in greenhouse gas emissions of 70% by 2050 compared with the level in 2010, an annual reduction of 6.5%. To achieve our growth targets while also meeting sustainability goals, we need to use less energy per unit we produce.

### NIBE – for sustainability in everyday life



#### Energy conservation and thermal comfort

A heat pump from NIBE is one of the most energy-efficient ways to heat a home and it causes lower carbon dioxide emissions than traditional heating with fossil fuels. 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 contain several components made by NIBE.



## NIBE facilitates energy efficiency in the home

NIBE and its products contribute in a natural way to international ambitions to stop climate change and achieve global sustainability. We see it as our responsibility to focus on creating a product portfolio of sustainable energy solutions that supports the transition to a fossil-free society with reduced energy consumption. We also reduce our own impact on the climate and the environment in all stages, from production to suppliers and recycling.

Much of what we experience as comfort, convenience and peace of mind in our modern homes comes from equipment that uses energy to heat, air condition, ventilate or otherwise achieve a comfortable indoor climate. NIBE is involved with most of these types of equipment, either as a manufacturer of products and system solutions or as a manufacturer of components in the equipment.



### Energy-efficient components for household 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 cuts.



### Buildings account for 40% of global energy consumption

All the buildings in the world currently account for around 40% of total energy use and around one third of global emissions of greenhouse gases, most of which occur during the utilisation phase. As buildings are used for many years, the energy-related and environment-related product choices made today are important because they can affect the environment for several decades to come. Technological change is required to achieve a reduction in emissions of greenhouse gases from buildings and this will involve phasing out fossil fuels in favour of energy-efficient systems based on renewable energy.

The increasing pace of digitalisation with the Internet of Things (IoT) is a key driver for future business, offering the potential for greater customer benefit, deeper customer relationships and new business opportunities. The new generation of products will be integrated into an "ecosystem for well-being" and various portable digital solutions will provide real-time information between the various systems and users.

#### NIBE – for sustainable properties



##### Cost-effective thermal 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 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 centre with NIBE's concept solutions. These make it possible to optimise energy use in the property. Heat pumps produce heat and hot water and enable air conditioning.



## NIBE facilitates energy efficiency in large properties

We also offer energy solutions for large properties. We heat, air-condition and ventilate. The bigger the building, the higher the investment in indoor comfort equipment and the more important it is to make the right choices in terms of reliability, cost and climate. New construction of environmentally certified buildings is also increasing rapidly in several markets. To be certified, buildings require energy-efficient and environmentally-friendly installations for thermal comfort and we are able to offer solutions that are both fossil-free and energy-efficient.

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



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

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



High demand for energy efficiency in public buildings

Public buildings have traditionally been heated with oil, gas or coal. A large 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.



### Cities account for 80% of carbon dioxide emissions

As the population grows and is concentrated in cities, the infrastructure becomes overloaded and the demand for resources, above all energy, increases. Cities currently account for 75% of world energy consumption and nearly 80% of carbon dioxide emissions. Demand for technology that supports the switch from fossil fuels will grow and, as this technology becomes more available and the market grows, the prices will fall, contributing in turn to even greater demand.

Population growth and urbanisation 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 is being carried out in energy optimisation and renewable energy. We believe that we stand at the forefront of our industry.

#### NIBE – for sustainable infrastructure and industry



##### Energy efficiency in the transport sector

Large investment projects for improved infrastructure in, for example, 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.



##### 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 utilisation, for example delivering elements for battery heaters and interior heaters using sources such as braking energy.



## NIBE creates energy-efficient infrastructure and clean technology

NIBE is a partner to many companies in a wide range of industries, developing and manufacturing components and solutions for intelligent heating and control that offer various solutions for a host of specific products.

The use of private cars and heavy goods vehicles on roads presents a major challenge when it comes to reducing carbon dioxide emissions. Several countries are therefore currently implementing major projects to improve infrastructure, particularly that of rail-based transport. NIBE is contributing by supplying equipment both for vehicles and for heating rails and points, which are controlled and regulated automatically. Our product development, in collaboration with business partners in the transport sector, continuously results in new solutions for energy optimisation and control.



PV panels important to climate neutrality

With PV 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 gain, whichever form of heating is already used in the property. The most efficient solution is to combine PV panels with a heat pump solution.

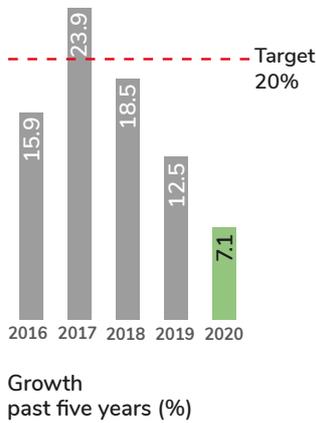


Rapid development of equipment that saves lives

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.

# Financial targets for long-term positive development

20%



## Growth

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 15.4%.

### 2020

Sales in 2020 totalled SEK 27.1 billion. The companies acquired injected combined annual sales of just over SEK 2.3 billion into the Group, of which just over SEK 2.0 billion impacted 2020 sales. Including all the acquired companies and calculated on a rolling 12-month basis, consolidated sales are now at about SEK 27.4 billion.

10%



## Operating margin

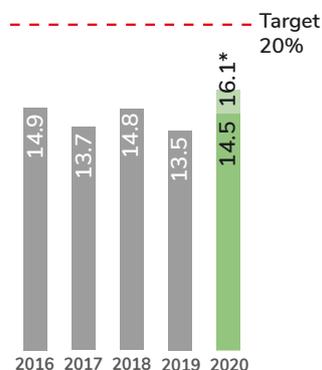
The operating profit for each business area and for the Group shall be at least 10% of sales over a full business cycle.

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 to ensuring long-term positive development and continuous growth. During the past five years, the average consolidated operating margin has been 12.5% excluding revaluation of additional considerations.

### 2020

The operating profit, excluding revaluation of additional considerations, improved during the period by 16.1% compared with the previous year, and the operating margin, excluding revaluation of additional considerations, improved from 12.0% to 13.0%. Because of the acquired companies' varying levels of profitability and seasonal patterns, a full 12-month period is required before a completely accurate operating profit can be recognised. Administrative acquisition expenses amounted to SEK 30 million (SEK 51 million) during the year and in addition to this costs were recognised for acquisition processes that were discontinued.

20%



Return on equity  
past five years (%)

\* including revaluation of  
additional considerations

## Return on equity

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

Good return on equity contributes to a stable ownership structure and share price and enhances our ability to attract additional capital. In the past five years, the average return on equity excluding revaluation of additional considerations has been 14.2%.

2020

At year-end, equity was SEK 17.7 billion, an increase of SEK 0.1 billion on 2019.

30%



Equity/assets ratio  
past five years (%)

## Equity/assets ratio

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

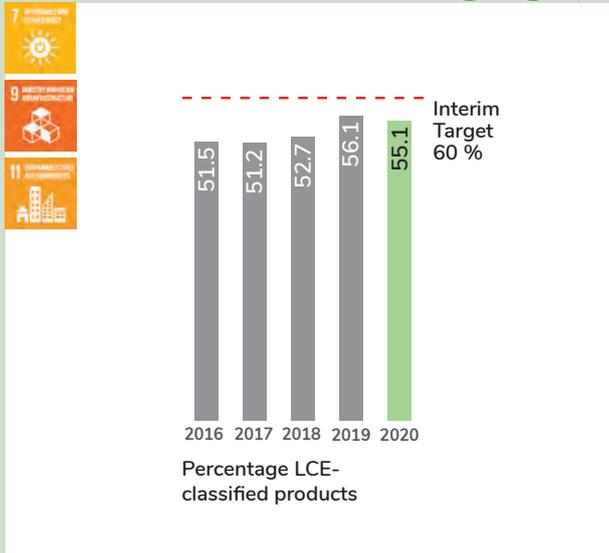
A good equity/assets ratio shows that the Group has a strong financial position. This is also a necessity in a Group with strong growth. During the past five years, the average equity/assets ratio has been 46.8%.

2020

During the past year, equity increased by 1%, while total assets increased by 3%, which means that the equity/assets ratio has fallen slightly.

# Sustainability goals for corporate responsibility

60%



## Increased climate benefit in our product portfolio

The target is for 60% of our sales to consist of LCE classified\* products by the end of 2021.

Our products largely use renewable energy and much of our product portfolio helps customers make the switch to more energy-efficient use with a lower carbon footprint at home, in large properties and in industry. We aim to have a stable portfolio of products that help customers transition to a low-carbon economy.

The target is linked to our vision and focus areas (materiality), such as renewable energy, energy efficient products, product and business development, and growth. The target was updated in 2020 because we achieved the previous target of 55% by the end of 2019 and because we are working on classification of sustainable products according to the EU Taxonomy, the targets may be affected.

### 2020

Of our total 2020 sales, 55.2% consisted of LCE-classified\*\* products. This was a decrease in percentage terms compared with 2019, which was related to the fact that large acquisitions in ventilation boosted total sales but not the proportion of LCE products according to our classification. The increase in 2020 in the existing LCE product segment could not compensate for this decrease.

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

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

40%



## Continuously declining energy use

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

The target was set in 2020 with the initial position of reducing the amount of energy purchased for our properties and processes, primary (scope 1) and secondary (scope 2). Internal transportation and self-generated energy like that from heat pumps and PV panels within the operations are excluded. The outcome is calculated on the basis of the total energy use of the companies included in the 2019 baseline, not from all sustainability reporting companies in 2020.

The target, which was updated in 2020 because the previous target was achieved in 2019, 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.

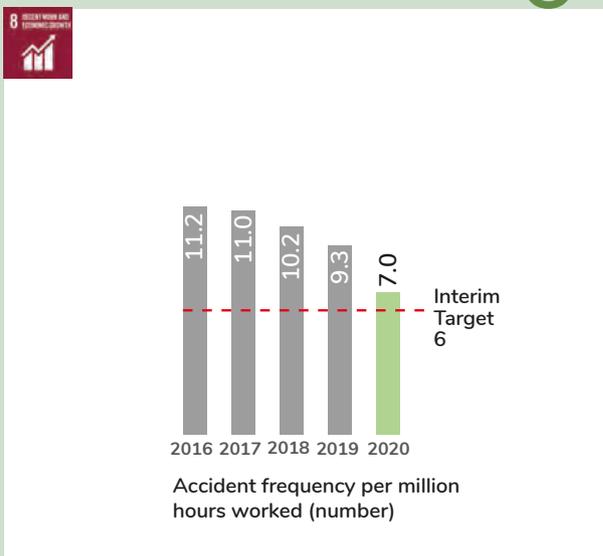
### 2020

We based our calculation on the companies and operations included in the 2019 baseline of 12.2 MWh/SEK million, resulting in an energy intensity for 2020 of 12.0 MWh/SEK million, which represents a decrease.

In addition to energy conservation, based on continued energy mapping, we have minimised the use of oil to heat our properties by increasing the use of heat pumps and energy-efficient ventilation solutions. We are also considering the possibility of generating our own energy via PV panels in small local facilities. The pandemic impacted the outcome of this measurement because some operations have been either partially or wholly shut down.

0

100%



### A safe workplace with no accidents

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

Implementation of the occupational health and safety policy continues, and systematic preventive measures are carried out continuously. Action plans are drawn up in companies with an accident frequency higher than 10 and are followed up continuously at Board meetings and via sustainability site visits.

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.

#### 2020

The outcome for LTIF 2020 was a reduction in the rate to 7.0.

Injuries that are included in the outcome and occur frequently are cuts and strains. Problem solving and measures are implemented continuously to prevent this type of injury.

Action plans are developed in companies that have an LTIF greater than 10. In some large units with high occurrences, ISO 45000 will also be implemented with certification planned for 2022. Today, five companies are already certified.



### Ensuring systematic quality and environmental initiatives

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

We are working to introduce certified quality and environmental management systems to all our production units with more than 10 employees.

Acquired production units have a time frame of two full calendar years before certification must have been completed.

We measure the 2020 outcome against companies that have been in the Group since 2018.

The target supports our focus areas' compliance with laws, regulations and standards. This also includes safe products and life cycle analysis, including circular economics and systematic environmental and quality assurance work.

#### 2020

A total of 17 new certificates were obtained in 2020 with in ISO 9001 and ISO 14001.

This resulted in an increase for ISO 9001 to 93% and a decline for ISO 14001 to 80%.

Processes for certification are under way in companies acquired in 2017, 2018, 2019 and 2020. We currently have 11 companies that are in the process of being certified in 2021. This number includes 10 companies that did not meet the timeframe for 2020. However, we can see that the current pandemic will impact our companies' opportunities for certification. It was not possible to conduct certification and recertification audits as planned in 2020.



## Our sustainable value creation contributes to the UN Global Goals for Sustainable Development

Our focus on world-class solutions in sustainable energy contributes to the global goal of reducing emissions of greenhouse gases to the atmosphere. Our entire value chain, from vision to end customers, must be based on the sustainability principles described in our business principles and our values, which are firmly rooted in our long tradition of corporate responsibility. The Group's sustainability framework encompasses the Group's financial results and responsibility for the business and ethics categories, environmental categories and social categories. By delivering long-term sustainable value to our customers, we are also able to maintain good profitability and help achieve the global development goals.

### UN Global Compact and other initiatives

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

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



**WE SUPPORT**



**Goal 7**  
Ensure access to affordable, reliable, sustainable and modern energy for all

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



**Goal 8**  
Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

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



**Goal 9**  
Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation

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



**Goal 11**  
Make cities and human settlements inclusive, safe, resilient and sustainable

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



**Goal 12**  
Ensure sustainable consumption and production patterns

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



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

## Our focus goals in Agenda 2030

### UN Global Goals for Sustainable Development – Agenda 2030

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

Achieving these objectives requires a great deal of commitment from all, both at international and national levels. This is a team effort

and all the SDGs are equally important. As a company, we have a responsibility to lead the way and drive change towards a more sustainable future.

We support the UN's 17 Sustainable Development Goals in Agenda 2030 in their entirety but have chosen to focus on six of the goals that are clearly linked to our internal goals and action plans and that we believe we can influence. We regularly communicate this to employees, suppliers, customers and other stakeholders.

### Other initiatives and guidelines

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

## NIBE's vision

Our vision is to create world-class solutions in sustainable energy.

## Mission

Our mission is to offer the market high-quality, innovative, intelligent and energy-efficient products and system solutions through our three business areas.

## Our position

### Business focus meets vision

By purposefully developing our product portfolio so 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 – to create world-class solutions in sustainable energy.

Our three business areas all have a market presence on several continents, and we consider that we are in a strong position to be able to continue our global growth with the presence we have on industrialised markets worldwide. 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 markets are globally fragmented with many operators, we still have good potential for further acquisitions. Our acquisition-driven growth is possible thanks to our strong, healthy finances.

### A large market with room to grow

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

The overall addressable market size for NIBE is significant and is currently estimated at nearly SEK 600 billion. The biggest market is in energy-efficient and sustainable products in the domestic and commercial heating/air conditioning and ventilation segment, with the NIBE Climate Solutions market estimated at just over SEK 500 billion, followed by the NIBE Element market, estimated at just over SEK 50 billion, and the NIBE Stoves market, estimated at just over SEK 30 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, decentralised organisation that has great flexibility to successfully meet the new or varied demands and conditions of the market.

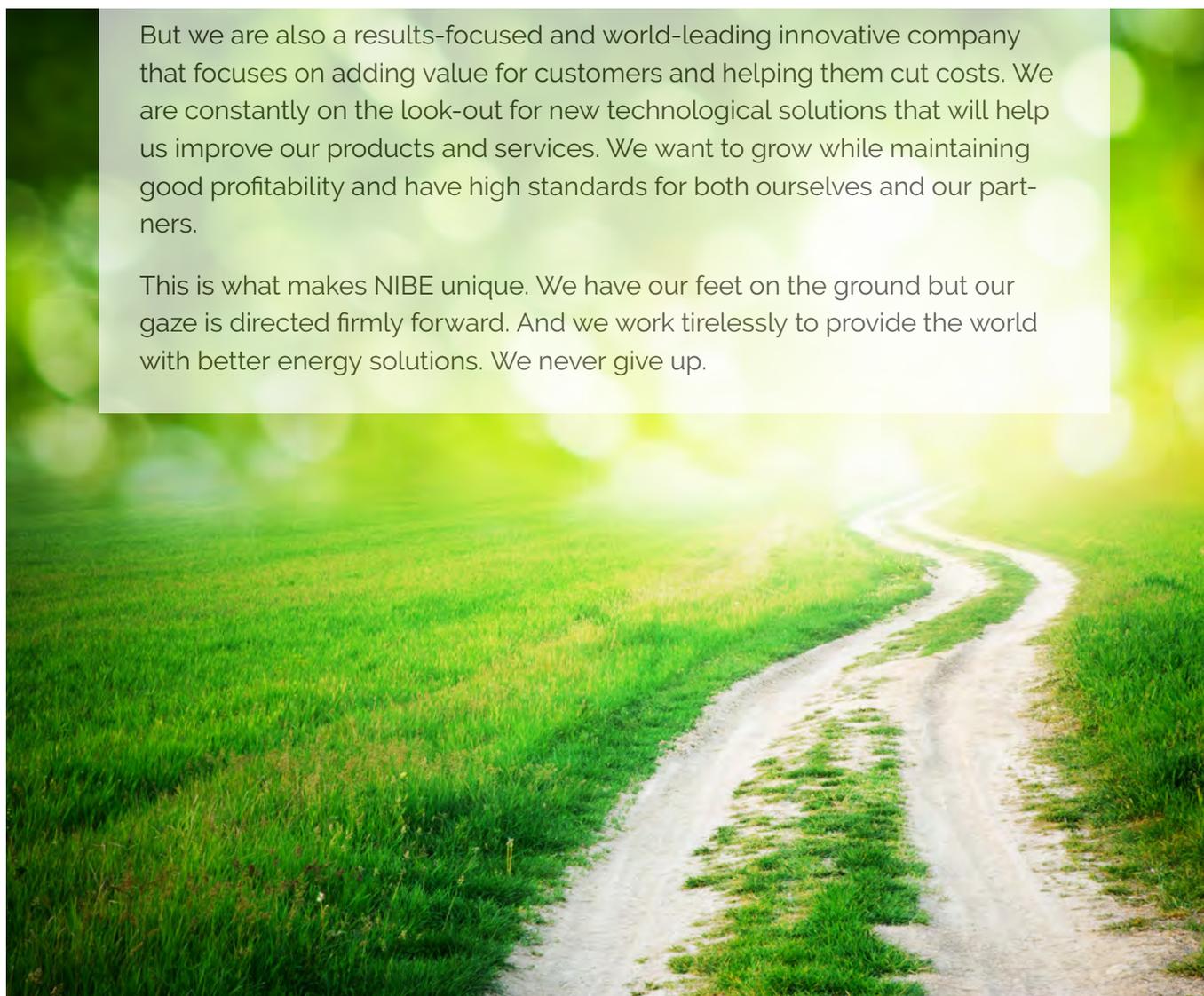
## This is NIBE

NIBE exists to give the world better energy solutions. From the very beginning we have been committed to focusing on developing new technologies for improved 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 like to stay true to our roots. We care about the communities where we are based and the people who live there. Perhaps this makes us traditionalists.

But we are also a results-focused and world-leading innovative company that focuses on adding value for customers and helping them cut costs. We are constantly on the look-out for new technological solutions that will help us improve our products and services. We want to grow while maintaining good profitability and have high standards for both ourselves and our partners.

This is what makes NIBE unique. We have our feet on the ground but our gaze is directed firmly forward. And we work tirelessly to provide the world with better energy solutions. We never give up.



# 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. In 2020 Our Business Principles was updated and distributed to all employees.

## Good 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 good 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 optimisation of working time and promote high productivity and fair salaries.



## Aggressive product development

Aggressive product development is crucial to good organic growth and establishing a foothold in new markets. Our focus is on leading the way in intelligent, energy-efficient, environmentally friendly products that help mitigate climate impact and promote sustainable development.



## Quality in everything – focus on the customer

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



## Focus on three core businesses

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



## Committed employees

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



## A long-term approach

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



## Market-oriented expansion built on common sense

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



# Our values



Our values are an important part of our management philosophy and our corporate culture, and they emphasise that we want to act as a responsible company in relation to the people near us, our external stakeholders and the environment. Our values are firmly rooted in our long and proud tradition of corporate responsibility. We work consistently to communicate our core values to all employees in the Group. NIBE's Our Values handbook is available in 20 languages. In 2020 Our Values was updated and distributed to all employees.

## 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 must prioritise suppliers that apply the same principles as we do in terms of code of conduct, quality requirements and business principles.



## Product liability

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



## Corporate citizenship

We must be good citizens in the local communities in which we operate by supporting local initiatives and contributing to positive development.

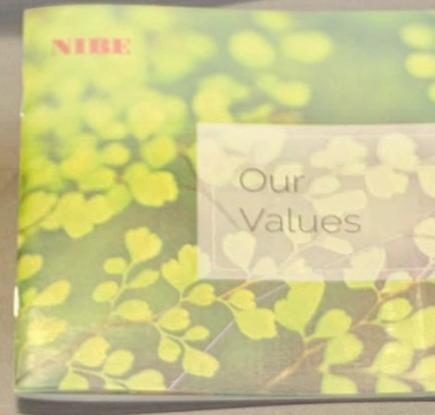
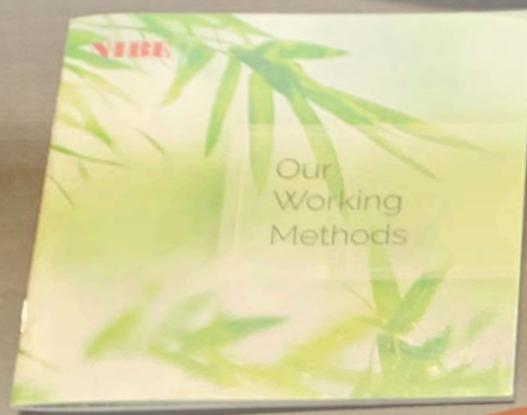


## Transparency

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



# A road map to our future success



Our companies in the Group are actively looking at how they can create their own, local visions and goals for their companies within the framework of NIBE's clear business principles and values. A good and clear example of this is the Canadian company Tempeff, one of the companies that have been added to the Climate Solutions business area. In 2020 Tempeff drew up a new road map for its future as a company within the NIBE Group.

## Tempeff's management

*"This complete material constantly reminds us of what is important and provides us with a better focus on goals and ambitions as a company."*

When we joined the NIBE Group we discovered a communication gap between management and the employees on what our new road map for the company should look like, and it was important to us to clarify this issue.

The participation and understanding of our committed employees will be an essential factor in how successful we are in achieving our new goals. We therefore asked our employees to participate in a survey to find out what they felt was the purpose of the business, what the company's values are and what makes us successful. We collated all the information and processed it in a project we named Our Purpose and Our Pursuit. The word Pursuit is something that has characterised us in management for a long time and refers to our pursuit of improving and achieving growth. Together with our employees we decided to draw up internal marketing and communication materials that contain the main aspects of our company's success. At the same time we wanted to communicate

NIBE's updated handbooks on the Group's business principles, values and working methods, which apply to all employees all over the world.

The outcome of this work is the main factors that are important to our success and the purpose of our business, "Our Purpose", where the watchwords are innovation, competitive solutions, technology, products and internal and external relationships. Corresponding main factors in our constant pursuit to improve and expand are "Our Pursuit", where the watchwords are employees, partnership, efficiency, Ecodesign and sustainable energy solutions with focus on profitability.

All the material was packed in a box together with photos of employees in both the production plant and in the offices. All employees were also presented with a thank you card for their contribution to the project to build the company's future.

## Tempeff's management

*"We must not underestimate the importance of involving employees, who are more than willing to share their views and ideas. The fact that all employees contributed to the project also creates a sense of pride in the whole company."*

We're proud of our **DUAL CORE™ DUAL CORE TECHNOLOGY**

Our technology challenges the status quo and exceeds benchmarks in the market today. We have the highest overall level of efficiency available. This is a result of our advanced dual core technology and our ability to build on our existing technology. Our advanced dual core technology is a result of our advanced dual core technology. Our advanced dual core technology is a result of our advanced dual core technology.

We're proud of our **PROGRESSIVE PRODUCTS**

We have a wide range of products that are designed to meet the needs of our customers. Our products are designed to be easy to use and easy to maintain. Our products are designed to be easy to use and easy to maintain. Our products are designed to be easy to use and easy to maintain.

We believe in working through **RESPONSIVE RELATIONSHIPS**

We have a wide range of products that are designed to meet the needs of our customers. Our products are designed to be easy to use and easy to maintain. Our products are designed to be easy to use and easy to maintain. Our products are designed to be easy to use and easy to maintain.

**NIBE**

Our Business Principles

**BRAVO! YOU'VE SURPASSED A SERIOUS CASE OF PROGRESSIVE**

**WE THINK YOU'RE SOMETHING SPECIAL**

**YOU'VE GOT SERIOUS MAD SKILLS WOW!**

**GENIUS! YOU GO ABOVE & BEYOND**

**WELL DONE! YOU ROCK**

**TAKE A BOW! YOU GO ABOVE & BEYOND**

**CONGRATS**

**UNREAL! YOU'RE CRUSHING IT**

We strive to be leaders in **EXCEPTIONAL ECO-DESIGN**

We believe responsible design means taking responsibility of our product to ensure it is the quality, safety, and economic performance. Our commitment to our design team is to ensure our products are designed to be easy to use and easy to maintain. Our products are designed to be easy to use and easy to maintain.





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

### Growth



#### Sustainable growth

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

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

#### International guidelines and initiatives

We follow and work according to several internationally recognised 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 in their entirety but are focusing on six of the goals that are clearly linked to our internal goals and action plans and that we believe we can influence.

### Market-oriented expansion



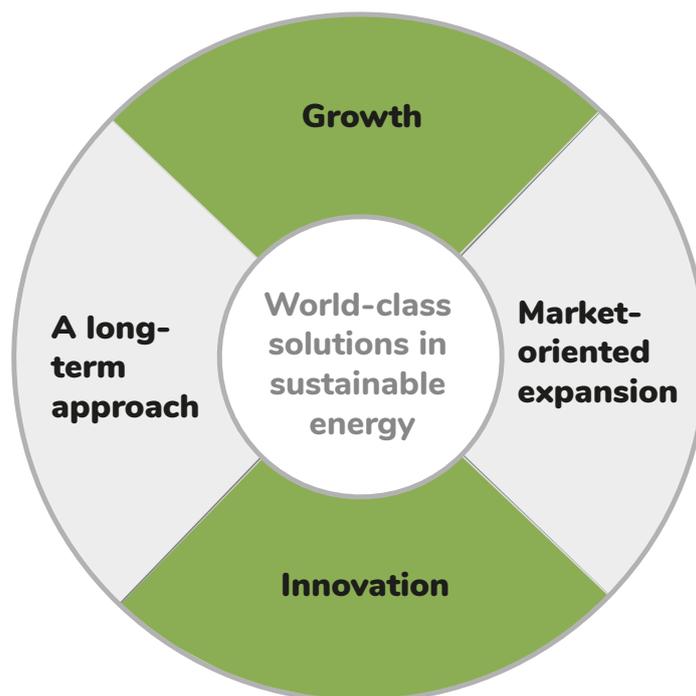
#### Sound business ethics

We are continuously investing in attractive market segments in order to achieve optimal market presence and sustainable 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 behaviour. The Group's whistle-blowing policy has been translated into all local languages where we operate.



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



## 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, and in this respect, we are well positioned for the future. Energy efficiency, ecodesign and a life-cycle approach are important to us.

For example, intensive product development work is underway to replace today's refrigerants with new ones that have lower climate impact.

### 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 target of a 60% reduction in the carbon dioxide index to 0.9 by 2030, compared with the 2014 index of 2.19, which is in line with Agenda 2030.

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.

## A long-term approach

### Responsible business conduct and related risks

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

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

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

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

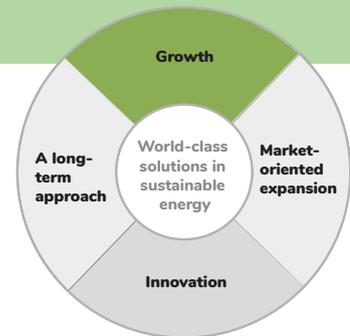
Risk assessment and evaluation of both new and existing suppliers and their performance is carried out continuously, creating security around our choice of supplier and ensuring continued strong cooperation. If we identify unacceptable risks in exceptional cases, or a lack of desire to make improvements,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



## Growth

### Organic profitable growth

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



#### Aggressive product development

We constantly focus on growth initiatives in different product areas and we invest considerable resources in product development. The pace of development for new sustainable products and solutions is high, resulting in frequent product launches. In 2020 we set aside SEK 868 million 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 good 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 sustainability principles contained in Our Business Principles and Our Values.

#### Quality in everything

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

#### Efficient production

High productivity is essential to good competitiveness. Our productivity philosophy is grounded in the belief that everything can always

be improved and that, if you can't measure it, you can't improve it. Methods time measurements (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 optimisation of working time and promote high productivity and fair salaries.

#### Procurement synergies

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

#### Local development

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

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



## Acquired growth

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

### Decisive assessment criteria for acquisitions

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

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

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

### Continued autonomy

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

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

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

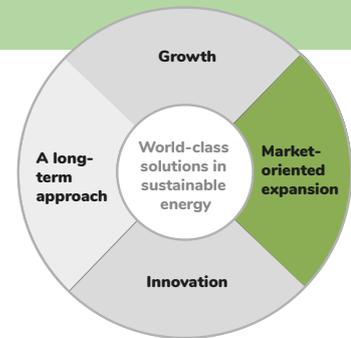
## Acquisition model

ANALYSIS	IMPLEMENTATION	INTEGRATION
<p>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.</p>	<p>In the implementation phase there is always complete transparency about our intentions with the acquisition. We are always very clear and open about the information we provide on our management philosophy and strategy, which facilitates the process.</p>	<p>In the integration phase, we aim to retain not only brands, but also skilled employees at every level. We quickly begin to realise obvious synergies, for example in purchasing and knowledge transfer to improve operations.</p>



## Market-oriented expansion

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



We invest in attractive market segments and thereby ensure an optimal market presence globally. An efficient, competitive organisational 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 crucial for continued market-oriented sustainable expansion.

### Employee commitment

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

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

### Responsible purchasing

To ensure that purchases from our suppliers are made responsibly, in addition to specific requirements on product quality, delivery capacity, commercial conditions and environmental performance, we also evaluate suppliers based on the UN Global Compact's global goals for the environment, human rights, working conditions and anti-corruption. This involves a more time-consuming evaluation, but it 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 ambition to continuously reduce energy consumption, we are actively working on eliminating fossil fuel in heating of production plants where we own the buildings. In operations where we lease the buildings, we are discussing installation of fossil-free alternatives.

### Management and monitoring

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

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 centre. 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 organisation 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.



## We are reducing customers' CO<sub>2</sub> 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 realise this ambition is to reduce our customers' emissions.

Development of solutions that reduce carbon footprints is therefore the number one priority in our sustainability strategy. Our focus is on bringing innovative and competitive solutions to market in areas where we can make the biggest impact. Our heat pump sales volume in the European market cuts CO<sub>2</sub> emissions for both our customers and society and this is something we are proud of.

### 228,000 tonnes of carbon dioxide

Based on the cut in emissions from the type of heating systems our heat pumps replaced in the respective markets in 2019 alone, the reduction was 228,000 tonnes of CO<sub>2</sub> this year. This is approximately the same amount as the total emissions from all buses, mopeds and motorbikes in the whole of Sweden, or 100,000 return flights to Thailand. Thanks to the positive transition in the electricity sector in Europe, emissions of carbon dioxide from the electricity used by our heat pumps are rapidly falling every year. This means the environmental benefit is growing all the time. Reduced emissions of greenhouse gases is one of the most important drivers in our work to combat climate change, and heat pumps are therefore an important and good solution in efforts to achieve the UN Global Goals.

Our calculation is based on national market conditions in each country in Europe. 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 27 different countries are included.

\*This publication was used for calculating travel: <https://www.naturvardsverket.se/Documents/publikationer/978-91-620-5903-3.pdf>

## Business model – NIBE Climate Solutions

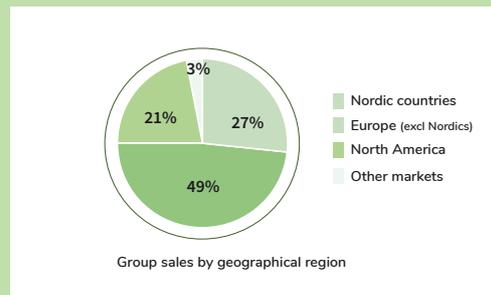
### Own subsidiaries

Via our international presence, we have a comprehensive distribution system for each prioritised 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

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 de-



cision-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. We also enhance our relationships by continuously offering training in our respective product groups combined with visits to our production units.

## The global transition to sustainable solutions

A fundamental driving force for our business is the necessary global transition to more sustainable energy solutions 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 favour of systems based on renewable energy or which require less input energy for the same output power.

The International Energy Agency (IEA) has formulated a Sustainable Development Scenario (SDS), which quantifies what is required to achieve the UN Sustainable Development Goals (SDG). Heat pumps are one of the solutions in this scenario. Heat pumps met only 5% of global heating needs in residential buildings in 2019, and according to the IEA, this figure should grow threefold by 2030<sup>1</sup>.

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

- Energy price developments, both the prices of fossil fuels such as oil and natural gas and electricity prices.
- Policy instruments, partly direct financial assistance/subsidies for conversion and energy taxes, and partly indirect aid affecting general new or rebuilding costs.
- Regulatory requirements for products, including the Ecodesign Directive, which sets minimum requirements for energy performance of products on the EU market. The directive aims to improve products' environmental performance throughout their life cycles.
- Expansion of fossil-free infrastructure for climate control and hot water.
- Smart buildings result in increased demand for better energy performance and control of residential and commercial property climate systems.
- The property and construction market, where demand for residential and commercial premises as well as economic conditions determine the extent of new construction and renovation.
- Costs to the end consumer are crucial for investment and operating costs, depending on the type of energy.

### Several clear trends

#### Electrification

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

#### Digitalisation

Digitalisation enables smart home systems to be set up by interconnecting the different parts of the house that affect climate and comfort: heating, cooling, hot water, ventilation, as well as various algorithms for optimal performance and household energy consumption patterns. Digitalisation 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 via exhaust air ventilation or heat generating operations such as data centres or industry. Renewable electricity production is integrated in the system while control of energy consumption is linked to energy production.

#### Huge market potential

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

The global market for climate control products is huge. We estimate that it totals at least SEK 1,000 billion, but a conservative estimate tells us that about SEK 500 billion is addressable for our products. It is estimated that every year, an average of some five million heating units need to be replaced in single-family and two-family

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



homes in the EU alone, including Switzerland and Norway. In addition, during an average year around one million new units are installed in new builds in the same countries. The transition to more sustainable climate control solutions will result in a significant increase in demand for heat pumps.

#### Europe is the base

The proportion of heat pumps in single-family and two-family homes is high in the Nordic countries and competes primarily with district heating in urban areas. A change to a fifth generation district heating network opens up a greater overall market.

The proportion of heat pumps is lower in the rest of Europe, where gas boilers are predominant. As willingness to replace fossil fuel-based systems increases, we are seeing a 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 supplies the entire building.

#### Greater political will for sustainable heating

In several European countries growing interest among policy makers to address global environmental and climate challenges has led to a dramatic market expansion. The governments of the UK, the Netherlands and Norway have, in various ways, highlighted their ambitions to phase out heating products that use the fossil fuels oil and gas. Germany is also undergoing an extensive energy transition where, within the framework of its comprehensive Climate Protection Program 2030, they put a premium on changing to more energy efficient and fossil-free solutions.

The EU has previously adopted climate goals for 2020 and 2030 respectively to cut collective emissions. The EU now aims to be climate-neutral by 2050 through a Green Deal which will rely on legislation and action plans to promote more efficient use of resources through a transition to a clean and circular economy. Energy efficiency in buildings is one of the focus areas for which significant financial support will be made available in the period 2021–2027.

The North American market, too, has started to change course in respect of climate transition and phasing out of fossil fuels. For example, federal tax credits for installations of heat pumps in single-family houses in the USA have been extended until 2023.

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.

#### Stronger position in a growing market

We have further strengthened our market position on a growing European heat pump market, which has helped us grow organically in the region. All the Nordic markets, except Norway, have also continued to grow, which benefits us as the market leader. In addition to increased demand, systematic and successful marketing has resulted in increased market share.

The objective is to strengthen our market expansion in North America through organic growth. With our experience from the European market, we are taking a long-term perspective and investing in raising awareness among end consumers of both the necessity of conversion from fossil to renewable alternatives for indoor comfort in homes and about geothermal heat pumps as a sustainable solution for climate control of single-family homes.

#### Commercial properties increasingly important

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

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

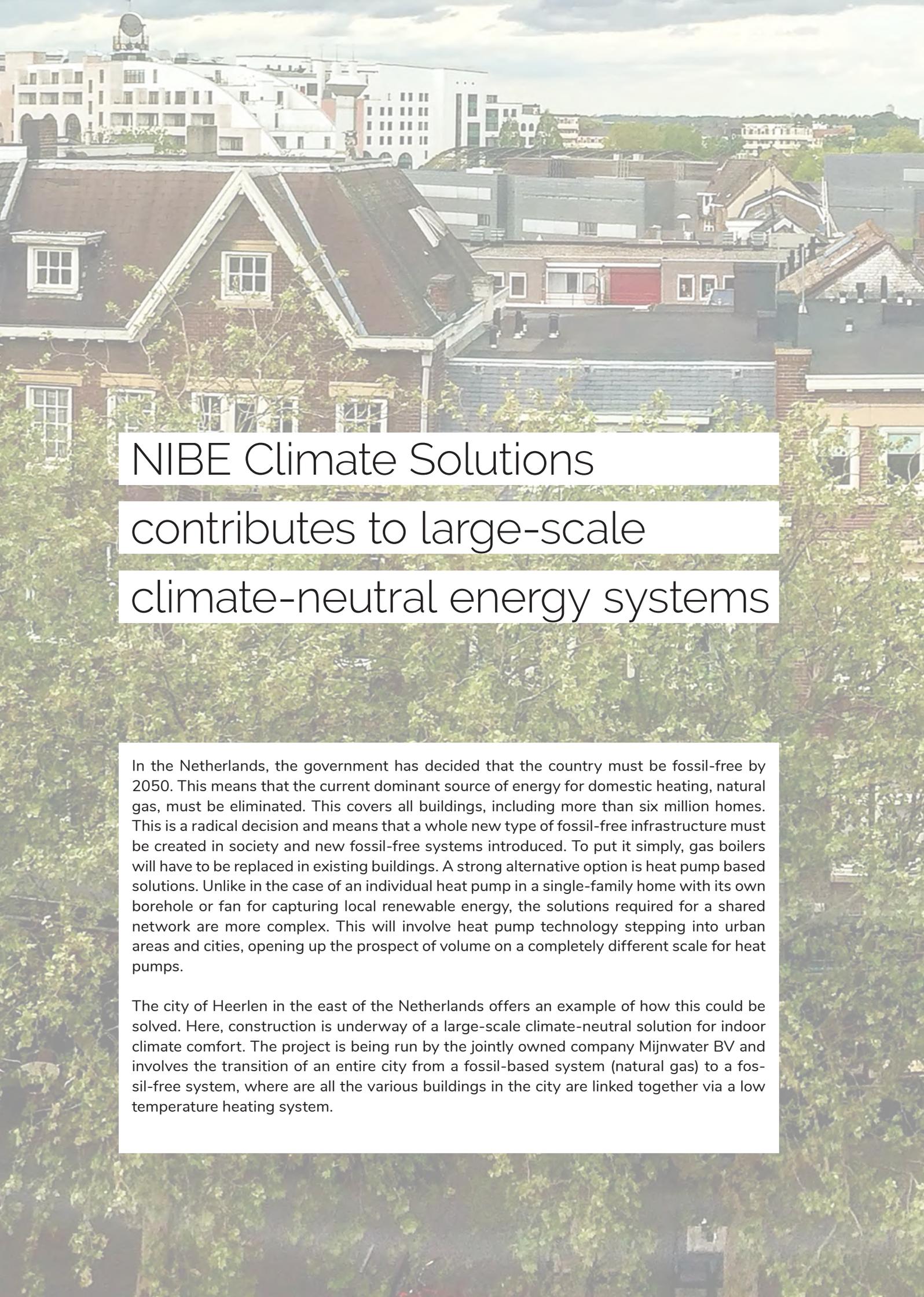
#### Stable market for water heaters and district heating

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

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

#### Fragmented market

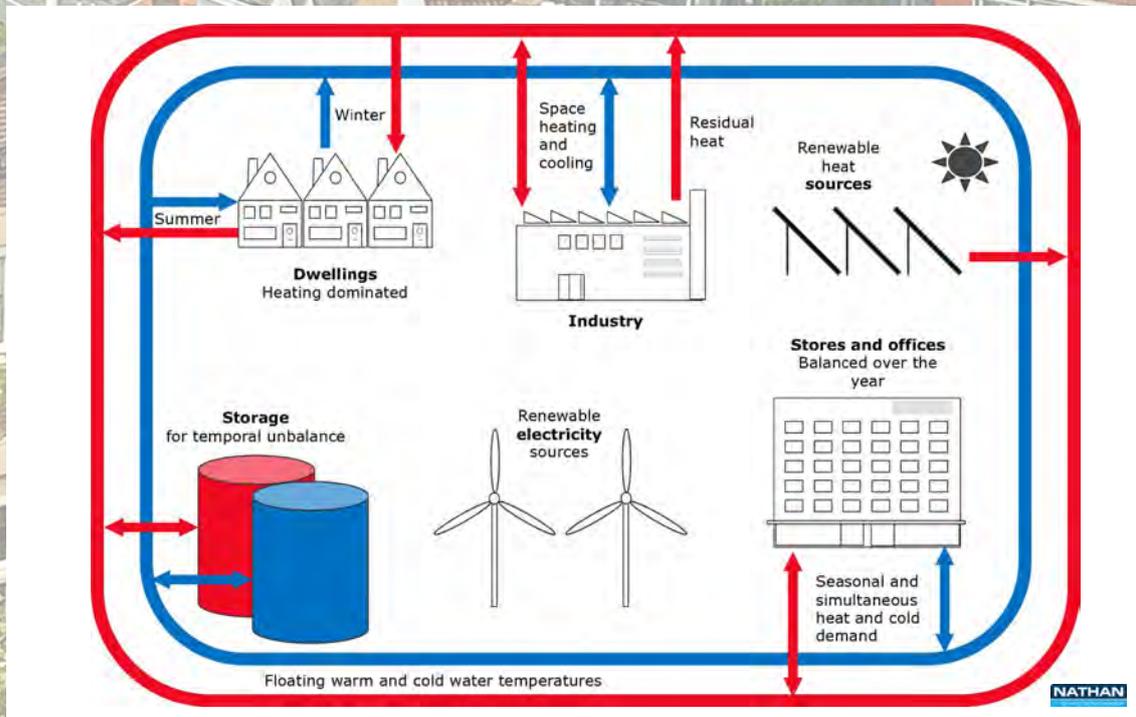
The market for our lines of business remains fragmented and there are many manufacturers, both large and small. We are continuing to grow, yet the competition is growing. Large international HVAC groups are also focusing on energy conservation and more environmentally sound products.

An aerial photograph of a city, likely Heerlen in the Netherlands, showing a mix of residential and commercial buildings. In the foreground, there are lush green trees. The middle ground features several multi-story buildings with different rooflines and colors, including a prominent brick building with a gabled roof and white window frames. In the background, more modern, white buildings are visible under a cloudy sky.

# NIBE Climate Solutions contributes to large-scale climate-neutral energy systems

In the Netherlands, the government has decided that the country must be fossil-free by 2050. This means that the current dominant source of energy for domestic heating, natural gas, must be eliminated. This covers all buildings, including more than six million homes. This is a radical decision and means that a whole new type of fossil-free infrastructure must be created in society and new fossil-free systems introduced. To put it simply, gas boilers will have to be replaced in existing buildings. A strong alternative option is heat pump based solutions. Unlike in the case of an individual heat pump in a single-family home with its own borehole or fan for capturing local renewable energy, the solutions required for a shared network are more complex. This will involve heat pump technology stepping into urban areas and cities, opening up the prospect of volume on a completely different scale for heat pumps.

The city of Heerlen in the east of the Netherlands offers an example of how this could be solved. Here, construction is underway of a large-scale climate-neutral solution for indoor climate comfort. The project is being run by the jointly owned company Mijwater BV and involves the transition of an entire city from a fossil-based system (natural gas) to a fossil-free system, where all the various buildings in the city are linked together via a low temperature heating system.



The principle is based on connecting all buildings to a pipeline system with two pipelines for the water to circulate – one with warm water (up to 30 degrees Celsius) and one with cold water.

When heating is needed, heat is recovered from the warmer water via a heat pump in the building. The district heating network does not need to maintain the same high temperatures as current networks, while the relatively warm water (compared with boreholes) means that the heat pumps can operate at a lower power level. If the property requires cooling, the reverse happens, which means the water in the cold water pipeline provides cooling and surplus heat is returned to the warm water pipeline and stored in buffer reservoirs. In Heerlen, the water is stored in disused coal mine corridors which are filled with water, but other types of reservoirs can be used.

By connecting all the buildings in the city, the different thermal comfort needs can be met and balanced. Surplus heat from local industry, data centres, hypermarkets, waste water, etc. is recovered and stored while buildings which require heating, including homes, schools and offices, extract and recover the heat using heat pumps in the buildings, that is, close to the point of demand to not risk heat losses. At the same time, hot water is generated in each apartment in apartment blocks through the use of individual heat pumps, so-called boosters.



## Business model – NIBE Element

### Customers in several industries

Our commercial customers in, for example, the professional kitchens and refrigeration industries, are increasingly part of large groups of companies with coordinated purchasing, but they also have regional suppliers. Consequently, it is important to deal with them both centrally and locally.

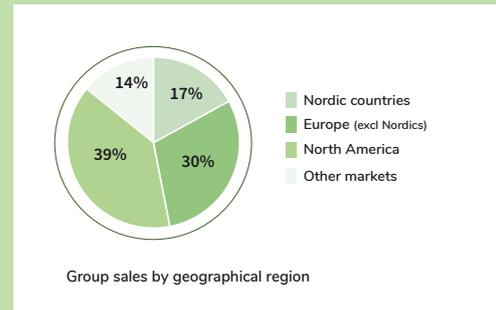
For industrial products, our aim is to gradually increase our local presence so that we can deliver small runs and specialist products adapted to local needs with short lead times and local technical support.

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:

- **Original equipment manufacturer (OEM)**, where the customer buys our products and systems as 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 large market segments, such as comfort, domestic appliances, wind power and transport, we have global marketing managers and shared sales platforms and marketing campaigns for groups of subsidiaries.

## Increased sustainability a significant driver

Our operations continue to be positively affected by developments in the areas of energy and the environment. These developments drive our business, which responds to 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 the EU directives are placing tougher requirements on increased energy efficiency. Digitalisation is also a significant driver, both in terms of function in our solutions and demand from the semiconductor industry.

### Potential to capture market share

The addressable market for NIBE Element's product areas is currently estimated at approximately SEK 50 billion.

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

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

### Growth varies between market segments

The international element market in 2020 was affected by Covid-19, which both slowed down and boosted demand. Demand differs markedly between the various market segments. Increased electrification worldwide both in relation to sustainable energy solutions and the transport sector offer us interesting market opportunities. Digitalisation provides new opportunities to expand as well, mainly in the semiconductor industry.

Demand has slowed in traditional industry segments in the current pandemic, but at the same time demand has increased in consumer segments such as domestic appliances and heating products in particular, thanks to a marked willingness to invest in the home and reduce carbon footprints.

The market segments that are linked to energy saving and sustainable energy solutions with a focus on renewable energy have continued to grow. This applies to both equipment for the generation of energy and energy efficient solutions for heating, such as heat pumps.

The semiconductor industry is a significant, growing market segment for us. The industry has considerable cyclical fluctuations that do not follow the traditional industrial economic cycle. This was the case during the year as demand remained strong.

The automotive industry recovered after a period of falling demand, showing a strong rise towards the end of the year. 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. In infrastructure many projects were delayed during the year because of the pandemic, but at the same time the number of projects for the coming year have increased.

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

The turbulence concerning customs duties, trade barriers and foreign currency is increasingly affecting where customers place their production facilities. In this situation, having a global presence in several currency zones gives us a clear advantage. We are seeing price increases on certain inputs, which when combined with substantial pay increases in some countries necessitate continued price adjustments in most product segments.

# Intelligent heating and control



Increasing digitalisation is the driver behind the semiconductor industry, which has seen a strong and growing rise in demand, further boosted by Covid-19, resulting in increased willingness to invest in electronic solutions in the home as remote working becomes more common all over the world.

NIBE is one of the leading manufacturers of systems for intelligent heating and control for the semiconductor industry. NIBE's subsidiary Therm-X works with customers in the semiconductor industry who use radiofrequency power in the production of plate semiconductors (wafers). The manufacturing process is subject to extremely stringent uniformity and quality requirements and therefore strict requirements in respect of control. A multi-point monitoring system for temperature, pressure and vibration which uses fibreoptic technology supplied by Therm-X helps guarantee control.

The challenge is to be able to perform multi-point monitoring using equipment that is impervious to radiofrequency energy. Therm-X fibreoptic sensors for measurement use light via fibre directed towards a wafer, where the wavelength of the reflected light provides readings. The sensors can measure up to 50 points both inside and outside the process chamber to help the customer better understand and control their process.



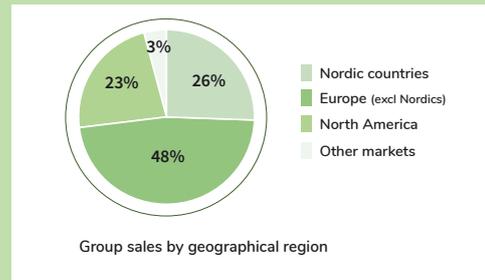
## Business model – NIBE Stoves

### Own subsidiaries

We are 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 give our products exposure 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 in-store displays. Other channels are digital marketing, interior design publications, social media and local consumer shows.

## Rising focus on sustainability of consumer durables

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

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

The market is fragmented with mostly regional suppliers. Contributing factors are stove preferences in terms of design 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 SEK 30 billion. Our main markets are in Europe, North America and Australia.

### Market drivers

- Economic conditions and developments in disposable income.
- External uncertainty, when the safety and comfort of home is prioritised.
- 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 favour of new, more environmentally friendly products.

### Wood, gas, pellets or electricity

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

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

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

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

### A positive market development

After a sharp decline in international demand for stove products in the first half of the year as a result of Covid-19, the market was characterised by a strong increase in demand in the second half, resulting in a return of the market to the levels seen at the end of the previous year. With a broad range of products and well-developed distributor networks, we were able to maintain our strong market position in both Europe and North America, despite the very demanding market conditions.

Both the increased interest in investing in the home and policy decisions around the phasing out of old products that do not meet Ecodesign requirements are driving 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.

As an organisation 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.



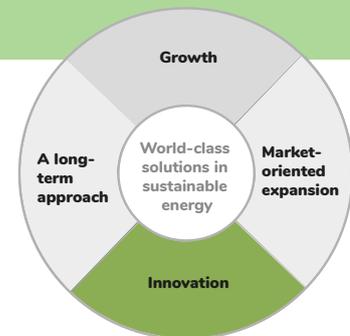
## Higher energy prices an incentive for supplementary heat source

In a world where the weather is changing substantially, more and more people are being reminded of the importance of securing access to heat in their homes. A stove can make a big difference when electricity prices rise quickly or when the power goes off. Investing in a stove as a supplementary heat source provides security at a reasonable price.



## Innovation

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



### Sustainable energy solutions

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

Our focus on world-class solutions in sustainable energy contributes to the global goal of reducing atmospheric emissions.

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

### Product development

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

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

### Shared digital platforms

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

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

### Energy-efficient products

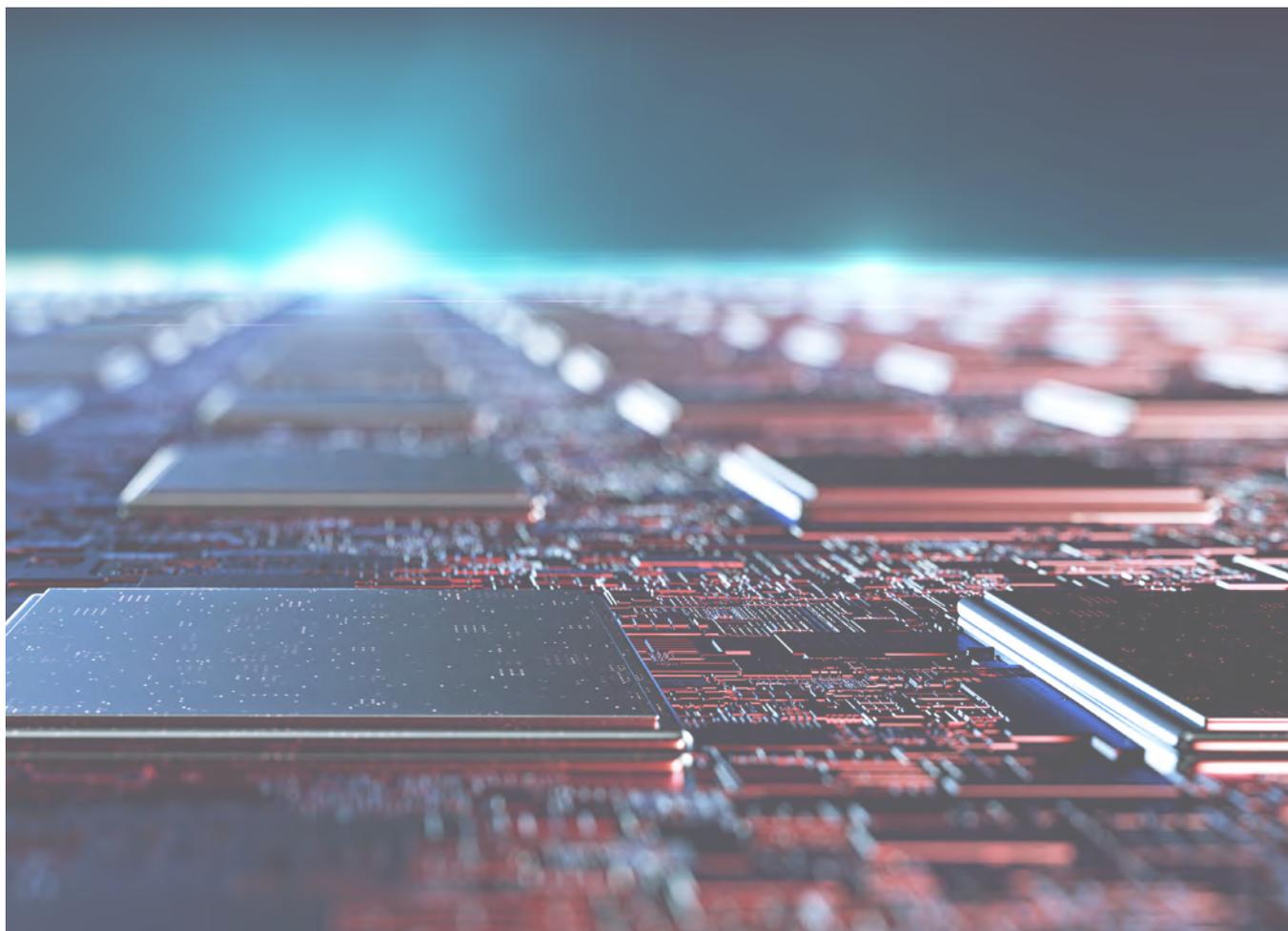
Our LCE-classified products support the shift to a smaller carbon footprint and help customers improve energy efficiency and convert to renewable energy. We are currently in the process of carrying out product mapping to establish the overall contribution our products make to reducing customers' climate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

### Commercialisation

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

### Safe products

Our decentralised organisation 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.

#### Responsible purchasing

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

Our supplier base reflects the map of our production units, which are concentrated in Europe and North America, but also 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 a number of suppliers in areas that include co-development of components so that they work well in our products.

#### Circular economy

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

We are seeing an increase in environmental requirements for our products and requirements for a circular economy. One of the requirements is the Ecodesign directive, which is being updated gradually 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 recirculated material from containing banned substances.

#### Environmental aspects

To be able to participate in and contribute to a globally sustainable society for future generations, we work systematically with our significant 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 and we apply this throughout the life cycle of the product. We are also working to reduce the amount of hazardous waste and for more recycling throughout the process.

# Products that make the sustainable society of the future possible

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

Most of our solutions are based on recovering renewable energy from soil, rock, sun, water or air. Our products, which can be combined in system solutions with both existing and new systems, can be divided into the following categories:



## 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 can be distributed in both waterborne and airborne systems, used to heat water and stored in an accumulator tank.

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.

## PV panels

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



## 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.



Climate control systems for large 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. This requires system solutions that combine heating and air conditioning systems as well as ventilation units with heat recovery in which a heat pump produces heat, hot water and air conditioning.

District heating products

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



Domestic boilers

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

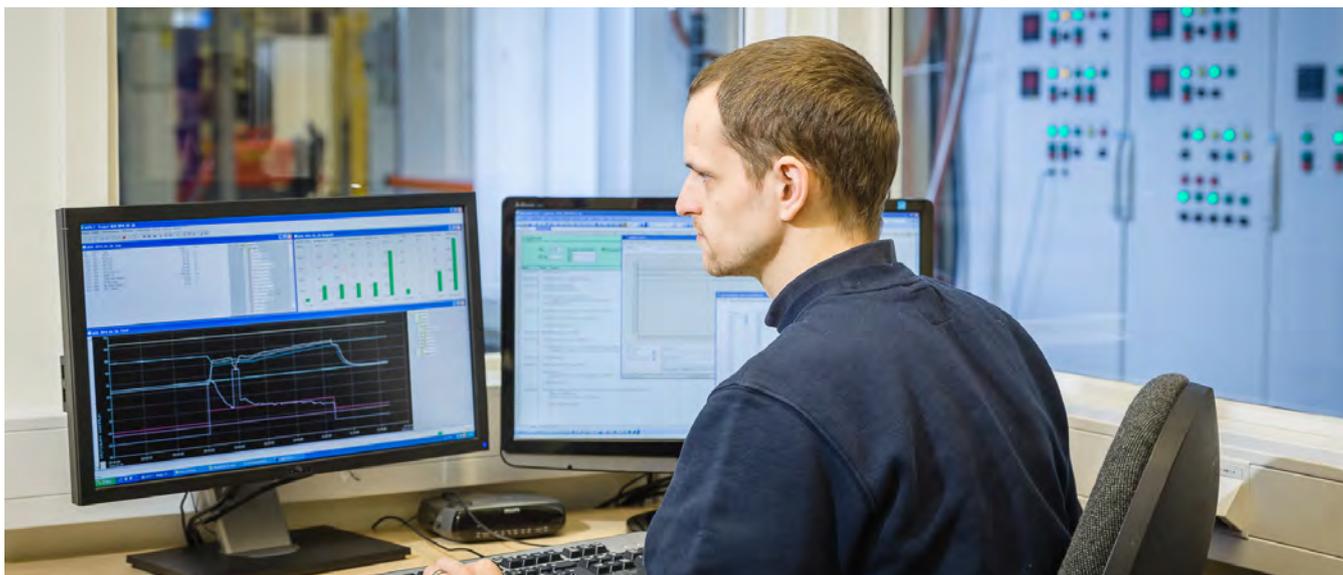


Commercial washing machines and tumble dryers

Washing machines and tumble dryers for large apartment blocks, hotels and hospitals.

Brands





## Extensive product development and several development centres

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

Product development focuses on continuously improved performance, intelligent controls and the designing of systems in which renewable energy production is linked to climate systems and energy recovery via heat pumps. Software development is a major focus. Development costs correspond to approximately 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 centres aims to combine European cutting-edge technology in heat pumps built for waterborne systems with the North American tradition of using airborne systems for both heating and air conditioning.

### A joint platform that substantially cuts time to market

To substantially cut time to market for our companies, we have introduced the "Joint Platform Initiative" project, which creates a joint platform for control and monitoring that substantially cuts time to market. The platform can be used by our companies as a base around which to develop their own unique product solutions. It can be compared to the platforms used in the automotive industry, where unique brands are developed on a common base. Joint platforms also make it possible to retain a decentralised organisation where our companies can operate in their respective markets, offering their unique products and brands.

### 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 products such as the much more eco-friendly refrigerant R290 in several of our heat pumps, the F-Gas Regulation introduced by the EU entails intensive work on converting the entire product range to even more eco-friendly refrigerants while maintaining high energy efficiency and quality.

### We develop our products according to certain main criteria:

- Continuous improvement of energy efficiency
- Utilise renewable energy
- System solutions (partial or whole)
- Increased efficiency via advanced control
- Convertible (heat in winter/air conditioning in summer)
- Recyclable
- Environmentally adapted
- Better design
- Better overall cost efficiency

### We practice what we preach

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



## Heat pumps contribute to renewable energy production

The heat pumps sold by the NIBE Group in 2019 produced more than twice the amount of renewable energy produced by means of solar energy in Sweden in the same period.

The heat pumps installed in Europe in 2019 by companies in the NIBE Group have made a very significant contribution to the production of renewable energy. Heat pumps take heat from the sun by recovering energy stored in the ground, air and water. This helps promote the transition from fossil fuel to renewable energy production, which is required to safeguard the future energy supply.

We have estimated that all the NIBE Group heat pumps sold and installed in 2019 correspond to generation of 1.35 TWh of renewable energy.

To give an idea of the magnitude of this amount of renewable energy, it can be compared to all the electricity produced by PV panels in the same year. According to Statistics Sweden (SCB), this figure is 0.663 TWh for the production year 2019, that is, less than half the amount the heat pumps sold by the NIBE Group are estimated to have produced in 2019.



### Efficient in-house production

Production takes place in some twenty modern plants in 11 countries 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 optimise production processes and reduce environmental impact. The strategy is to gradually build up several specialised 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 2020, we invested SEK 685 million (SEK 639 million) in our production facilities.

In 2020 all our companies adapted their operations both to the prevailing market conditions and to the restrictions in force as a result of Covid-19. Thanks to good flexibility in terms of production capacity and component supplies, we were able to meet the much higher demand in the second half of the year with good delivery capacity, despite very cautious stockbuilding in the spring.

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

However, thanks to its modern, highly efficient production facili-

ties in both high-cost and low-cost countries, we believe that NIBE Climate Solutions is well placed to assert itself in tomorrow's international market for climate control solutions.

### Quality and environmental certification

We are working to introduce certified quality and environmental management systems to all our production units with more than ten employees. We aim to introduce these systems within two years after acquiring a business. With several newly acquired units, this means that two companies are in the process of becoming certified to ISO 9001 and four companies to ISO 14001. To create the same structured, systematic approach to improving the working environment and reducing the risk of accidents, certification is being expanded to also include the working environment in some parts of our operations.

### Production management

The production of bulk products is based on forecasts. Large customised systems for commercial properties are manufactured to order.

### Coordinated purchasing

Purchases of large shared volumes of inputs are coordinated within the business area and the Group.

# Cetetherm's district heating control centres facilitate low temperature district heating

The world's largest low temperature district heating network, also called Cool District Heating (CDH), will be used in the new Brunnskög district in Lund. It is the largest network of its kind to date. Instead of heating the water to just over 90°C, the temperature is dropped, in this case to 65°C.

Cetetherm's district heating control centres are a prerequisite for being able to implement low temperature district heating. To be able to utilise the lower district heating temperature, the indoor temperature needs to be controlled and hot water must be generated in a substation in each apartment instead of centrally circulated hot water from basements, which requires a higher district heating temperature. In this solution it is replaced with a locally installed Cetetherm district heating control centre in each apartment. Residents can control the heat via an app, lower it when no one is home and increase it in advance so that the apartment is warm when they get home. Each apartment is charged for their individual apartment heating and hot water consumption, meaning that tenants can manage not only their indoor climate comfort but also their expenditure and, from a wider perspective, help lower climate impact.

Installation of the heating system is also made simpler since only one pipeline is required for the property rather than two, as was previously the case (one for heating and one for hot water).

## Complete solution encompassing many forms of energy

By creating a system that harnesses and integrates several sources of energy, environmental load is reduced. The low temperature district heating in Brunnskög will not be the only source of heating/energy, but other forms of energy will also play a role. For example, the system will be complemented with recovered waste heat from the ESS research facility. Each apartment block will also have PV panels on the roof with the surplus energy stored in large lithium-ion batteries in the basement for use in operating a supplementary geothermal heat pump to generate heating for the property.



**Cetetherm**



## Components and solutions that save energy

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



### 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.



### 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.



### 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.

### 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.



### Resistors

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



### Thick film elements

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



### Temperature sensors

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



### PTC elements

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



### Heat exchangers

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



### Foil elements

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



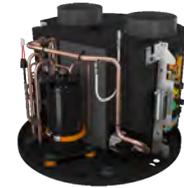
### Heating jackets

Flexible elements that are sewn into synthetic textile for wrapping around vessels or pipes.



### Control equipment

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



### Heat pump technology

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

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.



### Heating cables

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



### Flexible hoses

Fluid coupling system used for energy equipment.

## Brands



# Energy efficiency in many sectors



## INDUSTRY, PROJECTS

Customised design and construction, plus installation and commissioning of controller cabinets and associated control panels. Also a wide range of standard components.

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

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



## ENERGY/ENVIRONMENT

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



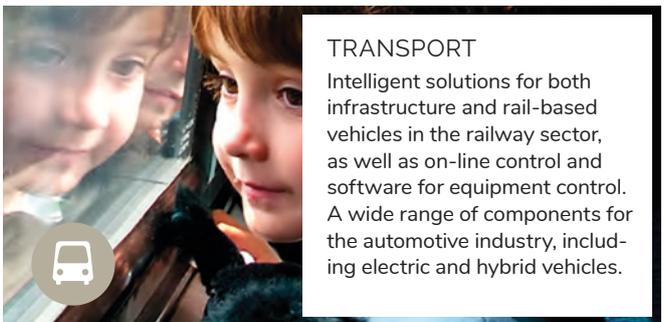
## ADVANCED TECHNOLOGY

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



## HVAC

Includes converters and soft start relays that increase the service life of electric motors by protecting them from sudden loads. Heat exchangers that deliver stable heat adapted to actual demand while ensuring low heat loss.



## TRANSPORT

Intelligent solutions for both infrastructure and rail-based vehicles in the railway sector, as well as on-line control and software for equipment control. A wide range of components for the automotive industry, including electric and hybrid vehicles.



## COMMERCIAL EQUIPMENT

Customised 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.



## HOUSEHOLD APPLIANCES

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



## Heating systems and resistors for electric vehicles

Work on developing systems for electrification of cars and commercial vehicles is currently in full swing. NIBE Element has developed several technologies and products that are central to a transition to electric operation. This applies both to resistors used for vehicle braking and heating systems used for heating batteries and for cabin heating.

In some cases we are responsible for complete systems, comprising element, mechanics, electronics and software. In these cases the customer is usually the vehicle manufacturer. In other cases we supply elements or resistors as components to another system supplier. These business development projects have a timeframe of several years and will offer substantial opportunities for growth.



### Backer High Voltage Coolant Heater

Backer AB develops and manufactures battery and cabin heaters for world-leading vehicle manufacturers for use in electric vehicles. The heater supplies 10kW and runs on power of up to 1000V DC and is equipped with integrated electronic control and dedicated CAN/LIN software, for communication with the vehicle. Among other things, the heater safeguards the operating temperature of the vehicle battery pack, which is required for optimal service life, range and function.



## Sustainability drives product development and production

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

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

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

### Local product development in networks

Greater specialisation combined with proactive, fast-paced development in partnership with our customers is the reason why product development is largely decentralised 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 head of 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 customisation mainly occurs in consultation with the customer to develop unique solutions for the customer's special needs and customised solutions where we take a larger system responsibility.
- Process development optimises 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 70 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. In 2020 this flexibility was also useful because of shutdowns in a number of countries around the world.



Several investments in energy efficiency were also implemented during the year, including in Loval's new premises in Finland, intended for vacuum soldered products. This contributes to making our own operations more carbon neutral, which is a natural part of our sustainability work.

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. This is done through major investment programmes in robotisation 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 2020, we invested SEK 354 million (SEK 303 million) in production capacity and efficiency.

**Quality and environmental certification**

We are working to introduce certified quality and environmental management systems to all our production units with more than ten employees. The aim is for this to be implemented within a two-year period after acquisition. With several newly acquired units, this means that one company is in the process of becoming certified to ISO 9001

and seven companies to ISO 14001. To create the same structured, systematic approach to improving the working environment and reducing the risk of accidents, certification is being expanded to also include the working environment in some parts of our operations.

**Production management**

Both forecasts and customer orders determine production schedules, depending entirely on customer category and production volume.

**Coordinated purchasing**

Purchases are coordinated for basic commodities such as metals and minerals and for metalworking. Raw materials are hedged in special cases, mainly for specific customer contracts.

# Warming products that provide comfort



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.

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 future 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.

## Successful product portfolio

Our product portfolio, with its 11 strong brands in a large number of product groups, makes us an all-round supplier and a strong business partner in our industry.

### 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, colour, shape, size and material. Modern and classic design, often with very good flame visibility. Primarily for use with wood, gas, pellets or electricity.



### Heat-retaining products

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



### Electric stoves

An electric stove creates a sense of a real fire when it is not possible to install a chimney flue or when the customer values user comfort and design. An electric stove also provides a small amount of heat.

### 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.





Brands

Contura

REGENCY  
FIREPLACE PRODUCTS

evonicfires

STOVAX

GAZCO

TermaTech

LOTUS  
QUALITY FIRST

VARDE

Nordpeis

Geoman  
A NATURAL WARMTH

Premodul  
by Contura



Outdoor fire products

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



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, customised solution. Their flame visibility is often very good. Provide fast heat transfer but also retain heat to some extent when wood is used. Primarily for use with wood, gas and electricity.

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.



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.





## Product development and production for strong brands

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

Knowledge about technology for efficient combustion is exchanged regularly and naturally within the business area. This allows us to retain the flexibility we desire, while responding to regional product requirements and trends. Registration of designs is therefore an important measure to take. Product development costs correspond to 3% of sales in the business area.

In addition to the production of new stove models based on existing technology, we have continuously invested significant resources into 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 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 they are released onto the market.

### Our production units

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

Most of our steel plate products sold in Europe are made in Sweden. The Swedish production plant is largely robotised and flow-optimised, 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.

FPI in Canada has a corresponding plant where the North American brands are produced.

In the UK, Stovax produces its wood-burning products at care-

fully selected subcontractors, while its gas-fired products under the brand Gazco are manufactured in its own plant. The Evonic Fires brand also has its own production unit for electric stoves.

Concrete surrounds, fireplace materials and heat-retaining products are made 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 implemented capacity investments in our UK plants to meet increased demand for gas-fired and electric products, but we also invest long-term to achieve higher resource efficiency and an improved working environment. In 2020, investments of SEK 99 million (SEK 73 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 quickly has a positive impact on the environment.

### Quality and environmental certification

We are working to introduce certified quality and environmental management systems to all our production units with more than ten employees. The aim is for this to be implemented within a two-year period after acquisition. Currently, two acquired units are in the process of being ISO 9001 and ISO 14001 certified respectively. 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.

### Production management

Production is based on forecasts. Seasonal variations on the stove market mean that part of the production volume is put into storage to ensure good delivery capacity in the autumn peak season.

### Coordinated purchasing

Purchases of large shared volumes of inputs such as steel plate, castings and ceramic glass are coordinated both within the business area and the NIBE Group.

## Use the correct fuel in your stove

This is good for your health, the environment and your wallet. By using the correct fuel you can reduce emissions by up to 50% and improve the environment both for yourself and your neighbours.

Always use completely dry wood that has been stored under cover in a well-ventilated place for at least six months over the summer.

---

The smoke tells if you are using the right fuel

---

The chimney acts as an engine when you light your fire. Continuous oxygenation in the stove is achieved when the chimney is sufficiently heated. An easy way to check if combustion is good is to go outside and look at the smoke.

Incomplete combustion results in black or dark grey smoke with a strong smell. Yellow smoke means it contains too much tar. Because the wood always contains some water, the smoke is often white due to condensed water vapour, which is particularly visible on a cold winter's day.

On warm days the smoke produced with good combustion is almost invisible and appears mostly as a heat shimmer.

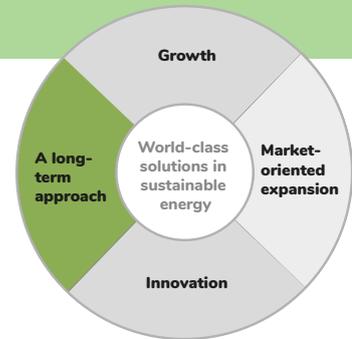




## A long-term approach

### Responsible approach for long-term success

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



#### Innovative products from the start

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

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

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

#### Committed, innovative leaders

Committed, innovative founders and leaders have been the backbone of 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 Managing Director and CEO.

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

#### An intensive era of acquisitions

Good profits and the stock exchange listing 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 and a market-oriented decentralised organisation guided by NIBE's objectives and management philosophy, we believe that we have created a stable platform for the future.

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



## Good relationships create longevity

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

### Committed employees

Our goal is for all our employees to thrive, develop and feel proud of their work. If you want to thrive in our company, initiative, humility and common sense make a winning combination. Our ambition is for our company to be perceived as attractive with many opportunities for advancement. 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, universities, university colleges and other schools augments our ability to ensure long-term staffing needs.

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.

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 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 decentralised leadership, we can maintain simple organisational structures with an independent operational leadership with a local character.

### Good working conditions

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

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

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

### Respect for human rights

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

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

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

### Local partnerships for the future

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



## NIBE's shares prove to be good investment

Our focus on world-class sustainable energy solutions has produced almost 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 above 17% since 1997 combined with an operating margin of between 10% and 13%, excluding acquisition-related revaluations, and an average return on equity of just over 16%.

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

### **Meeting the demand for energy conservation**

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

### **Strong sustainability profile**

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

### **Continued growth in fragmented markets**

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

### **Dedicated management with a long-term view**

Since its initial public offering, NIBE has had highly stable management.

### **Economies of scale generate 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.

### **A well-developed acquisition process**

NIBE has a well-developed acquisition process and clear intentions for the companies and their existing management teams, which helps preserve market position and strong management.

### **Strong corporate culture**

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

### **Huge 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 sustainability function offers support and guidance about the Group's sustainability goals and contributes to deeper understanding of our overall strategic sustainability initiatives. From left: Catarina Gustafsson, Kenneth Magnusson, Helene Olsson and Elin Edvardsson.

## Long tradition of sustainable operations

Sustainable development is about meeting current needs without compromising the ability of future generations to meet their own needs. This requires development that strikes a good balance between economic, social and environmental factors.

### Our view on sustainability

We have a long tradition of sustainable activities, rooted in our efforts to look after what we have, keep resource use to a minimum and to be honest. This is reflected in our culture and is a good foundation on which to build our sustainability work and for complying with new values and requirements. For many years we have worked on sustainability in several areas, such as product benefits, corporate responsibility and cooperation with sustainable business partners.

Our values guide us in taking a responsible approach, treating people and the planet with respect. They describe how to run our business to create value for our different stakeholders, without compromising our ethics and integrity. To achieve and maintain this over time, we need knowledge and understanding and we also need to develop best practice in several areas.

### A different kind of year

The pandemic has affected our international sustainability activities and therefore also to some extent our work, since we have not been able to conduct various types of planned site visits. It has not been possible to carry out sustainability visits and ISO certifications and these have had to be postponed temporarily. Integration of sustainability in newly acquired companies has been made more difficult as the initial visits involving dialogue and plant visits have been postponed.

Work within focus areas such as product requirements, risk analysis, supplier evaluations, energy efficiency and dialogue with stakeholders continued throughout the year.

Support systems for compliance with legislation were introduced in a number of areas, including for suppliers of input materials for products and components. The Group's joint e-learning platform was developed and expanded to include training in human rights.

Following evaluation, a decision was taken to improve our risk management systems, which use data from external parties to identify and prioritise climate and ethical risks based on the location of our companies and suppliers.

### Growing sustainability trend

Sustainability is an increasingly important factor for customers, investors and employees and will be even more integrated in the entire value chain. This will result in more product and operational requirements and increased requirements for more detailed and more comprehensive reporting.

Customers are increasingly asking for information about activities and products, such as climate data and life cycle analyses. The sustainability team supports the Group in developing these areas with expertise and joint system support functions to meet future sustainability requirements.

New directives and subsidy systems, particularly in the EU, are also driving efforts to transition to sustainable products and operations.

We are also seeing increased demand for more detailed information and requests for more reports from our stakeholders, with particular focus on climate issues. Several of these issues are related to financial climate risks, opportunities within the TCFD framework and the forthcoming EU Taxonomy, which classifies investments that are environmentally sustainable for investors.

### Future challenges

We are carefully monitoring development in the area of sustainability and are reinforcing parts of the organisation to meet the new requirements.

Preparations are underway within the Group for compliance with the Taxonomy, which will come into force in 2022 for us as a company.

To meet further requirements from stakeholders, we are implementing new support systems and processes relating for example to substances in products and climate scenarios for our operations.

# NIBE's value chain

## Drivers and trends

Find out more on page 16.

## Management philosophy

Our business principles, find out more on page 30.  
Our values, find out more on page 31.

## Resources

### Financial

- Working capital, including cash and bank balances SEK 8,293 million
- Investments in non-current assets SEK 3,692 million, of which acquisitions SEK 2,583 million

### Operations

- 97 manufacturing units
- 50 sales offices
- 31 countries

### Natural resources

- 233 kilotons raw materials and input materials
- 419,880 m<sup>3</sup> water
- 307 GWh of energy

### Intellectual capital

- 18,700 average number of employees
- More than 80 brands

### Business relationships

- Customers
- 13,100 suppliers direct materials
- 57,956 shareholders
- Lenders
- More than 120 local communities

## Vision

Create world-class solutions in sustainable energy.

## Mission

To offer innovative, intelligent energy-efficient solutions within three business areas.

## Strategic priorities

### Growth

#### Market-oriented expansion

#### Innovation

#### A long-term approach

### Growth

Sustainable organic growth in all current product areas and further development of existing operations, combined with strategic acquisitions, creates the conditions for healthy profitability.

### Market-oriented expansion

Investments in attractive market segments as well as an efficient, competitive organisational structure allow for an optimal market presence globally.

### Innovation

Aggressive product development that focuses on innovation for sustainable development, fossil-free technologies and higher energy efficiency.

### A long-term approach

Clear shared values and long-term ownership create continuity and stability in the Group.

## Targets and outcomes

Find out more on pages 22-25.



## Customer offering

### Sales

Honest marketing of sustainable products and solutions lays the foundations for customer satisfaction, long-term relationships and stable earnings. By arguing in favour of our sustainable products and solutions, we are also taking a clear initiative on climate issues.

### Products in use

Our products add value for our customers year after year in the form of reduced energy costs, reduced climate impact and better functionality. This also means that customers contribute to the transition to a more sustainable future.



### Recycling

The contents of our products are highly recyclable (about 98%). This is important to keeping our environmental impact as small as possible. We have producer responsibility for consumer products and are associated with recycling systems where they are available for collection of products after use.

## Corporate sustainability

Administration report, page 80.

### Products

- Percentage LCE-classified products: 55.2%
- Heat pumps, renewable energy
- Solar products, renewable energy
- Heat exchanger, energy recovery, energy optimisation
- Components, energy conservation
- Stoves, renewable energy

## Added value

Customers	27,146	Sales, SEK m
Suppliers	15,481	Payments, SEK m
Shareholders	706	Dividend, SEK m
Employees	7,043	Salaries, SEK m
Public sector	735	Taxes, SEK m
Local community	3.3	Sponsorships, SEK m
Lenders	209	Interest, SEK m



Stakeholder*	Dialogue	Topics
<b>Customers</b>	Surveys Business dialogues Contracts	Safe products Sustainable products Business relationship
<b>Employees</b>	Employee dialogue	Security Expertise
<b>Suppliers</b>	Surveys Business dialogues Contracts	A long-term approach Performance
<b>Investors</b>	Surveys Quarterly reports Face-to-face meetings	Risk minimisation Return A long-term approach Climate issues
<b>Management</b>	Sustainability council	Management by objectives Focus areas Resources
<b>Shareholders</b>	General Meeting Face-to-face meetings Management discussions	Return A long-term approach Risk minimisation
<b>Authorities</b>	Reports Visits/Audits Lobbying	Laws and compliance Human resource management Infrastructure
<b>Local communities</b>	Local collaboration Involvement in stakeholder groups	School partnerships Sponsorships Standard committee topics

\* NIBE used an assessment method in which we considered each stakeholder group based on their power, legitimacy and urgency (Mitchell et al., 1997).

## Dialogue with our 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. 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.

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 or through questionnaires.

There have been no dramatic changes in stakeholder expectations of and views on the company.

We are seeing increased interest in sustainability among analysts, banks and investment funds as well as research institutions and universities, and in 2020 we received more questions about climate and scenario analyses. In addition to the usual surveys, interviews or visits are often requested. The topics include inputs, the conversion to new technology in the products due to new regulatory requirements, and diversity and human resource management. We

have included these interview and visit questions as inputs to our materiality analysis.

### Materiality analysis

The materiality analysis conducted at the end of 2016 was updated in respect of this year's developments and stakeholder dialogue. We have determined the scope and boundaries in dialogue with management and stakeholders based on trends and GRI topics, along with their impact on our value chain both within and outside the organisation. These aspects have been summarised in the model on page 73 and grouped into different material areas, business and ethics topics, environmental topics and social topics. The different areas are described in detail on pages 150-169 and our strategic focus areas are described on pages 34-35, 37-38, 48-49 and 66-67.

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.

## Our focus areas

- 1 Business ethics and anti-corruption
- 2 Renewable energy and efficiency in operations
- 1 Sustainability in the business strategy
- 2 Safe and energy-efficient products
- 1 Evaluated and approved suppliers
- 3 Gender equality in the organisation
- 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

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

### Explanation

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



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

### Sustainability visits

An important part of anchoring our sustainability strategies and our focus areas in our daily tasks is the sustainability team's regular visits to our companies. The frequency of these visits is adapted to each company's circumstances and development, but each company is visited at least once every three to four years and the visits normally last for a few days. One effect of the ongoing pandemic has been that it has not been possible to conduct visits to the extent we had

planned; however, other ways of meeting have been implemented for initial introduction and follow-up.

Initially, we have discussions with company management on sustainable development, climate change and global trends that drive the need for change in decisions and behaviours. But above all, we discuss the opportunities they present for developing our business to make us better equipped for the future.

During the visit we discuss how our values and our policies are implemented, how the business is linked to our goals and how our risks and action plans have been incorporated and followed. We also follow up on how to address anti-corruption and human rights and how to follow up and evaluate their suppliers. The first part of the visit is usually concluded with a brief review of reported sustainability data for the Group.

The second part of the visit includes a production review and meeting with employees to follow up on how our strategies and policies are being implemented in the organisation. We go through areas that are linked to our values and policies like fire protection, environmental issues, climate impact, being neat and tidy, health and safety, product safety on the factory floor and the safeguarding of human rights and workers' rights.

Any need for improvement is documented and reported to the individual company, business area managers and Group management. The traffic light approach is used to define how well policies in the different areas are implemented. On average, about 20 improvement proposals are identified per visit and the individual company is then presented with an improvement/action plan. Each business area manager is responsible for ensuring that the measures are taken. At the next visit, the improvements are verified by the sustainability team.

# Business opportunities and risks

As a global organisation, we have many business opportunities yet face various types of risk, which 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 to goals in other areas. Our ability to manage different risks also determines our success, that is, our ability to achieve and even surpass the set goals.

## Structure and value chain

NIBE's organisational 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. The operations are therefore affected differently in the business cycle and the competitive landscape varies. Sales through many different channels and distribution routes increase flexibility.

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

## Risk management

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

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

Identified risks are classified according to the probability that the risk materialises and how the criteria are met. The outcome is evaluated annually at Board level, after which decisions are taken concerning priority actions in the different areas.

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

Financial risks are managed in accordance with the Group's financial policy and manuals governing annual accounts, system access, authorisation routines and system changes. Sustainability and IT risks are largely coordinated at Group level, but risk assessment and action plans are designed and implemented locally by each compa-

ny's Board. These risks are managed in accordance with our values and guidelines. We are also continuing our work on development of risk scenarios at Group level.

For more information on NIBE's external risks and financial risk management, see page 100 and Note 29 in the administration report.

## Internal control

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

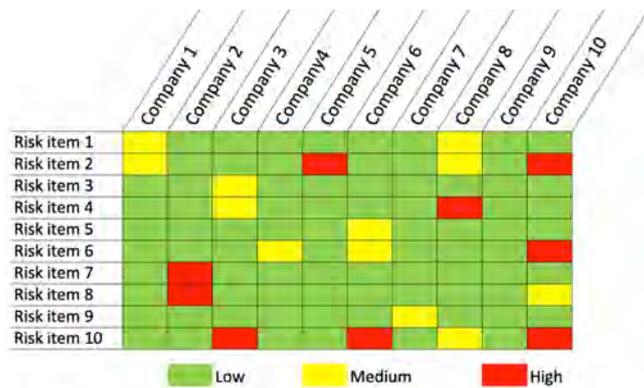
Each employee in the Group is responsible for internal control at their own level:

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

Monitoring occurs through a minimum of four annual Board meetings in all companies, as well as through several internal control audits at the companies. 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.

## Crisis management

To minimise risk impact, a crisis management programme 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 organisation including the Board of Directors must be informed and assess how to manage the incident.



Assessment model for risk management.

## Shared opportunities and risks

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



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

### Opportunities

- Huge market potential
- Great interest in renewable energy and energy efficiency
- International market presence
- Broad range of products
- Strong brands
- Intensive product development
- Access to effective production
- Synergies
- Expansion through acquisitions

### Risks

- New laws and government decisions with a short-term perspective for product adaptations
- Weak economic climate
- Energy prices
- Price trends of raw materials
- Currency fluctuations
- Dependence on suppliers
- Human resource management
- Climate impact on operations
- Pandemics

## Specific business area opportunities and risks

### NIBE Climate Solutions

#### Opportunities

- Energy and environmental policies for accelerating the transition to renewable energy use
- Low market penetration in North America and partially Europe
- Most advanced product development centres for heat pumps in Europe and North America
- Most modern heat pump factories in Europe and North America

#### Risks

- New technologies outside our current areas of expertise
- Reductions in new builds
- Low gas and oil prices mean continued use of fossil energy sources
- Artificially high electricity prices in several markets using the reasoning that the transition to less use of fossil energy sources should be paid for with taxes on electricity

### NIBE Element

#### Opportunities

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

#### Risks

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

### NIBE Stoves

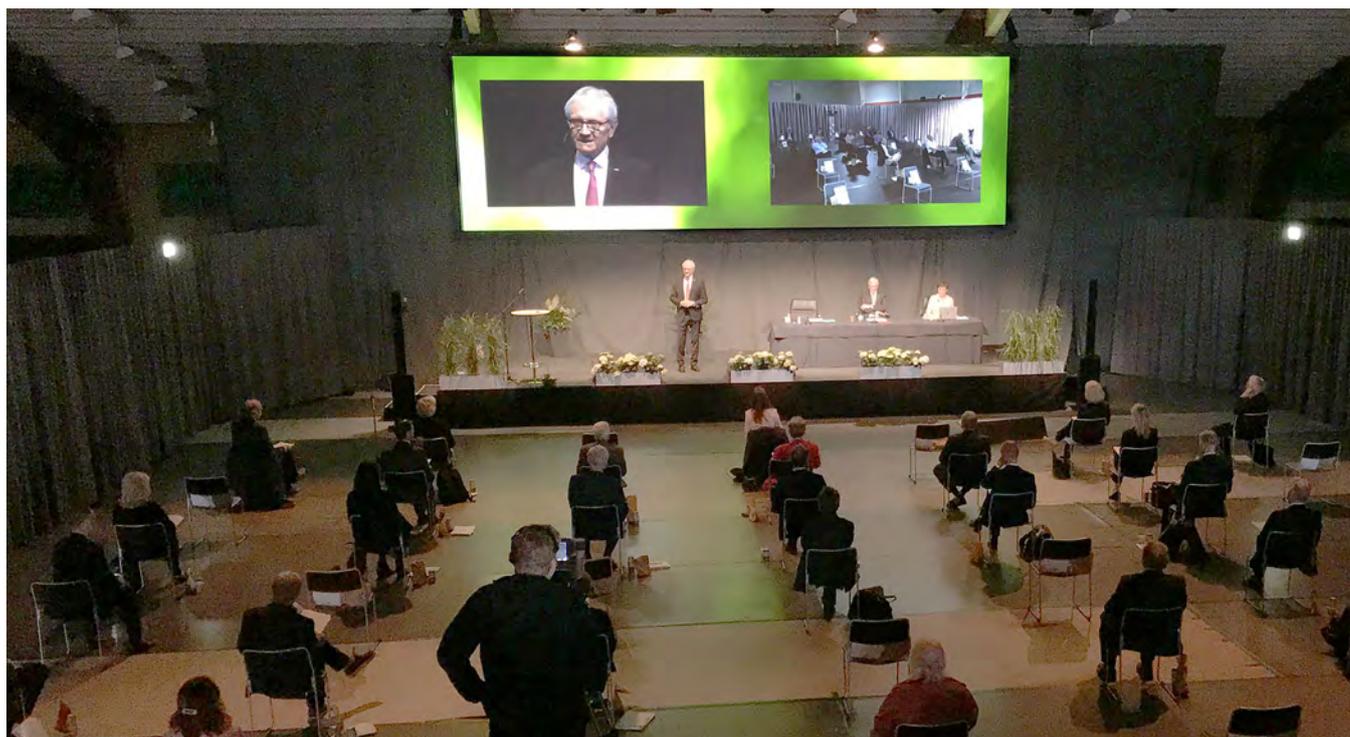
#### Opportunities

- Sales potential in new product segments
- New political decisions relating to energy and the environment
- Products already largely adapted to the Ecodesign Directive

#### Risks

- Local authority restrictions on the use of wood-burning products

\* See page 100 for more information on our risks.



## NIBE share performance

NIBE's class B share is listed on Large Cap, Nasdaq Nordic under the name NIBE Industrier AB with ISIN code SE0008321293 in the Construction & Materials sector. NIBE was registered on the OTC list of the Stockholm Stock Exchange on 16 June 1997 following the issue of 1,170,000 new class B shares. The subscription price then was SEK 70 per share. This corresponds to SEK 1.09 per share following the 4:1 splits carried out in 2003, 2006 and 2016. Private placements were conducted on two occasions since the initial public offering: in 2011/2012 with an issue of 65,334,552 B shares in conjunction with the secondary listing on the SIX Swiss Exchange, and in 2016 when 7,391,566 A shares and 55,610,504 B shares were issued.

### Share capital

NIBE Industrier AB's share capital totals SEK 79 million and is divided into 58,282,590 class A shares and 445,734,032 class B shares. The quota value is SEK 0.15625 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 2020 there were no outstanding convertible loans or options that could risk diluting the share capital.

### Secondary listing

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

### Share performance and turnover

In 2020, NIBE's share price rose by 66.1%, from SEK 162.40 to SEK 269.70. During the same period, the OMX Stockholm PI increased by 12.9%. This means that, at the end of 2020 the market capitalisation of NIBE, based on the latest price paid, amounted to SEK 135,933 million. In 2020 a total of 256,323,277 NIBE shares were traded, corresponding to a share turnover of 50.9% over the year.

### Dividend policy

The aim is, over the long term, to pay a dividend equivalent to 25-30% of Group profit after tax. The Board proposes a dividend of SEK 1.55 per share for the 2020 financial year, which corresponds to 27.3% of Group earnings per share. Excluding revaluation of additional considerations, the proposed dividend corresponds to 31.1% of the Group's 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 57,956 individual shareholders at the end of 2020, compared with 51,722 at the same time in the previous year. The ten largest shareholders held 58.8% of the votes and 46.3% of equity.

### Analysts

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

Karl Bokvist	ABG Sundal Collier
Gustav Österberg	Carnegie
Max Frydén	Danske Bank Equity Research
Viktor Trollsten	DNB Bank Markets
Marcela Klang	Handelsbanken Capital Markets
Douglas Lindahl	Kepler Cheuvreux
Carl Ragnestam	Nordea Markets
Fredrik Agardh	SEB Equity Research
Fredrik Moregard	Pareto

### Major shareholders

(Source: Euroclear Sweden share register 30/12/2020)

Shareholders	Number of shares (no.)	Number of votes (%)
Current and former Board members and senior executives <sup>1)</sup>	104,315,451	46.10
Melker Schörling	47,297,359	19.64
SSB and Trust Co, W9	45,304,365	4.40
Alecta Pensionsförsäkring	30,179,000	2.93
BNY Mellon NA (Former Mellon), W9	17,729,890	1.72
JPM Chase Bank NA	14,222,865	1.38
The Northern Trust Company	11,117,195	1.08
JPM Chase NA	9,279,778	0.90
CBNY-Norges Bank	5,893,079	0.57
Brown Brothers Harriman & Co	5,702,915	0.55
SIX SIS AG W8IMY	4,786,593	0.47
BNP PARIBAS SEC SERVICES	4,149,921	0.40
BNY Mellon SA/NV W8IMY	3,854,043	0.37
Other holdings (57,918 shareholders)	200,184,168	19.49
<b>Total</b>	<b>504,016,622</b>	<b>100.0</b>

<sup>1)</sup> For current Board, see page 181.

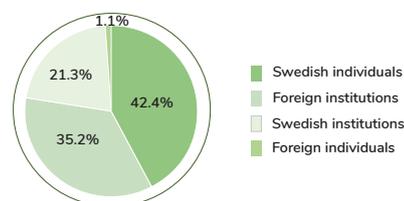
### Shareholder structure

(Source: Euroclear Sweden share register 30/12/2020)

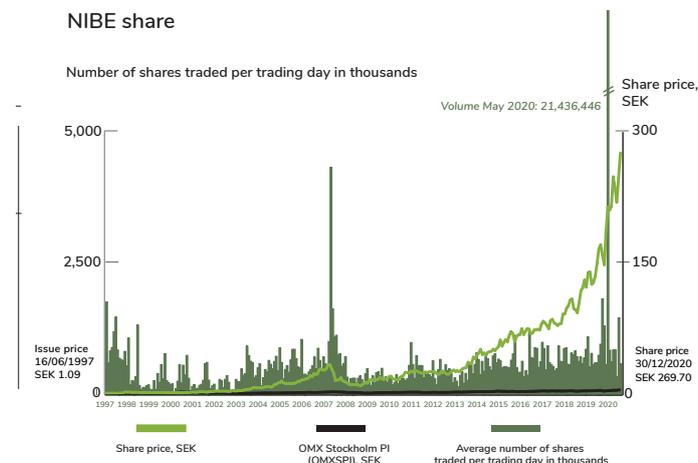
Number of shares (no.)	Number of owners (no.)	Number of owners (%)	Number of shares (no.)	Number of shares (%)
1 – 500	45,733	78.91	4,383,219	0.87
501 – 1,000	4,029	6.95	3,173,437	0.63
1,001 – 5,000	5,416	9.35	13,090,775	2.60
5,001 – 10,000	1,160	2.00	8,360,979	1.66
10,001 – 20,000	750	1.29	10,853,143	2.15
20,001 –	868	1.50	464,155,069	92.09
<b>Total</b>	<b>57,956</b>	<b>100.0</b>	<b>504,016,622</b>	<b>100.0</b>

### Share of capital, %

(Source Euroclear sharebook 30/12/2020)

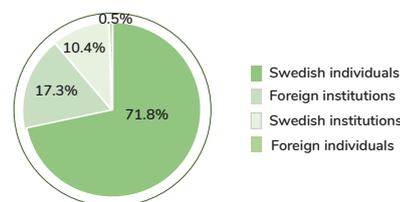


### Share performance, 1997-2020



### Share of voting rights, %

(Source Euroclear sharebook 30/12/2020)



### The share in 2020



## Changes in share capital

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

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

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

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

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

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

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

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

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

## Data per share

		2020	2019	2018	2017	2016
Number of shares	no.	504,016,622	504,016,622	504,016,622	504,016,622	504,016,622
Average number of shares	no.	504,016,622	504,016,622	504,016,622	504,016,622	469,382,260
Year-end share price	SEK	269.70	162.40	90.92	78.60	71.80
EPS (after tax)	SEK	5.69	4.31	4.11	3.38	2.93
Profit after tax/share excluding revaluation of additional considerations	SEK	4.98	4.31	4.05	3.40	2.93
Equity/share	SEK	34.90	34.74	30.57	25.41	24.06
Proposed dividend	SEK	1.55	1.40	1.30	1.05	0.88
Price/equity	times	7.73	4.67	2.97	3.09	2.98
Dividend yield	%	0.57	0.86	1.43	1.34	1.23
Total yield	%	67.03	80.16	17.33	10.93	7.15
Operating cash flow per share	SEK	7.76	3.78	2.21	3.15	2.90
Payout ratio	%	27.3	32.5	31.6	31.1	30.0
Payout ratio, excluding revaluation of additional considerations	%	31.1	32.5	32.1	30.8	30.0
PE ratio (after tax)	times	47.4	37.7	22.1	23.3	24.5
Market capitalisation	SEK m	135,933	81,852	45,825	39,616	36,188
EBIT multiple	times	36.6	29.1	18.3	19.3	21.3
EV/sales	times	5.23	3.49	2.30	2.38	2.75
Share turnover	%	50.9	34.9	36.1	35.1	34.8

## Definitions

**Earnings per share (after full tax)**

Earnings after tax divided by average number of shares.

**Equity per share**

Equity divided by number of shares.

**Price/equity**

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

**Dividend yield**

Dividend as percentage of year-end share price.

**Total yield**

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

**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.

**Market capitalisation**

Year-end share price multiplied by total 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.

**EV/sales**

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

**Share turnover**

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



# Financial statements

Annual accounts 2020	80	Note 1	General accounting policies	102
Five-year review	82	Note 2	Segment reporting, business areas	104
Consolidated income statement	84	Note 3	Acquisitions	105
Business areas	86	Note 4	Net sales	106
Consolidated balance sheet	88	Note 5	Other operating income	106
Consolidated statement of cash flows	91	Note 6	Remuneration of senior executives, numbers of men and women in senior positions	107
Key ratios	92	Note 7	Personnel costs	108
Parent	98	Note 8	Research and development costs	110
Risks and risk management	100	Note 9	Remuneration of auditors	110
Notes	102	Note 10	Income statement classified by type of cost	110
		Note 11	Profit from financial items	111
		Note 12	Appropriations	111
		Note 13	Taxes	112
		Note 14	Intangible assets	114
		Note 15	Property, plant and equipment	116
		Note 16	Right-of-use assets	117
		Note 17	Shares in subsidiaries	119
		Note 18	Participations in associates and jointly controlled entities	122
		Note 19	Other non-current receivables	123
		Note 20	Inventories	123
		Note 21	Equity	123
		Note 22	Provisions for pensions	124
		Note 23	Other provisions	126
		Note 24	Liabilities to credit institutions	126
		Note 25	Bond loans	127
		Note 26	Other liabilities, non-interest-bearing	127
		Note 27	Other liabilities	127
		Note 28	Accrued expenses and deferred income	127
		Note 29	Financial instruments and risk management	128
		Note 30	Pledged assets	138
		Note 31	Contingent liabilities	138
		Note 32	Statement of cash flows	139

# Annual accounts 2020



## Important events during the financial year

### Acquisitions

January saw the completion of the acquisition of the Serbian water heater manufacturer TIKI Group, which has a strong market position in Eastern Europe and sales of approximately EUR 35 million, with an EBITDA of approximately 10%. The company was consolidated into the NIBE Climate Solutions business area as of January 2020.

February saw the acquisition of 50% of the shares in the Turkish group of companies Üntes with an agreement to acquire the remaining 50% of the shares by 2024. The company, which develops and produces ventilation and air conditioning products for commercial properties, has sales of approximately EUR 38 million and an operating margin markedly higher than 10%. The company was consolidated into the NIBE Climate Solutions business area as of March 2020.

In April, 51% of the shares in Dutch company Nathan Holding B.V. was acquired, with an agreement to acquire the remaining shares later in two stages. Among other things, Nathan imports our German subsidiary AIT's heat pumps and sells complete solutions, including both drilling geothermal energy wells and underfloor heating systems. The company has annual sales of approximately EUR 50 million and an operating margin of just over 6% and was consolidated into the NIBE Climate Solutions business area as of April 2020.

In April, the heat pump company WATERSKOTTE GmbH, a leading German manufacturer of heat pumps intended primarily for commercial properties, was acquired. The company has annual sales of approximately EUR 26 million and an operating margin of approximately 5% and was consolidated into the NIBE Climate Solutions business area as of April 2020.

In May, 60% of the shares in the Swedish company VEÅ AB were acquired, with an option to acquire the remaining shares within a four-year period. VEÅ develops and manufactures steam boilers and super-heated water boilers, pressure vessels and complete systems for industrial use. The company has annual sales of approximately SEK 80 million and an operating margin of well over 10% and was consolidated into the NIBE Climate Solutions business area as of July 2020.

In early July, 87.5% of the shares in Italian element company Termotech s.r.l. were acquired, with an agreement to acquire the remaining shares within a five-year period. The company, which has sales of approximately EUR 5 million and an operating margin of over 10%, was consolidated into the NIBE Element business area as of July 2020.

### The pandemic

2020 was a year unlike any other year with a pandemic that affected demand as well as operations. The patterns of demand we were used to were suddenly disturbed. At the end of the first quarter, demand dropped noticeably, especially in certain product groups, only to rise again in the second quarter. In the second half of the year, which is traditionally the peak season for several of our product groups, demand recovered, and some product groups even surpassed normal demand. As for operations, the restrictions introduced in certain countries meant that some of the Group's production plants were idle

for parts of the year. All three business areas were affected. However, the greatest impact was on the NIBE Stoves business area, which has relatively few production plants compared with the two other areas.

### Remuneration

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

The Annual General Meeting also determines the guidelines for the remuneration of the Managing Director and other senior executives, in accordance with which the Board subsequently determines the remuneration of the Managing Director. The remuneration of other senior executives is determined by the Managing Director 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 2020.

The Board's proposal for guidelines for 2021 largely matches the principles approved at the 2020 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.

### Environmental issues

NIBE has production facilities in 27 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
- Emission of air and water pollutants
- Transportation

NIBE complies with national environmental legislation in all countries in which we have production facilities. Where operations require a permit, results and any failure to comply with permit conditions are reported to the environmental authorities in the country in question and to the Group's sustainability department. No failures to comply with environmental conditions were reported in 2020.

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 four of the Group's production plants in Denmark and the Czech Republic. No contingent liabilities were recognised for this as it is deemed extremely unlikely that any of this could entail significant costs if the Group were held liable.

The Sustainability Report is integrated in the Annual Report. To read more about our sustainability targets, see the table of contents on page 145.

### 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, re-



ardless 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 to respect human rights and work to ensure equal opportunities and prevent discrimination also extends to our suppliers, 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. To read more about our strategies relating to employees and responsible purchasing, see pages 36, 38 and 67, and for statistics, see the table of contents on page 144.

NIBE's anti-corruption work is driven by our values. Information is provided to all employees, and more extensive e-learning training 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 38.

### Research and development

The NIBE Group carries out market-leading research and development within each of its three 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 in which we are living.
- 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 of our business areas have a good geographical spread, which makes us less vulnerable to local downturns in demand.
- Our decentralised organisation, based on independent units, is tried and tested, and creates the conditions for greater motivation and flexibility.
- The effects of economic trends, currency concerns, volatile energy prices and political turbulence in some parts of the world are always hard to predict.
- The outbreak of Covid-19 in Q1 2020 is another such uncertainty that has caused widespread change for most of the world's citizens

and companies, including our own. Compared with 2020, the start of 2021 has seen a clear improvement in the situation with several vaccines entering into widespread use. Therefore, we hope that society should be able to return to slightly more normal conditions in the second half of the year. As is our way, we will continue to operate our businesses as normally as possible while exercising the greatest possible caution and being prepared for what the future may hold. This, and the fact that our products are largely both necessary and sustainable, permits us to be cautiously positive about our performance throughout the year, despite everything.

### Ownership

NIBE's share capital is divided into 58,282,590 class A shares and 445,734,032 class B shares. Each A share carries ten votes at the Annual General Meeting and each B share carries one vote. Class A shares, which represent approximately 57% of the votes, have pre-emption rights as per the company's articles of association.

The company has two shareholders who each hold more than 10% of the votes, one of them a group of shareholders consisting of present and former directors and managers with around 46% of the votes, the other Melker Schörling, with around 20% of the votes.

### Proposal for appropriation of profits

The financial resources at the disposal of the Annual General Meeting are:

Profit brought forward	SEK 3,522 million
Share premium reserve	SEK 4,751 million
Net profit for the year	SEK 987 million
<b>Total</b>	<b>SEK 9,260 million</b>

The Board of Directors proposes issuing a dividend to shareholders of SEK 1.55 per share, equivalent to a total pay-out of SEK 781 million. A total of SEK 8,479 million will be carried over in the accounts: SEK 4,751 million of this in the share premium reserve and SEK 3,728 million as profit brought forward.

The Board of Directors considers that the proposed dividend is reasonable considering the requirements that the nature, scope and inherent risks of the business operations make on the amount of equity and the company's and the Group's consolidation needs, liquidity and financial position. 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 171-174 is not part of the administration report.

# Five-year review

## Income statement

(SEK million)	2020	2019	2018	2017	2016
Net sales	27,146	25,342	22,516	19,009	15,348
Cost of goods sold	- 18,171	- 17,036	- 15,054	- 12,446	- 9,817
<b>Gross profit</b>	<b>8,975</b>	<b>8,306</b>	<b>7,462</b>	<b>6,563</b>	<b>5,531</b>
Selling expenses	- 3,917	- 3,765	- 3,432	- 3,140	- 2,664
Administrative expenses	- 1,895	- 1,757	- 1,453	- 1,227	- 1,042
Revaluation of additional considerations	353	-	35	- 13	-
Other operating income	364	254	217	161	155
<b>Operating profit</b>	<b>3,880</b>	<b>3,038</b>	<b>2,829</b>	<b>2,344</b>	<b>1,980</b>
Net financial items	- 222	- 202	- 162	- 162	- 109
<b>Profit after financial items</b>	<b>3,658</b>	<b>2,836</b>	<b>2,667</b>	<b>2,182</b>	<b>1,871</b>
Tax	- 735	- 652	- 595	- 479	- 495
<b>Net profit</b>	<b>2,923</b>	<b>2,184</b>	<b>2,072</b>	<b>1,703</b>	<b>1,376</b>
Net profit attributable to non-controlling interest	57	14	- 2	-	-
<i>Includes depreciation according to plan as follows</i>	<i>1,236</i>	<i>1,036</i>	<i>691</i>	<i>640</i>	<i>542</i>

## Balance sheet

(SEK million)	2020	2019	2018	2017	2016
Intangible assets	18,958	18,703	17,029	14,744	14,716
Property, plant and equipment	5,350	4,963	3,410	3,043	2,820
Financial assets	655	589	589	331	389
<b>Total non-current assets</b>	<b>24,963</b>	<b>24,255</b>	<b>21,028</b>	<b>18,118</b>	<b>17,925</b>
Inventories	4,431	4,403	4,106	3,247	2,799
Current receivables	4,149	4,400	3,968	3,203	2,798
Investments in securities etc.	201	227	166	90	160
Cash and equivalents	4,593	3,944	3,023	3,332	2,342
<b>Total current assets</b>	<b>13,374</b>	<b>12,974</b>	<b>11,263</b>	<b>9,872</b>	<b>8,099</b>
<b>Total assets</b>	<b>38,337</b>	<b>37,229</b>	<b>32,291</b>	<b>27,990</b>	<b>26,024</b>
Equity	17,737	17,604	15,421	12,807	12,129
Non-current liabilities and provisions					
- non-interest-bearing	4,859	4,759	3,973	2,859	2,763
- interest-bearing	6,298	7,653	7,357	6,960	5,858
Current liabilities and provisions					
- non-interest-bearing	5,081	4,212	3,658	3,348	2,596
- interest-bearing	4,362	3,001	1,882	2,016	2,678
<b>Total equity and liabilities</b>	<b>38,337</b>	<b>37,229</b>	<b>32,291</b>	<b>27,990</b>	<b>26,024</b>

## Statement of cash flows

(SEK million)	2020	2019	2018	2017	2016
Cash flow before change in working capital	4,123	3,448	2,652	2,307	2,045
Change in working capital	900	- 490	- 764	- 184	- 274
<b>Cash flow from operating activities</b>	<b>5,023</b>	<b>2,958</b>	<b>1,888</b>	<b>2,123</b>	<b>1,771</b>
Investments in existing operations	- 1,109	- 1,054	- 777	- 536	- 412
<b>Operating cash flow</b>	<b>3,914</b>	<b>1,904</b>	<b>1,111</b>	<b>1,587</b>	<b>1,359</b>
Acquisition of businesses	- 1,792	- 569	- 1,001	- 822	- 4,357
<b>Cash flow after investments</b>	<b>2,122</b>	<b>1,335</b>	<b>110</b>	<b>765</b>	<b>- 2,998</b>
Financing	- 485	217	30	703	3,998
Shareholders' dividends	- 707	- 656	- 530	- 444	- 369
<b>Cash flow for the year</b>	<b>930</b>	<b>896</b>	<b>- 390</b>	<b>1,024</b>	<b>631</b>
Cash and equivalents at start of year	4,171	3,189	3,422	2,502	1,795
Exchange difference in cash and equivalents	- 307	86	157	- 104	76
<b>Cash and equivalents at end of year</b>	<b>4,794</b>	<b>4,171</b>	<b>3,189</b>	<b>3,422</b>	<b>2,502</b>

## Income statement over the past five years

### Growth

The sales target is annual growth of 20%, preferably with half of this total generated organically and half through acquisitions. Over the past five years, sales rose from SEK 13,243 million to SEK 27,146 million. This was achieved by means of a proactive acquisition strategy. During the period, 46 acquisitions and business combinations were implemented.

Average growth during the five-year period was 15.4%. Organic growth accounted for a rise in Group sales of 5.6% and acquired growth for 9.8% over the past five years. The weakening of the Swedish krona has had a positive effect on organic growth, except in the past year.

### Operating margin

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

During the five-year period, NIBE Climate Solutions' average operating margin was 14.1%. NIBE Element's operating margin was an average of 9.9% during the period, while NIBE Stoves' average operating margin was 11.2%.

The Group's operating margin, excluding revaluation of additional considerations, over the five-year period averaged 12.5% and return on equity, excluding revaluation of additional considerations, averaged 14.2%.

## Balance sheet over the past five years

Over the past five years total assets rose from SEK 18,604 million to SEK 38,337 million.

### Intangible assets

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

### Property, plant and equipment

Property, plant and equipment previously consisted solely of land, buildings and machinery. Following the implementation of IFRS 16 in 2019, it also includes right-of-use assets for a value of SEK 958 million. The value of property, plant and equipment increased by SEK 3,233 million over the most recent five-year period. Without the right-of-use assets, the increase would have been SEK 2,275 million. Of this increase, approximately 30% was added through acquisitions, and the remaining 70% 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 Poland and the US.

### Current assets

Current assets consist of inventories and current receivables, which, in turn, mainly consist of accounts receivable, and constitute approximately 22% of total assets. Normally, both of these items are directly related to sales and, therefore, growth.

### Interest-bearing liabilities

Current and non-current interest-bearing liabilities and provisions consist of loans from banks and other financial institutions, bond loans and pension provisions. These items increased from SEK 7,282 million to SEK 10,660 million over the past five years. This increase is primarily attributable to new borrowing to finance the major acquisitions in 2016 and to the implementation of IFRS 16 in 2019, which meant the addition of lease liabilities of SEK 954 million.

The Group's target is for the equity/assets ratio not to fall below 30%. Over the past five years this ratio averaged 46.8%.

### Non-interest-bearing liabilities

Non-current, non-interest-bearing liabilities and provisions consist mainly of deferred tax, additional considerations and warranty provisions. These grew from SEK 1,605 million to SEK 4,859 million over the past five years, chiefly as a consequence of liabilities for additional considerations and deferred tax attributable to intangible assets that have arisen on the acquisition of other companies.

Current non-interest-bearing liabilities and provisions grew by SEK 2,792 million over the past five years, from SEK 2,289 million to SEK 5,081 million, approximately 71% of which represents accrued expenses and accounts payable, which are both directly related to the expansion of the business.

## Cash flow over the past 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 17% of sales over the five-year period.

### Investments in existing operations

On average, investments in existing operations over the past five years corresponded to approximately 93% of depreciation according to plan. In 2020, however, investments amounted to SEK 1,109 million, compared with depreciation according to plan of SEK 938 million, if depreciation for right-of-use assets is excluded. In the next few years, investments are expected to exceed depreciation according to plan as the present capacity is insufficient for the expected expansion in volume.

### Operating cash flow

The Group's operating cash flow was positive over the past five years. This is because the rate of investment in existing operations was moderate at the start of the five-year period and great attention was paid to consolidated working capital in day-to-day operations. Despite the increased rate of investment, operating cash flow in the past two years was at a considerably higher level than previously, partly because lease payments are recognised under financing activities following the implementation of IFRS 16.

### Acquisition of businesses

During the period, NIBE Industrier AB pursued an aggressive acquisition strategy. Over the last five years, 46 acquisitions and business combinations were implemented, with 19 of these in the NIBE Climate Solutions business area, 25 in NIBE Element and 2 in NIBE Stoves. The rate of acquisition was high in 2016, including the acquisition of the North American company Climate Control Group Inc. From 2017 to 2019, it was relatively low, with a large number of small acquisitions, and increased again in 2020. The objective is to continue to pursue an aggressive acquisition strategy going forward.

### Financing

A preferential rights issue was held in 2016. After transaction costs, this injected SEK 3,008 million into the company. Otherwise, capital requirements over the past five years – for takeovers, investments in existing operations, and working capital for organic expansion and share dividends – were financed by the company's own internally generated cash flows and loans. In recent years, bond loans have largely replaced bank financing.

### Shareholders' dividends

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

# Consolidated income statement

(SEK million)		2020	2019
Net sales	Note 4	27,146	25,342
Cost of goods sold		- 18,171	- 17,036
<b>Gross profit</b>		<b>8,975</b>	<b>8,306</b>
Selling expenses		- 3,917	- 3,765
Administrative expenses		- 1,895	- 1,757
Revaluation of additional considerations	Note 26	353	-
Other operating income	Note 5	364	254
<b>Operating profit</b>	Notes 6-10	<b>3,880</b>	<b>3,038</b>
Profit from financial items			
Profit from participations in associates and joint ventures	Note 18	12	8
Financial income	Note 11	243	219
Financial expenses	Note 11	- 477	- 429
<b>Profit after net financial items</b>		<b>3,658</b>	<b>2,836</b>
Tax	Note 13	- 735	- 652
<b>Net profit</b>		<b>2,923</b>	<b>2,184</b>
Profit for the year attributable to			
Parent shareholders		2,866	2,170
Non-controlling interest		57	14
<b>Net profit</b>		<b>2,923</b>	<b>2,184</b>
Includes depreciation according to plan as follows		1,236	1,036
Average number of shares		504,016,622	504,016,622
Net profit per share before and after dilution, SEK		5.69	4.31
Proposed dividend per share in SEK		1.55	1.40

## Statement of comprehensive income

<b>Net profit</b>		<b>2,923</b>	<b>2,184</b>
<b>Other comprehensive income</b>			
Items that will not be reclassified to profit or loss			
Actuarial gains and losses in retirement benefit plans	Note 22	21	- 233
Tax attributable to other comprehensive income	Note 13	- 4	49
		17	- 184
Items that may be reclassified to profit or loss			
Cash flow hedges		4	7
Hedging of net investment		45	- 23
Exchange differences arising on translation of foreign operations		- 2,310	790
Tax attributable to other comprehensive income	Note 13	157	- 32
		- 2,104	742
<b>Total other comprehensive income</b>		<b>- 2,087</b>	<b>558</b>
<b>Total comprehensive income</b>		<b>836</b>	<b>2,742</b>
Total comprehensive income attributable to			
Parent shareholders		785	2,727
Non-controlling interest		51	15
<b>Total comprehensive income</b>		<b>836</b>	<b>2,742</b>

## Comments on the income statement

### Net sales

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

Consolidated net sales increased during the year by SEK 1,804 million (7.1%) to SEK 27,146 million (SEK 25,342 million).

Consolidated net sales outside Sweden amounted to SEK 24,181 million (SEK 22,456 million), an increase of SEK 1,725 million (7.7%). This means that net sales abroad accounted for 89.1% (88.6%) of total net sales. Consolidated net sales on the Swedish market increased by 2.7% to SEK 2,965 million (SEK 2,886 million).

As acquired sales growth during the year totalled SEK 2,034 million (8.0%), this means that organic sales fell by SEK 230 million or 0.9%. The strengthening of the Swedish krona during the year had a negative effect on organic growth.

### Operating profit

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

Group operating profit totalled SEK 3,880 million, an increase of 27.7% on the operating profit of SEK 3,038 million for the preceding year. The operating margin was 14.3% compared with 12.0% in the preceding year. The profit for the year includes revaluation of additional considerations of SEK 353 million, which are now recognised on a separate line in the consolidated income statement with retroactive effect. Results from the revaluation of the Group's liabilities for additional purchase considerations are recognised as revaluation of additional considerations. They were previously recognised as administrative expenses or other operating income as the amounts were insignificant. Excluding revaluation of additional considerations, the consolidated operating profit was SEK 3,527 million, which equates to an operating margin of 13.0%. All three business areas improved their operating margins on the previous year as a result of a combination of good demand and lower expenses, partly due to the pandemic. The good demand is particularly noticeable in Europe on markets where governments have demonstrated the ambition to phase out fossil fuels. Operating profit for the year has been charged with acquisition expenses of SEK 30 million, compared with SEK 51 million last year, which were recognised as administrative expenses in the consolidated income statement.

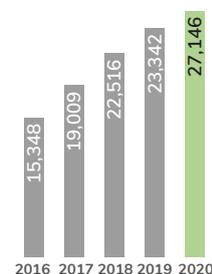
### Profit after financial items

Profit after financial items rose by 29.0% to SEK 3,658 million (SEK 2,836 million) to yield a profit margin of 13.5% (11.2%). Excluding revaluation of additional considerations, the profit was SEK 3,305 million and the profit margin 12.2%. Net financial items for the Group was SEK -222 million (SEK -202 million). Consolidated interest-bearing liabilities at year-end amounted to SEK 10,660 million, against SEK 10,654 million at the start of the year. The average interest rate during the year was 2.0% (2.1%). Net financial items include exchange gains and losses.

### Tax

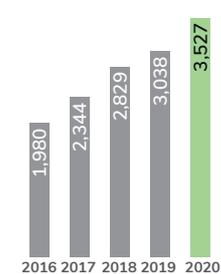
The tax expense for the year was SEK 735 million (SEK 652 million), which gives an effective tax rate of 20.1% (23.0%). The lower tax rate is primarily because the revaluation of additional considerations during the year is not liable to tax.

Net sales  
past five years (SEK m)



Net sales rose by 7.1% in 2020

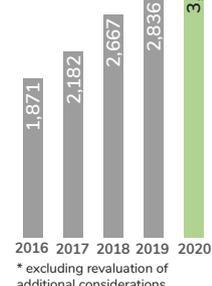
Operating profit\*  
past five years (SEK m)



\* excluding revaluation of additional considerations

Operating profit excluding revaluation of additional considerations increased by 16.1% in 2020

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



\* excluding revaluation of additional considerations

Profit after financial items excluding revaluation of additional considerations increased by 16.5% in 2020

# Performance per business area during the year

## Quarterly data

Consolidated income statement (SEK million)	2020				2019			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	6,345	6,227	6,889	7,685	5,763	6,093	6,349	7,137
Operating expenses	-5,707	-5,545	-5,853	-6,161	-5,188	-5,434	-5,498	-6,184
Operating profit	638	682	1,036	1,524	575	659	851	953
Net financial items	-64	-34	-76	-48	-43	-63	-29	-67
Profit after net financial items	574	648	960	1,476	532	596	822	886
Tax	-140	-156	-192	-247	-116	-148	-187	-201
Net profit	434	492	768	1,229	416	448	635	685

### Net sales – by business area

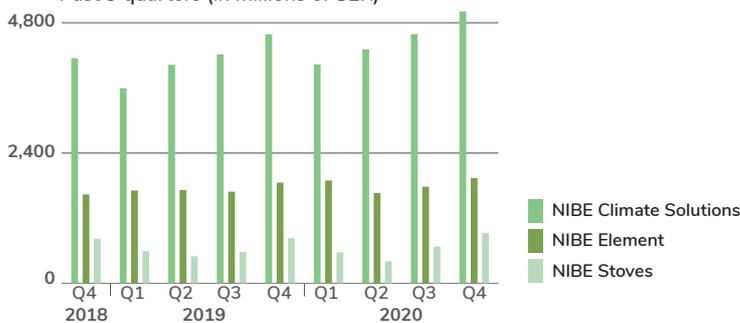
NIBE Climate Solutions	4,035	4,310	4,591	5,008	3,593	4,027	4,220	4,590
NIBE Element	1,895	1,664	1,781	1,938	1,710	1,718	1,688	1,855
NIBE Stoves	573	406	676	924	593	498	580	832
Elimination of Group transactions	-158	-153	-159	-185	-133	-150	-139	-140
Group total	6,345	6,227	6,889	7,685	5,763	6,093	6,349	7,137

### Operating profit – by business area

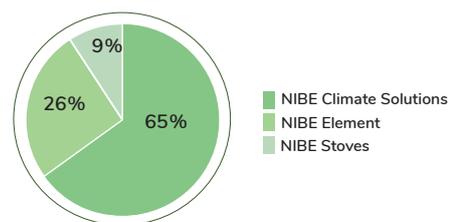
NIBE Climate Solutions	449	585	807	849	385	523	678	691
NIBE Element	179	117	173	190	161	159	145	157
NIBE Stoves	32	1	78	160	50	14	46	142
Elimination of Group transactions	-22	-21	-22	325	-21	-37	-18	-37
Group total	638	682	1,036	1,524	575	659	851	953

## Sales by Business Area

Past 9 quarters (in millions of SEK)

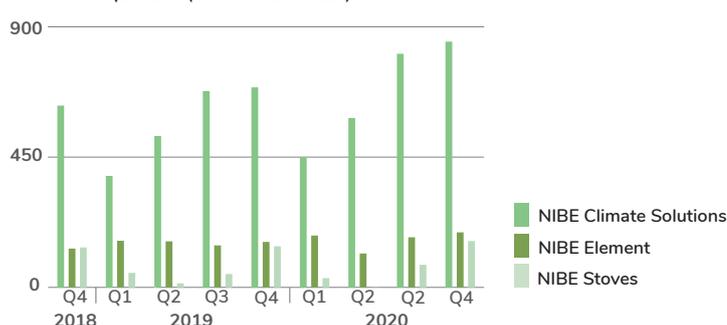


## Business Area contributions to sales

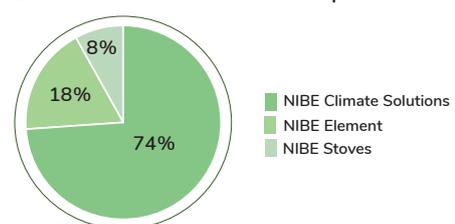


## Operating profit by Business Area

Past 9 quarters (in millions of SEK)



## Business Area contributions to profit



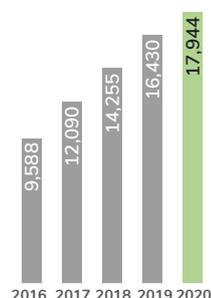
## NIBE Climate Solutions

Net sales for the year amounted to SEK 17,944 million, compared with SEK 16,430 million for the preceding year. The increase in sales was SEK 1,514 million (9.2%), with acquired sales accounting for SEK 1,344 million (8.2%), which means that organic growth was SEK 170 million (1.0%). Over the past five years, sales increased from SEK 8,031 million to SEK 17,944 million.

Operating profit increased from SEK 2,277 million to SEK 2,690 million, which represents growth in profits of 18.1% and an operating margin of 15.0% (13.9%) for the year. Over the past five years, the operating margin averaged 14.1%.

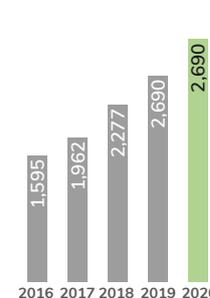
Several of NIBE Climate Solutions' main heat pump markets in Europe had healthy growth during the year. This applies above all to markets such as Germany and the Netherlands, where the governments have displayed an ambition to phase out fossil energy sources such as oil and gas. Growth in demand was weaker on the American heat pump market.

Net sales (SEK m)



Net sales rose by 9.2% in 2020

Operating profit (SEK m)



Operating profit rose by 18.1% in 2020

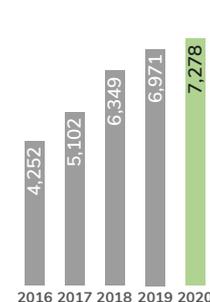
## NIBE Element

Net sales for the year amounted to SEK 7,278 million, compared with SEK 6,971 million for the preceding year. The increase in sales was SEK 307 million (4.4%), with acquired sales accounting for SEK 669 million (9.6%), which means that organic sales fell by SEK 362 million (5.2%). Over the past five years, sales increased from SEK 3,758 million to SEK 7,278 million.

Operating profit increased from SEK 622 million to SEK 659 million, which represents growth in profits of 6.0% and an operating margin of 9.1% (8.9%) for the year. Over the past five years, the operating margin averaged 9.9%.

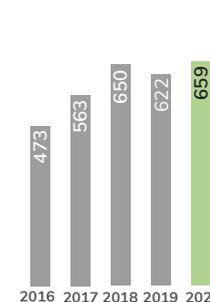
On account of the pandemic, growth in demand for NIBE Element's products varied between markets and product segments during the year. In the second quarter, demand was weak in virtually all product segments on account of lockdowns and general uncertainty, but demand recovered again in the autumn.

Net sales (SEK m)



Net sales rose by 4.4% in 2020

Operating profit (SEK m)



Operating profit rose by 6.0% in 2020

## NIBE Stoves

Net sales for the year amounted to SEK 2,579 million, compared with SEK 2,503 million for the preceding year. The increase in sales was SEK 76 million (3.0%), with acquired sales accounting for SEK 21 million (0.9%), which means that organic growth was SEK 55 million (2.1%). Over the past five years, sales increased from SEK 1,652 million to SEK 2,579 million.

Operating profit increased from SEK 252 million to SEK 271 million, which represents growth in profits of 7.3% and an operating margin of 10.5% (10.1%) for the year. Over the past five years, the operating margin averaged 11.2%.

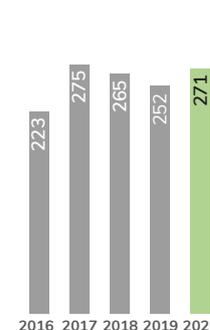
Demand varied greatly over the year for NIBE Stoves as well on account of the pandemic. At the end of the first quarter, demand fell dramatically and this situation continued throughout the second quarter. In the second half of the year, demand recovered and even outperformed the previous year in some areas, leading to extended delivery times towards the end of the year.

Net sales (SEK m)



Net sales rose by 3.0% in 2020

Operating profit (SEK m)



Operating profit rose by 7.3% in 2020

# Consolidated balance sheet

## Assets

(SEK million)		31 Dec 2020	31 Dec 2019
<b>NON-CURRENT ASSETS</b>			
<b>Intangible assets</b>			
Market positions	Note 14	1,770	1,738
Brands	Note 14	2,277	2,304
Goodwill	Note 14	14,218	14,071
Other intangible assets	Note 14	693	590
<b>Total intangible assets</b>		<b>18,958</b>	<b>18,703</b>
<b>Property, plant and equipment</b>			
Land and buildings	Note 15	2,287	2,016
Machinery and equipment	Note 15	1,769	1,623
Right-of-use assets	Note 16	958	936
Construction in progress	Note 15	336	388
<b>Total property, plant and equipment</b>		<b>5,350</b>	<b>4,963</b>
<b>Financial assets</b>			
Participations in associates and joint ventures	Note 18	14	34
Non-current accounts receivable from associates		48	–
Investments held as non-current assets		25	23
Deferred tax assets	Note 13	441	350
Other non-current receivables	Note 19	127	182
<b>Total financial assets</b>		<b>655</b>	<b>589</b>
<b>TOTAL NON-CURRENT ASSETS</b>		<b>24,963</b>	<b>24,255</b>
<b>CURRENT ASSETS</b>			
<b>Inventories</b>			
Raw materials and consumables	Note 20	2,296	2,193
Work in progress		344	345
Finished products and goods for resale		1,791	1,865
<b>Total inventories</b>		<b>4,431</b>	<b>4,403</b>
<b>Current receivables</b>			
Accounts receivable		3,381	3,496
Accounts receivable from associates		6	2
Current tax assets		220	89
Other receivables		298	564
Prepaid expenses and accrued income		244	249
<b>Total current receivables</b>		<b>4,149</b>	<b>4,400</b>
Investments in securities etc.		201	227
Cash and equivalents		4,593	3,944
<b>TOTAL CURRENT ASSETS</b>		<b>13,374</b>	<b>12,974</b>
<b>TOTAL ASSETS</b>		<b>38,337</b>	<b>37,229</b>

## Equity and liabilities

(SEK million)		31 Dec 2020	31 Dec 2019
<b>EQUITY</b>			
Share capital	Note 21	79	79
Contributed capital		4,818	4,818
Other reserves		– 254	1,844
Profit brought forward		12,945	10,768
<b>Equity attributable to parent</b>		<b>17,588</b>	<b>17,509</b>
<b>Non-controlling interest</b>		<b>149</b>	<b>95</b>
<b>TOTAL EQUITY</b>		<b>17,737</b>	<b>17,604</b>
<b>NON-CURRENT LIABILITIES AND PROVISIONS</b>			
Provisions for pensions	Note 22	725	734
Provisions for taxes	Note 13	1,300	1,229
Guarantee risk reserve	Note 23	673	569
Other provisions, non-interest-bearing	Note 23	223	205
Liabilities to credit institutions	Note 24	824	660
Bond loans	Note 25	4,100	5,600
Lease liabilities	Note 16	625	660
Other liabilities, interest-bearing		92	68
Other liabilities, non-interest-bearing	Note 26	2,595	2,687
<b>TOTAL NON-CURRENT LIABILITIES AND PROVISIONS</b>		<b>11,157</b>	<b>12,412</b>
<b>CURRENT LIABILITIES AND PROVISIONS</b>			
Liabilities to credit institutions	Note 24	2,532	1,219
Bond loans	Note 25	1,500	1,503
Accounts payable		1,998	1,822
Advance payments from customers		78	35
Current tax liabilities		233	176
Lease liabilities	Note 16	329	279
Other liabilities	Note 27	1,150	720
Other liabilities to associates		–	1
Accrued expenses and deferred income	Note 28	1,623	1,458
<b>TOTAL CURRENT LIABILITIES AND PROVISIONS</b>		<b>9,443</b>	<b>7,213</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>38,337</b>	<b>37,229</b>

## Comments on the balance sheet

### Total assets

Consolidated total assets rose by SEK 1,108 million (3.0%) during the year from SEK 37,229 million in the preceding year to SEK 38,337 million. The main reason for the increase is that assets and liabilities were contributed through the acquisitions during the year. The strengthening of the Swedish krona during the year had the opposite effect when consolidated assets and liabilities in foreign currency were translated.

### Working capital

Consolidated working capital excluding cash and bank balances decreased by SEK 1.092 million (23.8%) during the year from SEK 4,591 million in the preceding year to SEK 3,499 million. In relation to net sales, working capital decreased from 18.1% to 12.9%. This is primarily due to an increase in consolidated current liabilities.

### Equity/assets ratio and returns

The consolidated equity/assets ratio at year-end was 46.3% (47.3%). Equity totalled SEK 17,737 million (SEK 17,604 million).

The Group's profitability target is a return on equity of at least

20% in the long term. Return on equity, excluding revaluation of additional considerations, was 14.5% (13.5%) in 2020. The increase is due to improved earnings, combined with the fact that consolidated equity did not increase significantly compared with 2019 on account of the large exchange differences as a result of the strengthening of the Swedish krona during the year. Return on capital employed, excluding revaluation of additional considerations, was 13.4% (12.3%).

### Interest-bearing liabilities

Consolidated interest-bearing liabilities at year-end amounted to SEK 10,660 million (SEK 10,654 million). Since two of the Group's credit agreements expired in 2020, the liabilities covered by the agreements were recognised as current liabilities to credit institutions.

Consolidated net liabilities, defined as interest-bearing liabilities less cash and equivalents and investments in securities, decreased by SEK 617 million during the year from SEK 6,483 million to SEK 5,866 million on account of strong operating cash flow.

GROUP  
Changes in equity

(SEK million)	Share capital	Contributed capital	Other reserves 1)	Profit brought forward	Equity attributable to parent	Non-controlling interest	Total equity
Equity 31 Dec 2018	79	4,818	1,103	9,406	15,406	15	15,421
Effect of change in accounting policy				- 10	- 10		- 10
Adjusted opening equity	79	4,818	1,103	9,396	15,396	15	15,411
Change in non-controlling interest						66	66
Capital contribution from non-controlling interest				41	41		41
Net profit for the year				2,170	2,170	14	2,184
Other comprehensive income for the year			741	- 184	557	1	558
Comprehensive income for the year			741	1,986	2,727	15	2,742
Dividend				- 655	- 655	- 1	- 656
Equity 31 Dec 2019	79	4,818	1,844	10,768	17,509	95	17,604
Change in non-controlling interest						4	4
Net profit for the year				2,866	2,866	57	2,923
Other comprehensive income for the year			- 2,098	17	- 2,081	- 6	- 2,087
Comprehensive income for the year			- 2,098	2,883	785	51	836
Dividend				- 706	- 706	- 1	- 707
Equity 31 Dec 2020	79	4,818	- 254	12,945	17,588	149	17,737

1) Other reserves

(SEK million)	Cash flow hedges	Hedging of net investments	Exchange differences	Total other reserves
Other reserves 31 Dec 2018	4	- 573	1,672	1,103
Change during the year	7	- 23	789	773
Tax	- 2	- 5	- 25	- 32
Other reserves 31 Dec 2019	9	- 601	2,436	1,844
Change during the year	4	45	- 2,304	- 2,255
Tax	- 1	- 9	167	157
Other reserves carried forward, 31 Dec 2020	12	- 565	299	- 254

Cash flow hedges

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

Hedging of net investment

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

Exchange differences arising on translation of foreign operations

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)	2020	2019
<b>OPERATING ACTIVITIES</b>		
Operating profit	3,880	3,038
+ depreciation/amortisation & impairment charged to this profit	1,239	1,036
+ capital losses/- capital gains	3	3
+/- other non-cash items	- 51	- 51
<b>Total</b>	<b>5,071</b>	<b>4,026</b>
Interest received and similar items	253	227
Interest paid and similar items	- 449	- 411
Tax paid	- 752	- 394
<b>Cash flow before change in working capital</b>	<b>4,123</b>	<b>3,448</b>
<b>Change in working capital</b>		
Change in inventories	- 136	- 49
Change in current receivables	555	- 284
Change in current liabilities	481	- 157
<b>Cash flow from operating activities</b>	<b>5,023</b>	<b>2,958</b>
<b>INVESTING ACTIVITIES</b>		
Investment in machinery and equipment	- 384	- 381
Investment in buildings and land	- 254	- 60
Investment in construction in progress	- 255	- 334
Investment in other intangible assets	- 242	- 228
Sale of land and buildings	7	-
Sale of machinery and equipment	17	14
Change in non-current receivables and other securities	2	- 65
Investments in existing operations	- 1,109	- 1,054
<b>OPERATING CASH FLOW</b>	<b>3,914</b>	<b>1,904</b>
Acquisition of companies	Note 3	- 1,792
<b>Cash flow from investing activities</b>	<b>- 2,901</b>	<b>- 1,623</b>
<b>CASH FLOW AFTER INVESTMENTS</b>	<b>2,122</b>	<b>1,335</b>
<b>FINANCING ACTIVITIES</b>		
Capital contribution from non-controlling interest	-	19
Amortisation of non-current loans	Note 32	- 2,079
Amortisation of lease liabilities	Note 16	- 323
New loans raised	Note 32	1,917
Shareholders' dividend	- 707	- 656
<b>Cash flow from financing activities</b>	<b>- 1,192</b>	<b>- 439</b>
<b>Cash flow for the year</b>	<b>930</b>	<b>896</b>
Cash and equivalents at start of year	4,171	3,189
Exchange difference in cash and equivalents	- 307	86
<b>Cash and equivalents at end of year</b>	<b>4,794</b>	<b>4,171</b>

## Comments on the statement of cash flows

### Cash flow from operating activities

Consolidated cash flow after changes in working capital amounted to SEK 5,023 million (SEK 2,958 million). The improvement is largely due to the fact that the change in consolidated working capital for the year was positive, unlike the previous year.

### Investments

Investment in Group acquisitions of operations/subsidiaries totalled SEK 1,792 million (SEK 569 million). Other investments totalled SEK 1,109 million (SEK 1,054 million) net, allocated as follows:

(SEK million)	2020	2019
Machinery and equipment	367	367
Properties	247	60
Construction in progress	255	334
Other non-current assets	240	293
<b>Total</b>	<b>1,109</b>	<b>1,054</b>

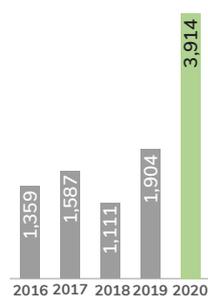
Consequently, cash flow after investment activities was SEK 2,122 million (SEK 1,335 million). Operating cash flow – i.e. after investments in existing operations, but excluding acquisitions of operations/subsidiaries – was SEK 3,914 million (SEK 1,904 million).

### Consolidated interest-bearing loans

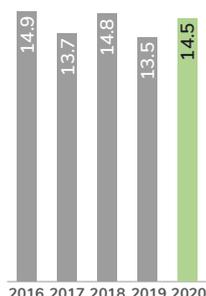
Consolidated interest-bearing liabilities at year-end totalled SEK 10,660 million (SEK 10,654 million). The average interest expense for total interest-bearing liabilities was 2.0% (2.1%). Consolidated net liabilities, which consist of interest-bearing liabilities less cash and equivalents and investments in securities, totalled SEK 5,866 million (SEK 6,483 million).

(SEK million)	2020	2019
Floating rate bank loans	2,709	1,205
Fixed rate bank loans	571	634
Floating rate bond loans	4,800	5,700
Fixed rate bond loans	800	1,403
Lease liabilities	954	939
Utilised portion of overdraft facilities with floating interest rate	77	40
Provisions for pensions	657	665
Other interest-bearing liabilities	92	68
<b>Total interest-bearing liabilities</b>	<b>10,660</b>	<b>10,654</b>
Unutilised overdraft facilities	446	532
Other unutilised credit	5,531	4,652
<b>Total credit available</b>	<b>16,637</b>	<b>15,838</b>

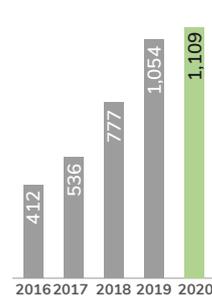
Operating cash flow past five years (SEK m)



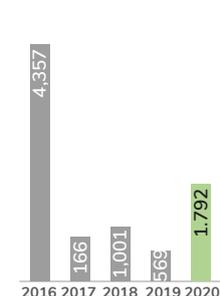
Return on equity past five years (%)



Investments in existing operations past five years (SEK m)



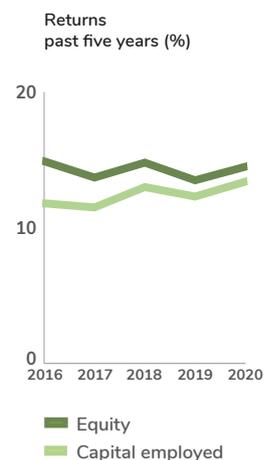
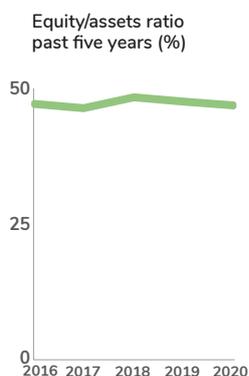
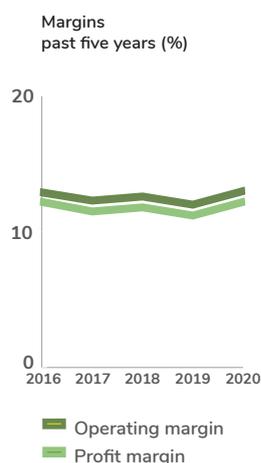
Investments/Acquisitions past five years (SEK m)



# Key ratios

		2020	2019	2018	2017	2016
Net sales	SEK m	27,146	25,342	22,516	19,009	15,348
Growth	%	+ 7.1	+ 12.5	+ 18.5	+ 23.9	+ 15.9
Operating profit	SEK m	3,880	3,038	2,829	2,344	1,980
Operating profit, excluding revaluation of additional considerations	SEK m	3,527	3,038	2,794	2,357	1,980
Profit after net financial items	SEK m	3,658	2,836	2,667	2,182	1,871
Profit after net financial items, excluding revaluation of additional considerations	SEK m	3,305	2,836	2,632	2,195	1,871
EBITDA margin	%	18.8	16.1	15.6	15.7	16.4
EBITDA margin, excluding revaluation of additional considerations *	%	17.5	16.1	15.5	15.8	16.4
Operating margin	%	14.3	12.0	12.6	12.3	12.9
Operating margin, excluding revaluation of additional considerations*	%	13.0	12.0	12.4	12.4	12.9
Profit margin	%	13.5	11.2	11.8	11.5	12.2
Profit margin, excluding revaluation of additional considerations*	%	12.2	11.2	11.7	11.5	12.2
Net investments in non-current assets*	SEK m	3,692	2,059	2,479	2,026	5,156
Operating cash flow	SEK m	3,914	1,904	1,111	1,587	1,359
Available cash and equivalents*	SEK m	5,240	4,703	3,562	3,803	2,926
Working capital, excluding cash and bank balances, in relation to net sales*	%	12.9	18.1	19.6	16.3	19.6
Equity	SEK m	17,737	17,604	15,421	12,807	12,129
Return on equity*	%	16.1	13.5	14.8	13.7	14.9
Return on equity, excluding revaluation of additional considerations*	%	14.5	13.5	14.6	13.7	14.9
Equity/assets ratio	%	46.3	47.3	47.8	45.8	46.6
Proportion of risk-bearing capital	%	49.7	50.6	51.1	49.2	50.7
Capital employed	SEK m	28,396	28,258	24,660	21,783	20,665
Return on capital employed*	%	14.6	12.3	13.0	11.5	11.8
Return on capital employed, excluding revaluation of additional considerations*	%	13.4	12.3	12.8	11.5	11.8
Return on total capital*	%	10.9	9.4	10.0	9.0	9.4
Return on total capital, excluding revaluation of additional considerations*	%	10.0	9.4	9.9	9.1	9.4
Capital turnover ratio	times	0.72	0.73	0.75	0.70	0.69
Interest-bearing liabilities/Equity	%	60.1	60.8	60.0	70.1	70.4
Net debt/EBITDA*	times	1.1	1.6	1.7	1.9	2.4
Net debt/EBITDA, excluding revaluation of additional considerations*	times	1.2	1.6	1.7	1.9	2.4
Interest coverage ratio*	times	8.7	7.6	8.8	9.6	9.6
Interest coverage ratio, excluding revaluation of additional considerations*	times	7.9	7.6	8.7	9.6	9.6
Average number of employees	no.	18,740	16,994	16,569	14,271	11,869

\*Key ratios with calculation specified on pages 93-96.



# Alternative performance measures

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

To improve comparability with previous years, key ratios relating to the income statement have also been presented excluding revaluation of additional considerations.

## EBITDA margin, excluding revaluation of additional considerations

(SEK million)	2020	2019	2018	2017	2016
Operating profit	3,880	3,038	2,829	2,344	1,980
Amortisation/depreciation according to plan	1,236	1,036	691	640	542
Revaluation of additional considerations	- 353	-	- 35	13	-
EBITDA, excluding revaluation of additional considerations	4,763	4,074	3,485	2,997	2,522
Net sales	27,146	25,342	22,516	19,009	15,348
EBITDA margin, excluding revaluation of additional considerations, %	17.5	16.1	15.5	15.8	16.4

## Operating margin, excluding revaluation of additional considerations

(SEK million)	2020	2019	2018	2017	2016
Operating profit	3,880	3,038	2,829	2,344	1,980
Revaluation of additional considerations	- 353	-	- 35	13	-
Operating profit, excluding revaluation of additional considerations	3,527	3,038	2,794	2,357	1,980
Net sales	27,146	25,342	22,516	19,009	15,348
Operating margin, excluding revaluation of additional considerations, %	13.0	12.0	12.4	12.4	12.9

## Profit margin, excluding revaluation of additional considerations

(SEK million)	2020	2019	2018	2017	2016
Profit after net financial items	3,658	2,836	2,667	2,182	1,871
Revaluation of additional considerations	- 353	-	- 35	13	-
Profit, excluding revaluation of additional considerations	3,305	2,836	2,632	2,195	1,871
Net sales	27,146	25,342	22,516	19,009	15,348
Profit margin, excluding revaluation of additional considerations, %	12.2	11.2	11.7	11.5	12.2

## Net investments in non-current assets

(SEK million)	2020	2019	2018	2017	2016
Acquisition of non-current assets	3,716	2,073	2,493	2,058	5,185
Disposal of non-current assets	- 24	- 14	- 14	- 32	- 29
Net investments in non-current assets	3,692	2,059	2,479	2,026	5,156

## Alternative performance measures

### Cash and equivalents

(SEK million)	2020	2019	2018	2017	2016
Cash and bank balances	4,593	3,944	3,023	3,332	2,342
Investments in securities etc.	201	227	166	90	160
Unutilised overdraft facilities	446	532	373	381	424
Cash and equivalents	5,240	4,703	3,562	3,803	2,926

### Working capital, excluding cash and bank balances

(SEK million)	2020	2019	2018	2017	2016
Inventories	4,431	4,403	4,106	3,247	2,799
Current receivables	4,149	4,400	3,968	3,203	2,798
Current liabilities and provisions, non-interest-bearing	- 5,081	- 4,212	- 3,658	- 3,348	- 2,596
Working capital, excluding cash and bank balances	3,499	4,591	4,416	3,102	3,001
Net sales	27,146	25,342	22,516	19,009	15,348
Working capital excluding cash and bank balances relative to net sales, %	12.9	18.1	19.6	16.3	19.6

### Return on equity

(SEK million)	2020	2019	2018	2017	2016
Profit after net financial items	3,658	2,836	2,667	2,182	1,871
Standard tax rate, %	21.4	21.4	22.0	22.0	22.0
Profit after net financial items, after tax	2,875	2,229	2,080	1,702	1,459
Of which attributable to Parent shareholders	2,818	2,215	2,082	1,702	1,459
Equity at start of year	17,509	15,406	12,807	12,129	7,428
Equity at end of year	17,588	17,509	15,406	12,807	12,129
Average equity	17,549	16,458	14,107	12,468	9,779
Return on equity, %	16.1	13.5	14.8	13.7	14.9

## Return on capital employed, excluding revaluation of additional considerations

(SEK million)	2020	2019	2018	2017	2016
Profit after net financial items	3,658	2,836	2,667	2,182	1,871
Revaluation of additional considerations	- 353	-	- 35	13	-
Profit, excluding revaluation of additional considerations	3,305	2,836	2,632	2,195	1,871
Standard tax rate, %	21.4	21.4	22.0	22.0	22.0
Profit after net financial items, after tax	2,598	2,229	2,053	1,712	1,459
Of which attributable to Parent shareholders	2,541	2,215	2,055	1,712	1,459
Equity at start of period	17,509	15,406	12,807	12,129	7,428
Equity at end of period	17,588	17,509	15,406	12,807	12,129
Average equity	17,549	16,458	14,107	12,468	9,779
Return on equity, excluding revaluation of additional considerations, %	14.5	13.5	14.6	13.7	14.9

## Return on capital employed

(SEK million)	2020	2019	2018	2017	2016
Profit after net financial items	3,658	2,836	2,667	2,182	1,871
Financial expenses	477	429	341	255	216
Profit before financial expenses	4,135	3,265	3,008	2,437	2,087
Revaluation of additional considerations	- 353	-	- 35	13	-
Profit, excluding revaluation of additional considerations	3,782	3,265	2,973	2,450	2,087
Capital employed at start of year	28,258	24,660	21,783	20,665	14,710
Capital employed at end of year	28,396	28,258	24,660	21,783	20,665
Average capital employed	28,327	26,459	23,221	21,224	17,687
Return on capital employed, %	14.6	12.3	13.0	11.5	11.8
Return on capital employed, excluding revaluation of additional considerations, %	13.4	12.3	12.8	11.5	11.8

## Return on total capital

(SEK million)	2020	2019	2018	2017	2016
Profit after net financial items	3,658	2,836	2,667	2,182	1,871
Financial expenses	477	429	341	255	216
Profit before financial expenses	4,135	3,265	3,008	2,437	2,087
Revaluation of additional considerations	- 353	-	- 35	13	-
Profit, excluding revaluation of additional considerations	3,782	3,265	2,973	2,450	2,087
Total assets at start of year	37,229	32,291	27,990	26,024	18,604
Total assets at end of year	38,337	37,229	32,291	27,990	26,024
Average total assets	37,783	34,760	30,140	27,007	22,314
Return on total assets, %	10.9	9.4	10.0	9.0	9.4
Return on total capital, excluding revaluation of additional considerations, %	10.0	9.4	9.9	9.1	9.4

## Alternative performance measures

### Net debt/EBITDA

(SEK million)	2020	2019	2018	2017	2016
Non-current liabilities and provisions, interest-bearing	6,298	7,653	7,357	6,960	5,858
Current liabilities and provisions, interest-bearing	4,362	3,001	1,882	2,016	2,678
Cash and bank balances	- 4,593	- 3,944	- 3,023	- 3,332	- 2,342
Investments in securities etc.	- 201	- 227	- 166	- 90	- 160
Net debt	5,866	6,483	6,050	5,554	6,034
Operating profit	3,880	3,038	2,829	2,344	1,980
Depreciation, amortisation and impairment	1,237	1,037	691	641	542
EBITDA	5,117	4,075	3,520	2,985	2,522
Revaluation of additional considerations	- 353	-	- 35	13	-
EBITDA, excluding revaluation of additional considerations	4,764	4,075	3,485	2,998	2,522
Net debt/EBITDA, times	1.1	1.6	1.7	1.9	2.4
Net debt/EBITDA, excluding revaluation of additional considerations, times	1.2	1.6	1.7	1.9	2.4

### Interest coverage ratio

(SEK million)	2020	2019	2018	2017	2016
Profit after net financial items	3,658	2,836	2,667	2,182	1,871
Financial expenses	477	429	341	255	216
Profit before financial expenses	4,135	3,265	3,008	2,437	2,087
Revaluation of additional considerations	- 353	-	- 35	13	-
Profit, excluding revaluation of additional considerations	3,782	3,265	2,973	2,450	2,087
Interest coverage ratio, times	8.7	7.6	8.8	9.6	9.6
Interest coverage ratio, excluding revaluation of additional considerations, times	7.9	7.6	8.7	9.6	9.6

## 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 21.4% (21.4%) 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 capital

Profit after net financial items plus financial expenses as a percentage of average total assets. NIBE believes 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, amortisation 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. 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/amortisation 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. 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 the 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. 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)		2020	2019
Net sales	Note 4	23	23
Administrative expenses	Notes 6-10	- 85	- 100
<b>Operating profit</b>		<b>- 62</b>	<b>- 77</b>
<b>Profit from financial items</b>			
Profit from participations in Group companies	Note 11	1,053	2,024
Profit from participations in associates and joint ventures	Note 18	20	5
Financial income	Note 11	93	83
Financial expenses	Note 11	- 236	- 211
<b>Profit after net financial items</b>		<b>868</b>	<b>1,824</b>
Appropriations	Note 12	133	204
Tax	Note 13	- 14	- 1
<b>Net profit</b>		<b>987</b>	<b>2,027</b>
Net profit attributable to Parent shareholders		987	2,027

## Statement of comprehensive income

Net profit	987	2,027
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>987</b>	<b>2,027</b>
Parent shareholders	987	2,027
<b>Total comprehensive income</b>	<b>987</b>	<b>2,027</b>

## Balance sheet

### Assets

(SEK million)		31 Dec 2020	31 Dec 2019
<b>NON-CURRENT ASSETS</b>			
<b>Financial assets</b>			
Shares in subsidiaries	Note 17	11,962	10,534
Participations in associates and jointly controlled entities	Note 18	1	7
Receivables from Group companies		3,474	5,553
Non-current receivables from associates		48	-
Investments held as non-current assets		11	9
Deferred tax assets	Note 13	3	3
Other non-current receivables	Note 19	-	8
<b>TOTAL NON-CURRENT ASSETS</b>		<b>15,499</b>	<b>16,114</b>
<b>CURRENT ASSETS</b>			
<b>Current receivables</b>			
Receivables from Group companies		151	244
Tax assets		2	1
Other receivables		9	392
Prepaid expenses and accrued income		20	20
<b>Total current receivables</b>		<b>182</b>	<b>657</b>
Cash and equivalents		35	-
<b>TOTAL CURRENT ASSETS</b>		<b>217</b>	<b>657</b>
<b>TOTAL ASSETS</b>		<b>15,716</b>	<b>16,771</b>

## Balance sheet

### Equity and liabilities

(SEK million)		31 Dec 2020	31 Dec 2019
<b>EQUITY</b>	Note 21		
<b>Restricted equity</b>			
Share capital		79	79
Statutory reserve		75	75
<b>Total restricted equity</b>		<b>154</b>	<b>154</b>
<b>Non-restricted equity</b>			
Share premium reserve		4,751	4,751
Profit brought forward		4,509	4,228
<b>Total non-restricted equity</b>		<b>9,260</b>	<b>8,979</b>
<b>TOTAL EQUITY</b>		<b>9,414</b>	<b>9,133</b>
<b>NON-CURRENT LIABILITIES AND PROVISIONS</b>			
Provisions for pensions	Note 22	15	12
Other provisions, non-interest-bearing	Note 23	-	99
Bond loans	Note 25	4,100	5,600
Other liabilities, non-interest-bearing	Note 26	508	192
<b>TOTAL NON-CURRENT LIABILITIES AND PROVISIONS</b>		<b>4,623</b>	<b>5,903</b>
<b>CURRENT LIABILITIES AND PROVISIONS</b>			
Bond loans	Note 25	1,500	1,503
Accounts payable		4	16
Liabilities to Group companies		4	2
Other liabilities	Note 27	141	169
Accrued expenses and deferred income	Note 28	30	45
<b>TOTAL CURRENT LIABILITIES AND PROVISIONS</b>		<b>1,679</b>	<b>1,735</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>15,716</b>	<b>16,771</b>

## Changes in equity

(SEK million)	Share capital	Statutory reserve	Share premium	Share reserve	Profit brought forward	Total equity
Equity 31 Dec 2018	79	75		4,751	2,856	7,761
Comprehensive income for the year					2,027	2,027
Dividend					- 655	- 655
Equity 31 Dec 2019	79	75		4,751	4,228	9,133
Comprehensive income for the year					987	987
Dividend					- 706	- 706
Equity 31 Dec 2020	79	75		4,751	4,509	9,414

### Statutory reserve

The statutory reserve is a restricted reserve, which means that it may not be reduced by paying a dividend. 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 1 January 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 dividend. 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 1 January 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 it is available for dividend.

## Statement of cash flows

(SEK million)	2020	2019
<b>OPERATING ACTIVITIES</b>		
Operating profit	- 62	- 77
Interest received and similar items	93	83
Interest paid and similar items	- 238	- 211
Tax paid	- 15	- 1
Cash flow before change in working capital	- 222	- 206
Change in working capital		
Change in current receivables	477	- 499
Change in current liabilities	60	163
Cash flow from operating activities	315	- 542
<b>INVESTING ACTIVITIES</b>		
Change in non-current receivables and other securities	2,030	- 1,487
Cash flow from investing activities	2,030	- 1,487
<b>OPERATING CASH FLOW</b>	2,345	- 2,029
Sale of businesses	17	69
Investments in operations	- 1,340	- 345
Cash flow from investing activities	- 1,323	- 276
<b>CASH FLOW AFTER INVESTMENTS</b>	1,022	- 2,305
<b>FINANCING ACTIVITIES</b>		
Profit from participations in Group companies	1,219	2,059
Amortisation of non-current loans	Note 32	- 1,500
		- 900
New loans raised	Note 32	-
		1,750
Shareholders' dividend		- 706
		- 655
Cash flow from financing activities	- 987	2,254
Cash flow for the year	35	- 51
Cash and equivalents at start of year	-	51
Cash and equivalents at end of year	35	-

## 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 23 million (SEK 23 million) for the year. Administrative expenses consist primarily of personnel costs and purchased services like auditing and expenses linked to the stock exchange listing.

### Net financial items

The parent's expenditure on operating expenses, interest, amortisation and dividends to shareholders is financed primarily through dividends and Group contributions from subsidiaries.

### Balance sheet

The parent's total assets decreased from SEK 16,771 million to SEK 15,716 million during the year. The main reason is that a bond loan for SEK 1,500 million was redeemed during the year and was replaced with loans from credit institutions raised by other companies in the Group. The parent's non-current interest-bearing liabilities consist entirely of bond loans. Interest-bearing liabilities at year-end amounted to SEK 5,600 million (SEK 7,103 million), and the average interest rate on these liabilities amounted to 1.3% during the year. At year-end, the parent's interest-bearing liabilities consisted entirely of liabilities in SEK, as set out in Note 29.

# Risks 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 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 74 and the corporate governance report on page 171.

## Business risks

### Political and macroeconomic risks

Political uncertainty and macroeconomic conditions may indirectly affect demand for products and expenses. They may have consequences for operations in vulnerable regions in which trade agreements and customs duties may change dramatically. NIBE discusses these issues with decision makers in relevant areas with a focus on the EU and North America. This is coordinated with other organisations such as trade associations.

Political instability, pandemics or labour disputes may 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 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. In 2020, all our companies were affected in some way by Covid-19 and forced to adapt their operations accordingly. In the first half of the year, this mainly involved dealing with disruption in the supply chain and mandatory closures. In the second half of the year, it mainly involved meeting a dramatic increase in demand. Thanks to good flexibility in terms of production capacity and component supplies, NIBE was generally able to cope with the pandemic well.

### 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 overdependence on specific currencies and markets, purchasing procedures have been largely globalised. In 2020, 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 few patents and only for components which form part of its finished products. NIBE does 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 a need for 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 fault in one of the Group's product series could 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 2 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 designed to compensate for these risks comprise strict IT policies for user authorisation and software/hardware-related protection mechanisms. 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 with an identified 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 minimise 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 minimised 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, retain and develop 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, retain and develop 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 consolidated earnings. The changes are calculated based on the 2020 balance sheet and income statement.

	Basis for calculation		Change	Impact
Net sales (margin constant)	27,146 SEK m	+/-	1.0 %	111 SEK m
Operating margin (volume constant)	27,146 SEK m	+/-	1.0 %	271 SEK m
Material costs	11,452 SEK m	+/-	1.0 %	115 SEK m
Personnel costs	7,228 SEK m	+/-	1.0 %	72 SEK m
Interest-bearing liabilities (interest constant)	10,660 SEK m	+/-	10.0 %	21 SEK m
Interest rate % (interest-bearing liability constant)	2.0 %	+/-	1.0 percentage point	107 SEK m

# Notes to the consolidated financial statements

## 1 · GENERAL ACCOUNTING POLICIES



### Presentation basis

NIBE Industrier AB is an international group in sustainable energy solutions with business operations organised in three separate business areas: NIBE Climate Solutions, NIBE Element and NIBE Stoves.

The Group has just over 18,900 employees and operates in 31 countries in Europe, North America, Australia and Asia. The legal structure of the Group comprises several subsidiaries that run their operations via their own companies or branch offices.

The parent, NIBE Industrier AB (publ), is registered and domiciled in Sweden. The address of the company's head office is Hannabadvägen 5, Markaryd. The company is listed on Nasdaq Nordic. Its activities consist of Group-wide functions, such as financing, currency transactions, corporate acquisitions, establishing new operations, financial control and policy matters.

The NIBE Group applies International Financial Reporting Standards (IFRS) as endorsed by the EU, the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 1, 'Supplementary accounting rules for Groups'. Amendments to standards and interpretations that entered into force in 2020 had no significant impact on the consolidated financial statements. No new and amended standards with future application are expected to have any significant impact on NIBE's financial statements.

### Change in presentation of result of revaluation of additional considerations

Revaluation of additional considerations is now recognised on a separate line in the consolidated income statement with retroactive effect. Revaluation of additional considerations means the results of the revaluation of the Group's liabilities for additional considerations. They were previously recognised as administrative expenses or other operating income as the amounts were insignificant. To improve comparability with previous periods, key ratios relating to the income statement have also been presented excluding revaluation of additional considerations.

### 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 a controlling influence.

Companies acquired/sold are included in the consolidated income statement for the period during which they were owned.

Items included in the financial statements for the different entities in the NIBE Group are valued in the currency of the primary economic environment in which the entity operates (functional currency). In the consolidated financial statements, the parent's functional and presentation currency is used, which is the Swedish krona (SEK). This means that foreign subsidiaries' assets and liabilities are translated at the closing day rate. All income statement items are translated at the average rate for the year. Translation differences are recognised 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 exchange differences arising in these are recognised in the consolidated financial statements under other comprehensive income.

In the preparation of the consolidated balance sheet, untaxed reserves have been divided into a portion recognised as a deferred tax liability under the heading 'Non-current liabilities and provisions', and a residual portion which is recognised under profit brought forward. Accordingly, appropriations in the consolidated income statement involving changes in untaxed reserves have been omitted. The tax portion of these changes is recognised along with the tax expense for the year in the income statement, while the equity portion is included in profit for the year. The percentage rate used in calculating deferred tax in Swedish subsidiaries is 20.6 (20.6) percent. The rate used for foreign subsidiaries is the appropriate tax rate in each country. The necessary provisions have been made for internal profits.

Transactions with non-controlling interests which do not lead to loss of control are recognised as equity transactions, i.e. transactions with the owners in their capacity as owners. For acquisitions from non-controlling interests, the difference between fair value on the consideration transferred and the actual acquired proportion of the carrying amount of the subsidiary's net assets is recognised in equity. Gains or losses on disposal to non-controlling interests are also recognised in equity.



#### Impairment of non-financial assets

Intangible assets which have an indeterminate useful life, such as goodwill, are not amortised, but are tested annually for impairment. Property, plant and equipment and intangible assets with a defined useful life are tested for impairment if there is some indication that the asset may have fallen in value. Impairment is recognised in accordance with IAS 36. When considering impairment losses, the Group determines the recoverable amount of the asset. The recoverable amount is the higher of the net realisable 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 discount factor before tax. A weighted average cost of capital is used in this calculation.

An impairment is recognised whenever the carrying amount of the asset or its cash-generating unit exceeds the recoverable amount. For NIBE, cash-generating units are equivalent to business areas.

Impairments are recognised in profit or loss.

#### Classification

Non-current assets and non-current liabilities including any relevant provisions and allocations consist of items that are expected to be recovered or paid more than 12 months after the closing date. Current assets and current liabilities including any relevant provisions and allocations are items that are expected to be recovered or paid within 12 months after the closing date. Any deviations from this principle are explained in the notes to the relevant items.

#### Transactions with related parties

Orders between Group companies are invoiced on commercial terms and at market prices. Internal profits arising on sales between Group companies have been eliminated. Parent sales refer only to sales to Group companies. During the financial year, goods and services worth SEK 3 million (SEK 3 million) were purchased from companies in which Melker Schörling has a 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 amortisation/depreciation of consolidated intangible assets and property, plant and equipment. These estimates are based on historical knowledge of the useful life of equivalent assets. The useful life and estimated residual value are tested at the end of each reporting period and adjusted as necessary.

##### *Impairment testing for goodwill and consolidated surplus value in trademarks*

Every year, the Group tests whether any impairment is required for goodwill and consolidated surplus value in trademarks in accordance with the accounting policy described under 'Impairment'. The estimates which must be made, and the effect of these estimates, are shown under 'Goodwill and brands/trademarks'. Additional information, including a sensitivity analysis, is given in Note 14.

##### *Provisions*

Further information on provisions for the year for the guarantee 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 considerations*

The carrying amount of additional considerations is normally based on expected financial performance in acquired operations in future years. Additional considerations are both contingent considerations for shares already acquired and considerations for future acquisitions of minority shareholders' shares in connection with the application of the AAM. If the financial performance differs from the expected performance, it will affect the carrying amount of the additional considerations and, thus, NIBE Group's consolidated earnings.

## ACCOUNTING POLICY

Operationally, the Group's activities are divided into product group oriented business areas due to the differences in risks and opportunities associated with the various product groups. Operations are managed by business area boards. The accounting corresponds to the internal reports submitted to Group management.

Pricing for transactions between segments is according to the arm's length principle.

	CLIMATE SOLUTIONS		ELEMENT		STOVES		ELIMINATIONS		TOTAL	
(SEK million)	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Total net sales	21,485	19,213	8,650	8,379	3,121	3,058	- 6,110	- 5,308	27,146	25,342
Internal net sales	- 3,541	- 2,783	- 1,372	- 1,408	- 542	- 555	5,455	4,746	-	-
External net sales	17,944	16,430	7,278	6,971	2,579	2,503	- 655	- 562	27,146	25,342
<b>Sales by geographical region</b>										
Nordic countries	4,899	4,871	1,210	1,265	664	654	- 437	- 403	6,336	6,387
Rest of Europe	8,706	6,925	2,228	2,236	1,239	1,203	- 199	- 143	11,974	10,221
North America	3,853	4,432	2,824	2,640	595	572	- 18	- 16	7,254	7,628
Other countries	486	202	1,016	830	81	74	- 1	-	1,582	1,106
External net sales	17,944	16,430	7,278	6,971	2,579	2,503	- 655	- 562	27,146	25,342
<b>Profit</b>										
Profit per business area	2,690	2,277	659	622	271	252	-	-	3,620	3,151
Unallocated costs									260	- 113
Operating profit									3,880	3,038
Financial income									255	227
Financial expenses									- 477	- 429
Tax expense for the year									- 735	- 652
Net profit for the year									2,923	2,184
<b>Other information</b>										
Assets	24,981	23,191	9,443	9,313	3,391	3,614	- 12,286	- 10,721	25,529	25,397
Unallocated assets									12,808	11,832
Total assets									38,337	37,229
Liabilities	4,312	2,987	1,758	1,406	515	442	- 1,174	- 344	5,411	4,491
Unallocated liabilities									15,189	15,134
Total liabilities									20,600	19,625
Investments	685	639	354	303	99	73				
Depreciation	756	626	352	285	128	124				

SEK 2,965 million (SEK 2,886 million) of consolidated net sales relates to customers in the Swedish market and SEK 6,485 million (SEK 6,831 million) relates to customers in the US. Of consolidated non-current assets, SEK 2,067 million (SEK 1,655 million) is placed in Sweden, SEK 8,561 million (SEK 9,656 million) in the US and Mexico and SEK 5,774 million (SEK 5,760 million) in Germany and Switzerland. Unallocated costs refer primarily to the acquisition expenses and to Group-wide costs in the parent.



## ACCOUNTING POLICY

The consolidated financial statements have been drawn up in accordance with the acquisition method, with the application of IFRS 3.

IFRS 3 states, among other things, that the net assets of the acquiree are assessed based on the fair value of assets and liabilities on the acquisition date. These fair values constitute the Group's acquisition cost. The cost of an acquisition is the fair value of the assets transferred as consideration and the assets arising or assumed on the transfer date. The revaluation of additional considerations is recognised in profit or loss. The difference between the acquisition cost of shares in a subsidiary and the calculated value of the net assets in the acquisition analysis is recognised as consolidated goodwill. If the difference is negative, it is recognised directly in profit or loss. Acquisition-related costs are recognised when they arise.

An acquisition that does not involve 100% of a subsidiary results in a non-controlling interest. Where the holder of the remaining interest has an option to sell it to NIBE, or NIBE has an obligation to buy, NIBE has decided to employ the Anticipated Acquisition Method (AAM), which means that 100% of the subsidiary is considered to have been acquired at the time of acquisition. This also means that a liability equivalent to the present value of the estimated future purchase price is recognised. Consequently, no non-controlling interest is recognised with this type of acquisition transaction.

Companies acquired/sold are included in the consolidated income statement for the period during which they were owned.

Profit for the year has been charged with acquisition expenses of SEK 30 million, which were recognised as administrative expenses in the consolidated income statement.

### Acquisitions during the year

January saw the completion of the acquisition of the Serbian water heater manufacturer TIKI Group, which has a strong market position in Eastern Europe and sales of approximately EUR 35 million, with an EBITDA of approximately 10%. The company was consolidated into the NIBE Climate Solutions business area as of January 2020.

February saw the acquisition of 50% of the shares in the Turkish group of companies Üntes with an agreement to acquire the remaining 50% of the shares by 2024. The company, which develops and produces ventilation and air conditioning products for commercial properties, has sales of approximately EUR 38 million and an operating margin markedly higher than 10%. The company was consolidated into the NIBE Climate Solutions business area as of March 2020.

In April, 51% of the shares in Dutch company Nathan Holding B.V. were acquired, with an agreement to acquire the remaining shares later in two stages. Among other things, Nathan imports our German subsidiary AIT's heat pumps and sells complete solutions, including both drilling geothermal energy wells and underfloor heating systems. The company has annual sales of approximately EUR 50 million and an operating margin of just over 6% and was consolidated into the NIBE Climate Solutions business area as of April 2020.

In April, the heat pump company WATERKOTTE GmbH, a leading German manufacturer of heat pumps intended primarily for commercial properties, was acquired. The company has annual sales of approximately EUR 26 million and an operating margin of approximately 5% and was consolidated into the NIBE Climate Solutions business area as of April 2020.

In May, 60% of the shares in the Swedish company VEÅ AB were acquired, with an option to acquire the remaining shares within a four-year period. VEÅ develops and manufactures steam boilers and super-heated water boilers, pressure vessels and complete systems for industrial use. The company has annual sales of approximately SEK 80 million and an operating margin of well over 10% and was consolidated into the NIBE Climate Solutions business area as of July 2020.

In early July, 87.5% of the shares in Italian element company Termotech s.r.l. were acquired, with an agreement to acquire the remaining shares within a five-year period. The company, which has sales of approximately EUR 5 million and an operating margin of over 10%, was consolidated into the NIBE Element business area as of July 2020.

The considerations consist of the following (SEK million)	Group	
	2020	2019
Initial considerations	1,508	609
Additional considerations	1,075	396
<b>Total consideration</b>	<b>2,583</b>	<b>1,005</b>
Fair value of net assets acquired	942	359
Goodwill	1,641	646
<b>Consideration</b>	<b>2,583</b>	<b>1,005</b>
Cash and equivalents in acquired companies	- 147	- 46
Additional considerations paid	431	6
Additional considerations not yet paid	- 1,075	- 396
<b>Effect on consolidated cash and equivalents</b>	<b>1,792</b>	<b>569</b>

The size of the additional considerations 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 2020, these revaluations had a net effect on consolidated earnings of SEK 353 million.

Goodwill is attributable to the profitability of the operations acquired as well as to the synergy effects, particularly in material supply and distribution, that are anticipated within the Group. Tax-deductible goodwill arising from the purchase of the net assets of a business is not included. Nor was this included last year.

Net assets acquired are as follows (SEK million)	Group	
	Fair values	Acquired carrying amounts
Market positions	228	-
Brands	172	-
Other intangible assets	78	44
Property, plant and equipment	295	287
Financial assets	1	12
Current receivables	439	439
Inventories	267	267
Cash and equivalents	147	147
Provisions	- 128	- 15
Liabilities	- 557	- 480
<b>Net assets acquired</b>	<b>942</b>	<b>701</b>

Acquired current receivables comprise SEK 439 million, of which SEK 439 million is expected to be settled.



## ACCOUNTING POLICY

### NET SALES

#### Sale of goods

Consolidated revenue is derived almost exclusively from the sale of finished goods. Sales are taken up 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 recognised less 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 met over time in accordance with IFRS 15.35. The amount received is therefore taken up as revenue over the term of the service contract. 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. The extended warranties are also separate performance obligations that are met over time under IFRS 15.35. Deferred income will be taken up as revenue gradually over the coming six-year period.

### PARENT

The parent's sales refer entirely to contractual sales to Group companies. There was no deferred income at either the start or end of the year.

#### Time of accounting for sales

	Deliverables taken up as revenue once	Deliverables taken up as revenue gradually during the year	Total income from contracts with customers
NIBE Climate Solutions	17,508	436	17,944
NIBE Element	7,278	–	7,278
NIBE Stoves	2,579	–	2,579
Eliminations	– 655	–	– 655
<b>Total income</b>	<b>26,710</b>	<b>436</b>	<b>27,146</b>

#### Deliverables taken up as revenue gradually

	Service contracts	Extended warranties	Other	Total
Prepaid at start of year	11	245	1	257
Payments received during the year	81	191	207	479
Taken up as revenue during the year	– 77	– 169	– 190	– 436
Translation differences	– 1	– 17	– 1	– 19
<b>Prepaid at year-end</b>	<b>14</b>	<b>250</b>	<b>17</b>	<b>281</b>

For performance obligations other than obligations under service contracts and extended warranties, no information is provided about the transaction price allocated to remaining performance obligations as, at 31 December 2020, there were no such obligations that had an original expected term of more than one year.

## 5 · OTHER OPERATING INCOME

(SEK million)	Group		Parent	
	2020	2019	2020	2019
Profit on sale of assets	5	4	–	–
Exchange gains	233	125	–	–
Other	126	125	–	–
<b>Total</b>	<b>364</b>	<b>254</b>	<b>–</b>	<b>–</b>



### 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 2020.

The company shall offer competitive remuneration on market terms to attract and retain personnel.

Remuneration shall be payable as fixed salary, variable salary, retirement benefit contributions or other benefits, such as a company car.

Directors' fees shall not be payable to members of the Board who are employed in the Group.

The period of notice from the company for the CEO shall be six months. The CEO shall have the right to severance pay equivalent to twelve months' salary. Other senior executives shall receive salary during a period of notice which varies from 6-12 months.

All senior executives shall have pension benefits corresponding to the ITP occupational pension plan, section 2, up to 30 basic amounts for social security purposes. For portions of salary above this, a premium of a fixed 30% is payable in accordance with the principles in the defined-contribution ITP plan, section 1. There shall be no special agreements for senior executives to retire before reaching the official retirement age while still receiving a certain proportion of their salaries.

As an incentive, senior executives will be entitled to a variable salary component that is payable if set targets are achieved. The variable component shall be restricted to four months' salary. The possibility also exists to receive an additional month's salary on condition that this additional payment plus another monthly salary paid as a variable bonus is used to purchase NIBE shares. A further condition for entitlement to receive this additional month's remuneration is that the shares thus purchased are retained for at least three years. Under normal circumstances, 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 programme.

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 2021 largely matches the principles approved at the 2020 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 2020. Other senior executives in the Group have retirement benefits that correspond to the ITP plan, section 2, for that portion of their salary up to 30 income base amounts. For salary amounts above this, a premium of 30% is paid in accordance with the defined contribution ITP plan, section 1. An exception is made in the case of the director of one of the business areas, who, in his capacity as Managing Director, has an individual pension arrangement with premiums that correspond to those of other senior executives. Under the Group's policy, no further pension premium payments are made if employment continues after the age of 65.

### Board and senior executives

(in thousands of SEK)	2020		2019	
	Salaries and other remuneration	Pension expenses	Salaries and other remuneration	Pension expenses
Hans Linnarson, Chair	840	–	800	–
Helene Richmond	–	–	400	–
Jenny Larsson	420	–	–	–
Georg Brunstam	420	–	400	–
Anders Pålsson	420	–	400	–
Jenny Sjödahl	420	–	400	–
Gerteric Lindquist, CEO	7,754	–	7,301	–
Other senior executives 4 (4) individuals	20,811	4,549	19,013	5,255
<b>Group total</b>	<b>31,085</b>	<b>4,549</b>	<b>28,714</b>	<b>5,255</b>

### Gender distribution in the Group's Board/senior management

	2020		2019	
	Number of	Of which men	Number of	Of which men
Board of Directors	6	4	6	4
Senior management				
Parent	2	2	2	2
Subsidiaries	3	3	3	3
<b>Group</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>

## 7 · PERSONNEL COSTS

Personnel costs, average number of employees

Salaries and other remuneration

(SEK million)	2020	2019
Parent	23	22
Subsidiaries	5,917	5,581
Group total	5,940	5,603

(SEK million)	2020		2019	
	Social security contributions	of which pension expenses	Social security contributions	of which pension expenses
Parent	11	4	11	4
Subsidiaries	1,092	249	1,017	202
Group total	1,103	253	1,028	206

As in the preceding year, none of the parent's pension expenses relate to the CEO. The parent's outstanding pension obligations for the Board of Directors and the CEO amount to SEK 7 million (SEK 7 million). The corresponding amount for the Group is SEK 10 million (SEK 8 million). The Group has no outstanding pension obligations for the previous Board of Directors and CEO.

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

(SEK million)	2020		2019	
	Board, CEO and senior executives	Other employees	Board, CEO and senior executives	Other employees
Parent	19	6	18	7
Subsidiaries in Sweden	12	781	10	735
Norway	–	183	–	200
Finland <sup>1)</sup> (1 and 2)	–	199	–	174
Denmark <sup>1)</sup> (3 and 3)	–	433	–	431
France <sup>1)</sup> (1 and 1)	–	42	–	49
Germany <sup>1)</sup> (1 and 1)	–	393	–	302
Poland <sup>1)</sup> (1 and 2)	–	286	–	278
Czech Republic <sup>1)</sup> (1 and 1)	–	127	–	126
Italy <sup>1)</sup> (1 and 1)	–	182	–	239
The Netherlands <sup>1)</sup> (1 and 1)	–	133	–	66
Belgium	–	9	–	5
UK <sup>1)</sup> (1 and 0)	–	188	–	179
Spain	–	24	–	27
Romania	–	30	–	31
Slovakia	–	1	–	–
Russia	–	16	–	15
Austria	–	58	–	52
Switzerland <sup>1)</sup> (2 and 1)	–	569	–	535
Serbia	–	78	–	9
Slovenia	–	23	–	–
Turkey	–	50	–	9
China	–	113	–	126
Malaysia	–	2	–	2
Vietnam	–	36	–	19
Taiwan	–	1	–	1
Thailand	–	8	–	9
Singapore	–	3	–	4
Australia	–	15	–	16
Mexico	–	172	–	209
Canada <sup>1)</sup> (1 and 1)	–	267	–	283
USA <sup>1)</sup> (4 and 5)	–	1,483	–	1,439
Group total	31	5,911	28	5,577

<sup>1)</sup> (of which bonus in SEK million)



Average number of employees and gender distribution

	2020			2019		
	Number of employees	Women	Men	Number of employees	Women	Men
Parent	8	4	4	8	4	4
Subsidiaries in Sweden	1,814	380	1,434	1,740	354	1,386
Norway	291	54	237	324	63	261
Finland	424	84	340	444	95	349
Denmark	647	180	467	622	198	424
France	74	19	55	66	18	48
Germany	743	131	612	639	127	512
Poland	2,253	1,140	1,113	2,278	1,179	1,099
Czech Republic	815	367	448	831	360	471
Italy	490	161	329	476	136	340
The Netherlands	254	37	217	98	21	77
Belgium	15	2	13	6	1	5
UK	511	85	426	536	95	441
Spain	60	16	44	67	18	49
Romania	300	200	100	299	211	88
Slovakia	3	1	2	3	1	2
Russia	173	48	125	155	47	108
Austria	87	31	56	79	18	61
Switzerland	654	135	519	614	117	497
Serbia	819	267	552	236	80	156
Slovenia	39	13	26	–	0	–
Turkey	359	35	324	81	9	72
China	1,049	422	627	976	418	558
Malaysia	15	9	6	15	11	4
Vietnam	636	520	116	427	332	95
Taiwan	4	1	3	4	1	3
Thailand	124	55	69	156	58	98
Singapore	8	6	2	12	3	9
Australia	26	9	17	30	15	15
Mexico	2,435	1,316	1,119	2,400	1,271	1,129
Canada	511	103	408	511	99	412
USA	3,099	962	2,137	2,861	947	1,914
<b>Group total</b>	<b>18,740</b>	<b>6,793</b>	<b>11,947</b>	<b>16,994</b>	<b>6,307</b>	<b>10,687</b>

## 8 · RESEARCH AND DEVELOPMENT COSTS

Research and development costs of SEK 868 million (SEK 742 million) are included in Cost of goods sold.

## 9 · REMUNERATION OF AUDITORS

Group (SEK million)	2020			2019		
	KPMG	Other auditors	Total Group	KPMG	Other auditors	Total Group
Audit engagements*	19	7	26	18	4	22
Other audit-related fees	2	3	5	2	2	4
Tax advisory services	1	8	9	1	7	8
Other services**	5	5	10	5	6	11
<b>Total</b>	<b>27</b>	<b>23</b>	<b>50</b>	<b>26</b>	<b>19</b>	<b>45</b>

During the year, the parent paid audit expenses of SEK 1 million (SEK 1 million) and expenses for other services of SEK 6 million (SEK 5 million).

\* of which SEK 5 million concerns KPMG AB

\*\* of which SEK 2 million concerns KPMG AB

Audit engagements refers to statutory auditing of the annual report and consolidated financial statements and accounts, the management by 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 CLASSIFIED BY TYPE OF COST

(SEK million)	Group		Parent	
	2020	2019	2020	2019
Net sales	27,146	25,342	23	23
Change in inventories	- 38	41	-	-
Revaluation of additional considerations	353	-	-	-
Other operating income	364	254	-	-
	<b>27,825</b>	<b>25,637</b>	<b>23</b>	<b>23</b>
Raw materials and consumables	- 11,414	- 10,759	-	-
Other external costs	- 4,067	- 3,853	- 50	- 66
Personnel costs	- 7,228	- 6,951	- 35	- 34
Depreciation	- 1,236	- 1,036	-	-
<b>Operating profit</b>	<b>3,880</b>	<b>3,038</b>	<b>- 62</b>	<b>- 77</b>



## ACCOUNTING POLICY

### *Interest income and dividend received*

Interest income is taken up as revenue with the application of the effective interest method. Dividends received are recognised as revenue when the right to receive the dividend is established.

## FINANCIAL INCOME

(SEK million)	Group		Parent	
	2020	2019	2020	2019
Interest income, Group companies	–	–	11	9
Interest income, other	16	15	1	–
Exchange gains	220	197	81	74
Other financial income	7	7	–	–
<b>Total</b>	<b>243</b>	<b>219</b>	<b>93</b>	<b>83</b>

## PROFIT FROM PARTICIPATIONS IN GROUP COMPANIES

(SEK million)	Group		Parent	
	2020	2019	2020	2019
Dividend	–	–	1,217	2,054
Impairment of participations in subsidiaries	–	–	– 164	– 30
<b>Total</b>	<b>–</b>	<b>–</b>	<b>1,053</b>	<b>2,024</b>

## FINANCIAL EXPENSES

(SEK million)	Group		Parent	
	2020	2019	2020	2019
Interest expense, Group companies	–	–	2	1
Interest expense, other	209	205	78	75
Exchange losses	253	213	148	135
Other financial expense	15	11	8	–
<b>Total</b>	<b>477</b>	<b>429</b>	<b>236</b>	<b>211</b>

## 12 · APPROPRIATIONS

### ACCOUNTING POLICY

#### Group contributions and shareholder 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 recognised as an appropriation in the parent. A group contribution made by the parent is recognised as an appropriation. Shareholder contributions made to a subsidiary are recognised as an increase in shares in the subsidiary. The value is then tested for impairment.

### APPROPRIATIONS

(SEK million)	Parent	
	2020	2019
Group contributions	133	204
<b>Total</b>	<b>133</b>	<b>204</b>



## ACCOUNTING POLICY

### IAS 12 is applied to the accounting of income taxes.

Recognised income taxes include current tax, adjustments for the previous year's 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 approved or announced, when there is good reason to believe these will be confirmed.

For items recognised in the income statement, the associated tax effects are also recognised in profit or loss. Tax is recognised in other comprehensive income if the tax is attributable to items recognised in other comprehensive income.

Deferred tax is calculated in accordance with the balance sheet method for all material temporary differences that arise between the recognised value and the tax-based value of assets and liabilities. Such temporary differences arise mainly through Group surpluses. Deferred tax assets in respect of loss carryforwards or other future taxable deductions are recognised to the extent that it is probable that the amount can be deducted from future taxable surpluses.

Due to the relationship between accounting and taxation, the deferred tax liability on untaxed reserves is recognised in the parent as a portion of the untaxed reserves.

(SEK million)	Group		Parent	
	2020	2019	2020	2019
Current tax for the year	845	649	1	2
Current tax attributable to preceding years	- 2	- 4	14	-
Deferred tax	- 108	7	- 1	- 1
<b>Total</b>	<b>735</b>	<b>652</b>	<b>14</b>	<b>1</b>

### Tax on items recognised in other comprehensive income

(SEK million)	Group		Parent	
	2020	2019	2020	2019
Defined-benefit pensions	4	- 49	-	-
Market valuation of currency forward contracts	1	1	-	-
Market valuation of commodity forward contracts	-	1	-	-
Current tax attributable to exchange differences	- 167	25	-	-
Current tax attributable to foreign net investment	9	5	-	-
<b>Total</b>	<b>- 153</b>	<b>- 17</b>	<b>-</b>	<b>-</b>

### Difference between consolidated tax expense and tax expense based on current tax rate

The applicable tax rate was calculated based on the 21.4% (21.4%) tax rate that applies to the parent. See page 85.

(SEK million)	Group		Parent	
	2020	2019	2020	2019
Pre-tax profit	3,658	2,836	1,001	2,028
Tax at current rate	783	607	214	434
Non-deductible expenses	34	18	51	8
Non-taxable earnings	-80	-3	-4	-
Dividends from subsidiaries	-	-	-261	-441
Adjusted tax for preceding years	-2	-4	14	-
Deficit deductions not carried forward	-27	-	-	-
Change in tax rate for deferred tax	-	14	-	-
Effect of foreign tax rates	27	20	-	-
Recognised tax expense	735	652	14	1

### Due dates for deficit deductions which have not been brought forward

Accumulated deficit deductions which are not offset by recognised deferred tax assets amounted to SEK 273 million (SEK 376 million) for the Group. The due dates for deficit deductions are within the following intervals:

(SEK million)	Group	
	2020	2019
Due for payment within 1-5 years	36	79
Due for payment within 6-10 years	7	57
No due date	230	240
Total	273	376

### Deferred tax assets

(SEK million)	Deficit deductions	Provisions for pension obligations	Provisions for guarantee obligations	Temporary differences in non-current assets	Other	Total
Amount at start of year	13	122	59	-	156	350
Acquired companies	-	-	-	5	3	8
Recognised as income	19	5	16	8	62	110
Recognised in other comprehensive income	-	-4	-	-	-	-4
Translation difference	-2	-3	-5	-1	-12	-23
Amount at end of year	30	120	70	12	209	441

### Temporary differences

Temporary differences arise if there is a difference between the carrying amount and the tax base of the assets and liabilities. Temporary differences in the following items resulted in deferred tax liabilities and deferred tax assets. Deferred tax liabilities regarding temporary differences attributable to investments in subsidiaries are not recognised, since the parent can control the timing of the reversal of the temporary differences.

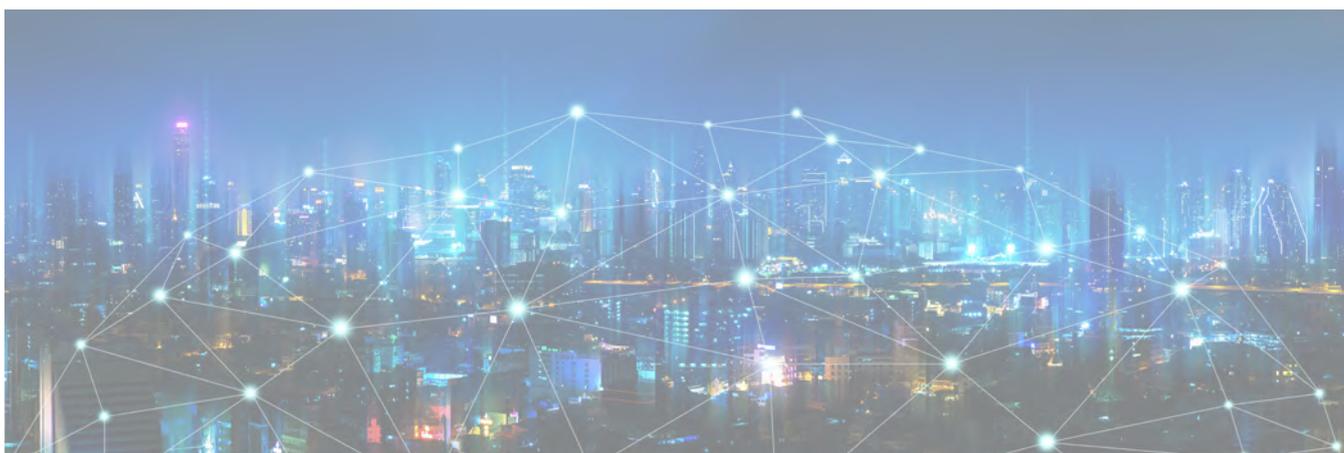
#### Deferred tax assets

(SEK million)	Group		Parent	
	2020	2019	2020	2019
Deficit deductions	30	13	-	-
Provisions for pension obligations	120	122	-	-
Provisions for guarantee obligations	70	59	-	-
Temporary differences in non-current assets	12	-	-	-
Other	209	156	3	3
Total	441	350	3	3

#### Deferred tax liabilities

(SEK million)	Group		Parent	
	2020	2019	2020	2019
Untaxed reserves	51	46	-	-
Temporary differences in non-current assets	1,111	1,057	-	-
Other	138	126	-	-
Total	1,300	1,229	-	-

(SEK million)	Untaxed reserves	Temporary differences in non-current assets	Other	Total
Amount at start of year	46	1,057	126	1,229
Acquired companies	1	168	1	170
Recognised as income	4	-26	24	2
Recognised in other comprehensive income	-	-	1	1
Translation difference	-	-88	-14	-102
Amount at end of year	51	1,111	138	1,300



## 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. The period of use of the trademarks cannot be estimated with certainty, since it is dependent on several unknown factors such as technological advances and market trends. NIBE applies IAS 38 Intangible Assets, which means that goodwill and assets with an indeterminate useful life are not amortised. An impairment test is, however, carried out annually, or more frequently if there are indications that an impairment need may exist, in accordance with IAS 36, in which the Group's carrying amounts on these assets are compared with the assets' 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 impaired to the level of the value in use. Accordingly, the assets are recognised at cost less accumulated impairment.

#### Impairment testing

The NIBE Group prepares budgets for one year at a time. This means that the cash flows for the first year of the 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 investment 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 was carried out regarding the significant assumptions applied in the impairment testing. The following assumptions have been used to test sensitivity.

- Organic growth in years 2-5 is two percentage points lower.
- The gross investment 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 resulted in an impairment need for any of the Group's cash-generating units.

#### Significant assumptions in 2020 (2019)

Assumptions	Cash-generating unit		
	NIBE Climate Solutions	NIBE Element	NIBE Stoves
Growth rate, years 2-5, %	5.0 (5.0)	5.0 (5.0)	5.0 (5.0)
Growth rate, year 6 and later, %	2.0 (2.0)	2.0 (2.0)	2.0 (2.0)
Working capital requirement for organic growth, %	13.0 (13.0)	15.0 (15.0)	18.0 (18.0)
Discount rate before tax, %	5.6 (5.0)	6.1 (5.6)	5.7 (5.6)

### MARKET POSITIONS AND OTHER INTANGIBLE ASSETS

Expenditure on research activities is expensed as it arises.

Expenditures are incurred for product development in all NIBE Group business areas. During the development phase, several criteria are used for recognising development projects as intangible assets. Expenditures are capitalised where it is technically possible and the intention is to complete the asset either for use or sale, where the asset is expected to generate future economic benefits, where it is financially possible to complete the asset and the cost of the asset can be measured reliably. Expenditures are capitalised from the date on which all the above criteria are met.

Other development expenditures which do not meet these conditions are recognised as expenses as they arise. Development expenditures which have previously been expensed are not recognised as assets in a subsequent period.

Amortisation 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, licences, computer programs, market positions, etc. These assets have limited useful lives according to assessments by the Group.

#### Useful life of intangible assets

Group management determines the estimated useful life, and thus the associated amortisation of consolidated 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.

#### Amortisation

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

## MARKET POSITIONS

Market positions refers to the measurement of cash flows from identified customer relationships. Amortisation for the year is recognised as a selling expense in the consolidated income statement.

(SEK million)	Group	
	2020	2019
<b>Cost</b>		
Opening cost	2,963	2,667
Investments for the year	229	173
Reclassifications	214	–
Translation differences	– 290	123
Closing accumulated cost	3,116	2,963
<b>Amortisation</b>		
Opening amortisation	1,225	964
Amortisation for the year	239	216
Translation differences	– 118	45
Closing accumulated amortisation	1,346	1,225
Closing carrying amount	1,770	1,738

## BRANDS

(SEK million)	Group	
	2020	2019
<b>Cost</b>		
Opening cost	2,318	2,098
Investments for the year	172	128
Reclassifications	16	–
Translation differences	– 214	92
Closing accumulated cost	2,292	2,318
<b>Depreciation</b>		
Opening amortisation	14	7
Amortisation for the year	3	7
Translation differences	– 2	–
Closing accumulated amortisation	15	14
Closing carrying amount	2,277	2,304
<b>Carrying amount per business area</b>		
NIBE Climate Solutions	1,850	1,847
NIBE Element	232	242
NIBE Stoves	195	215
<b>Total</b>	<b>2,277</b>	<b>2,304</b>

## GOODWILL

(SEK million)	Group	
	2020	2019
<b>Cost</b>		
Opening cost	14,071	12,750
Investments for the year	1,641	786
Reclassifications	– 182	–
Translation differences	– 1,312	535
Closing accumulated cost	14,218	14,071
Closing carrying amount	14,218	14,071
<b>Carrying amount per business area</b>		
NIBE Climate Solutions	9,945	9,341
NIBE Element	3,040	3,374
NIBE Stoves	1,233	1,356
<b>Total</b>	<b>14,218</b>	<b>14,071</b>

## OTHER INTANGIBLE ASSETS

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

(SEK million)	Group	
	2020	2019
<b>Cost</b>		
Opening cost	1,371	1,143
Cost in acquired companies	44	–
Investments for the year	248	228
Sales and retirements	– 28	– 22
Reclassifications	–	1
Translation differences	– 56	21
Closing accumulated cost	1,579	1,371
<b>Amortisation</b>		
Opening amortisation	777	654
Sales and retirements	– 24	– 17
Amortisation for the year	163	126
Reclassifications	–	1
Translation differences	– 34	13
Closing accumulated amortisation	882	777
<b>Impairment</b>		
Opening impairment	4	4
Closing accumulated impairment	4	4
Closing carrying amount	693	590

Amortisation and impairment of other intangible assets are recognised within the following functions:

(SEK million)	Group	
	2020	2019
Cost of goods sold	132	98
Selling expenses	5	6
Administrative expenses	26	22
<b>Total</b>	<b>163</b>	<b>126</b>

Other intangible assets consists primarily (SEK 543 million) of capitalised development costs. Capitalised development costs are amortised over their estimated useful lives. In 2020, these were between 4 and 6 years.



## ACCOUNTING POLICY

Property, plant and equipment are recognised at cost less accumulated depreciation and any impairment. Cost includes the purchase price and expenses directly attributable to the asset to ensure that it is in the location and condition to be used in accordance with the purpose of the acquisition. 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 on a current basis.

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	
	2020	2019
<b>Cost</b>		
Opening cost	2,962	2,650
Cost in acquired companies	141	80
Investments for the year	254	60
Sales and retirements	- 13	- 1
Reclassifications	122	120
Translation differences	- 168	53
Closing accumulated cost	3,298	2,962
<b>Depreciation</b>		
Opening depreciation	946	839
Depreciation for the year	111	97
Sales and retirements	- 6	- 1
Translation differences	- 40	11
Closing accumulated depreciation	1,011	946
Closing carrying amount	2,287	2,016
of which, land	347	350
Closing carrying amount, land and buildings in Sweden	619	528

## MACHINERY AND EQUIPMENT

(SEK million)	Group		Parent	
	2020	2019	2020	2019
<b>Cost</b>				
Opening cost	4,532	4,003	1	1
Cost in acquired companies	145	83	-	-
Investments for the year	384	381	-	-
Sales and retirements	- 133	- 128	-	-
Reclassifications	204	115	-	-
Translation differences	- 280	78	-	-
Closing accumulated cost	4,852	4,532	1	1
<b>Depreciation</b>				
Opening depreciation	2,905	2,622	1	1
Sales and retirements	- 119	- 119	-	-
Depreciation for the year	421	367	-	-
Reclassifications	29	- 6	-	-
Translation differences	- 159	41	-	-
Closing accumulated depreciation	3,077	2,905	1	1
<b>Impairment</b>				
Opening impairment	4	5	-	-
Impairment for the year	3	-	-	-
Reclassifications	-	- 1	-	-
Translation differences	- 1	-	-	-
Closing accumulated impairment	6	4	-	-
Closing carrying amount	1,769	1,623	-	-

## CONSTRUCTION IN PROGRESS

(SEK million)	Group	
	2020	2019
<b>Cost</b>		
Opening cost	388	223
Cost in acquired companies	1	3
Costs incurred during the year	256	334
Sales and retirements	- 2	-
Re-allocations during the year	- 298	- 172
Translation differences	- 9	-
Closing accumulated cost	336	388



## ACCOUNTING POLICY

### Right-of-use assets

The NIBE Group's right-of-use leases mainly concern premises and generally contain renewal options. They are used frequently by Group companies, for which reason the value of right-of-use assets in most cases where premises are concerned is based on assumptions of renewal terms.

When a contract is made, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract assigns the right, for a certain period of time, to determine the use of an identified asset in exchange for payment.

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 recognises lease and non-lease components that are paid for with a fixed amount as a single lease component.

#### *Leases as lessee*

The Group recognises a right-of-use asset and a lease liability at the start 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 at or before the start date, plus any initial direct expenses. The right-of-use asset is depreciated in a straight line from the start 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 interminable term plus additional terms in the lease if, at the start date, it is deemed reasonably certain that they will be used.

The lease payments are normally discounted by the Group's marginal 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 un-

derlying asset as intended security. However, where a lease's implicit interest rate can easily be determined, that rate is used.

The lease liability comprises the present value of the following payments during the estimated lease term:

- fixed payments, including substantially fixed payments,
- variable lease payments linked to an index or rate, initially measured using the index or rate applicable at the start date,
- any residual value guarantees that are expected to be paid,
- the exercise price for a call 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 recognised value 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 statement of financial position.

No right-of-use asset and lease liability are recognised for leases that have a lease term of 12 months or less or have an underlying asset of low value, under SEK 50,000. Lease payments for these leases are recognised as an expense in a straight line over the lease term.

The Group is not a lessor in any case.

The parent has no leases.

## LEASE PAYMENTS

Right-of-use asset	1 Jan 2020	Acquired companies	Added during the year	Depreciation during the year	Translation differences	31 Dec 2020
Premises	780	84	184	- 219	- 73	756
Machinery	6	1	4	- 4	1	8
Vehicles	115	25	95	- 64	- 9	162
IT equipment	6	2	1	- 3	1	7
Other	29	2	7	- 8	- 5	25
<b>Total</b>	<b>936</b>	<b>114</b>	<b>291</b>	<b>- 298</b>	<b>- 85</b>	<b>958</b>

## Lease liabilities at end of year

See Note 29 for an analysis of the terms of Group lease liabilities.

(SEK million)	31 Dec 2020	31 Dec 2019
Non-current liabilities	625	660
Current liabilities	329	279
<b>Total lease liabilities at end of year</b>	<b>954</b>	<b>939</b>

## Income statement

Under IFRS 16, lease payments must be partly charged to net financial items. Consequently, IFRS 16 entailed an improvement in consolidated operating profit for 2020 of SEK 19 million, while consolidated net financial items decreased by a corresponding amount.

(SEK million)	2020	2019
Depreciation of capitalised leases	298	223
Lease payments for non-capitalised short-term leases and low-value leases	28	35
Interest expenses	19	17
<b>Total lease payments in the income statement</b>	<b>345</b>	<b>275</b>

## Cash flow

Lease payments for the right-of-use assets capitalised in the consolidated balance sheet are recognised in the statement of cash flows under Financing activities as amortisation of lease liabilities. Lease payments for short-term leases and low-value leases are recognised under Operating activities.

(SEK million)	2020	2019
Depreciation of lease liabilities	323	240
Lease payments for non-capitalised short-term leases and low-value leases	28	35
<b>Total cash flow</b>	<b>351</b>	<b>275</b>



## ACCOUNTING POLICY

### Parent's reporting of shares in subsidiaries

The parent reports in accordance with the cost method and capitalises costs which are directly attributable to the acquisition. Additional considerations are recognised at probable outcome. Any future adjustments will affect the carrying amount of shares in the subsidiary.

## SHARES IN SUBSIDIARIES

The holdings in Varde Ovne A/S, Untes Isitma Klima Sogutma San Ve Tic A.S , Untes VRF Klima Sistemleri A.S. and WaterFurnace International Hong Kong Ltd were impaired during the year. WaterFurnace International Hong Kong Ltd was subsequently liquidated.

(SEK million)	2020	2019
<b>Cost</b>		
Opening cost	10,707	10,275
Investments for the year	1,592	345
Sales for the year	–	– 69
Reclassifications	–	156
<b>Closing accumulated cost</b>	<b>12,299</b>	<b>10,707</b>
<b>Impairment</b>		
Opening impairment	173	144
Impairment for the year	164	30
Reclassifications	–	– 1
<b>Closing accumulated impairment</b>	<b>337</b>	<b>173</b>
<b>Closing carrying amount</b>	<b>11,962</b>	<b>10,534</b>

Subsidiary	Proportion of equity	Shares	Carrying amount, SEK million
ABK AS	100%	500	210
Backer AB	100%	37,170	186
Backer EHP Inc.	100%	100	217
Cetetherm AB	100%	50,000	5
CK Fires Ltd	51%	204	130
Druzstevniz. 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	131
Jevi A/S	100%	1	30
Kaukora Oy	100%	759	201
Lotus Heating Systems A/S	100%	1,076,667	50
Loval Oy	100%	768	40
METRO THERM A/S	100%	3,400	181
NIBE AB	100%	400,000	153
NIBE AirSite AB	50%	1,000	39
NIBE Climate Solutions Canada Corp.	100%	6,632,000	132
NIBE Energy Systems France SAS	100%	100	2
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	479
SAN Electro Heat A/S	100%	13	18
Snowcliff AG	100%	10,625,000	4,860
Springfield Wire de Mexico S.A. de C.V.	100%	10,000	42
Stovax Heating Group Ltd	100%	198,900	491
TermaTech A/S	100%	500	62
TIKI d.o.o. Stara Pazova	100%		377
Untes Isitma Klima Sogutma San Ve Tic A.S	50%	7,500,000	633
Untes VRF Klima Sistemleri A.S.	39%	1,560	49
Varde Ovne A/S	100%	4,009	1
WaterFurnace Renewable Energy Corp.	100%	14,666,765	96
Waterkotte GmbH	100%		234
Wiegand S.A. de C.V.	100%	15,845,989	21
<b>Total</b>			<b>11,962</b>

## 17 · SHARES IN SUBSIDIARIES

Shares owned via subsidiaries	Proportion of capital	Number of shares
ait-austria GmbH	100.00%	1
ait-cesko s.r.o	100.00%	200,000
ait-deutschland GmbH	100.00%	
ait Schweiz AG	100.00%	250
ait-slovensko s.r.o	100.00%	5,000
ait-värmeteknik-sverige AB	100.00%	1,000
Askoma AG	100.00%	200,000
Askoma SDN BHD	100.00%	500,000
ATE-Electronics S.r.l.	100.00%	
Backer Alpe S. de R.L. de C.V.	100.00%	
Backer Asia Ltd	100.00%	1,000
Backer Heating Technologies France SARL	100.00%	12,429
Backer Cellnergy Engineering PTE Ltd	80.00%	
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%	
Bentone AB	100.00%	1,000
Biawar Produkcja Sp z.o.o	100.00%	50
Briskheat Corporation	60.00%	6,754,535
Briskheat Corporation HK Limited	100.00%	10,000
Briskheat Shenzhen Trading Company Ltd	100.00%	
Briskheat Technology Company Co. Ltd	100.00%	60,000
Briskheat Vietnam Co Ltd	100.00%	
Cetetherm LLC	100.00%	
Cetetherm Oy	100.00%	2,500
Cetetherm SAS	100.00%	30,000
Cetetherm s.r.o.	100.00%	
CGC Group of Companies	50.00%	320
ClimaCool Corp.	100.00%	1,000
Climate Control Group Inc.	100.00%	10,000
ClimateCraft Inc.	100.00%	1,000
ClimateMaster Inc.	100.00%	1,000
Contura Stoves Ltd	100.00%	1
CTC AB	100.00%	1,000
CTC Ferrofil AS	100.00%	1,001
CTC AG	100.00%	700
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

Shares owned via subsidiaries	Proportion of capital	Number of shares
ELEKTRON-ETTO, s.r.o.	50.10%	
Elektrotermija Ltd	51.00%	
Eltwin Sp. z.o.o.	100.00%	100
Emin Teknik Hortum Ve Makine AS	51.00%	161,160
Enertech Belgium Sprl	100.00%	859,550
Enertech Global LLC	100.00%	
Enertech GmbH	100.00%	100
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	95.20%	1,527,216
Gaumer Company Inc	60.00%	
Gazco Ltd	100.00%	30,000
HC Holding ETA AG	51.00%	51,000
Heating Group International B.V.	51.00%	189
Heatpoint B.V.	100.00%	800
Heatrod Elements Ltd	100.00%	68,000
Heatron Inc.	100.00%	1,200,000
Hemi Heating AB	70.00%	1,500
Hemi Heating Technology Co Ltd	80.00%	
Høiax AS	100.00%	1,000
HT Est Division s.r.l.	100.00%	100
HT Heizelemente Deutschland GmbH	100.00%	1
Hydraulik-Service i Markaryd AB	100.00%	1,000
Hyper Engineering Pty Ltd	100.00%	
International Environmental Corp.	100.00%	300
Jac. De Vries Gesta B.V.	100.00%	40
Järnvägsgatan 9 i Markaryd AB	100.00%	500
KKT Chillers Inc.	100.00%	1,000
KNV Energietechnik GmbH	100.00%	
Koax Corp.	100.00%	50
KVM-Genvex A/S	100.00%	2,500
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
Moravská dopravní společnost, a.s.	100.00%	
Motron A/S	100.00%	1,000
myUpTech AB	100.00%	1,000
Nathan Belgie B.V.	100.00%	100
Nathan Holding B.V.	51.00%	9,180
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
NIBE Beteiligungenverwaltungs GmbH	100.00%	
NIBE-BIAWAR Sp. z o.o.	100.00%	83,962

## 17 · SHARES IN SUBSIDIARIES

Shares owned via subsidiaries	Proportion of capital	Number of shares
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 Systemtechnik GmbH	100.00%	
Norske Backer AS	100.00%	12,000
Northstar Poland Sp. z o.o.	100.00%	3,134
Omni Control Technology Inc.	100.00%	200,000
Osby Parca AB	100.00%	5,000
Pellux GmbH	100.00%	
Renting 959 KB	100.00%	
Rhoss GmbH	100.00%	
Rotterdamse Elementen Fabriek B.V.	100.00%	23
Schulthess Maschinen AG	100.00%	7,500
Schulthess Maschinen GmbH	100.00%	
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
Strukturgruppen AB	100.00%	1,000

Shares owned via subsidiaries	Proportion of capital	Number of shares
Tempeff North America Ltd	65.00%	78,000
Termorad Sp. Z.o.o.	100.00%	80,000
Termotech S.r.l.	87.50%	
ThermaClime Technologies Inc.	100.00%	10,000
Therm-X of California Inc.	51.00%	1,205
Therm-x SVT Co. Ltd.	100.00%	
Therm-X SVT LLC	100.00%	
TIKI HVAC d.o.o.	100.00%	
Turboflame AB	100.00%	3,000
Untes Rhoss Sogutma Sistemleri A.S.	80.00%	8,000
Untes VRF Klima Sistemleri A.S.	22.00%	880
VEÅ AB	100.00%	750
VEÅ Förvaltning AB	100.00%	500
VEÅ Holding AB	60.00%	300
VEÅ Uthyrning AB	100.00%	500
Viggo Wahl Pedersen AS	70.00%	700
Värmeelement i Osby AB	100.00%	1,000
Vølund Varmeteknik A/S	100.00%	1,000
WaterFurnace International Inc.	100.00%	100
Waterkotte Austria GmbH	57.00%	
Waterkotte Italia s.r.l.	100.00%	
Waterkotte Schweiz AG	50.00%	
Wolf Laundry Ltd	100.00%	100
Wolf Laundry Holdings Ltd	51.00%	51



## 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 those in which it has a significant influence over operations and financial management in some other way are classified in the accounts as associates. Investments in associates and joint ventures are recognised in the Group according to the equity method and in the parent according to the cost method. The equity method means that the participation is initially reported at cost at the time of acquisition and subsequently adjusted according to the Group's participation in the associate's earnings.

## PARTICIPATIONS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

(SEK million)	Group	
	2020	2019
Carrying amount at start of year	34	181
Book value, acquired companies	5	–
Investments for the year	–	1
Disposals for the year	–8	–
Dividend received	–2	–8
Share in profits for the year	12	8
Reclassifications	–27	–147
Translation differences	–	–1
Carrying amount at end of year	14	34

During the year, the holding in Produktionskonsult Väst AB was sold to the newly formed Produktionskonsult Väst Holding AB.

### Group (SEK million)

Name	Corporate ID number	Registered office	Proportion of equity	Number of shares	Share in equity	Proportion of equity	Carrying amount
Produktionskonsult Väst AB	5556713-5206	Gothenburg	–	–	12	–	–
Produktionskonsult Väst Holding AB	559249-4487	Båstad	49.0%	4,900	1	1	1
Teramex Austria GmbH	FN333143T	Radentheim, Austria	24.0%	288	1	6	6
Shanghai Canature Fireplace Products Ltd.	9131 0115 7721 1410 65H	Shanghai, China	25.0%	–	–	7	7
Rhoss Iberica Climatizacion SL	B63597074	Barcelona, Spain	30.0%	3,000	–2	–1	–
<b>Total</b>					12	13	14

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

### Parent (SEK million)

Name	Corporate ID number	Registered office	Proportion of equity	Number of shares	Dividend	Capital gain	Carrying amount
Produktionskonsult Väst AB	556713-5206	Gothenburg	–	–	2	18	–
Produktionskonsult Väst Holding AB	559249-4487	Båstad	49.0%	4,900	–	–	1

## 19 · OTHER NON-CURRENT RECEIVABLES

(SEK million)	Group		Parent	
	2020	2019	2020	2019
Market value, interest swap	–	8	–	8
Other	127	174	–	–
<b>Total</b>	<b>127</b>	<b>182</b>	<b>–</b>	<b>8</b>

## 20 · INVENTORIES

### ACCOUNTING POLICY

IAS 2 is applied to the accounting of inventories. 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 recognised at above net realisable 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 start of the year, there are 504,016,622 shares with a quota value of SEK 0.15625 per share. During the year, 250,000 class A shares were reclassified as class B shares.

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 Melker Schörling, with around 20% of the votes. At the end of 2020 there were no outstanding convertible loans or options that could risk diluting the share capital. The situation was the same in the preceding year.

### Proposal for appropriation of profits

The financial resources at the disposal of the Annual General Meeting are:

Profit brought forward	SEK 3,522 million
Share premium reserve	SEK 4,751 million
Net profit for the year	SEK 987 million
<b>Total</b>	<b>SEK 9,260 million</b>

The Board of Directors proposes issuing a dividend to shareholders of SEK 1.55 per share, equivalent to a total pay-out of SEK 781 million. A total of SEK 8,479 million will be carried over in the accounts: SEK 4,751 million of this in the share premium reserve and SEK 3,728 million as profit brought forward.

The Board of Directors considers that the proposed dividend is reasonable considering the requirements that the nature, scope and inherent risks of the business operations make on the amount of equity and the company's and the Group's consolidation needs, liquidity and financial position. 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.

(SEK million)	Quota value (SEK)	Class A shares (no.)	Class B shares (no.)	Total number (no.)
At start of year	0.15625	58,532,590	445,484,032	504,016,622
Reclassification	0.15625	– 250,000	250,000	–
<b>At year-end</b>	<b>0.15625</b>	<b>58,282,590</b>	<b>445,734,032</b>	<b>504,016,622</b>



## ACCOUNTING POLICY

### PROVISIONS FOR PENSIONS

#### Defined-benefit pension plans

Defined benefit pension plans are post-employment benefit plans other than defined contribution plans.

The Group's net obligations for defined benefit plans are calculated separately for each plan by estimating the future payment earned by the employee in both current and previous periods. This payment is discounted to present value. The discount rate is the interest rate at the end of the period on an investment grade corporate bond, including mortgage bonds, with a term which corresponds to the Group's pension obligations. When there is no active market for this type of corporate bond, the market interest rate for government bonds with 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 obligations consist of the present value of the obligations less the fair value of plan assets adjusted for any asset limitations.

All the components included in the cost for the period for a defined benefit plan are recognised in profit or loss.

The revaluation effects consist of actuarial gains and losses. The revaluation effects are recognised in other comprehensive income.

When the calculation leads to an asset for the Group, the carrying amount of the asset is limited to the lower of the plan surplus and the asset limitation calculated using the discount rate. The asset limitation consists of the present value of the future economic benefits in the form of reduced future contributions or cash repayment. In calculating the present value of future repayments or payments made, any minimum funding requirements are considered.

Changes or reductions in a defined-benefit plan are recognised at the earliest when the change in the plan or the reduction comes into force or when the company recognises related restructuring costs and termination benefits. The changes/reductions are recognised immediately in profit or loss.

The special employer's contribution is a component of the actuarial assumptions, so it is recognised as a component of the net obligation/net asset. The component of the special employer's contribution that is calculated in a legal entity based on the Pension Obligations Vesting Act is recognised, for the sake of simplicity, as an accrued cost rather than as a component of the net obligation/net asset.

The yield tax is recognised on a current basis in profit or loss for the period to which the tax relates, so it is not included in the liability calculation. With funded plans, the tax is charged to the return on plan assets and is recognised in other comprehensive income. For unfunded or partially unfunded plans, the tax is charged to profit for the year.

The Group has defined-benefit pensions chiefly for its Swiss and Swedish companies. Swiss pension plans are funded, which means that plan assets are held to cover pension commitments. The assets are managed by fund managers which are separate legal entities. For Swedish companies, calculations and payments are handled through PRI Pensionstjänst AB. These are unfunded. Consequently, no plan assets are held for the purpose of securing retirement benefits.

The average remaining period of service is 16.6 years for Switzerland and 12.4 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 2020	Switzerland	Sweden
Discount rate on 1 January	0.15%	1.35%
Discount rate on 31 December	0.15%	1.15%
Expected salary increases	1.00%	3.00%
Expected inflation	0.60%	2.00%

Actuarial assumptions 2019	Switzerland	Sweden
Discount rate on 1 January	1.00%	2.35%
Discount rate on 31 December	0.15%	1.35%
Expected salary increases	1.00%	3.00%
Expected inflation	0.60%	2.00%

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 points	- 131	+ 152
Expected salary increases - 0.25 percentage points	+ 11	- 10
Expected inflation - 0.25 percentage points	+ 27	- 7

## 22 · PROVISIONS FOR PENSIONS

(SEK million)	2020			2019		
	Funded plans	Unfunded plans	Total	Funded plans	Unfunded plans	Total
<b>Reconciliation of pension obligations</b>						
Present value at start of year	1,345	273	1,618	1,107	202	1,309
Present value in acquired companies	–	2	2	–	13	13
Service charge	56	12	68	33	21	54
Interest on obligations	2	3	5	12	3	15
Contributions from employees	33	–	33	31	–	31
Pensions paid	– 54	– 5	– 59	– 69	– 4	– 73
Actuarial gains (-), losses (+) during the period	– 12	7	– 5	184	35	219
Adjustments	– 12	1	– 11	– 13	–	– 13
Translation differences	– 47	– 5	– 52	60	3	63
Present value at end of year	1,311	288	1,599	1,345	273	1,618
<b>Reconciliation of plan assets</b>						
Fair value at start of year	884	–	884	852	–	852
Interest income on plan assets	2	–	2	9	–	9
Actuarial gains (+), losses (-) during period	18	–	18	– 6	–	– 6
Contributions paid in	35	–	35	35	–	35
Contributions from employees	33	–	33	31	–	31
Adjustments	– 12	–	– 12	– 13	–	– 13
Pensions paid	– 54	–	– 54	– 69	–	– 69
Translation differences	– 32	–	– 32	45	–	45
Fair value at end of year	874	–	874	884	–	884
<b>Provisions for pensions</b>						
Retirement benefit obligations, present value	1,311	288	1,599	1,345	273	1,618
Plan assets, fair value	– 874	–	– 874	– 884	–	– 884
Provisions for pensions	437	288	725	461	273	734
<b>Pension costs recognised in profit or loss</b>						
Service charge	56	12	68	33	21	54
Interest on obligations	2	3	5	12	3	15
Interest income on plan assets	– 2	–	– 2	– 9	–	– 9
Pension costs, defined-benefit plans	56	15	71	36	24	60
Pension costs, defined-contribution plans			182			146
Total pension costs in profit or loss			253			206
<b>Pension costs recognised in other comprehensive income</b>						
Actuarial gains (-), losses (+) in respect of:						
– changed financial assumptions	– 3	6	3	187	33	220
– changed demographic assumptions	–	–	–	–	–	–
– experience-based adjustments	– 9	1	– 8	– 2	1	– 1
– difference between actual yield and yield according to discount rate on plan assets	– 18	–	– 18	6	–	6
– special employer's contribution	–	2	2	–	8	8
Pension costs in other comprehensive income	– 30	9	– 21	191	42	233
<b>Reconciliation of provisions for pensions</b>						
Opening balance	461	273	734	255	202	457
Provisions in acquired companies	–	2	2	–	13	13
Pension costs, defined-benefit plans	56	15	71	36	24	60
Actuarial differences	– 30	7	– 23	191	34	225
Pensions paid	–	– 5	– 5	–	– 4	– 4
Contributions paid in	– 35	–	– 35	– 35	–	– 35
Translation differences	– 15	– 5	– 20	14	4	18
Closing balance	437	288	725	461	273	734
Expected pension costs for defined-benefit plans in 2021	54	9	63	53	11	64
<b>Composition of plan assets</b>						
Shares	177			138		
Interest-bearing securities	432			480		
Property, etc.	265			266		
Total plan assets	874			884		

The parent's recognised pension liabilities amount to SEK 15 million (SEK 12 million) and are calculated in accordance with the Pension Obligations Vesting Act and not IAS 19.

## 22 · PROVISIONS FOR PENSIONS

### Defined-contribution plans

These plans primarily cover retirement pensions, disability pensions and survivor 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 survivor 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 2020 financial year the company has not had access to the kind of information that would enable it to recognise this plan in the accounts as a defined-benefit plan. The ITP occupational pension plan secured through an insurance policy with Alecta is, therefore, recognised as a defined-contribution plan.

The contributions for the year for pension insurance policies taken out with Alecta amounted to SEK 20 million (SEK 21 million). Alecta's surplus can be distributed to the policyholders and/or the insured. At year-end 2020 Alecta's surplus in the collective funding ratio was 148% (148%). The collective funding ratio consists of the market value of Alecta's assets as a percentage of the insurance commitments calculated in accordance with Alecta's actuarial commitments, which is not in conformity with IAS 19.

## 23 · OTHER PROVISIONS

Guarantees are normally provided for one to three years, but longer guarantee periods may be provided in individual cases. The guarantee risk reserve is calculated based on the cost history of these commitments.

(SEK million)	Guarantee risk reserve	Other	Total Group	Parent company
Amount on 31 Dec 2018	596	200	796	89
Provisions in acquired companies	7	15	22	-
Provisions during the year	112	16	128	9
Amount utilised during the year	- 124	- 12	- 136	- 3
Reversals in provisions	- 41	- 17	- 58	-
Translation differences	19	3	22	4
Amount on 31 Dec 2019	569	205	774	99
Provisions in acquired companies	16	5	21	-
Provisions during the year	274	101	375	-
Amount utilised during the year	- 129	- 97	- 226	- 94
Reversals in provisions	- 12	11	- 1	- 6
Translation differences	- 45	- 2	- 47	1
Amount on 31 Dec 2020	673	223	896	-

## 24 · LIABILITIES TO CREDIT INSTITUTIONS

Since two of the Group's credit agreements expire in 2021, the liabilities covered by the agreements were recognised as current liabilities.

Current liabilities to credit institutions also include overdraft facilities. Credit facilities granted in the Group totalled SEK 523 million (SEK 572 million). The Group's overdraft facility was thus reduced during the year by SEK 49 million. The parent has no overdraft facility.

## 25 · BOND LOANS

(SEK million)	Group		Parent	
	2020	2019	2020	2019
Loan at a variable rate of Stibor + 130 points that falls due in May 2020	–	750	–	750
Loan of SEK 750 million at a fixed rate of 1.8% that falls due in May 2020	–	753	–	753
Loan of SEK 650 million at a fixed rate of 1.0% that falls due in June 2021	650	650	650	650
Loan at a variable rate of Stibor + 110 points that falls due in June 2021	350	350	350	350
Loan at a variable rate of Stibor + 60 points that falls due in June 2021	500	500	500	500
Loan at a variable rate of Stibor + 135 points that falls due in April 2022	1,600	1,600	1,600	1,600
Loan at a variable rate of Stibor + 105 points that falls due in September 2023	1,100	1,100	1,100	1,100
Loan of SEK 150 million at a fixed rate of 1.45% that falls due in September 2023	150	150	150	150
Loan at a variable rate of Stibor + 115 points that falls due in June 2024	1,250	1,250	1,250	1,250
<b>Total</b>	<b>5,600</b>	<b>7,103</b>	<b>5,600</b>	<b>7,103</b>

## 27 · OTHER LIABILITIES

There are estimated additional considerations of SEK 461 million (SEK 197 million) in the Group that are due for payment within one year. The corresponding figure for the parent is SEK 83 million (SEK 153 million).

## 26 · OTHER LIABILITIES, NON-INTEREST-BEARING

The size of the additional considerations is mainly dependent on the future financial performance of the acquired entities. Other features may occur in the case of some acquisitions such as environmental measures. Additional considerations means liabilities to minority shareholders for the acquisition of additional shares under agreements made. The amounts specified are based on expected financial performance. In certain cases, there is no upper limit to the amount of additional considerations. The expected amounts are revalued regularly in line with management's best assessments in each case. For 2020, these revaluations had a net impact on consolidated earnings of SEK 353 million, which is a consequence of the pandemic having caused the expected additional considerations for a number of acquired companies to be revalued. Liabilities recognised for the parent refer in full to expected additional considerations. See Note 29 for an analysis of the terms.

(SEK million)	Additional considerations	Other	Total Group	Parent company
Amount on 31 Dec 2018	1,959	82	2,041	219
Liabilities in acquired companies	–	9	9	–
Taken up as liabilities during the year	449	261	710	65
Settled during the year	– 29	–	– 29	–
Reversed during the year	–	– 21	– 21	–
Reclassifications	– 139	–	– 139	– 101
Translation differences	103	13	116	9
<b>Amount on 31 Dec 2019</b>	<b>2,343</b>	<b>344</b>	<b>2,687</b>	<b>192</b>
Taken up as liabilities during the year	1,071	7	1,078	430
Settled during the year	– 215	– 13	– 228	–
Reversed during the year	– 342	–	– 342	–
Reclassifications	– 329	–	– 329	– 83
Translation differences	– 257	– 14	– 271	– 31
<b>Amount on 31 Dec 2020</b>	<b>2,271</b>	<b>324</b>	<b>2,595</b>	<b>508</b>

## 28 · ACCRUED EXPENSES AND DEFERRED INCOME

(SEK million)	Group		Parent	
	2020	2019	2020	2019
Accrued salaries	484	463	8	7
Accrued payroll overheads	145	132	3	3
Deferred income	281	257	–	–
Other items	713	606	19	35
<b>Amount at end of year</b>	<b>1,623</b>	<b>1,458</b>	<b>30</b>	<b>45</b>



## ACCOUNTING POLICY

### Financial instruments

Financial instruments recognised among assets in the balance sheet include cash and equivalents, accounts receivable, unlisted shares, interest-bearing securities, derivatives and other receivables. Those recognised among liabilities include accounts payable, borrowings, other liabilities, derivatives and liabilities for contingent considerations.

#### *Initial recognition and measurement*

Accounts receivable and issued debt securities are recognised when they are issued. Other financial assets and liabilities are recognised when the Group becomes a party to the contractual terms of the instrument. Financial instruments are initially recognised at fair value plus/less transaction expenses, except for instruments that are measured at fair value via profit or loss on a continuing basis, for which transaction costs are expensed when they arise instead. Accounts receivable (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 under IFRS 9 as measured at amortised 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 not only give rise to 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 recognised at amortised cost. This is because they are held within the framework of a business model, the aim of which is to obtain the contractual cash flows, while the cash flows from the assets only consist 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 that are measured at fair value through profit or loss consist of contingent considerations for business acquisitions. All other financial liabilities are recognised at amortised cost with the application of the effective interest rate method. The liabilities measured at amortised 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 term which is longer than one year, while current liabilities have an expected term of a maximum of one year.

### Derecognition of financial assets and financial liabilities

The Group derecognises 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 via a transaction that entails the transfer of all substantial risks and benefits of ownership. A financial liability is derecognised from the balance sheet when the obligations specified in the contract are met, cancelled or expire. The Group also derecognises 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 recognised at fair value based on the modified terms and conditions.

### Derivatives and hedge accounting

#### *Currency hedging*

Forward contracts are recognised at fair value in the balance sheet, both initially and after subsequent remeasurement. To fulfil 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 conditions are documented in accordance with the requirements set out in IAS 39. In hedging cash flows, changes in the fair value of hedging instruments, to the extent that the hedging is effective, are recognised under Other comprehensive income until the underlying hedged item is recognised in profit or loss. Ineffective portions are taken up as income immediately.

#### *Price hedging*

Forward contracts used to hedge prices of raw materials are measured at fair value in the balance sheet, both initially and after subsequent remeasurement. To fulfil 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 conditions are documented in accordance with the requirements set out in IAS 39. For price hedging of raw materials flows, changes in the fair value of hedging instruments are recognised, to the extent that the hedging is effective,



under Other comprehensive income until the underlying hedged item is recognised in profit or loss. Ineffective portions are taken up as income immediately.

#### *Hedging of net investment*

Hedging of net investments in foreign operations is recognised similarly to the method used for cash flow hedging. The portion of the gain or loss on a hedging instrument which is assessed as effective hedging is recognised in Other comprehensive income. The portion that is ineffective is recognised immediately in profit or loss.

#### *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 recognises currency derivatives, interest rate derivatives, raw material derivatives, contingent considerations attributable to acquisitions made after 1 July 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 categorised 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 market data that is not included in level 1.

Level 3: Based on inputs that are not observable in the market.

Listed securities are measured according to level 1, while currency derivatives, interest-rate derivatives, raw materials derivatives and endowment policies are measured according to level 2. Contingent considerations concerning acquisitions of participations that resulted in a business combination come under level 3 in the valuation hierarchy.

#### **Receivables and liabilities in foreign currency**

Receivables and liabilities in foreign currency are valued at the closing day rate. In the event that hedge accounting is applied, see the separate section above on hedging.



NIBE Group's financial assets consist primarily of accounts receivable and bank balances. Financial liabilities consist primarily of loans from credit institutions, bond loans and accounts payable. 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, an account 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 2020 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 with no consideration given to hedging.

At the end of 2020, 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 day rate amounts to SEK 428 million (SEK 453 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 2020 represents an unrealised exchange gain of SEK 11 million.

Other receivables in the consolidated balance sheet includes derivatives with positive fair values of SEK 38 million (SEK 18 million). Other liabilities includes derivatives with negative fair values of SEK 26 million (SEK 9 million).

Currency	Group		Parent	
	Net flow in (+)/out (-)	Weakening by 1%	Net flow in (+)/out (-)	Weakening by 1%
AUD	- 13	-	-	-
CAD	- 1	-	- 1	-
CHF	187	- 2	- 1	-
CNY	3	-	-	-
CZK	- 8	-	-	-
DKK	74	- 1	-	-
EUR	1,347	- 13	- 1	-
GBP	151	- 2	-	-
HKD	- 20	-	-	-
MXN	- 288	3	-	-
NOK	173	- 2	-	-
PLN	- 79	1	-	-
RUB	9	-	-	-
SEK	7	-	-	-
USD	299	- 3	- 4	-
<b>Total</b>	<b>1,841</b>		<b>- 7</b>	

Outstanding contracts on the closing date, net sales (+)/purchases (-), flow in each currency

Currency	Flow Q1	Flow Q2	Flow Q3	Flow Q4	Average forward rate	Closing day rate	Unrealised gain/loss 31 Dec 2020	Unrealised gain/loss 31 Dec 2019
AUD	-	2	3	1	5.94	6.26	- 2	-
DKK	3	3	4	9	1.35	1.35	-	-
EUR	9	8	7	9	10.03	10.04	-	6
GBP	1	1	1	1	11.12	11.09	-	-
HKD	17	16	9	20	1.05	1.06	- 1	-
MXN	- 199	- 133	- 137	- 91	0.39	0.41	11	5
NOK	1	1	1	1	0.95	0.95	-	-
USD	3	2	3	6	8.40	8.19	3	1
<b>Total</b>							<b>11</b>	<b>12</b>
Of which profit recognised at end of period							- 1	3
Of which recognised in other comprehensive income at end of period							12	9

### 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 minimise translation risks, assets are financed, where possible, in the same currency; this means that exchange rate fluctuations on borrowings are recognised in other comprehensive income. At the end of 2020, 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 classified as financial instruments.

If the Swedish krona falls in value by 1% against the named currencies, the Group's equity is strengthened by SEK 231 million (SEK 222 million). If the Swedish krona rises in value 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 236 million (SEK 228 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 recognised in net financial items. At year-end, the parent had provisions in foreign currencies as listed below.

If the Swedish krona rises in value by 1% against the named currencies, the parent's equity is strengthened by SEK 6 million (SEK 4 million). If the Swedish krona falls in value by 1% against the named currencies, the reverse applies.

Currency	Net assets	Hedging	2020	Currency	Net assets	Hedging	2019
AUD	64	-	64	AUD	69	-	69
CAD	1,427	-	1,427	CAD	865	-	865
CHF	4,101	-	4,101	CHF	4,225	- 43	4,182
CZK	687	-	687	CZK	680	-	680
DKK	1,115	-	1,115	DKK	1,138	- 99	1,039
EUR	3,150	- 448	2,702	EUR	2,669	- 265	2,404
GBP	1,118	- 99	1,019	GBP	1,123	- 110	1,013
HKD	90	-	90	HKD	87	-	87
MYR	2	-	2	MYR	2	-	2
MXN	60	-	60	MXN	82	-	82
NOK	591	-	591	NOK	645	- 52	593
PLN	738	-	738	PLN	711	-	711
RON	67	-	67	RON	71	-	71
RUB	123	-	123	RUB	162	-	162
RSD	472	-	472	RSD	77	-	77
SGD	23	-	23	SGD	23	-	23
TRY	770	-	770	TRY	96	-	96
VND	42	-	42	VND	35	-	35
THB	41	-	41	THB	47	-	47
USD	8,938	-	8,938	USD	10,011	-	10,011
<b>Total</b>	<b>23,618</b>	<b>- 547</b>	<b>23,071</b>	<b>Total</b>	<b>22,818</b>	<b>- 569</b>	<b>22,249</b>

### PARENT

Currency	2020	2019
DKK	-	99
EUR	469	164
GBP	99	109
NOK	-	52
<b>Total</b>	<b>568</b>	<b>424</b>



### Credit risks

Credit risk refers to the risk that a counterparty may not fulfil its obligations. In operations where goods or services are supplied against later payment, bad debt losses cannot be wholly avoided. To minimise these risks, credit assessments are carried out regularly on major creditors. 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)	2020	2019
Receivables, wholly or partly impaired		
– overdue by less than 3 months	140	148
– overdue by more than 3 months	82	97
Receivables which have not been impaired		
– overdue by less than 3 months	650	726
– overdue by more than 3 months	101	143
<b>Total overdue receivables</b>	<b>973</b>	<b>1,114</b>
Provision for credit losses	– 81	– 90
<b>Total receivables overdue but not impaired</b>	<b>892</b>	<b>1,024</b>

#### Provision for credit losses

(SEK million)	2020	2019
Provisions brought forward	90	51
Provisions in acquired companies	3	18
Established credit losses	– 11	– 4
Reversed provisions	– 15	– 7
Provisions for the year	20	31
Translation differences	– 6	1
<b>Provisions carried forward</b>	<b>81</b>	<b>90</b>

Profit for the year has been charged with SEK 23 million (SEK 29 million) for credit losses which have arisen in the consolidated receivables.

### Gains and losses on financial instruments

(SEK million)	Group		Parent	
	2020	2019	2020	2019
Exchange gains and losses on currency derivatives used for hedge accounting recognised				
– as other operating income	8	9	–	–
– as cost of goods sold	– 2	– 3	–	–
– in other comprehensive income	3	4	–	–
Gains and losses on commodity derivatives used for hedge accounting recognised				
– as cost of goods sold	1	4	–	–
– in other comprehensive income	1	3	–	–
Exchange gains and losses on other financial assets and liabilities recognised				
– as other operating income	227	116	–	–
– as cost of goods sold	– 248	– 117	–	–
– as financial income	220	197	81	74
– as financial expenses	– 253	– 213	– 148	– 135
Change in value of bond loans recognised as financial income	3	7	3	7
Change in value of interest swaps recognised as financial income	– 8	– 5	– 8	– 5
Credit losses on accounts receivable recognised as selling expenses	– 23	– 29	–	–
<b>Total</b>	<b>– 71</b>	<b>– 27</b>	<b>– 72</b>	<b>– 59</b>

The items recognised 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**

Fair value may deviate from carrying amount, partly due to changes in market interest rates. For consolidated liabilities with a floating rate, fair value is estimated to be the same as the carrying amount. The Group has two fixed-rate bonds. For these bonds, fair value was calculated by discounting future cash flows at current market interest rates. The valuation of these bonds is at level 2 in the valuation hierarchy. Fair value corresponds to the carrying amount for non-interest-bearing assets and liabilities such as accounts receivable and accounts payable. No

instruments were offset in the balance sheet. All instruments are recognised at their gross value. For other consolidated financial assets and liabilities, the carrying amounts represent a reasonable approximation of their fair value.

Assets 31 Dec 2020 (SEK million)	Measured at amortised cost	Measured at fair value through profit or loss	Derivatives used for hedge accounting	Non-financial assets	Total carrying amount	Fair value
Intangible assets	–	–	–	18,958	18,958	
Property, plant and equipment	–	–	–	5,350	5,350	
Participations in associates and jointly controlled entities	–	–	–	14	14	
Non-current accounts receivable from associates	48	–	–	–	48	48
Investments held as non-current assets	14	11	–	–	25	25
Deferred tax assets	–	–	–	441	441	
Other non-current receivables	127	–	–	–	127	127
Inventories	–	–	–	4,431	4,431	
Accounts receivable	3,381	–	–	–	3,381	3,381
Accounts receivable from associates	6	–	–	–	6	6
Tax assets	–	–	–	220	220	
Other receivables	258	–	40	–	298	298
Prepaid expenses and accrued income	–	–	–	244	244	
Investments in securities etc.	–	201	–	–	201	201
Cash and equivalents	4,593	–	–	–	4,593	4,593
<b>Total assets</b>	<b>8,427</b>	<b>212</b>	<b>40</b>	<b>29,658</b>	<b>38,337</b>	

Assets 31 Dec 2019 (SEK million)	Measured at amortised cost	Measured at fair value through profit or loss	Derivatives used for hedge accounting	Non-financial assets	Total carrying amount	Fair value
Intangible assets	–	–	–	18,703	18,703	
Property, plant and equipment	–	–	–	4,963	4,963	
Participations in associates and jointly controlled entities	–	–	–	34	34	
Investments held as non-current assets	14	9	–	–	23	23
Deferred tax assets	–	–	–	350	350	
Other non-current receivables	174	–	8	–	182	182
Inventories	–	–	–	4,403	4,403	
Accounts receivable	3,496	–	–	–	3,496	3,496
Accounts receivable from associates	2	–	–	–	2	2
Tax assets	–	–	–	89	89	
Other receivables	545	–	19	–	564	564
Prepaid expenses and accrued income	–	–	–	249	249	
Investments in securities etc.	–	227	–	–	227	227
Cash and equivalents	3,944	–	–	–	3,944	3,944
<b>Total assets</b>	<b>8,175</b>	<b>236</b>	<b>27</b>	<b>28,791</b>	<b>37,229</b>	



Equity and liabilities 31 Dec 2020 (SEK million)	Financial liabilities measured at amor- tised cost	Derivatives used for hedge ac- counting	Non-fi- nancial items	Total carrying amount	Fair value
Equity	–	–	17,737	17,737	
Provisions	–	–	2,921	2,921	
Non-current liabilities*	7,611	–	–	7,611	7,611
Lease liabilities (non-current and current)	954	–	–	954	954
Current interest-bearing liabilities	4,032	–	–	4,032	4,032
Accounts payable	1,998	–	–	1,998	1,998
Advance payments from customers	78	–	–	78	78
Tax liabilities	–	–	233	233	
Other liabilities	1,124	26	–	1,150	1,150
Accrued expenses and deferred income	1,623	–	–	1,623	1,623
<b>Total equity and liabilities</b>	<b>17,420</b>	<b>26</b>	<b>20,891</b>	<b>38,337</b>	

\*Of which SEK 81 million refers to loans in foreign currencies to hedge net investment in foreign operations.

Equity and liabilities 31 Dec 2019 (SEK million)	Financial liabilities measured at amor- tised cost	Derivatives used for hedge accounting	Non-fin- cial items	Total carrying amount	Fair value
Equity	–	–	17,604	17,604	
Provisions	–	–	2,737	2,737	
Non-current liabilities*	9,015	–	–	9,015	9,015
Lease liabilities (non-current and current)	939	–	–	939	939
Current interest-bearing liabilities	2,722	–	–	2,722	2,722
Accounts payable	1,822	–	–	1,822	1,822
Advance payments from customers	35	–	–	35	35
Tax liabilities	–	–	176	176	
Other liabilities	711	9	–	720	720
Other liabilities to associates	1	–	–	1	1
Accrued expenses and deferred income	1,458	–	–	1,458	1,458
<b>Total equity and liabilities</b>	<b>16,703</b>	<b>9</b>	<b>20,517</b>	<b>37,229</b>	

\*Of which SEK 89 million refers to loans in foreign currencies to hedge net investment in foreign operations.

### Hedge accounting

In 2020, hedge accounting was applied in accordance with IAS 39 in relation to:

- Cash flow hedging through currency derivatives for future receipts and disbursements in foreign currencies.
- Price hedging of raw materials through raw materials derivatives. At the end of 2020, outstanding contracts maturing in Q1 2021 totalled SEK 18 million, with SEK 2 million in unrealised gain that is recognised among 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 recognised in other comprehensive income if there is a net asset in the consolidated balance sheet to hedge.

For information on the amounts recognised in other comprehensive income, see the income statements on pages 84 and 98.

### 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 recognised 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 averaged 46.8%. The Group can counteract any shortage of capital through new issues or reductions in dividends. At NIBE, capital is defined as total equity as recognised in the balance sheet (see pages 88 and 98). The covenants set by the Group's external creditors were met by good margins.

### Interest rate risks

Interest rate risk is the risk that changes in market interest rates will have a negative impact on cash flow or the fair value of financial assets and liabilities. Since all borrowing in the NIBE Group apart from one bank loan and two bond loans is at floating interest, the Group is exposed only to cash flow risk from financial borrowing.

Consolidated interest-bearing liabilities at year-end amounted to SEK 10,660 million. The average interest rate was 2.0%. A change in the interest rate of 1% on constant liabilities would have an impact on Group profit of SEK 107 million.

The NIBE Group's policy is that the fixed interest period for loans must, 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 5,600 million. A change in the interest rate of 1% on constant liabilities would affect parent profit by SEK 56 million.

### 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.

Consolidated 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 aggressive 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 anticipated that there will be no difficulty in financing this capital requirement and that this will not give rise to abnormal expense. This can be achieved through the traditional banking system, through the stock market and through the capital market. The amounts given in the table are the contractual undiscounted cash flows.



## Group 31 Dec 2020

## Due date 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	824	879	–	143	140	596
Bond loans	5,600	5,813	1,515	1,648	2,650	–
Other non-current liabilities	416	420	–	420	–	–
Additional considerations	2,732	2,732	461	136	1,474	661
Current liabilities to credit institutions	2,532	2,558	2,558	–	–	–
Accounts payable	1,998	1,998	1,998	–	–	–
Advance payments from customers	78	78	78	–	–	–
Derivatives used for hedge accounting	26	26	26	–	–	–
Other current liabilities	663	663	663	–	–	–
Accrued expenses and deferred income	1,623	1,623	1,623	–	–	–
Lease liabilities	954	1,061	313	244	304	200
<b>Total financial liabilities</b>	<b>17,446</b>	<b>17,851</b>	<b>9,235</b>	<b>2,591</b>	<b>4,568</b>	<b>1,457</b>

## Group 31 Dec 2019

## Due date 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	660	703	–	15	–	688
Bond loans	7,103	7,426	1,517	1,543	3,009	1,357
Other non-current liabilities	413	427	–	427	–	–
Additional considerations	2,540	2,540	197	445	866	1,032
Current liabilities to credit institutions	1,219	1,231	1,231	–	–	–
Accounts payable	1,822	1,822	1,822	–	–	–
Advance payments from customers	35	35	35	–	–	–
Derivatives used for hedge accounting	9	9	9	–	–	–
Other current liabilities	514	514	514	–	–	–
Accrued expenses and deferred income	1,458	1,458	1,458	–	–	–
Lease liabilities	939	1,066	334	244	374	114
<b>Total financial liabilities</b>	<b>16,712</b>	<b>17,231</b>	<b>7,117</b>	<b>2,674</b>	<b>4,249</b>	<b>3,191</b>



## Parent 31 Dec 2020

## Due date structure of financial liabilities

(SEK million)	Nominal amount	Total	<1 year	1-2 years	3-4 years	>5 years
Bond loans	5,600	5,813	1,515	1,648	2,650	–
Additional considerations	591	591	83	–	409	99
Current liabilities to Group companies	4	4	4	–	–	–
Accounts payable	4	4	4	–	–	–
Other current liabilities	58	58	58	–	–	–
Accrued expenses and deferred income	30	30	30	–	–	–
<b>Total financial liabilities</b>	<b>6,287</b>	<b>6,500</b>	<b>1,694</b>	<b>1,648</b>	<b>3,059</b>	<b>99</b>

## Parent 31 Dec 2019

## Due date structure of financial liabilities

(SEK million)	Nominal amount	Total	<1 year	1-2 years	3-4 years	>5 years
Bond loans	7,103	7,426	1,517	1,543	3,009	1,357
Additional considerations	345	345	153	83	–	109
Current liabilities to Group companies	2	2	2	–	–	–
Accounts payable	16	16	16	–	–	–
Other current liabilities	16	16	16	–	–	–
Accrued expenses and deferred income	45	45	45	–	–	–
<b>Total financial liabilities</b>	<b>7,527</b>	<b>7,850</b>	<b>1,749</b>	<b>1,626</b>	<b>3,009</b>	<b>1,466</b>

## 30 · PLEDGED ASSETS

(SEK million)	Group		Parent	
	2020	2019	2020	2019
Floating charges	14	54	–	–
Real estate mortgages	198	207	–	–
Equipment with retention of title	33	–	–	–
Receivables	91	123	13	12
<b>Total pledged assets</b>	<b>336</b>	<b>384</b>	<b>13</b>	<b>12</b>

## 31 · CONTINGENT LIABILITIES

(SEK million)	Group		Parent	
	2020	2019	2020	2019
Pension commitments not taken up under liabilities or provisions	5	4	–	–
Contingent liabilities on behalf of other Group companies	–	–	996	1,281
<b>Total contingent liabilities</b>	<b>5</b>	<b>4</b>	<b>996</b>	<b>1,281</b>

There is contaminated soil at four of the Group's production plants in Denmark and the Czech Republic. No contingent liabilities were recognised 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 is drawn up in accordance with IAS 7. The indirect method was used, which means that net income is adjusted for transactions that have not given rise to receipts or disbursements during the period, as well as for any income and expense attributable to cash flow from investing or financing activities. Cash and equivalents include cash and immediately accessible holdings in banks, as well as investments in securities.

## CASH FLOW FROM FINANCING ACTIVITIES

Group (SEK million)	Liabilities to credit institu- tions	Bond loans	Other liabilities	Total
Amount on 31 Dec 2018	2,546	6,260	2,058	10,864
<b>Changes affecting cash flow</b>				
Amortisation of non-current loans	- 1,798	- 900	- 29	- 2,727
Amortisation of lease liabilities	-	-	- 240	- 240
New loans raised	1,032	1,750	383	3,165
<b>Total</b>	<b>- 766</b>	<b>850</b>	<b>114</b>	<b>198</b>
<b>Changes not affecting cash flow</b>				
Liabilities in acquired companies	2	-	88	90
Change in accounting policy, IFRS 16	-	-	839	839
Taken up as liabilities during the year	-	-	703	703
Reversed during the year	-	-	- 144	- 144
Change in fair value	-	- 7	- 71	- 78
Translation differences	97	-	107	204
<b>Total</b>	<b>99</b>	<b>- 7</b>	<b>1,522</b>	<b>1,614</b>
Amount on 31 Dec 2019	1,879	7,103	3,694	12,676
<b>Changes affecting cash flow</b>				
Amortisation of non-current loans	- 435	- 1,500	- 144	- 2,079
Amortisation of lease liabilities	-	-	- 323	- 323
New loans raised	1,865	-	52	1,917
<b>Total</b>	<b>1,430</b>	<b>- 1,500</b>	<b>- 415</b>	<b>- 485</b>
<b>Changes not affecting cash flow</b>				
Liabilities in acquired companies	103	-	114	217
Taken up as liabilities during the year	-	-	1,362	1,362
Reversed during the year	-	-	- 780	- 780
Change in fair value	-	- 3	24	21
Translation differences	- 56	-	- 357	- 413
<b>Total</b>	<b>47</b>	<b>- 3</b>	<b>363</b>	<b>407</b>
Amount on 31 Dec 2020	3,356	5,600	3,642	12,598

Parent (SEK million)	Bond loans	Other liabilities non- interest-bearing	Total
Amount on 31 Dec 2018	6,260	219	6,479
<b>Changes affecting cash flow</b>			
Amortisation of non-current loans	- 900	-	- 900
New loans raised	1,750	-	1,750
<b>Total</b>	<b>850</b>	<b>-</b>	<b>850</b>
<b>Changes not affecting cash flow</b>			
Taken up as liabilities during the year	-	65	65
Reclassifications	-	- 101	- 101
Change in fair value	- 7	-	- 7
Translation differences	-	9	9
<b>Total</b>	<b>- 7</b>	<b>- 27</b>	<b>- 34</b>
Amount on 31 Dec 2019	7,103	192	7,295
<b>Changes affecting cash flow</b>			
Amortisation of non-current loans	- 1,500	-	- 1,500
<b>Total</b>	<b>- 1,500</b>	<b>-</b>	<b>- 1,500</b>
<b>Changes not affecting cash flow</b>			
Taken up as liabilities during the year	-	430	430
Reclassifications	-	- 83	- 83
Change in fair value	- 3	-	- 3
Translation differences	-	- 31	- 31
<b>Total</b>	<b>- 3</b>	<b>316</b>	<b>313</b>
Amount on 31 Dec 2020	5,600	508	6,108

# Companies in the NIBE Group

Details of subsidiaries	Corporate ID number	Registered office	Country	*
ABK AS	959 651 094	Oslo	Norway	*
ait-austria GmbH	FN469896z	Neudorf	Austria	*
ait-cesko s.r.o.	28077458	České Budějovice	Czech Republic	*
ait-deutschland GmbH	HRB 2991	Bayreuth	Germany	*
ait Schweiz AG	CH-100 3 017 337-2	Altishofen	Switzerland	*
ait-slovensko s.r.o.	48103926	Bratislava	Slovakia	*
ait-värmeteknik-sverige AB	556936-5033	Helsingborg	Sweden	*
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 Heating Technologies France SARL	91379344781	Lyon	France	*
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 Inc	36-4044600	Elgin	USA	*
Backer Hotwatt Inc.	81-4435368	Wilmington	USA	*
Backer HTV Co. Ltd	1101832398	Tan Kim	Vietnam	*
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	ACN 100 257 514	Burwood	Australia	*
Backer Wolff GmbH	HRB 27026	Dortmund	Germany	*
Bentone AB	556617-3927	Ljungby	Sweden	
Biawar Produkcja Sp z o.o.	5423273185	Bialystok	Poland	*
Briskheat Corporation	31-1271116	Columbus	USA	*
Briskheat Corporation 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	*
Cetetherm AB	559147-1437	Ronneby	Sweden	*
Cetetherm LLC	1105010000303	Saint Petersburg	Russia	*
Cetetherm Oy	3008611-6	Vanda	Finland	*
Cetetherm SAS	788262459	Pontcharra sur Turdine	France	*
Cetetherm s.r.o.	08300321	Prague	Czech Republic	*
CGC Group of Companies	85828 1728 RC0001	Mississauga	Canada	*
CK Fires Ltd	5524093	Wolverhampton	UK	*
ClimaCool Corp.	73-1409358	Oklahoma City	USA	*
Climate Control Group Inc.	73-1415062	Oklahoma City	USA	*
ClimateCraft Inc.	73-1207959	Oklahoma City	USA	*

\*Sales companies and production companies included in the 2020 Sustainability Report

Details of subsidiaries	Corporate ID number	Registered office	Country	*
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	*
Druzstevniz. Drazice - strojírna s.r.o.	45148465	Benátky nad Jizerou	Czech Republic	*
E. Braude (London) Ltd	585474	Sandhurst	UK	*
ELEKTRON-ETTO, s.r.o.	26906040	Hustopeče nad Bečvou	Czech Republic	
Elektrotermija Ltd	17578448	Užice	Serbia	
Eltwin A/S	13 99 24 44	Risskov	Denmark	*
Eltwin Sp. z.o.o.	394767	Stargard	Poland	*
Emin Teknik Hortum Ve Makine AS	469632	Istanbul	Turkey	*
Enertech AB	556060-2269	Ljungby	Sweden	*
Enertech Belgium Sprl	821427672	Couvin	Belgium	*
Enertech Global LLC	45-2301710	Greenville	USA	*
Enertech GmbH	HRB 733204	Iserlohn	Germany	*
Enertech Ltd	299044	Worcestershire	UK	*
Fireplace Products Australia Pty Ltd	117 303 554	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	*
HC Holding ETA AG	CHE-168.793.868	Baar	Switzerland	*
Heating Group International B.V.	16083429	Nijmegen	The Netherlands	
Heatpoint B.V.	30146922	Bodegraven	The Netherlands	*
Heatrod Elements Ltd	766 637	London	UK	*
Heatron Inc.	43-1126014	Leavenworth	USA	*
Hemi Heating AB	556420-8601	Södertälje	Sweden	*
Hemi Heating Technology Co Ltd	91520100666994785H	Guiyang Guizhou	China	*
Høiax AS	936 030 327	Fredrikstad	Norway	*
HT S.p.A.	TV 195113	Treviso	Italy	*
HT Est Division s.r.l.	J02/1489/2007	Arad	Romania	*
HT Heizelemente Deutschland GmbH	HRB 41822	Bielefeld	Germany	
Hydraulik-Service I Markaryd AB	556262-1150	Markaryd	Sweden	
Hyper Engineering Pty Ltd	ACN 148 010 520	Victoria	Australia	*
International Environmental Corp.	73-0754306	Oklahoma City	USA	*
Jac. De Vries Gesta B.V.	36043314	Hoorn	The Netherlands	
JSC Evan	1065260108517	Nizhny Novgorod	Russia	*
Jevi A/S	12 85 42 77	Vejle	Denmark	*
Järnvägsgatan 9 i Markaryd AB	559227-0531	Markaryd	Sweden	
Kaukora Oy	0138194-1	Raisio	Finland	*
KKT Chillers Inc.	83-0486747	Elk Grove	USA	*
KNV Energietechnik GmbH	78375h	Schörfing	Austria	*
Koax Corp.	73-1284158	Oklahoma City	USA	*
KVM-Genvex A/S	21 38 76 49	Haderslev	Denmark	*
Lotus Heating Systems A/S	26 11 04 75	Langeskov	Denmark	*
Loval Oy	0640930-9	Lovisa	Finland	*
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	*

\*Sales companies and production companies included in the 2020 Sustainability Report

Details of subsidiaries	Corporate ID number	Registered office	Country	*
METRO THERM AB	556554-1603	Kalmar	Sweden	*
METRO THERM A/S	20 56 71 12	Helsingø	Denmark	*
Meyer Vastus AB, Oy	0215219-8	Monninkylä	Finland	*
Moravská dopravní společnost, a.s.	61974421	Hlinsko	Czech Republic	
Motron A/S	26 41 80 97	Risskov	Denmark	*
myUptech AB	556633-8140	Markaryd	Sweden	
Nathan Belgie B.V.	64767175	Duiven	The Netherlands	
Nathan Holding B.V.	20104506	Arnhem	The Netherlands	
Nathan Industries B.V.	9188041	Duiven	The Netherlands	
Nathan Projects B.V.	4768643	Harde	The Netherlands	
Nathan Projects BVBA	0832.529.125	Zaventem	Belgium	
Nathan Service B.V.	9194331	Duiven	The Netherlands	
Nathan Systems B.V.	9194331	Duiven	The Netherlands	
Nathan Systems NV	450.269.149	Zaventem	Belgium	
Naturenergi IWABO AB	556663-0355	Bollnäs	Sweden	
NIBE AB	556056-4485	Markaryd	Sweden	*
NIBE AirSite AB	556725-5780	Lindome	Sweden	*
NIBE Beteiligungenverwaltungs GmbH	295717d	Vienna	Austria	
NIBE-BIAWAR Sp. z o.o.	50042407	Białystok	Poland	*
Nibe Climate Solutions Canada Corp.	BC110 5117	Vancouver	Canada	
NIBE Energietechnik B.V.	20111793	Willemstad	The Netherlands	*
NIBE Energy Systems France SAS	501 594 220	Reyrieux	France	*
NIBE Energy Systems Inc.	99 03 68 191	Wilmington	USA	
NIBE Energy Systems Ltd	5764 775	Sheffield	UK	*
NIBE Energy Systems Oy	09314276	Helsinki	Finland	*
NIBE Foyers France S.A.S.	491 434 965	Lyon	France	*
NIBE Stoves Canada Corp.	BC1093578	Richmond	Canada	
NIBE Stoves GmbH	HRB 13929	Harrislee	Germany	
NIBE Systemtechnik GmbH	HRB 5879	Celle	Germany	*
NIBE Treasury AB	556108-0259	Markaryd	Sweden	
Nordpeis AS	957 329 330	Lierskogen	Norway	*
Norske Backer AS	919 799 064	Kongsvinger	Norway	*
Northstar Poland Sp. z o.o.	570844191	Trzcianka	Poland	*
Omni Control Technology Inc.	04-3142926	Whitinsville	USA	*
Osby Parca AB	556049-4980	Osby	Sweden	*
Pellux GmbH	FN485925	Schorfling am Attersee	Austria	
Renting 959 KB	916616-1787	Ljungby	Sweden	
Rhoss GmbH	HRB 411169	Stuttgart	Germany	*
Rhoss S.p.A.	1142230299	Codroipo	Italy	*
Rotterdamse Elementen Fabriek B.V.	000016710339	Rotterdam	The Netherlands	*
SAN Electro Heat A/S	42 16 59 13	Graested	Denmark	*
Snowcliff AG	CH-020 7 000 720-2	Zürich	Switzerland	
Schulthess Maschinen AG	CH-020 3 923 223-4	Zürich	Switzerland	*
Schulthess Maschinen GmbH	FN 125340z	Vienna	Austria	*
Sinus-Jevi Electric Heating B.V.	37106129	Medemblik	The Netherlands	*
Springfield Wire de Mexico S.A. de C.V.	SWM710722KW3	Nuevo Laredo	Mexico	*
Stovax Ltd	1572550	Exeter	UK	*
Stovax D1 Ltd	4826958	Exeter	UK	
Stovax Group Ltd	7127090	Exeter	UK	
Stovax Heating Group Ltd	8299613	Exeter	UK	
Stovax Heating Group (NI) Ltd	Ltd NI675194	Belfast	Nordirland	
Strukturgruppen AB	556627-5870	Kungsbacka	Sweden	*
Tempeff North America Ltd	812525954	Winnipeg	Canada	*
TermaTech A/S	27 24 52 77	Hasselager	Denmark	*

\*Sales companies and production companies included in the 2020 Sustainability Report

Details of subsidiaries	Corporate ID number	Registered office	Country	*
Termorad Spolka z.o.o.	000542990	Radom	Poland	*
Termotech S.r.l.	183099	Vigevano	Italy	
ThermaClime Technologies Inc.	73-1553910	Oklahoma City	USA	*
Therm-X of California Inc.	94-2393175	Hayward	USA	*
Therm-X SVT 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	
Untes Isitma Klima Sogutma San Ve Tic A.S.	9170016107	Kazan	Turkey	
Untes Rhoss Sogutma Sistemleri A.S.	9960381156	Kazan	Turkey	
Untes VRF Klima Sistemleri A.S.	9170013850	Kazan	Turkey	
Varde Ovne A/S	21 55 49 79	Gram	Denmark	*
VEÅ AB	556135-7988	Sävsjö	Sweden	
VEÅ Förvaltning AB	559105-8192	Sävsjö	Sweden	
VEÅ Holding AB	556954-8596	Sävsjö	Sweden	
VEÅ Uthyrning AB	559029-3949	Sävsjö	Sweden	
Viggo Wahl Pedersen AS	996999068	Fredrikstad	Norway	
Vølund Varmeteknik A/S	32 93 81 08	Videbæk	Denmark	*
Värmeelement i Osby AB	556705-9919	Ljungby	Sweden	
WaterFurnace International Inc	35-18737995	Fort Wayne	USA	*
WaterFurnace Renewable Energy Corp.	BC 100 6504	Toronto	Canada	
Waterkotte Austria GmbH	FN 293711d	Klagenfurt	Austria	
Waterkotte GmbH	BZ 179970	Bozen	Germany	
Waterkotte Italia s.r.l.	BZ 179970	Bozen	Italy	
Waterkotte Schweiz AG	CHE-324.787.906	Fribourg	Switzerland	
Wiegand S.A. de C.V.	RFC WIE850624H79	Nuevo Laredo	Mexico	*
Wolf Laundry Ltd	8023858	Grimethorpe	UK	*
Wolf Laundry Holdings Ltd	10244870	Grimethorpe	UK	

\*Sales companies and production companies included in the 2020 Sustainability Report



# Non-financial reporting

Information related to the annual report	145
Policies that support our values	146
GENERAL INFORMATION	
Organisational profile	147
Strategy	148
Ethics	148
Governance	148
Stakeholder dialogue	149
Reporting practice	149
NIBE'S MATERIAL TOPICS	
BUSINESS AND ETHICS TOPICS	
Economic topics	150
Procurement practices	151
Anti-corruption and anti-competitive behaviour	152
ENVIRONMENTAL CATEGORIES	
Materials	153
Energy and emissions	154
Water and effluents	156
Emissions	158
Emissions, waste and compliance with environmental legislation	159
SOCIAL CATEGORIES	
Evaluation of suppliers	160
Health and safety at work	161
Employment	162
Training and education	164
Diversity and equal opportunity	165
Human rights	166
Compliance with social and financial regulations	168

This year's sustainability report is the tenth prepared by the NIBE Group. It covers the companies that NIBE has operational control over, that is, where we have majority ownership, but not the operations acquired in 2020. For information on the companies included in the report, see pages 140-143.

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 were included in the report.

All data collected for the report comes from each company through two IT systems, the accounts system and the sustainability system. Data from these systems is compiled to produce aggregated figures for the NIBE Group. The CEO of each company is responsible for data quality assurance. To assist them, companies have a manual defining what to report and how it should be reported. The manual is used as a tool for traceability, for local documentation of where and how data was collected, for example the invoice system, reports from waste management companies, etc. The figures are compared with the previous years as verification of data.



## Information related to the annual report

The statutory requirements for sustainability reporting in Chapter 6, Section 11, of the Swedish Annual Accounts Act, are integrated in the annual report. NIBE has decided to report on sustainability in accordance with the Global Reporting Initiative Standard (GRI) Core.

### 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 11, 13, 15, 35, 38	Pages 38, 67	Pages 26, 67	Pages 38, 67, 69, 79	Page 35
Policy	'The sustainability report must describe the policy that the company applies in the issues, including the review procedures implemented'	Pages 31, 146, 173	Pages 31, 146, 173	Pages 31, 146	Pages 31, 146, 173	Pages 31, 146, 173
Result of the policy	'The sustainability report must describe the result of the policy'	Pages 153-159	Pages 161-164	Pages 168-169	Pages 165-166	Pages 152, 160
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'	Page 101	Page 101	Page 100	Page 101	Page 101
Management of risks	'The sustainability report must describe how the company manages the risks'	Pages 101, 153-159	Pages 101, 161-164	Pages 100, 168-169	Pages 101, 165-166	Pages 101, 152, 160
Result indicators	'The sustainability report must describe central result indicators that are relevant to operations'	Pages 24, 25, 153-159	Pages 25, 161-164	Pages 168-169	Pages 165-166	Pages 152, 160

More information on NIBE can be found at [www.nibe.com](http://www.nibe.com)

The Global Reporting Initiative index can be found at [www.nibe.com/gri-index](http://www.nibe.com/gri-index)

# Policies that support our values

NIBE Group policies implemented in the companies and used as a basis for sustainability visits.

	Our values	Supporting policies	Communication	Indicators	SDGs
	<b>Respect for human rights</b>	Privacy Policy (GDPR) Stance against modern slavery and human trafficking NIBE Group Policy diversity on the Board of Directors	Internal External/Internal  External/Internal	Employee training on human rights policies or procedures. Suppliers that were screened using social criteria.	8, 16
	<b>Good working conditions</b>	Health and safety policy Alcohol and drugs policy Diversity and equal treatment policy	External/Internal External/Internal External/Internal	Goal: A safe workplace with no accidents. Total number of incidents of discrimination. Incidents of violations involving rights of indigenous peoples.	8
	<b>Reduced environmental impact</b>	Environmental policy Chemicals policy	External/Internal Internal	Goal: Systematic quality and environmental initiatives. Goal: Increased climate benefit in our product portfolio. Goal: Continuously declining energy use. Number of reported cases of significant emissions.	7, 8, 9, 11, 12
	<b>Product liability</b>	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
	<b>Sound business ethics</b>	Gift policy Whistleblower policy	Internal External/Internal	Number of cases reported to the whistleblower function.	8, 16
	<b>Transparency</b>	Communication policy Tax policy Trade sanctions policy	External/Internal Internal Internal	Annual report	16
	<b>Responsible purchasing</b>	Supplier code of conduct Diversity and equal treatment policy Stance against modern slavery and human trafficking Conflict minerals policy	External/Internal External/Internal External/Internal External/Internal	Suppliers that were screened using social criteria. Operations and suppliers with a significant identified risk of incidents of child labour and measures taken. Operations and suppliers with a significant identified risk of incidents of forced or compulsory labour and measures taken. Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk.	8, 9, 12, 16
	<b>Social engagement</b>	Conflict minerals policy Stance against modern slavery and human trafficking	External/Internal External/Internal	Number of own companies visited. Suppliers that were screened using social criteria.	7, 8, 9, 11, 12, 16

\*External means communicated externally on request.

# General disclosures

## ORGANISATIONAL PROFILE

### 102-01 Name of the organisation

NIBE Industrier AB

### 102-02 Activities, brands, products and services

NIBE Industrier AB is an international group in sustainable energy solutions with business operations organised in three separate business areas: Climate Solutions, Element and Stoves.

More information on NIBE Industrier AB's brands is available on pages 51, 57 and 63 and at [www.nibe.com/nibe-group](http://www.nibe.com/nibe-group)

### 102-03 Location of headquarters

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

### 102-04 Location of operations

NIBE Industrier AB is a global company, and the Group has production operations in 27 countries and direct sales channels in 17 countries. The Group is present in 31 countries. For more information on NIBE's global presence, see page 4.

### 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 171. For information on NIBE's shares, see page 68.

### 102-06 Markets served

NIBE Industrier AB is a global actor with operations in Europe, North America, Australia and Asia in various sectors. Pages 11, 13, 15 and 16-21 provide an overview of where and in which sectors the Group is active.

### 102-07 Scale of the organisation

Operations are carried out through several subsidiaries that run their operations via their own companies or branch offices. For where NIBE is represented, see also page 4, and for names of companies, see pages 140-143 and [www.nibe.com](http://www.nibe.com).

The Group has just over 18,900 employees. The report and data only cover the companies that have prepared sustainability reports for 2020.

For consolidated net sales, see pages 82-86.

### 102-08 Information on employees and other workers

The figures show the number of employees at the end of December 2020 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 2019. Only 3% (6%) of the workforce is temporary.

2020	Number of employees			
	Employment type	Permanent	Temporary	Total
Number		16,617	1,297	17,914
Nordic countries		20%	17%	18%
Europe		35%	62%	38%
North America		35%	11%	33%
Asia		9.9%	9.7%	10.9%
Other countries		0.1%	0.3%	0.1%
Men		64%	60%	64%
Women		36%	40%	36%

2020	Full-time	Proportion	Part-time	Proportion
Men	11,174	62%	288	2%
Women	6,125	34%	327	2%
Total	17,299	96%	615	4%

Employee age distribution	2020	2019	2018
<age 30	20%	21%	25%
age 30-50	52%	51%	50%
>age 50	28%	28%	25%

### 102-09 Supply chain

NIBE buys both materials and services from suppliers worldwide, which reflects the company's global operations. The purchase volumes consist of raw steel products such as pipes and sheet metal, and electronic components such as cables and circuit boards, as well as other direct materials, and also subcontracted and purchased products. In addition to direct materials, NIBE buys consumables, production equipment and various types of service. To support its global production and supplier partnerships, NIBE has its own purchasing offices at its production units.

Around 12% (10%) of supplies to NIBE's factories come from local or regional suppliers. The Group's total purchase volumes amount to approximately SEK 14.4 billion and around 80% of these volumes come from roughly 1,300 suppliers. More information is available in the Procurement practices section on page 151.

## ORGANISATIONAL PROFILE

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

In 2020, the Group acquired Heating Group International B.V., Elektrotermija d.o.o, Jac. De Vries Gesta B.V, WATERKOTTE GmbH, VEÅ AB, Termotech S.R.L, VOLTANOVA b.v, Sun Electric Heater Company, Tiki, Üntes, Hydraulik-Service i Markaryd AB and Nathan Holding.

The following companies were acquired in 2019 and are included in the sustainability report for 2020: Rhoss Spa, Rhoss Deutschland GmbH, Wolf Laundry Ltd, Rotterdamse Elementen Fabriek B.V., Cetetherm s.r.o, Therm-X of California Inc and Therm-X System Vietnam Technology Co Ltd. The Group also set up Cetetherm OY.

There were 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 Global Compact 2014, which is one of the major initiatives along with the work on the Sustainable Development Goals. Read more about Global Compact and the SDGs to which we contribute on page 27. 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)).

Global Reporting Initiative (GRI) is the reporting standard that NIBE has chosen as the reporting method for stakeholders. This entails a commitment 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 GEO-Exchange Coalition, ASHRAE, the Swedish Society of Refrigeration (Svenska Kyltekniska Föreningen), and of various standardisation organisations. We also work with high-profile universities and organisations 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 6–9. 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 behaviour.

NIBE's ethical guidelines are defined in Our Values, Our Business Principles and our policies. There are several related policies at Group level, as well as local adaptations of NIBE's policies. NIBE's values and guidelines are, however, generally applicable and all other policies are subordinate to them. Our guidelines are available in 20 languages, on NIBE's intranet and at [www.nibe.com](http://www.nibe.com). Read more on pages 30–31 and 146 (our values and policies).

NIBE's employees are urged to report violations of 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 ([www.https://report.whistleb.com/en/NIBE](https://report.whistleb.com/en/NIBE)).

The reporting channel is managed by a third party, and reports 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 2020, nine cases were submitted to NIBE's whistleblower system. Two of the reports received by email by NIBE's external recipients were categorised as whistleblower cases and investigated under the whistleblower policy. No wrongdoing was found to exist. The other seven reports were made anonymously through NIBE's online portal for whistleblower cases. All these cases were categorised as HR cases and were submitted for handling by NIBE outside the whistleblower system.

## GOVERNANCE

### 102-18 Governance structure.

The company's managing director 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. The Executive Committee and the Board of Directors have the 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, and they must be implemented according to the strategy and basic requirements adopted by the Executive Committee. Each business area is responsible for implementing the sustainability programme in the line organisation. 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 171-174.

**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 pages 72-73 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 bargaining agreements cover 45% of all production employees.

**102-42 Identifying and selecting stakeholders.**

Through a continuous dialogue with our stakeholders, we ensure that we have identified our most important sustainability areas and that we focus on the right issues for the future as well. In 2016, we conducted the first major dialogue with a selection of stakeholders from most of these groups. In addition to sending a targeted survey to around 300 representatives of various stakeholder groups, we conducted several interviews and gathered data from analyses of the company. We then supplemented this data by continuously gathering additional information in connection with spontaneous contacts with the various stakeholder groups, at face-to-face meetings and through questionnaires and added it to the materiality analysis. In addition to the usual surveys, interviews or visits are often requested.

Read more on pages 72-73 about our work with stakeholders. The method used is Mitchell et al. 1997.

**102-43 Approach to stakeholder engagement.**

The materiality analysis conducted at the end of 2016 was updated in respect of this year's developments and stakeholder dialogue. The analyses and boundaries for the topics were set in dialogue with management and stakeholders based on trends and GRI topics, along with their impact on our value chain both within and outside the organisation. Our strategic focus areas are described on pages 72-73.

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 areas identified are Climate, the Environment and Corruption, as well as diversity and human resource management.

Read more on pages 72-73.

**102-45 Entities included in the consolidated financial statements.**

For figures for entities included in the consolidated financial statements, see page 102.

**102-46 Defining report content and topic boundaries.**

NIBE aims to give stakeholders relevant information about operational, financial, environmental and social topics. To do this, NIBE applies reporting principles as per GRI (Global Reporting Initiative) which include stakeholders, the sustainability context, materiality and completeness. The boundaries of the topics were assessed based on organisational 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 emphasise 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 2020 are not included in the reports. See pages 140-143 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 73, 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 150-169.

**102-48 Restatements of information.**

The 2020 report includes the companies acquired in 2019. See 102-10 above. The energy saving target was reached in 2019, for which reason a new base year for energy saving was established. The new base year was 2019.

The following changes affect this year's report: a new calculation method for how many Board members are not from NIBE Industrier AB has been introduced. This is to ensure that an incorrect image of the number of Board members is not given.

## REPORTING PRACTICE

**102-49 Changes in reporting.**

No significant changes were made in material areas in 2020.

**102-50 Reporting period.**

1 January to 31 December 2020.

**102-51 Date of most recent report.**

The most recent annual report was published on 14 April 2020.

**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 the GRI standard's Core.

**102-55 GRI content index.**

The content index is at [www.nibe.com/gri-index](http://www.nibe.com/gri-index)

**102-56 External assurance.**

No external audit of the sustainability report was conducted. NIBE Industrier AB's Board is responsible for ensuring that risks are managed and that sustainability initiatives comply with laws and the requirements of authorities, shareholders and other stakeholders.

# NIBE's material topics



## ECONOMIC PERFORMANCE

---

GRI 201: Economic performance 2016

GRI 103: Management approach 2016

---

**103-1 Explanation of the material topic and its boundaries.**

The consolidated accounts include the parent company, NIBE Industrier AB, and the companies in which the parent company has a direct or indirect controlling influence.

**103-2 The management approach and its components.**

Financial performance is the general indicator of NIBE's economic impact on society. All NIBE units are responsible for their economic performance. NIBE reports its economic performance as per IFRS. For more information about the accounting policies, see pages 102-139.

**103-3 Evaluation of the management approach.**

Information from the financial statements has been used to divide up the economic value and it is distributed as per pages 82-83.

**201-1 Direct economic value generated and distributed.**

Information from the financial statements divides up the economic value, pages 82-83.

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

Information on defined benefit plan obligations and other retirement plans is described on pages 124-126.

**201-4 Financial assistance received from government.**

No financial assistance was received at Group level. Some companies received compensation under national Covid-19 rules, primarily on account of mandatory closures, but no subsidies were applied for in Sweden.



GRI 204: Procurement practices 2016  
 GRI 103: Management approach 2016

**103-1 Explanation of the material topic and its boundaries.**

NIBE's approach entails acquired companies continuing to be active in their locations. The companies can then continue to play a vital, responsible role and make a positive contribution to both economic and social growth in several areas, including suppliers, and in their local communities in the form of jobs and taxes.

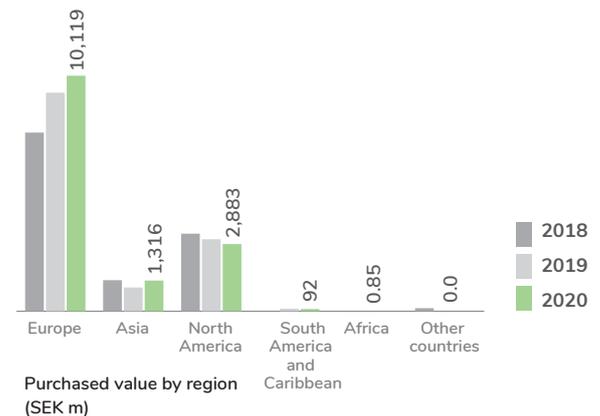
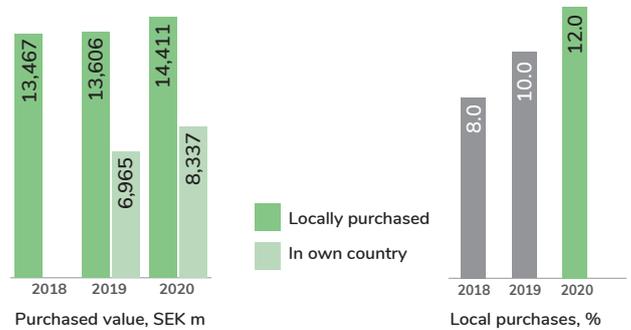
**103-2 The management approach and its components.**

NIBE practises 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 page 30 Our Business Principles, page 31 Our Values and page 38 responsible purchasing.

**103-3 Evaluation of the management approach.**

A number of metrics are monitored in respect of suppliers, including the number of suppliers and purchased value. Purchased value from local suppliers (within the same municipality or region) increases every year. The number of suppliers has grown to 13,123 (10,800), largely due to the acquisition of new companies. Our supply chains are largely located where the major manufacturing units are located, i.e. Europe and North America.

**204-1 Proportion of spending on local suppliers.**



GRI 205: Anti-corruption 2016 and anti-competitive behaviour  
GRI 103: Management approach 2016

### 103-1 Explanation of the material topic and its boundaries.

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 as per NIBE's internal control programme NICS, page 74.

### 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 procurement 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 who are deemed more vulnerable, i.e. administrative employees and Board members undergo regular anti-corruption training via NIBE's e-learning platform.

### 205-1 Operations assessed for risks related to corruption.

All units are obliged to conduct annual risk assessments in respect of compliance. All 124 companies in the sustainability report, which includes both sales and production companies, have evaluated their corruption risks in operations following our internal process, NIBE Internal Control Standard (NICS). See page 74 and pages 100–101.

### 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.

Board members who received information and training on anti-corruption, number	2020 <sup>1</sup>	2019	2018
Total	58	361	296

<sup>1</sup> For the calculation of Board members, we recalculated the numbers as several persons were on several boards, and we did not include persons from the respective management team

Employees who received information on anti-corruption, number	2020	2019	2018
Total	17,914	16,505	15,100
Nordic countries	3,300	3,136	
Europe	6,758	5,942	
North America	5,933	5,777	
Asia	1,910	1,633	
Other countries	13	17	

Employees who received training in anti-corruption, administrative employees, number	2020	2019	2018
Total	5,549	4,950	3,407
Nordic countries	1,532	1,440	
Europe	2,408	2,087	
North America	1,324	1,199	
Asia	272	210	
Other countries	13	14	

Business partners who received information on anti-corruption policy, number	2020	2019	2018
Total	844	528	298
Nordic countries	118	65	-
Europe	676	421	-
North America	36	29	-
Asia	14	13	-
Other countries	0	0	-

### 205-3 Confirmed incidents of corruption and actions taken.

No confirmed incidents.

### 206-1 Legal actions for anti-competitive behaviour, anti-trust and monopoly practices.

No cases received.



GRI 301: Materials 2016  
 GRI 103: Management approach 2016

**103-1 Explanation of the material topic and its boundaries.**

NIBE has identified four main areas across the value chain in which we have great impact: raw materials and components, our own plants, shipping and customer benefit. The areas are based on NIBE's influence and its opportunity to affect results in each area. The highest environmental impact from these is in the value chain. NIBE is able to affect this mainly by focusing in its own plants on materials efficiency in the manufacturing process. Improving materials efficiency also reduces energy consumption and emissions upstream. We see a challenge here as our companies' various ERP systems are unable to distinguish between renewable and non-renewable materials. Investigation is under way to identify how to obtain data.

**301-1 Materials used by weight or volume.**

Total weight of materials used within the organisation.

Material use in tonnes	2020	2019	2018
Metals	115,908	104,625	108,689
Components purchased	69,502	66,047*	73,239
Composites and minerals	15,954	15,218	15,430
Plastic	6,511	5,832	5,387
Paint, glue, etc.	740	841	758
Chemicals	808	660	555
Acids	162	144	136
Gases	5,246	4,299	3,894
Refrigerants	491	461	469

Packaging material in tonnes	2020	2019	2018
Total	18,946	18,414	17,382
Plastic	1,352	1,422	1,414
Wood	11,645	11,084	10,767
Board	5,864	5,828	5,051
Steel	85	80	150

\*A miscalculation was made since some components were counted as both raw materials and components.

**103-2 The management approach and its components.**

The use of natural materials and metals is our greatest impact on the environment. By optimising the use of inputs in our manufacturing processes, we reduce the amount of waste and emissions from our processes, thereby reducing environmental impact. In line with increased demand for resource efficiency around the world, we are working on using more recycled materials and reducing production waste through optimised production processes. Systematic quality and environmental work is a natural driver for improvement work.

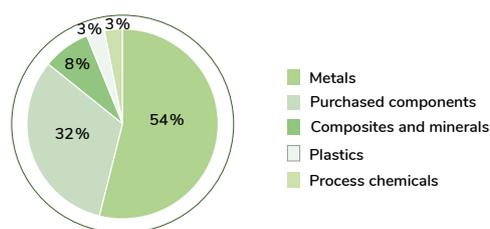
NIBE has quantified the target for its own organisation.

- 100% of our production units must have certified management systems for ISO 9001 and ISO 14001 two full years after acquisition.

The Group's sustainability targets are described in further detail on pages 24-25.

**103-3 Evaluation of the management approach.**

NIBE applies a decentralised 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 organisation. We see an increase in material use but it corresponds well to the use from acquisitions.



Overview of major materials % of total use



Packaging material in % of total use



GRI 302: Energy 2016

GRI 103: Management approach 2016

### 103-1 Explanation of the material topic and its boundaries.

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 optimise 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 60% of our sales to consist of LCE\*-classified products by the end of 2021.
- Continuously declining energy use - the target is to reduce purchased energy use 40% by 2030 compared with 2019 set 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 24-25.

### 103-3 Evaluation of the management approach.

We are working to increase our opportunities to produce our own energy, for example by installing solar panels and heat pumps and buying actively renewable electricity (GoO certificate\*\*) for our operations worldwide. For our reduction of environmental impact by buying GoO, see 305-5.

For internal transportation, we have a project at one of our units where we are discussing converting heavy vehicles to use renewable fuel. Some units are also evaluating the use of hybrid/electric company vehicles. Our LCE\* products support a shift towards a smaller carbon footprint and help customers improve energy efficiency and convert to renewable energy. We are seeing an increase in own-produced energy from companies with solar panels installed.

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

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

\*\*GoO is information and a guarantee that the electricity we buy originates from renewable sources.

## 302-1 Energy consumption within the organisation.

Energy consumption – Scope 1 (MWh)	2020	2019	2018
<b>Non-renewable sources</b>			
Petrol	3,080	4,261	2,369
Diesel	22,764	24,070	21,210
CNG	380	691	18
LPG	22,431	31,288	35,753
Light fuel	1,568	2,540	2,973
Heavy fuel	0	86	172
Natural gas	76,594	81,940	68,329
Methane	6,444	132	-
<b>Renewable sources</b>			
Pellets	0.41	0.9	1.2
Biogas	0	0	0
Biodiesel	231	114	67
Bioethanol	0	0	0

Energy use (GWh)	2020	2019	2018
Total	307	308	263

Self-produced energy sold (MWh)	2020	2019	2018
Total self-produced energy	2,450	46	74
Total self-produced heat	5,182	4,816	2,356
Total self-produced cooling	237	189	190
Self-produced energy sold	392	4.3	3.0

## 302-2 Energy consumption outside of the organisation.

Energy consumption – Scope 2 (GWh)	2020	2019	2018
Total electricity consumption	154	147	142
Total heating consumption			10.6
Total heating consumption (renewable)	3.5	6.3	
Total heating consumption (non-renewable)	11.5	4.7	
Total cooling consumption	0	0	0
Total steam consumption	0	0	0

## 302-3 Energy intensity.

Intensity (scopes 1 and 2)	2020	2019	2018
Energy intensity (energy consumption/ SEK million)	12.0	12.2	11.7

## Scope 3

Data not available for scope 3. Investigation into who can supply input data for scope 3 is ongoing.

## 302-4 Reduction of energy consumption.

The energy intensity for scopes 1 and 2 decreased from 12.2 to 12.0, equivalent to 1.6% - 5.0 GWh. In 2020, some countries had lockdowns, which means that energy reduction data cannot be guaranteed to be entirely correct.



GRI 303: Water and effluents 2018  
 GRI 103: Management approach 2016

**103-1 Explanation of the material topic and its boundaries.**

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. Sewage from NIBE's manufacturing 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, a water risk atlas is used. See [www.wri.org/applications/aqueduct/water-risk-atlas](http://www.wri.org/applications/aqueduct/water-risk-atlas).

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 Spain, Turkey, Romania, Mexico, Thailand and Vietnam. Water is used to some extent in our processes, and the volume of water consumed comes from evaporation. We see an increase in the withdrawal of water from and discharge of water to groundwater. This is largely because one of our companies in Italy has now been included in the report for the first time after acquisition. Our companies take no water from the sea and use no produced water.

**303-3 Water withdrawal.**

Water (m <sup>3</sup> )	2020	2019	2018
Total water withdrawal by source	419,880	391,092	372,709
of which			
Municipal water (third-party water)	333,519	353,436	284,979
Fresh water (<1000 mg/l dissolved solids)	322,536	351,282	
Other water (>1000 mg/l dissolved solids)	10,983	2,154	
Surface water	446	1,775	1,617
Fresh water (<1000 mg/l dissolved solids)	0	0	
Other water (>1000 mg/l dissolved solids)	446	1,775	
Groundwater	85,915	35,881	34,376
Fresh water (<1000 mg/l dissolved solids)	0	0	
Other water (>1000 mg/l dissolved solids)	85,915	35,881	

Of which water from areas with water stress (m <sup>3</sup> )	2020	2019
Total	35,052	52,160
Municipal water (third-party water)	27,349	44,324
Fresh water (<1,000 mg/l dissolved solids)	27,349	44,324
Other water (>1000 mg/l dissolved solids)	0	0
Surface water	0	0
Fresh water (<1,000 mg/l dissolved solids)	0	0
Other water (>1,000 mg/l dissolved solids)	0	0
Groundwater	7,703	7,836
Fresh water (<1,000 mg/l dissolved solids)	0	0
Other water (>1,000 mg/l dissolved solids)	7,703	7,836

303-4 Water discharge.

Water discharge (m <sup>3</sup> )	2020	2019	2018
Water discharge by source	386,753	324,100	340,713
Municipal water treatment plant	320,050	311,492	329,891
Fresh water (<1,000 mg/l dissolved solids)	0	0	
Other water (>1,000 mg/l dissolved solids)	320,050	311,492	
Surface water	33,395	11,758	0
Fresh water (<1,000 mg/l dissolved solids)	0	0	
Other water (>1,000 mg/l dissolved solids)	33,395	11,758	
Groundwater	880	850	0
Fresh water (<1,000 mg/l dissolved solids)	0	0	
Other water (>1,000 mg/l dissolved solids)	880	850	

Of which water discharge in areas with water stress (m <sup>3</sup> )	2020	2019
Total	30,262	34,207
Municipal water (third-party water)	9,753	34,207
Fresh water (<1,000 mg/l dissolved solids)	0	0
Other water (>1,000 mg/l dissolved solids)	9,753	34,207
Surface water	0	0
Fresh water (<1,000 mg/l dissolved solids)	0	0
Other water (>1,000 mg/l dissolved solids)	0	0
Groundwater	20,509	0
Fresh water (<1,000 mg/l dissolved solids)	0	0
Other water (>1,000 mg/l dissolved solids)	20,509	0

Water discharge (tonnes)	2020	2019	2018
Metals	16.9	9.0	17.6
Organic material	24.0	37.0	36.0

303-5 Water consumption.

Water consumption (m <sup>3</sup> )	2020	2019	2018
Total water consumption	33,127	66,992	-
Of which water consumption in areas with extreme water stress	0	3,832	-
Of which water consumption in areas with high water stress	4,004	18,431	-

We lack sufficient data to calculate water storage as per the GRI standard for Water introduced in 2018.

GRI 305: Emissions 2016  
GRI 103: Management approach 2016

**103-1 Explanation of the material topic and its boundaries.**

Climate change is a big challenge to companies, public authorities and societies in terms of emissions as well. NIBE has the opportunity to help improve the climate by reducing emissions from our own operations and help reduce our customers' emissions. For purchased transportation and business travel, we do not currently have enough data. These factors are therefore not currently included in our reporting.

**103-2 The management approach and its components.**

In its innovative product development, NIBE focuses on reducing products' climate impact throughout their life cycles. Product development initiatives are under way to replace today's refrigerants with new ones that have lower climate impact. In our present product range and for future product ranges, we work with natural, new refrigerants with lower Global Warming Potential (GWP). The focus is on carbon dioxide emissions, where our impact is high.

An updated vehicle policy including electric and hybrid vehicles was launched in 2020. Ongoing initiatives include replacement of fossil fuels in our operations and the installation of solar panels. For internal transportation, a project is underway at one of our units to convert heavy vehicles to use renewable fuel. In Swedish operations, HVO100 has replaced diesel where possible.

**103-3 Evaluation of the management approach.**

In the areas in which NIBE is able to have an impact on climate via various emissions, the impact of our operations is measured and monitored. Measurement has begun for other impacts to enable us to report the volume of reduction in GHG emissions to which our products contribute.

NIBE's acquisition strategy, in which we add a number of companies every year, means that it is a challenge to reduce GHG emissions in absolute figures. Our heat pump sales volume in the European market cut CO<sub>2</sub> emissions for our customers, and this is something we are proud of.

**305-1 Direct (Scope 1) GHG emissions and**

**305-2 Energy indirect (Scope 2) GHG emissions.**

Emissions are calculated only for carbon dioxide.

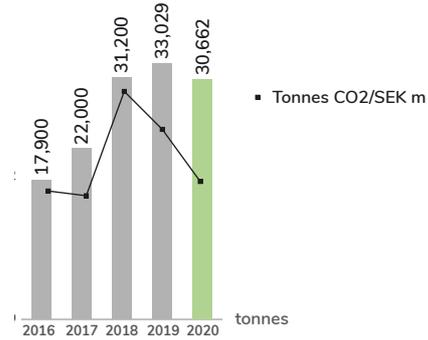
GHG emissions (tonnes of CO <sub>2</sub> eq.)	2020	2019	2018
Greenhouse gas emissions, total	30,662	33,029	31,200
of which emissions from own vehicles	5,146	5,693	4,535
of which emissions from own operations (Scope 1)	22,328	25,021	23,502
of which indirect emissions (Scope 2)	2,357	966	2,165
of which emissions from filling losses of refrigerants	831	1,349	998

Emission factors and GWP values from the Swedish Environmental Protection Agency  
<https://www.naturvardsverket.se/upload/stod-i-miljoarbetet/vagledning/Luft-klimat/emissionsfaktorer-och-varmevarden-2020.xlsx>  
Consolidated reports from companies in two Group-wide IT systems.

**305-3 Other indirect (Scope 3) GHG emissions.**

Work is in progress to produce reliable data on our climate impact for suppliers, purchased transportation and business travel. Around a third of the companies producing sustainability reports have started to obtain data and the quality assurance of this data is now in progress.

**305-4 GHG emissions intensity.**



**305-5 Reduction of GHG emissions.**

Savings of GHG emissions from the type of heating system that our heat pumps replaced in 2019 on each market amounted to 217,000 tonnes of CO<sub>2</sub> in 2020. This calculation is based on national market conditions in each country in Europe. All types of heating system 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 27 different countries are included. The heat pump brands included in the startup are EU-based NIBE, AIT and CTC.

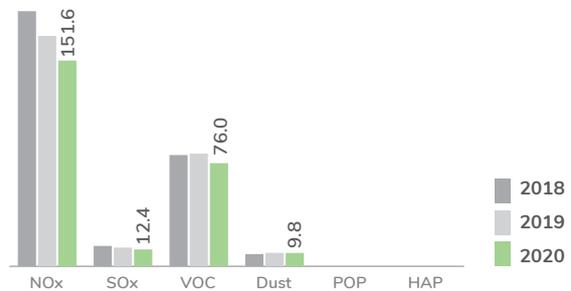
GoO, Guarantees of Origin, are purchased for all our operations worldwide to guarantee the origin of renewable electricity. These helped us reduce GHG emissions by 59,864 tonnes of CO<sub>2</sub>. Residual mix figures from 2019 within and outside the EU were used for the calculation. The figures were obtained from World Kinect Energy services.

In the cars in which we replaced diesel with HVO100, we contributed a reduction of 43 tonnes of CO<sub>2</sub> emissions.

With the acquisition strategy that NIBE has, in which companies are added gradually, it is difficult to calculate the reduction per company.

**305-7 Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions.**

Emissions of NOx, SOx, VOC and dust into the air from our own production plants are measured and monitored to comply with applicable environmental permits and regulatory requirements. Information from suppliers and safety data sheets for chemicals are used as the basis for the measurement.



Air emissions

GRI 306: Effluents and waste 2016  
 GRI 103: Management approach 2016  
 GRI 307: Environmental compliance 2016

**103-1 Explanation of the material topic and its boundaries.**

A large part of NIBE's environmental impact comes from waste generation, so recycling is a very important matter. We are working to reduce the consumption of raw materials and the amount of waste that goes to landfills and hazardous waste disposal.

**103-2 The management approach and its components.**

The greatest challenge to succeeding in increasing recycling and reducing waste to landfills is in countries where the systems and infrastructure for sorting waste are not in place. In such cases, as far as possible, we make every effort to create our own solutions while also influencing society to assume greater responsibility for its waste management.

At our production units, authorised waste management companies are hired to manage hazardous waste.

**103-3 Evaluation of the management approach.**

The most recent acquisitions have been in countries that have less well developed systems and infrastructure for waste. We are working to find solutions for these companies to reduce the volume of waste that goes to landfill.

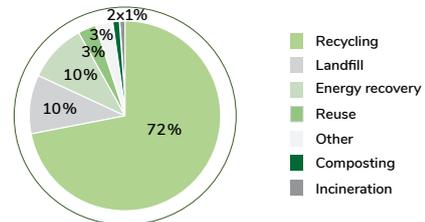
**306-2 Waste by type and disposal method.**

Waste (tonnes)	2020	2019	2018
<b>Total waste</b>	<b>29,001</b>	<b>27,287</b>	<b>24,638</b>
Reuse	751	220	225
Recycling	20,919	20,901	17,864
Composting	84	81	1
Reuse (new area of application)	219	173	245
Energy recovery	2,858	2,465	2,268
Incineration	75	174	171
Deep well injection	0	0	0
Landfill	2,955	2,929	3,420
On-site storage	118	76	73
Other	1,023	268	371

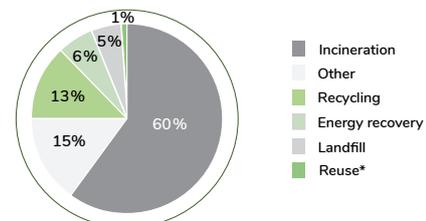
Hazardous waste (tonnes)	2020	2019	2018
<b>Total hazardous waste</b>	<b>2,250</b>	<b>1,799</b>	<b>1,614</b>
Reuse	22	5	6
Recycling	283	164	348
Composting	0	0	0
Reuse (new area of application)	50	19	12
Energy recovery	85	119	94
Incineration	1,342	1,069	463
Deep well injection	0	0	0
Landfill	129	94	202
On-site storage	11	10	10
Other	328	319	479

**307-1 Non-compliance with environmental laws and regulations.**

In 2020, NIBE had no emissions that harm the environment and received no significant fines or instructions from environmental authorities.



Waste categories in % of total use



Waste categories in % of total use

\* The pie chart integrates these 2 categories as per GRI.



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 boundaries.**

NIBE manages suppliers' impact on the environment, human rights, employees and social issues under the programme for responsible purchasing. The programme covers all NIBE suppliers, but has a risk-based method in which audits focus mainly on first-tier suppliers and also to some extent on second-tier suppliers.

**103-2 The management approach and its components.**

NIBE's work on responsible purchasing is designed to ensure that our ethical guidelines are followed by suppliers and subcontractors. The work forms part of supplier development and comprises areas such as health and safety, the environment, quality, human rights, product legislation and ethical guidelines. See page 38.

NIBE's strategy for responsible purchasing uses a risk-based method in which suppliers of direct materials have to undergo audits or visits if they are in high-risk regions. This evaluation must take place in NIBE's global system.

**103-3 Evaluation of the management approach.**

Several companies are working on implementation in the global system and this will gradually increase. One effect of the pandemic is that it has not been possible to visit suppliers to the extent planned. Evaluations have had to be done using other methods such as digital meetings and documentation.

No suppliers have been terminated in relation to the environment, corruption or social aspects.

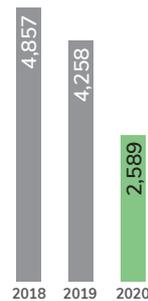
**308-1 New suppliers that were screened using environmental criteria.**

In 2020, 37% (42%) of new direct materials suppliers were screened using environmental criteria.

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

In 2020, 34% (32%) of new direct materials suppliers were screened using social criteria. The pandemic has resulted in delays to the screening of new suppliers as it has not been possible to visit them.

The supplier code of conduct has been communicated to 90% of all direct materials suppliers in the past three years as shown in the table below. The supplier code of conduct includes aspects such as human rights, gender equality and corruption.



Business code for suppliers, provided, numbers

GRI 403: Occupational health and safety 2018  
GRI 103: Management approach 2016

### 103-1 Explanation of the material topic and its boundaries.

Health and safety are a very important matter for NIBE in various respects, both in our direct operations and in activities along the value chain. NIBE employs around 12,300 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 38.

### 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 rate per million hours worked has been quantified and targets have been set.

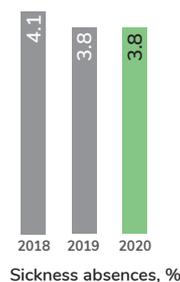
- A safe workplace with no accidents. Our long-term goal is zero accidents, of course, even though this is difficult to achieve. The interim target is an accident frequency of fewer than six accidents by the end of 2021. Read more on page 25.

Near-accidents and first aid incidents at local units are not always reported at Group level. Health and safety data is collected annually using NIBE's reporting and consolidation tools.

### 103-3 Evaluation of the management approach.

The accident rate is falling, and the work to implement ISO 45000 at a number of companies is progressing. The status of ISO 45000-certified companies will be reported for the first time in 2021. In 2020, an alcohol and drugs policy was drawn up to protect the working conditions and safety of our employees.

Sickness absence below does not include people in quarantine at home due to the pandemic.



### 403-5 Worker training on occupational health and safety.

NIBE has no Group training on health and safety. This takes place locally at the various companies. There is a health and safety policy at Group level, which is implemented at the companies. Health and safety is one of the areas covered in the Group's sustainability visits.

### 403-8 Workers covered by an occupational health and safety management system.

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

87% (88%) 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.

Work-related injuries (number)	2020	2019	2018
Fatalities	0	0	0
High-consequence work-related injuries	2	7	4
High-consequence work-related injuries per million hours worked	0.06	0.2	
Recorded injuries	223	310	316
Recorded injuries per million hours worked	7.1	9.9	
Number of hours worked (thousands)	31,578	31,028	24,254

Work-related injuries – other workers (number)	2020	2019	2018
Fatalities	0	0	0
High-consequence work-related injuries	0	1	13
High-consequence work-related injuries per million hours worked	0	0.9	
Recorded injuries	6	19	15
Recorded injuries per million hours worked	6.0	17.5	
Number of hours worked (thousands)	997	1,084	2,919

### 403-10 Work-related ill health.

Muscle pain is the most common type of reported ill health.

Work-related ill health (number)	2020	2019
Fatalities	0	0
Recorded cases of ill health	65	77

Work-related ill health – other workers (number)	2020	2019
Fatalities	0	0
Recorded cases of ill health	4	12



GRI 401: Employment 2016  
 GRI 103: Management approach 2016

**103-1 Explanation of the material topic and its boundaries.**

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. In firmly established partnerships with universities and institutes of higher education, we offer opportunities for joint development projects, degree projects and internships, both locally and internationally. See page 67.

**103-3 Evaluation of the management approach.**

NIBE's biggest recruitment challenge is the shortage of people with the right skills on the labour market. As society and industry are digitalised, an increasing number of organisations are competing for people with similar skills.

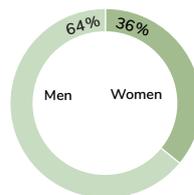
The average employment period is 8.8 (8) years for 2020.

Higher staff turnover in Asia is largely due to variation in demand over the year related to the pandemic.

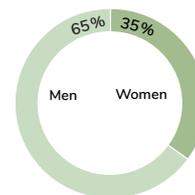
**401-1 New employee hires and employee turnover.**

New employees (reporting period)	2020
Total	4,857
<age 30	47%
age 30-50	43%
>age 50	10%
Nordic countries	15.6%
Europe	26.6%
North America	45.2%
Asia	12.5%
Other countries	0.1%

Employee turnover	2020	2019	2018
Total	23%	28%	26%
Nordic countries	9%	13%	9%
Europe	12%	15%	11%
North America – excluding Mexico	18%	28%	15%
Mexico	58%	75%	94%
Asia	51%	37%	16%
Other countries	7.7%	36%	6%



New employees



Employee turnover



Employment ended	2020	2019
<age 30	41%	48%
age 30-50	45%	40%
>age 50	14%	12%

Parental leave (number)	2020	2019
Total affected	17,845	16,404
Men	282	291
Women	619	584

The total number of employees covered by parental leave is lower than the total number of employees as there are businesses in countries in which parental leave is not available.

Exception: Data is not available for how many returned to work and continue to work after 12 months. Work is in progress to produce data.

GRI 402: Labour/management relations 2016  
 GRI 103: Management approach 2016

**103-1 Explanation of the material topic and its boundaries.**  
 NIBE's code of conduct supports human rights and workers' rights. The main priority in the relationship between employees and 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.**  
 Labour/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.



GRI 404: Training and education 2016  
GRI 103: Management approach 2016

**103-1 Explanation of the material topic and its boundaries.**

NIBE's successful history has largely depended on the skill and experience of our employees. Digitalisation 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 67.

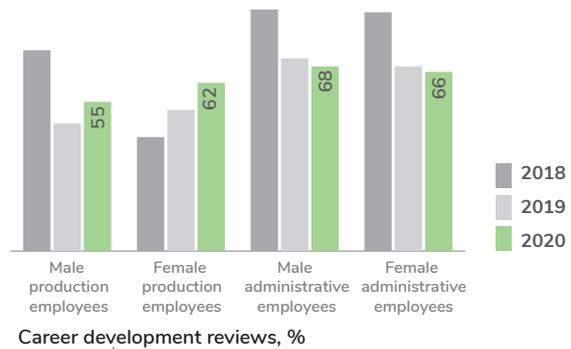
**103-3 Evaluation of the management approach.**

Performance and career development reviews are used as the basis for setting pay and establishing training plans. The number of hours of training fell in 2020 as units were closed on account of the pandemic.

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

Training and education (number of hours)	2020	2019	2018
Training hours, male production employees	99,817	111,747	138,587
Training hours, female production employees	68,901	76,445	112,247
Training hours, male administrative employees	39,631	46,689	47,051
Training hours, female administrative employees	21,150	23,584	23,421
Training hours per employee	13	16	21

**404-3 Percentage of employees receiving regular performance and career development reviews.**



Training and education (%)	2020	2019	2018
Graduates	14	14	13

GRI 405: Diversity and equal opportunity 2016  
 GRI 103: Management approach 2016

**103-1 Explanation of the material topic and its boundaries**

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 ever-increasing competition for talent, we cannot afford to only attract a certain type of person.

**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 2019. The conversion performed at Board level means that we have a clearer picture of the gender distribution. Generally in 2020, we can see a reduction in the number of women in both production and administration.

**405-2 Ratio of basic salary and remuneration of women to men.**

We have the same rules and values regarding wages in all NIBE companies. Wage levels comply with each country's applicable laws and do not fall below minimum levels.

Exception: Confidentiality limitations. Company policy not to disclose wages. Data is available internally.

**405-1 Diversity of governance bodies and employees.**

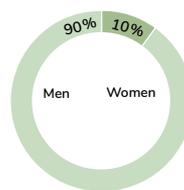
Board members	2020	2019	2018
Total	62	361	296
<age 30	0%	0.7%	
30-50	30%	32%	
>50	70%	67.3%	

Management team	2020	2019	2018
Total	788	685	728
<age 30	5%	5%	5%
30-50	51%	51%	49%
>50	44%	44%	46%

Managers (other than the management team)	2020
Total	1290
<age 30	2%
30-50	55%
>50	43%

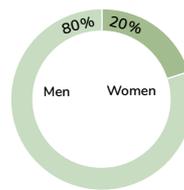
Administrative staff, %	2020	2019
<age 30	15	17
age 30-50	54	53
>age 50	31	30

Production employees, %	2020	2019
<age 30	23	23
age 30-50	51	52
>age 50	26	25



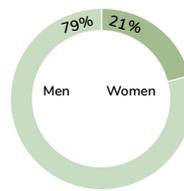
**Board of Directors**  
 Women 10% and men 90%. Board of Directors refers to all company boards.

Board of directors



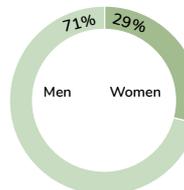
**Management team**  
 Women 20% and men 80%. Management teams in our reporting companies. A reduction of 1% on 2019.

Management team



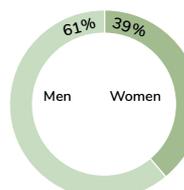
**Managers**  
 Women 21% and men 79%. Refers to other managers in our companies outside management teams.

Managers



**Administrative**  
 Women 29% and men 71%. A reduction of 1% women on 2019.

Administrative



**Production**  
 Women 39% and men 61%. A reduction of 2% women on 2019.

Production



GRI 406: Non-discrimination 2016 and GRI 103: Management approach 2016  
 GRI 407: Freedom of association and collective bargaining 2016 and GRI 103: Management approach 2016  
 GRI 408: Child labour 2016 and GRI 103: Management approach 2016  
 GRI 409: Forced or compulsory labour 2016 and GRI 103: Management approach 2016  
 GRI 411: Rights of indigenous peoples 2016 and GRI 103: Management approach 2016  
 GRI 412: Human rights assessment and GRI 103: Management approach 2016

#### 103-1 Explanation of the material topic and its boundaries.

NIBE owns and runs factories worldwide and employs approximately 12,300 employees in direct manufacturing. In terms of NIBE's impact on risks for people, the main issues are employees at NIBE and employees in the supply chain. The work in this area changes continuously as risk assessment and due diligence processes are developed and knowledge increases on how the Group's activities may affect people who are closely linked to the company's operations, distribution, sales and end use of products and services.

For the above material issues, we have combined the management approach as the approaches are the same.

#### 103-2 The management approach and its components.

NIBE's values are based on a number of external international principles and regulations such as the ILO's conventions, the UN guiding principles on human rights, the UN Global Compact and ISO 26000 Guidance on social responsibility. NIBE 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 [NIBE.com/ledningsfilosofi](http://NIBE.com/ledningsfilosofi) and are included in contracts with suppliers and retailers. NIBE's ethical guidelines are the fundamental guidelines on human rights. They have been supplemented with an adapted version for suppliers but all are based on the same principles. This means that NIBE takes account of human rights when making visits and performing audits, such as sustainability visits, when evaluating compliance with ethics and regulations and when assessing the ethical guidelines at suppliers.

The risks are primarily linked to freedom of association and collective bargaining agreements, remuneration, working hours, health, safety, well-being 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 labour, workers who are minors, forced labour and slave labour. We do not permit employees under the age of 18 to perform risky work.

In the event 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.

#### 406-1 Incidents of discrimination and corrective actions taken.

In 2020, we had two reports of incidents involving discrimination in North America. These are being investigated by the EEOC (U.S. Equal Employment Opportunity Commission).

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

Collective agreements cover 45% (43%) 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. NIBE has only a small number of direct materials suppliers in these countries, for which reason we only have a small risk of exposure.

#### 408-1 Operations and suppliers at significant risk for incidents of child labour.

NIBE considers that the risk of child labour in the Group's operations is low. Nevertheless, the issue of child labour is included in NIBE's sustainability visits. The risk of child labour at NIBE's suppliers may, in some cases, be deemed higher and is therefore an important component of NIBE's supplier assessments. We have suppliers in India, China, Vietnam and Turkey, which are high on the list of countries with child labour. These suppliers are assessed, audited as required and asked to sign NIBE's supplier code of conduct.

In 2020, no cases of child labour were ascertained in either the company's own operations or at our suppliers. NIBE has only a small number of direct materials suppliers in these countries, for which reason we only have a small risk of exposure.



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

The issue of forced and slave labour is included in NIBE’s assessments, internal sustainability visits and supplier assessments. Sustainability visits to our own operations did not identify any forced labour in 2020.

NIBE has suppliers in India and China, which are high on the list of countries with forced labour. These suppliers are assessed, visited and asked to sign NIBE’s supplier code of conduct. NIBE has only a small number of direct materials suppliers in these countries, for which reason we only have a small risk of exposure. No cases of forced or slave labour were ascertained in 2020.

**411-1 Incidents of violations involving rights of indigenous peoples.**

No cases were registered involving 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. 81 (78) production companies of the companies preparing sustainability reports in 2020 were assessed via sustainability visits, equivalent to 90%. It was not possible to visit the other 10% on account of the pandemic.

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

Training and education	2020	2019
Employees who received training in human rights	31%	31%
Training hours in human rights	10,521 h	10,446 h



GRI 415: Public policy 2016  
 GRI 103: Management approach 2016

**103-1 Explanation of the material topic and its boundaries.**

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 prioritise 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 organisations. We do not provide financial support to political organisations or to individuals.

**103-3 Evaluation of the management approach.**

We do not provide financial support to political organisations or to individuals.

**415-1 Political contributions.**

Contributions and sponsorship	2020	2019	2018
Sponsorship of culture, sport, health and young people, SEK million	3.3	3.0	2.5
Political contributions, SEK	0	0	0

GRI 416: Customer health and safety 2016  
 GRI 103: Management approach 2016  
 GRI 417: Marketing and labelling 2016  
 GRI 103: Management approach 2016

**103-1 Explanation of the material topic and its boundaries.**

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, eco-friendly 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.**

We had one incident in which a component failed despite the product having been manufactured in compliance with existing laws and requirements. There were no personal injuries or damage to property and action has been taken.

**417-1 Requirements for product and service information and labelling.**

No cases received.

**417-2 Incidents of non-compliance concerning product and service information and labelling.**

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 boundaries.**

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 programme 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 boundaries.**

NIBE manages socioeconomic compliance as part of the Group's programme 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 relationships with our stakeholders, and communication is based on regular contact, clarity and sound ethics. We keep our shareholders informed about the Group's operations, results and strategies. This is done in accordance with the rules for the stock exchanges on which NIBE is listed. One clear expectation we have of all companies in the Group is that they comply with statutory requirements, agreements and contracts, and our shared principles and values, regardless of the type of society in which the companies are based.

**103-3 Evaluation of the management approach.**

For evaluation of socioeconomic compliance and financial reporting, see the Auditors' Report on pages 176-179.

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

No cases of non-compliance in these areas were identified.

## Auditor's statement on the statutory sustainability report

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

### **Tasks and division of responsibilities**

The Board of Directors is responsible for the sustainability report for 2020 on page 145, and for ensuring that it has been prepared in accordance with the Annual Accounts Act.

### **Focus and scope of the review**

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

### **Opinion**

A sustainability report has been prepared.

Markaryd, 17 March 2021

KPMG AB  
Dan Kjellqvist  
Authorised Public Accountant

# Corporate governance report

Corporate governance in NIBE Industrier AB (publ) (NIBE) is performed by the Annual General Meeting, the Board of Directors and the Managing Director/CEO in accordance with the Swedish Companies Act (Swedish Code of Statutes 2005:551), the company's Articles of Association, the Swedish Annual Accounts Act (1995:1554), the listing agreement with the Nasdaq Stock Exchange in Stockholm, 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 Code of Corporate Governance (the Code). NIBE complies with the Code, and this corporate governance report has been drawn up in accordance with the Code. The current Code may be accessed on the Swedish Corporate Governance Board's website, [www.bolagsstyrning.se](http://www.bolagsstyrning.se). In addition, NIBE also provides information via the company's website in accordance with the Market Abuse Regulation and other requirements.

The corporate governance report is not part of the formal annual report documents. The company's auditors have examined the corporate governance report, and it is their opinion that the corporate governance report has been properly drawn up and that the statutory information in the report is consistent with other parts of the annual report and consolidated financial statements.

## 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 31 December 2020, NIBE had 57,956 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 constellation of 'current and former board members and senior executives' with a total of 21% of the capital and 46% of voting rights, followed by Melker Schörling who holds 9% of the capital and 20% of the voting rights, and eight institutional investors with a total of 28% of capital and 13% of voting rights. Together these ten constellations of investors hold a total of 58% of the capital in the company and 79% of the votes. Only Melker Schörling has a direct or indirect shareholding which represents at least 10% of the number of votes of all shares in NIBE.

## Annual General Meeting

The Annual General Meeting (AGM) is NIBE's highest decision-making body. The AGM elects the company's Board of Directors and auditors, adopts the accounts, makes decisions on dividends and other appropriations of profits/losses, and discharges the Board of Directors and the MD/CEO from liability.

The most recent AGM on 14 May 2020 in Markaryd was attended by 412 shareholders, 33 of which attended in person, and 379 attended through proxies. The 412 shareholders represented 60% of the shares and 80% of the total number of votes in the company. The AGM was attended by the Board of Directors, the MD/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 2020 AGM gave the Board of Directors a mandate to issue new class B shares in the company, on one or more occasions and with or without regard for the shareholders' preferential rights, to be used to finance the acquisition of companies or businesses. This mandate is valid until the 2021 AGM and is restricted to a maximum



Hans Linnarson  
Chairman of the Board

of 10% of the number of shares issued at the time of the AGM.

An Extraordinary General Meeting in NIBE was held on 16 December 2020 and passed a resolution on a shareholders' dividend. As a consequence of the Covid-19 pandemic, the meeting was held with postal voting only. 699 shareholders attended the meeting. These shareholders represented 59% of the shares and 80% of the total number of votes in the company.

## Communication with the stock market

The ambition is to maintain a high standard of information issued by the company to the stock market. Such information must be accurate and transparent to create long-term confidence in the company.

Earnings and a summary of the Group's financial position are presented quarterly and, like the annual report, are issued in printed form to all shareholders who so wish. All information that may have an effect on the company's share price and information on all acquisitions is announced via press releases. All financial information is also available on the website, [www.nibe.com](http://www.nibe.com). Press releases and reports are posted there at the same time as they are made public.

Press and financial analyst conferences are held when quarterly reports are published. There is also continuous dialogue with Swedish and foreign investors and financial analysts, the media and Aktiespararna, the Swedish Shareholders' Association. This took place digitally during the year.

## Board procedures

The NIBE Board of Directors consists of six members, elected by the AGM. Directors of the company 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 in 2020 comprised Hans Linnarson (Chair), Georg Brunstam, Anders Pålsson, Jenny Sjö Dahl, Jenny Larsson and Gerteric Lindquist (CEO of the NIBE Group). With the exception of the CEO, none of the directors of the company is employed by the company or has any operational responsibilities in the company.

NIBE's Board of Directors assesses that all directors are independent of the company apart from the CEO and Georg Brunstam, due to his position in Melker Schörling AB, which is owned by one of the principal shareholders. Please see page 181 for a brief presentation of the directors of the company.

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 MD/CEO and is responsible for ensuring that the organisation, 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 MD, and is responsible for ensuring that other members of the Board receive the information they need to hold discussions of a high quality and make the best possible decisions.

The Board of Directors evaluates its work every year. The evaluation is carried out by means of a survey of the directors. The results of the survey are then presented to the full Board, which uses them to make specific proposals on how its work can be developed, improved and made more efficient, where necessary. The Board survey for 2020 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 MD/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 9.1, of the Code) or an Audit Committee (Section III, item 7.2, of the Code). NIBE does not comply with the Code in respect of nominations because of the clear ownership structure with two principal shareholder constellations, which together control 66% 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.

## The work of the Board in 2020

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

<b>Status report</b>	Report of significant events affecting operations that have not been listed in the written report that has been circulated.
<b>Financial report</b>	Review of the financial information circulated.
<b>Investments</b>	Decisions regarding investments exceeding SEK 10 million, based on the data circulated.
<b>Legal processes</b>	Review of new or ongoing legal processes, where appropriate.
<b>Acquisitions</b>	Report on ongoing discussions and decisions concerning the acquisition of companies, as and when appropriate.
<b>Press releases, etc.</b>	When appropriate, a review of proposals for external reports to be published after the meeting.
<b>Internal control</b>	Report on the internal control work.

*Every ordinary board meeting focuses on one principal topic of discussion*



## Group management

The 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 directors 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 MD/CEO. The work of the MD/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

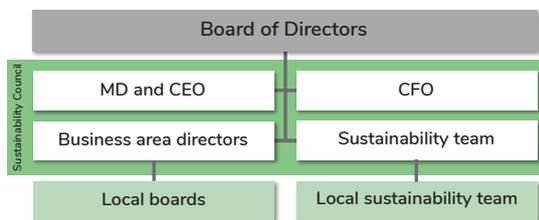
NIBE consists of three business areas.

Each business area has its own operational management with profit responsibility. Each business area has a Business Area Board chaired by the Group's 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.

## Management of the Group's sustainability work

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 labour law, but we are also obliged to comply with regional and international law and make voluntary commitments such as to the UN Global Compact and the UN Sustainable Development Goals/Agenda 2030.

NIBE's Board has the ultimate responsibility for ensuring that risks are managed and that sustainability initiatives comply with the requirements of authorities, shareholders and other stakeholders. The Managing Director reports to the Board. The business area managers 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 business area managers in each area.

The sustainability workgroup regularly visits companies in the Group to monitor compliance with common policies and guidelines. The workgroup also works strategically and reports on sustainability issues to the Boards at Group and business area level.

Any need for improvement or nonconformities are documented and reported to the individual company, business area managers and Group management. Each business area manager 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 30–31.

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 organisation.

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 labour 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 behaviour according to established escalation procedures when their knowledge or mandate is insufficient.

NIBE has a whistleblower function through which all Group employees can confidentially report suspicions of serious deviations from NIBE's values, business principles and applicable legislation without risking 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.

## 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 analyse 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 characterised 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 2020, 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. The result of the evaluation is that the composition of the Board is deemed compliant with the policy.

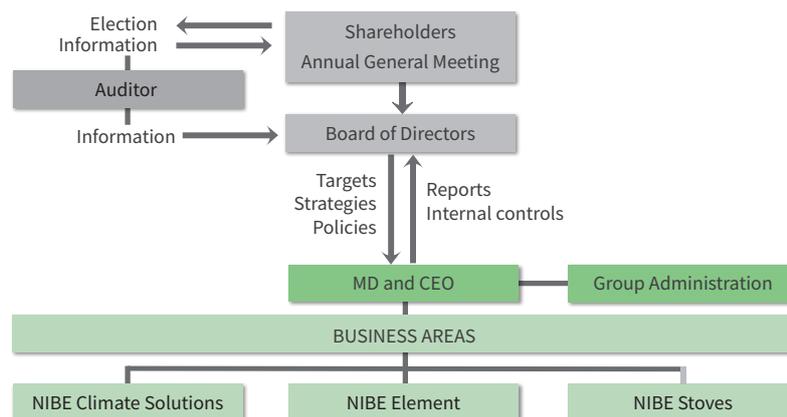
## Remuneration, 2020

The 2020 AGM resolved that the fees to the Board of Directors and the fees to the auditors should be paid in accordance with approved accounts.

At the same time, policies for the remuneration of the MD/CEO and other senior executives were detailed and approved. Further information about the principles that apply can be found in Note 6 to the annual report and on NIBE's website at [www.nibe.com](http://www.nibe.com).

Remuneration to the Managing Director/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 Managing Director/CEO. The remuneration of other senior executives is determined by the Managing Director in consultation with the Chairman of the Board and in accordance with the guidelines adopted by the AGM. Decisions in this regard are reported to the Board of Directors.

Information on the fees paid to directors, as well as the salary and other remuneration paid to the MD/CEO and other senior executives can be found in Note 6 to the annual report.



### Incentive programme

An incentive programme applies to certain key members of staff/senior executives, under which they are paid variable remuneration if set targets are met.

The variable bonus is limited to a maximum of four months' salary. It is also possible for an additional month's salary to be paid on condition that this additional payment plus another monthly salary paid as a variable bonus or part of a variable bonus is used to purchase NIBE shares on the stock market. A further condition for entitlement to receive this additional month's remuneration is that the NIBE shares purchased are retained for at least three years. Under normal circumstances, shares acquired in this way by members of staff shall be purchased on one occasion each year in February/March and the purchase shall be subject to the relevant market abuse regulations. No incentive programme is offered to the MD/CEO. Certain key individuals in the foreign companies acquired during the year have incentive programmes that, in certain respects, deviate from the principles for remuneration that are otherwise applied in the NIBE Group. Further information about the principles that apply for senior executives can be found in Note 6 to the annual report.

### Severance pay

No severance pay or other benefits apply to the Chairman of the Board or to the directors, apart from the MD/CEO.

The period of notice for the MD/CEO is six months in the event that the company gives notice. In addition to salary during the period of notice, the MD/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 the directors of the company receive no 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 Managing Director/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 controls of financial reporting in 2020

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 finan-

cial reporting complies with the requirements in Chapter 6, Section 6, of the Annual Accounts Act.

NIBE is characterised by simplicity in its legal and operational structure, transparency in its organisation, clear divisions of responsibility, and an efficient management and control system.

NIBE complies not only with laws and regulations in respect of financial reporting, but also with internal instructions and policies set out in the Group's Finance Handbook. These are applied by all companies in the Group, along with systems aimed at ensuring effective internal controls in financial reporting.

Consolidated financial statements containing comprehensive analyses and comments are prepared each quarter for the Group and its business areas. Monitoring also takes place monthly.

There are finance functions and controllers with responsibility for accounting, reporting and the analysis of financial trends at Group level, business area level and unit level.

In addition to the statutory audits of the annual report and statutory audits of the parent and all subsidiaries, the auditors carry out an annual review of how the companies are organised, of existing routines and of compliance with the instructions issued, based on guidelines drawn up by corporate management and approved by the Board of Directors. A summary of internal control procedures is presented each year as part of the Board meeting that deals with the year-end financial statements. The Board also has the option of requesting a special audit of a selected business during the year if the Board deems it necessary.

In 2020, the project aimed at reinforcing internal control continued. It is our opinion that this review increases insight and awareness, provides explicit instructions and proposes a clear organisation as regards internal control. It is therefore the opinion of the Board that, because of the implementation of this review, there is no need for any separate internal control (item 7.3 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. Dan Kjellqvist has been auditor in charge since the AGM in 2016.

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 Board as a whole.

Over and above normal auditing duties, KPMG AB assists in particular with due diligence reviews in conjunction with corporate acquisitions and with accounting consultations. Information on the remuneration of auditors is given in Note 9 to the annual report.

## The 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 2020 on pages 171–174, and for ensuring that it has been prepared in accordance with the Annual Accounts Act.

### **Focus and scope of the review**

Our review was conducted in accordance with FAR's statement RevU 16 *The Auditor's Review of the Corporate Governance Report*. This means that our review of the corporate governance report has a different focus and is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices in Sweden. We consider that this review provides an adequate basis for our opinions.

### **Opinion**

A corporate governance report has been prepared. Disclosures in accordance with Chapter 6, Section 6 (2), 2–6, of the Swedish Annual Accounts Act, and Chapter 7, Section 31 (2), of the same Act are consistent with the annual report and consolidated financial statements and comply with the Swedish Annual Accounts Act.

Markaryd, 17 March 2021

KPMG AB  
Dan Kjellqvist  
*Authorised Public Accountant*



### The Board of Directors' declaration

The Board of Directors and the Managing Director/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, 17 March 2021

Hans Linnarson  
Chairman of the Board

Georg Brunstam  
Director

Jenny Larsson  
Director

Anders Pålsson  
Director

Jenny Sjö Dahl  
Director

Gerteric Lindquist  
Managing Director and CEO

The annual report and the consolidated financial statements were, as shown above, approved for publication by the Board and the Managing Director/CEO on 17 March 2021. The consolidated balance sheet and income statement and the parent's balance sheet and income statement will be presented for approval at the Annual General Meeting on 11 May 2021.

# Auditor's report

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

## Report on the annual report and consolidated financial statements

### Opinions

We have audited the annual accounts and consolidated accounts of NIBE Industrier AB (publ) for the 2020 financial year. The annual report and consolidated financial statements of the company are included in the printed version of this document on pages 79–139. In our opinion, the annual report has been prepared in accordance with the Annual Accounts Act and presents fairly, in all material respects, the financial position of the parent as of 31 December 2020 and of its financial performance and its cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated financial statements have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of 31 December 2020 and of its financial performance and cash flow in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory Administration Report is consistent with the other parts of the annual report and the consolidated financial statements.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent and the Group.

Our opinions in this report on the annual report and the consolidated financial statements are consistent with the content of the supplementary report submitted to the parent's Board in accordance with Article 11 of EU Regulation 537/2014 on statutory audits.

### Basis for our opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibility under these standards is described in further detail in the 'Auditor's responsibility' section. We are independent of the parent and the Group in accordance with generally accepted auditing standards 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 judgement, were of most significance in our audit of the annual report and consolidated financial statements for the current period. These matters were addressed in the context of our audit of, and our opinion on, the annual report and consolidated financial statements as a whole, but we do not provide a separate opinion on these matters.

## Valuation of goodwill

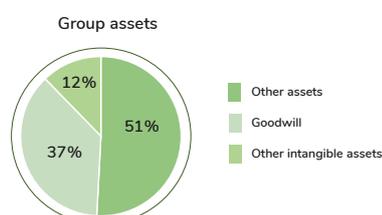
See Note 14 and the consolidated financial statements for detailed information and a description of this matter.

### Description of the matter

As at 31 December 2020, the Group had goodwill of SEK 14,218 million, representing 37% of total assets.

Every year, goodwill must be subject to at least one impairment test which contains both complexity and significant features of assessments from the Group management.

Under the existing rules, the test must be performed using a specific technique in which the management makes future assessments of the business's internal and external conditions and plans. Examples of such assessments are future receipts and payments, which require assumptions about future market conditions, among other things, and thus indirectly about how competitors may be expected to act. 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 cash and 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 consulted our own valuation specialists to ensure experience and expertise in this matter, primarily for assumptions linked to external markets and competitors and assessment of the company's assumptions for future receipts and payments. 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 and the consolidated financial statements for detailed information and a description of this matter.

### Description of the matter

Several acquisitions were made within the Group during the year. No single acquisition is deemed to be significant.

In connection with business combinations, the new business must be recognised in the consolidated financial statements, which requires the preparation of an acquisition analysis. The preparation of this analysis involves acquired assets and liabilities being identified and having amounts allocated to them that correspond to their fair values on the acquisition date, whether they were previously recognised or not. When additional considerations arise, they are 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 recognised in the Group. The acquisition analysis requires assessments by the Group management of the assets that are to be recognised in the financial statements (intangible assets can be particularly difficult to assess here) and the values allocated to them in the financial statements. These assessments affect the Group's future earnings, partly dependent on whether depreciable or non-depreciable assets are recognised in the financial statements.

The value that remains after all assets and liabilities have been assessed and valued is recognised as goodwill. This goodwill is not subject to depreciation but it must be subject to impairment testing at least once a year instead.

### Response in the audit

We have analysed acquisition analyses in order to assess whether they were prepared using the correct methods. We consulted internal valuation specialists who have experience of the methods and valuations used for acquisitions. 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 parts of our work involved assessing whether the assets included in the acquisition analysis exist and whether all assets, especially intangible assets, were included. This assessment was based in part on inspection of contracts concluded, management's assumptions about additional considerations 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 used by the Group in its acquisition analysis and whether the information is extensive enough to understand the assessments made by the company management.

### Information other than the annual report and consolidated financial statements

This document also contains information other than the annual report and consolidated financial statements and can be found on pages 2–78 and 140–182. This other information also consists of the remuneration report, which we expect to gain access to and read through after this date. The Board and the Managing Director are responsible for this other information.

Our opinion concerning the annual report and consolidated financial statements does not include this information and we do not give an assured opinion on this other information.

In connection with our audit of the annual report and consolidated financial statements, it is our responsibility to read the information identified above and consider whether the information is materially inconsistent with the annual report and consolidated financial statements. In this review, we also take into account the knowledge we have obtained during the audit and assess whether the information appears to contain material misstatements in other respects.

If, based on the work performed concerning this information, we conclude that the other information contains a material misstatement, we are liable to report this. As of the date of this audit report, we have nothing to report in this respect.

### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of this annual report in accordance with the Annual Accounts Act and of the consolidated financial statements in accordance with IFRS, as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of an annual report and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual report and consolidated financial statements, the Board of Directors and the Managing Director are responsible for assessing the company's and the Group's ability to continue as a going concern. Where appropriate, they disclose circumstances that may affect the ability to continue business operations and to apply a going concern assumption. However, a going concern assumption is not applied if the Board of Directors and the Managing Director intend to liquidate the company or cease business operations or have no realistic alternative to doing one of these.

### Auditor's responsibility

Our objective is to obtain reasonable assurance that the annual report and consolidated financial statements do not contain any material misstatement, whether due to fraud or error, and to submit an auditor's report that contains our opinions. Reasonable assurance is a high level of assurance, but is no guarantee that an audit performed in accordance with ISA and generally accepted auditing standards in Sweden will always detect material misstatement if such exists. Misstatements may arise due to fraud or error and are regarded as material if, individually or together, they may reasonably be expected to affect the financial decisions that users make based on the annual report and consolidated financial statements.

As part of an audit in accordance with ISA, we employ our professional judgement and assume a professionally sceptical attitude throughout the audit. In addition:

- we identify and assess the risks of material misstatements in the annual report and consolidated financial statements, whether they are due to fraud or error, design and perform audit procedures in part based on these risks and obtain audit evidence that is adequate and appropriate as 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.
- we gain an understanding of the part of the company's internal control that is of importance to our audit to design audit procedures that are appropriate to the circumstances but not to supply an opinion on the effectiveness of the internal control.
- we evaluate the suitability of the accounting policies applied and the reasonableness of the Board of Directors' and the Managing Director's estimates in the financial statements and associated disclosures.
- we draw a conclusion about the suitability of the Board of Directors and the Managing Director applying a going concern assumption in the preparation of the annual report and consolidated financial statements. We also draw a conclusion, based on the audit evidence obtained, about whether there is any material uncertainty factor relating to events or circumstances that may lead to significant doubt about the company's and the Group's ability to continue their business operations. If we draw the conclusion that there is a material uncertainty factor, we must draw attention, in the auditor's report, to the information in the annual report and consolidated financial statements about the material uncertainty factor or, if such information is inadequate, we must modify our opinion about the annual report 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 their business operations.
- we evaluate the overall presentation, structure and content of the annual report and consolidated financial statements, including any disclosures, and whether the annual report and consolidated financial statements present the underlying transactions and events in such a way that they present a fair view.
- we obtain adequate, appropriate audit evidence relating to the financial information for the entities or business activities within the Group to supply an opinion on the consolidated financial statements. We are responsible for the management, monitoring and performance of the consolidated audit. We bear sole responsibility for our opinions.

We must inform the Board of Directors about matters including the planned scope, focus and date of the audit. We must also provide information about significant observations during the audit, including any significant deficiencies in the internal control we have identified.

We must also provide the Board of Directors with a statement to the effect that we have met relevant ethical requirements regarding independence and mention all relationships and other circumstances that may reasonably affect our independence and, where appropriate, take remedial action.

Of the matters communicated to the Board of Directors, we determine which of them were the most important to the audit of the annual report 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 prevent disclosure of the matter.

## Report on other legal and regulatory requirements

### Opinions

In addition to our audit of the annual report and consolidated financial statements, we have examined the administration by the Board of Directors and the Managing Director of NIBE Industrier AB (publ) for the 2020 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 Directors' Report, and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

**Basis for our opinions**

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibility under these standards is described in further detail in the 'Auditor's responsibility' section. We are independent of the parent and the Group in accordance with generally accepted auditing standards 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 Managing Director**

The Board of Directors is responsible for the proposed appropriation of the company's profit or loss. Proposing a dividend involves, among other things, an assessment of whether the dividend is reasonable with regard to the requirements that the nature, scope and inherent risks of the business operations of the company and the Group make of the size of the equity, consolidation needs, liquidity and financial position as a whole of the company and the Group.

The Board of Directors is responsible for the organisation of the company and management of the company's affairs. Among other things, this involves continuously assessing the company's and the Group's financial situation and ensuring that the company's organisation is such that the company's accounts, asset management and other financial affairs are subject to adequate control.

The Managing Director is responsible for ongoing management in accordance with the guidelines and instructions issued by the Board of Directors and for taking the measures necessary to ensure that the company's accounts are completed in accordance with the law and the company's assets are managed adequately.

**Auditor's responsibility**

Our objective with regard to our audit of the management of the company, and thus our opinion on discharge from liability, is to obtain audit evidence to be able to assess, with a reasonable level of assurance, whether any Board member or the Managing Director has, in any material respect: taken any action or been guilty of any negligence that may lead to the company being liable for damages, or in any other way acted in breach of the Swedish Companies Act, the Swedish Annual Accounts Act or the company's Articles of Association.

Our objective in our audit of the proposed appropriation of the company's profit or loss, and thus our opinion on this, is to assess with reasonable assurance whether the proposal is consistent with the Swedish Companies Act.

Reasonable assurance is a high level of assurance, but is no guarantee that an audit performed in accordance with generally accepted auditing standards in Sweden will always identify actions or negligence that may result in liability for damages to the company, or identify that a proposal for appropriation of the company's profit or loss is not consistent with the Swedish Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we employ our professional judgement and assume a professionally sceptical attitude throughout the audit. Our examination of the company's management 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 judgement with reference to risk and materiality. This means that we focus the examination on actions, matters and conditions that are material to the business operations and where departures and non-compliance would be of particular importance to the company's situation. We review and test decisions made, decision data, actions taken and other matters that are relevant to our opinion on 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.

KPMG AB was appointed auditor of NIBE Industrier AB (publ) by the annual general meeting on 14 May 2020. KPMG AB or auditors working at KPMG AB have been the company's auditor since 2013.

Markaryd, 17 March 2021

KPMG AB

Dan Kjellqvist

Authorised Public Accountant

# Board of Directors

Elected to NIBE's Board of Directors

Training and education

Directorships

Experience

Fees

Present at Board meetings

Shareholding in NIBE Industrier AB

Independence



**HANS LINNARSON**  
born 1952

2006, Chair in 2015

B.Sc. (Electrical Engineering)

Chairman of the Board of HP Tronic AB and Scandbio, director of Eolusvind AB, Inission AB, NP Nilsson AB, Nordiska Plast AB, Zinkteknik AB och ELLWEE AB.

Several different positions as MD 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 MD and CEO of Husqvarna AB.

SEK 840,000

15/15

914 B shares

Yes



**GERTERIC LINDQUIST**  
born 1951

1989

M.Sc. in Engineering and M.Sc. in Business & Economics

CEO and MD of NIBE Industrier AB and NIBE AB.

More than 35 years' experience of international industrial operations, including as Exports Director of ASSA Stenman AB, now ASSA Abloy.

No fee payable

15/15

6,877,988 A shares and 16,290,011 B shares

Not independent due to his position, his shareholding and the length of time during which he has been a member of the Board.



**GEORG BRUNSTAM**  
born 1957

2003

M.Sc. in Engineering

Group CEO of HEXPOL AB, chairman of AAK AB. Director of Melker Schörling AB.

More than 35 years' experience in international industrial companies, including CEO of HEXPOL AB and Nolato AB, and business area manager and member of Group management at Trelleborg AB.

SEK 420,000

15/15

1,828 B shares

Not independent due to his position at Melker Schörling AB, which is owned by one of NIBE's principal owners.



**JENNY SJÖDAHL**  
born 1973

2018

M.Sc. in Engineering

CEO of Westermo Network Technologies AB. Director of Nolato AB.

Considerable experience of international business and solid industrial experience from several different positions at ABB.

SEK 420,000

15/15

No shareholding

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 MD and CEO of Hilding Anders and divisional manager at Trelleborg AB and in PLM/Rexam. Worked at Gambio and the E.on Group.

SEK 420,000

15/15

22,857 B shares

Yes



**JENNY LARSSON**  
born 1973

2020

M.Sc. in Engineering

MD of Hitachi ABB Power Grids Sweden AB, director of Stena Renewable AB and eGain Group AB, chair of the Board of Näringslivets Transportråd AB.

Considerable experience of business in the energy sector and solid industrial experience from several different positions at Vattenfall and ABB.

SEK 420,000

8/15

No shareholding

Yes

Elected to NIBE's Board of Directors

Training and education

Directorships

Experience

Fees

Present at Board meetings

Shareholding in NIBE Industrier AB

Independence

# Group management

## CEO and CFO



**GERTERIC LINDQUIST**  
born 1951

Year employed

1988

Training and education

M.Sc. in Engineering and M.Sc. in Business & Economics

Position

CEO and MD of NIBE Industrier AB and NIBE AB

Shareholding

6,877,988 A shares and 16,290,011 B shares



**HANS BACKMAN**  
born 1966

2011

M.Sc. in Business & Economics and MBA

CFO, NIBE Industrier AB

27,650 B shares

# Group management

## Heads of Business Areas



**KLAS DAHLBERG**  
born 1964

Year employed

2016

Training and education

M.Sc. in Engineering

Position

Head of Business Area NIBE Climate Solutions

Shareholding

15,670 B shares



**CHRISTER FREDRIKSSON**  
born 1955

1992

M.Sc. in Engineering

Head of Business Area NIBE Element and MD for Backer AB

1,718,125 A shares and 2,867,840 B shares



**NIKLAS GUNNARSSON**  
born 1965

1987

Engineer

Head of Business Area NIBE Stoves

512,342 B shares

# Auditor

**DAN KJELLQVIST**  
born 1954

Elected

2016

Training and education

Authorised Public Accountant

Position

Auditor in charge

Accounting firm

KPMG AB



# NIBE

NIBE Industrier AB (publ) Box 14 SE-285 21 MARKARYD Sweden Tel +46 433 27 30 00 [www.nibe.com](http://www.nibe.com) Corp. ID no.: 55 63 74 - 8309

The complete annual report and call to the AGM 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 [www.nibe.com](http://www.nibe.com).