

NIBE

Annual report



**World-class solutions in
sustainable energy**

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Press releases during the year

First quarter

17 Feb **NIBE's Year-end report 2020**

Second quarter

12 Apr **Notice of NIBE's 2021 annual general meeting**

12 Apr **NIBE's annual report is published**

7 May **NIBE acquires Heat Trace Holdings Ltd in the UK**

11 May **NIBE's interim report 1 2021**

11 May **Annual general meeting of shareholders in NIBE Industrier AB**

17 May **Record date set for share split**

Third quarter

26 Aug **NIBE acquires English company Go Geothermal Ltd**

19 Aug **NIBE's interim report 2 2021**

Fourth quarter

17 Nov **NIBE's interim report 3 2021**

Calendar

17 May 2022

Interim report 1, January – March 2022
Annual general meeting in Markaryd, Sweden, 17:00

18 August 2022

Interim report 2, January – June 2022

15 November 2022

Interim report 3, January – September 2022

• Audit

The financial statements have been audited by NIBE's external auditor. Auditor's report, see pages 179–182. Auditor's statement on the statutory sustainability report, see page 172. Auditor's statement on the corporate governance report, see page 177.



More energy-efficient, every day

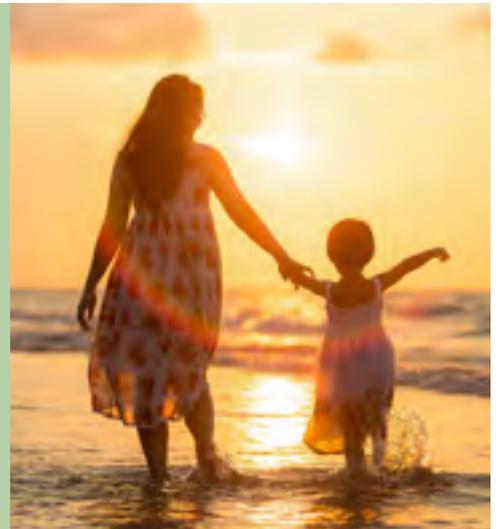
We contribute to an energy-efficient life every day, but our customers should also expect comfort, convenience and peace of mind. With our intelligent, world-class solutions in sustainable energy, we contribute to a more sustainable society.

Find out more on page 34.

Energy efficiency contributes to a fossil-free society

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

Find out more on page 44.



We are an industrial partner

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

Find out more on page 54.

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.

Since its beginnings in the town of Markaryd in the province of Småland 70 years ago, NIBE has grown into a global group with 20,400 (18,700) employees on average and a global presence. From the very start, the Group company has been driven by a strong culture of entrepreneurship and a passion for corporate social 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 30 billion (SEK 27 billion) in 2021.

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

Business areas in the NIBE Group

NIBE Climate Solutions

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

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

Find out more on page 40.



NIBE Stoves

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

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

Find out more on page 48.

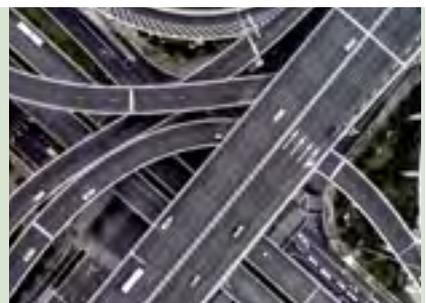


NIBE Element

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

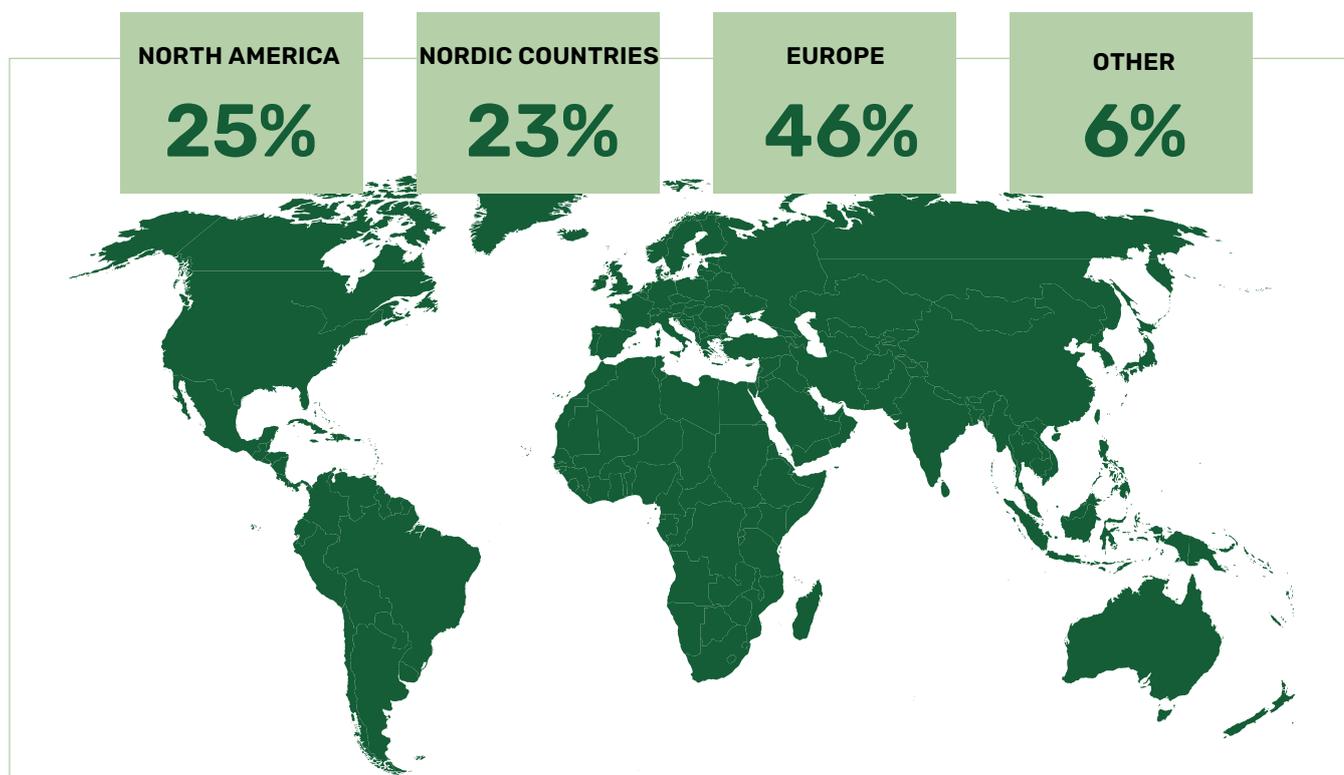
Most product groups enhance energy efficiency, optimise energy consumption and help reduce our customers' carbon footprints.

Find out more on page 54.



SALES, GEOGRAPHICAL DISTRIBUTION

2021



SALES SEK M

30,832

GROWTH %

13.6

OPERATING MARGIN* %

14.4

PROFIT AFTER NET FINANCIAL ITEMS* SEK M

4,288

PROFIT AFTER TAX* SEK M

3,348

EQUITY/ASSETS RATIO %

49.9

EARNINGS PER SHARE* SEK

1.63

PROPOSED DIVIDEND SEK

0.50

NIBE Group ratios

Financial key figures		2021	2020	2019	2018	2017
Net sales	SEK m	30,832	27,146	25,342	22,516	19,009
Growth	%	13.6	7.1	12.5	18.5	23.9
Operating margin*	%	14.4	13.0	12.0	12.4	12.4
Profit after net financial items*	SEK m	4,288	3,305	2,836	2,632	2,195
Profit after tax*	SEK m	3,348	2,570	2,184	2,037	1,716
Equity/assets ratio	%	49.9	46.3	47.3	47.8	45.8
Earnings per share*	SEK	1.63	1.25	1.08	- 1.01	0.85
Proposed dividend	SEK	0.50	0.39	0.35	0.33	0.26

*Excluding revaluation of additional considerations

For definitions, see page 95.

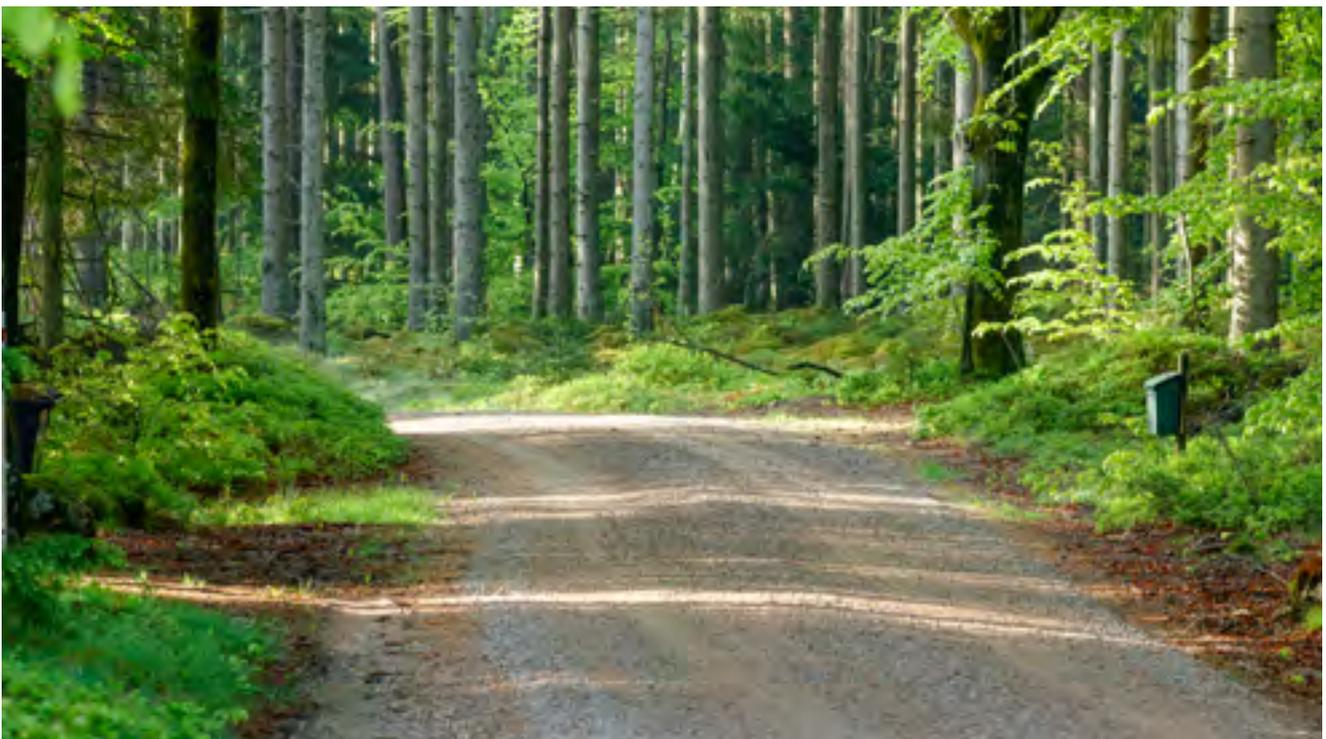
This is NIBE

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

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

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

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



NIBE's vision

We want our world-class sustainable energy solutions to contribute to a faster transition to a resource-efficient and fossil-free society.

Business idea

Offering the market sustainable, high-quality, innovative, energy-efficient products and system solutions within our three business areas.

Mission

We are committed to working every day in the most effective way to develop world-class solutions in sustainable energy.

Brand promise World-class solutions in sustainable energy

Our position

Business focus meets vision

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

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

Well-proven acquisition methods

We have implemented acquisitions for a long time and have a well-proven acquisition process for analysis, implementation and integration. As our 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 approximately 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 around SEK 500 billion, followed by the NIBE Element market estimated at around SEK 50 billion, and the NIBE Stoves market estimated at around SEK 35 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.

Financial targets for long-term positive development

Growth 20%

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

Half of the targeted average year-on-year growth should be organic over time. Stagnating growth poses a threat to the maintenance of healthy, sustainable profitability. Historically, acquired growth has balanced organic growth in that it has usually been lower than organic growth in good times and higher in difficult times. During the past five years, total average growth has been 15.0%.



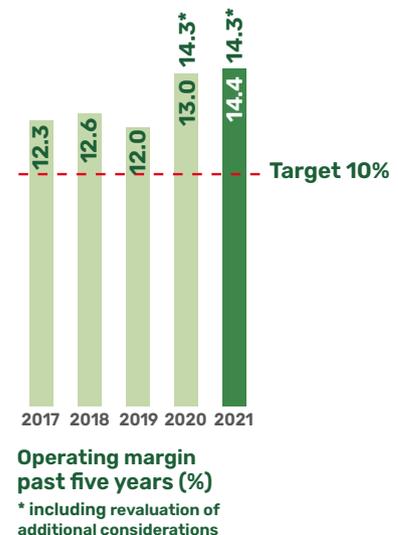
2021

Sales in 2021 totalled SEK 30.8 billion. The companies acquired in the financial year injected combined annual sales of just over SEK 0.4 billion into the Group, of which just over SEK 0.2 billion impacted 2021 sales. Including all the acquired companies and calculated on a rolling 12-month basis, consolidated sales are now at about SEK 31 billion.

Operating margin 10%

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

The operating margin must be at least 10% to give operations stability and prepare them for both acquisitions and rapid changes in the business environment. This is one of the cornerstones of ensuring long-term positive development and continuous growth. During the past five years, the average consolidated operating margin has been 12.9% excluding revaluation of additional considerations.



2021

Operating profit, excluding revaluation of additional considerations, improved during the period by 25.8% compared with the previous year, and the operating margin, excluding revaluation of additional considerations, improved from 13.0% to 14.4%. 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 13 million (SEK 30 million) during the year and in addition to this, costs were recognised for acquisition processes that were discontinued.

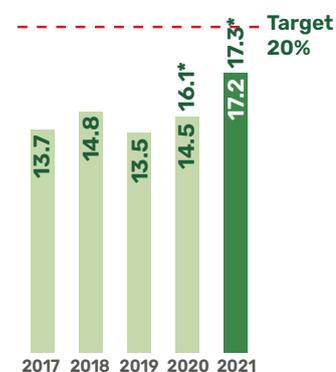
Return on equity **20%**

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

Good return on equity contributes to a stable ownership structure, and share price and enhances our ability to attract additional capital. In the past five years, the average return on equity excluding revaluation of additional considerations has been 14.8%.

2021

At year-end, equity was SEK 21.7 billion, an increase of SEK 3.9 billion on 2020.



Return on equity past five years (%)

* including revaluation of additional considerations

Equity/assets ratio **30%**

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

A good equity/assets ratio shows that the Group has a strong financial position. This is also a necessity in a Group with strong growth. During the past five years, the average equity/assets ratio has been 47.5%.

2021

During the past year, equity increased by 22%, while total assets increased by 13%, which means that the equity/assets ratio increased.



Equity/assets ratio past five years (%)

Sustainability goals for a responsible business



60%

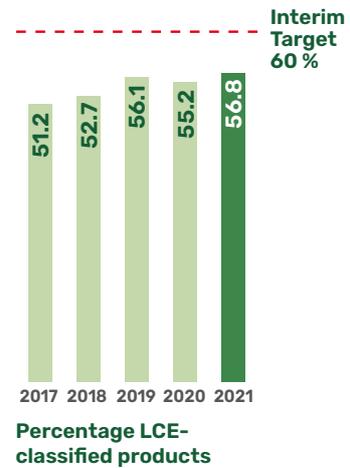
Increased climate benefit in our product portfolio

The target 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.

*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.



2021

Of our total 2021 sales, 56.8% consisted of LCE-classified** products. While this is a percentage increase of 2.9% compared with 2020, primarily as a result of increased sales of heat pumps, increased sales of non-LCE products according to our classification, such as gas-fired stoves and ventilation systems, meant that we did not achieve our target. The aim is for this target to definitely be achieved by the end of 2023.

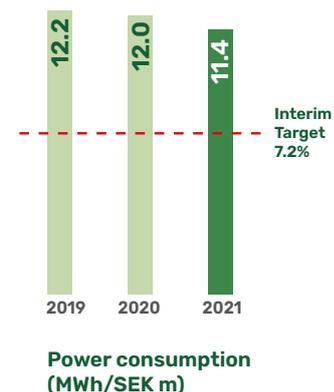


40%

Continuously declining energy use

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

The target was set in 2020 with the initial intention of reducing the amount of energy purchased for our properties and processes. Self-generated energy, like that generated from heat pumps and PV panels within the operations, are excluded. The outcome is calculated on the basis of the total energy use of the companies included in the 2019 baseline, not from all sustainability reporting companies in 2021. The target is linked to our environmental and climate-focus areas, as well as to the energy-efficient products that use renewable energy that we employ in our operations.



2021

We based our calculation on the companies and operations included in the 2019 baseline of 12.2 MWh/SEK million, resulting in an energy intensity of 11.4 MWh/SEK million for 2021, a 6.6% decrease.

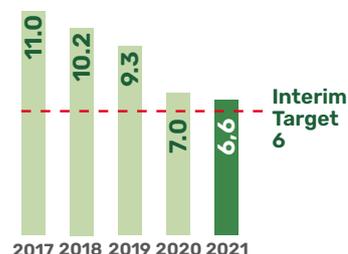


0

A safe workplace with no accidents

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

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



Accident frequency per million hours worked (number)

2021

The outcome for LTIF 2021 was a reduction in the rate to 6.6. 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, and special action plans are developed in companies that have an LTIF greater than 10.

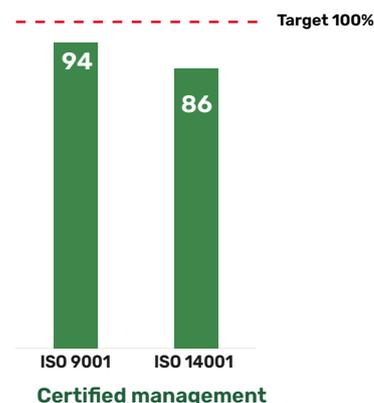


100%

Ensuring systematic quality and environmental initiatives

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

We are working to introduce certified quality and environmental management systems to all our production units with more than ten employees. Acquired production units have a time frame of two full calendar years before certification must have been completed. We measure the 2021 outcome against companies that have been in the Group since 2019. The target supports our focus areas' compliance with laws, regulations and standards.



2021

We had an increase for ISO 9001 to 94% (93%) and an increase for ISO 14001 to 86% (80%). The pandemic that has been going on for two years has had an impact on our companies' opportunities for certification.

MANAGEMENT PHILOSOPHY

Our business principles

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



Profitability

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

High productivity

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

Aggressive product development

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

Quality in everything – focus on the customer

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

Market-oriented expansion built on common sense

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

Focus on three core businesses

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

Committed employees

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

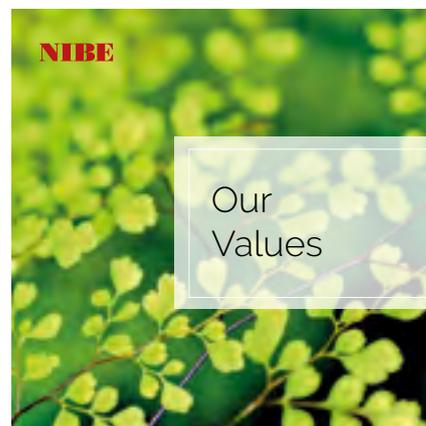
A long-term approach

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. Our ambition to create long-term relationships, internally as well as with customers and suppliers, provides the platform for truly sustainable business activities.

MANAGEMENT PHILOSOPHY

Our values

Our values are an important part of our management philosophy and our corporate culture, and they 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.



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 ourselves in terms of code of conduct, quality requirements and business principles.

Product liability

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

Corporate citizenship

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

Transparency

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

Chief Executive's report

"Stable 2021 – target of SEK 40 billion ever closer"



Gerteric Lindquist, Managing Director and CEO

2021 was a year with unusually high demand in all three business areas, but also a year with major challenges in terms of materials and component shortages that adversely impacted our delivery capacity. Thanks to good internal efforts, we were able to create strong organic growth and moved a step closer to achieving our next target of sales of SEK 40 billion by 2025.

Consolidated sales exceeded SEK 30 billion in the financial year, which means that in three years we have progressed to the mid-way point in our aim to achieve sales of SEK 40 billion by 2025. Sales growth for the year was 13.6% (7.1%), of which 11.8% (-0.9%) was organic. A stronger Swedish krona had a considerably negative effect on sales growth.

Overall demand in the year was unusually strong. In comparisons with demand in the previous year, it is important to remember that demand in the first half of the previous year was relatively weak due to the pandemic, which dramatically suppressed demand. In the second half of 2020, there was an unexpected surge in demand.

We believe this development in demand was due to two key factors. First, products associated with sustainability continued to perform strongly, which is the natural consequence of our society transitioning towards reduced dependence on fossil fuels. Second, the pandemic has significantly restricted people's traditional freedom of movement, which has resulted in increased demand for products for home refurbishment projects.

The rapid recovery in the global economy, which began in the second half of 2020, continued throughout 2021. This development was both pleasing and unexpected, but has meant that our sub-suppliers have not had time to adjust to demand and, as a result, we have been hit both by direct component shortages as well as uncertain delivery notifications and sharply extended delivery times. Unfortunately, this affected our own delivery capacity, especially in the last few months of the year, which are normally our strongest months.

The increasingly pronounced component shortage, combined with strong demand in the first half of the year, made it difficult to build up inventory levels as planned in the spring and early summer, which further impacted our delivery capacity during our peak season. At the end of the year, the Group's orders received were at an unprecedented level. Unfortunately, the percentage of delayed orders was also at a high level, which is extremely problematic. The



NIBE invests and builds for the future in Markaryd

A comprehensive investment programme that will completely change the western industrial area in Markaryd was launched in 2021. New production facilities, new offices, a brand new innovation centre and a new visitor centre with a total floor area of around 25,000 square metres are due to be built here.

continued shortages of materials and components also meant that we were unable to meet our productivity targets.

Of course, the obvious question is when the supply of materials and components can be expected to return to a more normal level. Unfortunately, there is no simple answer to this question, but the most common forecast is that there will be probably be a gradual improvement from the second quarter until the end of 2022. Meanwhile, we are working tirelessly to adapt to the current circumstances by implementing restructurings, increasing flexibility in production, increasing component inventories where possible and by conducting new supplier evaluations.

As if supply disruption alone has not been difficult enough to manage, we have also had sharp, and often unannounced, price increases foisted upon us. As a consequence of this, we too have been forced to adjust our prices, but the full effect of these will of course take a little while to show through.

The NIBE Climate Solutions business area recorded strong growth in demand throughout the year, thanks to its prominent sustainability profile. The development in Europe was very positive, with end-consumers' strong interest in sustainability issues dovetailing here with the action taken by most European countries to encourage reduced dependence on fossil fuels by means of subsidies and tax relief. The development in North America is also going in the right direction. The USA rejoining the Paris Agreement was an important marker in this context, as was the ambitious Clean Energy for America Act.

It is also very encouraging to see the reception received by the brand-new generations of heat pumps that were launched, which focus on optimal refrigerants and even better performance.

In order to meet the expected sharp market growth, we have also launched an ambitious investment programme. The purpose of this is to safeguard both continued, world-class product development

and rational and sustainable production capacity, with the aim of further increasing our market share.

Both the operating profit and operating margin improved further, primarily due to the strong, real organic growth and continued careful control over fixed costs.

The NIBE Stoves business area also reported good growth in sales for the year. In this business area, too, sales are now at a significantly higher level than before the pandemic. The renovation trend seen in the last two years was a key factor in this growth.

There is a question mark over whether demand will decline now that the pandemic is starting to fade away, but our assessment is that consumer demand for products with a better carbon footprint may actually rise. In addition, more and more countries are encouraging the replacement of old products with new stoves that have lower emissions levels and higher efficiency.

Our strategy is that our large investments in product development will allow us to stay at the forefront of technology and a step ahead in respect of future customer and statutory requirements.

Very strong, real organic sales growth, combined with continued careful control over the fixed costs, resulted in a very sharp increase in both operating profit and operating margin.

The NIBE Element business area also reported strong growth throughout the year in virtually all its market segments and sales in 2021 were at a significantly higher level than before the pandemic.

Market segments with a clear sustainability profile saw the strongest performance, together with consumer-market segments. In addition, the sharp increase in investment levels in the semiconductor industry has resulted in very strong growth for the business areas' heating and control equipment. The generally strong trend towards electrification will also be positive for us in the long term, not least in respect of the automotive industry and rail-based industry.



The new Market Centre at Backer AB in Sösdala opened in November.

In a completely new building, the first in the Group to achieve gold certification, the highest building standard from the Swedish Green Building Council's (SGBC) Miljöbyggnad system, Backer is now able to welcome customers and other visitors to a brand new exhibition that presents the business area's extensive product range.

The strong, real organic growth, combined with continued careful control over fixed costs, resulted in an improvement in both operating profit and operating margin.

Acquisition strategy remains unchanged

For obvious reasons, the number of acquisitions was not as high as we would have liked in the financial year, but discussions are continuing to take place regarding a number of acquisitions. The conditions for continued acquisitions appear to be very favourable. Many companies and their owners find our clear sustainability profile attractive and, furthermore, our access to capital is good, both internally and externally.

Rate of investments driven by a strong belief in the future

Investments in our existing businesses amounted to SEK 1,242 million in the year, compared with SEK 1,109 million in the previous year, and the depreciation rate, including leases, was SEK 1,297 million, compared with SEK 1,236 million in the previous year. Excluding leases, the depreciation rate was SEK 970 million, compared with SEK 938 million last year. The investment rate will vary slightly over time but, against a background of continued expected growth going forward, investments in further capacity increases, automation and rationalisation and also in direct sustainability development, will be slightly above the depreciation rate, excluding leases.

Strong earnings performance

Operating profit improved by 25.8% compared with the previous year and the operating margin increased from 13.0% to 14.4%. It is especially gratifying to note that positive growth in all three business areas facilitated a strong improvement in the consolidated results.

Profit after net financial items improved by 29.7% compared with the previous year and the profit margin rose from 13.5% to 14.0%.

Pioneers in the ongoing energy transition

It is perhaps a little startling that a group of companies that first saw the light of day over 70 years ago present themselves as highly contemporary – perhaps even something of a trendsetter, to use a modern concept. The background to this is that we have been working for a long time on the transition to a more energy-efficient and

fossil-free society that is now taking place with zeal, but we have not previously received so much attention for these efforts.

To speak in positive terms about electricity as a form of energy was, until just a few years ago, almost taboo, since it automatically meant embracing coal and nuclear power when the great salvation was to be natural gas and, to some extent, wind power.

Heat pumps were also somewhat obscure because they use electricity and thus have been viewed with great scepticism. If a heat pump were to be installed at all, it would definitely have a beneficial pay-off timeline compared to an installation of a gas or oil-fired boiler.

For example, the heat pump market was long deemed to be uninteresting while the price of oil was below USD 80 per barrel, not to mention the recurring derogatory comments stating that the heat pump industry would not survive without subsidies.

Just consider for a moment the massive, collective fallacy that has been allowed to plague the world for far too long. It is the pricing of oil and gas that has been wrong in relation to the damage they cause to our environment and the inefficiency that characterises their use. It is akin to the pricing of tobacco and alcohol only reflecting their manufacture and distribution, without taking into account the damage they inflict on us humans. In that case, however, there has long been a realisation that pricing must at least pecuniarily cover the enormous costs of healthcare, incapacity for work and rehabilitation.

Our heat pumps currently have a 'seasonal average efficiency' of above five, which means that the energy savings are just over 80%. Our objective is to reach the LED bulb's energy saving level of 85% within a relatively short timeframe. We are not expecting a Nobel Prize for this, but we believe that it is our responsibility to continuously launch products where we have succeeded in pushing the boundaries of the technically possible. Despite this, the use of electricity in heat pumps, for example, is still, surprisingly enough, met with a certain aversion from the authorities in Europe.

When calculating the heat pump's efficiency, it has been assumed at a European level that a kWh of electricity consumed by the heat pump always requires 2.5 kWh of primary energy. This in turn has been based on the assumption that electricity is only generated with 40% efficiency, which is why the heat pump is loaded with a negative primary energy factor of 2.5 when compared with district heating or gas, for example. With today's energy mix, where wind power and



NIBE AB will celebrate its 70th anniversary in 2022

On 23 January 1952, Nils Bernerup founded the company NIBE-Verken AB and simultaneously acquired a property in Markaryd. The name was later shortened, but the business still operates in the same area. Today, 70 years later, the brands NIBE, Contura and NIBE AB form one of the founding pillars in the listed NIBE Industrier AB.

solar panels make up a significantly larger share of the total than before, efficiency when generating electricity will be significantly higher than 40%, meaning that the primary energy factor can be reduced to a corresponding degree and thus will be significantly lower than 2.5. During a normal year, for example, hydropower, nuclear power, wind power and solar panels account for almost 100% of Sweden's electricity supply, which is why the primary energy factor in Sweden, often referred to as the conversion factor in building regulations, was reduced to 1.8, which we still consider too high. For these reasons, the EU has also decided to lower the primary energy factor for heat pumps in Europe to 2.1, which we see as a first step in a natural process towards a further reduction.

On the other hand, clean electric cars not being burdened with any primary energy factor when compared with cars equipped with petrol or diesel engines is a difficult logic to interpret in this context.

The renaissance of electricity

With all this history of perceived visible and invisible obstacles, it is absolutely exceptional to experience both the renaissance of electricity and the homage to the heat pump as one of the most important prerequisites of the energy transition – something that was unanimously expressed by both the EU and individual member states as well as US top officials.

Our assessment is thus that the external conditions have never been better for us in terms of continuing our sustainable growth and profitability. Our range of products in all three of our business areas are very timely and at the absolute technological cutting edge. Furthermore, our tradition of entrepreneurship, characterised by moderation, a long-term perspective, responsibility and the ability to create sustainable profitability, is hard to beat.

The fact that our goal of reaching SEK 40 billion in sales by 2025 is only an intermediate goal can naturally be explained by the above, as can the fact that the next intermediate goal is to be another doubling of the size of the business. It will not be the market that limits us in this, but our ability to take advantage of the unique opportunities afforded by the energy transition. Here, our strong, well-established corporate culture combined with a keen awareness of future prudent but necessary adjustments will continue to be a recipe for success.

Our vision of having our world-class sustainable energy solutions contribute to a faster transition to a resource-efficient and fossil-free society has never felt more palpable.

Outlook for 2022

- 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 being proactive on acquisitions.
- Our internal efforts to enhance efficiency, combined with our rigorous cost control measures, will ensure consistently healthy margins.
- All three business areas have a good geographical spread, which makes us less vulnerable to local downturns in demand.
- Our decentralised organisation, based on independent units, is well proven and creates the conditions for greater motivation and flexibility.
- The fact that, after a fourth wave, the pandemic appears to be fading out and the virus is on the way to being classified as an ordinary flu virus gives us confidence.
- The effects of political unrest, interest-rate developments and rising energy prices are, as always, difficult to predict.
- Uncertainty relating to sub-suppliers will most probably be a cause for concern for the remainder of the year.
- As is our habit, and based on experience, we nevertheless remain cautiously optimistic about our performance this year.

Significant events after the end of the period

Aside from the enormous human suffering caused by Russia's unprovoked and brutal invasion of Ukraine, from a financial perspective, the impact of this on us as a Group has been limited.

Our operations in Russia have sales of less than SEK 100 million, corresponding to approximately 0.3% of the Group's sales. We have no operations of our own at all in Ukraine and Belarus, and the Group's exports to these countries have been insignificant. We also have no significant purchasing from any of these countries.

Markaryd, Sweden, March 2022

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 2021 total growth was 12.2% (9.2%) of which 10.3% (1.0%) was organic. This means that organic growth was 9.3 percentage points higher than in 2020.

Growth has been 16.0% on average over the last five years.

Objective fulfilment
Growth (%)



Operating margin target

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

Operating profit in 2021 was 16.1% (15.0%) of sales. This means that the operating margin improved by 1.1 percentage points compared with 2020.

The operating margin has been 14.6% on average over the last five years.

Objective fulfilment
Operating margin (%)

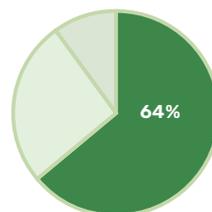
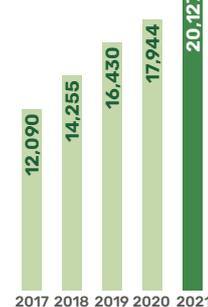


Figures for 2021

In 2021, the Climate Solutions business area increased its net sales by 12.2% compared with 2020. The increase was primarily attributable to good organic growth.

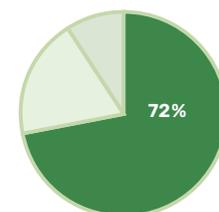
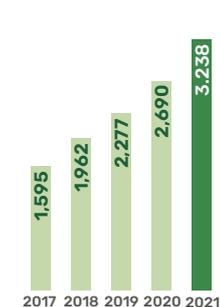
Operating profit for the business area increased by 20.3% compared with 2020. The increase was primarily due to organic growth and the careful control of fixed costs.

Net sales
(SEK m)



Net sales
Percentage of Group

Operating profit
(SEK m)



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



We are further strengthening our position

High demand in all segments

The electrification and digitalisation of society is intensifying. Requirements to reduce climate impact are becoming stricter and demand for energy-saving and climate-friendly solutions is increasing sharply.

2021 was characterised by the climate debate and the transition towards a fossil-free society, which created strong demand for our products, particularly in Europe. A similar debate is gaining ground in North America and we are also seeing a sharp rise in demand in the commercial sector.

Imbalance in materials supply

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

The current global components shortage in the wake of the pandemic in several sub-supplier segments has gradually become more severe and resulted in a very difficult situation. This has hampered our own delivery capacity, especially towards the end of the financial year. The shortage has also led to significant price increases in the supply chain, both in terms of input materials and transportation.

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

Key strategic acquisition

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

One strategically important acquisition was carried out in the third quarter, when we acquired 50% of the shares in the UK heat pump distributor Go Geothermal. What is particularly interesting is that the UK, which has historically relied primarily on gas, is undergoing a transition to a fossil-free society, with heat pumps an important part of the solution.

Product development for continued expansion

Product development is essential to continued expansion and to further strengthen our profile as a market leader in sustainable energy solutions for indoor climate comfort based on renewable energy. We are, therefore, continuing to invest large resources in continually being able to launch competitive solutions featuring both cutting edge technology and reduced environmental impact.

Our product development prioritises energy efficiency, natural refrigerants, intelligent control, connectivity and lower noise levels.

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

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

We are contributing to the transition to fossil-free

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

We have long been convinced that heat pump technology is the best solution for energy-efficient and environmentally-friendly climate control of both small and large properties. As more and more countries are realising this, we are contributing to the transition to a fossil-free society through our product solutions, as the climate control of properties plays a key role in this transition.

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

Future opportunities

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

In order to meet the expected sharp rise in volumes, we are implementing an extensive investment programme aimed at increasing capacity at several of our European operations, in many cases leading to a doubling of production capacity.

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

Business focus

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

Business objective

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

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

Targets

Growth target

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

In 2021, total growth was 18.3% (3.0%) of which 17.4% (2.1%) was organic. This is a reduction in organic growth of 15.3 percentage points compared with 2020.

Growth has been 11.6% on average over the last five years.

Objective fulfilment Growth (%)



Operating margin target

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

Operating profit in 2021 was 13.5% (10.5%) of sales. This means that the operating margin improved by 3.0 percentage points compared with 2020.

The operating margin has been 11.6 on average over the last five years.

Objective fulfilment Operating margin (%)

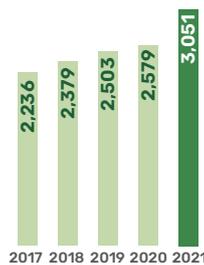


Figures for 2021

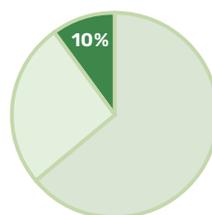
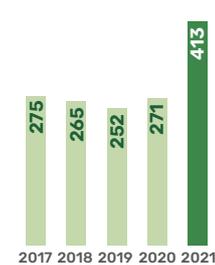
In 2021, the Stoves business area increased its net sales by 18.3% compared with 2020. The increase was primarily attributable to a sharp increase in demand and consistent marketing.

Operating profit for the business area increased by 52.4% compared with 2020. The positive development throughout the year, together with carefully considered savings in fixed costs, resulted in an improved operating margin compared with the previous year.

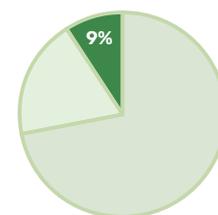
Net sales (SEK m)



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



Demand is higher than ever

Bigger focus on comfort in the home

In 2021 we saw significant interest in stoves in all segments. Demand started to rise in autumn 2020 and we saw a continued sharp rise in demand in all markets throughout 2021.

Because people haven't been travelling to the same extent as before the pandemic, the need to create a comfortable home has increased. The trend towards de-urbanisation has also had a positive impact on us. Many people are choosing not only to move closer to nature, but to bring the feeling of nature into the home. A stove adds both heat and contributes towards creating a pleasant atmosphere.

Although a stove is a consumer durable, more and more customers are starting to appreciate the advantages of the products' long service life and the fact they use renewable energy.

Additional factors contributing to the rise in demand are rising electricity prices and the uncertain energy situation. This means more and more people are choosing to invest in a stove, which provides security when other sources of heating seem both expensive and uncertain, a feeling that has become even more pronounced in the current external environment.

Supply problems as demand rises

The very high demand meant that, in the spring of 2021, we were unable to build up inventory levels of finished products in the way we normally do. There was, therefore, no buffer in place to help us manage deliveries in the peak season.

The large challenges in our supply chains also had a clearly negative impact on both capacity and productivity in our production in the autumn, which in turn led to dramatically longer delivery times. Despite the challenges, which were difficult to predict, our customers and cooperation partners have remained loyal and we were able to maintain our strong market position.

Complementary acquisitions strengthen our market position

At the beginning of the year, 10% of the shares in Canadian company Pacific Energy were acquired with an option to acquire the remaining shares. Their wide range of primarily wood-fired products and good market presence in North America and Australia further reinforces our position. The intention is to acquire a further just over 40% of the shares in 2022.

In the second quarter, we acquired the assets of the Danish stove manufacturer Westfire, one of the smaller players in the industry, with a good history of profitability. Westfire has a complete range of

wood-burning stoves and inserts for the Scandinavian and British markets. Following the acquisition, the company has been integrated into our Danish company, Varde Ovne, strengthening the latter's market position.

Continuous improvement of products

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

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

Investments in reduced environmental impact

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

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

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

Future opportunities

Demand will be boosted by the transition to products with reduced environmental impact and requirements to replace older models in order to meet the global goals.

We are continuing our aggressive and long-term investments in product development and our ambition is to further improve the products' performance and combustion.

In marketing, the goal is to develop together with our customers both digitally and physically in order to create profitable growth in a continuously demanding market.

In general, there has been less acquisition activity during the pandemic. However, we see good opportunities for consolidation in the future in a large but fragmented market, where our goal is to further strengthen our market position.

Business focus

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

Business objective

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

Targets

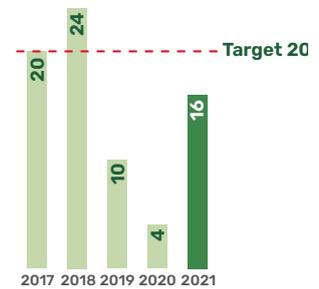
Growth target

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

In 2021 total growth was 15.7% (4.4%) of which 14.1% (- 5.2%) was organic. This means that organic growth was 19.3 percentage points higher than in 2020.

Growth has been 14.6% on average over the last five years.

Objective fulfilment
Growth (%)



Operating margin target

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

Operating profit in 2021 was 10.4% (9.1%) of sales. This means that the operating margin improved by 1.3 percentage points compared with 2020.

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

Objective fulfilment
Operating margin (%)

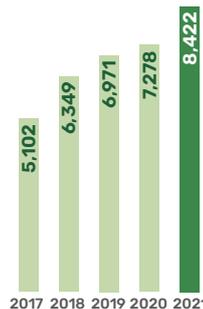


Figures for 2021

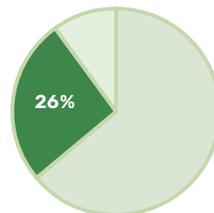
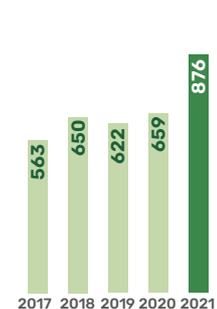
In 2021, the Element business area increased its net sales by 15.7% compared with 2020. The increase was attributable to both increased demand and a stronger market position.

Operating profit for the business area increased by 32.9% compared with 2020. The increase was primarily due to a positive performance and strict control of fixed costs, together with rapid adaptation of operations to demand.

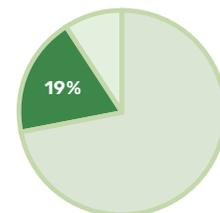
Net sales
(SEK m)



Operating profit (SEK m)



Net sales
Percentage of Group



Operating profit
Percentage of Group

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

CHRISTER FREDRIKSSON
Head of Business Area NIBE Element



Global trends favour us

Expansion continuing

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

We had good growth throughout 2021 in virtually all market segments and, in particular, products related to sustainability, renewable energy and energy storage performed extremely well.

Consumer-related market segments were also boosted by the strong trend in home refurbishment that has sprung up in the wake of the pandemic.

An indirect effect of the pandemic has been the increased repatriation of production in Asia to our customers' home markets in North America and Europe. Because we are a global supplier, which has always prioritised a local presence in the market where our customers are, it is natural for us to be moving in this direction.

Supply chain challenges

In 2021, our production plants reopened after the shut-downs enforced by the pandemic and we were able to continue operations relatively normally. However, there were some local shut-downs for fairly long periods and supply chain disruptions have hampered our work. In some cases, this has led to delayed or completely cancelled deliveries.

The rapid rise in the prices of input materials also hit us at short notice. The imbalance in the supply chain has resulted in our customers not receiving their own input materials, which in turn has resulted in them not requiring our components either, leading to order cancellations.

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

We are strengthening our market position

We remain an important sub-supplier to equipment manufacturers for the semi-conductor industry, where demand is high, and we are rapidly expanding our operations in this area.

The acquisition of HeatTrace in the UK, a global leader in the manufacture of self-regulating heating cables, is a natural step towards further expanding our range. We have also strengthened our position in the British market for the heating of railway switches through the acquisition of a small British switch-point heating company. We acquired a small French distributor in order to strengthen our presence in the interesting French market.

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

Sustainability increasingly important

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

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

Future opportunities

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

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

With a growing number of subsidiaries in more and more markets with good internal collaboration, it is also easier to identify new acquisition opportunities in a fragmented market with many local, owner-led players.

Strategic focus areas that combine profitability and sustainable value creation

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



Growth

Sustainable growth



Our goal is for total growth to average 20% per year on a sustainable basis in order to create opportunities for 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 (SDG) in their entirety, but are focusing on seven of the goals that are clearly linked to our internal goals and action plans and that we believe we can influence.

Market-oriented expansion

Sound business ethics



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

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.

Climate impact

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

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

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



A long-term approach



Responsibility in business and related risks

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

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

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

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

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

Growth

Organic profitable growth

Our total average growth target of 20% a year should be achieved half through organic growth and half through strategic acquisitions. Sustainable growth creates prospects for 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 2021, we set aside SEK 899 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 profitability.

We are making large investments in new digital tools for increased connectivity in both our product offer and our service offer. 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. 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 their 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 the acquisition of companies with strong brands and products that complement our existing range and strengthen our presence in both new and existing markets.



Decisive assessment criteria for acquisitions

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

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

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

Continued autonomy

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

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

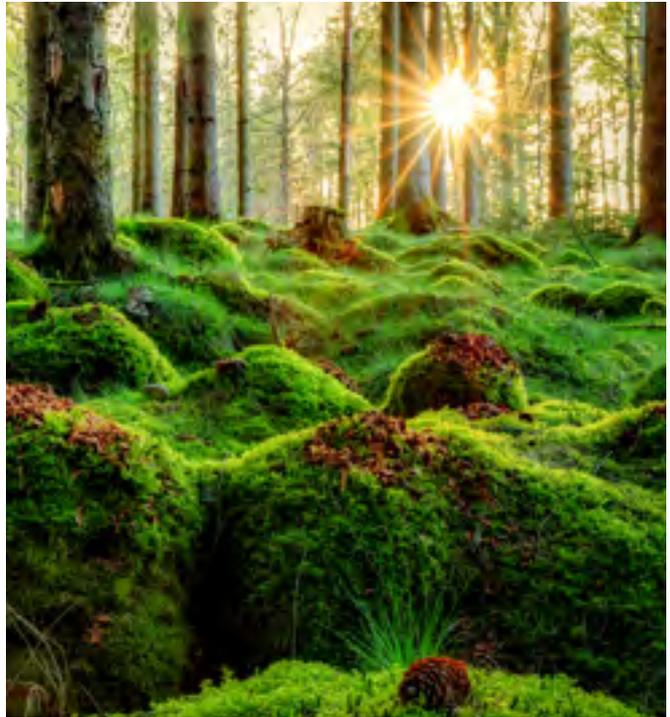
Through our decentralised leadership, we can maintain simple organisational structures with an independent operational leadership and a local character.

Acquisition model

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

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 offers 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 initially, but it later lowers the risk of interruptions in material flow and events that may harm our reputation.

Quality and environmental certification

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

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

Management and monitoring

Long-term profitable growth and 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 ensure that our operations meet the requirements in respect of responsible business conduct.



Sustainable from bedrock to roof

Environmental requirements on properties are becoming increasingly strict. Furthermore, many property owners also want to lead by example, placing even higher sustainability requirements on their own properties. This enables sustainable systems that can make a real difference.

To meet such environmental requirements and actually reduce energy consumption, people need heat pumps, solar panels and efficient ventilation systems. The systems must work together to be able to maximise the synergy effects. We are a complete system supplier that can help our customers with everything from bedrock to roofs. When we acquire companies, we do so with a greater whole in mind. A good example of this is the district heating company Cetetherm, which was acquired in 2018.

Turnkey contractor

NIBE works with everything from smaller apartment buildings to larger property complexes, public properties and churches. Regardless of the type of building or business, we are a complete supplier that takes comprehensive responsibility. We are involved in developing an initial strategy for the project and then serve as a technical sounding board for installation engineers and consultants during the detailed planning and production. We want to make it easy to be a NIBE customer. Consultants, installation engineers and customers should feel confident that NIBE has the technical knowledge to be able to support them through an entire project.



Tenant-owner association 'Niklas'

An efficient energy system comes as standard in new construction projects in 2021, but it is equally important that older properties are also updated with a modern system. The tenant-owner association 'Niklas' in Älmhult, Sweden did just that. The three buildings in the tenant-owner association, which date from the sixties, suffered from major heat loss. By recycling hot air from the ventilation and installing new geothermal heat pumps and solar panels on the roofs, the association was able to reduce its total energy consumption by 75 percent. "It's a fantastic saving, both for us and for the environment", says Göran Bengtsson, chairman of tenant-owner association 'Niklas'.

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 our 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 cycle.

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 intelligent, and demand for remote control via digital platforms is constantly growing.

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

Energy-efficient products

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

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 in 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.



A step into the future - This is an industry of the future in which we see the market for our products growing, though we also note a need for new skills. Many different professions are represented at the company and there are many pathways to pursue when contributing to the development of sustainable energy solutions," notes Mattias Nilsson and Sandra Hansson, both responsible for product development at NIBE.

Responsible purchasing

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

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

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

Circular economy

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

We are seeing an increase in environmental requirements for our products and requirements for a circular economy. One of the requirements is the Ecodesign directive, which is being 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.

A long-term approach

Responsible approach for long-term success

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



Innovative products from the start

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

The manufacture of NIBE's water heaters began in 1952, the same year a law was passed requiring milk producers to have hot water in their milking 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 a key cornerstone in NIBE's stable expansion and solid financial development.

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

When the family decided to sell both companies in 1989, several employees and two external investors formed NIBE Industrier AB and acquired all operations. At the same time, Gerteric Lindquist was appointed 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 results combined with a stock market listing and the opportunities for access to the fresh capital this provided created the conditions for an intensive era of acquisitions and development into a global group.

The acquisitions today make us:

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

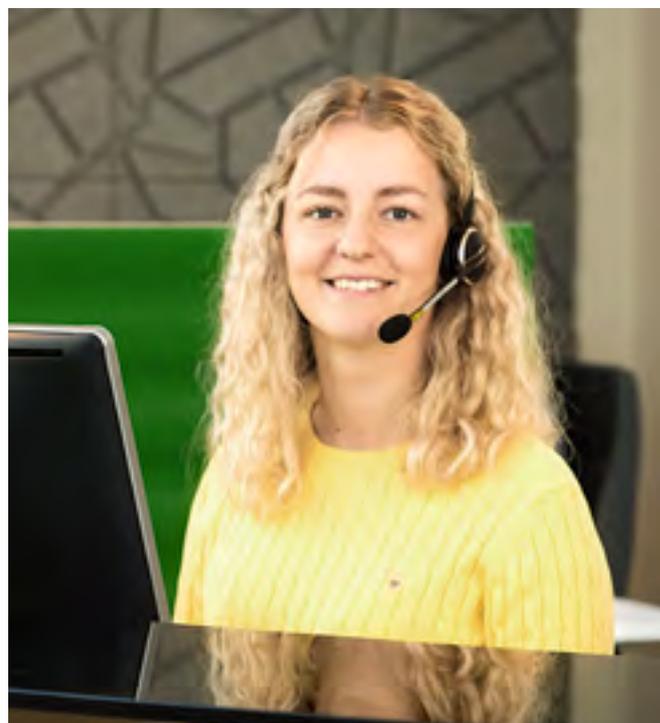
A stable platform for the future

With our focus on sustainable energy solutions, stable growth with 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, solid finances 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 in the future, it is crucial that NIBE, as a large global employer, continues to attract new skilled and committed employees, in addition to retaining its existing workforce.



Committed employees

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

We collaborate with several schools to ensure a good supply of staff for our long-term business plans. 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.

Climate change – the greatest challenge of our time

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

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

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

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

Energy efficiency required for a more sustainable society



NIBE facilitates energy efficiency in the home

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

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

With our products, we contribute in a natural way to international ambitions to stop climate change and achieve global sustainability.

NIBE – for sustainability in everyday life



Energy conservation and indoor climate comfort

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



Energy-efficient components for domestic appliances

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



Modern technology for secure access to hot water

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



Modern stoves save both money and the planet

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

Buildings account for 40% of global energy consumption

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

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

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

The increasing pace of 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 facilitates energy efficiency in large properties

NIBE has the knowledge, experience and technical solutions

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

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

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

NIBE – for sustainable properties



Cost-effective indoor climate comfort in hotels

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



Energy-efficient solutions for apartment blocks growing in popularity

In apartment blocks, each apartment may have shared or individual heating, but in both cases the building can have a shared control and monitoring 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.



High demand for energy efficiency in public buildings

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



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

Old country houses, 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 climate control system when they are renovated. NIBE can offer knowledge and the latest renewable energy technology, which permits old properties to be climate-friendly without losing their charm and beauty.

Cities account for 80% of carbon dioxide emissions

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



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

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

NIBE creates energy-efficient infrastructure and clean technology

NIBE an industrial partner to many companies

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

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

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

NIBE – for sustainable infrastructure and industry



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.



Solar panels are important for our efforts to reach climate neutrality

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



Energy efficiency in the transport sector

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



Rapid development of equipment that saves lives

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



NIBE Climate Solutions business area



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.

Business model – NIBE Climate Solutions

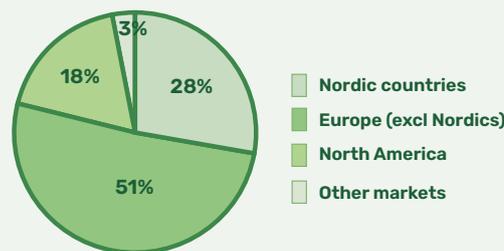
Own subsidiaries

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 for us

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

Several operators are involved in the commercial properties segment and the systems have grown in complexity, so the decision-making process tends to take a long time. At the same time,



there is increasing direct contact between us as the producer and end customers, as deliveries are often made directly to the property.

Marketing

We market our products through several channels to our end customers, but also to different partners. 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 2030¹.

The pace of this transition is driven by several factors:

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

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

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

Several clear trends

Electrification

A positive change in attitude to electricity as a source of energy for indoor comfort is underway, largely thanks to the rise in hybrid and electric vehicles. 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 solar 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.

Water heater and heat pump installations in buildings



WEG Friedrich Spaur is a modern building project comprising four apartments in the Austrian city of Salzburg.

Heating for the building is supplied by a 60kW heat pump from the NIBE company KNV. The heat source is an around 1,100 metre deep borehole. Hot water is generated in two large hot water tanks with a volume of 450 litres, and each apartment also has an additional heat pump for hot water.

Phasing out gas networks

When gas-based networks for water-based (hydronic) heating and domestic hot water are phased out, fifth-generation district heating systems based on lower supply temperatures will offer an increasingly popular solution. Heat pump technology will play a vital role in these systems, enabling the energy in district heating to be used to raise temperatures in buildings to a higher level at the point of demand. Recovered heat can also be returned to the district heating network, for example, from exhaust air ventilation or from heat generating operations such as data 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 approximately 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 homes in the EU alone, including Switzerland, Norway and the UK. In addition, during an average year at least one million new units are installed in new builds in the same countries. The transition to more sustainable climate control solutions will result in a sharp increase in demand for heat pumps.

Europe is the base

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

The proportion of heat pumps is lower in the rest of Europe, where gas and oil-fired boilers are predominant. As willingness to replace

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

Greater political will for sustainable heating

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

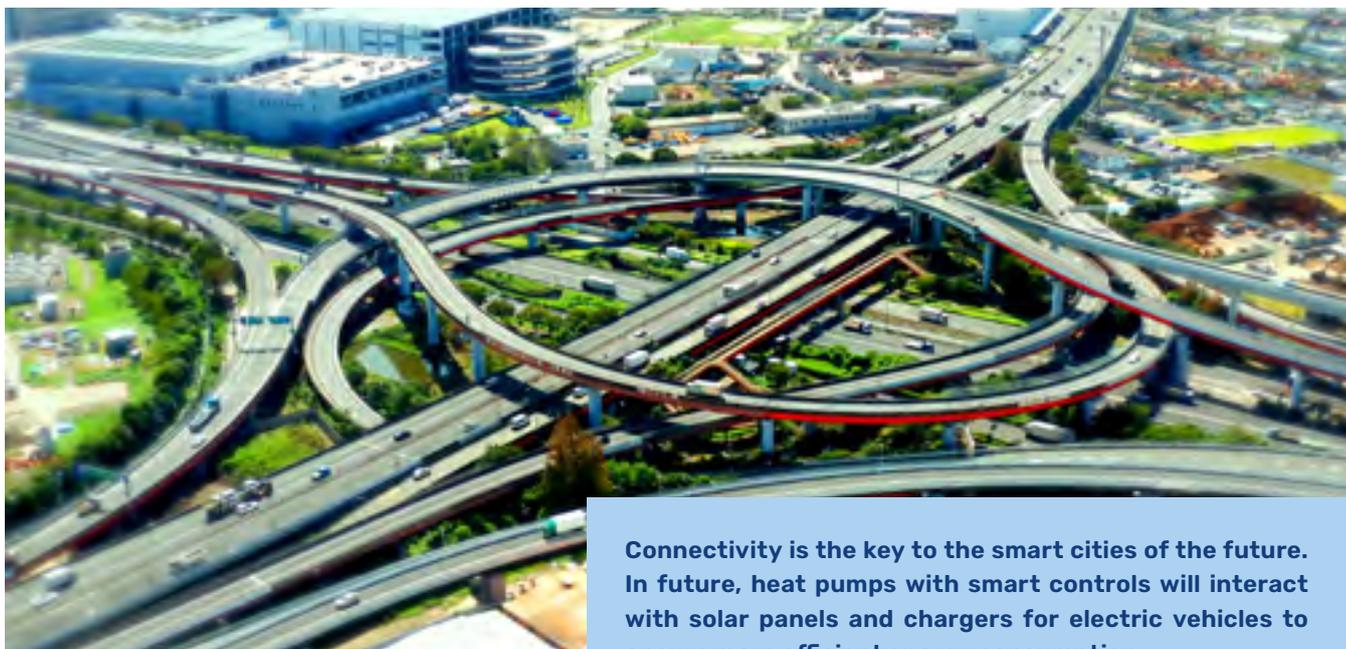
The EU member states have previously adopted climate goals for 2020 and 2030 respectively to cut collective emissions. They now aim to be climate-neutral by 2050 through a Green Deal which will rely on legislation and action plans to promote more efficient use of resources through a transition to a clean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

The North American market, too, has started to change course in respect of climate transition and phasing out of fossil fuels. For example, federal tax credits for installation of heat pumps in single-family houses in the USA have been extended until 2023. It has now been suggested that the tax credits be extended for another 10 years until 2033, for both private and commercial properties.

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

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



Improving the efficiency of future electricity consumption

Connectivity is the key to the smart cities of the future. In future, heat pumps with smart controls will interact with solar panels and chargers for electric vehicles to ensure more efficient energy consumption.

Heat pumps will play an even more important role in the future because they are able to adjust their operation according to the availability of electricity or other electricity use in the household. Electrification of vehicles will require the expansion of the power networks' distribution systems. This is something that will benefit heat pumps, too. Everyone must be offered the opportunity to use sustainable solutions for both transport and heating. In the future, the electric car will be more than just a vehicle. It will be important for balancing the fluctuating supply of electricity in the energy system. Once the infrastructure for electric cars has been expanded, more and more people will be able to avoid price peaks by allowing the electricity from the car battery to cover the electricity needs of the home. This principle is known as V2G (vehicle to grid).

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, continuously developing the product range and organisation 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 so-called Ecodesign Directive, these products are subject to stricter specifications for better insulation and control. We are already compliant thanks to our focus on product development. Water heaters that provide for an entire household's hot-water needs are supplied with a heat-pump module to meet the standard requirements.

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

Fragmented market

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

Products that make the sustainable society of the future possible

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



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

Heat pumps

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



Water heaters and accumulator tanks

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



District heating products

Local and district heating 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.



Washing machines and tumble dryers

Washing machines and tumble driers in the premium segment for large residential properties, hotels and hospitals, as well as private households.

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



Climate control systems for larger properties

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

Tap water heat pumps

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

Solar panels

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

Brands



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.

Development to achieve climate goals

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

We practice what we preach

We are leading by example and using our heat pumps to improve energy efficiency and indoor comfort at the Group's production plants globally. This reduces our use of oil and gas in 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%.

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 2021, we invested SEK 746 million (SEK 685 million) in our production facilities.

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

Quality and environmental certification

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

* GWP, Global Warming Potential, states the equivalent emissions in kilograms of carbon dioxide (CO₂) of one kilogram of a specific refrigerant



University in London makes the transition to fossil-free electric heating

Our team has successfully integrated pure technology solutions that will save more than 500 tonnes of CO2 per year and reduce local combustion emissions by both reducing the heating requirement of the entire university campus and using electricity to meet a significant proportion of the heating requirement.

This project is a fantastic example of what can be achieved with existing technologies throughout the built environment in a relatively short space of time.

NIBE Energy Systems UK, which has supplied the heat pumps and solar PVT systems, feels that the project is an exciting example of the advantages of combining renewable energy with low carbon solutions. The PVT collector system is an alternative, innovative source of heating for NIBE's geothermal heat pumps that takes solar energy from the sun to generate electricity while also extracting aerothermal energy to run the heat pumps.

In an important year for climate action, we are proud to have played a role in delivering what we believe to be one of the largest PVT projects of its kind in the world.

The University of West London (UWL) has installed a new heating, ventilation and solar cell heating system (PVT) as part of their strategy to reduce carbon dioxide emissions.

A major focus of this strategy has been to replace ageing gas boilers with a ventilation system featuring low emissions, geothermal heat pumps and 580 solar panels. Low energy lighting has also been installed in the buildings. Four properties managed by the University have implemented the new technology, which will enable them to reduce their total carbon dioxide emissions by 500 tonnes per year. This is the equivalent of the effect of planting 25,000 trees to compensate for carbon dioxide emissions, according to the team behind this project.

Another aspect of the project is that the university will generate its own energy, corresponding to around 70 households per year.



NIBE Stoves business area



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

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

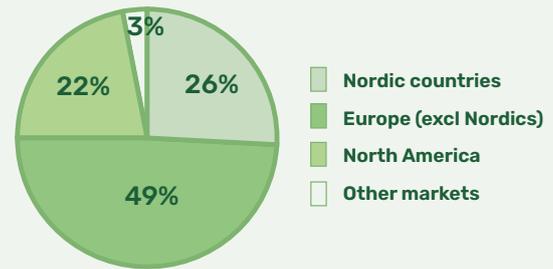
Business model NIBE Stoves

Own subsidiaries

We are 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.

Consumer durables as households focus on sustainability

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

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

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

The addressable market for NIBE Stoves in North America and Europe is estimated at approximately SEK 35 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. Traditional wood burning dominates the market in Europe overall. A fourth category is the electric stove, which resembles a wood-burning stove with natural flames that are generated using electricity. Wood-burning stove products are available on all markets and have the highest volume.

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

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

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

A positive market development

Following a steep slump early on in the pandemic, demand for stove products has increased sharply since autumn 2020 and the market was characterised by a strong increase in demand throughout 2021. With a broad range of products and well-developed retailer networks, we were able to maintain our strong market position in both Europe and North America, despite a difficult delivery situation.

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.

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.

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.

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.



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 function are important.



Inserts

Inserts are often integrated into the interior design of the home and placed against a wall. They can either be built into a prefabricated surround or designed to be installed in a completely unique, 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.

Chimney systems

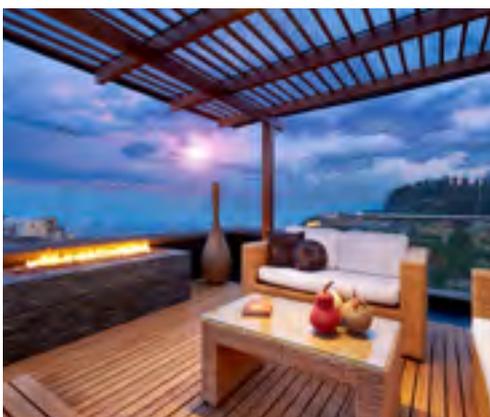
The most common chimney systems are made from stainless steel flue pipes covered with an insulating material. The chimney system must be flexible to fit all types of houses and be easy to install. Safety and security are important aspects.





Wood-burning inserts

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



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.

Brands

Our product portfolio, with its 13 strong brands in a large number of product groups, makes us an all-round supplier and a strong business partner in our industry.

Contura **evonicfires**



Nordpeis

onyx

Premodul
by Contura



WESTFIRE



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.

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.



Creative control over the fire's functions with eReflex's advanced thermostatic handset. Flames, fuel bed lighting and ambient heating can all be controlled independently to create the desired atmosphere, with or without heat. Innovative energy saving functions allow you to 'set and forget' eReflex to turn heating on or off automatically, as well as intelligently manage the heat output to minimise energy use, allowing you to completely immerse yourself in the visual effects.

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

Our product development can be divided into three areas:

- Design is essential to overall perception and may often be what determines whether a customer chooses one product over another. A stove product must match the style of a home with the right appearance and proportions. It should also be possible to see the fire through large glazed areas from as many angles as possible.
- Combustion technology is a very important area as all combustion entails some level of emissions with an impact on our envi-

ronment and health. Efficient combustion is an important part of our responsible approach to producing sustainable products, and we constantly employ a high level of development resources on finding the best possible technology.

- Function is important as stove products need to be more than just beautiful. They need to heat homes. They must be reliable, safe, easy to install and easy to use. Therefore, we have both the components and the complete product thoroughly tested before it is released onto the market.

Our production units

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

Most of our products made from steel plate that are sold in Europe are made in Sweden. The Swedish production plant is largely 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 carefully selected subcontractors, while its gas-fired products under

“It’s time for a cosy Friday night”

“The fire is burning, the house is clean and fresh and our guests are about to arrive.”

The Johnsson family have recently installed a stove and are making the most of it, whether for everyday use or special occasions. Iwona Johnsson feels a roaring fire creates an extra warm and welcoming atmosphere when guests arrive.



Many families decided to invest in a stove during the pandemic. It was a way of creating an extra special cosy Friday feeling during the toughest restrictions.

A stove is the perfect complement to normal heating in view of fluctuating electricity prices over time.

According to the Johnsson family, increasingly variable weather resulting in power cuts means it feels particularly good to have a stove as an extra source of heating.

the brand Gazco are manufactured in its own plant. The Evonic Fires brand also has its own production unit for electric stoves in the UK.

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 2021, investments of SEK 101 million (SEK 99 million) were made in our operations.

Better performance than current statutory requirements

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

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

Quality and environmental certification

We are working to introduce certified quality and environmental management systems to all our production units with more than ten employees. The aim is for this to be implemented within a two-year period after acquisition. As of 2022, all our production units are certified according to ISO 9001. Currently, two acquired units are in the process of also being ISO 14001 certified. 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.



NIBE Element business area



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' carbon footprints.

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.

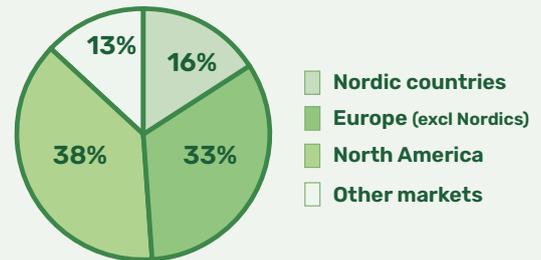
For industrial customers, our aim is to gradually increase our local presence so that we can deliver small runs and specialist products adapted to local needs with short lead times and local technical support.

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

Two main customer groups:

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

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



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

Marketing and shared sales platforms

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

For some 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 is being directed towards the need to make end products more energy-efficient and adapted to stricter requirements for reduced climate impact. This is particularly relevant in industries that also have a focus on sustainable development such as wind power, heat pumps, rail-based transport and electric and hybrid vehicles. This is also true for the traditional domestic and household appliances sector as 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

Covid-19 continued to leave its mark on the international element market in 2021, but we noticed a gradual return to normal levels. Demand differs markedly between the various market segments. Increased electrification worldwide both in relation to sustainable energy solutions and the transport sector gives 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 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 transition to electric and hybrid vehicles is continuing to grow, both in terms of deliveries and development projects, and we are participating in a number of very interesting projects.

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

The turbulence concerning customs duties, trade barriers and foreign currency is increasingly affecting where customers place their production facilities. In this situation, having a global presence in several currency zones gives us a clear advantage. 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.

Energy efficiency in many sectors

We are at the forefront of technological development so we can continue to be a partner in a world of perpetual 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.

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

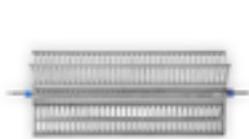
A wide range of products for both renewable energy production and the gas and oil industries. For example, electric resistors for wind turbines that improve the power supply quality and permit short interruptions in the grid without the need to shut down the turbine.



ADVANCED TECHNOLOGY

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

Components and solutions that save energy



Aluminium elements

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



Thick film elements

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



PTC elements

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

Brands



INDUSTRY, PROJECTS

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



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.



Foil elements

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



Ceramic elements

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



High-power elements

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

Energy efficiency in many sectors



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.



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.

Components and solutions that save energy



Control equipment

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



Heat pump technology

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



Heat exchangers

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



Flexible hoses

Fluid coupling system used for energy equipment.



Heating jackets

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



Temperature sensors

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



HOUSEHOLD APPLIANCES

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



Infrared heaters

Used to heat specific objects and not the surrounding air.



Resistors

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



Tubular elements

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



Open spirals and tapes

For heating air in tumble dryers and fan heaters.



Heating cables

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

Sustainability is driving product development and production

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



The NIBE subsidiary BriskHeat produces high-performing, energy-efficient heating jackets with temperature control. These are installed on various kinds of gas pipelines to prevent condensation and keep processes running smoothly. BriskHeat's heating jackets with control systems control and monitor each heater in the system individually for optimal energy and system performance. The result is an overall improvement in performance through the temperature control system.

We have, therefore, 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 unit responsible for knowledge and technology transfer is involved in raising awareness and encouraging our companies to take part. This technology transfer creates continuous synergies that considerably reduce time-to-market in several areas.

Development in four dimensions

Our development process can be divided into four stages:

- Product development for brand new products, new functions for existing products and improved properties for existing products.
- Product 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.

We deliver to the electric vehicle industry

NIBE's subsidiary ATE Electronics in Italy manufactures e.g. resistors for electric vehicles. They have had a large increase in production in the last five years.



ATE resistors are used in electric vehicles. Increased demand for green transport and door-to-door deliveries of goods to private households and local companies has resulted in an increase in ATE's sales of more than 100% in the last five years. This has contributed to a reduced carbon footprint and increased total energy efficiency in society.

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 2021, this flexibility was also useful because of continued shutdowns in a number of countries, which coincided with a sharp rise in demand.

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, among other things, 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 2021, we invested SEK 368 million (SEK 354 million) in production capacity and efficiency.

Quality and environmental certification

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

Sustainability work – a life-long, genuine commitment

Development of sustainable solutions has come a long way, but there is always room for improvement. By managing resources, we assume responsibility in every area – economic, social and environmental.



Honesty and transparency

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

Integration of sustainability in newly acquired companies has, for obvious reasons, fallen behind during the pandemic, when initial visits involving discussions and factory visits had to be postponed. Large parts of the process can of course be implemented digitally, but some things are easier to implement and follow up while being present physically. For example, certifications have become more difficult, particularly those that involve a third party.

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

Climate – UN Global Goal 13

Climate forms the very core of our business model. We have, therefore, chosen to add Goal 13 of Agenda 2030 to our focus area. The more aware our stakeholders are, the more important it is for us to show our commitment.

The challenge going forward is to assess how best to fulfil the various needs of different markets with stricter requirements for suppliers and partners.

Phasing out of fossil CO2 emissions

In our own operations, we are continuously working on strategies that would enable us to become fossil-free. Currently, we have a good understanding of our own direct and indirect carbon dioxide emissions. The next step will be to improve the collection of emissions data from our suppliers and partners to be able to take responsibility throughout the value chain.

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

Towards a circular economy

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

Sustainability year 2022

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

The Taxonomy is an EU regulation developed to define environmentally sustainable economic activities on the basis of the Paris Agreement. The aim is to help investors and other stakeholders compare investments according to a classification system.

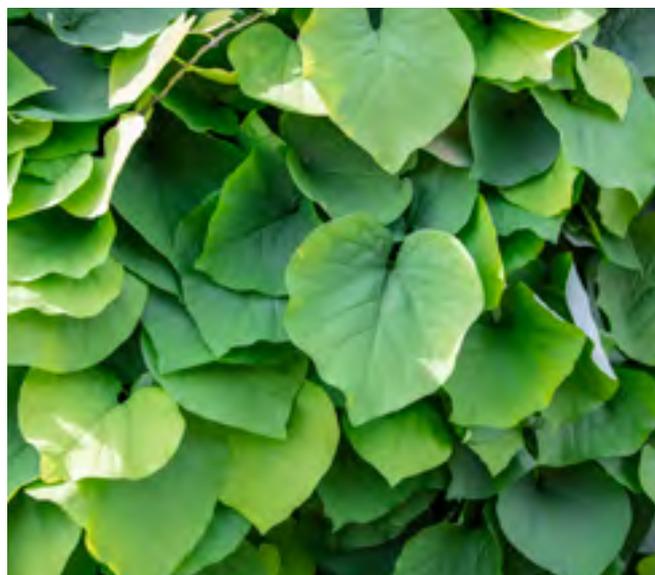
At NIBE we are continuing to sharpen our skills in respect of environment-related issues. Not only because the requirements concerning these areas are becoming increasingly rigorous, but because we want to have the right tools and conditions to steer the industry in a more sustainable direction.

We are also continuing to focus on our four sustainability goals, with particularly emphasis on our energy goal. In line with these, we have set an absolute target for 2030 for carbon dioxide reductions in our operations. It, therefore, also seems natural for us to add Goal 13 to our existing six, from Agenda 2030. These continue to serve as key guidelines for how to run our business.

For more information, see page 141-171.

Our climate work

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



Renewable electricity

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

Energy efficiency and reduction in direct emissions

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

Product design with a low carbon footprint

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

Delegated responsibility

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

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

Communication

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

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

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

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



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 environmentally-friendly technologies and providing resources for research and development.



Goal 11

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

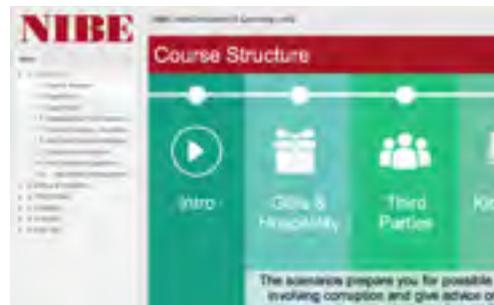
NIBE's actions Provide resource-efficient and climate-adapted components, products and solutions that contribute to sustainable cities and secure infrastructure.



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.

We contribute to the UN Global Sustainable Development Goals

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 profitability and help achieve the global development goals.

UN Global Goals for Sustainable Development – Agenda 2030

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

Achieving these objectives requires a great deal of commitment from all, both at international and national levels. This is a team effort and all the SDGs are equally important. As a company, we have a responsibility to lead the way and drive change towards a more sustainable future.

We support the UN's 17 sustainable development goals (SDG) in Agenda 2030 in their entirety but have, so far, chosen to focus on 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.

UN Global Compact

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

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



Other initiatives and guidelines

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

New goal in Agenda 2030

Because we have set out on our journey towards a carbon-neutral NIBE 2050 and formulated targets and activity plans for each business, it now feels natural to also add yet another goal, Goal 13 of Agenda 2030.



Goal 13

Take urgent action to combat climate change and its impacts.

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

New sustainability target 2022

65%

Reduce CO₂ emissions between 2019 and 2030

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

Our journey towards carbon neutrality

We have already embarked on a journey to reduce the Group's emissions, thus signalling our plan to become carbon neutral.



Our journey began as early as 2011 and since then we have reduced our emissions index by 65%. For the past seven years, we have had zero emissions from purchased electricity and also its related emissions.

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

Carbon footprint

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

Based on our energy mapping, we have analysed data and identified technical solutions that can be implemented, as well as investment needs.

We see the largest carbon dioxide savings in:

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

In parallel with this, we are constantly improving our knowledge and creating methods for calculating our carbon footprint, which means we also need insight into our suppliers' and cooperation partners' operations. As we learn more, we will also revise our roadmap in future.

Circular economy

Using virgin materials results in a large carbon footprint. We are, therefore, working together with our suppliers to find possible components that in various ways could be reused in the value chain. In this way, we contribute towards reducing the emissions created

through extraction of raw materials. Currently, we have two active projects that are proceeding according to plan.

The new EU regulation

The new EU regulation, EU Taxonomy, sheds light on how large a portion of our sales, capital- and operating expenditures refers to products or services that can significantly contribute to one of the environmental objectives adopted by the EU.

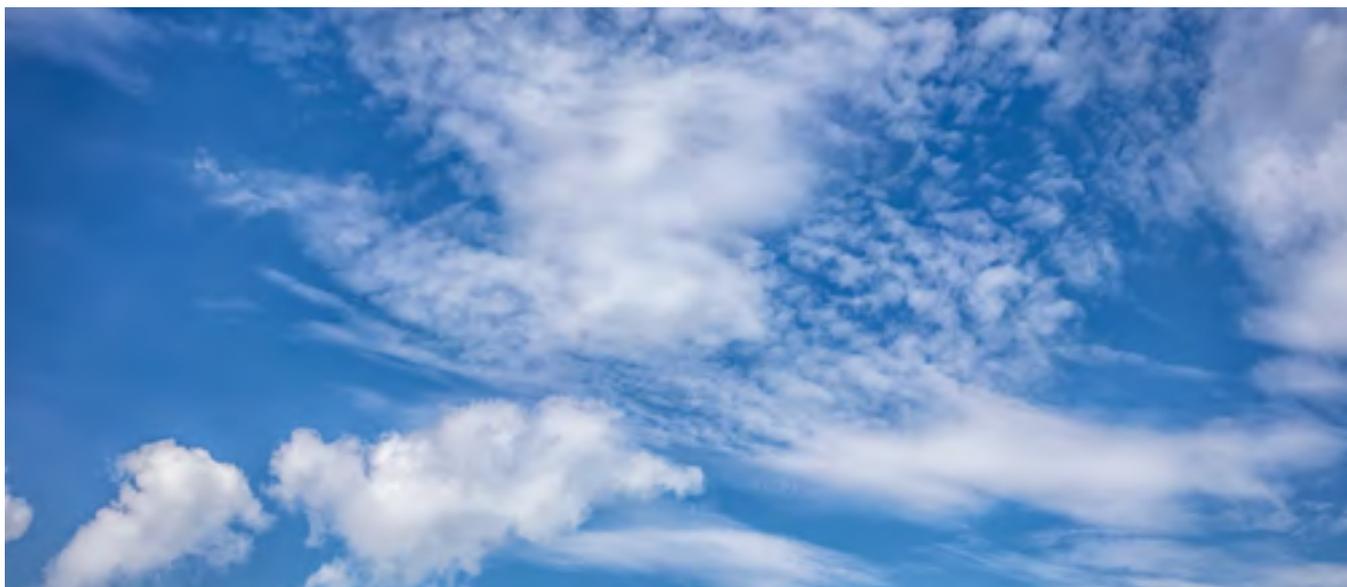
The EU has initially chosen to focus on sectors that currently have the biggest impact on climate and the environment, which means that the Taxonomy currently does not cover all product categories. This has meant that our three business areas are affected in different ways. NIBE Element and NIBE Climate Solutions both have several products that are covered by the Taxonomy because they are assessed to be able to significantly contribute to one of the two adopted environmental objectives, while NIBE Stoves' products are not currently covered.

We have chosen to approach our work on the Taxonomy on the basis of the precautionary principle throughout. In accordance with this principle, only products that are able to meet all applicable technical screening criteria are deemed to be covered by the Taxonomy. This means that all sales and all capital expenditure and operating costs that we have deemed to be covered by the Taxonomy also already are or may become environmentally sustainable and thus are considered to be Taxonomy-aligned activities.

Result

Despite our strict interpretation of the regulation and, among other things, that NIBE Stoves' products are not covered, we can report that 49% of our sales are already covered by the Taxonomy. Currently, and with the questions yet to be answered concerning definitions of products, this is considered to be a relatively high proportion and shows that our products will be important in the transition to a carbon neutral society.

Read more about the Taxonomy on pages 142 and 143



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.

We are reducing CO2 emissions for our customers

The development of solutions that reduce carbon footprints is, therefore, the number one priority in our sustainability strategy. Our focus is on bringing innovative and competitive solutions to market in areas where we can have the biggest impact. Our heat pump sales volume in the European and North American markets cuts CO2 emissions for both our customers and society and this is something we are proud of.

320,000 tonne reduction in carbon dioxide

Based on the cut in emissions from the type of heating systems our heat pumps replaced in the respective markets in 2020 alone, the reduction was 320,000 tonnes of CO2 in that year. This is roughly equivalent to the emissions of 140,000 return flights per person from Sweden to Thailand*. Thanks to

the positive transition in the global electricity sector, emissions of carbon dioxide from the electricity used by our heat pumps are rapidly falling every year. This means the environmental benefit is growing all the time. Reduced emissions of greenhouse gases is one of the most important drivers in our work to combat climate change, and heat pumps are, therefore, an important and good solution in efforts to achieve the UN Global Goals.

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

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

Dialogue with our stakeholders

Through a continuous dialogue with our stakeholders, we ensure that we have identified our 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.

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



Materiality analysis

The materiality analysis that is based on extensive consultation with representatives of the various stakeholder groups in 2016 is continuously being updated by collecting additional information from the various stakeholder groups. There have been no dramatic changes in stakeholder expectations of and views on our business.

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 above and grouped into different material areas, business and ethics topics, environmental topics and social topics.

If we compare NIBE's current work in the areas identified as

strategic focus areas, it is well aligned with the choices and priorities made by NIBE to date.

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

The different areas are described in detail on page 148 and our strategic focus areas are described on pages 153-171.

We look to the future by performing climate scenario analyses

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

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



Climate scenario 1 (RCP 8.5) – Unchanged behaviour

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

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

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

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

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

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

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

For more detailed information, see pages 144–147 and pages 70–72

Facts

TCFD

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

Scenarios

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

RCP

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

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 sustainability goals and 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, after which action plans are drawn up. The outcome is evaluated annually at Board level, after which decisions are taken concerning prioritised issues 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 company's Board. These risks are managed in accordance with our values and guidelines. We are also continuing our work on development of risk scenarios at group level.

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

Shared opportunities and risks

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

Opportunities

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

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
- Geopolitical forces



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 and risks of climate change

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

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

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

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

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

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

By conducting energy reviews, we can identify energy efficiency measures and reduce the need for energy in our operations. An additional step is being able to produce our own renewable energy by e.g. installing solar panels to ensure we have access to energy to be able to produce our products.

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

Specific business area opportunities and risks

NIBE Climate Solutions

Opportunities

- Energy and environmental policies for accelerating the transition to renewable energy use
- Low market penetration in North America and in Europe in general
- 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 have historically usually meant 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
- Political risks on certain markets

NIBE Element

Opportunities

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

Risks

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

NIBE Stoves

Opportunities

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

Risks

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

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 (the 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.

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.



NIBE's shares prove to be good investment

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

Ambitious financial targets with a high level of compliance

NIBE has had average annual sales growth of 17% since the initial public offering in 1997, combined with an operating margin of between 10% and 14%, excluding acquisition-related revaluations and an average return on equity of just over 16%.

Since 1997, the share's total return has averaged just over 28% annually.

Meeting the demand for energy conservation and reduced environmental impact

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

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

Economies of scale produce profit for the Group's companies

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

Strong corporate culture and a long-term approach

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

It has helped that NIBE has had a very stable governance structure since its initial public offering.

Continued large market potential

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

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

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

NIBE share performance

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



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

Share capital

NIBE Industrier AB's share capital totals SEK 79 million and is divided into 233,130,360 class A shares and 1,782,936,128 class B shares. The quota value is SEK 0.03906 per share. Each class A share carries ten votes at general meetings and each class B share carries one vote. All shares carry the same entitlement to dividends. At the end of 2021, there were no outstanding convertible loans or options that could risk diluting the share capital.

Secondary listing

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

Share performance and sales

In 2021, NIBE's share price rose by 102.8%, from SEK 67.43 to SEK 136.75. During the same period, the OMX Stockholm PI increased by 35.0%. This means that, at the end of 2021 the market capitalisation of NIBE, based on the latest price paid, amounted to SEK 275,679 million. In 2021, a total of 599,328,962 NIBE shares were traded, corresponding to a share turnover of 29.7% over the year.

Dividend policy

The aim is, over the long term, to pay a dividend equivalent to 25–30% of Group profit after tax. The Board proposes a dividend of SEK 0.50

per share for the 2021 financial year, which corresponds to 30.4% of Group earnings per share. Excluding revaluation of additional considerations, the proposed dividend corresponds to 30.6% 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 89,826 individual shareholders at the end of 2021, compared with 57,955 at the same time in the previous year. The ten largest shareholders held 59.9% of the votes and 48.5% of equity.

Analysts

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

Karl Bokvist	ABG Sundal Collier
Philip Buller	Berenberg
Gustav Österberg	Carnegie
Viktor Trollsten	Danske Bank Equity Research
Douglas Lindahl	DNB Bank Markets
Anna Lindholm-Widström	Handelsbanken Capital Markets
Johan Sjöberg	Kepler Cheuvreux
Pam Liu	Morgan Stanley
Carl Ragnestam	Nordea Markets
Fredrik Moregard	Pareto
Fredrik Agardh	SEB Equity Research

Major shareholders

(Source: Euroclear Sweden share register 30/12/2021)

Shareholders	Number of shares (no.)	Number of votes (%)
Current and former Board members and senior executives ¹⁾	410.839.880	45.94
Schörling	149.338.714	18.67
SSB and Trust Co, W9	188.587.385	4.58
JPM Chase Bank NA	139.802.459	3.40
Alecta Pensionsförsäkring	114.372.000	2.78
BNY Mellon NA (Former Mellon), W9	71.878.261	1.75
The Northern Trust Company	47.748.171	1.16
Brown Brothers Harriman & Co	27.197.913	0.66
BNY MELLON SA/NV W8IMY	22.557.803	0.55
CBNY-Norges Bank	22.031.682	0.54
Clearstream Banking S.A., W8IMY	19.146.744	0.46
SIX SIS AG W8IMY	16.166.584	0.39
Första AP-fonden	15.907.632	0.39
Other holdings (89,787 shareholders)	770.491.260	18.73
Total	2,016,066,488	100.0

¹⁾ For current Board, see page 183.

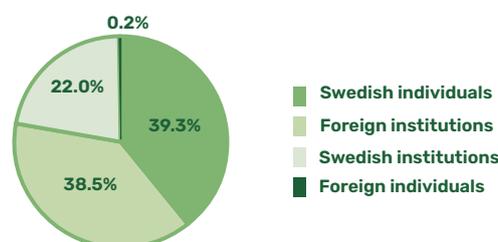
Shareholder structure

(Source: Euroclear Sweden share register 30/12/2021)

Number of shares (no.)	Number of owners (no.)	Number of owners (%)	Number of shares (no.)	Number of shares (%)
1 - 500	63.834	71.06	7.442.195	0.37
501 - 1,000	7.832	8.72	5.890.595	0.29
1,001 - 5,000	10,914	12.15	25,936,487	1.28
5,001 - 10,000	2,721	3.03	19,784,857	0.98
10,001 - 20,000	1,866	2.08	27,871,216	1.38
20,001 -	2,660	2.96	1,929,141,138	95.70
Total	89,827	100.0	2,016,066,488	100.0

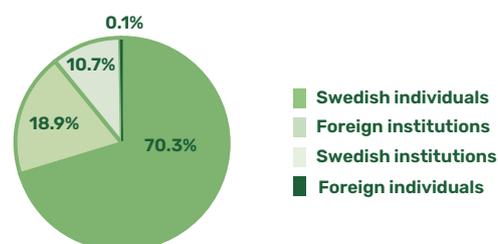
Share of capital, %

(Source Euroclear sharebook 30/12/2021)

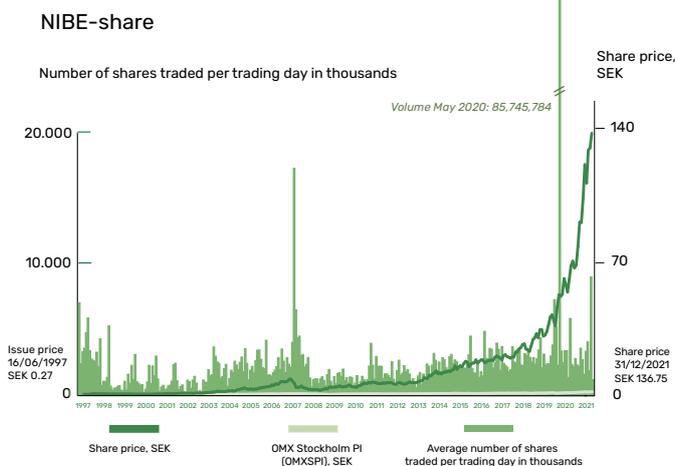


Share of voting rights, %

(Source Euroclear sharebook 30/12/2021)



Share performance, 1997-2021



The share in 2021



Changes in share capital

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

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

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

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

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

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

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

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

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

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

Data per share

		2021	2020	2019	2018	2017
Number of shares	no.	2,016,066,488	2,016,066,488	2,016,066,488	2,016,066,488	2,016,066,488
Average number of shares	no.	2,016,066,488	2,016,066,488	2,016,066,488	2,016,066,488	2,016,066,488
Year-end share price	SEK	136.75	67.43	40.60	22.73	19.65
EPS (after tax)	SEK	1.65	1.42	1.08	1.03	0.84
Profit after tax/share excluding revaluation of additional considerations	SEK	1.63	1.25	1.08	- 1.01	0.85
Equity/share	SEK	10.74	8.80	8.73	7.65	6.35
Proposed dividend	SEK	0.50	0.39	0.35	0.33	0.26
Price/equity	multiple	12.73	7.66	4.65	2.97	3.09
Dividend yield	%	0.37	0.57	0.86	1.43	1.34
Total yield	%	103.56	67.03	80.16	17.33	10.93
Operating cash flow per share	SEK	1.00	1.94	0.94	0.55	0.80
Payout ratio	%	30.6	27.3	32.5	31.6	31.1
Payout ratio, excluding revaluation of additional considerations	%	30.4	31.1	32.5	32.1	30.8
PE ratio (after tax)	multiple	83.0	47.4	37.7	22.1	23.3
Market capitalisation	SEK m	275,697	135,933	81,852	45,825	39,616
EBIT multiple	multiple	63.0	36.6	29.1	18.3	19.3
EV/sales	multiple	9.13	5.23	3.49	2.30	2.38
Share turnover	%	29.73	50.9	34.9	36.1	35.1

DEFINITIONS

Market capitalisation

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

Dividend yield

Dividend as percentage of year-end share price.

EBIT multiple

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

Equity per share

Equity divided by number of shares.

EV/sales

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

Price/equity

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

Share turnover

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

Operating cash flow per share

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

PE ratio (after tax)

Year-end share price divided by earnings per share.

Total yield

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

Payout ratio

Dividend as a percentage of earnings per share.

Earnings per share (after full tax)

Earnings after tax divided by average number of shares.

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Annual Accounts 2021

Important events during the financial year

Acquisitions

A contract was signed on 7 May to acquire 100% of the shares in the UK company Heat Trace Holdings Ltd, which has sales of approximately GBP 10 million. The company develops, manufactures and markets electric heating cables to a large number of sectors worldwide. The company was consolidated into the NIBE Element business area as from 1 May 2021. The acquisition value is still provisional.

At the end of August the company concluded an agreement on the acquisition of 50% of the shares in the British company Go Geothermal Ltd, including an agreement to acquire the remaining shares within a five-year period. The company is a significant distributor of heat pumps in the British market with sales of around GBP 8.3 million. It was consolidated with the NIBE Climate Solution business area with effect from September 2021. The acquisition value is still provisional.

The pandemic

In 2021 we continued to be affected by the pandemic, which had an impact on both demand and operations. After a year with a high level of demand variability, a weak first half and a strong second half, 2021 started with very strong demand, and this continued throughout the year for most product groups. As for operations, the restrictions in certain countries meant that some of the Group's production plants were idle for parts of the year. All three business areas were also severely affected by a global materials and components shortage and hugely extended delivery times, which had an adverse impact on our own delivery capacity, especially in the last few months of the year, which are historically our strongest months.

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. Based on these guidelines, the Board of Directors decides on 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 2021.

The Board's proposal for guidelines for 2022 largely matches the principles approved at the 2021 Annual General Meeting.

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. Two cases of non-compliance with environmental conditions were reported in 2021.

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. Our sustainability work in 2021 was complemented by the implementation of the new EU Taxonomy Regulation, the purpose of which is to show how much of our sales as well as operating costs and investments involve products that can significantly contribute to achieving the goals of the Paris Agreement by 2050. For more information about the Taxonomy, see pages 142-143.

There is contaminated soil at four of the Group's production plants in Denmark, the Czech Republic and Sweden. 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.

In accordance with Chapter 6, Section 11 of the Swedish Annual Accounts Act, we have chosen to prepare the mandatory sustainability report as a separate report from the Annual Report. See page 141 for a description of the scope of the sustainability report.

Staff issues, human rights and anti-corruption measures

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

Our policies to respect human rights and work to ensure equal opportunities and prevent discrimination also extend 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. For more information about our strategies relating to employees and responsible purchasing, see pages 28, 31 and 33, and for statistics, see the table of contents on page 141.

NIBE's anti-corruption work is driven by our values. Information is provided to all employees, and more extensive e-learning 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 24.

Research and development

The NIBE Group carries out market-leading research and development within each business area. 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 being proactive on acquisitions.
- Our internal efforts to enhance efficiency, combined with our rigorous cost control measures, will ensure consistently healthy margins.
- All three business areas have a good geographical spread, which makes us less vulnerable to local downturns in demand.
- Our decentralised organisation, based on independent units, is well proven, and creates the conditions for greater motivation and flexibility.
- The fact that, after a fourth wave, the pandemic appears to be fading out and the virus is on the way to being classified as an ordinary flu virus gives us confidence.
- The effects of political unrest, interest rate developments and rising energy prices are, as always, difficult to predict.
- Uncertainty relating to sub-suppliers will most probably be a cause for concern for the remainder of the year.
- As is our habit, and based on experience, we nevertheless remain cautiously optimistic about our performance this year.

Ownership

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

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

Proposal for appropriation of profits

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

Profit brought forward	SEK 3,728 million
Share premium reserve	SEK 4,751 million
Net profit for the year	SEK 443 million
Total	SEK 8,922 million

The Board of Directors proposes issuing a dividend to shareholders of SEK 0.50 per share, equivalent to a total pay-out of SEK 1,008 million. A total of SEK 7,914 million will be carried over in the accounts: SEK 4,751 million of this in the share premium reserve and SEK 3,163 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 173-176 is not part of the administration report.

Five-year overview

Income statement

(SEK m)	2021	2020	2019	2018	2017
Net sales	30,832	27,146	25,342	22,516	19,009
Cost of goods sold	- 20,628	- 18,171	- 17,036	- 15,054	- 12,446
Gross profit	10,204	8,975	8,306	7,462	6,563
Selling expenses	- 4,210	- 3,917	- 3,765	- 3,432	- 3,140
Administrative expenses	- 2,018	- 1,895	- 1,757	- 1,453	- 1,227
Revaluation of additional considerations	30	353	-	35	- 13
Other operating income	462	364	254	217	161
Operating profit	4,468	3,880	3,038	2,829	2,344
Net financial items	- 150	- 222	- 202	- 162	- 162
Profit after financial items	4,318	3,658	2,836	2,667	2,182
Tax	- 940	- 735	- 652	- 595	- 479
Net profit	3,378	2,923	2,184	2,072	1,703
<i>Net profit attributable to non-controlling interest</i>	<i>58</i>	<i>57</i>	<i>14</i>	<i>- 2</i>	<i>-</i>
<i>Includes amortisation/depreciation according to plan as follows:w</i>	<i>1,297</i>	<i>1,236</i>	<i>1,036</i>	<i>691</i>	<i>640</i>

Balance sheet

(SEK m)	2021	2020	2019	2018	2017
Intangible assets	20,363	18,958	18,703	17,029	14,744
Property, plant and equipment	6,131	5,350	4,963	3,410	3,043
Financial assets	629	655	589	589	331
Total non-current assets	27,123	24,963	24,255	21,028	18,118
Inventories	6,584	4,431	4,403	4,106	3,247
Current receivables	4,941	4,149	4,400	3,968	3,203
Investments in securities, etc.	224	201	227	166	90
Cash and equivalents	4,522	4,593	3,944	3,023	3,332
Total current assets	16,271	13,374	12,974	11,263	9,872
Total assets	43,394	38,337	37,229	32,291	27,990
Equity	21,657	17,737	17,604	15,421	12,807
Non-current liabilities and provisions					
- non-interest-bearing	5,252	4,859	4,759	3,973	2,859
- interest-bearing	7,505	6,298	7,653	7,357	6,960
Current liabilities and provisions					
- non-interest-bearing	6,165	5,081	4,212	3,658	3,348
- interest-bearing	2,815	4,362	3,001	1,882	2,016
Total equity and liabilities	43,394	38,337	37,229	32,291	27,990

Statement of cash flows

(SEK m)	2021	2020	2019	2018	2017
Cash flow before change in working capital	4,749	4,123	3,448	2,652	2,307
Change in working capital	- 1,487	900	- 490	- 764	- 184
Cash flow from operating activities	3,262	5,023	2,958	1,888	2,123
Investments in existing operations	- 1,242	- 1,109	- 1,054	- 777	- 536
Operating cash flow	2,020	3,914	1,904	1,111	1,587
Acquisition of businesses	- 768	- 1,792	- 569	- 1,001	- 822
Cash flow after investments	1,252	2,122	1,335	110	765
Financing	- 718	- 485	217	30	703
Shareholders' dividends	- 784	- 707	- 656	- 530	- 444
Cash flow for the year	- 250	930	896	- 390	1,024
Cash and equivalents at start of year	4,794	4,171	3,189	3,422	2,502
Exchange difference in cash and equivalents	202	- 307	86	157	- 104
Cash and equivalents at end of year	4,746	4,794	4,171	3,189	3,422

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 15,348 million to SEK 30,832 million. This was achieved by means of a proactive acquisition strategy. During the period, 38 acquisitions and business combinations were implemented.

Average growth during the five-year period was 15.0%. Organic growth accounted for a rise in Group sales of 7.6% and acquired growth for 7.4% over the past five years. In the first few years of the five-year period organic growth was positively impacted by the weakening of the Swedish krona, while in the last two years it was negatively impacted by the strengthening of the Swedish krona.

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 14.6%. NIBE Element's operating margin was an average of 9.9% during the period, while NIBE Stoves' average operating margin was 11.6%.

The Group's operating margin, excluding revaluation of additional considerations, over the five-year period averaged 12.9% and return on equity, excluding revaluation of additional considerations, averaged 14.8%.

Balance sheet over the past five years

Over the past five years total assets rose from SEK 26,024 million to SEK 43,394 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 1,110 million. The value of property, plant and equipment increased by SEK 3,311 million over the most recent five-year period. Without the right-of-use assets, the increase would have been SEK 2,201 million. Of this increase, approximately 18% was added through acquisitions, and the remaining 82% 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 27% 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 8,536 million to SEK 10,320 million over the past five years. The increase was primarily due to the implementation of IFRS 16 in 2019, which resulted in additional lease liabilities of SEK 1,107 million and increased liabilities in the form of bonds.

The Group's target is for the equity/assets ratio not to fall below 30%. Over the past five years this ratio averaged 47.5%.

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 2,763 million to SEK 5,252 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 3,569 million over the past five years, from SEK 2,596 million to SEK 6,165 million, approximately 76% 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 96% of depreciation according to plan. In 2021, however, investments amounted to SEK 1,242 million, compared with depreciation according to plan of SEK 970 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 three 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, 38 acquisitions and business combinations were implemented, with 17 of these in the NIBE Climate Solutions business area, 20 in NIBE Element and 1 in NIBE Stoves. From 2017 to 2019, acquisition intensity was relatively low, with a large number of small acquisitions, and it then increased in 2020 before falling again in 2021. The objective is to continue to pursue an aggressive acquisition strategy going forward.

Financing

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 profit for the year after tax.

Consolidated income statement

(SEK m)		2021	2020
Net sales	Note 4	30,832	27,146
Cost of goods sold		- 20,628	- 18,171
Gross profit		10,204	8,975
Selling expenses		- 4,210	- 3,917
Administrative expenses		- 2,018	- 1,895
Revaluation of additional considerations	Note 26	30	353
Other operating income	Note 5	462	364
Operating profit	Notes 6-10	4,468	3,880
Profit from financial items			
Profit from participations in associates and joint ventures	Note 18	- 8	12
Financial income	Note 11	134	243
Financial expenses	Note 11	- 276	- 477
Profit after net financial items		4,318	3,658
Tax	Note 13	- 940	- 735
Net profit		3,378	2,923
Profit for the year attributable to			
Parent shareholders		3,320	2,866
Non-controlling interest		58	57
Net profit		3,378	2,923
<i>Includes amortisation/depreciation according to plan as follows:</i>			
Average number of shares		2,016,066,488	2,016,066,488
Net profit per share before and after dilution, SEK		1.65	1.42
Proposed dividend per share in SEK		0.50	0.3875
Net profit		3,378	2,923
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial gains and losses in retirement benefit plans	Note 22	129	21
Tax attributable to other comprehensive income	Note 13	- 26	- 4
		103	17
Items that may be reclassified to profit or loss			
Cash flow hedges		- 12	4
Hedging of net investment		- 14	45
Exchange differences arising on translation of foreign operations		1,360	- 2,310
Tax attributable to other comprehensive income	Note 13	- 111	157
		1,223	- 2,104
Total other comprehensive income		1,326	- 2,087
Total comprehensive income		4,704	836
Total comprehensive income attributable to			
Parent shareholders		4,631	785
Non-controlling interest		73	51
Total comprehensive income		4,704	836

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 3,686 million (13.6%) to SEK 30,832 million (SEK 27,146 million).

Consolidated net sales outside Sweden amounted to SEK 27,592 million (SEK 24,181 million), an increase of SEK 3,411 million (14.1%). This means that net sales abroad accounted for 89.5% (89.1%) of total net sales. Consolidated net sales on the Swedish market increased by 9.3% to SEK 3,240 million (SEK 2,965 million).

As acquired sales growth during the year totalled SEK 486 million (1.8%), this means that organic sales increased by SEK 3,200 million or 11.8%. The strengthening of the Swedish krona during the year had a negative effect on organic growth.

Operating profit

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

Group operating profit totalled SEK 4,468 million, an increase of 15.2% on operating profit of SEK 3,880 million for the previous year. The operating margin was 14.5% compared with 14.3% in the previous year. The profit for the year includes revaluation of additional considerations of SEK 30 million, which are recognised on a separate line in the consolidated income statement. Results from the revaluation of the Group's liabilities for additional purchase considerations are presented as revaluation of additional considerations in the Group's Income Statement. Excluding revaluation of additional considerations, the consolidated operating profit was SEK 4,438 million, which equates to an operating margin of 14.4%. All three business areas improved their operating margins on the previous year as a result of a combination of higher demand and lower expenses, partly due to the pandemic. The high 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 13 million, compared with SEK 30 million in the previous year, which were recognised as administrative expenses in the consolidated income statement.

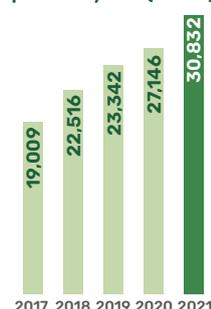
Profit after financial items

Profit after financial items rose by 18.0% to SEK 4,318 million (SEK 3,658 million) to yield a profit margin of 14.0% (13.5%). Excluding revaluation of additional considerations, profit was SEK 4,288 million and the profit margin 13.9%. Net financial items for the Group was SEK -150 million (SEK -222 million). Consolidated interest-bearing liabilities at year-end amounted to SEK 10,320 million, against SEK 10,660 million at the start of the year. The average interest rate during the year was 1.9% (2.0%). Net financial items include exchange gains and losses.

Tax

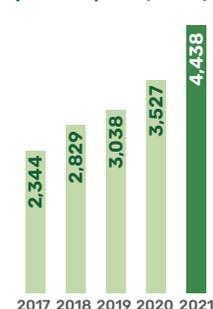
The tax expense for the year was SEK 940 million (SEK 735 million), which gives an effective tax rate of 21.8% (20.1%). The higher tax rate compared with the previous year was mostly due to significantly higher revaluation of additional considerations, which is not taxable, in 2020.

Net sales past five years (SEK m)



Net sales rose by 13.6% in 2021

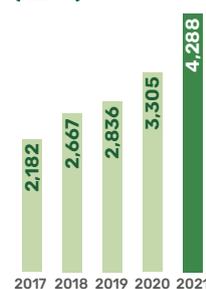
Operating profit* past five years (SEK m)



* excluding revaluation of additional considerations

Operating profit excluding revaluation of additional considerations increased by 25.8% in 2021

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 29.7% in 2021

Performance per business area during the year

Quarterly data

Consolidated income statement (SEK m)	2021				2020			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	6,831	7,790	7,823	8,388	6,345	6,227	6,889	7,685
Operating expenses	- 5,966	- 6,568	- 6,621	- 7,209	- 5,707	- 5,545	- 5,853	- 6,161
Operating profit	865	1,222	1,202	1,179	638	682	1,036	1,524
Net financial items	- 32	- 51	- 31	- 36	- 64	- 34	- 76	- 48
Profit after net financial items	833	1,171	1,171	1,143	574	648	960	1,476
Tax	- 188	- 259	- 260	- 233	- 140	- 156	- 192	- 247
Net profit	645	912	911	910	434	492	768	1,229

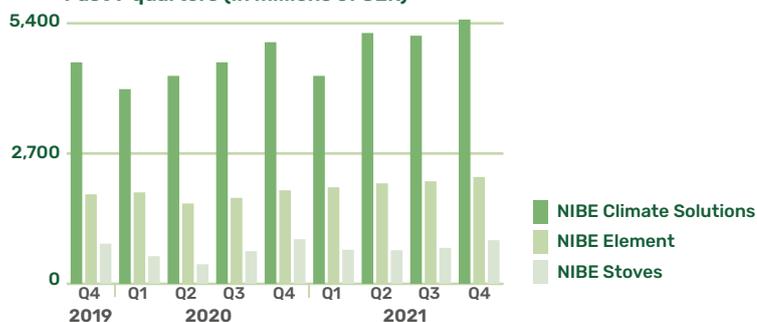
Net sales - by business area

NIBE Climate Solutions	4,310	5,199	5,142	5,476	4,035	4,310	4,591	5,008
NIBE Element	2,001	2,082	2,125	2,214	1,895	1,664	1,781	1,938
NIBE Stoves	705	696	746	904	573	406	676	924
Elimination of Group transactions	- 185	- 187	- 190	- 206	- 158	- 153	- 159	- 185
Group total	6,831	7,790	7,823	8,388	6,345	6,227	6,889	7,685

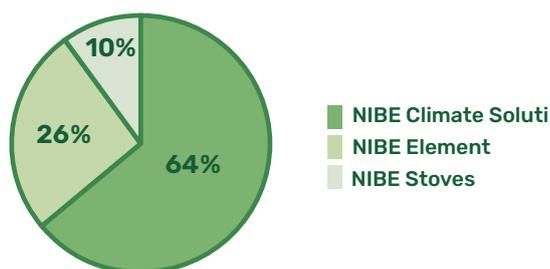
Operating profit - by business area

NIBE Climate Solutions	579	900	907	852	449	585	807	849
NIBE Element	216	223	213	224	179	117	173	190
NIBE Stoves	85	82	103	143	32	1	78	160
Elimination of Group transactions	- 15	17	- 21	- 40	- 22	- 21	- 22	325
Group total	865	1,222	1,202	1,179	638	682	1,036	1,524

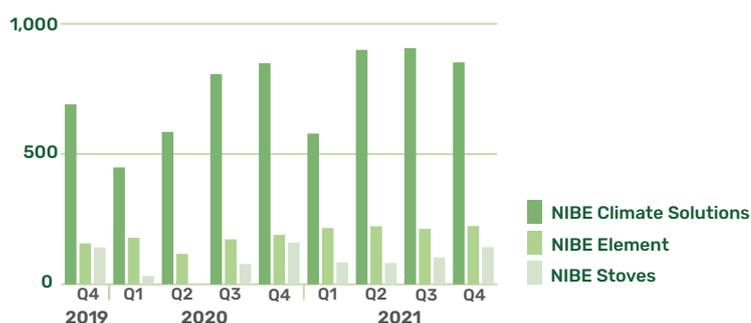
Sales by Business Area Past 9 quarters (in millions of SEK)



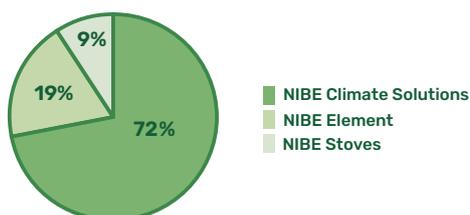
Business Area contributions to sales



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



Business Area contributions to profit



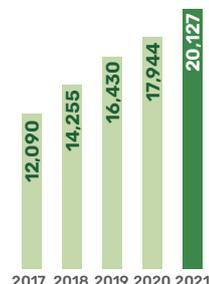
NIBE Climate Solutions

Net sales for the year amounted to SEK 20,127 million, compared with SEK 17,944 million in the previous year. The increase in sales was SEK 2,183 million (12.2%), with acquired sales accounting for SEK 345 million (1.9%), which means that organic growth was SEK 1,838 million (10.3%). Over the past five years, sales increased from SEK 9,588 million to SEK 20,127 million.

Operating profit increased from SEK 2,690 million to SEK 3,238 million, which represents growth in profits of 20.3% and an operating margin of 16.1% (15.0%) for the year. Over the past five years, the operating margin averaged 14.4%.

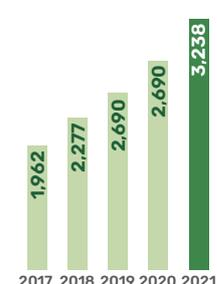
The year was marked by the climate debate and the transition to a fossil-free society. This resulted in very good demand for the business area's products, especially in Europe. In North America, too, a similar debate is gaining ground.

Net sales
(SEK m)



Net sales rose by 12.2% in 2021.

Operating profit
(SEK m)



Operating profit rose by 20.3% in 2021.

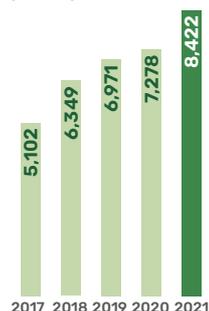
NIBE Element

Net sales for the year amounted to SEK 8,422 million, compared with SEK 7,278 million in the previous year. The increase in sales was SEK 1,144 million (15.7%), with acquired sales accounting for SEK 118 million (1.6%), which means that organic growth was SEK 1,026 million (14.1%). Over the past five years, sales increased from SEK 4,252 million to SEK 8,422 million.

Operating profit increased from SEK 659 million to SEK 876 million, which represents growth in profits of 32.9% and an operating margin of 10.4% (9.1%) for the year. Over the past five years, the operating margin averaged 9.9%.

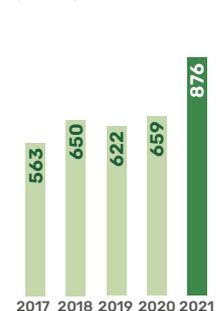
The global radiator market continued to grow strongly in all segments in the year. Products linked to sustainability, renewable energy and energy storage performed well. This applies both to private and commercial use. The segment that was most negatively affected by the pandemic in 2020, products for commercial use, reported a good performance in the year.

Net sales
(SEK m)



Net sales rose by 15.7% in 2021.

Operating profit
(SEK m)



Operating profit rose by 32.9% in 2021.

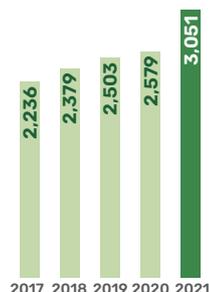
NIBE Stoves

Net sales for the year amounted to SEK 3,051 million, compared with SEK 2,579 million in the previous year. The increase in sales was SEK 472 million (18.3%), with acquired sales accounting for SEK 24 million (0.9%), which means that organic growth was SEK 448 million (17.4%). Over the past five years, sales increased from SEK 1,766 million to SEK 3,051 million.

Operating profit increased from SEK 271 million to SEK 413 million, which represents growth in profits of 52.4% and an operating margin of 13.5% (10.5%) for the year. Over the past five years, the operating margin averaged 11.6%.

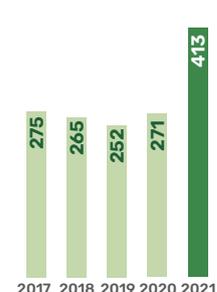
NIBE Stoves recorded high demand in all markets, and in virtually all product segments, in the year. The upturn that began in autumn 2020 thus continued during the year, which meant that the natural low season in spring and summer did not occur.

Net sales
(SEK)



Net sales rose by 18.3% in 2021.

Operating profit
(SEK m)



Operating profit rose by 52.4% in 2021.

Consolidated balance sheet

Assets

(SEK m)		31 Dec 2021	31 Dec 2020
NON-CURRENT ASSETS			
Intangible assets			
Market positions	Note 14	1,680	1,770
Brands	Note 14	2,464	2,277
Goodwill	Note 14	15,453	14,218
Other intangible assets	Note 14	766	693
Total intangible assets		20,363	18,958
Property, plant and equipment			
Land and buildings	Note 15	2,458	2,287
Machinery and equipment	Note 15	1,993	1,769
Right-of-use assets	Note 16	1,110	958
Construction in progress	Note 15	570	336
Total property, assets		6,131	5,350
Financial assets			
Participations in associates and joint ventures	Note 18	8	14
Non-current receivables from associates		48	48
Investments held as non-current assets		45	25
Deferred tax assets	Note 13	389	441
Other non-current receivables	Note 19	139	127
Total financial assets		629	655
TOTAL NON-CURRENT ASSETS		27,123	24,963
CURRENT ASSETS			
Inventories Note 20			
Raw materials and consumables		3,545	2,296
Work in progress		572	344
Finished products and goods for resale		2,467	1,791
Total inventories		6,584	4,431
Current receivables			
Accounts receivable		4,064	3,381
Accounts receivable from associates		11	6
Current tax assets		171	220
Other receivables		353	298
Prepaid expenses and accrued income		342	244
Total current receivables		4,941	4,149
Investments in securities, etc.		224	201
Cash and equivalents		4,522	4,593
TOTAL CURRENT ASSETS		16,271	13,374
TOTAL ASSETS		43,394	38,337

Equity and liabilities

(SEK m)		31 Dec 2021	31 Dec 2020
EQUITY Note 21			
Share capital		79	79
Contributed capital		4,818	4,818
Other reserves		954	- 254
Profit brought forward		15,587	12,945
Equity attributable to parent		21,438	17,588
Non-controlling interest		219	149
TOTAL EQUITY		21,657	17,737
NON-CURRENT LIABILITIES AND PROVISIONS			
Provisions for pensions	Note 22	617	725
Provisions for taxes	Note 13	1,387	1,300
Guarantee risk reserve	Note 23	832	673
Other provisions, non-interest-bearing	Note 23	176	223
Liabilities to credit institutions	Note 24	713	824
Bond loans	Note 25	5,500	4,100
Lease liabilities	Note 16	743	625
Other liabilities, interest-bearing		11	92
Other liabilities, non-interest-bearing	Note 26	2,778	2,595
TOTAL NON-CURRENT LIABILITIES AND PROVISIONS		12,757	11,157
CURRENT LIABILITIES AND PROVISIONS			
Liabilities to credit institutions	Note 24	851	2,532
Bond loans	Note 25	1,600	1,500
Accounts payable		2,818	1,998
Advance payments from customers		148	78
Current tax liabilities		451	233
Lease liabilities	Note 16	364	329
Other liabilities	Note 27	856	1,150
Accrued expenses and deferred income	Note 28	1,892	1,623
TOTAL CURRENT LIABILITIES AND PROVISIONS		8,980	9,443
TOTAL EQUITY AND LIABILITIES		43,394	38,337

Comments on the balance sheet

Total assets

Consolidated total assets rose by SEK 5,057 million (13.2%) during the year from SEK 38,337 million in the previous year to SEK 43,394 million. The principal reasons were foreign currency translation and increased inventories.

Working capital

Consolidated working capital excluding cash and bank balances increased by SEK 1,861 million (53.2%) during the year from SEK 3,499 million in the previous year to SEK 5,360 million. In relation to net sales, working capital increased from 12.9% to 17.4%. This was primarily due to an increase in the Group's inventories.

Equity/assets ratio and returns

The consolidated equity/assets ratio at year-end was 49.9% (46.3%). Equity totalled SEK 21,657 million (SEK 17,737 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 17.2% (14.5%) in 2021. The increase was primarily due to an improved profit in relation to average equity. Return on capital employed, excluding revaluation of additional considerations, was 15.1% (13.4%).

Interest-bearing liabilities

Consolidated interest-bearing liabilities at year-end amounted to SEK 10,320 million (SEK 10,660 million). Since one of the Group's credit agreements expires in 2022, the liabilities covered by the agreement were recognised as current liabilities to credit institutions.

Consolidated net liabilities, defined as interest-bearing liabilities less cash and cash equivalents and investments in securities, increased by SEK 292 million during the year from SEK 5,866 million to SEK 5,574 million.

GROUP

Changes in equity

(SEK m)	Share capital	Contributed capital	Other reserves 1)	Profit brought forward	Equity attributable to parent	Non-controlling interest	Total equity
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
Net profit for the year				3,320	3,320	58	3,378
Other comprehensive income for the year			1,208	103	1,311	15	1,326
Comprehensive income for the year			1,208	3,423	4,631	73	4,704
Dividend				- 781	- 781	- 3	- 784
Equity 31 Dec 2021	79	4,818	954	15,587	21,438	219	21,657

1) Other reserves

(SEK m)	Cash flow hedges	Hedging of net investments	Currency change differences	Total other reserves
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 31 Dec 2020	12	- 565	299	- 254
Change during the year	- 12	- 14	1,345	1,319
Tax	3	3	- 117	- 111
Other reserves carried forward 31 Dec 2021	3	- 576	1,527	954

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 m)	2021	2020
OPERATING ACTIVITIES		
Operating profit	4,468	3,880
+ depreciation/amortisation & impairment charged to this profit	1,298	1,239
+ capital losses/- capital gains	- 18	3
+/- other non-cash items	- 106	- 51
Total	5,642	5,071
Interest received and similar items	134	253
Interest paid and similar items	- 263	- 449
Tax paid	- 764	- 752
Cash flow before change in working capital	4,749	4,123
Change in working capital		
Change in inventories	- 1,914	- 136
Change in current receivables	- 567	555
Change in current liabilities	994	481
Cash flow from operating activities	3,262	5,023
INVESTING ACTIVITIES		
Investment in machinery and equipment	- 448	- 384
Investment in buildings and land	- 149	- 254
Investment in construction in progress	- 427	- 255
Investment in other intangible assets	- 300	- 242
Sale of land and buildings	24	7
Sale of machinery and equipment	10	17
Change in non-current receivables and other securities	48	2
Investments in existing operations	- 1,242	- 1,109
OPERATING CASH FLOW	2,020	3,914
Acquisition of companies <i>Note 3</i>	- 768	- 1,792
Cash flow from investing activities	- 2,010	- 2,901
CASH FLOW AFTER INVESTMENTS	1,252	2,122
FINANCING ACTIVITIES		
Amortisation of non-current loans <i>Note 32</i>	- 3,525	- 2,079
Amortisation of lease liabilities <i>Note 16</i>	- 338	- 323
New loans raised <i>Note 32</i>	3,145	1,917
Shareholders' dividend	- 784	- 707
Cash flow from financing activities	- 1,502	- 1,192
Cash flow for the year	- 250	930
Cash and equivalents at start of year	4,794	4,171
Exchange difference in cash and equivalents	202	- 307
Cash and equivalents at end of year	4,746	4,794

Comments on the statement of cash flows

Cash flow from operating activities

Consolidated cash flow after changes in working capital amounted to SEK 3,262 million (SEK 5,023 million). The decrease was primarily due to a significantly larger change in the Group's inventories compared with previous years.

Investments

Investment in Group acquisitions of operations/subsidiaries totalled SEK 768 million (SEK 1,792 million). Other investments totalled SEK 1,242 million (SEK 1,109 million) net, allocated as follows:

(SEK m)	2021	2020
Machinery and equipment	438	367
Properties	125	247
Construction in progress	427	255
Other non-current assets	252	240
Total	1,242	1,109

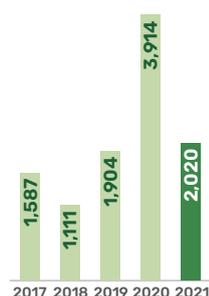
Consequently, cash flow after investment activities was SEK 1,252 million (SEK 2,122 million). Operating cash flow - i.e. after investments in existing operations, but excluding acquisitions of operations/subsidiaries - was SEK 2,020 million (SEK 3,914 million).

Consolidated interest-bearing loans

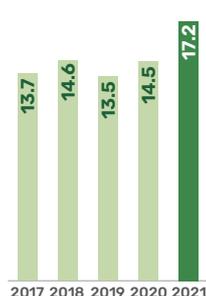
Consolidated interest-bearing liabilities at year-end totalled SEK 10,320 million (SEK 10,660 million). The average interest expense for total interest-bearing liabilities was 1.9% (2.0%). Consolidated net liabilities, which consist of interest-bearing liabilities less cash and cash equivalents and investments in securities, totalled SEK 5,574 million (SEK 5,866 million).

(SEK m)	2021	2020
Floating rate bank loans	982	2,709
Fixed rate bank loans	538	571
Floating rate bond loans	7,100	4,800
Fixed rate bond loans	-	800
Lease liabilities	1,107	954
Utilised portion of overdraft facilities with floating interest rate	45	77
Provisions for pensions	537	657
Other interest-bearing liabilities	11	92
Total interest-bearing liabilities	10,320	10,660
Unutilised overdraft facilities	462	446
Other unutilised credit	4,837	5,531
Total credit available	15,619	16,637

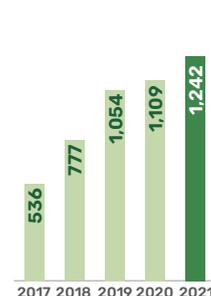
Operating cash flow past five years (SEK m)



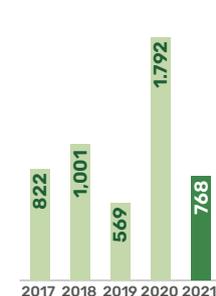
Return on equity past five years (%)



Investments in existing operations past five years (SEK m)



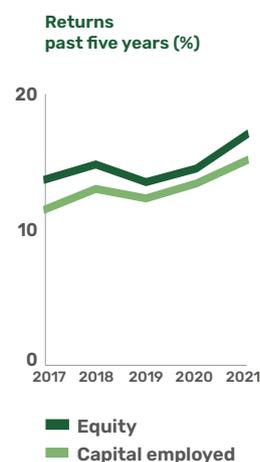
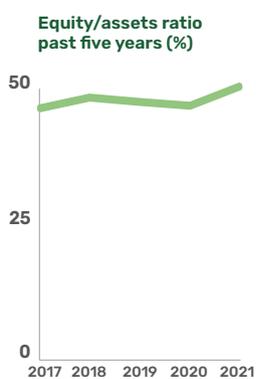
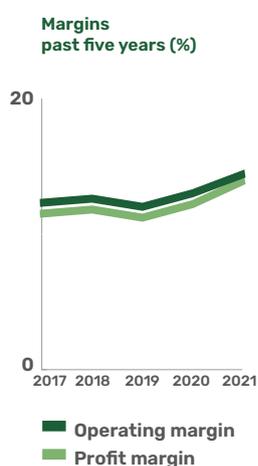
Investments/Acquisitions past five years (SEK m)



Key ratios

		2021	2020	2019	2018	2017
Net sales	SEK m	30,832	27,146	25,342	22,516	19,009
Growth	%	+ 13.6	+ 7.1	+ 12.5	+ 18.5	+ 23.9
Operating profit	SEK m	4,468	3,880	3,038	2,829	2,344
Operating profit, excluding revaluation of additional considerations	SEK m	4,438	3,527	3,038	2,794	2,357
Profit after net financial items	SEK m	4,318	3,658	2,836	2,667	2,182
Profit after net financial items, excluding revaluation of additional considerations	SEK m	4,288	3,305	2,836	2,632	2,195
EBITDA margin	%	18.7	18.8	16.1	15.6	15.7
EBITDA margin, excluding revaluation of additional considerations*	%	18.6	17.5	16.1	15.5	15.8
Operating margin	%	14.5	14.3	12.0	12.6	12.3
Operating margin, excluding revaluation of additional considerations*	%	14.4	13.0	12.0	12.4	12.4
Profit margin	%	14.0	13.5	11.2	11.8	11.5
Profit margin, excluding revaluation of additional considerations*	%	13.9	12.2	11.2	11.7	11.5
Net investments in non-current assets*	SEK m	1,790	3,692	2,059	2,479	2,026
Operating cash flow	SEK m	2,020	3,914	1,904	1,111	1,587
Available cash and equivalents*	SEK m	5,208	5,240	4,703	3,562	3,803
Working capital, excluding cash and bank balances, in relation to net sales*	%	17.4	12.9	18.1	19.6	16.3
Equity	SEK m	21,657	17,737	17,604	15,421	12,807
Return on equity*	%	17.3	16.1	13.5	14.8	13.7
Return on equity, excluding revaluation of additional considerations*	%	17.2	14.5	13.5	14.6	13.7
Equity/assets ratio	%	49.9	46.3	47.3	47.8	45.8
Proportion of risk-bearing capital	%	53.1	49.7	50.6	51.1	49.2
Capital employed	SEK m	31,977	28,396	28,258	24,660	21,783
Return on capital employed*	%	15.2	14.6	12.3	13.0	11.5
Return on capital employed, excluding revaluation of additional considerations*	%	15.1	13.4	12.3	12.8	11.5
Return on total capital*	%	11.2	10.9	9.4	10.0	9.0
Return on total capital, excluding revaluation of additional considerations*	%	11.2	10.0	9.4	9.9	9.1
Capital turnover ratio	multiple	0.75	0.72	0.73	0.75	0.70
Interest-bearing liabilities/Equity	%	47.7	60.1	60.8	60.0	70.1
Net debt/EBITDA*	multiple	1.0	1.1	1.6	1.7	1.9
Net debt/EBITDA, excluding revaluation of additional considerations*	multiple	1.0	1.2	1.6	1.7	1.9
Interest coverage ratio*	multiple	16.6	8.7	7.6	8.8	9.6
Interest coverage ratio, excluding revaluation of additional considerations*	multiple	16.5	7.9	7.6	8.7	9.6
Average number of employees	no.	20,433	18,740	16,994	16,569	14,271

*Key ratios with calculation specified on pages 91-94.



Alternative performance measures

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

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

EBITDA margin, excluding revaluation of additional considerations

(SEK million)	2021	2020	2019	2018	2017
Operating profit	4,468	3,880	3,038	2,829	2,344
Amortisation/depreciation according to plan	1,297	1,236	1,036	691	640
Revaluation of additional considerations	- 30	- 353	-	- 35	13
EBITDA, excluding revaluation of additional considerations	5,735	4,763	4,074	3,485	2,997
Net sales	30,832	27,146	25,342	22,516	19,009
EBITDA margin, excluding revaluation of additional considerations, %	18.6	17.5	16.1	15.5	15.8

Operating margin, excluding revaluation of additional considerations

(SEK million)	2021	2020	2019	2018	2017
Operating profit	4,468	3,880	3,038	2,829	2,344
Revaluation of additional considerations	- 30	- 353	-	- 35	13
Operating profit, excluding revaluation of additional considerations	4,438	3,527	3,038	2,794	2,357
Net sales	30,832	27,146	25,342	22,516	19,009
Operating margin, excluding revaluation of additional considerations, %	14.4	13.0	12.0	12.4	12.4

Profit margin, excluding revaluation of additional considerations

(SEK million)	2021	2020	2019	2018	2017
Profit after net financial items	4,318	3,658	2,836	2,667	2,182
Revaluation of additional considerations	- 30	- 353	-	- 35	13
Profit, excluding revaluation of additional considerations	4,288	3,305	2,836	2,632	2,195
Net sales	30,832	27,146	25,342	22,516	19,009
Profit margin, excluding revaluation of additional considerations, %	13.9	12.2	11.2	11.7	11.5

Net investments in non-current assets

(SEK million)	2021	2020	2019	2018	2017
Acquisition of non-current assets	1,825	3,716	2,073	2,493	2,058
Disposal of non-current assets	- 35	- 24	- 14	- 14	- 32
Net investments in non-current assets	1,790	3,692	2,059	2,479	2,026

Alternative performance measures

Available cash and equivalents

(SEK million)	2021	2020	2019	2018	2017
Cash and bank balances	4,522	4,593	3,944	3,023	3,332
Investments in securities, etc.	224	201	227	166	90
Unutilised overdraft facilities	462	446	532	373	381
Available cash and equivalents	5,208	5,240	4,703	3,562	3,803

Working capital, excluding cash and bank balances

(SEK million)	2021	2020	2019	2018	2017
Inventories	6,584	4,431	4,403	4,106	3,247
Current receivables	4,941	4,149	4,400	3,968	3,203
Current liabilities and provisions, non-interest-bearing	- 6,165	- 5,081	- 4,212	- 3,658	- 3,348
Working capital, excluding cash and bank balances	5,360	3,499	4,591	4,416	3,102
Net sales	30,832	27,146	25,342	22,516	19,009
Working capital excluding cash and bank balances relative to net sales, %	17.4	12.9	18.1	19.6	16.3

Return on equity

(SEK million)	2021	2020	2019	2018	2017
Profit after net financial items	4,318	3,658	2,836	2,667	2,182
Standard tax rate, %	20.6	21.4	21.4	22.0	22.0
Profit after net financial items, after tax	3,428	2,875	2,229	2,080	1,702
Of which attributable to Parent shareholders	3,370	2,818	2,215	2,082	1,702
Equity at start of year	17,588	17,509	15,406	12,807	12,129
Equity at end of year	21,438	17,588	17,509	15,406	12,807
Average equity	19,513	17,549	16,458	14,107	12,468
Return on equity, %	17.3	16.1	13.5	14.8	13.7

Alternative performance measures

Return on equity, excluding revaluation of additional considerations

(SEK million)	2021	2020	2019	2018	2017
Profit after net financial items	4,318	3,658	2,836	2,667	2,182
Revaluation of additional considerations	- 30	- 353	-	- 35	13
Profit, excluding revaluation of additional considerations	4,288	3,305	2,836	2,632	2,195
Standard tax rate, %	20.6	21.4	21.4	22.0	22.0
Profit after net financial items, after tax	3,405	2,598	2,229	2,053	1,712
Of which attributable to Parent shareholders	3,347	2,541	2,215	2,055	1,712
Equity at start of period	17,588	17,509	15,406	12,807	12,129
Equity at end of period	21,438	17,588	17,509	15,406	12,807
Average equity	19,513	17,549	16,458	14,107	12,468
Return on equity, excluding revaluation of additional considerations, %	17.2	14.5	13.5	14.6	13.7

Return on capital employed

(SEK million)	2021	2020	2019	2018	2017
Profit after net financial items	4,318	3,658	2,836	2,667	2,182
Financial expenses	276	477	429	341	255
Profit before financial expenses	4,594	4,135	3,265	3,008	2,437
Revaluation of additional considerations	- 30	- 353	-	- 35	13
Profit, excluding revaluation of additional considerations	4,564	3,782	3,265	2,973	2,450
Capital employed at start of year	28,396	28,258	24,660	21,783	20,665
Capital employed at end of year	31,977	28,396	28,258	24,660	21,783
Average capital employed	30,187	28,327	26,459	23,221	21,224
Return on capital employed, %	15.2	14.6	12.3	13.0	11.5
Return on capital employed, excluding revaluation of additional considerations, %	15.1	13.4	12.3	12.8	11.5

Return on total capital

(SEK million)	2021	2020	2019	2018	2017
Profit after net financial items	4,318	3,658	2,836	2,667	2,182
Financial expenses	276	477	429	341	255
Profit before financial expenses	4,594	4,135	3,265	3,008	2,437
Revaluation of additional considerations	- 30	- 353	-	- 35	13
Profit, excluding revaluation of additional considerations	4,564	3,782	3,265	2,973	2,450
Total assets at start of year	38,337	37,229	32,291	27,990	26,024
Total assets at end of year	43,394	38,337	37,229	32,291	27,990
Average total assets	40,866	37,783	34,760	30,140	27,007
Return on total assets, %	11.2	10.9	9.4	10.0	9.0
Return on total capital, excluding revaluation of additional considerations, %	11.2	10.0	9.4	9.9	9.1

Alternative performance measures

Net debt/EBITDA

(SEK million)	2021	2020	2019	2018	2017
Non-current liabilities and provisions, interest-bearing	7,505	6,298	7,653	7,357	6,960
Current liabilities and provisions, interest-bearing	2,815	4,362	3,001	1,882	2,016
Cash and bank balances	- 4,522	- 4,593	- 3,944	- 3,023	- 3,332
Investments in securities, etc.	- 224	- 201	- 227	- 166	- 90
Net debt	5,574	5,866	6,483	6,050	5,554
Operating profit	4,468	3,880	3,038	2,829	2,344
Depreciation, amortisation and impairment	1,297	1,237	1,037	691	641
EBITDA	5,765	5,117	4,075	3,520	2,985
Revaluation of additional considerations	- 30	- 353	-	- 35	13
EBITDA, excluding revaluation of additional considerations	5,735	4,764	4,075	3,485	2,998
Net debt/EBITDA, multiple	1.0	1.1	1.6	1.7	1.9
Net debt/EBITDA, excluding revaluation of additional considerations, multiple	1.0	1.2	1.6	1.7	1.9

Interest coverage ratio

(SEK million)	2021	2020	2019	2018	2017
Profit after net financial items	4,318	3,658	2,836	2,667	2,182
Financial expenses	276	477	429	341	255
Profit before financial expenses	4,594	4,135	3,265	3,008	2,437
Revaluation of additional considerations	- 30	- 353	-	- 35	13
Profit, excluding revaluation of additional considerations	4,564	3,782	3,265	2,973	2,450
Interest coverage ratio, multiple	16.6	8.7	7.6	8.8	9.6
Interest coverage ratio, excluding revaluation of additional considerations, multiple	16.5	7.9	7.6	8.7	9.6

Alternative performance measures

Definitions – key ratios

Proportion of risk-bearing capital

Equity, including provisions for tax as a percentage of total assets. NIBE considers that this key ratio gives investors a better understanding of NIBE's capital structure.

Return on capital employed

Profit after net financial items plus financial expenses as a percentage of average capital employed. NIBE considers that this key ratio gives investors a better understanding of NIBE's ability to earn interest on the capital placed at its disposal by its shareholders and lenders.

Return on equity

Profit after net financial items less tax at 20.6% (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 considers that this key ratio gives investors a better understanding of NIBE's ability to earn interest on the total capital at NIBE's disposal.

EBITDA margin

Operating profit before depreciation, 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 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)		2021	2020
Net sales	Note 4	28	23
Administrative expenses	Notes 6-10	- 100	- 85
Operating profit		- 72	- 62
Profit from financial items			
Profit from participations in Group companies	Note 11	312	1,053
Profit from participations in associates and joint ventures	Note 18	-	20
Financial income	Note 11	133	93
Financial expenses	Note 11	-105	- 236
Profit after net financial items		268	868
Appropriations	Note 12	210	133
Tax	Note 13	- 35	- 14
Net profit		443	987
Net profit attributable to Parent shareholders		443	987
Net profit		443	987
Other comprehensive income		-	-
Total comprehensive income		443	987
Parent shareholders		443	987
Total comprehensive income		443	987

Balance sheet

Assets

(SEK million)		31 Dec 2021	31 Dec 2020
NON-CURRENT ASSETS			
Financial assets			
Shares in subsidiaries	Note 17	11,707	11,962
Participations in associates and jointly controlled entities	Note 18	1	1
Receivables from Group companies		4,656	3,474
Non-current receivables from associates		48	48
Investments held as non-current assets		13	11
Deferred tax assets	Note 13	3	3
TOTAL NON-CURRENT ASSETS		16,428	15,499
CURRENT ASSETS			
Current receivables			
Receivables from Group companies		232	151
Tax assets		-	2
Other receivables		6	9
Prepaid expenses and accrued income		26	20
Total current receivables		264	182
Cash and equivalents		99	35
TOTAL CURRENT ASSETS		363	217
TOTAL ASSETS		16,791	15,716

Balance sheet

Equity and liabilities

(SEK million)		31 Dec 2021	31 Dec 2020
EQUITY	Note 21		
Restricted equity			
Share capital		79	79
Statutory reserve		75	75
Total restricted equity		154	154
Non-restricted equity			
Share premium reserve		4,751	4,751
Profit brought forward		4,171	4,509
Total non-restricted equity		8,922	9,260
TOTAL EQUITY		9,076	9,414
NON-CURRENT LIABILITIES AND PROVISIONS			
Provisions for pensions	Note 22	17	15
Bond loans	Note 25	5,500	4,100
Other liabilities, non-interest-bearing	Note 26	525	508
TOTAL NON-CURRENT LIABILITIES AND PROVISIONS		6,042	4,623
CURRENT LIABILITIES AND PROVISIONS			
Bond loans	Note 25	1,600	1,500
Accounts payable		7	4
Liabilities to Group companies		3	4
Tax liabilities		33	-
Other liabilities	Note 27	2	141
Accrued expenses and deferred income	Note 28	28	30
TOTAL CURRENT LIABILITIES AND PROVISIONS		1,673	1,679
TOTAL EQUITY AND LIABILITIES		16,791	15,716

Changes in equity

(SEK million)	Share capital	Statutory reserve	Share premium reserve	Profit brought forward	Total equity
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
Comprehensive income for the year				443	443
Dividend				- 781	- 781
Equity 31 Dec 2021	79	75	4,751	4,171	9,076

Statutory reserve

The statutory reserve is a restricted reserve, which means that it may not be used to pay dividends. The aim of the reserve has been to save part of the net profit that is not used to meet losses brought forward. Amounts that were contributed to the share premium reserve before 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 paying dividends. When shares are issued at a premium, i.e. at a price in excess of the quotient value of the shares, the surplus amount must be contributed to the share premium reserve as from 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 is available for paying dividends.

Statement of cash flows

(SEK million)	2021	2020
OPERATING ACTIVITIES		
Operating profit	- 72	- 62
Interest received and similar items	133	93
Interest paid and similar items	-105	- 238
Tax paid	- 36	- 15
Cash flow before change in working capital	- 80	- 222
Change in working capital		
Change in current receivables	127	477
Change in current liabilities	32	60
Cash flow from operating activities	79	315
INVESTING ACTIVITIES		
Change in non-current receivables and other securities	- 1,182	2,030
Cash flow from investing activities	- 1,182	2,030
OPERATING CASH FLOW	- 1,103	2,345
Sale of businesses	-	17
Investments in operations	- 121	- 1,340
Cash flow from investing activities	- 121	- 1,323
CASH FLOW AFTER INVESTMENTS	- 1,224	1,022
FINANCING ACTIVITIES		
Profit from participations in Group companies	569	1,219
Amortisation of non-current loans <i>Note 32</i>	- 1,500	- 1,500
New loans raised <i>Note 32</i>	3,000	-
Shareholders' dividend	- 781	- 706
Cash flow from financing activities	1,288	- 987
Cash flow for the year	64	35
Cash and equivalents at start of year	35	-
Cash and equivalents at end of year	99	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 28 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 increased from SEK 15,716 million to SEK 16,791 million during the year. The main reason was the issue of new bonds in the year, which to some extent replaced loans from credit institutions. Receivables from Group companies consist entirely of the Cash pool owned by the subsidiary NIBE Treasury AB. The parent's non-current interest-bearing liabilities consist entirely of bond loans. Interest-bearing liabilities at year-end amounted to SEK 7,100 million (SEK 5,600 million), and the average interest rate on these liabilities amounted to 1.2% 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, geopolitical risks and so on. To counteract the effects of the various risks facing the company, NIBE takes a systematic, proactive approach to risk management.

The common framework and tool for risk management is the NIBE Internal Control Standard or NICS. Risk management processes with activities on several levels are implemented under NICS. NICS addresses the risks the Group may face from four different perspectives: business risks, financial risks, IT risks and sustainability risks. In turn, these perspectives are divided into a number of sub-groups, all of which are evaluated annually by the Group's three business areas and all underlying companies in the Group and are finally managed at Board level in summary form, with decisions on priority measures.

For more information on NIBE's processes and systems for risk management and internal control, see both the section on 'Business opportunities and risks' on page 70 and the Corporate governance report on page 173.

Political and macroeconomic risks

Political uncertainty and macroeconomic conditions may affect demand for products and expenses, both directly and indirectly. They may have consequences for operations in vulnerable regions in which trade agreements and customs duties may change dramatically. 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 one customer or group of customers or one supplier that the loss of that customer/group/supplier is likely to seriously impair the profitability of the Group. Moreover, the Group's products help make society more sustainable as they are high-tech and sustainable, which guarantees long-term healthy profitability. When Covid-19 struck in 2020, all our companies were affected in some way and were forced to adapt their operations accordingly. Initially, this involved dealing with disruption in the supply chain and mandatory closures. Later, this changed into meeting a sharp increase in demand, which also continued in 2021. Up to and including the third quarter of 2021, NIBE was able to manage this increase in demand quite well, thanks to good flexibility in terms of production capacity and components supply, but in the fourth quarter the shortage of components became more acute as our sub-suppliers were unable to keep up with our increase in demand.

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 2021, 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 series fault in one of the Group's product areas may lead to product recalls, through problems with materials or for other reasons. The risks are reduced by means of systematic quality assurance and inspection procedures. Most Group companies are certified in accordance with ISO 9001. Insurance policies have been taken out as additional risk cover for similar events.

Traditional risks with insurance cover

It is our considered opinion that the Group has adequate cover for traditional insurance risks such as fire, theft, liability, etc. via the global insurance policies taken out. The excess on our policies is between SEK 300,000 and SEK 5 million.

Financial risks

Financial risks comprise these material risks: credit risks, currency risks, financing risks and interest rate risks. These are described in Note 29.

IT risks

Hacking of data systems, theft of business-critical data or sabotage of critical data systems by viruses represent a continuous, growing threat. Measures taken to compensate for these risks include strict IT policies in respect of user permissions, software and hardware-related protection mechanisms, and the establishment of several so-called Security Operations Centers (SOC), whose task it is to continuously monitor the Group's IT systems for any cyber attacks. The Group's insurance coverage also largely covers the IT area. Good IT security contributes to efficiency and stability.

Sustainability risks

Climate change

Extreme weather conditions in the form of storms, flooding and extreme heat or cold represent risks of damage to property and entail an increased risk of damage to the environment in the form of spills, unplanned discharges and leakage. This also creates a risk of disruption to production and delivery capacity. Damage and loss can be reduced in areas 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. However, we did suffer harm in 2021 because suppliers were unable to meet our increased demand.

Manufacturing

Risk assessments and improvements are implemented continuously at our production facilities, with ongoing maintenance and new investments, to 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 on a continuous basis, with risk analyses of tasks, machines and materials, and procedures for reporting incidents and investigating fundamental causes. A good, safe working environment promotes productivity and creates more efficient workplaces with better well-being and higher motivation.

Human resource management

NIBE's future success depends largely on its ability to recruit, develop and retain qualified officers and other key individuals. A lack of expertise or leadership leads to poorer product and business development. In our opinion, our strategic HR work to recruit, develop and retain qualified officers and other key individuals counteracts this risk and gives us a head start in terms of our capacity for innovation, business development and growth.

Distribution

Disruption in the distribution chain can have a negative impact on customers, and higher freight volumes mean higher carbon dioxide emissions. The distribution channels are checked regularly. Procedures are in place for following up and taking any required action. In addition, transportation is coordinated and used efficiently to reduce emissions and make it greener.

Corruption

Corruption in a company may entail high costs and litigation and may generally reduce confidence in the company. All NIBE employees at risk of exposure to corruption undergo training in anti-corruption. The Group also has a whistleblower function. Business partners sign an anti-corruption clause as part of their contract. Good business principles ensure stable operations and build trust among employees, customers and public authorities. An ethical, reliable image generates competitive advantages.

Human rights

NIBE operates in around 30 countries and in environments in which unethical business practices and infringements of human rights may occur. If NIBE is involved in these business practices, the company's reputation in the market may be harmed. NIBE may also have fines and other legal sanctions imposed on it. NIBE works with various business partners such as customers, distributors, partners in jointly owned companies and suppliers. Differences in culture and working methods between NIBE and these partners may increase the risks associated primarily with business ethics and human rights. Consequently, Our Values and evaluations of business partners (Code of Conduct) are important to how we prevent these risks.

Sensitivity analysis

The Group is exposed to several risk factors that affect earnings trends. Many of these risks are beyond the company's control. The table below sets out some of these changes and illustrates their effect on consolidated earnings. The changes are calculated based on the 2021 balance sheet and income statement.

	Basis for calculation	Change	Impact
Net sales (margin constant)	30,832 SEK m	+/- 1.0 %	125 SEK m
Operating margin (volume constant)	30,832 SEK m	+/- 1.0 %	308 SEK m
Material costs	13,276 SEK m	+/- 1.0 %	133 SEK m
Personnel costs	7,999 SEK m	+/- 1.0 %	80 SEK m
Interest-bearing liabilities (interest constant)	10,320 SEK m	+/- 10.0 %	20 SEK m
Interest rate % (interest-bearing liability constant)	1.9 %	+/- 1.0 percentage point	103 SEK m

Notes to the consolidated financial statements

1 • GENERAL ACCOUNTING POLICIES

Presentation basis

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

The Group has just over 20,800 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 a registered limited liability company domiciled in Sweden. The address of the company's head office is Hannabadsvägen 5, 285 21, Markaryd, Sweden. The company is listed on Nasdaq Nordic. Its activities consist of Group-wide functions, such as financing, currency transactions, corporate acquisitions, establishing new operations, financial control and policy matters.

The NIBE Group applies International Financial Reporting Standards (IFRS) as 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 2021 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.

Revaluation of additional considerations is recognised on a separate line in the consolidated income statement. Revaluation of additional considerations means the results of the revaluation of the Group's liabilities for additional considerations. 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.



1 • GENERAL ACCOUNTING POLICIES

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 finite useful lives are tested for impairment if there is some indication that the asset may have fallen in value. 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 the Schörling family 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 (Anticipated Acquisition Method). 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.

(SEK million)	CLIMATE SOLUTIONS		ELEMENT		STOVES		ELIMINATIONS		TOTAL	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Total net sales	24,418	21,485	10,058	8,650	3,724	3,121	- 7,368	- 6,110	30,832	27,146
Internal net sales	- 4,291	- 3,541	- 1,636	- 1,372	- 673	- 542	6,600	5,455	-	-
External net sales	20.127	17,944	8,422	7,278	3,051	2,579	- 768	- 655	30,832	27,146
Sales by geographical region										
Nordic region	5,550	4,899	1,355	1,210	783	664	- 508	- 437	7,180	6,336
Rest of Europe	10,267	8,706	2,751	2,228	1,500	1,239	- 237	- 199	14,281	11,974
North America	3,696	3,853	3,243	2,824	681	595	- 23	- 18	7,597	7,254
Other countries	614	486	1,073	1,016	87	81	-	- 1	1,774	1,582
External net sales	20.127	17,944	8,422	7,278	3,051	2,579	- 768	- 655	30,832	27,146
Profit										
Profit per business area	3,238	2,690	876	659	413	271	-	-	4,527	3,620
Unallocated costs									- 59	260
Operating profit									4,468	3,880
Financial income									126	255
Financial expenses									- 276	- 477
Tax expense for the year									- 940	- 735
Net profit for the year									3,378	2,923
Other information										
Assets	27,972	24,981	11,043	9,443	3,938	3,391	- 12,286	- 12,286	30,667	25,529
Unallocated assets									12,727	12,808
Total assets									43,394	38,337
Liabilities	4,437	4,312	1,889	1,758	617	515	- 414	- 1,174	6,529	5,411
Unallocated liabilities									15,208	15,189
Total liabilities									21,737	20,600
Investments	746	685	368	354	101	99				
Amortisation/Depreciation	808	756	356	352	132	128				

SEK 3,240 million (SEK 2,965 million) of consolidated net sales relates to customers in the Swedish market and SEK 6,773 million (SEK 6,485 million) relates to customers in the US. Of consolidated non-current assets, SEK 2,499 million (SEK 2,067 million) is placed in Sweden, SEK 9,294 million (SEK 8,561 million) in the US and Mexico and SEK 6,027 million (SEK 5,774 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.

Acquisitions during the year

A contract was signed on 7 May to acquire 100% of the shares and 100% of the votes in the UK company Heat Trace Holdings Ltd, which has sales of approximately GBP 100 million. The company develops, manufactures and markets electric heating cables to a large number of sectors worldwide. The company was consolidated into the NIBE Element business area as from 1 May 2021. The acquisition value is still provisional.

At the end of August the company concluded an agreement on the acquisition of 50% of the shares and 50% of the votes in the British company Go Geothermal Ltd, including an agreement to acquire the remaining shares within a five-year period. The company is a significant distributor of heat pumps in the British market with sales of around GBP 8.3 million. It was consolidated with the NIBE Climate Solution business area with effect from September 2021. The acquisition value is still provisional.

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 was charged with acquisition expenses of SEK 13 million, which were recognised as administrative expenses in the consolidated income statement.

The considerations consist of the following	Group	
(SEK million)	2021	2020
Initial considerations	325	1,508
Additional considerations	223	1,075
Total considerations	548	2,583
Fair value of net assets acquired	160	942
Goodwill	388	1,641
Consideration	548	2,583
Cash and equivalents in acquired companies	- 50	- 147
Additional considerations paid	493	431
Additional considerations not yet paid	- 223	- 1,075
Effect on consolidated cash and equivalents	768	1,792

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 2021, these revaluations had a net effect on consolidated earnings of SEK 30 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 it included last year.

Net assets acquired are as follows	Group	
(SEK million)	Fair values	Acquired carrying amounts
Market positions	30	-
Brands	31	-
Other intangible assets	1	1
Property, plant and equipment	54	23
Financial assets	-	-
Current receivables	79	79
Inventories	47	45
Cash and equivalents	50	50
Provisions	- 18	-
Liabilities	- 114	- 85
Net assets acquired	160	113

Acquired current receivables comprise SEK 79 million, of which SEK 79 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	19,624	503	20,127
NIBE Element	8,422	-	8,422
NIBE Stoves	3,051	-	3,051
Eliminations	- 768	-	- 768
Total income	30,329	503	30,832

Deliverables taken up as revenue gradually

	Service contracts	Extended warranties	Other	Total
Prepaid at start of year	14	250	17	281
Payments received during the year	76	180	271	527
Taken up as revenue during the year	- 77	161	- 265	- 503
Translation differences	-	18	1	19
Prepaid at year-end	13	287	24	324

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 2021, there were no such obligations that had an original expected term of more than one year.

5 • OTHER OPERATING INCOME

(SEK million)	Group		Parent	
	2021	2020	2021	2020
Profit on sale of assets	22	5	-	-
Exchange gains	243	233	-	-
Other	197	126	-	-
Total	462	364	-	-

ACCOUNTING POLICY

Principles for remuneration and other terms of employment for senior executives

In accordance with the resolution adopted by the Annual General Meeting, the following principles applied during 2021.

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 remunera-

tion is that the shares thus purchased are retained for at least three years. Under normal circumstances, shares acquired in this way are purchased on one occasion each year in February/March and the purchase is 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 2022 largely matches the principles approved at the 2021 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 2021. 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)	2021		2020	
	Salary and other remuneration	Pension expenses	Salary and other remuneration	Pension expenses
Hans Linnarson, Chair	900	-	840	-
Jenny Larsson	450	-	420	-
Georg Brunstam	450	-	420	-
Anders Pålsson	450	-	420	-
Jenny Sjö Dahl	450	-	420	-
Gerteric Lindquist, CEO	8,258	-	7,754	-
Other senior executives:				
4 (4) individuals	24,002	4,710	20,811	4,549
Group total	34,960	4,710	31,085	4,549

Gender distribution at board/management level

	2021		2020	
	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
Group	5	5	5	5

7 • PERSONNEL COSTS

Salaries and other remuneration

(SEK million)	2021	2020
Parent	24	23
Subsidiaries	6,432	5,917
Group total	6,456	5,940

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

(SEK million)	2021		2020	
	Board, CEO and senior executives	Other employees	Board, CEO and senior executives	Other employees
Parent	22	5	19	6
Subsidiaries in Sweden	13	910	12	781
Norway ¹⁾ (1 and 0)	-	209	-	183
Finland ¹⁾ (1 and 1)	-	218	-	199
Denmark ¹⁾ (3 and 3)	-	472	-	433
France ¹⁾ (0 and 1)	-	46	-	42
Germany ¹⁾ (3 and 1)	-	441	-	393
Poland ¹⁾ (2 and 1)	-	287	-	286
Czech Republic ¹⁾ (1 and 1)	-	145	-	127
Italy ¹⁾ (0 and 1)	-	197	-	182
The Netherlands ¹⁾ (1 and 1)	-	163	-	133
Belgium	-	12	-	9
UK ¹⁾ (2 and 1)	-	271	-	188
Spain	-	23	-	24
Romania	-	40	-	30
Slovakia	-	1	-	1
Russia	-	19	-	16
Austria	-	65	-	58
Switzerland ¹⁾ (2 and 2)	-	583	-	569
Serbia	-	87	-	78
Slovenia	-	22	-	23
Turkey	-	52	-	50
China ¹⁾ (1 and 0)	-	146	-	113
Malaysia	-	2	-	2
Vietnam	-	39	-	36
Taiwan	-	2	-	1
Thailand	-	7	-	8
Singapore	-	2	-	3
Australia	-	19	-	15
Mexico	-	189	-	172
Canada ¹⁾ (0 and 1)	-	279	-	267
USA ¹⁾ (1 and 4)	-	1,471	-	1,483
Group total	35	6,424	31	5,911

¹⁾ (of which bonus in SEK million)

7 • PERSONNEL COSTS

Personnel costs

(SEK million)	2021		2020	
	Social security contributions	of which pension costs	Social security contributions	of which pension costs
Parent	11	4	11	4
Subsidiaries	1,167	234	1,092	249
Group total	1,178	238	1,103	253

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 8 million (SEK 7 million). The corresponding amount for the Group is SEK 11 million (SEK 10 million). The Group has no outstanding pension obligations for the previous Board of Directors and CEO.

Average number of employees and gender distribution

(SEK million)	2021			2020		
	Number of employees	Women	Men	Number of employees	Women	Men
Parent	8	4	4	8	4	4
Subsidiaries in Sweden	1,963	415	1,548	1,814	380	1,434
Norway	300	65	235	291	54	237
Finland	483	102	381	424	84	340
Denmark	678	195	483	647	180	467
France	79	17	62	74	19	55
Germany	859	157	702	743	131	612
Poland	2,456	1,279	1,177	2,253	1,140	1,113
Czech Republic	842	368	474	815	367	448
Italy	518	152	366	490	161	329
The Netherlands	324	45	279	254	37	217
Belgium	18	3	15	15	2	13
UK	651	125	526	511	85	426
Spain	64	17	47	60	16	44
Romania	379	252	127	300	200	100
Slovakia	5	1	4	3	1	2
Russia	237	61	176	173	48	125
Austria	96	21	75	87	31	56
Switzerland	720	147	573	654	135	519
Serbia	911	306	605	819	267	552
Slovenia	42	10	32	39	13	26
Turkey	430	38	392	359	35	324
China	1,008	417	591	1,049	422	627
Malaysia	15	10	5	15	9	6
Vietnam	957	607	350	636	520	116
Taiwan	4	1	3	4	1	3
Thailand	117	53	64	124	55	69
Singapore	11	5	6	8	6	2
Australia	30	8	22	26	9	17
Mexico	2,725	1,506	1,219	2,435	1,316	1,119
Canada	503	100	403	511	103	408
USA	3,022	981	2,041	3,099	962	2,137
Group total	20,455	7,468	12,987	18,740	6,793	11,947

8 • RESEARCH AND DEVELOPMENT COSTS

Research and development costs of SEK 899 million (SEK 868 million) are included in Cost of goods sold.

9 • REMUNERATION OF AUDITORS

Group (SEK million)	2021			2020		
	KPMG	Other auditors	Total Group	KPMG	Other auditors	Total Group
Audit engagements*	18	8	26	19	7	26
Other audit-related fees	2	2	4	2	3	5
Tax advisory services	1	7	8	1	8	9
Other services**	2	4	6	5	5	10
Total	23	21	44	27	23	50

During the year, the parent paid audit expenses of SEK 1 million (SEK 1 million) and expenses for other services of SEK 2 million (SEK 6 million).

* of which SEK 5 million concerns KPMG AB

**of which SEK 1 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	
	2021	2020	2021	2020
Net sales	30,832	27,146	28	23
Change in inventories	788	- 38	-	-
Revaluation of additional considerations	30	353	-	-
Other operating income	462	364	-	-
	32,112	27,825	28	23
Raw materials and consumables	- 14,064	- 11,414	-	-
Other external costs	- 4,284	- 4,067	- 63	- 50
Personnel costs	- 7,999	- 7,228	- 37	- 35
Amortisation/Depreciation	- 1,297	- 1,236	-	-
Operating profit	4,468	3,880	- 72	- 62

11 • PROFIT FROM FINANCIAL ITEMS

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.

PROFIT FROM PARTICIPATIONS IN GROUP COMPANIES

(SEK million)	Group		Parent	
	2021	2020	2021	2020
Dividend	-	-	569	1,217
Impairment of participations in subsidiaries	-	-	- 257	- 164
Total	-	-	312	1,053

FINANCIAL INCOME

(SEK million)	Group		Parent	
	2021	2020	2021	2020
Interest income, Group companies	-	-	2	11
Interest income, other	23	16	2	1
Exchange gains	110	220	128	81
Other financial income	1	7	1	-
Total	134	243	133	93

FINANCIAL EXPENSES

(SEK million)	Group		Parent	
	2021	2020	2021	2020
Interest expense, Group companies	-	-	1	2
Interest expense, other	196	209	73	78
Exchange losses	69	253	28	148
Other financial expense	11	15	3	8
Total	276	477	105	236

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.

(SEK million)	Parent	
	2021	2020
Group contributions	210	133
Total	210	133

ACCOUNTING POLICY

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	
	2021	2020	2021	2020
Current tax for the year	904	845	35	1
Current tax attributable to preceding years	- 3	- 2	-	14
Deferred tax	39	- 108	-	- 1
Total	940	735	35	14

Tax on items recognised in other comprehensive income

(SEK million)	Group		Parent	
	2021	2020	2021	2020
Defined-benefit pensions	26	4	-	-
Market valuation of currency forward contracts	- 3	1	-	-
Current tax attributable to exchange differences	117	- 167	-	-
Current tax attributable to foreign net investment	- 3	9	-	-
Total	137	- 153	-	-

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

The applicable tax rate was calculated based on the 20.6% (21.4%) tax rate that applies to the parent. See page 83.

(SEK million)	Group		Parent	
	2021	2020	2021	2020
Pre-tax profit	4,318	3,658	478	1,001
Tax at current rate	889	783	99	214
Non-deductible expenses	113	34	53	51
Non-taxable earnings	- 63	- 80	-	- 4
Dividends from subsidiaries	-	-	- 117	- 261
Adjusted tax for preceding years	- 3	- 2	-	14
Deficit deductions not carried forward	- 24	- 27	-	-
Effect of foreign tax rates	28	27	-	-
Recognised tax expense	940	735	35	14

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 202 million (SEK 273 million) for the Group. The due dates for deficit deductions are within the following intervals:

(SEK million)	Group	
	2021	2020
Due for payment within 1-5 years	51	36
Due for payment within 6-10 years	13	7
Due for payment in 10 years or more	4	-
No due date	134	230
Total	202	273

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	
	2021	2020	2021	2020
Deficit deductions	31	30	-	-
Provisions for pension obligations	95	120	-	-
Provisions for guarantee obligations	91	70	-	-
Temporary differences in non-current assets	6	12	-	-
Other	166	209	3	3
Total	389	441	3	3

Deferred tax liabilities

(SEK million)	Group		Parent	
	2021	2020	2021	2020
Untaxed reserves	57	51	-	-
Temporary differences in non-current assets	1,161	1,111	-	-
Other	169	138	-	-
Total	1,387	1,300	-	-

Deferred tax assets

(SEK million)	Deficit deductions	Provisions for pension obligations	Provisions for guarantee obligations	Temporary differences in assets	Other	Total
Amount at start of year	30	120	70	12	209	441
Acquired companies	- 1	-	-	-	3	2
Recognised as income	1	- 4	18	- 7	- 58	- 50
Recognised in other comprehensive income	-	- 26	-	-	2	- 24
Translation difference	1	5	3	1	10	20
Amount at end of year	31	95	91	6	166	389

Deferred tax liabilities

(SEK million)	Untaxed reserves	Temporary differences in non-current assets	Other	Total
Amount at start of year	51	1,111	138	1,300
Acquired companies	-	20	- 2	18
Recognised as income	6	- 34	19	- 9
Recognised in other comprehensive income	-	- 3	- 3	- 6
Translation difference	-	67	17	84
Amount at end of year	57	1,161	169	1,387

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. Goodwill and assets with indefinite useful lives 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 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.

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.

Significant assumptions in 2021 (2020)

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 (5.6)	6.5 (6.1)	5.8 (5.7)

Amortisation/Depreciation

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.

	Group	
(SEK million)	2021	2020
Cost		
Opening cost	3,116	2,963
Investments for the year	30	229
Reclassifications	-	214
Translation differences	226	- 290
Closing accumulated cost	3,372	3,116
Amortisation/Depreciation		
Opening amortisation	1,346	1,225
Amortisation for the year	228	239
Translation differences	118	- 118
Closing accumulated amortisation	1,692	1,346
Closing carrying amount	1,680	1,770

BRANDS

	Group	
(SEK million)	2021	2020
Cost		
Opening cost	2,292	2,318
Investments for the year	31	172
Reclassifications	1	16
Translation differences	159	- 214
Closing accumulated cost	2,483	2,292
Amortisation/Depreciation		
Opening amortisation	15	14
Amortisation for the year	2	3
Translation differences	2	- 2
Closing accumulated amortisation	19	15
Closing carrying amount	2,464	2,277
Carrying amount per business area		
NIBE Climate Solutions	1,997	1,850
NIBE Element	253	232
NIBE Stoves	214	195
Total	2,464	2,277

GOODWILL

	Group	
(SEK million)	2021	2020
Cost		
Opening cost	14,218	14,071
Investments for the year	395	1,641
Reclassifications	-	- 182
Translation differences	840	- 1,312
Closing accumulated cost	15,453	14,218
Closing carrying amount	15,453	14,218
Carrying amount per business area		
NIBE Climate Solutions	10,753	9,945
NIBE Element	3,351	3,040
NIBE Stoves	1,349	1,233
Total	15,453	14,218

OTHER INTANGIBLE ASSETS

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

	Group	
(SEK million)	2021	2020
Cost		
Opening cost	1,579	1,371
Cost in acquired companies	2	44
Investments for the year	229	248
Sales and retirements	- 34	- 28
Reclassifications	2	-
Translation differences	42	- 56
Closing accumulated cost	1,820	1,579
Amortisation/Depreciation		
Opening amortisation	882	777
Sales and retirements	- 34	- 24
Amortisation for the year	171	163
Translation differences	31	- 34
Closing accumulated amortisation	1,050	882
Impairment		
Opening impairment	4	4
Closing accumulated impairment	4	4
Closing carrying amount	766	693

Amortisation and impairment of other intangible assets are recognised within the following functions:

	Group	
(SEK million)	2021	2020
Cost of goods sold	140	132
Selling expenses	5	5
Administrative expenses	26	26
Total	171	163

Other intangible assets consists primarily (SEK 604 million) of capitalised development costs. Capitalised development costs are amortised over their estimated useful lives. In 2021, 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.

Amortisation/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 amortisation/depreciation:

Buildings	2-7%
Land improvements	2-10%
Machinery and equipment	10-33%
Fixtures and fittings	4%

LAND AND BUILDINGS

(SEK million)	Group	
	2021	2020
Cost		
Opening cost	3,298	2,962
Cost in acquired companies	2	141
Investments for the year	149	254
Sales and retirements	- 23	- 13
Reclassifications	56	122
Translation differences	115	- 168
Closing accumulated cost	3,597	3,298
Amortisation/Depreciation		
Opening amortisation	1,011	946
Amortisation for the year	118	111
Sales and retirements	- 7	- 6
Reclassifications	- 5	-
Translation differences	22	- 40
Closing accumulated amortisation	1,139	1,011
Closing carrying amount	2,458	2,287
of which, land	383	347
Closing carrying amount, land and buildings in Sweden	722	619

CONSTRUCTION IN PROGRESS

(SEK million)	Group	
	2021	2020
Cost		
Opening cost	336	388
Cost in acquired companies	-	1
Costs incurred during the year	427	256
Sales and retirements	-	- 2
Re-allocations during the year	- 196	- 298
Translation differences	3	- 9
Closing accumulated cost	570	336

MACHINERY AND EQUIPMENT

(SEK million)	Group		Parent	
	2021	2020	2021	2020
Cost				
Opening cost	4,852	4,532	1	1
Cost in acquired companies	17	145	-	-
Investments for the year	448	384	-	-
Sales and retirements	- 111	- 133	-	-
Reclassifications	128	204	-	-
Translation differences	192	- 280	-	-
Closing accumulated cost	5,526	4,852	1	1
Amortisation/Depreciation				
Opening amortisation	3,077	2,905	1	1
Sales and retirements	- 102	- 119	-	-
Amortisation for the year	451	421	-	-
Reclassifications	- 7	29	-	-
Translation differences	107	- 159	-	-
Closing accumulated depreciation	3,526	3,077	1	1
Impairment				
Opening impairment	6	4	-	-
Impairment for the year	2	3	-	-
Translation differences	- 1	- 1	-	-
Closing accumulated impairment	7	6	-	-
Closing carrying amount	1,993	1,769	-	-

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 underlying 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.

Right-of-use assets and lease liabilities are not reported for leases with a lease term of 12 months or less, or where the underlying asset has a low value, below SEK 50,000. Lease payments for these leases are recognised as an expense in a straight line over the lease term. There are extension and termination options that companies may be exposed to that are not included in the valuation of the lease liability.

The Group is not a lessor in any case.

The parent has no leases.

CHANGE IN CARRYING AMOUNT

Right-of-use asset	1 Jan 2021	Acquired companies	Added during the year	Amortisation/ Depreciation during the year	Translation differences	31 Dec 2021
Premises	756	25	194	- 222	125	878
Machinery	8	-	7	- 4	2	13
Vehicles	162	1	79	- 81	1	162
IT equipment	7	4	14	- 8	-	17
Other	25	-	25	- 12	2	40
Total	958	30	319	- 327	130	1,110

Lease liabilities at end of year

See Note 29 for an analysis of the terms of Group lease liabilities.

(SEK million)	31 Dec 2021	31 Dec 2020
Non-current liabilities	743	625
Current liabilities	364	329
Total lease liabilities at end of year	1,107	954

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 2021 of SEK 23 million, while consolidated net financial items decreased by a corresponding amount.

(SEK million)	2021	2020
Depreciation of capitalised leases	327	298
Lease payments for non-capitalised short-term leases and low-value leases	10	28
Interest expenses	23	19
Total lease payments in the income statement	360	345

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)	2021	2020
Amortisation of lease liabilities	338	323
Lease payments for non-capitalised short-term leases and low-value leases	10	28
Total cash flow	348	351

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, Üntes Isitma Klima Sogutma San Ve Tic A.S and Üntes VRF Klima Sistemleri A.S were impaired during the year. The impairment in NIBE Energy Systems France SAS was reversed.

(SEK million)	2021	2020
Cost		
Opening cost	12,299	10,707
Investments for the year	3	1,592
Closing accumulated cost	12,302	12,299
Impairment		
Opening impairment	337	173
Impairment for the year	335	164
Reversal of impairment loss	- 77	-
Closing accumulated impairment	595	337
Closing carrying amount	11,707	11,962

Subsidiary	Proportion of profits	Shares	Carrying amount, SEK million
ABK-Qviller 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
Eitwin A/S	100%	500	172
Enertech AB	100%	27,000	216
HT S.p.A.	100%	200,000	569
JSC Evan	100%	8,631	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	100%	2,000	39
NIBE Climate Solutions Canada Corp.	100%	6,632,000	132
NIBE Energy Systems France SAS	100%	100	79
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
Üntes Isitma Klima Sogutma San Ve Tic A.S	50%	7,500,000	326
Üntes VRF Klima Sistemleri A.S.	39%	1,560	24
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
Total			11,707

17 • SHARES IN SUBSIDIARIES

Shares owned via subsidiaries	Share of equity	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	100.00%	
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
Blåa Skiftnyckeln 4 i Markaryd AB	100.00%	25,000
Brewer & Bunney Ltd	100.00%	40,000
Briskheat Corporation	100.00%	11,257,555
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 Inc.	50.00%	320
ClimaCool Corp.	100.00%	1,000
ClimateCraft Inc.	100.00%	1,000
ClimateMaster Inc.	100.00%	1,000
Contura Stoves Ltd	100.00%	1
CTC AB	100.00%	1,000
CTC Ferrofil AS	100.00%	1,001
CTC AG	100.00%	700
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	Share of equity	Number of shares
Electro Therm s.a.s	70.00%	1,750
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	100.00%	1,604,182
Gaumer Company Inc	100.00%	
Gazco Ltd	100.00%	30,000
Go Geothermal Ltd	50.00%	200
Graybar Ltd	100.00%	2
HC Holding ETA AG	51.00%	51,000
Heating Group International B.V.	51.00%	189
Heatpoint B.V.	100.00%	800
Heat Safe Cable Systems Ltd	100.00%	1
Heat Trace Holdings Ltd	100.00%	1,330
Heat Trace Ltd	100.00%	1,501
Heatrod Elements Ltd	100.00%	68,000
Heatron Inc.	100.00%	1,200,000
Hemi Heating AB	100.00%	2,000
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
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

17 · SHARES IN SUBSIDIARIES

Shares owned via subsidiaries	Share of equity	Number of shares
Nathan Systems NV	100.00%	1,008
Naturenergi IWABO AB	100.00%	1,000
NIBE Beteiligungsverwaltung GmbH	100.00%	
NIBE-BIAWAR Sp. z o.o.	100.00%	83,962
NIBE Energietechnik B.V.	100.00%	180
NIBE Energy Systems Ltd	100.00%	100
NIBE Energy Systems Oy	100.00%	15
NIBE Foyers France S.A.S.	100.00%	370
NIBE 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%	10,000
Osby Parca Fastighets AB	100.00%	5,000
Osby Parca Holding AB	60.00%	5,000
Pellux GmbH	100.00%	
Renting 959 KB	100.00%	
Rhoss Deutschland 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

Shares owned via subsidiaries	Share of equity	Number of shares
Stovax Heating Group (NI) Ltd	100.00%	1
Structurgruppen AB	100.00%	1,000
Tempeff Inc.	65.00%	78,000
Termorad Sp. Z.o.o.	100.00%	80,000
Termotech S.r.l.	87.50%	
The Climate Control Group Inc.	100.00%	10,000
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
Üntes Rhoss Sogutma Sistemleri A.S.	80.00%	8,000
Üntes VRF Klima Sistemleri A.S.	22.00%	880
VEÅ AB	100.00%	750
VEÅ Holding AB	60.00%	300
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 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	
	2021	2020
Carrying amount at start of year	14	34
Book value, acquired companies	-	5
Disposals for the year	-	- 8
Dividend received	-	- 2
Share in profits for the year	- 8	12
Reclassification	-	- 27
Translation differences	2	-
Carrying amount at end of year	8	14

Group (SEK million)							
Name	Corporate ID number	Registered office	Proportion of profits	Number of shares	Share in profits	Share of own capital	Carrying amount
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 Ibérica Climatizaciòn SL	B63597074	Barcelona, Spain	30.0%	3,000	- 1	- 1	1
Total					- 8	13	8

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

Parent (SEK million)							
Name	Corporate ID number	Registered office	Proportion of profits	Number of shares	Dividend	Capital gain	Carrying amount
Produktionskonsult Väst Holding AB	559249-4487	Båstad	49.0%	4,900	-	-	1

19 • OTHER NON-CURRENT RECEIVABLES

(SEK m)	Group		Parent	
	2021	2020	2021	2020
Tenancy deposit	3	3	-	-
Advance payment to supplier	1	3	-	-
Other	135	121	-	-
Total	139	127	-	-

20 • INVENTORIES

ACCOUNTING POLICY

Inventories are valued at the lower of cost and replacement cost for raw materials, consumables and finished goods purchased, and at manufacturing cost for goods produced. In no case have inventories been 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

A 4:1 share split was carried out in the year following a resolution by the Annual General Meeting. As at the end of the year, there are 2,016,066,488 shares with a quota value of SEK 0.03906 per share. Each class A share entitles the holder to ten votes at the Annual General Meeting and each class B share to one vote. Class A shares, which represent approximately 57% of the votes, have pre-emption rights as per the company's articles of association. All shares carry the same entitlement to dividends. The company has two shareholders who each hold more than 10% of the votes, one of them a group of shareholders consisting of present and former directors and managers with around 46% of the votes, the other the Schörling family, with around 19% of the votes. At the end of 2021 there were no outstanding convertible loans or options that could risk diluting the share capital. The situation was the same in the preceding year.

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

Profit brought forward	SEK 3,728 million
Share premium reserve	SEK 4,751 million
Net profit for the year	SEK 443 million
Total	SEK 8,922 million

The Board of Directors proposes issuing a dividend to shareholders of SEK 0.50 per share, equivalent to a total pay-out of SEK 1,008 million. A total of SEK 7,914 million will be carried over in the accounts: SEK 4,751 million of this in the share premium reserve and SEK 3,163 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 m)	Quota value (SEK)	Class A shares (no.)	Class B shares (no.)	Total number
At start of year	0.15625	58,282,590	445,734,032	504,016,622
Split 4:1	0.03906	174,847,770	1,337,202,096	1,512,049,866
At year-end	0.03906	233,130,360	1,782,936,128	2,016,066,488

ACCOUNTING POLICY

PROVISIONS FOR PENSIONS

Defined-benefit pension plans

Defined benefit pension plans are post-employment benefit plans other than defined contribution plans.

The Group's net obligations for defined benefit plans are calculated separately for each plan by estimating the future payment earned by the employee in both current and previous periods. This payment is discounted to present value. The discount rate is the 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 16.4 years for Switzerland and 12.2 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 2021	Switzerland	Sweden
Discount rate on 1 January	0.15%	1.15%
Discount rate on 31 December	0.35%	1.85%
Expected salary increases	1.00%	3.00%
Expected inflation	0.60%	2.00%
Duration of obligation, years	16	20

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%
Duration of obligation, years	18	21

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	- 118	+ 136
Expected salary increases - 0.25 percentage points	+ 1	-
Expected inflation - 0.25 percentage points	+ 24	+ 6

22 • PROVISIONS FOR PENSIONS

(SEK m)	2021			2020		
	Funded plans	Unfunded plans	Total	Funded plans	Unfunded plans	Total
Reconciliation of pension obligations						
Present value at start of year	1,311	288	1,599	1,345	273	1,618
Present value in acquired companies	-	-	-	-	2	2
Service charge	9	23	32	56	12	68
Interest on obligations	2	4	6	2	3	5
Contributions from employees	31	-	31	33	-	33
Pensions paid	- 10	- 5	- 15	- 54	- 5	- 59
Actuarial gains (-), losses (+) during the period	- 96	- 22	- 118	- 12	7	- 5
Adjustments	- 11	-	- 11	- 12	1	- 11
Translation differences	82	1	83	- 47	- 5	- 52
Present value at end of year	1,318	289	1,607	1,311	288	1,599
Reconciliation of plan assets						
Fair value at start of year	874	-	874	884	-	884
Interest income on plan assets	1	-	1	2	-	2
Return	10	-	10	18	-	18
Contributions paid in	34	-	34	35	-	35
Contributions from employees	31	-	31	33	-	33
Adjustments	- 11	-	- 11	- 12	-	- 12
Pensions paid	- 10	-	- 10	- 54	-	- 54
Translation differences	61	-	61	- 32	-	- 32
Fair value at end of year	990	-	990	874	-	874
Provisions for pensions						
Retirement benefit obligations, present value	1,318	289	1,607	1,311	288	1,599
Plan assets, fair value	- 990	-	- 990	- 874	-	- 874
Provisions for pensions	328	289	617	437	288	725
Pension costs recognised in profit or loss						
Service charge	9	23	32	56	12	68
Interest on obligations	2	4	6	2	3	5
Interest income on plan assets	- 1	-	- 1	- 2	-	- 2
Pension costs, defined-benefit plans	10	27	37	56	15	71
Pension costs, defined-contribution plans			201			182
Total pension costs in profit or loss			238			253
Pension costs recognised in other comprehensive income						
Actuarial gains (-), losses (+) in respect of:						
- changed financial assumptions	- 40	- 24	- 64	- 3	6	3
- changed demographic assumptions	- 76	- 2	- 78	-	-	-
- experience-based adjustments	25	-	25	- 9	1	- 8
- difference between actual yield and yield according to discount rate on plan assets	- 10	-	- 10	- 18	-	- 18
- special employer's contribution	-	- 2	- 2	-	2	2
Pension costs in other comprehensive income	- 101	- 28	- 129	- 30	9	- 21
Reconciliation of provisions for pensions						
Opening balance	437	288	725	461	273	734
Provisions in acquired companies	-	-	-	-	2	2
Pension costs, defined-benefit plans	15	27	42	56	15	71
Actuarial differences	- 106	- 22	- 128	- 30	7	- 23
Pensions paid	-	- 6	- 6	-	- 5	- 5
Contributions paid in	- 34	-	- 34	- 35	-	- 35
Translation differences	16	2	18	- 15	- 5	- 20
Closing balance	328	289	617	437	288	725
Expected pension costs for defined-benefit plans in 2022	26	5	31	54	9	63
Composition of plan assets						
Shares	198			177		
Interest-bearing securities	448			432		
Property, etc.	344			265		
Total plan assets	990			874		

The parent's recognised pension liabilities amount to SEK 17 million (SEK 15 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 2021 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 25 million (SEK 20 million). Alecta's surplus can be distributed to the policyholders and/or the insured. At year-end 2021 Alecta's surplus in the collective funding ratio was 172% (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 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	-
Provisions in acquired companies	6	3	9	-
Provisions during the year	242	49	291	-
Amount utilised during the year	- 115	- 10	- 125	-
Reversals in provisions	- 11	- 90	- 101	-
Translation differences	37	1	38	-
Amount on 31 Dec 2021	832	176	1,008	-

24 • LIABILITIES TO CREDIT INSTITUTIONS

Since one of the Group's credit agreements expires in 2022, the liabilities covered by the agreement were recognised as current liabilities.

Current liabilities to credit institutions also include overdraft facilities. Credit facilities granted in the Group totalled SEK 506 million (SEK 523 million). The Group's overdraft facility was thus increased during the year by SEK 17 million. The parent has no overdraft facility.

25 • BOND LOANS

(SEK million)	Group		Parent	
	2021	2020	2021	2020
Loan of SEK 650 million at a fixed rate of 1.0% that falls due in June 2021	-	650	-	650
Loan at a variable rate of Stibor + 110 points that falls due in June 2021	-	350	-	350
Loan at a variable rate of Stibor + 60 points that falls due in June 2021	-	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
Loan at a variable rate of Stibor + 125 points that falls due in April 2028	1,000	-	1,000	-
Loan at a variable rate of Stibor + 85 points that falls due in June 2026	2,000	-	2,000	-
Total	7,100	5,600	7,100	5,600

26 • OTHER LIABILITIES, NON-INTEREST-BEARING

The size of the additional considerations is mainly dependent on the future financial performance of the acquired entities. There may be other elements to consider for some acquisitions, such as environmental measures. Additional considerations are liabilities to minority shareholders for the acquisition of additional shares under agreements made. The amounts specified are based on expected financial performance. No upper limit to the amount of additional considerations exists in any case. The expected amounts are revalued regularly in line with management's best assessments in each case. For 2021, these revaluations had a net impact on consolidated earnings of SEK 30 million because the expected additional considerations of several acquired companies had to be revalued due to the pandemic. The revaluations include discounting. 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 2019	2,343	344	2,687	192
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
Amount on 31 Dec 2020	2,271	324	2,595	508
Taken up as liabilities during the year	252	-	252	-
Settled during the year	- 84	-	- 84	-
Reversed during the year	- 30	-	- 30	-
Reclassifications	- 73	- 16	- 89	- 2
Translation differences	127	7	134	19
Amount on 31 Dec 2021	2,463	315	2,778	525

27 • OTHER LIABILITIES

There are estimated additional considerations of SEK 103 million (SEK 461 million) in the Group that are due for payment within one year. The corresponding figure for the parent is SEK 0 million (SEK 83 million).

28 • ACCRUED EXPENSES AND DEFERRED INCOME

(SEK million)	Group		Parent	
	2021	2020	2021	2020
Accrued salaries	578	484	8	8
Accrued payroll overheads	167	145	2	3
Deferred income	321	281	-	-
Other items	826	713	18	19
Amount at end of year	1,892	1,623	28	30

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 effective

tiveness and all hedging conditions are documented. 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. 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.

29 • FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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 2021 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 2021, 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 552 million (SEK 428 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 2021 represents an unrealised exchange loss of SEK 8 million.

Other receivables in the consolidated balance sheet includes derivatives with positive fair values of SEK 20 million (SEK 38 million). Other liabilities includes derivatives with negative fair values of SEK 19 million (SEK 26 million).

Currency	Group		Parent	
	Net flow in (+)/out (-)	Weakening by 1%	Net flow in (+)/out (-)	Weakening by 1%
AUD	17	-	-	-
CHF	201	- 2	-	-
CNY	- 1	-	-	-
CZK	- 12	-	-	-
DKK	122	- 1	-	-
EUR	1,693	- 17	- 2	-
GBP	165	- 2	-	-
HKD	- 1	-	-	-
MXN	- 335	3	-	-
NOK	223	- 2	-	-
PLN	- 96	1	-	-
RUB	13	-	-	-
SEK	- 3	-	-	-
USD	239	- 2	- 5	-
Total	2,225		- 7	

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 2021	Unrealised gain/loss 31 Dec 2020
AUD	-	4	2	-	6.56	6.56	-	- 2
CHF	2	2	2	2	9.46	9.85	- 3	-
DKK	2	3	3	3	1.37	1.38	-	-
EUR	12	9	10	11	10.15	10.23	- 5	-
GBP	2	2	2	1	11.99	12.18	- 1	-
HKD	23	- 13	-	- 6	1.07	1.16	-	- 1
MXN	- 205	- 85	- 70	- 46	0.44	0.44	-	11
NOK	12	12	12	12	1.00	1.03	- 1	-
PLN	- 3	- 4	- 1	- 3	2.22	2.23	-	-
USD	12	- 7	-	2	9.32	9.04	2	3
Total							- 8	11
Of which profit recognised at end of period							- 10	- 1
Of which recognised in other comprehensive income at end of period							2	12

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 2021, the Group held net assets in foreign currencies in accordance with the figures given below with allowance for financing. Net assets also include assets other than those classed as financial instruments.

If the Swedish krona falls in value by 1% against the named currencies, the Group's equity is strengthened by SEK 265 million (SEK

231 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 269 million (SEK 236 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 5 million (SEK 6 million). If the Swedish krona falls in value by 1% against the named currencies, the reverse applies.

Currency	Net assets	Hedging	2021
AUD	81	-	81
CAD	1,694	-	1,694
CHF	4,411	-	4,411
CZK	822	-	822
DKK	1,259	-	1,259
EUR	3,670	- 268	3,402
GBP	1,734	- 99	1,635
HKD	140	-	140
MYR	3	-	3
MXN	83	-	83
NOK	718	-	718
PLN	857	-	857
RON	79	-	79
RUB	149	-	149
RSD	501	-	501
SGD	20	-	20
TRY	544	-	544
VND	73	-	73
THB	43	-	43
USD	9,993	-	9,993
Total	26,874	- 367	26,507

Currency	Net assets	Hedging	2020
AUD	64	-	64
CAD	1,427	-	1,427
CHF	4,101	-	4,101
CZK	687	-	687
DKK	1,115	-	1,115
EUR	3,150	- 448	2,702
GBP	1,118	- 99	1,019
HKD	90	-	90
MYR	2	-	2
MXN	60	-	60
NOK	591	-	591
PLN	738	-	738
RON	67	-	67
RUB	123	-	123
RSD	472	-	472
SGD	23	-	23
TRY	770	-	770
VND	42	-	42
THB	41	-	41
USD	8,937	-	8,937
Total	23,618	- 547	23,071

PARENT

Currency	2021	2020
EUR	416	469
GBP	109	99
Total	525	568

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)	2021	2020
Receivables, wholly or partly impaired		
– overdue by less than 3 months	161	140
– overdue by more than 3 months	79	82
Receivables which have not been impaired		
– overdue by less than 3 months	670	650
– overdue by more than 3 months	147	101
Total overdue receivables	1,057	973
Provision for credit losses	– 88	– 81
Total receivables overdue but not impaired	969	892

Provision for credit losses

(SEK million)	2021	2020
Provisions brought forward	81	90
Provisions in acquired companies	1	3
Established credit losses	– 2	– 11
Reversed provisions	– 9	– 15
Provisions for the year	13	20
Translation differences	4	– 6
Provisions carried forward	88	81

Profit for the year has been charged with SEK 15 million (SEK 23 million) for credit losses which have arisen in the consolidated receivables.

Gains and losses on financial instruments

(SEK million)	Group		Parent	
	2021	2020	2021	2020
Exchange gains and losses on currency derivatives used for hedge accounting recognised				
– as other operating income	14	8	–	–
– as cost of goods sold	–	– 2	–	–
– in other comprehensive income	– 12	3	–	–
Gains and losses on commodity derivatives used for hedge accounting recognised				
– as cost of goods sold	4	1	–	–
– in other comprehensive income	–	1	–	–
Exchange gains and losses on other financial assets and liabilities recognised				
– as other operating income	243	227	–	–
– as cost of goods sold	– 192	– 248	–	–
– as financial income	110	220	128	81
– as financial expenses	– 69	– 253	– 28	– 148
Change in value of bond loans recognised as financial income	–	3	–	3
Change in value of interest swaps recognised as financial income	–	– 8	–	– 8
Credit losses on accounts receivable recognised as selling expenses	– 15	– 23	–	–
Total	106	– 71	100	– 72

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 other 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 re-

ceivable 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 2021 (SEK m)	Measured at amortised cost	Measured at fair value through profit or loss	Derivatives used for hedge accounting	Non- financial assets	Total carrying amount	Fair amount
Intangible assets	-	-	-	20,363	20,363	
Property, plant and equipment	-	-	-	6,131	6,131	
Participations in associates and jointly controlled entities	-	-	-	8	8	
Non-current accounts receivable from associates	48	-	-	-	48	48
Investments held as non-current assets	-	45	-	-	45	45
Deferred tax assets	-	-	-	389	389	
Other non-current receivables	139	-	-	-	139	139
Inventories	-	-	-	6,584	6,584	
Accounts receivable	4,064	-	-	-	4,064	4,064
Accounts receivable from associates	11	-	-	-	11	11
Tax assets	-	-	-	171	171	
Other receivables	330	-	23	-	353	353
Prepaid expenses and accrued income	-	-	-	342	342	
Investments in securities, etc.	-	224	-	-	224	224
Cash and equivalents	4,522	-	-	-	4,522	4,522
Total assets	9,114	269	23	33,988	43,394	

Assets 31 Dec 2020 (SEK m)	Measured at amortised cost	Measured at fair value through profit or loss	Derivatives used for hedge accounting	Non- financial assets	Total carrying amount	Fair amount
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
Total assets	8,427	212	40	29,658	38,337	

29 • FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Equity and liabilities 31 Dec 2021 (SEK m)	Financial liabilities measured at amortised cost	Derivatives used for hedge accounting	Non-financial items	Total carrying amount	Fair amount
Equity	-	-	21,657	21,657	
Provisions	-	-	3,012	3,012	
Non-current liabilities*	9,002	-	-	9,002	9,002
Lease liabilities (non-current and current)	1,107	-	-	1,107	1,107
Current interest-bearing liabilities	2,451	-	-	2,451	
Accounts payable	2,818	-	-	2,818	2,818
Advance payments from customers	148	-	-	148	148
Tax liabilities	-	-	451	451	
Other liabilities	837	19	-	856	856
Accrued expenses and deferred income	1,892	-	-	1,892	1,892
Total equity and liabilities	18,255	19	25,120	43,394	

*Of which SEK 97 million refers to loans in foreign currencies to hedge net investment in foreign operations.

Equity and liabilities 31 Dec 2020 (SEK m)	Financial liabilities measured at amortised cost	Derivatives used for hedge accounting	Non-financial items	Total carrying amount	Fair amount
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
Total equity and liabilities	17,420	26	20,891	38,337	

*Of which SEK 81 million refers to loans in foreign currencies to hedge net investment in foreign operations.

Hedge accounting

In 2021, hedge accounting was applied in accordance with IAS 39 in relation to:

- Cash flow hedging through currency derivatives for future receipts and disbursements in foreign currency.
- Price hedging of raw materials through raw materials derivatives. At the end of 2021, outstanding contracts maturing in Q1 2022 totalled SEK 14 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 directly 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 82 and 96.

Capital risk

Capital risk refers to the risk that the Group's ability to continue as a going concern may be inhibited due to a shortage of capital. The Group assesses the day-to-day risk based on the equity/assets ratio, calculated as 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 47.5%. 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 86 and 96). 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 10,320 million. The average interest rate was 1.9%. A change in the interest rate of 1% on constant liabilities would have an impact on Group profit of SEK 103 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 7,100 million. A change in the interest rate of 1% on constant liabilities would affect parent profit by SEK 71 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 2021		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	713	727	-	168	-	559
Bond loans	7,100	7,364	1,619	2,575	2,100	1,070
Other non-current liabilities	334	341	-	341	-	-
Additional considerations	2,565	2,565	110	268	1,581	606
Current liabilities to credit institutions	851	857	857	-	-	-
Accounts payable	2,818	2,818	2,818	-	-	-
Advance payments from customers	148	148	148	-	-	-
Derivatives used for hedge accounting	19	19	19	-	-	-
Other current liabilities	727	727	727	-	-	-
Accrued expenses and deferred income	1,892	1,892	1,892	-	-	-
Lease liabilities	1,107	1,141	325	263	412	141
Total financial liabilities	18,274	18,599	8,515	3,615	4,093	2,376

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
Total financial liabilities	17,446	17,851	9,235	2,591	4,568	1,457

Parent 31 Dec 2021		Due date structure of financial liabilities				
(SEK million)	Nominal amount	Total	<1 year	1-2 years	3-4 years	>5 years
Bond loans	7,100	7,364	1,619	2,575	2,100	1,070
Additional considerations	525	525	-	-	416	109
Current liabilities to Group companies	-	-	-	-	-	-
Accounts payable	7	7	7	-	-	-
Other current liabilities	2	2	2	-	-	-
Accrued expenses and deferred income	28	28	28	-	-	-
Total financial liabilities	7,662	7,926	1,656	2,575	2,516	1,179

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	-	-	-
Total financial liabilities	6,287	6,500	1,694	1,648	3,059	99

30 • PLEDGED ASSETS

(SEK million)	Group		Parent	
	2021	2020	2021	2020
Floating charges	2	14	-	-
Real estate mortgages	200	198	-	-
Equipment with retention of title	43	33	-	-
Receivables	120	91	16	13
Total pledged assets	365	336	16	13

31 • CONTINGENT LIABILITIES

(SEK million)	Group		Parent	
	2021	2020	2021	2020
Pension commitments not taken up under liabilities or provisions	4	5	-	-
Contingent liabilities on behalf of other Group companies	-	-	1,176	996
Total contingent liabilities	4	5	1,176	996

There is contaminated soil at four of the Group's production plants in Sweden, 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 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 m)	Liabilities to credit institu- tions	Bond loans	Other liabili- ties	Total
Amount on 31 Dec 2019	1,879	7,103	3,694	12,676
Changes affecting cash flow				
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
Total	1,430	- 1,500	- 415	- 485
Changes not affecting cash flow				
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
Total	47	- 3	363	407
Amount on 31 Dec 2020	3,356	5,600	3,642	12,598
Changes affecting cash flow				
Amortisation of non-current loans	- 1,980	- 1,500	- 45	- 3,525
Amortisation of lease liabilities	-	-	- 338	- 338
New loans raised	145	3,000	-	3,145
Total	1,835	1,500	- 383	- 718
Changes not affecting cash flow				
Liabilities in acquired companies	10	-	31	41
Taken up as liabilities during the year	-	-	651	651
Reversed during the year	-	-	- 187	- 187
Change in fair value	-	-	- 53	- 53
Translation differences	33	-	195	228
Total	43	-	637	680
Amount on 31 Dec 2021	1,564	7,100	3,896	12,560

Parent (SEK m)	Bond loans	Other liabilities non- interest- bearing	Total
Amount on 31 Dec 2019	7,103	192	7,295
Changes affecting cash flow			
Amortisation of non-current loans	- 1,500	-	- 1,500
Total	- 1,500	-	- 1,500
Changes not affecting cash flow			
Taken up as liabilities during the year	-	430	430
Reclassification	-	- 83	- 83
Change in fair value	- 3	-	- 3
Translation differences	-	- 31	- 31
Total	- 3	316	313
Amount on 31 Dec 2020	5,600	508	6,108
Changes affecting cash flow			
Amortisation of non-current loans	- 1,500	-	- 1,500
New loans raised	3,000	-	3,000
Total	1,500	-	1,500
Changes not affecting cash flow			
Reclassification	-	- 2	- 2
Translation differences	-	19	19
Total	-	17	17
Amount on 31 Dec 2021	7,100	525	7,625

33 • SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

Aside from the enormous human suffering caused by Russia's unprovoked and brutal invasion of Ukraine, from a financial perspective the impact of this on us as a group has been limited. Our operations in Russia have sales of less than SEK 100 million, corre-

sponding to approximately 0.3% of the Group's sales. We have no operations of our own at all in Ukraine and Belarus, and the Group's exports to these countries have been insignificant. We also have no significant purchasing from any of these countries.

Companies in the NIBE Group

Details of subsidiaries	Corporate ID number	Registered office	Country	
ABK-Qviller 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	*
Blåa Skiftnyckeln 4 i Markaryd AB	559333-2421	Markaryd	Sweden	
Brewer & Bunney Ltd	3636372	Redruth	UK	
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 Inc.	85828 1728 RC0001	Mississauga	Canada	*
CK Fires Ltd	5524093	Wolverhampton	UK	*
ClimaCool Corp.	73-1409358	Oklahoma City	USA	*

*Sales companies and production companies included in the 2021 Sustainability Report

Details of subsidiaries	Corporate ID number	Registered office	Country	
ClimateCraft Inc.	73-1207959	Oklahoma City	USA	*
ClimateMaster Inc.	93-0857025	Oklahoma City	USA	*
Contura Stoves Ltd	13087424	Doncaster	UK	
CTC AB	556617-3919	Ljungby	Sweden	
CTC Ferrofil AS	832538132	Årnes	Norway	*
CTC AG	CHE-105.970.811	Zürich	Switzerland	*
Danothem 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	
Electro Therm s.a.s	35262056100022	Lyon	France	
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	*
Go Geothermal Ltd	5967652	Newton Aycliffe	UK	
Graybar Ltd	2872001	Wellingborough	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	*
Heat Safe Cable Systems Ltd	4545332	Helsby	UK	
Heat Trace Holdings Ltd	6524757	Helsby	UK	
Heat Trace Ltd	1573447	Helsby	UK	
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	*
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	*

*Sales companies and production companies included in the 2021 Sustainability Report

Details of subsidiaries	Corporate ID number	Registered office	Country	
Lotus Heating Systems A/S	26 11 04 75	Langeskov	Denmark	*
Loyal Oy	0640930-9	Lovisa	Finland	*
Lund & Sörensen AB	556731-8562	Sösådala	Sweden	
Lund & Sørensen A/S	25 64 75 99	Vejle	Denmark	*
Lund & Sørensen Electric Heating Equipment Accessory Co Ltd	120000400007673	Tianjin	China	*
METRO THERM AB	556554-1603	Kalmar	Sweden	*
METRO THERM A/S	20 56 71 12	Helsingø	Denmark	*
Meyer Vastus AB, Oy	0215219-8	Monninkylä	Finland	*
Moravská dopravní společnost, a.s.	61974421	Hlinsko	Czech Republic	
Motron A/S	26 41 80 97	Risskov	Denmark	*
myUptech AB	556633-8140	Markaryd	Sweden	
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 Beteiligungsverwaltung GmbH	295717d	Vienna	Austria	
NIBE-BIAWAR Sp. z o.o.	50042407	Bialystok	Poland	*
Nibe Climate Solutions Canada Corp.	BC110 5117	Vancouver	Canada	
NIBE Energietechnik B.V.	20111793	Willemstad	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	559342-3113	Osby	Sweden	
Osby Parca Fastighets AB	556049-4980	Osby	Sweden	*
Osby Parca Holding AB	559347-0270	Osby	Sweden	
Pellux GmbH	FN485925	Schorfving am Attersee	Austria	
Renting 959 KB	916616-1787	Ljungby	Sweden	
Rhoss Deutschland GmbH	HRB 411169	Stuttgart	Germany	*
Rhoss S.p.A.	1142230299	Codroipo	Italy	*
Rotterdamse Elementen Fabriek B.V.	000016710339	Rotterdam	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	*

*Sales companies and production companies included in the 2021 Sustainability Report

Details of subsidiaries	Corporate ID number	Registered office	Country	
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	
Structurgruppen AB	556627-5870	Kungsbacka	Sweden	*
Tempeff Inc.	812525954	Winnipeg	Canada	*
TermaTech A/S	27 24 52 77	Hasselager	Denmark	*
Termorad Spolka z.o.o.	000542990	Radom	Poland	*
Termotech S.r.l.	183099	Vigevano	Italy	*
The Climate Control Group Inc.	73-1415062	Oklahoma City	USA	*
ThermaClime Technologies Inc.	73-1553910	Oklahoma City	USA	*
Therm-X of California Inc.	94-2393175	Hayward	USA	*
Therm-X 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	
Üntes Isitma Klima Sogutma San Ve Tic A.S.	9170016107	Kazan	Turkey	*
Üntes Rhoss Sogutma Sistemleri A.S.	9960381156	Kazan	Turkey	*
Üntes VRF Klima Sistemleri A.S.	9170013850	Kazan	Turkey	*
Varde Ovne A/S	21 55 49 79	Gram	Denmark	*
VEÅ AB	556135-7988	Sävsjö	Sweden	*
VEÅ Holding AB	556954-8596	Sävsjö	Sweden	*
Viggo Wahl Pedersen AS	996999068	Fredrikstad	Norway	*
Vølund Varmeteknik A/S	32 93 81 08	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	Bochum	Germany	*
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 2021 Sustainability Report

Non-financial reporting

This year's sustainability report is the eleventh 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 2021. For information on the companies included in the report, see pages 137-140.

The primary audience for the report is investors and shareholders. To give a comprehensive view of NIBE's impact, strategies and approaches in the area of sustainability, the parts most relevant to the company and its stakeholders 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 outside the statutory accounts. NIBE has decided to report on sustainability in accordance with the Global Reporting Initiative Standard (GRI) Core.

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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 19,21,23, 25,28	Pages 28,32	Pages 24,32	Pages 24,33,141	Page 24
Policy	'The sustainability report must describe the policy that the company applies to the topics, including the review procedures implemented'	Pages 66, 142-143, 155-162	Pages 164-166	Pages 170-171	Pages 167-170	Pages 154,163
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'	Pages 70-72	Pages 70-72, 99	Pages 70-72, 98	Pages 70-72, 99	Pages 70-72, 99
Management of risks	'The sustainability report must describe how the company manages the risks'	Pages 99, 155-162	Pages 99, 164-166	Pages 98, 170-171	Pages 99, 167-168	Pages 99,154, 163
Result indicators	'The sustainability report must describe central result indicators that are relevant to operations'	Pages 10,11, 155-162	Pages 11,164-166	Pages 170-171	Pages 167-168	Pages 154,163

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

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

EU regulation, Taxonomy

In 2021, our long tradition of sustainability work was complemented with work relating to the EU Taxonomy. The Taxonomy is a new EU regulation, the purpose of which is to shed light on how large a portion of a company's sales, capital - and operating expenditures refers to products or services that can significantly contribute to one of the adopted environmental objectives.

Of the two adopted environmental objectives, the objective Climate change mitigation is the one that NIBE Industrier, with its energy-efficient solutions, will be able to make a significant contribution to.

The EU has chosen to focus on the sectors that currently have the biggest impact on climate and the environment, which means that the taxonomy does not cover all activities. This means that NIBE Industrier's three business areas are affected in different ways. NIBE Element and NIBE Climate Solutions both have several products that are covered by the taxonomy but NIBE Stoves' products are not covered.

We have chosen to approach our work on the taxonomy on the basis of the precautionary principle throughout. In accordance with this principle, only products that are able to meet all applicable technical screening criteria are deemed to be covered by the taxonomy. This means that all sales and all capital - and operating expenditures that we have deemed to be covered by the taxonomy also already are or may become environmentally sustainable and thus are considered to be taxonomy-aligned activities.

Results – KPIs

KPI	Proportion of economic activities covered by the taxonomy	Proportion of economic activities not covered by the taxonomy
Sales	49%	51%
Capital expenditure	39%	61%
Operating expenditure	41%	59%

NIBE Stoves

Products within NIBE Stoves are not covered by the taxonomy. All sales and all capital expenditure and operating costs related to this business area have therefore been included in the percentages in the right column in the table.

NIBE Climate Solutions

Several NIBE Climate Solutions products are covered by the taxonomy. These include our heat pumps, water heaters, ventilation products, district heating products and washing machines. These products are covered by activity 3.5, Manufacture of energy efficiency equipment for buildings.

As already described, we have assessed that only those products that are able to meet all technical screening criteria are covered by the taxonomy. One example is cooling and ventilation products, where a large proportion of our products are intended for commercial properties such as schools and hotels. Since these products have a higher capacity compared with products intended for non-commercial properties, they are not covered by the energy efficiency regulation that the taxonomy refers to. Many of the commercial products are instead certified by Eurovent. Since the taxonomy does not make reference to Eurovent certification, our assessment is that these commercial products are not covered by the taxonomy despite their Eurovent certification.

This approach has been used throughout for all products whose capacity is too high to be covered by the regulations and directives that the taxonomy refers to. For NIBE Climate Solutions, the regulations are to a large extent linked to the products' energy efficiency.

NIBE Element

The activity descriptions in the taxonomy do not always cover components, which affects the companies within NIBE Element since they. This affects the companies unlike the companies within NIBE Climate Solutions, manufacture components, not end-products. We only assess that components are covered by the taxonomy in cases where the activity description specifically mentions components. One such example are components for wind turbines and PV panels. Our assessment is that these are not covered because activity 3.1, Manufacture of renewable energy technologies, does not mention components. Other examples of components that we have assessed as not being covered are those for the semiconductor industry, railway carriages and medical equipment.

One activity that does include components is activity 3.4, Manufacture of batteries. This activity applies to NIBE Element since we manufacture battery heaters. Similarly, our assessment is that components and associated technology used for smart heating of railway tracks and switches are covered by activity 3.6 in the taxonomy, Manufacture of other low carbon technologies.

Furthermore, activity 3.5 also includes components. This activity also applies to NIBE Element since we manufacture components that are installed in household appliances such as ovens and washing machines. However, the technical criteria for activity 3.5 are linked to the performance of the end-product and not that of the component. As an example, household appliances must belong to one of the highest two classes of energy efficiency. Because many of our customers are not located within the EU and are therefore not familiar with this EU regulation, and because we at present do not have information about the performance of the end-product, it will be difficult for us to report which components within NIBE Element meet these criteria and are therefore taxonomy-aligned in time for the 2022 Annual Report. This is something we will continue to work with so that in future we will be able to report a correct breakdown of which components are taxonomy-aligned or not.

Accounting policies

Taxonomy reporting covers the companies in which NIBE has a controlling influence, that is, where we have majority ownership, including operations acquired in 2021.

Sales

Sales were determined through assessment and classification of products covered by the taxonomy. We have classified all taxonomy products individually since their performance and purpose vary. Against the background of the precautionary principle, we have assessed that all spare parts and accessories, irrespective of product class, are not covered by the taxonomy.

All companies reported external sales in order not risk double counting. Consolidated sales were therefore determined in the same way as for financial accounting; see Note 4 for further information.

Capital expenditure

Total capital expenditure consists of property, plant and equipment, intangible assets, acquisitions and leases, see Notes 3 and 14-16. The property, plant and equipment and intangible assets covered by the taxonomy refers to investments directly attributable to production of the products that are covered. In accordance with the precautionary principle, we have decided that all other investments, such as office buildings, IT security and vehicles, are not covered by the taxonomy, irrespective of performance.

For classification of acquisitions, the purpose of the investment and the companies' current operations guided our assessment. For the sake of simplicity, leases were classified based on the sales distribution of each company.

Operating expenditure

Total operating expenditure comprise non-capitalised expenditure for research and development and repair and maintenance of properties, machinery and other property, plant and equipment that exist in the operations.

Classification of research and development was carried out in the same way as classification of tangible and intangible assets. For the sake of simplicity, repair and maintenance were classified based on the sales distribution of each company.

Breakdown of result indicators

In cases where capital expenditure and operating costs were attributable to production plants used in an integrated manner, the breakdown was done based on the sales distribution of each company, in the absence of other reliable information. We judged this to be the most fair and reliable approach.

Where sales were classified at article level, no percentage distribution of result indicators was required.

Companies located outside the EU

The principle that all products covered by the taxonomy should be able to meet all technical screening criteria, and thus be environmentally sustainable activities, applied to all companies within the Group. For companies that manufacture and sell products outside the EU, this meant that we had to carry out further mapping of which products can be assessed according to the regulations and directives referred to in the taxonomy.

One example of this is heat pumps (activity 3.5, k), which to be environmentally sustainable must use a refrigerant with a GWP value of less than 675 and must also meet the energy efficiency requirements of the Ecodesign regulation. Here we have mapped which heat pumps can be assessed and which therefore also meet the requirements of the regulation and these are deemed to be covered by the taxonomy. Testing of products will be required in order to report how much of the sales, capital - and operating expenditures are environmentally sustainable. This is a sizeable task that will commence in 2022 and then continue over a longer period.

Climate scenario analyses

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

Overall approach

The impact of the physical risks of climate change on NIBE's operations globally were assessed using Verisk Maplecroft's risk indices and several climate change forecasts.

Demarcation

We have chosen to divide up the work involving TCFD (Task Force on Climate Related Financial Disclosures) so that the initial work focused on the physical risks for all companies in the Group, including those acquired in 2021.

Assessment method

Risk profiles for physical climate changes

Verisk Maplecroft's own climate risk indices were used to evaluate and identify the most significant physical climate risks facing the four geographical regions where NIBE has operations: Europe, North America, Australia and Southeast Asia. Profiles have been created for every region showing risk exposure to the risks in the tables below.

Risk scores are presented on a relative risk scale from 0 to 10 (where 0 indicates the highest risk), which gives a clear indication of risk exposure in that location. The indices encapsulate complex concepts in a simple score that mean companies can compare risks over time and across locations. This may help decision-makers make informed decisions about when and where to make new investments, how to allocate resources for building up resilience, or for risk-adjusted decision-making.

Each index is accompanied by a recommended materiality threshold that indicates when the exposure to risk of a specific location may be sufficiently high to warrant further investigation. For certain indices this threshold is based on acknowledged damage thresholds. One example of this is water stress, where the threshold is based on the definition of water stress, which is when the gap between water supply and demand is 40%, while for other indices the threshold is based on relative assessment of global cities (e.g. heating and cooling degree days).

If an index score for a location is lower than the materiality threshold, it is recommended that further analysis is carried out to understand the potential vulnerability of the location to the risk. To further enable decision-makers to make informed decisions, this assessment must be weighed against broader commercial considerations and must also take into account the company's ability to manage risks.

Risk scores for every region and 153 locations are reported in a separate, confidential spreadsheet, together with a complete methodology and details of how to interpret the scores in relation to established materiality thresholds.

Scenario analyses

Scenario analysis is a well-established approach used as supporting evidence for strategic plans to improve flexibility and resiliency in respect of a number of possible future scenarios. It provides an understanding of how decisions taken today may play out in various probable future scenarios. The use of scenario analysis within the TCFD framework allows an organisation to show the resilience of its business strategies to a number of transition and physical risks that may manifest in various emission scenarios. For physical climate risks, scenario analysis helps organisations to understand how climate impact can vary in different emissions scenarios depending on geography, severity and timing, and also to assess the subsequent consequences for their operations, facilities and supply chains. This can help identify weaknesses, vulnerabilities and opportunities, and also inform prioritisation of capital and resource allocation.

Climate value	Recommended materiality threshold
Drought length	Where drought is identified as a material risk issue (i.e. Drought Hazard Index score <5.00) for this location and change in drought length is >10% increase
Extreme rainfall	Change in the volume of extreme rainfall exceeds 25%
Extreme temperatures	Where heat stress is identified as a material risk issue (i.e. Heat Stress (current climate) Index score <5.00) or cooling degree days is identified as material risk issue (i.e. Cooling Degree Days (current climate) <5.00) for this location and the increase in the proportion of days on which extreme temperatures are registered is >20 percentage points
Heatwave duration	Where heat stress is identified as material risk issue (i.e. Heat Stress (current climate) Index score <5.00) or cooling degree days is identified as material risk issue (i.e. Cooling Degree Days (current climate) <5.00) for this location and the increase in heatwave duration is >200% increase
Precipitation	Change in precipitation exceeds +/- 10%
Degree days	Heating/Cooling degree days are identified as a materials risk (i.e. Heating/Cooling degree days (current climate) Index score <5.00) and change in degree days exceeds +/- 20%
Temperature	Baseline temperature exceeds 18°C and change in temperature exceeds +/- 2°C
Sea level rise	Because the risk associated with a rise in sea level is strongly linked to location and elevation, no general materiality threshold is given for sea level rise

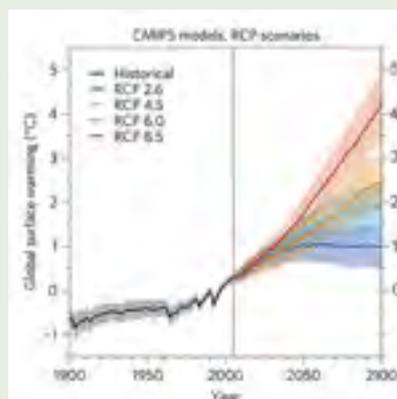
Scenario analysis of the effects of climate change

This assessment takes into consideration the effects of climate change in the following three Representative Concentration Pathways (RCP):

- RCP2.6: Aggressive reduction that assumes global annual greenhouse gas emissions will peak between 2010-2020 and then fall sharply
- RCP4.5: Strong reduction that assumes emissions will peak around 2040 and then decline
- RCP8.5: Business-as-usual assumes emissions will continue to increase throughout the 2000s

RCPs simulate future trends in how concentrations of greenhouse gases in the atmosphere may change in the future as a result of human activity and as such, each RCP is associated with a number of physical impacts.

We have chosen to focus on RCP2.6 and RCP8.5, which are described in more detail on page 69.



The figure describes the scenario impact of temperature rise in the coming years (Representative Concentration Pathways)

Climate data - World Climate Research Programmes Coupled Model Intercomparison Project - Phase 5 (CMIP5).

In line with international best practice, the mean of several models is used to eliminate the influence of extreme values.

For more information about the various aspects of CMIP5 and individual models, see the CMIP5 website

(<http://cmip-pcmdi.llnl.gov>).

Results of scenario analysis

Based on our mapping we can see that we are not exposed to any extreme risks in the areas where we have operations, and that we require minimal adjustment of operations as a result of the climate scenarios. Our risk exposure to acute physical risks is low and we have medium risk exposure to chronic risks.

Legend 0.00-2.50 2.51-5.00 5.01-7.50 7.51-10.00

Type of risk	Climate-related risk	Risk level	Average	Potential financial impact
Physical risks ACUTE	Flood risk in coastal areas	9.62	8.3	
	Risk of drought	6.47		
	Risk of extreme tropical cyclones	8.01		
	Flood risk	9.43		
	Risk of landslides	8.95		
	Risk of severe storms	6.9		
	Risk of tropical storms and cyclones	9.8		
	Risk of forest fires	8.05		
Physical risks CHRONIC	Exposure to climate change	6.97	6.58	
	Cooling degree days (current climate)	8.84		
	Cooling degree days (future climate)	9.26		
	Heating degree days (future climate)	3.91		An increase in costs and possible investment may be incurred at external temperatures below 18.3°C because of increased demand for energy.
	Heating degree days (current climate)	3.43		An increase in costs and possible investment may be incurred at external temperatures below 18.3°C because of increased demand for energy.
	Heat stress (future climate)	5.14		Increase in cost due to increased demand for energy and possible investment due to demand for climate control
	Heat stress (current climate)	5.63		Increase in cost due to increased demand for energy and possible investment due to demand for climate control
	Rise in sea level	9.65		
	Water stress	6.6		

Risk level per region

To be able to perform more detailed analyses and have an overview of exposure, we have divided risks into different regions.

Region	Number of units	Overall physical risk score	Chronic risk score	Acute risk score
Europe	112	7.62	6.80	8.43
Australia	4	7.48	6.48	8.48
North America	27	7.22	6.03	8.40
Southeast Asia	10	6.77	5.40	8.00

One risk area that is shared by all the regions is that linked to temperature changes. However, we can see that Southeast Asia is exposed to an extreme risk of heat stress that is not seen for the other regions.

Europe

Key issue	Risk score	Impact	Climate change outlook
Heating degree days (current climate)	2.88	Heating degree days reflect the amount of heating required when the external temperature drops below 18.3°C. More energy is required to heat areas in these locations. Production facilities normally have a low heating requirement, however, which means the impact on NIBE's production facilities in this region will be limited.	Future climate change will change regional temperature fluctuations and will therefore impact the number of days of heating and cooling that a place can expect to experience in a typical year. In Europe, this will result in a decrease in the number of heating degree days and therefore a reduction in energy consumption.
Heating degree days (future climate)	3.29		
Heat stress (current climate)	6.16	Increased frequency of heat stress exposes employees to health risks and may lead to additional operating costs and to regulatory changes in the long term.	Days when extreme temperatures occur are estimated to increase by over 10% in all emissions scenarios by 2045. By 2070, temperature is estimated to increase by one-third, according to emissions scenario RCP8.5.
Heat stress (future climate)	5.71		
Risk of drought	6.31	Short-term droughts may exacerbate long-term trends such as population growth, which drives water stress.	Drought duration will fall in all emissions scenarios, but the duration of heatwaves is estimated to increase from 22 days to nearly 25 days by 2045, according to RCP8.5.

Australia

Key issue	Risk score	Impact	Climate change outlook
Heating degree days (current climate)	4.53	Heating degree days reflect the amount of heating required when the external temperature drops below 18.3°C. More energy is required to heat areas in these locations. The risk of heating degree days is reduced in the future climate because of a rise in average annual temperatures.	Future climate change will change regional temperature fluctuations and will therefore impact the number of days of heating and cooling that a place can expect to experience in a typical year. In Australia, this will result in a decrease in the number of days and therefore a reduction in energy consumption for heating.
Heating degree days (future climate)	4.81		
Heat stress (current climate)	5.06	An increased degree of heat stress exposes employees to health risks, may lead to additional operating costs and may lead to regulatory changes in the long term.	Extreme temperatures will increase in Australia in the coming decades.
Heat stress (future climate)	4.75		
Water stress	2.87	A high demand/supply ratio for water puts pressure on water resources and increases the risk of interruptions during periods of low water supply.	According to most emissions scenarios, drought duration in this region will increase. This will be accompanied by an increase in extreme rainfall.
Risk of severe storms	5.58	Using lightning strikes as a proxy, severe storms cause extreme rainfall events which threaten operations through flooding.	In a scenario with high emissions (RCP8.5), extreme precipitation events will increase by 18% by 2045 and 38% by 2070.

North America			
Key issue	Risk score	Impact	Climate change outlook
Heating degree days (current climate)	3.88	Heating degree days reflect the amount of heating required when the external temperature drops below 18.3°C. More energy is required to heat areas in these locations. However, production plants normally have a low heating requirement compared with sales offices or a place with a large population. The risk of heating degree days is reduced in the future climate because of a rise in average annual temperatures.	Future climate change will change regional temperature regimes and will therefore impact the number of days of heating and cooling that a place can expect to experience in a typical year. In region America, this will result in a decrease in the number of heating degree days and therefore a reduction in energy consumption for heating.
Heating degree days (future climate)	4.63		
Heat stress (current climate)	4.75	An increased degree of heat stress exposes employees to health risks, may lead to additional operating costs and may lead to changes in regulations in the long term.	Because estimated mean and extreme temperatures will rise, heat stress level are also expected to rise.
Heat stress (future climate)	4.02		
Water stress	4.43	A high demand/supply ratio for water puts pressure on water resources and increases the risk of interruptions during periods of low water supply.	Annual precipitation is not expected to change in most places.
Risk of severe storms	4.97	Severe storms result in extreme rainfall events which threaten operations through flooding, local power cuts, disruptions in communications infrastructure and transport.	In a scenario with high emissions (RCP8.5), extreme precipitation events will increase by 19% by 2045 and 30% by 2070.

Southeast Asia			
Key issue	Risk score	Impact	Climate change outlook
Heat stress (current climate)	1.81	Increased health risks to outdoor workers and higher costs of air conditioning in facilities.	In a scenario with high emissions (RCP8.5), extreme heat stress events will increase by 27% by 2045 and 100% by 2070.
Heat stress (future climate)	2.41		
Exposure to climate change	3.41	Southeast Asia faces major disruptions due to the physical effects of climate change.	According to a high emissions scenario (RCP8.5), activities in Southeast Asia will be more exposed to climate-related hazards in 2060.
Risk of severe storms	2.69	Using lightning strikes as a proxy, severe storms result in extreme rainfall events which threaten operations through flooding.	In a scenario with high emissions (RCP8.5), extreme precipitation events will increase by 33% by 2045 and 60% by 2070.
Water stress	5.5	A high demand/supply ratio puts pressure on water resources and increases the risk of interruptions during periods of low water supply.	Precipitation patterns are not expected to decrease in Southeast Asia in any climate change scenario.

Actions relating to climate risks

Before decisions on investments in new production, supporting evidence, in the form of evaluations of climate risks, focusing on precipitation, extreme weather events and flood risk, are carried out.

Environmental certification and environmental inventories of buildings will be implemented prior to refurbishment and new construction. Implemented and future energy reviews may also identify opportunities for energy efficiency measures, thus reducing demand for energy.

Continued work involving climate control in our operations. This will enable us to reduce the impact of heat stress on our employees and to manage days with temperature changes in respect of heating and cooling.

Production of renewable energy through the installation of e.g. solar panels can help ensure that we have access to energy to be able to produce products and have a climate controlled working environment. We will also carry out reviews with the respective companies to assess the risks the companies are exposed to.

Continued work

In 2022 we will continue with transition risks and also start work on how suppliers impact our risks based on their location.

Our stakeholder dialogue

NIBE's sustainability profile means that we are engaged in constant communication with a number of stakeholders. This ongoing conversation plays an important role in helping us understand what our stakeholders consider to be important from a sustainability perspective, and provides input for what we should be focusing on.

In 2016, we conducted the first major dialogue with representatives of external stakeholders. In addition to sending a targeted survey to around 300 representatives of various stakeholder groups, we conducted several interviews and gathered data from analyses of the company.

We then supplemented this data by continuously gathering additional information in connection with spontaneous contacts with the various stakeholder groups, at face-to-face meetings or through questionnaires.

We see a greater interest in sustainability from analysts, banks and funds, as well as from research institutes and universities. In 2021 we continued to receive questions relating to the taxonomy, climate and scenario analyses. In addition to the usual surveys, interviews or visits are often requested. The topics include inputs, the conversion to new technology in the products due to new regulatory requirements, and diversity and human resource management. We have included these interview and visit questions as inputs to our materiality analysis.

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

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

Policies that support our values

NIBE Group policies implemented in the companies and used as a basis for sustainability visits.

Our values	Supporting policies	Communication	Indicators	SDGs
Respect for human rights	Privacy Policy (GDPR) Stance against modern slavery and human trafficking NIBE Group policy for diversity on the Board of Directors Human rights policy	Internal External/Internal External/Internal External/Internal	Employee training on human rights policies or procedures. Suppliers that were screened using social criteria.	8, 16
Good working conditions	Health and safety policy Alcohol and drugs policy Diversity and equal treatment policy	External/Internal External/Internal External/Internal	Goal: A safe workplace with no accidents. Total number of incidents of discrimination. Incidents of violations involving rights of indigenous peoples.	8
Reduced environmental impact	Environmental policy Chemicals policy Travel policy Car policy	External/Internal Internal External/Internal Internal	Goal: Systematic quality and environmental initiatives. Goal: Increased climate benefit in our product portfolio. Goal: Continuously declining energy use. Number of reported cases of significant emissions.	7, 8, 9, 11, 12
Product liability	Quality policy	External/Internal	Goal: Systematic quality and environmental initiatives. Incidents of non-compliance concerning product and service information and labelling. Incidents of non-compliance concerning marketing communications. Incidents of non-compliance concerning the health and safety impacts of products and services.	9, 12
Sound business ethics	Gift policy Whistleblower policy	Internal External/Internal	Number of cases reported to the whistleblower function.	8, 16
Transparency	Communication policy Tax policy Policy concerning Trade sanctions	External/Internal Internal Internal	Annual Report	16
Responsible purchasing	Business code for Suppliers 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
Social engagement	Conflict minerals policy Stance against modern slavery and human trafficking	External/Internal External/Internal	Number of own companies visited. Suppliers that were screened using social criteria.	7, 8, 9, 11 12, 16

*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 45, 51, 57 and at 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 18 countries. The Group is present in 31 countries. For more information on NIBE's global presence, see page 5, 137-140.

102-05 Ownership and legal form.

The parent, NIBE Industrier AB (publ), is registered and domiciled in Sweden. NIBE has been listed under the name NIBE Industrier AB on the Nasdaq Nordic Large Cap list since 1997, with a secondary listing on the SIX Swiss Exchange since 2011. Find out more on page 74. For information on NIBE's shares, see page 75.

102-06 Markets served.

NIBE Industrier AB is a global player with operations in Europe, North America, Australia and Asia in various sectors. Pages 44-45, 50 and 56 provide an overview of where and in which sectors the Group is active.

102-07 Scale of the organisation.

Operations are carried out through three business areas that in turn conduct their operations via their own companies or branch offices. For where NIBE is represented and for names of companies, see page 137-140 and www.nibe.com.

The Group has just over 20,800 employees. The report and data only cover the companies that have prepared sustainability reports for 2021.

For consolidated net sales, see page 104.

102-08 Information about employees and other workers.

The figures show the number of employees at the end of December 2021 for the companies submitting sustainability reports.

Data on gender and employment type has been extrapolated from various sources in local HR systems. The majority of the increase in personnel is due to acquisitions made in 2021. Only 3% (3%) of the workforce comprises temporary employees.

2021		Number of employees		
Employment type		Permanent	Temporary	Total
Number of		18,958	1,625	20,583
Nordic region	%	18.0	18.2	18.0
Europe	%	38.4	69.6	41.0
North America	%	33.5	1.5	31.0
Asia	%	9.9	10.0	9.9
Other countries	%	0.1	0.7	0.1
Men	%	64.0	57.4	63.4
Women	%	36.0	42.6	36.6

2021	Full-time	Proportion	Parttime	Proportion
Men	12,608	61 %	436	2 %
Women	7,151	35 %	388	2 %
Total	19,759	96 %	824	4 %

Employee age distribution, %	2021	2020	2019	2018
age <30	21	20	21	25
age 30-50	51	52	51	50
age >50	28	28	28	25

102-09 Supply chain.

NIBE buys both materials and services from suppliers worldwide, which reflects the company's global operations. Purchases consist of raw steel products such as pipes and sheet, electronic components such as cables and circuit boards, other direct materials, as well as subcontracted work and purchased products. In addition to direct materials, NIBE buys consumables, production equipment and various types of services. To support its global production and supplier partnerships, NIBE has its own purchasing offices at its production units.

Around 12% (12%) of supplies to NIBE's factories come from local or regional suppliers. The Group's total purchase volumes amount to approximately SEK 19.6 billion and around 80% of this comes from roughly 2,500 suppliers. More information is available in the Procurement practices section on page 153.

ORGANISATIONAL PROFILE

102-10

Significant changes to the organisation and its supply chain

In 2021 we acquired Electro-Therm SAS, Go Geothermal Ltd Heat Safe Cable Systems Limited, Heat Trace Holdings Limited, Heat Trace Limited, Brewer and Bunney Limited and Graybar Ltd.

The following companies were acquired in 2020 and were included in sustainability reporting for 2021: 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.

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 the 2014 Global Compact, which is one of our major initiatives alongside the Sustainable Development Goals. Read more about the Global Compact and the SDGs to which we contribute on page 64–65. We also work in compliance with ISO 26000 – Guidance on social responsibility and the 'Code to Prevent Corruption in Business' of the Swedish Anti-Corruption Institute (Institutet Mot Mutor (IMM)). As part of our climate work we have started working with the TCFD (Task Force on Climate Related Financial Disclosures) initiative, which identifies climate-related risks and opportunities. The Global Reporting Initiative (GRI) is the reporting standard that NIBE has chosen as the reporting method for stakeholders. This means we commit to conduct business in a global context in a responsible manner in compliance with applicable laws and internationally adopted standards.

102-13 Membership of associations.

NIBE is a member of several trade associations in which relevant short-term and long-term aspects are discussed, for example the GEO-Exchange Coalition, ASHRAE, the Swedish Society of Refrigeration (Svenska Kyltekniska Föreningen), as well as various 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 14–17. The annual report contains descriptions of strategic priorities, trends and goals, what has been achieved and the outlook for the future.

ETHICS

102-16

Values, principles, standards and code of conduct.

NIBE's ethical guidelines are defined in Our Values, Our Business Principles and our policies. There are several related policies at Group level, as well as local adaptations of NIBE's policies. NIBE's values and guidelines are, however, generally applicable and all other policies are subordinate to them. Our guidelines are available in 20 languages, on NIBE's intranet and at www.nibe.com. Read more on pages 12–13 and 149 (our values and policies).

NIBE's employees are urged to report departures from NIBE's values to their managers or local HR departments or to forward the matter to other senior managers. Employees may also report to a groupwide whistleblower portal ([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 2021, five cases were submitted to NIBE's whistleblower system. Four of the reports were received anonymously through NIBE's web portal for whistleblowing cases and one was received by the management of one of the subsidiaries. Two of the reported cases were classified as whistleblowing cases and investigated within the framework of the whistleblowing policy. One reported case was without merit and the other two 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, which should be implemented according to the strategy and basic requirements adopted by Group management. 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 173–177.

STAKEHOLDER ENGAGEMENT

102-40 List of stakeholder groups.

The biggest high-influence groups of stakeholders are owners, customers, employees, suppliers, investors and fund management companies as well as government authorities and the local community.

See page 148 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 68 and 148 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 page 68.

If we compare NIBE's current work in the areas identified as strategic focus areas, it is well aligned with the choices and priorities made by NIBE to date.

102-44 Key topics and concerns raised.

Key topics identified are Climate, the Environment and Corruption, as well as Diversity and Human Resource Management.

Read more on page 68.

102-45

Entities included in the consolidated financial statements.

For figures for entities included in the consolidated financial statements, see page 100 and 117–119.

102-46 Defining report content and topic boundaries.

NIBE aims to give stakeholders relevant information about operational, financial, environmental and social topics. To do this, NIBE applies reporting principles as per GRI (Global Reporting Initiative) which include stakeholders, the sustainability context, materiality and completeness. The boundaries of the topics were assessed based on 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 2021 are not included in the reports. See pages 137–140 for the companies that are included in the Sustainability Report.

102-47 List of material topics.

The description above, combined with views collected previously from stakeholder groups, produces a result that has been converted and presented according to the topics in the GRI standard. All these topics are deemed material and relevant to the report. As shown on page 68, several topics stand out as material. The ambition is to provide an approximate assessment. The content, scope and boundaries for each topic, and the management strategy, are described in further detail in the more specific disclosures on pages 153–171.

102-48 Restatements of information.

The 2021 report includes the companies acquired in 2020. See 102-10 above.

102-49 Changes in reporting.

No significant changes were made in material areas in 2021.

REPORTING PRACTICE

102-50 Reporting period

1 January to 31 December 2021.

102-51 Date of most recent report.

The most recent Annual Report was published on 12 April 2021.

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

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 issues

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 in our value chain of NIBE's economic impact on society. All NIBE units are responsible for their financial performance. NIBE reports its economic performance as per IFRS. For more information about the accounting policies, see pages 100–136.

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 80–81.

201-1 Direct economic value generated and distributed.

Information from the financial statements divides up the economic value, pages 77–136.

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

Information on defined benefit plan obligations and other retirement plans is described on pages 122–124.

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.

PROCUREMENT PRACTICES

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.

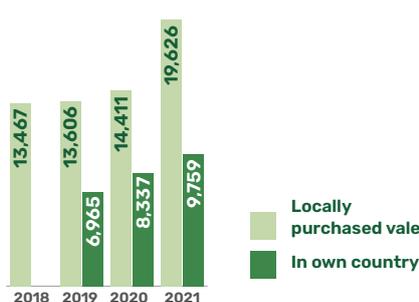
NIBE practises responsible purchasing, comprising a supplier code of conduct and evaluation of direct materials suppliers. The approach to our work with suppliers is described in further detail on pages 12–13 in Our Business Principles, and Our Values and page 28 responsible purchasing.

103-3 Evaluation of the management approach.

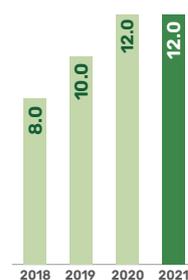
A number of metrics are monitored in respect of suppliers, including the number of suppliers and purchased value. Purchasing in own countries is increasing while the percentage of local purchasing in relation to total purchased value remained unchanged. The number of suppliers has grown to 15,162 (13,123), 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.

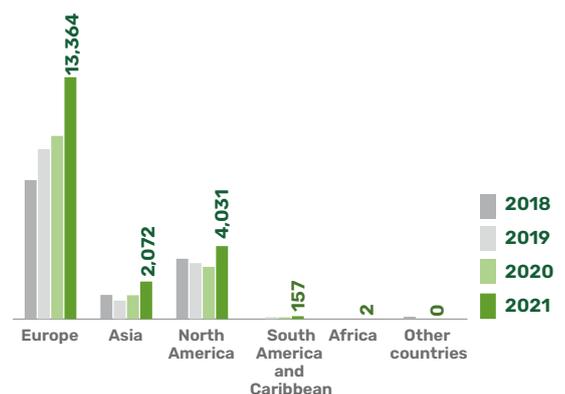
Purchased value, SEK m



Purchase locally, % of total value



Purchased value by region (SEK m)



**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 70–72.

103-2 The management approach and its components.

NIBE's code of conduct covers fraud, prohibited restraints of competition, corruption, money laundering, data protection, export con-

trol, the environment, health and safety, responsible purchasing and human rights. Our work on the code of conduct includes a financial manual, policies, training and tools that are available to employees on the Group's internal networks.

103-3 Evaluation of the management approach.

All employees receive information on NIBE's values in connection with onboarding. Employees were 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 146 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 70–72 and pages 98–99.

205-2 Communication and training about anti-corruption policies and procedures.

Board members often represent several boards in different countries, for which reason no breakdown is available.

The number of suppliers that have received information on anti-corruption policy is reported under 414.

205-3 Confirmed incidents of corruption and actions taken.

No confirmed incidents.

206-1 Total number of legal actions for anti-competitive practices.

No cases received.

Board members who received information and training on anti-corruption, number	2021	2020	2019	2018
Total	125	58	361	296

The work involving Board members continued and the figures for 2021 also included the boards of sales companies

Employees who received information on anti-corruption, number	2021	2020	2019	2018
Total	20,583	17,914	16,505	15,100
Nordic region	3,712	3,300	3,136	
Europe	8,423	6,758	5,942	
North America	6,385	5,933	5,777	
Asia	2,034	1,910	1,633	
Other countries	29	13	17	

Employees who received training in anti-corruption, administrative employees, number	2021	2020	2019	2018
Total	6,346	5,549	4,950	3,407
Nordic region	2,110	1,532	1,440	
Europe	2,254	2,408	2,087	
North America	1,312	1,324	1,199	
Asia	656	272	210	
Other countries	14	13	14	

Business partners who received information on anti-corruption policy, number	2021	2020	2019	2018
Total	1,318	844	528	298
Nordic region	461	118	65	
Europe	717	676	421	
North America	126	36	29	
Asia	14	14	13	
Other countries	0	0	0	

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 in 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 biggest 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. Producing this data requires supplementary systems support for materials. We see a challenge here as our companies' various ERP systems are unable to distinguish between renewable and non-renewable materials.

103-2 The management approach and its components.

The use of natural materials and metals is our greatest impact on the environment. By optimising the use of inputs in our manufacturing processes, we reduce the amount of waste and emissions from our processes, thereby reducing environmental impact. In line with increased demand for resource efficiency around the world, we are working on using more recycled materials and reducing production waste through 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 within two financial years after acquisition.

The Group's sustainability targets are described in further detail on pages 10-11.

103-3 Evaluation of the management approach.

NIBE applies a 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 and volume growth.

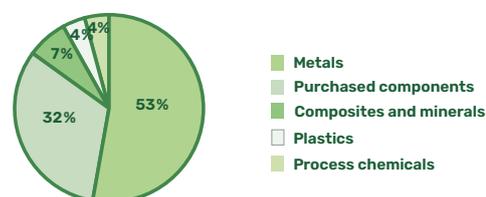
301-1 Materials used by weight or volume

Total weight of materials used within the organisation.

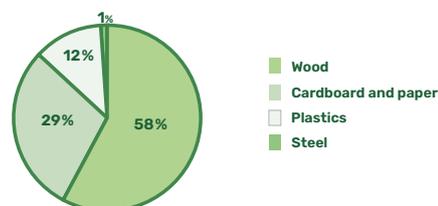
Material use in tonnes	2021	2020	2019	2018
Metals	138,431	115,908	104,625	108,689
Components purchased	83,770	69,502	66,047*	73,239
Composites and minerals	17,091	15,954	15,218	15,430
Plastic	9,462	6,511	5,832	5,387
Paint, glue, etc.	1,042	740	841	758
Chemicals	853	808	660	555
Acids	157	162	144	136
Gases	7,633	5,246	4,299	3,894
Refrigerants	558	491	461	469

Packaging materials, tonnes	2021	2020	2019	2018
Total	23,184	18,946	18,414	17,382
Wood	2,804	1,352	1,422	1,414
Board	13,559	11,645	11,084	10,767
Plastic	6,732	5,864	5,828	5,051
Steel	89	85	80	150

Overview of major materials % of total use



Packaging material in % of total use



*A miscalculation was made in 2019 since some components were counted as both raw materials and components.

GRI 302: Energy 2016**GRI 103: Management approach 2016****103-1 Explanation of the material topic and its 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 as the baseline (measured in MWh/SEK million in sales) and then reduce it even further.

The Group's sustainability targets are described on pages 10–11.

103-3 Evaluation of the management approach.

We are working to increase our opportunities to produce our own energy, for example by installing solar panels and heat pumps and actively buying renewable electricity (GoO certificate**) for our operations worldwide. For our reduction of environmental impact by buying GoO, see 305–5.

For internal transportation, we have a project at one of our units where we are discussing converting heavy vehicles to use renewable fuel. Some units are also evaluating the use of hybrid/electric company vehicles. Our LCE* products support a shift towards a smaller carbon footprint and help customers improve energy efficiency and convert to renewable energy. Within Scope 1 we are seeing an increase in own-produced energy from companies with solar panels installed and from heat pump installations. We can also see that our companies were not affected by the closures seen in 2020, which is why many values increased and acquisitions were added. The transition to renewable district heating in many of our companies means that we are seeing an improvement in Scope 2 emissions.

*FTSE LCE ICS™ (Financial Times Stock Exchange Low Carbon Economy Industrial Classification System) is a quantitative model designed to permit investors to assess a company's ability to adapt its business to the requirements related to reduced climate impact and depletion of resources. Product groups included in LCE: heat pumps, district heating, boilers 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.

ENERGY AND EMISSIONS

302-1 Energy consumption within the organisation.

Energy consumption Scope 1 (MWh)	2021	2020	2019	2018
Non-renewable sources				
Petrol	4,558	3,080	4,261	2,369
Diesel	29,649	22,764	24,070	21,210
CNG	639	380	691	18
LPG	27,316	22,431	31,288	35,753
Acetylene	580			
Propane	3,163			
Light fuel	1,500	1,568	2,540	2,973
Heavy fuel	0	0	86	172
Natural gas	81,960	76,594	81,940	68,329
Methane	7,283	6,444	132	-
Renewable sources				
Pellets	1.38	0.41	0.9	1.2
Biogas	0	0	0	0
Biodiesel	1,125	231	114	67
Bioethanol	0	0	0	0

Energy use (GWh)	2021	2020	2019	2018
Total	344	307	308	263

Self-produced energy sold (MWh)	2021	2020	2019	2018
Total self-produced energy	2,579	2,450	46	74
Total self-produced heat	8,049	5,182	4,816	2,356
Total self-produced cooling	318	237	189	190
Self-produced energy sold	648	392	4.3	3.0

302-2 Energy consumption outside of the organisation.

Energy consumption Scope 2 (GWh)	2021	2020	2019	2018
Total electricity consumption	173	154	147	142
Total heating consumption (renewable)	6.5	3.5	6.3	
Total heating consumption (non-renewable)	6.8	11.5	4.7	
Total cooling consumption	0	0	0	0
Total steam consumption	0	0	0	0

302-3 Energy intensity

Intensity (Scope 1 and 2)	2021	2020	2019	2018
Energy intensity (energy consumption/SEK million)	11.2	12.0	12.2	11.7

302-4 Reduction of energy consumption.

Energy intensity for Scope 1 and 2 decreased from 12.0 to 11.4. In 2021, 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. Wastewater from NIBE's operations is relevant from an environmental point of view as metals and organic substances may enter water supply sources.

103-2 The management approach and its components.

Our production plants currently use relatively small amounts of water in their processes. Although the water supply at our production facilities is good today, we are constantly working to reduce wa-

ter 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.

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. We see an increase in ground water in water stress areas. This is mostly related to one of the acquisitions in Turkey. Water is used to some extent in our processes, and the volume of water consumed comes from evaporation. Our companies take no water from the sea and use no produced water.

303-3 Water withdrawal.

Water (m3)	2021	2020	2019	2018
Total water withdrawal by source	468,822	419,880	391,092	372,709
Municipal water (third-party water)	386,535	333,519	353,436	284,979
Fresh water (<1,000 mg/l dissolved solids)	381,986	322,536	351,282	
Other water (>1,000 mg/l dissolved solids)	4,549	10,983	2,154	
Surface water	0	446	1,775	1,617
Fresh water (<1,000 mg/l dissolved solids)	0	0	0	
Other water (>1,000 mg/l dissolved solids)	0	446	1,775	
Groundwater	82,287	85,915	35,881	34,376
Fresh water (<1,000 mg/l dissolved solids)	0	0	0	
Other water (>1,000 mg/l dissolved solids)	82,287	85,915	35,881	
Seawater	0			
Produced water	0			

Of which water from areas with water stress (m3)	2021	2020	2019
Total	55,402	35,052	52,160
Municipal water (third-party water)	35,112	27,349	44,324
Fresh water (<1,000 mg/l dissolved solids)	35,112	27,349	44,324
Other water (>1,000 mg/l dissolved solids)	0	0	0
Surface water	0	0	0
Fresh water (<1,000 mg/l dissolved solids)	0	0	0
Other water (>1,000 mg/l dissolved solids)	0	0	0
Groundwater	20,290	7,703	7,836
Fresh water (<1,000 mg/l dissolved solids)	0	0	0
Other water (>1,000 mg/l dissolved solids)	20,290	7,703	7,836
Seawater	0		
Produced water	0		

303-4 Water, discharges.

Reclaimed water (m ³)	2021	2020	2019	2018
Total reclamation of wastewater	437,626	386,753	324,100	340,713
Municipal water treatment plant	360,947	320,050	311,492	329,891
Fresh water (<1,000 mg/l dissolved solids)	0	0	0	
Other water (>1,000 mg/l dissolved solids)	360,947	320,050	311,492	
Surface water	31,729	33,395	11,758	0
Fresh water (<1,000 mg/l dissolved solids)	0	0	0	
Other water (>1,000 mg/l dissolved solids)	31,729	33,395	11,758	
Groundwater	850	880	850	0
Fresh water (<1,000 mg/l dissolved solids)	0	0	0	
Other water (>1,000 mg/l dissolved solids)	850	880	850	
Seawater	0			
Produced water	0			

Of which water from areas with water stress (m ³)	2021	2020	2019
Total	41,692	30,262	34,207
Municipal water (third-party water)	18,513	9,753	34,207
Fresh water (<1,000 mg/l dissolved solids)	0	0	0
Other water (>1,000 mg/l dissolved solids)	18,513	9,753	34,207
Surface water	0	0	0
Fresh water (<1,000 mg/l dissolved solids)	0	0	0
Other water (>1,000 mg/l dissolved solids)	0	0	0
Groundwater	23,179	20,509	0
Fresh water (<1,000 mg/l dissolved solids)	0	0	0
Other water (>1,000 mg/l dissolved solids)	23,179	20,509	0
Seawater	0		
Produced water	0		

Discharges to water		2021	2020	2019	2018
Metals	kg	26.1	16.9	9.0	17.6
Organic material	tonnes	33.8	24.0	37.0	36.0

303-5 Water consumption

Water consumption (m ³)	2021	2020	2019	2018
Total water consumption	31,196	33,127	66,992	-
Of which water consumption in areas with extreme water stress	0	0	3,832	-
Of which water consumption in areas with high water stress	13,710	4,004	18,431	-

Mapping shows that any water storage is only intended for fire protection and is not classified as significant.

GRI 305: Emissions 2016**GRI 103: Management approach 2016****103-1 Explanation of the material topic and its 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. Both for our present and future product ranges, we work with natural, new refrigerants with lower Global Warming Potential (GWP). The focus is on carbon dioxide emissions, where our impact is high.

An updated vehicle policy including electric and hybrid vehicles was launched in 2020. Ongoing initiatives include replacement of fossil fuels in our operations and the installation of solar panels. For internal transportation, a project is underway at one of our units to convert heavy vehicles to use renewable fuel. In Swedish operations, HVO100 has replaced diesel where possible.

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 and North American markets cut CO₂ emissions for our customers, and this is something we are proud of.

EMISSIONS

305-1 Direct (Scope 1) GHG emissions and

305-2 Energy indirect (Scope 2) GHG emissions.

Emissions are calculated only for carbon dioxide.

GHG emissions (tonnes CO ₂ eq)	2021	2020	2019	2018
Greenhouse gas emissions, total	35,363	30,662	33,029	31,200
of which emissions from own vehicles	7,232	5,146	5,693	4,535
of which emissions from own operations (Scope 1)	25,651	22,328	25,021	23,502
of which indirect emissions (Scope 2)	1,443	2,357	966	2,165
of which emissions from filling losses of refrigerants	1,037	831	1,349	998

Emission factors and GWP values from: Swedish Energy Agency Heat values 2017

https://www.energimyndigheten.se/globalassets/statistik/branslen/varmevarden-och-emissionsfaktorer/varmevarden_2017.xlsx

Swedish Environmental Protection Agency Emission factors 2021

<https://www.naturvardsverket.se/globalassets/vagledning/luft-och-klimat/berakna-klimatutslapp/emissionsfaktorer-och-varmevarden-2021-v2.xlsx>

Swedish Environmental Protection Agency's instructions for Klimatklivet support for climate investments 04 September 2018

<https://www.sigill.se/siteassets/bilder/prydnadsvxter--plantskola/berakna-utslappsminskning-vagledning-klimatklivet-2018-09-04.pdf>

Methodology for Reporting 2011 B. C. Public Sector Greenhouse Gas Emissions Ministry of Environment British Columbia

<https://www2.gov.bc.ca/assets/gov/environment/climate-change/cng/methodology/2011-pso-methodology.pdf>

Consolidated reports from companies in two Group-wide IT systems

305-3 Other indirect (Scope 3) GHG emissions.

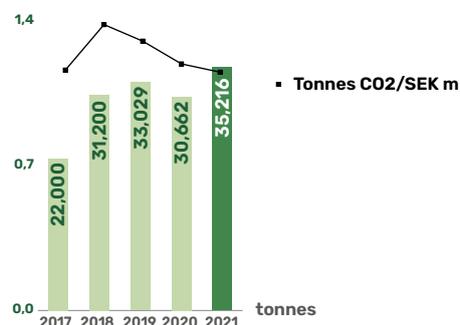
Work is in progress to produce reliable data on our climate impact for suppliers, purchased transportation and business travel. One-third of the companies producing sustainability reports have started to obtain data and the quality assurance of this data is now in progress.

GHG emitter (ton CO ₂ eq)	2021	2020	2019
Greenhouse gas emissions, total	35,363	30,662	33,029
Ton CO ₂	741,616	610,463	551,067
Tonnes CO ₂ /SEK million	24	22	22

305-4 Carbon dioxide increase.

Our carbon dioxide emissions intensity declined to 1.15. This was due to the fact that we now include process gases and new acquisitions.

Carbon dioxide emissions



305-5 Reduction of GHG emissions.

Savings of GHG emissions from the type of heating system that our heat pumps replaced in 2020 on each market amounted to 320,000 tonnes of CO₂ in 2020. This calculation is based on national market conditions in each country in Europe and North America. All types of heating systems that our heat pumps replace are taken into account, and the calculations are based on the energy efficiency of the different types and the specific power generation in each country. In total, national assessments of 39 different parameters for 29 different countries are included.

GoO, Guarantees of Origin, are purchased for all our operations worldwide to guarantee the origin of renewable electricity. These helped us reduce GHG emissions by 59,864 tonnes of CO₂. Residual mix figures from 2020 within and outside the EU were used for the calculation. The figures were obtained from World Kinect Energy services.

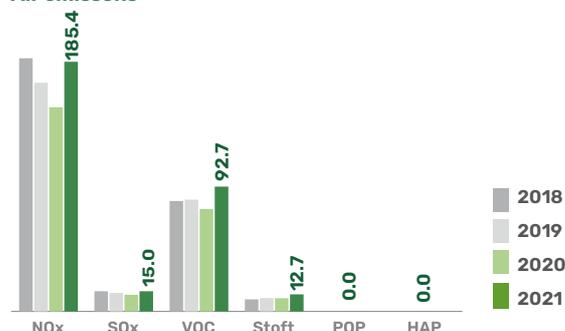
In the cars in which we replaced diesel with HVO100, we contributed a reduction of 192 tonnes (43) of GHG emissions.

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 307: Environmental compliance 2016
GRI 103: Management approach 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.

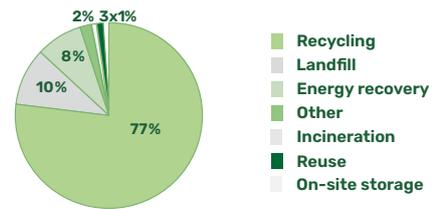
The most recent acquisitions have been in countries that have less well developed systems and infrastructure for waste. We are working to find solutions for these companies to reduce the volume of waste that goes to landfill. A change concerning incineration has been moved to "Other" and refers to 1,200 tonnes of process water that was sent for purification and around 5% became landfill at the sub-supplier.

306-2 Waste by type and disposal method.

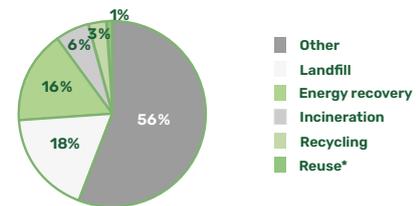
Waste (tonnes)	2021	2020	2019	2018
Total waste	40,887	29,001	27,287	24,638
Reuse	350	751	220	225
Recycling	31,475	20,919	20,901	17,864
Composting	94	84	81	81
Energy recovery	3,324	2,858	2,465	2,268
Incineration	205	75	174	171
Deep well injection	0	0	0	0
Landfill	4,202	2,955	2,929	3,420
On-site storage	248	118	76	73
Other	989	1,023	268	371

Hazardous waste (tonnes)	2021	2020	2019	2018
Total hazardous waste	2,812	2,250	1,799	1,614
Reuse	16	22	5	6
Recycling	441	283	164	348
Composting	0	0	0	0
Energy recovery	90	85	119	94
Incineration	166	1,342	1,069	463
Deep well injection	0	0	0	0
Landfill	517	129	94	202
On-site storage	14	11	10	10
Other	1,568	328	319	479

Waste categories in % of total use



Waste categories in % of total use



* The pie chart integrates these 2 categories as per GRI.

307-1 Non-compliance with environmental laws and regulations.

In 2021, NIBE had two cases involving breaches of environmental permits. One for noise and one for discharges to water. This did not result in any significant fines or instructions from environmental authorities.

GRI 308: Supplier environmental assessment 2016

GRI 103: Management approach 2016

GRI 414: Supplier social assessment 2016

GRI 103: Management approach 2016

103-1 Explanation of the material topic and its 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 28.

NIBE's strategy for responsible purchasing uses a risk-based method in which suppliers of direct materials have to undergo audits or visits if they are in high-risk regions. This evaluation must take place in NIBE's global system.

103-3 Evaluation of the management approach.

Several companies are working on implementation in the global system and this will gradually increase. 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 2021, 38% (37%) of new suppliers of direct materials were screened using environmental criteria.

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

In 2021, 35% (34%) of new suppliers of direct materials were screened using social criteria. The pandemic has resulted in delays to the screening of new suppliers as it has not been possible to visit them.

The supplier code of conduct has been communicated to 90% of all direct materials suppliers in the past three years. The supplier code of conduct includes aspects such as human rights, gender equality and corruption.

GRI 403: Occupational health and safety 2018 GRI 103: Management approach 2016

103-1 Explanation of the material topic and its 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 14,200 production employees and has a tradition of focusing intensively on physical health and safety. This is also relevant for suppliers and is incorporated in NIBE's strategy for responsible purchasing. See page 28.

103-2 The management approach and its components.

Our occupational health and safety policy is the same for all types of employment; everyone in every company is included. A greater focus on compliance with our health and safety policy and accident reporting has resulted in more companies improving their reporting. Our occupational health and safety policy contains clear requirements for systematic work on risk analyses, safety inspections, accident reporting, emergency contingency plans, objectives and action plans.

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.

90% (87%) 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)	2021	2020	2019	2018
Fatalities	0	0	0	0
High-consequence work-related injuries	2	2	7	4
High-consequence work-related injuries per million hours worked	0.00	0.06	0.20	
Recorded injuries	262	223	310	316
Recorded injuries per million hours worked	6.6	7.1	9.9	
Number of hours worked (thousands)	38,752	31,578	31,028	24,254

NIBE's accident rate per million hours worked has been quantified and targets have been set.

- A safe workplace with no accidents. Our long-term goal is zero accidents, of course, even though this is difficult to achieve. The interim target is an accident frequency of fewer than six accidents by the end of 2023. Read more on page 11.

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 frequency rate is falling and work on implementing ISO 45000 in a number of companies is ongoing. Our aim is that all companies with more than 100 employees should be certified according to ISO 45000. Currently, 28% of these companies are certified. In 2021, 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.

Work-related injuries - other workers (number)	2021	2020	2019
Fatalities	0	0	0
High-consequence work-related injuries	0	0	1
High-consequence work-related injuries per million hours worked	0	0	0.9
Recorded injuries	8	6	19
Recorded injuries per million hours worked	4.3	6	17.5
Number of hours worked (thousands)	1,853	997	1,084

403-10 Work-related ill health.

Muscle pain is the most common type of reported ill health.

Work-related ill health (number)	2021	2020	2019
Fatalities	0	0	0
Recorded cases of ill health	62	65	77

Work-related ill health - other workers (number)	2021	2020	2019
Fatalities	0	0	0
Recorded cases of ill health	2	4	12

Sickness absences, %



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 avail-

able and encourage them to study. In firmly established partnerships with universities and institutes of higher education, we offer opportunities for joint development projects, degree projects and internships, both locally and internationally. See page 33.

103-3 Evaluation of the management approach.

NIBE's biggest recruitment challenge is the shortage of people with the right skills on the labour market. As society and industry are digitised, an increasing number of organisations are competing for people with similar skills.

The average employment period is 8.4 (8.8) years for 2021.

Higher staff turnover in Mexico 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)		2021
Total number		7,752
age <30	%	49
age 30-50	%	40
age >50	%	11
Nordic region	%	16
Europe	%	27
North America	%	48
Asia	%	8.9
Other countries	%	0.1

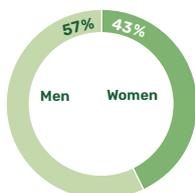
Employee turnover, %	2021	2020	2019	2018
Total	33	23	28	26
Nordic region	12	9	13	9
Europe	16	12	15	11
North America - excl. Mexico	31	18	28	15
Mexico	106	58	75	94
Asia	49	51	37	16
Other countries	7	7.7	36	6

Employment ended, %	2021	2020	2019
age <30	43	41	48
age 30-50	41	45	40
>age 50	16	14	12

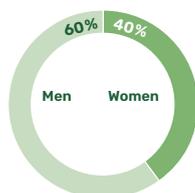
Parental leave (number)	2021	2020	2019
Total affected	20,519	17,845	16,404
Men	355	282	291
Women	287	619	584

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.



New employees



Employee turnover

EMPLOYMENT

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 the local company management is to ensure that agreements work well in practice.

103-2 The management approach and its components.

Issues concerning major changes in local companies are managed

in the countries in which the change will take place. In this way, we ensure that laws and agreements in the company and the country are complied with.

103-3 Evaluation of the management approach.

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.

TRAINING

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. Digitisation and new technology offer new opportunities to improve production processes and working methods. This entails both challenges and opportunities for employees to develop new skills that are of value to them, to NIBE and to our customers. To maintain our competitiveness in the global economy, it is necessary to continue to develop the skills of our staff.

103-2 The management approach and its components.

It is our ambition to ensure that NIBE is perceived as an attractive employer offering numerous opportunities for development. We want to retain and develop current employees and recruit new talent for the future. The maintenance of skills depends on the commitment and motivation of employees to develop their skills. See page 33.

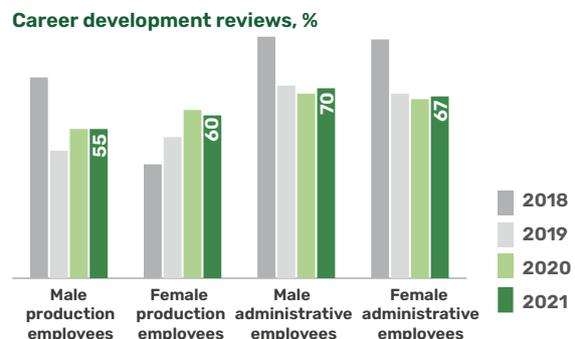
103-3 Evaluation of the management approach.

Performance and career development reviews are used as the basis for setting pay and establishing training plans. The number of hours of training increased because operations were not closed down to the same extent in 2021.

404-1 Average hours of training per year per employee

Training and education (number of hours)	2021	2020	2019	2018
Training hours, male production employees	125,932	99,817	111,747	138,587
Training hours, female production employees	89,640	68,901	76,445	112,247
Training hours, male administrative employees	59,170	39,631	46,689	47,051
Training hours, female administrative employees	27,438	21,150	23,584	23,421
Training hours per employee	14	13	16	21

404-3 Percentage of employees who undergo regular appraisals and development reviews.



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 increasingly tough competition for talent, we are recruiting widely to ensure we have the right skills.

103-2 The management approach and its components.

NIBE's overarching approach is to create equality and ensure that everyone at NIBE has the opportunity to develop and compete on equal terms based on their proficiency.

103-3 Evaluation of the management approach.

We are in a relatively male-dominated industry, and the balance between numbers of men and women is roughly on the same level as in 2020. The conversion performed at Board level means that we have a clearer picture of the gender distribution. No change in the distribution between men and women was reported in 2021.

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.

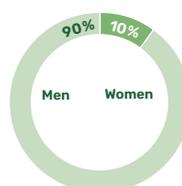
Board members		2021	2020	2019	2018
Total number		125	62	361	296
age <30	%	1	0	0.7	
30-50	%	22	30	32	
>50	%	77	70	67.3	

Management team		2021	2020	2019	2018
Total number		862	788	685	728
age <30	%	5	5	5	5
30-50	%	50	51	51	49
>50	%	45	44	44	46

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

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

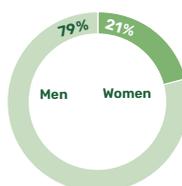
Production employees, %		2021	2020	2019
age <30		24	23	23
age 30-50		50	51	52
age >50		26	26	25



Board of directors

Board of Directors

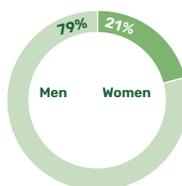
Women 10% and men 90%. Board of Directors refers to all company boards. No change compared with 2020.



Management team

Management team

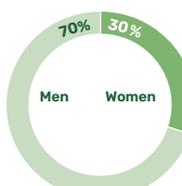
Women 21% and men 79%. Management teams in our reporting companies. An increase of 1% women on 2020.



Managers

Managers

Women 21% and men 79%. Refers to other managers in our companies outside management teams. No change compared with 2020.



Administrative

Administrative

Women 30% and men 70%. An increase of 1% women on 2020.



Production

Production

Women 39% and men 61%. No change compared with 2020.

GRI 406: Non-discrimination 2016

GRI 407: Freedom of association and collective bargaining 2016

GRI 408: Child labour 2016

GRI 409: Forced or compulsory labour 2016

GRI 411: Rights of indigenous peoples 2016

GRI 412: Human rights assessment

GRI 103: Management approach 2016

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

NIBE owns and operates factories worldwide and employs approximately 14,200 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 26 000 Guidance on social responsibility. In 2021 NIBE drew up a Policy on Human Rights and the company also has a documented stance against modern slavery and human trafficking. The guidelines have been the basis for collaboration with business partners along the value chain. Our values are available at [NIBE.com/ledningsfilosofi](https://www.nibe.com/ledningsfilosofi) and are included in contracts with suppliers and retailers. NIBE's ethical guidelines are the fundamental guidelines on human rights. They have been supplemented with an adapted version for suppliers but all are based on the same principles. This means that NIBE takes account of human rights when making visits and performing audits, such as sustainability visits, when evaluating compliance with ethics and regulations and when assessing the ethical guidelines at suppliers.

The risks are primarily linked to freedom of association and collective bargaining agreements, remuneration, working hours, health, safety, 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. In connection with drawing up our Policy on Human Rights, we also established a training programme concerning Human Rights. This was launched in the third quarter of 2021 and distributed to everyone with a company email address. 59% of those who received it had time to complete training before the end of the year.

GRI 406: Non-discrimination 2016

GRI 407: Freedom of association and collective bargaining 2016

GRI 408: Child labour 2016

GRI 409: Forced or compulsory labour 2016

GRI 411: Rights of indigenous peoples 2016

GRI 412: Human rights assessment

GRI 103: Management approach 2016

406-1

Total number of incidents of discrimination and corrective actions taken.

In 2021, we had three reports of incidents involving discrimination in North America. These are being investigated by the EEOC (U.S. Equal Employment Opportunity Commission). The other two cases were investigated and found to be without merit.

407-1

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

Collective agreements cover 45% (45%) of NIBE's employees. One challenge in this area is the state's general view of membership of trade unions and the independence of trade unions in certain countries in which NIBE has operations or suppliers. 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 in which a significant risk 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 2021, no cases of child labour were reported 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 where a significant risk of forced or compulsory labour has been identified and action taken.

The issue of forced and slave labour is included in NIBE's assessments, internal sustainability visits and supplier assessments. Our own operations did not identify any forced or compulsory labour in 2021.

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 reported in 2021.

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 (81) production companies of the companies preparing sustainability reports in 2021 were assessed via sustainability visits, equivalent to 83% (90%). It was not possible to visit the other 17% as planned on account of the pandemic.

412-2

Employees trained in policies and procedures concerning human indigenous peoples.

Training and education		2021	2020	2019
Employees who received basic training in human rights	%	43	31	31
Of which, employees who completed NIBE Group e-learning in human rights	%	59		
Training hours in human rights		17,928	10,521	10,446

GRI 415: Public policy 2016

GRI 103: Management approach 2016

103-1 Explanation of the material topic and its 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.

103-3 Evaluation of the management approach.

We do not provide financial support to political organisations or to individuals.

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.

415-1 Monetary contributions.

Contributions and sponsorship	2021	2020	2019	2018
Sponsorship of culture, sport, health and young people, SEK million	2.8	3.3	3.0	2.5
Political contributions, SEK	0	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.

products must comply with agreed standards and statutory requirements for health and safety throughout their life cycle. We provide relevant, clear information about safe, environmentally-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 any nonconformities on the market.

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

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.

417-2 Incidents of non-compliance concerning product and service information and labelling.

No cases received.

417-1 Cases involving non-compliance with 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 claims of violations of customer privacy and loss of customer data.

One reported case, which has been investigated and action taken.

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 relations with our stakeholders, and communication is based on regular contact, clarity and sound ethics. We keep

our shareholders informed about the Group's operations, results and strategies. This is done in accordance with the rules for the stock exchanges on which NIBE is listed. One clear expectation we have of all companies in the Group is that they comply with statutory requirements, agreements and contracts, and our shared principles and values, regardless of the type of society in which the companies are based.

103-3 Evaluation of the management approach.

For evaluation of socioeconomic compliance and financial reporting, see the Auditors' statement and Corporate governance report on pages 172-177.

419-1

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

No cases received.

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 2021 on page 141, 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, 31 March 2022

KPMG AB
Jonas Nihlberg
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. In addition, NIBE also provides information via the company's website in accordance with the Market Abuse Regulation and other requirements.

The corporate governance report is not part of the formal annual report documents. The company's auditors have examined the corporate governance report, and it is their opinion that the corporate governance report has been properly drawn up and that the statutory information in the report is consistent with other parts of the annual report and consolidated financial statements.



Hans Linnarson
Chairman of the Board

Ownership

NIBE has its registered office in Markaryd, Sweden, and has been listed on Nasdaq Stockholm since 1997.

NIBE class B shares have also had a secondary listing on the SIX Swiss Exchange since August 2011. On 31 December 2021, NIBE had 89,827 registered shareholders, excluding previous shareholders in Schulthess Group AG who have become shareholders in NIBE. As the Swiss authorities do not report any details relating to individual shareholders in Switzerland to NIBE, it is not possible to determine the total number of shareholders.

The ten largest shareholders comprise the constellations of 'current and former board members and senior executives' with a total of 20% of the capital and 46% of voting rights, followed by the Schörling family, which holds 7% of the capital and 19% of the voting rights, and eight institutional investors with a total of 31% of capital and 15% of voting rights. Together these ten constellations of investors hold a total of 58% of the capital in the company and 80% of the votes. No individual shareholder has a direct or indirect shareholding which represents at least 10% of the number of votes of all shares in NIBE.

Annual General Meeting

The Annual General Meeting (AGM) is NIBE's highest decision-making body. The AGM elects the company's Board of Directors and auditors, adopts the accounts, makes decisions on dividends and other appropriations of profits/losses, and discharges the Board of Directors and the MD/CEO from liability.

NIBE's Annual General Meeting was held on 11 May 2021. As a consequence of the Covid-19 pandemic, the meeting was held with postal voting only. 63% of the shares and 82% of the total number of votes in the company were represented via postal voting. 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 2021 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 2022 AGM and is restricted to a maximum of 10% of the number of shares issued at the time of the AGM.

The 2021 Annual General Meeting also resolved to change the company's articles of association in respect of limits on the number of shares, and to divide the company's shares by means of a share split, irrespective of share class, so that each existing share was divided into four shares.

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. 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 2021 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.

It is the opinion of the Board of Directors that all directors are independent in relation to the company, with the exception of the CEO. Please see page 183 for a 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 oth-

er 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 2021 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 65% of the company's votes, and which also enjoy mutually cordial relations. The Board of Directors is not too large to carry out the tasks of the audit and remuneration committees and possesses the necessary expertise, which is consistent with the Swedish Companies Act and the Code. The CEO (who is also a Board member) does not participate in the Board's work on the tasks that are otherwise performed by a remuneration committee.

Group management

The 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.

The work of the Board in 2021

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

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

Every ordinary board meeting focuses on one principal topic of discussion

February

Year-end accounts

The meeting in February considers the annual accounts of the preceding year. The company auditor presents his comments to the entire Board of Directors on this occasion.

May

Inaugural meeting

Following the AGM, the Board of Directors holds its inaugural meeting, at which the Board discusses the rules of procedure and determines who has authority to sign for the company.

August

Strategy

In August, the Board holds strategic discussions over two working days.

November

Audit review

In November, the company's auditor gives his view on the interim figures for the period January to September.

December

Budget

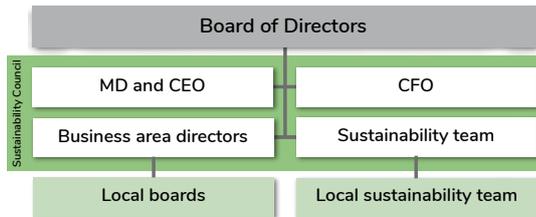
At the end of the year, the Board discusses the Group's budget for the coming year.

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 head is responsible for ensuring that measures proposed are taken.

Code of conduct

NIBE has a code of conduct that reflects the NIBE culture and the ten principles of the UN Global Compact.

The Code of Conduct is reflected in NIBE's documents on business principles, values and working methods and the content of these is based on a long tradition of honest and sincere business practices. The information can be found on pages 12–13.

All employees receive the printed version in the local language. When a new company joins the Group, its management is obliged to communicate and implement the Code of Conduct in the 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 2021, 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, 2021

The 2021 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.

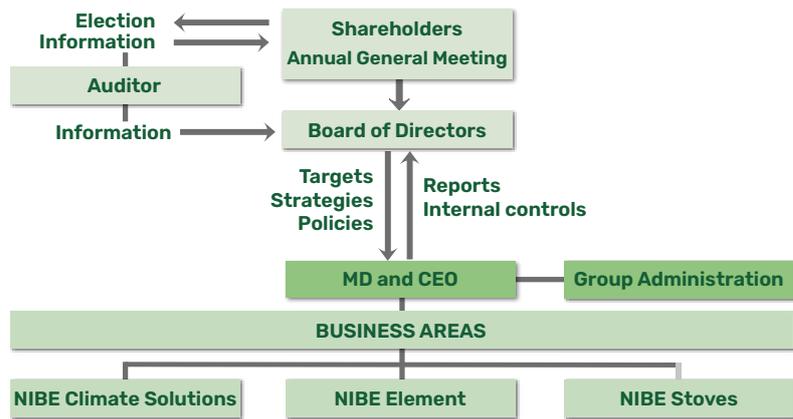
Remuneration to the Managing Director/CEO is a matter decided by the Board, but the preparatory work for this decision is undertaken by the Chairman of the Board after discussions with the Managing Director/CEO. The remuneration of other senior executives is determined by the Managing Director in consultation 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 2021

Under the Swedish Companies Act and the Code, the Board of Directors is responsible for internal control.

This report on internal control and risk management as regards financial reporting complies with the requirements in Chapter 6, Section 6, of the Annual Accounts Act.

NIBE is 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 2021, 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. Jonas Nihlberg has been auditor in charge since the AGM in 2021.

The auditor in charge has continual access to the approved minutes of company Board meetings and the monthly reports that the Board receives.

The company's auditor in charge reports his observations from the audit and his assessment of the company's internal controls to the 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 2021 on pages 173–176, 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, 31 March 2022

KPMG AB
Jonas Nihlberg
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, 30 March 2022

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 30 March 2022. 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 17 May 2022.

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 2021 financial year. The annual report and consolidated financial statements of the company are included in the printed version of this document on pages 77-140 and 178.

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 2021 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 2021 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 professional ethics for accountants in Sweden and have fulfilled our ethical responsibility under these standards. This means that, based on our best knowledge and belief, no prohibited services referred to in Article 5 (1) of EU regulation 537/2014 on statutory audits were provided to the audited company or, as the case may be, its parent or its companies under its control within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

Key audit matters are those matters that, in our professional 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 2021, the Group had goodwill of SEK 15.453 million, representing 36% of total assets.

Every year, goodwill must be subject to at least one impairment test which contains both complexity and significant features of assessments from the Group management.

Under the existing rules, the test must be performed using a technique in which the management makes future assessments of the business's internal and external conditions and plans. Examples of such assessments are future receipts and payments, which require assumptions about future market conditions, among other things. Another important assumption is the discount rate that should be used to show that future assessed receipts are subject to risk and are thus worth less than the cash and cash equivalents that are directly available to the Group.

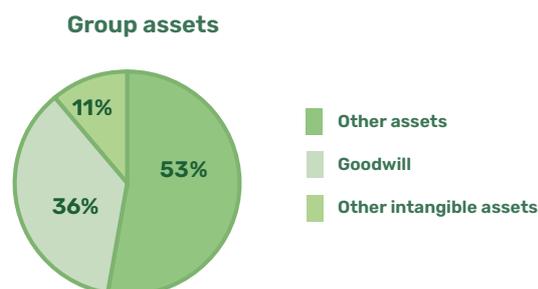
Response in the audit

We have studied the company's impairment tests to assess whether they were performed in accordance with the technique prescribed. We have also assessed the reasonableness of the future receipts and payments and the assumed discount rates by studying and evaluating management's written documentation and plans. We have also interviewed the management and evaluated previous years' assessments in relation to actual outcomes.

We have consulted our own valuation specialists in order to ensure experience and expertise in this area.

It has also been an important part of our work to evaluate how changes in assumptions may affect the valuation, i.e. a critical evaluation of the Group's sensitivity analysis.

We have also checked the completeness of the information in the annual report and assessed whether the information matches the assumptions applied by the company in its impairment test and whether the information is extensive enough to understand the assessments made by the company management.



Acquisition analyses

See Note 3 and Note 26 in the consolidated financial statements for detailed information and a description of this matter.

Description of the matter

Several acquisitions were made within the Group during the year. No single acquisition is deemed to be significant.

In connection with business combinations, the new business must be 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 contingent considerations, so-called 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. In particular, intangible assets and additional considerations are difficult to assess. These assessments affect the Group's future earnings, partly depending on whether depreciable or non-depreciable assets are recognised in the financial statements, and the accuracy of current assessed additional considerations.

The value that remains after all assets and liabilities have been assessed and valued in the acquisition analysis is recognised as goodwill. Such goodwill is not subject to amortisation 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. In our work, we focused in part on the intangible assets and on whether the techniques used by the Group management to allocate values to these assets in the financial statements are compatible with the rules and established valuation techniques.

Other important aspects of our work involved assessing whether the assets and liabilities included in the acquisition analysis exist. Such assessment is based on inspection of a selection of contracts concluded, management's current assumptions about additional 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 the Group uses, 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 2-76 and 141-177. 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 informa-

tion 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 in aggregate, they could reasonably be expected to affect the economic decisions of users taken on the basis of 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 to 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, actions taken to eliminate threats, or remedial actions.

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

Auditor's review of administration and the proposed appropriation of the company's profit or loss

Opinions

In addition to our audit of the annual 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 2021 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 professional ethics for accountants in Sweden and have fulfilled our ethical responsibility under these standards

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of the Board of Directors and the 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 the audit of the administration, and thereby our opinion on discharge from liability, is to obtain audit evidence to be able to assess, with reasonable assurance, whether any Board member or the Managing Director, in any material respect, has taken any action or been guilty of any omission that may give rise to liability to the company, or in any other way has acted in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act or the 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.

Auditor's review of ESEF report

Opinion

In addition to our audit of the annual report and consolidated financial statements, we have also examined that the Board of Directors and the Managing Director have prepared the annual report and consolidated financial statements in a format that enables uniform electronic reporting (ESEF report) in accordance with Chapter 16, Section 4a of the Swedish Securities Market Act (2007:528) for NIBE Industrier AB (publ) for the financial year 2021.

Our examination and our opinion relate only to the statutory requirement.

In our opinion, the ESEF report #[checksumma] has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for our opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Auditor's examination of the ESEF report. Our responsibility under this recommendation is described in more detail in the 'Auditor's responsibility' section. We are independent of NIBE Industrier AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director

The Board and the Managing Director are responsible for ensuring that the ESEF report has been prepared in accordance with Chapter 16, Section 4a of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the ESEF report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to form an opinion with reasonable assurance whether the ESEF report in all material respects is prepared in a format that meets the requirements of Chapter 16, Section 4a of the Swedish Securities Market Act (2007:528) for NIBE Industrier AB (publ), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the ESEF report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an examination performed in accordance with RevR 18 and generally accepted auditing standards in Sweden will always

detect a material misstatement when it exists. Misstatements can arise due to fraud or error and are regarded as material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the ESEF report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control which includes documented policies and procedures regarding compliance with professional ethical requirements, standards of professional conduct and applicable legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the ESEF report has been prepared in a format that enables uniform electronic reporting of the annual report and consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design examination procedures that are appropriate in the circumstances, we consider those elements of internal control that are relevant to the preparation of the supporting documentation, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the ESEF report, that is, if the file containing the ESEF report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 (ESEF regulation) and a reconciliation of the ESEF report with the audited annual report and consolidated financial statements.

Furthermore, the examination also includes an assessment of whether the ESEF report has been marked with iXBRL, which enables a fair and complete machine-readable version of the consolidated income statement, balance sheet, statement of changes in equity and cash flow statement.

KPMG AB was appointed auditor of NIBE Industrier AB (publ) by the Annual General Meeting on 11 May 2021. KPMG AB or auditors working at KPMG AB have been the company's auditor since 2013.

Markaryd, 31 March 2022

Jonas Nihlberg
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, 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 Enerotec Component AB, CTC AB and Asko Cylinda AB. Executive positions in the Electrolux Group and MD and CEO of Husqvarna AB.

SEK 900,000

15/15

3,656 class 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.

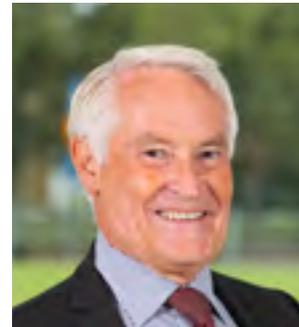
More than 35 years' experience of international industrial operations, including as Exports Director of ASSA Stenman AB, now ASSA Abloy.

No fee payable

15/15

27,511,952 class A shares and 65,160,044 class B shares

Not independent due to his position, his shareholding and the length of 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.

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 450,000

15/15

7,312 class B shares

Yes

Elected to NIBE's Board of Directors

Training and education

Directorships

Experience

Fees

Present at Board meetings

Shareholding in NIBE Industrier AB

Independence



JENNY SJÖDAHL
born 1973

2018

M.Sc. in Engineering

Managing Director and CEO of Beijer Electronics Group. Director of Gunnebo Holding AB.

Considerable experience of international business and solid industrial experience from several different positions at ABB.

SEK 450,000

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 Gambro and the E.on Group.

SEK 450,000

15/15

91,428 class B shares

Yes



JENNY LARSSON
born 1973

2020

M.Sc. in Engineering

CEO of Schneider Electric AB. Director of JM AB, SR Energy AB and Näringslivets Transportråd AB.

Considerable experience of business in the energy sector and solid industrial experience from several different positions at Vattenfall and ABB.

SEK 450,000

15/15

200 class B shares

Yes

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
27,511,952 class A shares and 65,160,044 class B shares



HANS BACKMAN
born 1966

Year employed
2011

Training and education
M.Sc. in Business & Economics and MBA

Position
CFO, NIBE Industrier AB

Shareholding
116,000 class B shares

Business Area Directors



KLAS DAHLBERG
born 1964

Year employed
2016

Training and education
M.Sc. in Engineering

Position
Head of NIBE Climate Solutions

Shareholding
74,400 class B shares



CHRISTER FREDRIKSSON
born 1955

Year employed
1992

Training and education
M.Sc. in Engineering

Position
Head of NIBE Element and MD for Backer AB

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



NIKLAS GUNNARSSON
born 1965

Year employed
1987

Training and education
Engineer

Position
Head of NIBE Stoves

Shareholding
1,952,568 class B shares

Auditor

JONAS NIHLBERG
born 1973

Elected
2021

Training and education
Authorised Public Accountant

Position
Auditor in charge

Accounting firm
KPMG AB

NIBE

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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.