

# **NIBE**

– world-class solutions in sustainable energy



Annual Report 2019

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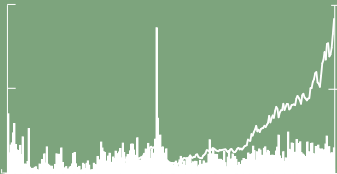


## More energy-efficient, every day

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

Find out more on page 16.

## NIBE shares



Find out more on page 8.

## Helping to reduce energy consumption

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

Find out more on page 19.



## Industrial partners

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

Find out more on page 18.

## Commercial properties

NIBE heats, air conditions and ventilates large properties using intelligent, world-class energy solutions. The bigger the building, the more important it is to choose the right equipment for indoor comfort in terms of reliability, cost and climate.

Find out more on page 17.



# Calendar

14 May 2020

Interim Report 1, January – March 2020  
Annual General Meeting in Markaryd, Sweden, 17:00

19 August 2020

Interim Report 2, January – June 2020

18 November 2020

Interim Report 3, January – September 2020

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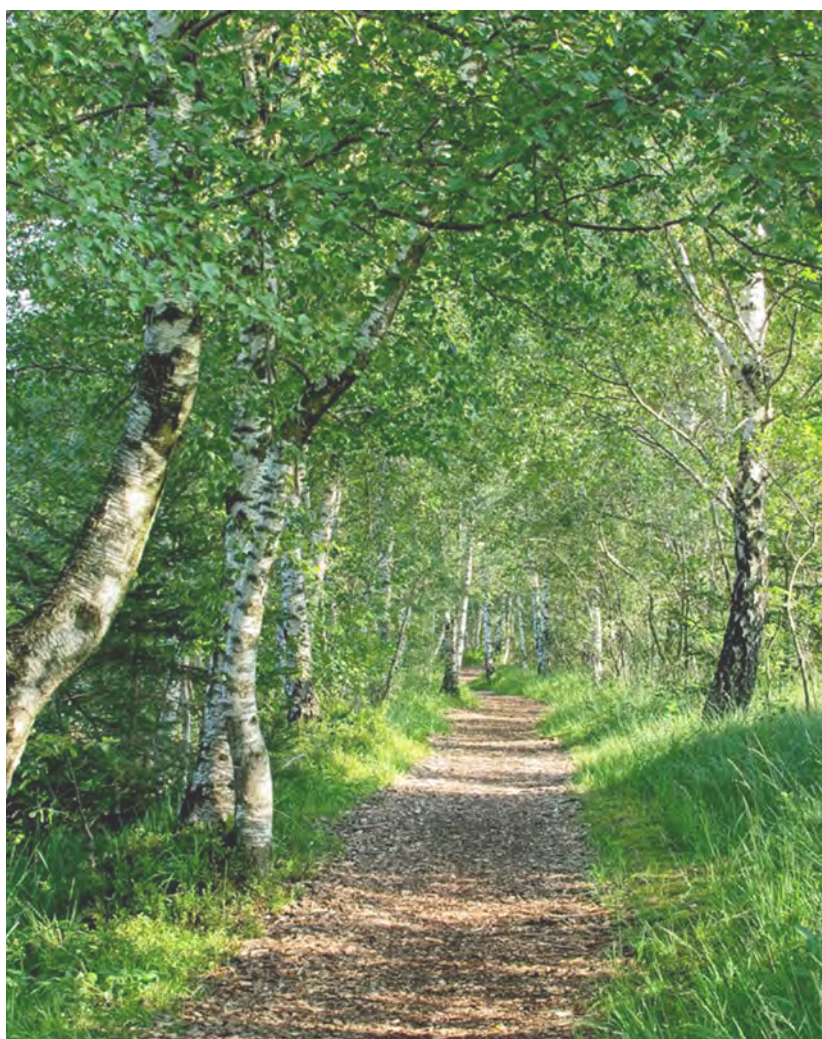
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## A global Group with companies and a presence worldwide

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 eco-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.




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### NIBE Climate Solutions

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**Environmentally friendly, intelligent and energy-efficient products for climate control and increased 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 26




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### NIBE Element

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**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 carbon footprint.

Find out more on page 34




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### NIBE Stoves

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

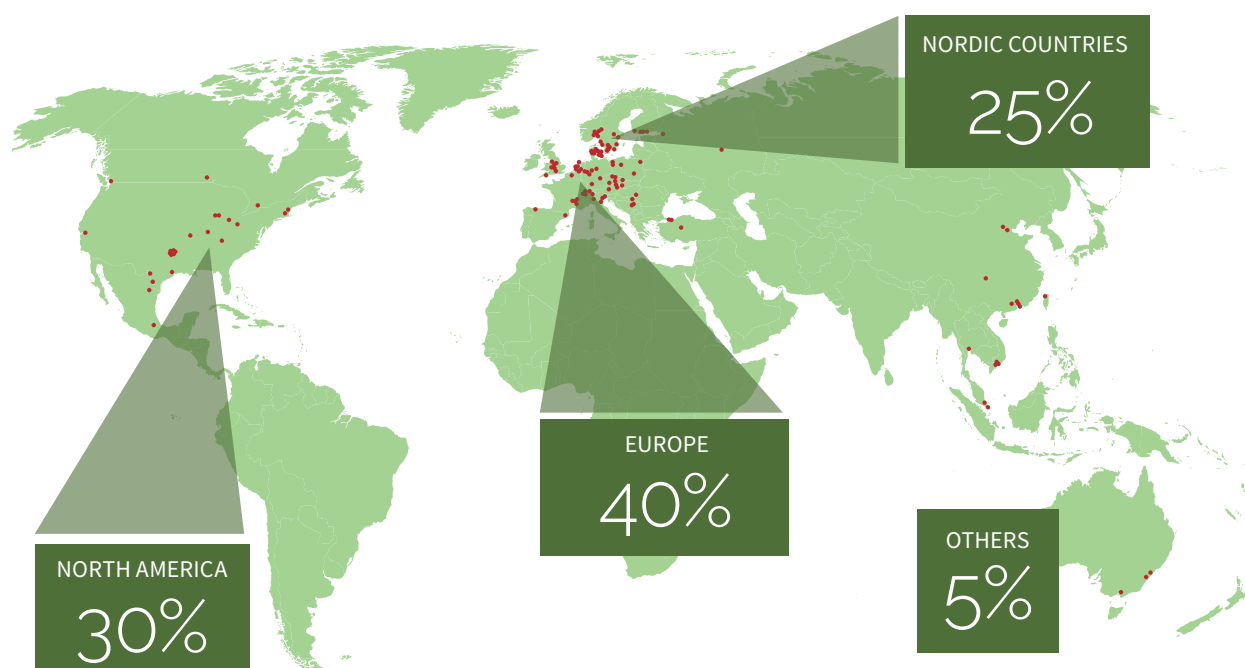
Increasing the exchange of old stoves for new ones with our modern technology quickly has a positive effect on the environment.

Find out more on page 42

From its beginnings in the Småland city of Markaryd nearly 70 years ago, NIBE has grown into a global group with 17,000 (16,600) employees on average and a global presence. From the very start, the company has been driven by a strong culture of entrepreneurship and a passion for responsible business operation. 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 25 (22) billion in 2019.

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.





SALES SEK M

25,342

GROWTH %

12.5

OPERATING MARGIN %

12.0

PROFIT AFTER NET  
FINANCIAL ITEMS SEK M

2,836

PROFIT  
AFTER TAX SEK M

2,184

EQUITY/ASSETS RATIO %

47.0

EARNINGS PER SHARE SEK

4.31

PROPOSED  
DIVIDEND SEK

1.40

## NIBE Group ratios

Financial ratios		2019	2018	2017	2016	2015
Net sales	SEK m	<b>25,342</b>	22,516	19,009	15,348	13,243
Growth	%	<b>12.5</b>	18.5	23.9	15.9	20.0
Operating margin	%	<b>12.0</b>	12.6	12.3	12.9	12.8
Profit after net financial items	SEK m	<b>2,836</b>	2,667	2,182	1,871	1,614
Profit after tax	SEK m	<b>2,184</b>	2,072	1,703	1,376	1,237
Equity ratio	%	<b>47.0</b>	47.7	45.8	46.6	39.9
Earnings per share	SEK	<b>4.31</b>	4.11	3.38	2.93	2.67
Proposed dividend	SEK	<b>1.40</b>	1.30	1.05	0.88	0.80

Please refer to page 81 for definitions.

## Chief Executive's Report

# A robust full year in a diverse market

Overall demand in 2019 was cautious, but with great variation between market segments.

The public debate on climate change and the need for a more sustainable lifestyle naturally favoured products with a clear sustainability profile. However, most categories of purely consumer products and some specialist products saw lower demand. One of the main reasons for this is deemed to have been global political uncertainty in the form of trade barriers, customs duties, Brexit and currency turbulence. On the positive side, it can be noted that concern about significant interest rate hikes in the near future faded in the latter part of the year as interest rates levelled off and began to fall somewhat. This will probably have a positive impact on demand going forward.

In May, the Swiss company Schulthess Maschinen AG was sold to a new owner company in which NIBE holds a 51% interest, while the other owners are Helvetica Capital AG and the company's management. The intention over the next three years is for NIBE to remain the majority shareholder and ensure a soft transition until Helvetica Capital AG takes over the role of majority shareholder. The aim is to sell NIBE's remaining holdings after another three or four years. That the company's management has been given the opportunity to become partners is entirely in line with NIBE's business philosophy and values.

Group sales grew by 12.5% (18.5%) in 2019, including organic growth of 7.9% (12.5%). For the full year the weak Swedish currency had a significant effect on sales growth, primarily during the first six months.

## Undiminished confidence in the future of all three business areas

**The NIBE Climate Solutions business area** is in a highly topical, interesting market segment now that the transition to a more sustainable society has taken off on a broad front.

Entirely in line with the strategies adopted, the business area continued to work methodically and purposefully to strengthen its position as the leading supplier of intelligent, sustainable, high-performance climate control solutions for single-family homes.

The acquisition of TIKI Group just before the year-end is another facet of this approach. Both the company's broad water heater expertise and geographical position reinforce the business area.

In early 2020, two further steps were taken in the same direction, partly through the acquisition of 51% of the shares in Dutch company Nathan Holding B.V., which is, among other things, an importer of our German subsidiary AIT's heat pumps, and partly through the acquisition of 100% of the shares in the German heat pump manufacturer WATERKOTTE GmbH.

The business area is also working intensively to establish itself in a leading position in heating, ventilation and air conditioning in the commercial property market. Acquisition of the remaining 55% of the shares in Italian ventilation and air conditioning company Rhoss at the start of the year, and 50% of the shares in Turkish ventilation and air conditioning company Üntes at the end of the year are two important steps towards the realisation of the adopted strategy.

Now that society has seriously begun to move towards a more sustainable way of thinking, product development is even more important. Consequently, major development resources are being focused on creating even more efficient generations of products. Green refrigerants, connectivity and intelligent controllers should be the decisive factors for continued success.

Both sales and operating profit grew during the year. Favourable market conditions, combined with a strong, comprehensive product range and good market presence, are the main reasons for the sales growth.

The improved operating margin is primarily due to continued focused productivity work, a few price adjustments and organic growth.

**The NIBE Element business area** is the business area that experienced the greatest variation between market segments.

The cautious economic situation has primarily affected demand in market segments with a consumer profile, such as domestic appliances. Economic uncertainty has also had a negative effect in the infrastructure sector since several countries have reduced investments in areas like railway maintenance as part of savings packages. On the markedly positive side, there are market segments with a distinct sustainability profile such as wind power and heat pumps.

The automotive industry has also been a difficult customer category in a short-term perspective as we are in a transitional phase from vehicles powered by conventional combustion engines to hybrid/electric vehicles, which means that end consumers are often a little perplexed. What we can say now is that the automotive industry will invest heavily in new hybrid/electric technology, creating particularly interesting opportunities for us and our future products, as well as system solutions for cars, trucks and other heavy vehicles.

Our entry into the semiconductor industry as a subcontractor a few years ago was very instructive, not least given the fact that this industry, as well as being very advanced, also has its own business cycle that is subject to changes in technology and does not necessarily coincide with traditional economic fluctuations. For example, in the latter part of Q3 and primarily in Q4, we saw a considerable increase in demand after nearly five quarters of markedly low demand. The biggest single reason for this is the rollout of 5G. We are convinced that the semiconductor industry will also be a growing market with great potential for the business area in the future, and the acquisition of the US company Therm-X must be seen against this background.

Our efforts to always be at the cutting edge with a comprehensive, advanced product range, to be located geographically and operationally where our customers are located and our ability, with our customers, to develop new products at our advanced technology centres, create a winning concept that fills us with a strong belief in the future.

Both the operating profit and operating margin grew at a lower rate during the year as a consequence of weaker sales growth, major development costs, an unfavourable product mix and greater cost pressure in our low-cost units, but given the opportunities we can see ahead of us, we consider this to be a transitional trend.

**The NIBE Stoves business area** also operated on a cautious market during the year, but here too there were variations between geographical areas and market segments.

After a slightly hesitant start, the North American market gradually came back during the year. Wood-burning products generally grew slightly more slowly pending the new rules for particulate emissions, which will take effect in May 2020. Gas-fired products performed well, on the other hand. Overall, the European market remained on the same level as last year, but wood-burning products declined somewhat here too, while products made for gas, pellets and electricity performed better.

Our own market position improved during the year. This was primarily due to our strong brands, our wide, environmentally approved product range and a well-balanced marketing organisation with good presence.

Although our products already meet all future public authority requirements in both North America (May 2020) and Europe (2022) by a good margin, intensive development work is under way to improve their performance and emission levels still further. As the market leader, we consider this self-imposed role to be very important to the continued development of the industry.

The poorer operating profit and operating margin are primarily due to the higher investments in product development and marketing. In the prevailing cautious market, a certain level of price competition has also been obvious.

### Continued offensive acquisition strategy

During the year, another four strategically important acquisitions were made with total sales of just over SEK 2 billion. The conditions necessary for being able to continue to expand through acquisitions also appear to be good in terms of access to interesting companies and access to both equity and external capital.

### Investment rate reflects sales target of SEK 40 billion

The level of investment in existing businesses during the year was SEK 1,054 million, compared with SEK 777 million last year, and the rate of depreciation was SEK 1,036 million, compared with SEK 691 million last year. In accordance with IFRS 16, depreciation for the period also includes depreciation on leases of SEK 223 million, which was not the case last year. Depreciation would otherwise have amounted to SEK 813 million instead of SEK 1,036 million. The rate of investment over the next few years will be equal to or greater than the rate of depreciation, excluding leases. Two of the reasons for this are that current capacity is inadequate for our expansion in volume and it is necessary to respond to increasing cost pressure with further rationalisation investments. There have also been insufficient investments in some of the acquired businesses.

### Strong earnings performance

Operating profit improved by 7.4% compared with last year, while the operating margin of 12.0% is 0.6 percentage points lower than last year. The reason for this is the slightly lower operating margin in both NIBE Element and NIBE Stoves.

Profit after net financial items improved by 6.3% compared with last year, leading to a profit margin of 11.2%, 0.6 percentage points lower than last year.

### We make a difference

It is highly satisfying to be able to say that we can add another year of sound performance to our record. Our uninterrupted, profitable expansion over several decades has continued in a market that has varied significantly, and we have once again been able to demonstrate how robust our growth has been over time. These developments are due to our corporate philosophy harmonizing so well with the sustainability revolution that is now sweeping the world.

A company with good profitability must never be founded on predatory practices; profitability must be generated by combining a clear and transparent business concept with good internal efficiency, which will then result in products and services that really create added value for both the end customer and society at large.

We have worked tirelessly with sustainable mindsets and behaviours ever since NIBE was founded. No one talked about sustainability 70 years ago, it was instead about moderation, about using the few resources you had efficiently and not over-using resources. Delivering high-quality, high-performance products at a reasonable price and providing the customer with good service went without saying. These are the simple and self-evident principles that form the basis of our group of companies and permeate all our operations.

That is why we perceive the times we live in now as both natural and exciting and that our objective of being able to reach sales of SEK 40 billion by 2025 feels so realistic.

The business profile we have always operated under is now the profile required by both customers and society. A long-term corporate philosophy with accountability that considers both the environment and individuals, combined with the ability to create sustainable profitability. Against this background, it therefore feels natural that we have undertaken to follow the UN Global Compact's guidelines for sustainable development.

If we are to create a sustainable society that will be accepted and maintained by citizens in the long term, the objective must be to improve the standard of living, not degrade it. The products and services being delivered today and going forward must also be both better and more sustainable than they were yesterday. This is where our products fit so well.

Compared to an oil boiler, for example, a heat pump from NIBE Climate Solutions is both more economical and comfortable for the consumer and kinder to the climate. When we compare NIBE Stoves' present combustion technology with previous stoves, we see the same big positive differences. As a subcontractor, NIBE Element, with its uniquely broad product portfolio, supports its customers' ef-



Gerteric Lindquist,  
Managing Director and CEO

orts to adapt their products to fit into a more sustainable society. This applies to everything from wind power, to rail traffic, passenger cars, commercial vehicles and climate control products to name a few.

In short, NIBE makes a difference.

### Outlook for 2020

- Our corporate philosophy and our strong range of products, with their focus on sustainability and energy efficiency, are in tune with the times in which we are living.
- We are well prepared to continue to be proactive on acquisitions.
- Our internal efforts to enhance efficiency, combined with our rigorous cost control measures, will guarantee persistently healthy margins.
- All three of our business areas have a good geographical spread, which makes us less vulnerable to local downturns in demand.
- Our decentralised organisation, based on independent units, creates the conditions for greater motivation and flexibility.
- As with previous years, the effects of economic trends, currency concerns, volatile energy prices and political turbulence in some parts of the world are hard to predict, but we remain cautiously positive about the year overall.

### Significant events after the end of the reporting period

#### *Update on the impact of Covid-19 on the NIBE Group*

Due to the Covid-19 outbreak, there is a risk of economic impacts on the Group as from the beginning of the second half of March.

As far as possible, we and our suppliers will mitigate the consequences for our customers and for the entire NIBE Group going forward. In the current uncertain situation, it is not possible to fully predict the financial consequences for the NIBE Group.

Markaryd, Sweden – March 2020

Gerteric Lindquist  
Managing Director and CEO



# An investment in NIBE shares has yielded good returns

Our focus on world-class sustainable energy solutions has produced over 20 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 nearly 18% since 1997 combined with an operating margin of between 10% and 13% and an average return on equity of just over 16%.  
 Since 1997, the share's total return has averaged 25% annually.

**Meeting the demand for energy conservation**  
 NIBE is well positioned thanks to the combination of several drivers that create continued demand for energy-efficient products.

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

**Continued growth in fragmented markets**  
 NIBE's markets are characterised by their fragmentation, and thus the scope for continued consolidation remains good.

**Dedicated management with a long-term view**  
 Since its initial public offering, NIBE has had highly stable management.

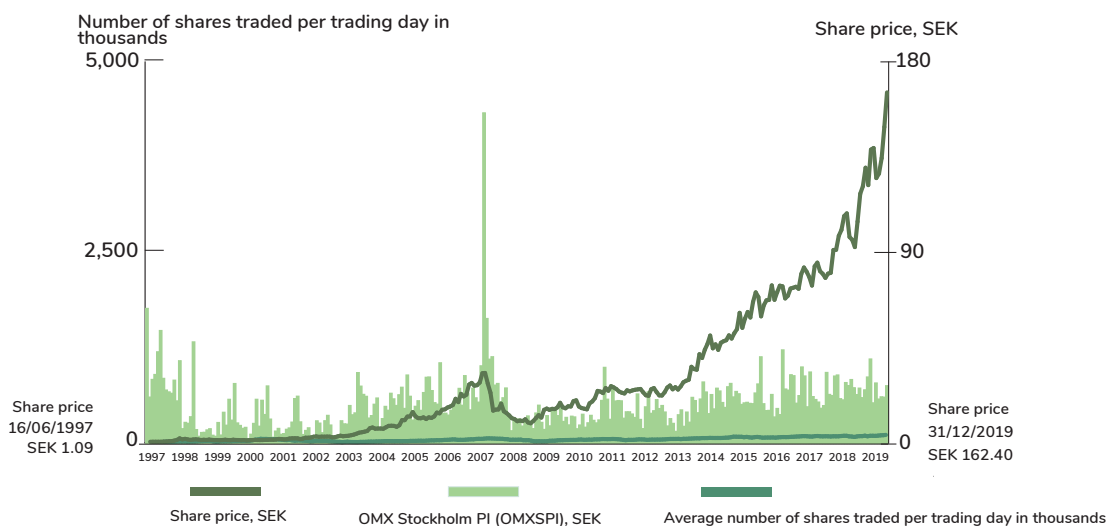
**Economies of scale generate profit for the Group's companies**  
 NIBE's size creates economies of scale for all companies in the Group in several areas: joint purchasing, production efficiency expertise and an open product development environment, which accelerates time-to-market and provides opportunities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

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

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

**Huge market potential**  
 Our ambitious growth targets stem from our view that there is still great potential for both organic and acquisition-driven growth on a global scale.

## Share performance, 1997-2019





## Data per share

		2019	2018	2017	2016	2015
Number of shares	no.	504,016,622	504,016,622	504,016,622	504,016,622	462,455,387
Average number of shares	no.	504,016,622	504,016,622	504,016,622	469,382,260	462,455,387
Year-end share price	SEK	162.40	90.92	78.60	71.80	67.83
EPS (after tax)	SEK	4.31	4.11	3.38	2.93	2.67
Equity per share	SEK	34.74	30.57	25.41	24.06	16.06
Proposed dividend	SEK	1.40	1.30	1.05	0.88	0.80
Price/equity	times	4.67	2.97	3.09	2.98	4.22
Dividend yield	%	0.86	1.43	1.34	1.23	1.18
Total yield	%	80.16	17.33	10.93	7.15	43.28
Operating cash flow per share	SEK	3.78	2.21	3.15	2.90	3.36
Payout ratio	%	32.5	31.6	31.1	30.0	29.9
PE ratio (after tax)	times	37.7	22.1	23.3	24.5	25.4
Market capitalisation	SEK m	81,852	45,825	39,616	36,188	31,367
EBIT multiple	times	29.1	18.3	19.3	21.3	21.7
EV/sales	times	3.49	2.30	2.38	2.75	2.78
Share turnover	%	34.9	36.1	35.1	34.8	32.7

## Definitions

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

Earnings after tax divided by average number of shares.

**Equity per share**

Equity divided by number of shares.

**Price/equity**

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

**Dividend yield**

Dividend as percentage of year-end share price.

**Total yield**

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

**Operating cash flow per share**

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

**Payout ratio**

Dividend as a percentage of earnings per share.

**PE ratio (after tax)**

Year-end share price divided by earnings per share.

**Market capitalisation**

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

**EBIT multiple**

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

**EV/sales**

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

**Share turnover**

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

## Changes in share capital

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

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

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

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

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

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

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

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

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

# NIBE share performance 2019

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 was SEK 70 per share. This corresponds to SEK 1.09 per share following the 4:1 splits carried out in 2003, 2006 and 2016. Private placements were conducted on two occasions since the initial public offering: in 2011/2012 with an issue of 65,334,552 B shares in conjunction with the secondary listing on the SIX Swiss Exchange, and in 2016 when 7,391,566 A shares and 55,610,504 B shares were issued.

## Share capital

NIBE Industrier AB's share capital totals SEK 79 million and is divided into 58,532,590 class A shares and 445,484,032 class B shares. The quota value is SEK 0.15625 per share. Each class A share carries ten votes at General Meetings and each class B share carries one vote. All shares carry the same entitlement to dividends. At the end of 2019 the company had no outstanding convertible loans or options that could risk diluting the share capital.

## Secondary listing

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

## Share performance and turnover

In 2019, NIBE's share price rose by 78.6%, from SEK 90.92 to SEK 162.40. During the same period, the OMX Stockholm PI increased by 29.6%. At the end of 2019, NIBE's market capitalisation, based on the latest price paid, was SEK 81,852 million. In 2019 a total of 175,937,400 NIBE shares were traded, corresponding to a share turnover of 34.9% over the year.

## Dividend policy

The aim is, over the long term, to pay a dividend equivalent to 25-30% of Group profit after tax. The Board proposes a dividend of SEK 1.40 per share for the 2019 financial year, which equals 32.5% of Group profit after tax.

## Shareholders

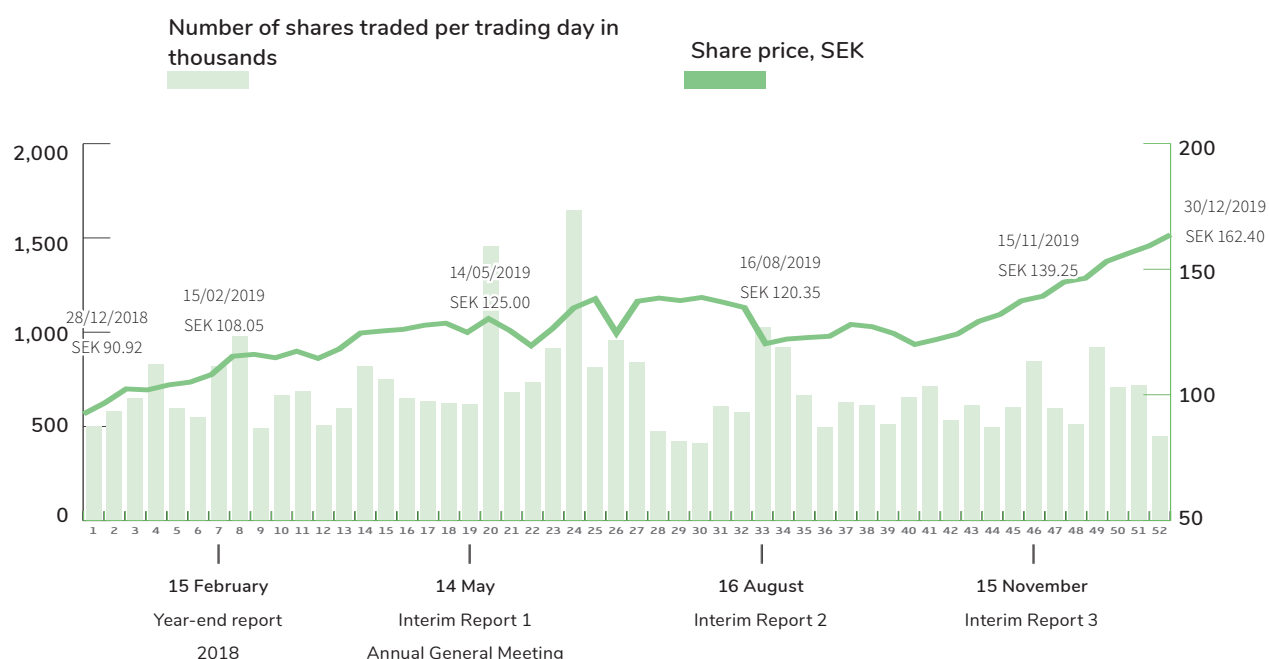
The number of shareholders continued to increase during the year. However, because of Swiss reporting regulations, it is, in principle, impossible to determine the current total number of shareholders for the Group's secondary listing on the SIX Swiss Exchange. Excluding these Swiss-registered owners, NIBE had 51,722 individual shareholders at the end of 2019, compared with 44,422 at the same time last year. The ten largest shareholders held 58.9% of the votes and 46.7% of the capital.

## Analysts

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

Karl Bokvist	ABG Sundal Collier
Johan Wettergren	Carnegie
Johan Sjöberg	Danske Bank Equity Research
Olof Larshammar	DNB Bank Markets
Marcela Klang	Handelsbanken Capital Markets
Douglas Lindahl	Kepler Cheuvreux
Carl Ragnestam	Nordea Markets
Klara Jonsson	SEB Equity Research
Fredrik Moregard	Pareto

## The share in 2019



## Press releases during the year

### First quarter

**15 Feb** NIBE's year-end report 2018

### Second quarter

**15 Apr** Notice of NIBE's 2019 annual general meeting

**15 Apr** NIBE's Annual Report is published

**9 May** NIBE sells Schultess Maschinen AG and becomes majority owner in new owner company together with Helvetica Capital AG

**14 May** NIBE's Interim Report 1 2019

**14 May** Annual General Meeting of Shareholders

### Third quarter

**16 Aug** NIBE's Interim Report 2 2019

### Fourth quarter

**28 Oct** NIBE acquires 51% of shares in Therm-X of California Inc

**12 Nov** NIBE acquires 50% of the shares in Turkish ventilation and air conditioning group ÜNTES

**15 Nov** NIBE's Interim Report 3 2019

**19 Nov** NIBE acquires TIKI Group, Gorenje's Serbian operations

## Major shareholders

(Source: Euroclear Sweden share register 30/12/2019)

Shareholders	Number of Shares	Number of Votes (%)
Current and former Board members and senior executives <sup>1)</sup>	105,900,386	46.37
Melker Schörling	54,927,359	20.34
SSB and Trust Co, W9	39,826,389	3.86
Alecta Pensionsförsäkring	32,125,000	3.12
JPM Chase Bank NA	16,061,073	1.56
BNY Mellon NA (Former Mellon), W9	14,553,565	1.41
Didner & Gerge Aktiefond	9,156,155	0.89
JPM Chase NA	8,425,472	0.82
CBNY-Norges Bank	6,089,374	0.59
BNP PARIBAS SEC SERVICES	5,095,597	0.49
SIX SIS AG W8IMY	4,731,348	0.46
Big Brothers Harriman & Co	4,299,642	0.42
Fjärde AP-fonden	3,722,649	0.36
Other holdings (51,686 shareholders)	199,102,613	19.31
<b>Total</b>	<b>504,016,622</b>	<b>100.0</b>

<sup>1)</sup> For current Board, see page 124.

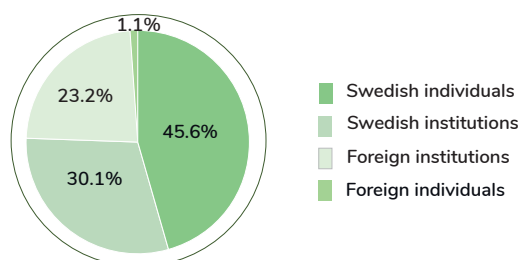
## Shareholder structure

(Source: Euroclear Sweden share register 30/12/2019)

Number of shares	Number of owners	Number of owners (%)	Number of Shares	Number of Shares (%)
1 – 500	38,433	74.31	4,344,928	0.86
501 – 1,000	4,443	8.59	3,541,810	0.70
1,001 – 5,000	5,870	11.35	14,173,549	2.81
5,001 – 10,000	1,243	2.40	8,967,301	1.78
10,001 – 20,000	840	1.62	12,194,008	2.42
20,001 –	893	1.73	460,795,026	91.43
<b>Total</b>	<b>51,722</b>	<b>100.0</b>	<b>504,016,622</b>	<b>100.0</b>

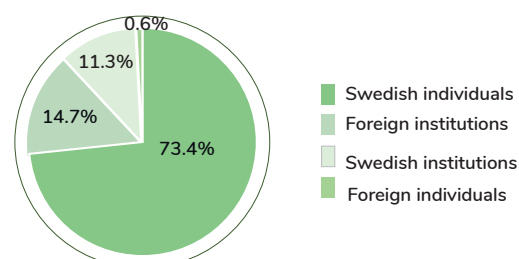
### Share of capital, %

(Source Euroclear sharebook 2019-12-30)



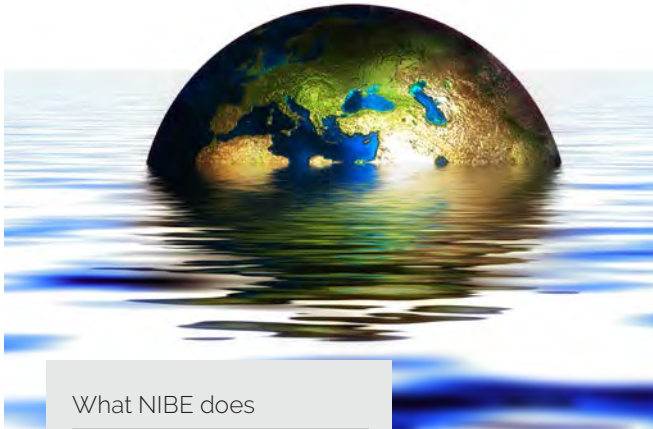
### Share of voting rights, %

(Source Euroclear sharebook 2019-12-30)



# Drivers and trends

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



## What NIBE does

Our products are a major contributory factor to accelerating the transition to sustainable solutions to stem climate change.

## Climate change – the greatest challenge of our age

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 social stability.

The international ambition is to reduce global warming to less than two degrees Celsius. This requires a reduction in greenhouse gas emissions of 70% by 2050 compared with the level in 2010, an annual reduction of 6.5%. Unfortunately, research indicates that even greater reductions in greenhouse gases are required to stop climate change.

## Globalisation

Population growth and urbanisation 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.

## What NIBE does

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



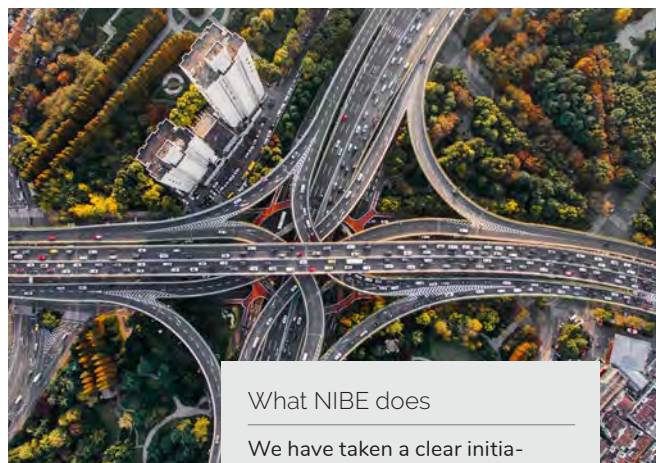


## Population growth and growing cities

According to the latest UN calculations, the population of the earth will have grown from approximately 7.5 billion today to almost 10 billion by 2050. Today, 55% of the world's population lives in major cities and this figure is expected to increase to 70% by 2050.

## Infrastructure and clean technology

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.



### What NIBE does

We have taken a clear initiative on climate issues with our sustainable energy solutions for indoor climate comfort in all types of buildings as well as for both private and public transport.



### What NIBE does

We invest considerable development resources into control and communication in our products to be a part of the smart home, thereby reducing energy use.

## Digitalisation

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. If the trend continues, 50 billion devices will be connected to the internet by 2020.

## Properties

All the buildings in the world currently account for around 40% of total energy use and around one third of global emissions of greenhouse gases, most of which occur during the utilisation phase. As buildings are used for many years, the energy-related product choices made today are important because they can affect the environment for several decades to come.



### What NIBE does

We offer sustainable, energy-efficient solutions that reduce energy consumption and greenhouse gas emissions in all types of buildings.

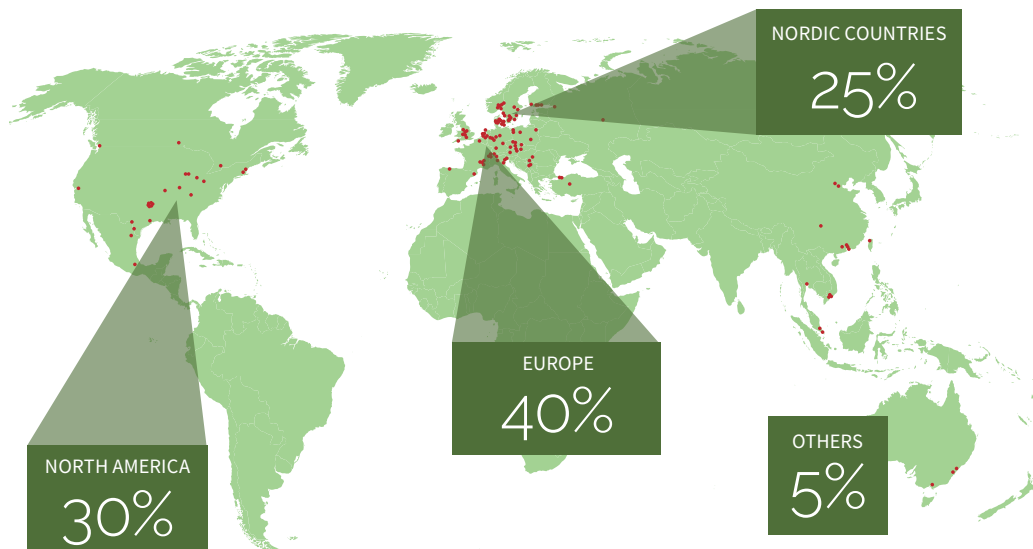
## NIBE's vision

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

## Mission

Our mission is to offer the market high-quality, innovative, intelligent and energy-efficient products and system solutions through our three business areas. The foundation for this is the NIBE Group's wide-ranging capabilities in product development, manufacturing and marketing.

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## Business focus meets vision

By purposefully developing our product portfolio so we can actively contribute to the transition to fossil-free technologies and higher energy efficiency, we have good opportunities to meet demand and achieve our vision – to create world-class solutions in sustainable energy.

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



## Our position

### A large market with room to grow

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

The overall addressable market size for NIBE is significant and is currently estimated at nearly SEK 600 billion. The biggest market is in domestic and commercial heating/air conditioning and ventilation, with the NIBE Climate Solutions market estimated at just over SEK 500 billion, followed by the NIBE Element market, estimated at just over SEK 50 billion, and the NIBE Stoves market, estimated at just over SEK 30 billion.

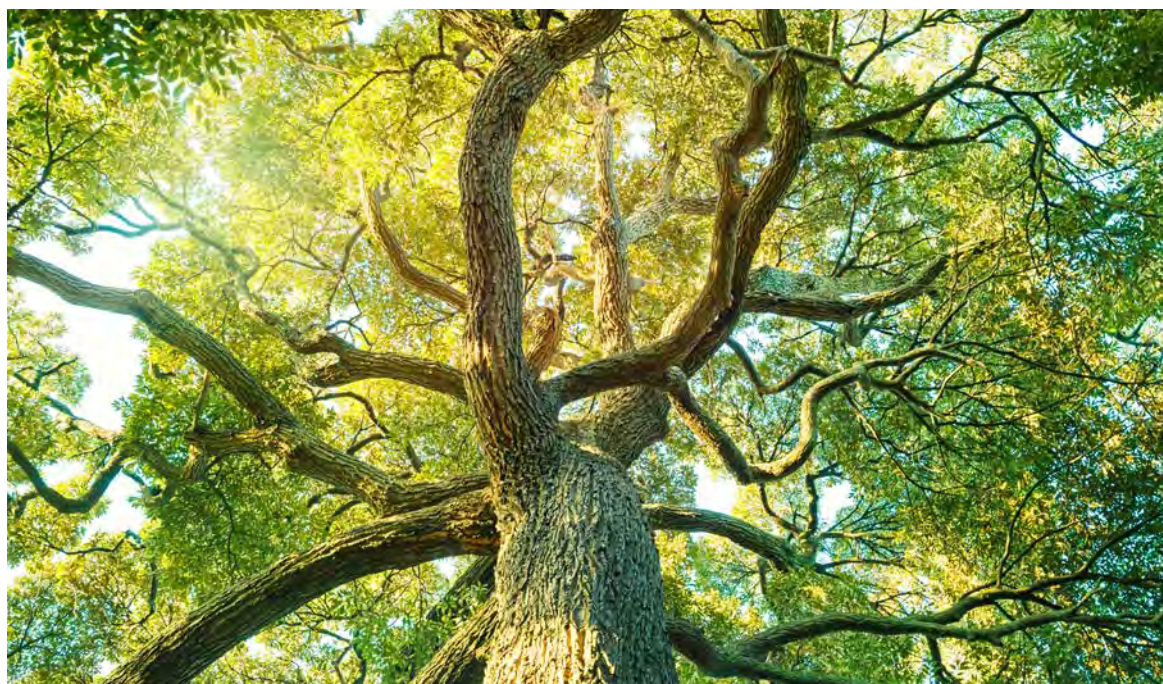


### Well-proven acquisition methods

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 takes place within the framework of strong, healthy finances.

## 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.



# NIBE adds value – in the home

## Comfort, convenience and peace of mind

NIBE wants to help reduce energy consumption for our customers and for society at large by developing world-class solutions in sustainable energy. Much of what we experience as comfort, convenience and peace of mind in our modern homes comes from equipment that uses energy to heat, air condition, ventilate or otherwise achieve a comfortable indoor climate. NIBE is involved with most of these types of equipment, either as a manufacturer of a product or system solution, or as a manufacturer of one or more components in a product.



### Making life simpler and more convenient

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



### The kitchen – the heart of the home

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



### A pleasant indoor climate

A heat pump from NIBE is one of the most energy-efficient ways to heat a home and it causes lower carbon dioxide emissions than traditional heating with fossil fuels. This both reduces costs and saves the environment for current and future generations. Combined with waterborne underfloor heating, it also produces a comfortable indoor climate.



### Cosy up to a stove

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.



# NIBE adds value – in large properties

## We heat, air-condition and ventilate

The bigger the building, the higher the investment in indoor climate comfort equipment and the more important it is to make the right choices in terms of reliability, cost and the climate. NIBE has the knowledge, experience and technical solutions to achieve the best concept for any type of property, whether it is an apartment block, an industrial building, a farm, a hotel, a church or a country house.



### Hotels

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



### Renovation of old buildings – vineyard in Italy

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



### Apartment blocks

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 concept solutions. These make it possible to optimise energy use in the property. Heat pumps produce heat and hot water and enable air conditioning.



### Public buildings

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

# NIBE adds value – in industry

## We offer intelligent heating and control

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



### 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.



### Vehicle customers' comfort requirements

The requirements for comfort in various types of vehicles are constantly becoming stricter. This has generated a great need for new applications based on element technology. One of the latest applications is heated windscreen wipers from NIBE. This will probably be a standard feature of vehicles in the future.



### Hybrid vehicles

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.



### Resistors have many areas of application

NIBE is a major manufacturer of resistors, which are an important balancing component in electronic systems and products. NIBE resistors are used for controlling and regulating wind turbines, industrial robots, lifts, electric motors and a wealth of other applications across a broad spectrum of industries.



# NIBE adds value – for a better climate

## We help conserve energy and support sustainable development

It is natural for NIBE, with its products, to play a key role in international ambitions to achieve sustainability. We see it as our responsibility to focus on creating a product portfolio that supports the transition to a fossil-free society with reduced energy consumption. We also reduce our own impact on the climate and the environment in all stages, from production to suppliers.



### Frequency control

Frequency-controlled compressors in heat pumps optimise energy use and reduce strain on the electricity grids. NIBE's production of frequency converters, called inverters, meets very strict requirements for accuracy and quality.



### Heat pump modules in other industries

Heat pump technology has also begun to make its mark in industry. By utilising the Group's expertise in heat pump technology, NIBE can offer heat pump modules in industrial processes and commercial products. For example, in professional kitchens and laundries, heat pump modules are used both in machinery and to cool and dehumidify the air, producing a better working environment and enhancing energy efficiency.



### PV panels

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



### Major investments in rail-based transport

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.

# Financial targets for long-term positive development

## Operating margin

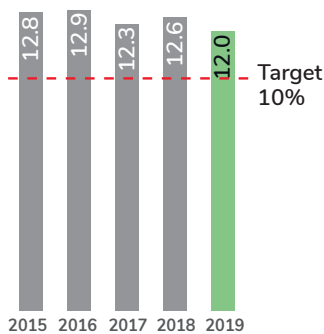
The operating profit for each business area and for the Group shall be at least 10% of sales over a full business cycle.

The operating margin must be at least 10% to give operations stability and prepare them for both acquisitions and rapid changes in the business environment. This is one of the cornerstones to ensuring long-term positive development and continuous growth. During the past five years, the average consolidated operating margin has been 12.5%.

2019

Operating profit improved by 7.4% compared with the previous year, while the operating margin fell from 12.6% to 12.0%. Because of the acquired companies' varying levels of profitability and seasonal patterns, a full 12-month period is required before a completely accurate operating profit can be recognised. Administrative acquisition expenses amounted to SEK 51 million (SEK 15 million) during the year and in addition to this costs were recognised for acquisition processes that were discontinued.

10%



Operating margin past five years (%)

## Growth

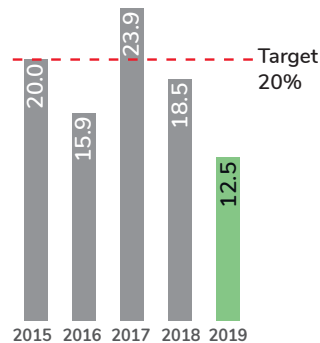
Average year-on-year growth shall be 20%, half organic and half acquired.

Half of the targeted average year-on-year growth should be organic over time. Stagnating growth poses a threat to the maintenance of healthy, sustainable profitability. Historically, acquired growth has balanced organic growth in that it has usually been lower than organic growth in good times and higher in difficult times. During the past five years, total average growth has been 18.1%.

2019

Sales in 2019 totalled SEK 25.3 billion. The companies acquired injected combined annual sales of just over SEK 1.3 billion into the Group, of which just over SEK 1.0 billion impacted 2019 sales. Including all the acquired companies and calculated on a rolling 12-month basis, consolidated sales are now at about SEK 25.6 billion.

20%



Growth past five years (%)



### Return on equity

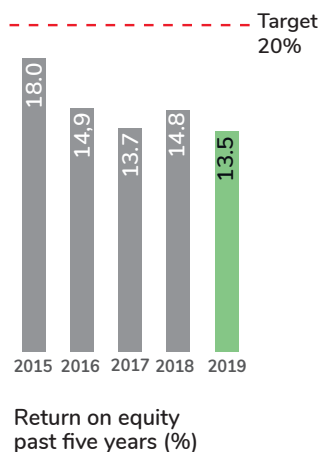
Return on equity over a business cycle must be at least 20%.

Good return on equity contributes to a stable ownership structure and share price and enhances our ability to attract further capital. During the past five years, the average return on equity has been 14.5%.

2019

At year-end, equity was SEK 17.6 billion, an increase of SEK 2.2 million on 2018.

20%



### Equity/assets ratio

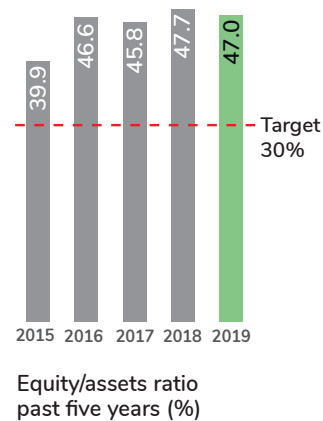
The equity/assets ratio must not fall below 30%.

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 46.0%.

2019

During the past year, equity increased by 14%, while total assets increased by 15%, which means that the equity/assets ratio has fallen slightly.

30%



# Sustainability goals for a responsible business

## Increased climate benefit in our product portfolio

The target has been for 55% of our sales to consist of LCE classified products\* by the end of 2019.

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.

2019

Of our total 2019 sales, 56.1% consisted of LCE-classified\*\* products.

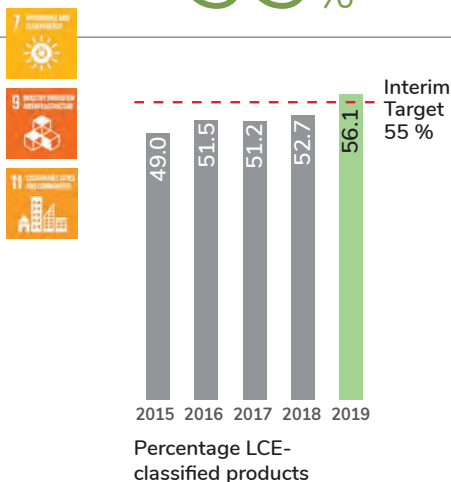
The product groups heat pumps, district heating and wind power components account for the increase. The target for 2018/19 was reached in 2019.

We will set a new target in 2020.

\*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.

55%



## Continuously declining energy use

The target is to reduce energy use 30% by 2020 compared with 2013 as the baseline (measured in MWh/SEK M in sales).

The target was set in 2013 with the initial position of reducing the amount of energy purchased for our properties and processes, primary (scope 1) and secondary (scope 2). Internal transportation and self-generated energy like that from heat pumps and PV panels within the operations are excluded. The outcome is calculated from the total energy use of the companies included in the 2013 baseline, not from all sustainability reporting companies in 2019. Reliable data was not available until 2013 so that is why it was chosen as the baseline.

The target is linked to our environment and climate focus areas as well as use of our energy-efficient products that use renewable energy in the operations.

2019

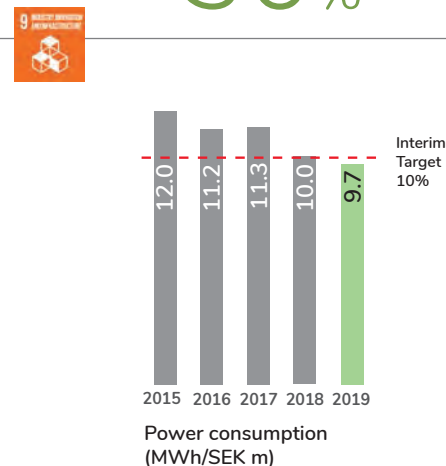
We based our calculation on the companies and operations included in the 2013 baseline of 14.0 MWh/SEK million (2014: 14.0), resulting in an energy intensity of 9.7 MWh/SEK million for 2019, a 30.8% decrease.

In addition to energy conservation, we have minimised the use of oil to heat our properties by increasing the use of heat pumps and energy-efficient ventilation solutions. We are also considering the possibility of generating our own energy via PV panels in small local facilities.

Ongoing energy audits since 2015 in our units include about 60% of our energy use within and outside the EU. These have provided savings in completed activities corresponding to a cost reduction of roughly SEK 10 million a year. Ongoing energy audits indicate a possible energy saving of about another 5% through various investments and behavioural changes.

The target was reached a year earlier than expected and we will set a new target in 2020.

30%



## 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 2020.

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

The measurement includes everyone who has performed work in our company. The measurement refers to the lost time injury frequency rate (LTIF), which measures accidents resulting in at least one day's lost work after the date of the accident per one million hours worked.

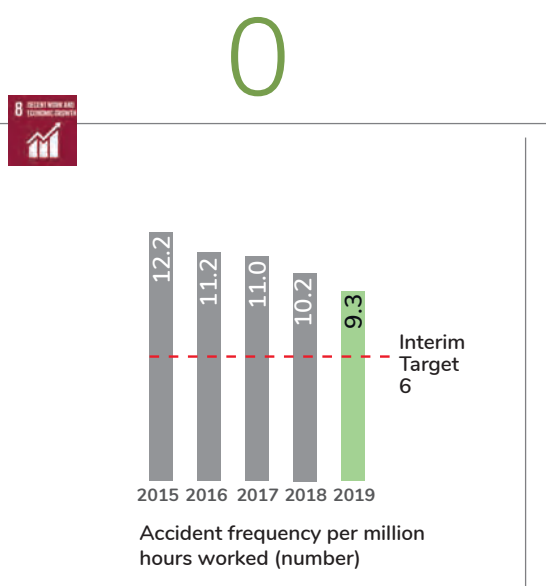
This target supports our working environment and injuries focus area.

2019

The outcome for LTIF 2019 was 9.3.

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

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



## Ensuring systematic quality and environmental initiatives

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

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

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

We measure the 2019 outcome against companies that have been in the Group since 2017.

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

2019

Five new certificates were obtained in 2019.

Processes for certification are under way in companies acquired in 2017/18/19. We currently have 25 companies that are in the process of being certified. Of these, four companies failed to meet the extended timeframe for 2019 and five companies did not meet the two-year plan. One company was not recertified. For these companies, measures are planned for certification in 2020.



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. Our business principles are available in 20 languages.

### Good profitability

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



### High productivity

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



### Aggressive product development

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



### Quality in everything – focus on the customer

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



## OUR business principles **NIBE**

### Focus on three core businesses

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



### Committed employees

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



### A long-term approach

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



### Market-oriented expansion built on common sense

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





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 responsible entrepreneurship. We work consistently to communicate our core values to all employees in the Group. Our values are 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.



### 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.



## OUR values

# NIBE

### Sound business ethics

We must comply with applicable legislation and have zero tolerance for bribery and corruption. We must also communicate honestly.



### Transparency

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



### Responsible purchasing

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



### Corporate citizenship

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



# We are part of the solution

In recent years, we have seen a major change in attitude towards sustainable energy solutions. After a sharp turnaround, 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 and fossil-free society. We now see this happening in several countries, where for example the Netherlands has decided to completely phase out its gas-based infrastructure in the long term. Germany is undergoing sweeping changes in its energy markets due to its extensive Climate Protection Programme 2030, which includes subsidies for replacing old gas and oil boilers with more energy efficient solutions like heat pumps. The UK has also begun transitioning with initiatives like its Renewable Heat Incentive, a subsidy to households that replace their old gas or oil boilers with a heat pump.

Our ongoing informational campaign in the US, which aims to change attitudes and increase knowledge about geothermal heating, has received a lot of attention for its creativity. In parallel, activities are also being carried out in selected states with information on geothermal heating as a real alternative for reducing energy consumption and environmental impact.

The turnaround in the transition to a more sustainable society can be likened to turning a ship – it takes time but we feel that the ship is starting to move in the right direction and we are better positioned than ever to be part of the solution.

## Good potential for heat pumps in single-family homes

Single-family homes provide good sales opportunities for heat pumps for both new builds and replacing existing heating/ventilation/air conditioning equipment. The use of fossil fuels for heating buildings still dominates, but with increasing awareness of the need for protecting the climate in both Europe and the US, the replacement market is becoming more and more interesting. Being able to pursue the single-family housing market for both new construction and equipment replacement provides stability in the business, as demand often varies between new construction and renovation depending on the business cycle.

## Climate transition potential in commercial properties and apartment blocks

We have strengthened our position in large properties – commercial properties as well as apartment blocks – both of which offer great potential. This has mainly been done through our subsidiaries CCG in the US and Rhoss in Europe, and with Üntes, our latest acquisition in Turkey, we are also opening the market up in the Middle East.

We see great potential in being involved in the urban energy transition, where we can benefit from our solid experience as a heat pump supplier to large properties. Our technology can also be advantageously combined with district heating in built-up areas and several interesting development projects are in progress.

## Targets

### Growth target

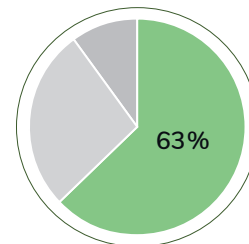
**We will achieve growth of at least 20% annually, of which half is organic.**

In 2019, total growth was 15.3% (18.6%), of which 9.6% (15.9%) was organic. This means that organic growth was 6.3 percentage points lower than in 2018.

Growth has been 20.4% on average over the last five years.



### Net sales



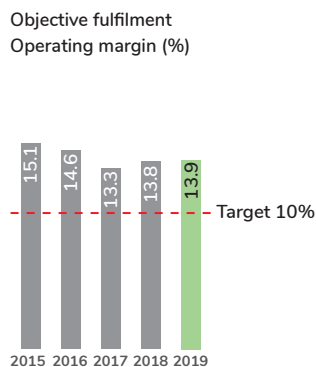
Percentage of Group

### Operating margin target

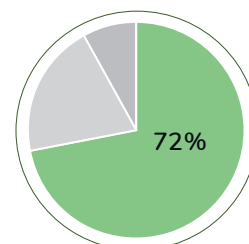
**The operating profit will be at least 10% of sales over a business cycle.**

The operating profit in 2019 was 13.9% (13.8%) of sales. This means that the operating margin improved by 0.1 percentage points compared with 2018.

The operating margin has been 14.0% on average over the last five years.



### 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,  
Business Area Manager, NIBE Climate Solutions



### New growth targets

In the summer of 2019, all the subsidiaries' managers gathered for a global management meeting focusing on the new growth target for the Group, which for the Climate Solutions business area will generate sales of SEK 25 billion by 2025. The discussion mainly concerned details about what we should do to achieve the target, since the common perception is already that we will succeed.

We will increase our market share in a growing market while also seeking acquisitions in our sectors that have solutions for both single-family homes and large properties. An increased geographical presence will also increase our market share and thereby further strengthen our market position.

### Intelligent climate control solutions

Being part of the solution to achieving the global climate goals means that we continue to develop climate-friendly, intelligent and energy-efficient products that are adapted to an increasingly connected and interconnected society characterised by an aspiration to be sustainable and fossil-free. This insight is incredibly stimulating – that we can and do make a difference while still favouring our business.

In 2019, our new generation of heat pumps was launched where we have taken a quantum leap in terms of connectivity and intelligent control with a new control and monitoring system based on new software. In short, this means that the heat pump is constantly online and can therefore constantly adapt to the activities of the smart home to further manage energy consumption. The entire system is easily monitored remotely, both by residents and by service technicians.

Demand is also increasing for maintaining a comfortable indoor climate even during the hottest days of the year. We meet this need with our geothermal heat pumps, which can deliver very energy efficient active as well as passive cooling.

### 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

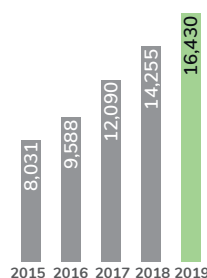
Our business objective is to consolidate our market-leading position in Europe and North America. The number of domestic markets will gradually be increased by acquisitions, the establishment of subsidiaries or the use of other well-established sales channels.

## Figures for 2019

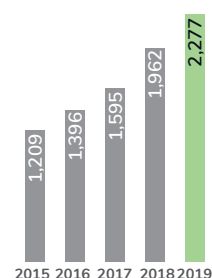
In 2019, the Climate Solutions business area increased its net sales by 15.3% compared with 2018. The increase is primarily attributable to organic growth.

The operating profit for the business area increased by 16.1% compared with 2018. The increase is mainly due to increased sales and good cost control.

Net sales  
(SEK m)



Operating profit  
(SEK m)



# Products that make the sustainable society of the future possible

NIBE Climate Solutions offers a wide range of products for intelligent, energy-efficient indoor climate comfort, including heating, air conditioning, heat recovery, ventilation and water heating for homes, apartment blocks and commercial properties. Most of our solutions are based on recovering renewable energy from soil, rock, sun, water or air.

Our products, which can be combined in system solutions with both existing and new systems, can be divided into the following categories:



## Heat pumps

The principle is based on indirectly extracting energy from the sun, which is stored in rock, soil, air and water or surplus heat from ventilation exhaust air. The heat can be distributed in both waterborne and airborne systems, used to heat water and stored in an accumulator tank.



## Climate control systems for large properties

Large residential properties and commercial properties usually have a climate control system that ensures good ventilation, a steady temperature and the correct humidity in all seasons. This requires system solutions that combine heating and air conditioning systems as well as ventilation units with heat recovery in which a heat pump produces heat, hot water and air conditioning.



## Water heaters and accumulator tanks

Water heaters that are designed for energy-efficient heating either with electricity, a heat pump or solar panels. 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.



## Ventilation products and air conditioning

Fresh air ventilation with heat recovery via the heated exhaust air, and products made for air conditioning single-family homes, large properties and industrial applications.



## Domestic boilers

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



## District heating products

Local and district heating centres for distributing district heating to individual properties.



## PV panels

Solar power generated from PV panels that can be combined with a heat pump and/or sold to a power producer.



## Commercial washing machines and tumble dryers

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



NIBE ADDS VALUE

# Our smartest heat pumps ever



The S-series is NIBE's new heat pump concept consisting of intelligent inverter-controlled geothermal or air/water heat pumps with an integrated water heater and a new software platform. Optimal savings are achieved since the heat pump automatically adapts to the home's heating needs.

The S series becomes a natural part of the connected home through the built-in Wi-Fi connection myUplink®. The smart technology automatically adjusts the indoor climate and gives the homeowner complete control over the system from a telephone or tablet. Heat and hot water production can be easily monitored and controlled. If the system experiences interruptions, a push notification and email are sent immediately.

The S-series also facilitates Smart Price Adaption, which means that the heat pump receives information about the coming day's electricity prices and then adapts its operation accordingly. The function is based on hourly rate information from the electricity exchange. Electricity prices along with expected heating and hot water requirements then automatically control the heat pump to further reduce energy costs and environmental impact.

### Brands

\* acquired 2020



# Extensive product development and several development centres

## 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 at 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. We have also introduced the Joint Platform Initiative (JPI) collaboration concept, which aims to develop common solutions for connecting climate control systems via the internet for control and monitoring.

## Development to achieve climate goals

Sustainability is an important factor throughout a product's life cycle. Proactive market-based product development has several target criteria. Our products must be resource-efficient in both production and operation and thus help reduce climate impact. Although we have long used products such as the much more eco-friendly refrigerant R290 in several of our heat pumps, the F-Gas Regulation introduced by the EU entails intensive work on converting the entire product range to even more eco-friendly refrigerants while maintaining high energy efficiency and quality.

We develop our products according to certain main criteria:

- Continuous improvement of energy efficiency
- Utilise renewable energy
- Higher output via advanced control
- Convertible (heat in winter/air conditioning in summer)
- Recyclable
- Environmentally adapted
- Better design
- Better overall cost efficiency

## We practice what we preach

To really practice what we preach, we decided a while back to make the production facilities within the Group more energy efficient with the help of our heat pumps. This will reduce our use of district heating, oil and gas in favour of heat pumps and renewable energy throughout the Group. For example, in recent years we 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 automation and mechanisation. 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 2019, we invested SEK 639 million (SEK 404 million) in our production facilities.

The continued healthy volume growth in Europe and North America in 2019 has required the hiring of additional personnel. This, combined with well-planned stockbuilding during the first six months of the year, has enabled us to maintain good delivery capacity throughout the year. However, low unemployment in North America has made it difficult to employ production staff.

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

However, thanks to its modern, highly efficient production facilities in both high-cost and low-cost countries, we believe that NIBE Climate Solutions is well placed to assert itself in tomorrow's international market for climate control products.

## Quality and environmental certification

We are working to introduce certified quality and environmental management systems to all our production units with more than 10 employees. We aim to introduce these systems within two years after acquiring a business. With several newly acquired units, this means that five companies are in the process of becoming certified to ISO 9001 and six companies to ISO 14001. To create the same structured, systematic approach to improving the working environment and reducing the risk of accidents, the management systems are being expanded to include the working environment as well.

## Production management

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

## Joint purchasing

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

## NIBE ADDS VALUE


**Commercial property Metropol,  
built in 1986, Sundsvall**

- 16,000 square metres with around 50 businesses.
- Owned by Diös Fastigheter, which has invested in a new climate control installation.
- Four NIBE F1345-60 kW heat pumps, 26 boreholes, a photovoltaic system with 940 solar panels and an installed power output of 132 kW.

## Lower heating costs and free cooling

Metropol in Sundsvall is a commercial property with 16,000 square metres that houses entrepreneurs, students, associations and a restaurant. The owner is property company Diös, whose sustainability goals include reducing annual total energy consumption with a target of 3% for 2019.

The property has an airborne climate control system and until 2015 all its heating came from the local district heating plant, which runs on incinerated waste, among other things. Chillers during the summer used 200 kW.

To cut energy consumption, Diös chose to install a complete climate control system from NIBE with geothermal heating, exhaust air heat exchangers and solar cells, which are all controlled by the same system.

### Inexpensive heating and free cooling

The boreholes are utilised year-round thanks to the heat pump's cycle. In winter, the building gets its energy via the main ventilation system and heating coils that heat the supply air on each floor. The heat extraction cools the boreholes – cooling that is then used in the summer. The free cooling from the rock cools the supply air, thus replacing the much more energy-intensive chillers.

### Energy efficient and reliable

“We already have many NIBE geothermal heat pumps in our property portfolio. Function and energy efficiency are

very good, they are reliable and they play an important role in our long-term sustainability efforts. We have equally good experience with NIBE's air/water heat pumps and see that they fit perfectly in many projects, such as recycling energy in exhaust air from ventilation units or as an alternative to geothermal heating,” said Fredrik Karlström, energy optimiser at Diös Fastigheter.

As the property's 16,000 square metres are heated and cooled via the ventilation system and not via radiators, it took some courage to invest in geothermal heating and solar. Diös Fastigheter had that courage and it has become a fantastic example of how to create world-class energy efficiency with geothermal heating and system solutions.





# Market drivers and trends

## The global transition to more sustainable solutions

A fundamental driving force for our products 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 phased out in favour of systems based on renewable energy that also require less input energy for the same output power.

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**, direct financial assistance/subsidies for conversion, energy taxes, 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. Another example is stricter energy conservation requirements in buildings. These requirements are largely national, but the EU is working to establish common requirements and standards.
- **Smart buildings**, increased demand for better energy performance and control of residential and commercial property climate systems.
- **The property and construction market**, demand for residential and commercial premises as well as economic conditions determine the extent of new construction and renovation.
- **Costs to the end consumer**, for investment and operating costs depending on the type of energy.

Group trends and business environment factors can be found on page 12.

## Electrification and digitalisation are clear trends

The positive drivers for change concerning the climate are reflected in two distinct trends:

**Electrification** is evident in the transport sector, where hybrid and all-electric vehicles and rail-driven modes of transport are increasing. A change in attitude is also occurring when it comes to electricity as a source of energy for indoor climates. 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, expansion

and research are under way to generate renewable electricity. Individuals are propelling the trend towards electrification through an increased willingness to invest in renewable electricity. This is evident in the increase in rooftop solar cells.

**Digitalisation**, where smart home systems are being set up by interconnecting the different parts of the house that affect climate and comfort: heating, cooling, hot water, ventilation and various algorithms for optimising performance and household energy consumption patterns.

## Huge market potential

The addressable global market for climate control products is huge. We estimate that it totals at least SEK 1,000 billion, but a conservative estimate tells us that about SEK 500 billion is addressable for our products.

The heating, ventilation and air conditioning (HVAC) sector represents great business potential with good opportunities for future expansion with product solutions for indoor climate comfort. 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 and Norway. In addition, during an average year around one million new units are installed in new builds in the same countries. This means that the penetration for heat pumps designed for waterborne distribution is around 5% in the EU. The corresponding penetration rate in the US is less than 2%.

## Europe is the base

The proportion of heat pumps in single-family and two-family homes is high in the Nordic countries and competes primarily with district heating in urban areas.

The proportion of heat pumps is lower in the rest of Europe, where gas boilers are predominant. Since boilers are not part of our product range, we remain a medium-sized player in the heating market across much of Europe. In the heat pumps market segment, however, we hold a market-leading position both in the Nordic region and in several other European countries.

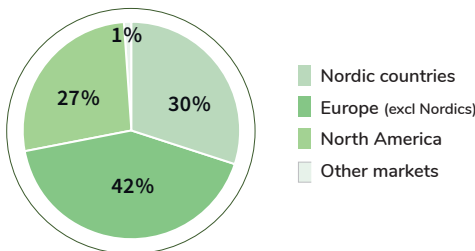
## Greater political will for sustainable domestic heating

In several European countries there is growing interest among policy makers to address global environmental and climate challenges, which has led to a dramatic market expansion. The governments of the UK, the Netherlands, Norway and Germany have, in various ways, highlighted their ambitions to phase out heating products that use the fossil fuels oil and gas. Norway has come the furthest, with a total ban on oil-fired boilers from 2020. Similar decisions in the UK and the Netherlands will gradually require alternatives to gas-fired boilers, which currently dominate the heating market for single-family homes in these two markets. Germany is also undergoing an extensive energy transition where, within the framework of its comprehensive Climate Protection Program 2030, they put a premium on changing to more energy efficient and fossil-free solutions.

NIBE Climate Solutions has increased its participation in the debate by continuously informing policy makers in the EU and US about the heat pump technology, relatively unknown to many, and its efficient use of stored renewable solar energy.

## Strengthened position on a growing European market

We have further strengthened our market position on a growing European heat pump market, which has helped us grow organically in the region. All the Nordic markets have also continued to grow, which benefits us as the market leader in each country. The countries in



Group sales by geographical region



*The trend towards electrification, with increased expansion and research for generating renewable electricity, also builds interest in our products, which help lower carbon emissions.*

eastern Europe have also enjoyed growth, resulting in the expansion of our units. In addition to increased demand, systematic and successful marketing has resulted in increased market share.

#### Subsidy to be reintroduced in US

On the North American market, the reintroduction of government tax subsidies for the installation of geothermal heat pumps in single-family houses in the US was crucial to the positive market trend.

With our experience from the European market, we are investing in a long-term consumer campaign to raise awareness of both the necessity of conversion from fossil to renewable alternatives for indoor comfort in homes and on geothermal heat pumps as a sustainable solution for the climate control of single-family homes. In the slightly longer term, the objective is to reduce dependence on government tax subsidies and to strengthen a market expansion of self-generated power in North America.

#### Commercial properties increasingly important

The international market for climate control products in commercial properties is becoming increasingly important. The market for commercial properties continued to grow in both North America and Europe. Recent acquisitions have further increased our competitiveness in this area. We see great potential both in new production and in upgrading to modern technology in Sweden and internationally. We are therefore developing the product range and organisation continuously to strengthen our market position in this area.

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

Demand for traditional water heaters has remained stable in both the Nordics and the rest of Europe. Under the Ecodesign Directive, these products are subject to stricter specifications for better insulation and control. We are already compliant thanks to our focus on product development. Water heaters that provide for an entire household's hot-water needs must also be 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.

## Business model

### Own subsidiaries

Via our international presence, we have a comprehensive distribution system for each market with our own subsidiaries or local importers/agents. The products are principally distributed either to wholesalers or directly to installers. The local installer is usually the end consumer's closest contact and the person who ultimately sells and installs the product. There may be different distribution systems on the same geographical market if we are represented by several brands.

### The entire chain through to end user is vital

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

Several operators are involved in the commercial properties segment and the systems have grown in complexity, so the 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.

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.

# Global partner for energy conservation

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

## A more advanced partner strategy

To get to know our customers better, it is important for us to know about and understand how the desired product will be used. This gives us the opportunity to also become a system supplier of a function and not just a component supplier. For example, we have developed a complete unit for controlling the heating of electric truck cabs.

## Good delivery capacity of components

Our component strategy is based on having delivery capacity in volume, logistics and quality. This means that we can deliver directly to production lines without extra acceptance testing, a.k.a. just in time. Reliable and high quality thus reduces production time and scrapping for the customer.

## Expanded offer to the semiconductor industry

We have expanded our offer to the semiconductor industry by acquiring 51 percent of US company Therm-X in California in the fall of 2019. They develop and manufacture temperature sensors, heating elements and process control systems for the semiconductor industry and other advanced industries that offer products requiring precise temperature control. Therm-X's proximity to Silicon Valley, which is the development centre for the semiconductor industry, offers both interesting future synergies and growth opportunities, and the business complements our other North American units BriskHeat and Heatron, which are also active in this market.

## Collaboration for growth

Increased collaboration is a very important part of creating growth opportunities in our business area. In the summer of 2019, an international management conference was held where all the heads of operations in our business area had the opportunity to see each other's product offerings, exchange experiences and discuss how we will achieve the Group's updated growth and profitability targets.

With a growing number of subsidiaries in increasingly more markets, it is also easier to identify new acquisition opportunities in a fragmented market with many local, owner-led players. Our acquisition philosophy entails a commitment to retaining local management

## Targets

### Growth target

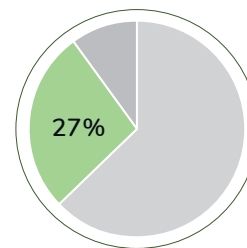
**We will achieve growth of at least 20% annually, of which half is organic.**

In 2019, total growth was 9.8% (24.4%), of which 5.8% (9.1%) was organic. This means that organic growth was 3.3 percentage points lower than in 2018.

Growth has been 16.9% on average over the last five years.



### Net sales



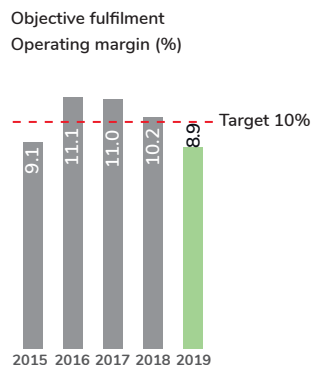
Percentage of Group

### Operating margin target

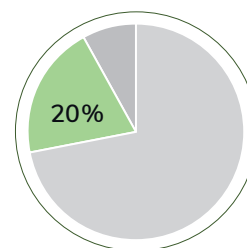
**The operating profit will be at least 10% of sales over a business cycle.**

The operating profit in 2019 was 8.9% (10.2%) of sales. This means that the operating margin decreased by 1.3 percentage points compared with 2018.

The operating margin has been 10.0% on average over the last five years.



### Operating profit



Percentage of Group



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

Christer Fredriksson,  
Business Area Manager for NIBE Element



and thus engagement while forming collaborations through the business area management's board representation and continuous site visits. We realise that face-to-face meetings are crucial to good collaborations.

Further collaboration takes place partly through technology transfer forums via a common communication platform and partly through regular meetings of the subsidiaries' production managers to exchange experiences and for benchmarking. Most recently on the agenda was an interesting discussion on Industry 4.0 or the fourth industrial revolution, in which researchers from Lund University also participated.

#### Facing globally uncertain trade policies

There have been extra costs for trade duties in some cases, which, unlike production costs, we have no control over for the individual production units. To meet these more uncertain global trade policies, we have a production strategy for volume components that makes us very flexible. We have expanded with more production units in Asia, both in Thailand and Vietnam, to fulfil customer orders in volume segments like white goods and automotive products. In addition to these production units, we can also control volume production between our units in Mexico and Eastern Europe.

#### Increased productivity and capacity

We continue to implement productivity schemes and invest in increased automation and robotisation in our production units to ensure productivity and meet the uncertain access to labour and increased labour costs in our low-cost units. We are also continuously improving the working environment, including climate control installations in several production units, which also increases productivity.

During the year we increased our production capacity at several of our plants. In addition to building up our volume production units in Vietnam and Thailand, we are also expanding our element production for commercial products in Finland.

## Business focus

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

## Business objective

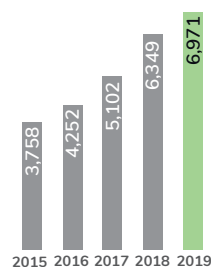
NIBE Element will be one of the leading suppliers in the world, and its local presence and full range will be marketed on a growing number of domestic markets by means of suitable acquisitions or start-ups. Medium-sized series are marketed by country or industry, while unique special products and large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

## Figures for 2019

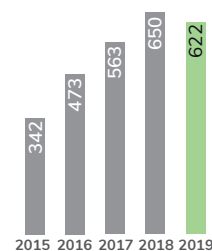
In 2019, the Element business area increased its net sales by 9.8% compared with 2018. The increase is attributable to acquisitions and a strong market position.

The operating profit for the business area fell by 4.3% compared with 2018. The decrease is mainly due to offensive, long-term investments in product development, a less favourable product mix and increased cost pressure in several low-cost countries.

Net sales  
(SEK m)



Operating profit (SEK m)



# Components and solutions that save energy

NIBE Element offers a wide range of components and solutions for intelligent heating and control that minimise energy losses. 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 range to include more technologies to meet customer requirements for energy optimisation and heating in various applications. We deliver components as well as complete solutions with fully assembled system products or unique customised solutions. We also offer measurement and control options, as well as tests and simulations in customer product development processes.

## Energy efficiency in many sectors

Our customers are in a wide range of sectors, and our offerings help their products benefit end users in many areas:

### Domestic and household appliances

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

### HVAC – for control and regulation of indoor climate

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.

### Commercial products, professional kitchens

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.

### Energy sector

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

### Transport – vehicles, rail-based, ships and aircraft

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.

### Advanced technology, medicine, aviation

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

### Industry, projects

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

## Brands

\* acquired 2020



NIBE Element is a quality supplier that offers components with good longevity and intelligent solutions that help conserve energy and add value for the customer. We are also 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.



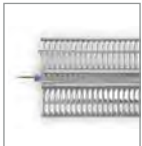
#### Tubular elements

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, dish-washers, washing machines and process heaters.



#### Thick film elements

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



#### 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.



#### PTC elements

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



#### 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.



#### Foil elements

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



#### Vacuum brazing

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.



#### Open spirals and tapes

For heating air in tumble dryers and fan heaters.



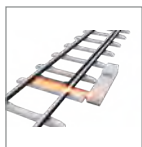
#### Heat pump technology

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



#### 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.



#### Control equipment

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



#### Heating jackets

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



#### Resistors

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



#### Heat exchangers

Used for heat exchange between different media, for example in a heat pump's cooling circuit.



#### 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.



#### Flexible hoses

Fluid coupling system used for energy equipment.



#### Temperature sensors

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

# Sustainable 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 the fact that control is integrated with the elements themselves, i.e. sensors that are connected to control and monitoring equipment.

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

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

## Local product development in networks

Greater specialisation combined with proactive, fast-paced development in partnership with our customers is the reason why product development is largely decentralised at our subsidiaries. At the same time, we have an open climate for knowledge exchange between all subsidiaries, a network to which all newly acquired companies also have direct access. A head of knowledge and technology transfer is involved in raising awareness and encouraging our companies to take part. This technology transfer creates continuous synergies that considerably reduce time-to-market in several areas.

## Development in four dimensions

Our development process can be divided into four stages:

- **Product development** for brand new products, new functions for existing products and improved properties for existing products.
- **Product customisation** mainly occurs in consultation with the customer to develop unique solutions for the customer's special needs and customised solutions where we take a larger system responsibility.
- **Process development** optimises products in terms of choice of materials, quality and technical performance.
- **Technical production development** improves production in terms of machines, reduced environmental impact, production methods and efficiency.

## Production that provides flexibility

Production takes place at some 60 plants in Europe, North America and Asia. Having production plants for bulk products on different continents gives us great flexibility, allowing us to relocate production based on the cost, tariff and currency situation.

Local production constitutes an important and major element of our competitive strength for deliveries of small and medium-sized series with short lead times.

For larger series and special products, production is based at specialist units.

## More efficient production

Measures to boost productivity and quality are implemented continuously. This is done through major investment programmes in robotisation and automation, even in low-cost countries in eastern Europe, Asia and Mexico. These long-term investments contribute to higher, more consistent quality, resource efficiency and an improved working environment.

In 2019, we invested SEK 303 million (SEK 214 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 10 employees. The aim is for this to be implemented within a two-year period after acquisition. With several newly acquired units, this means that five companies are in the process of becoming certified to ISO 9001 and nine companies to ISO 14001. We are also continuously working to reduce the risk of accidents by introducing management systems for the working environment.

## Production management

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

## Joint purchasing

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



## Intelligent heating and control

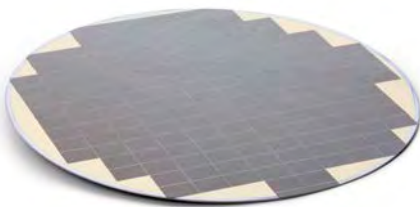


NIBE Element has become one of the leading manufacturers of intelligent heating and control for the semiconductor industry, that is, manufacturers of electronics like integrated circuits.

NIBE Element's leading position in the semiconductor industry has been strengthened through the acquisition of the US company Therm-X, a leading manufacturer of intelligent heating and control products mostly for the semiconductor industry.

This sector is expected to have continued strong growth, driven by technological developments like the launch of 5G and data storage as well as the increased electrification of the automotive industry.

Therm-X has production facilities that are strategically located in the US near Silicon Valley, the cradle of the semiconductor industry, and in Vietnam.



The critical production of wafers, that is integrated circuits, is done under very clean and controlled conditions with exacting requirements for holding steady temperatures.

NIBE ADDS VALUE

# Sustainable energy production in challenging climates



Wind power continues to be a growing market for NIBE Element, which delivers a wide range of solutions for the wind power industry. Wind power is challenging in northern regions where wind turbine rotor blades must be kept free of ice to maximise power generation.

One of NIBE Element's solutions distributes hot air into the blades. Another solution is a control system for elements built into the airfoils to prevent ice formation.

NIBE Element's solutions thus help ensure renewable electricity generation even during the winter.

An important part of increasing the efficiency of wind turbines is resistors whose function is to stabilise operation. To meet increased demand, a new state-of-the-art production facility with a special focus on resistors has been established in Poland.



# Market drivers and trends

Our operations continue to be affected by developments in the areas of energy and the environment. These developments drive our business, which responds to the need to make end products more energy-efficient and adapted to stricter requirements for reduced climate impact. This is particularly relevant in industries that also have a focus on sustainable development such as wind power, heat pumps, rail-based transport and electric and hybrid vehicles. This is also true for the traditional domestic and household appliances sector as the EU directives are placing tougher requirements on increased energy efficiency. Digitalisation is also a significant driver, both in terms of function in our solutions and demand from the semiconductor industry. Group-wide drivers and trends can be found on page 12.

## 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 several 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

Overall, the international element market in 2019 was characterised by caution as economic development slowed in most markets. However, demand differs markedly between various market segments. Increased electrification worldwide both in relation to sustainable energy solutions and the transport sector will offer us interesting market opportunities in the future. Digitalisation provides new opportunities to expand as well, mainly in the semiconductor industry.

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 was weak at the start of the year and improved greatly in the autumn.

In most markets, there has been a slowdown in demand in the large market segments linked to consumer products such as domestic appliances and other household products. This also applies to industrial products.

The automatic industry had declining demand. At the same time, we are carrying out many interesting development projects with our customers to meet greater demand for environmental performance and conversion to electric or hybrid vehicles. During the year, this resulted in several important framework agreements for future deliveries. In the short term, these development investments mean higher costs, but will generate good market opportunities in the longer term.

In infrastructure, growth was unusually weak during the year after investment facilities for this type of initiative were reduced in several countries.

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 for-

eign 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 pay increases necessitate continued price adjustments in most product segments.

## Business model

### Customers in several industries

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

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

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

### Two main customer groups:

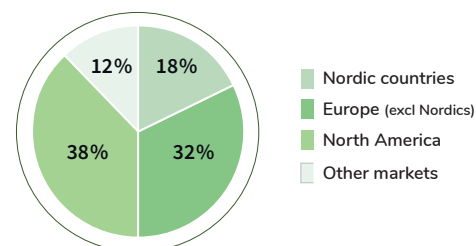
- **Original equipment manufacturer (OEM)**, where the customer buys our products and systems as part of their end product.
- **Industry**, where the components or system solutions are used primarily in the customer's own manufacturing process.

As one of the world-leading operators, we are represented globally and can distribute our products to both these customer groups in a cost-efficient, environmentally sound way, with good service as well as short transport distances.

## Marketing

As a subcontractor, NIBE Element markets its offering to the B2B market primarily via trade fairs, sales staff and the internet.

For some large market segments, such as comfort, domestic appliances, wind power and transport, we now have global marketing managers who conduct marketing campaigns with shared sales platforms for groups of subsidiaries.



Group sales by geographical region

# Greener heat in the heart of the room

A stove with real fire provides cosy warmth and a sense of security. It is therefore a product with positive associations for most people. Our mission is to promote both the benefits and the experience of a stove. As a leading supplier, we have an opportunity to help improve the industry and its products worldwide, which benefits both the end customer and society in general.

## Good presence in a market with many preferences

In the stove world, there is no “one size fits all”. What the consumer prefers varies both nationally and regionally. Not only the design of the stove varies, so do the fuel choices: wood, pellets, gas or electricity. Thanks to the breadth of our range under several brands and our presence in Europe, North America and Australia, we can meet this varying demand. We are the market leader in Europe and have a strong market position in North America.

## Important in the buying process

Since a stove is not only functional but also something to be experienced, the buying process is important for the consumer. You want to be able to see and touch the stove, preferably also to feel its warmth when it is lit. It can be compared with the bed industry where being able to lie down and test the bed is seen as a given. 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.

## We meet demands for environmental performance well

Wood- and pellet-fired stoves use renewable fuels and provide an alternative for carbon neutral heat, which fits into the EU's energy conversion plans. A debate about wood burning and its health effects has been raised in recent years, which has also influenced us.

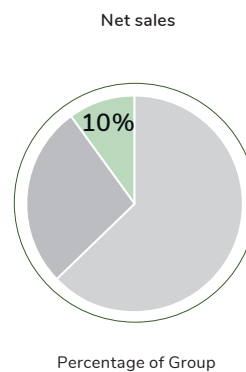
## Targets

### Growth target

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

In 2019, total growth was 5.2% (6.4%), of which 3.6% (4.5%) was organic. This is a reduction in organic growth of 0.9 percentage points compared with 2018.

Growth has been 11.0% on average over the last five years.

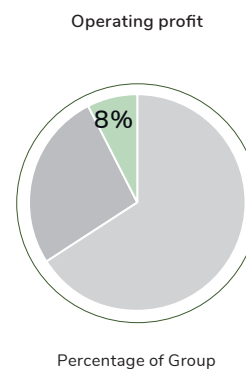
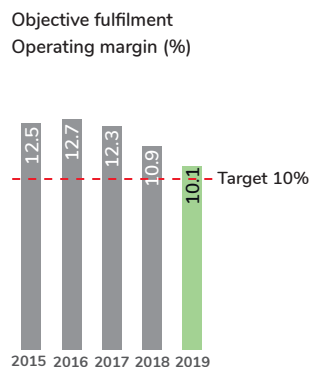


### Operating margin target

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

The operating profit in 2019 was 10.1% (11.2%) of sales. This means that the operating margin decreased by 1.1 percentage points compared with 2018.

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





“ We devote considerable resources to product development, especially regarding environmental performance, new designs and marketing.

Niklas Gunnarsson,  
Business Area Manager for NIBE Stoves



Being able to offer products with improved environmental performance is an important step in complying with new emissions regulations, and our ambition is to be able to continuously meet any stricter requirements. Over the years we have developed our products in such a way that they now far exceed set limit values. For example, our Contura stoves have for many years been compliant with the EU Ecodesign Directive, which will not take effect until 2022. The same applies to the new emission regulations in the United States that take effect in May 2020, where all our Regency models meet the requirements.

Environmental requirements also give rise to a replacement market that is important to us as consumers replace their older and less efficient stoves. Among other things, Denmark has introduced a subsidy for scrapping old stoves that applies to 2019-2020, which benefits us.

#### Member of restructured European trade association

We are members of several national trade associations in Europe and have now also joined the joint European trade association CEFACD. The organisation drives common issues and is a referral body for EU directives and regulations.

#### We continue to invest in the future

The stove market varies regionally but a general observation is that the market is currently in a cautious state. Stoves belong to the durable goods category, a class of merchandise that is affected by economic trends.

However, we continue to take a long view and to invest in the future. In addition to strengthening our market position through acquisitions, we also devote considerable resources to product development, especially regarding environmental performance, new designs and marketing. We have also invested in increased production capacity for electric stoves in the UK as it is a growing segment 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

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

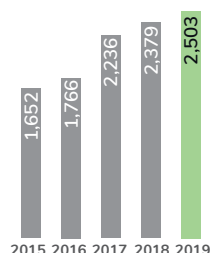
Expansion abroad will be supported by the continuous development of products tailored to new markets, combined with moves into new markets through acquisitions, the establishment of new subsidiaries or the use of existing sales channels.

## Figures for 2019

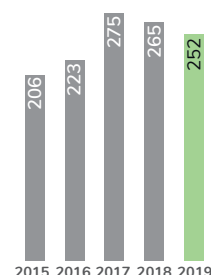
In 2019, the Stoves business area increased its net sales by 5.2% compared with 2018. The increase is primarily attributable to new product launches and consistent marketing.

The operating profit for the business area decreased by 4.9% compared with 2018. The decrease is mainly due to long-term investments in product development and marketing as well as some price competition in a cautious market.

Net sales (SEK m)



Operating profit (SEK m)



# Warming products that provide comfort

## Cosy heat sources

NIBE Stoves' product range comprises stoves for different energy sources in various sizes and designs to suit different kinds of houses and commercial properties. The range also includes chimney systems and other accessories.

Most of the products in our range use renewable fuel. They are therefore climate-neutral, which means that we contribute to a more sustainable society. Our products already comply with the future Ecodesign Directive with lower emission levels and similar future requirements in the US. They have modern combustion technology, which ensures high efficiency and significantly lower particulate emissions than in older stove products.

## Successful product portfolio

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



Free-standing stoves



Inserts



Wood-burning inserts



Electric stoves



Heat-retaining products



Chimney systems



Accessories

# Product development and production for strong brands

Product development, with a focus on performance and design, is ongoing and is essential for our future growth and development. Our various brands have completely independent product development departments that are governed by our shared guidelines on the environment and sustainability. This helps retain each brand's distinctive character and gives our customers great freedom of choice. Knowledge about technology for efficient combustion is exchanged regularly and naturally within the business area. This allows us to retain the flexibility we desire, while responding to regional product requirements and trends. Registration of designs is therefore an important measure to take. Product development costs correspond to 3% of sales in the business area.

In addition to the production of new stove models based on existing technology, we have continuously invested significant resources into developing combustion technology to meet the demands of the consumers of the future. We have also intensified our efforts to find solutions to produce a commercially viable product with minimal particulate emissions.

Our product development can be divided into three areas:

- **Design** is essential to overall perception and may often be what determines whether a customer chooses one product over another. A stove must match the style of a home with the right appearance and proportions. It should also be possible to see the fire through large glazed areas from as many angles as possible.
- **Combustion technology** is a very important area as all combustion entails some level of emissions with an impact on our environment and health. Efficient combustion is an important part of our responsible approach to producing sustainable products, and we constantly employ a high level of development resources on finding the best possible technology.
- **Function** is important as stove products need to be more than just beautiful. They need to heat homes. They must be reliable, safe, easy to install and easy to use. Therefore, we have both the components and the complete product thoroughly tested before 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 steel plate products sold in Europe are made in Sweden. The Swedish production plant is largely robotised and flow-optimised, making it one of the most efficient in our industry. We have come a long way in terms of both high quality and productivity, and we keep our environmental impact and energy consumption at low levels.

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

Stovax produces its wood-burning products at carefully selected subcontractors, while its gas-fired products under the brand Gazco are manufactured in its own plant in the UK. The Evonic Fires brand also has its own manufacturing unit for electric stoves in the UK.

Concrete surrounds, fireplace materials and heat-retaining products are manufactured in our plant in Poland. This unit mainly supplies our own brands with components, but it is also an OEM 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 2019, investments of SEK 73 million (SEK 80 million) were made in our operations.

## Better performance than current statutory requirements

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

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

## Quality and environmental certification

We are working to introduce certified quality and environmental management systems to all our production units with more than 10 employees. The aim is for this to be implemented within a two-year period after acquisition. Currently, two acquired units are in the process of being ISO 9001 and ISO 14001 certified. We also work continuously and systematically to create a safe place to work and to reduce the risk of accidents.

## Production management

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

## Joint purchasing

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

## Brands



# Market drivers and trends

We operate on the consumer durables market. Customers' purchasing decisions are not only rational. They are largely also emotional. The market is fragmented with mostly regional suppliers. Contributing factors are stove preferences in terms of design and the fuel used, i.e. wood, pellets, gas or electricity.

The addressable market for NIBE Stoves in North America and Europe is estimated at SEK 30 billion. Our main markets are in Europe, North America and Australia.

## Market drivers

- Economic conditions and developments in disposable income.
- Interior design trends.
- Developments in the property market, the degree of new construction and price trends and turnover of properties on the market, which 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.
- Various environmental requirements for new lower limits on hydrocarbon and particulate emissions.
- Regional restrictions on the use of wood-fired products due to emissions of hydrocarbons and particulates that may have a negative environmental impact.

## Wood, gas, pellets or electricity

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

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

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

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

## Market trends

The trend in 2019 was for generally unchanged demand for stove products in Europe, but with variation between product segments and markets. While demand for wood-fired products has generally fallen on most markets, products for gas, pellets and electricity have continued to see increased demand, particularly on the markets on which they traditionally have a large share. With a broad range of products and well-developed distributor networks, we were able to strengthen our market position despite demanding market conditions.

Demand in North America for stove products was stable in 2019, primarily due to a generally positive economic climate. There is great

interest in gas-fired products, and they dominate the overall market. The new requirements for wood-burning products, which will be introduced in May 2020, have already had a somewhat suppressive effect on demand. We have adapted our range of Regency products and they now comply with the new requirements.

The Nordic region is an important market that continues to account for a considerable part of the business area and overall, we hold a very strong market position there. Demand in Sweden is largely unchanged, but a reduction in new construction and strong competition with other durable goods and experiences has caused demand to fall in our industry. Demand for stove products continues to rise in Norway, driven by a strong economy and a high level of construction. Having a fireplace in your home is a strong tradition, and the Norwegian stove market is by far the biggest in the Nordic region. With reintroduced subsidies for scrapping old and less environmentally friendly products, the Danish market has seen a slight upturn.

A more widespread debate on particulate emissions from wood firing is under way in several countries in Europe, which also affects both demand and government decisions in different ways. We are constructively involved in the growing debate on particulate emissions from burning wood via our national industry bodies and are working to replace old technology products with new ones, which benefits both the environment and our own business.

Although our products already comply with the Ecodesign requirements for 2022 and the new requirements in North America, our sustainability requirements are much stricter. We therefore invest heavily in development to ensure that we meet the requirements of the consumers of the future regarding high combustion efficiency and low emission levels, and we see this as a natural task for us as the market leader.

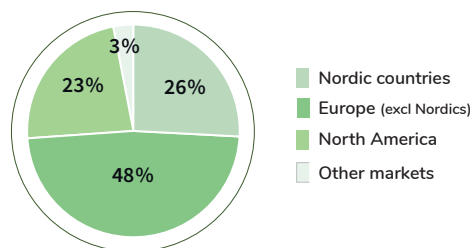
## Business model

### 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 advertising, the interior design press and consumer and trade fairs.

### Sales channels

Our products reach our end customers via a well-developed distribution network of dealers, usually without any intermediary. The dealers display the products and offer a higher level of service than the DIY sector, which primarily sells low-price products, a segment in which we have only a modest presence. Spare parts and accessories are increasingly sold online.



Group sales by geographical region



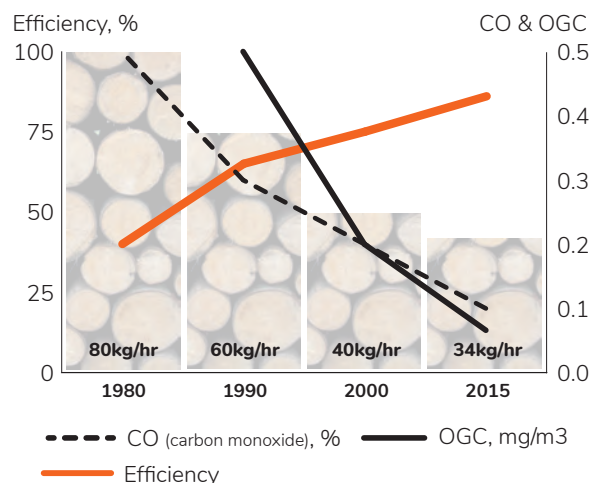
NIBE ADDS VALUE

# Higher efficiency, lower emissions and less wood consumption



The Contura 610 Style was introduced in 2017 and already exceeds the stricter Ecodesign requirements that apply from 2022.

Major steps have been taken in the development of the stove's combustion technology from the 1980 model to today's much more efficient one. More efficient combustion consumes fewer kilos of wood per hour for the same amount of heat produced and the flue gases are significantly cleaner.



OGC emissions (organic gaseous compounds) have been reduced by 86% and CO emissions (carbon monoxide) by 80% when comparing today's stoves to a 1980 stove.

# Strategic focus areas for good 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 tried and tested and based on our business principles, focusing on four strategic areas: growth with profitability, innovation, market-oriented expansion and a long-term approach.

- Growth with profitability
- Innovation
- Market-oriented expansion
- A long-term approach

## Growth with profitability

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

### Organic growth

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 parallel, we continuously evolve our operations with a high rate of investment so that our growth can produce good profitability.

Our entire value chain, from vision to end customer, should be based on the sustainability principles contained in our business principles and values.

### Efficient production

High productivity is essential to good competitiveness. Our productivity philosophy is grounded in the belief that everything can always be improved and that, if you can't measure it, you can't improve it. MTM data provides a sound basis for accurate costings and calculations, efficient production planning, reliable investment data and opportunities to follow up business activities correctly. Performance-based salary systems based on accurate MTM data help encourage optimisation of working time and promote high productivity and fair salaries.

Newly acquired companies are offered the chance to learn from our knowledge and experience, which is highly appreciated and builds good relationships and trust.

### Joint purchasing

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.

### Acquired growth

We prioritise the acquisition of strong brands and products that complement our existing range, and markets that strengthen our position globally.

#### 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 after acquisition

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. In many instances, keeping companies intact with the full management team in the locations and environments where they were originally established also provides the best conditions for them to realise their full potential. Companies can also continue to play a vital, responsible role in their business community.

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.

## Acquisition model

ANALYSIS	IMPLEMENTATION	INTEGRATION
The analysis phase is precise but fast. Our three sectors are well defined and with our history we have good insight into the objects that are available and access to relevant ratios for conducting comparisons and analyses.	In the implementation phase there is always complete transparency about our intentions with the acquisition. We are always very clear and open about the information we provide on our management philosophy and strategy, which often 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 synergies, for example in purchasing and knowledge transfer to improve operations.



## Innovation focusing on intelligent energy solutions

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

Our focus on world-class solutions in sustainable energy contributes to the global goal of reducing air emissions and thus to a better, more climate-friendly world.

Digital technology development is focused on making future energy systems around the world more connected, intelligent, reliable and sustainable. NIBE contributes to this development.

### 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.

### Shared digital platforms

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

Growth with profitability

**Innovation**

Market-oriented expansion

A long-term approach

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.

### Commercialisation

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

### Safe products

Our decentralised organisation means greater proximity to and understanding of the market. Strong business relationships are built with a high level of customer knowledge and factual marketing. Our customers must feel secure in the knowledge that our products are safe and manufactured responsibly, ethically and sustainably. We make a great effort to be available and offer good service and effective customer support.





Market-oriented expansion in an increasingly sustainable world

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.

- Growth with profitability
- Innovation
- Market-oriented expansion
- A long-term approach

We invest in attractive market segments and thereby ensure an optimal market presence globally. An efficient, competitive organisational structure also helps us to develop different offerings that simplify and increase customer value.

The large number of acquisitions carried out has included new technologies, new products, new markets and new production capacity, but ongoing initiatives and investments in existing operations in terms of product development, new technology and qualified employees are also crucial to continued market-oriented sustainable expansion.

**Employee commitment**

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

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

**Responsible purchasing**

To ensure that purchases from our suppliers are made responsibly, in addition to specific requirements on product quality, delivery capacity, commercial conditions and environmental performance, we also evaluate suppliers based on the UN Global Compact's global goals for the environment, human rights, working conditions and anti-corruption. This involves a more time-consuming evaluation, but it lowers the risk of interruptions in material flow and events that may harm our reputation.

**Quality and environmental certification**

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

**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.

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.



## A long-term approach

Since our beginnings nearly 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.

- Growth with profitability
- Innovation
- Market-oriented expansion
- A long-term approach

### Innovative products from the start

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

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

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

### Committed, innovative leaders

Committed, innovative founders and leaders have been the backbone of NIBE's stable expansion and solid financial development.

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

When the family decided to sell both companies in 1989, several employees and two external investors formed NIBE Industrier AB and acquired all operations. At the same time, Gerteric Lindquist was appointed Managing Director and CEO.

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

### An intensive era of acquisitions

Good profits and the stock exchange listing created the conditions for an intensive era of acquisitions and development into a global Group.

The acquisitions today make us:

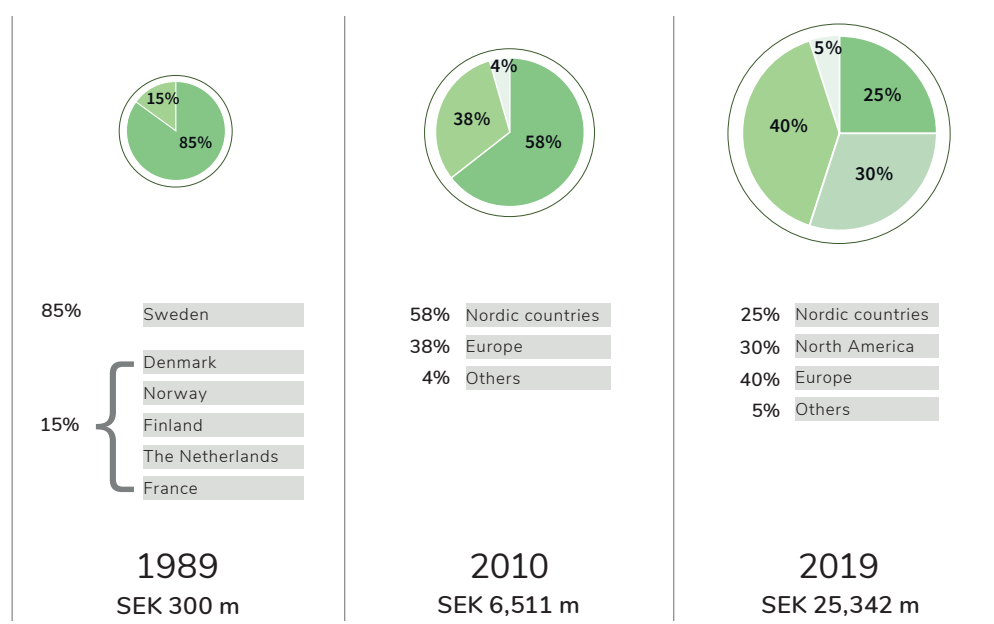
- a major European heat pump supplier and market leader in North America in heat pumps, both for single-family homes and commercial properties.
- one of the world-leading element suppliers, with many new product groups and a strong local presence in a great number of countries around the world.
- a European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

### A stable platform for the future

With our focus on sustainable energy solutions, stable growth with good profitability together with a market-oriented decentralised organisation guided by NIBE's objectives and management philosophy, we believe that we have created a stable platform for the future.

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

Geographical distribution of sales growth in 1989, 2010 and 2019.



# How NIBE adds value

## Resources

### Financial

- Working capital, including cash and bank balances SEK 8,762 million
- Investments in non-current assets SEK 2,059 million, of which acquisitions SEK 1,005 million

### Operations

- 85 manufacturing units
- 37 sales offices
- 30 countries

### Natural resources

- 224 kilotons raw materials and input materials
- 391,092 m<sup>3</sup> water
- 308 GWh of energy

### Intellectual capital

- 17,000 employees
- More than 80 brands

### Business relationships

- Customers
- 10,800 suppliers (direct materials)
- 51,700 shareholders
- Lenders
- More than 50 local communities

## Drivers and trends

Find out more on page 12.

## Management philosophy

Our business principles – find out more on page 24.

Our values – find out more on page 25.

## Strategic priorities

### Growth with profitability

### Innovation

### Market-oriented expansion

### A long-term approach

### Growth with profitability

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

### Innovation

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

### Market-oriented expansion

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

### A long-term approach

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

## Vision

World-class solutions in sustainable energy

## Mission

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

## Customer offering



### Sales

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

### Products in use

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

### Recycling

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

## Targets and outcomes

Find out more on pages 20-23.

## Added value

### Products

- Percentage LCE-classified products 56.1%
- Heat pumps, renewable energy
- Solar products, renewable energy
- Heat exchanger, energy recovery, energy optimisation
- Components, energy conservation
- Stoves, renewable energy

### Stakeholders Economic value

Customers	Sales	SEK 25,342 m
Suppliers	Payments	SEK 14,612 m
Shareholders	Dividend	SEK 655 m
Employees	Salaries and social security contributions	SEK 6,631 m
Public sector	Taxes	SEK 652 m
Local community	Sponsorship, donations	SEK 3 m
Lenders	Interest	SEK 205 m

### NIBE adds value

- in the home
- in large properties
- in industry
- for the climate

Find out more on pages 16-19.



## Corporate sustainability

Administration report, page 69.

# Business opportunities and risks

As a global organisation, we have many business opportunities yet face various types of risk, which may have a greater or lower impact on the Group. The risks are mainly defined as factors that can affect our ability to achieve the targets set for the Group. This applies both to financial targets and to goals in other areas. Our ability to manage different risks also determines our success, that is, our ability to achieve and even surpass the set goals.

## Structure and value chain

NIBE's organisational structure, with dispersed global operations, helps to reduce risk. NIBE operates in three business areas that deliver wholly or partly to different customer segments and end users. The operations are therefore affected differently in the business cycle and the competitive landscape varies. Sales through many different channels and distribution routes increase flexibility.

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

## Risk management

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

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

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

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

Financial risks are managed in accordance with the Group's financial policy and manuals governing annual accounts, system access,

authorisation routines and system changes. Sustainability and IT risks are largely coordinated at Group level, but risk assessment and action plans are designed and implemented locally by each company's Board. These risks are managed in accordance with our values and guidelines.

For more information on NIBE's external risks and financial risk management, see page 86 and Note 7 in the administration report.

## Internal control

NIBE's internal control process, ultimately under 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 the reporting is prepared in accordance with applicable laws and regulations and other requirements for listed companies. Financial reports will also be prepared in accordance with generally accepted accounting principles.

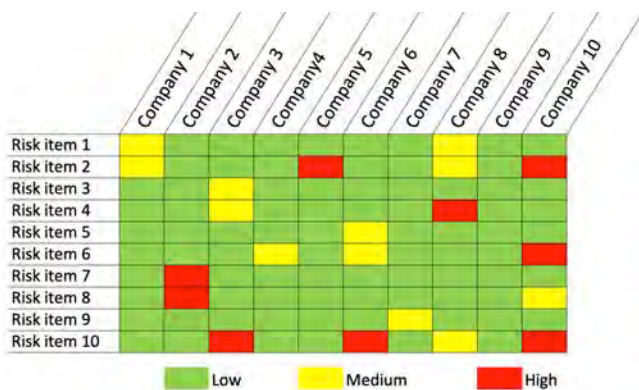
Each employee in the Group is responsible for internal control at their own level:

- The CEO and Group management for NIBE are responsible for overall internal control and implementing NICS (NIBE Internal Control Standard) at Group level.
- Business area managers are responsible for ensuring that the required process is in place in their own area, which in turn means that all local Boards apply the process to each lower-tier subsidiary.
- Local Boards are responsible for ensuring that NICS is implemented in their companies and, where applicable, at lower-tier subsidiaries. In addition, local Boards must ensure that additional national requirements are met.
- Local management is responsible for internal control in its operations and owns the action plans for 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. Furthermore, as regards financial reporting, at NIBE it is a matter of principle for all commercial companies, regardless of their size, to undergo an annual audit by the auditors.

## Crisis management

To minimise risk impact, a crisis management programme is also in place, with routines and policies for the local companies that cover the risk areas identified in the risk assessments. In the event of major incidents that may affect the Group as a whole, the Group's crisis organisation including the Board of Directors must be informed and assess how to manage the incident.



Assessment model for risk management



## Shared opportunities and risks

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

### Opportunities

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

### Risks

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



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.

## 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
- Most advanced product development centres for heat pumps in Europe and North America
- Most modern heat pump factories in Europe and North America

#### Risks

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

### NIBE Element

#### Opportunities

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

#### Risks

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

### NIBE Stoves

#### Opportunities

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

#### Risks

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

\* See page 86 for more information on our risks.

# NIBE takes responsibility

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 in our business principles and values, which are firmly rooted in our long tradition of responsible entrepreneurship. We are not only responsible for the financial results of the business but take social and environmental responsibility as well. NIBE's responsibility forms the Group's framework for sustainability efforts in four different areas.

## Our sustainable value creation supports international initiatives

NIBE's vision to offer sustainable energy solutions means that it has long been natural for us to contribute to a sustainable society in the ways we can. By delivering long-term sustainable value to our customers, we are also able to maintain good profitability and help achieve the global development goals.



## UN Global Goals for Sustainable Development – Agenda 2030

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

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

In line with our operational priorities and our assessments of where we can assert influence, we have chosen to work mainly with 6 of the 17 global goals in Agenda 2030.

 <p><b>Goal 7</b> Ensure access to affordable, reliable, sustainable and modern energy for all</p> <p><b>NIBE's actions</b> Increase the proportion of products based on renewable energy and meet the market's need for energy-efficient and clean energy solutions.</p>	 <p><b>Goal 8</b> Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p> <p><b>NIBE's actions</b> 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.</p>	 <p><b>Goal 9</b> Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation</p> <p><b>NIBE's actions</b> Make production more sustainable by using resources efficiently, using clean and eco-friendly technologies, and providing resources for research and development.</p>
 <p><b>Goal 11</b> Make cities and human settlements inclusive, safe, resilient and sustainable</p> <p><b>NIBE's actions</b> Provide resource-efficient and climate-adapted components, products and solutions that contribute to sustainable cities and secure infrastructure.</p>	 <p><b>Goal 12</b> Ensure sustainable consumption and production patterns</p> <p><b>NIBE's actions</b> 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.</p>	 <p><b>Goal 16</b> Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels</p> <p><b>NIBE's actions</b> 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.</p>

## 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.



# Responsibility in business

Our passion for responsible entrepreneurship with honesty, consideration and long-term business relationships has characterised our business since its inception and forms the basis of our business principles. By being responsible throughout our value chain, we take responsibility for both customers and other stakeholders.

To continuously strengthen our market position and achieve our set goals\*, we take long-term actions that combine aggressive product development with strategic acquisitions.

Sound business ethics form our fundamental responsibility throughout our value chain.

Both financial and legal due diligence as well as environmental evaluations are conducted in connection with acquisitions.

We continuously evaluate our suppliers for responsible sourcing.

We provide training in anti-corruption and have a whistle-blowing system for reporting unethical conduct.

Each year, a risk assessment is performed based on our working model for risk management, which includes our business risks.

We signed the UN Global Compact in 2014 and in 2016 committed ourselves to 6 of the 17 sustainability goals in Agenda 2030.

Established targets and metrics are followed up at company level to monitor developments and the strategic goals are followed up on a global level.

We regularly follow up with on-site visits\*\* to ensure that our operations meet the requirements of responsibility in business.

\* See pages 20-23 for goals  
\*\* See page 67 for on-site visits

## 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.

We have modern development centres in several countries and collaborate with organisations worldwide to ensure that our products and solutions are at the cutting edge. In 2019, we allocated SEK 742 million to product development and strategic development projects to further strengthen our position in these segments, with a focus on making our products energy efficient and using renewable energy (LCE\*\*\*). Each product manufactured within the Group meets the requirements for product and service information in each country of sale.

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.

We invest many resources in the new digital tools, in the product offering with adaptations to a more connected global world as well as in the development process, so we can have a global business with a local presence. This also helps to reduce environmental impact.

## Acquisitions and local development

Due to acquisitions and our increased global presence, the number of local production units is also increasing around the world. Our main principle is to continue to operate businesses where they were founded, thus benefiting the local community in terms of both jobs and purchases from local businesses and entrepreneurs.

## Sound business ethics

Our values and business principles entail zero tolerance for all forms of corruption. This is clearly communicated in all contracts with suppliers and other business partners.

We do not manufacture or sell products that are prohibited in some countries or markets, but individual markets may have local laws and customer requirements that must be followed.

We evaluate our corruption risks in our annual risk assessment. In total, 107 sales and production companies evaluated the risks of corruption in their operations. In addition to mandatory training in anti-corruption, which all exposed employees must attend regularly, our employees are urged to be vigilant, to ask for advice in situations in which they feel uncertain and to report all incidents in which they have been subjected to any form of attempted bribery or other unethical conduct.

The Group's whistle-blowing policy has been implemented and translated into all local languages where we operate. In 2019, four cases were received under NIBE's whistleblowing system. One notification came via email and three anonymous notifications concerning

\*\*\*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.

the same company came through our digital portal to the Group's external whistleblowing function. All matters were handled in accordance with our whistleblowing policy and measures were implemented in agreement with the business managers concerned.

In 2019, we handled 3 (5) incident reports on product documentation, two in which we deviated from voluntary codes and one that concerned services provided. Measures are being taken.

During the year, 1 (4) incident was reported regarding health and safety effects on products and services. Corrective action is being taken.

We are transparent in our communication and reporting and it is mandatory that we comply with laws and requirements. 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.

### Responsible purchasing

It is important to us that the suppliers we use meet our requirements and standards, which is also stated in our Business Code for Suppliers. We set high standards in terms of product quality, delivery reliability, compliance with legislation and environmental performance. These standards are based on the ten principles of the UN Global Compact\* and the ETI Base Code\*\* and are aligned with our values. More detailed information is available at [www.nibe.com/governance](http://www.nibe.com/governance).

Our supplier base is for the most part in Europe and North America, but to some extent also in Asia. Suppliers are regularly evaluated in terms of quality, environment, health and safety, ethics, corruption, human rights, worker rights and risks, and are asked to sign our supplier code of conduct. The evaluation also includes the country risk assessments available via Transparency International: Corruption Perceptions Index 2017\*\*\*, Yale: Environmental Performance Index and for social risks\*\*\*\* and BSCI/Amfori: Country Risk Classification\*\*\*\*\*. We have identified 48 suppliers in countries at high risk of not following certain conventions such as human rights, worker rights, corruption or the like. These suppliers have signed our Business Code for Suppliers and, if necessary, audits are conducted. Where we see nonconformities, we work together with the suppliers to improve their internal working conditions, transparency and ethical business practices.

If we identify unacceptable risks in exceptional cases, or a lack of desire to make improvements, we may ultimately stop working with a supplier. In 2019, we did not receive any reports of child labour, dangerous work for young workers, forced labour or other serious violations of human rights or labour law policies.

In 2018, we began to set goals for the evaluation of new and existing suppliers of direct materials. Our goal is to have evaluated all

new suppliers in the global system and existing suppliers, who represent 80% of purchase value, to have undergone a periodic evaluation by 2021.

We collaborate strategically with some suppliers in areas that include co-development of components so that they work well in our products.

We buy direct material from suppliers that are largely located in the country where the purchase is made. Our purchases from local suppliers, defined as within the same municipality, represent 10% of total purchases.

Most new suppliers are added through our acquisitions.

### Global Compact, Sustainable Development Goals (SDG) and other international 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 annually submit a Communication on Progress (CoP) report to the UN Global Compact regarding our progress on the principles we have signed and are committed to working with in our value chain.

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

### Responsibility in business and related risks

NIBE's Board of Directors is also involved in our work with responsibility in business and sustainability. The focus of the Board's Strategy Days in 2019 was sustainability, where decisions were made regarding continued efforts.

Our governance model for each individual company in each business area is strongly linked to our business model, which is based on local boards of directors and strong management in the companies. Every year, a risk assessment is carried out in our evaluation of business risks.

\* <https://www.unglobalcompact.org/what-is-gc/mission/principles>

\*\* <https://www.ethicaltrade.org/eti-base-code>

\*\*\* [https://www.transparency.org/whatwedo/publication/corruption\\_perceptions\\_index\\_2017](https://www.transparency.org/whatwedo/publication/corruption_perceptions_index_2017)

\*\*\*\* <https://epi.envirocenter.yale.edu/>

\*\*\*\*\* <https://www.amfori.org/>

All numerical statistics can be found on page 142.

### NIBE supports the Agenda 2030 goals by



Increasing the proportion of products based on renewable energy and meeting market demand for energy-efficient, clean energy solutions. (Goal 7)



Provide resource-efficient and climate-adapted components, products and solutions that contribute to sustainable cities and secure infrastructure. (Goal 11)



## Becoming part of the NIBE family



The staff of the French production unit.

In March 2018, NIBE Industrier acquired Alfa Laval's district heating operations with products and systems that complement and provide synergies with NIBE's heat pumps. Following the acquisition, the previously well-established brand Cetetherm continued to be used, offering district heating/district cooling control centres as well as hot water control centres for commercial use. The main business is in Ronneby, but operations are also run in Finland, the UK, France, Russia and the Czech Republic. There are sales offices in more than 25 countries in Europe, North America, North Africa and North Asia.



"When we left the Alfa Laval Group, we no longer had access to all the policies, staff functions and procedures that provide structure and the opportunity to develop a sustainable business. Now, after two years in the NIBE Group, we once again have structure, tools and procedures. I only have positive things to say about NIBE and the support we receive. We have also been given the opportunity to adopt NIBE's management philosophy.

In a deeper sense, the support for our business and sustainability work has also made us part of the NIBE family, sharing its vision, business principles and values.

It's obvious that NIBE has integrated acquired companies before as they have built very good systems for assisting and sharing. They also have functional and easy-to-use tools that facilitate our daily work, such as supplier evaluation systems for material procurement and reporting systems to structure our sustainability efforts.

Their engagement is evident through things like personal visits by NIBE colleagues for reviews of where we are and where we should be going, both in terms of quality and sustainability. They have also visited our production facilities to provide practical advice and feedback. We've received help on defining our game plan and what to consider.

NIBE also has very good eLearning courses, to which all our employees in Sweden, Finland, the UK, France, Russia and the Czech Republic have access. This has helped our entire organisation to easily gain an understanding of NIBE's business principles, values and working practices," said Anders Söderström, Quality Manager, Cetetherm AB.



Anders Söderström  
Quality Manager at Cetetherm AB

# Responsibility for the environment

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

We work to conserve energy and use renewable energy to a greater extent.

Working systematically according to the precautionary and substitution principles in connection with product and process development reduces our environmental impact.

All our production units must hold environmental certification and make continuous improvements to reduce their negative impact on the soil, air and water.

We continuously invest heavily in technology development and purification equipment in our manufacturing processes.

The aim is to reduce the amount of solid and hazardous waste by working with a higher level of recycling.

Established targets and metrics are followed up at company level to monitor developments and the strategic goals are followed up on a global level.

We regularly make site visits to ensure that environmental initiatives in our operations meet our requirements.

## Climate impact

Our 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.

The best way to reduce our global climate impact is 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 air conditioning, heating, ventilation and various processes.

We actively buy renewable electricity (GoO certificates\*\*) for our operations globally. At the same time, we are working to increase our opportunities to produce our own electricity, for example by installing solar panels.

For purchased transportation and business travel, we do not currently have enough data to include them in our reporting. For internal transportation, a project is underway at one of our units to convert heavy vehicles to use renewable fuel. Evaluation is also ongoing at some units regarding alternative fuels for company cars.

In our innovative product development, we focus on reducing products' climate impact throughout their life cycles. Intensive product development work is underway to replace today's refrigerants with new ones that have lower climate impact, so-called GWP\*\*\*.

Our LCE\* products support a shift to a smaller carbon footprint and help customers to improve energy efficiency and convert to renewable energy.

## Environmental impact

To be able to participate in and contribute to a globally sustainable society for future generations, we work systematically with our significant environmental aspects. The use of input materials, chemicals, packaging materials, water and waste generation are the areas we have identified.

All our companies must be ISO 14001 certified. The certification confirms active environmental initiatives are being taken with continuous improvements and compliance with current legislation. Small companies are exempt but must have an environmental management system in place.

We apply the precautionary principle to a product's entire life cycle and when we alter our processes, preventive environmental risk assessments are conducted.

External stakeholders can file complaints about environmental performance. In 2019, we had 2 (1) environmental issues: high noise level and organic emission to water. These have entailed costs of SEK 0.5 million. Measures are being taken to avoid future similar cases.

## Inputs

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, 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.

\* See page 57 for LCE product groups.

\*\* GoO is information and a guarantee that the electricity we buy originates from renewable sources.

\*\*\* Global Warming Potential

### Chemicals

We 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.

In 2019, one (1) major chemical spill was reported. The 100-liter spill was collected in tanks at the leakage site and clean-up was done on site, so there was no impact on the environment.

A chemicals policy has been developed and will be implemented in 2020.

### Packaging materials

Our packaging materials consist of wood, cardboard, plastic and steel and are adapted to our products. Work is underway to find replacements like cardboard or fibre products for various polymers. We comply with the EU directive on packaging and packaging waste and other global requirements.

### Water and effluents

Clean water may be in short supply globally in the future and will therefore become increasingly important. Our production plants currently use relatively small amounts of water in their processes. Although the water supply at our production facilities is good today, we are constantly working to reduce water consumption through recycling and purification processes. We have identified our water consumption in areas with high or extreme water stress and these production facilities are in specific areas in Germany, Spain, Turkey, Romania, Mexico, Thailand and Vietnam.

Based on our 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 respective companies' environmental permits or regulatory requirements.

### Waste management

A large part of our 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. Waste that goes to recycling has increased by about 15%. We see a reduction in waste going to landfills, and certified waste management companies are used to manage hazardous waste.

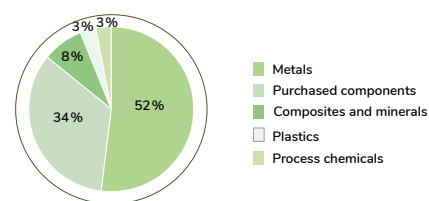
The majority (78%) of our waste is weighed by certified waste management companies, while the remainder is estimated internally by the companies.

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.

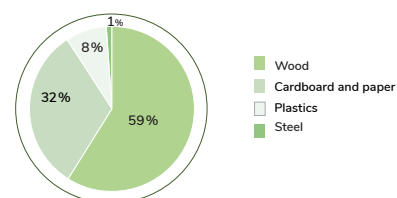
### Air emissions

All forms of air pollution 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.

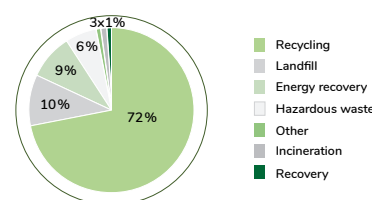
\* Registration, Evaluation, Authorisation and Restriction of Chemicals (EC No. 1907/2006)  
 \*\* Restriction of the use of certain hazardous substances in electrical and electronic equipment (2011/65/EU)



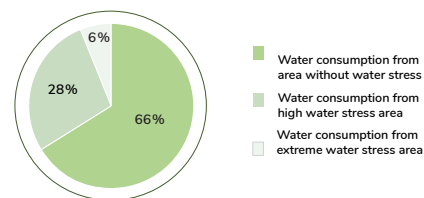
Overview of major materials % of total use



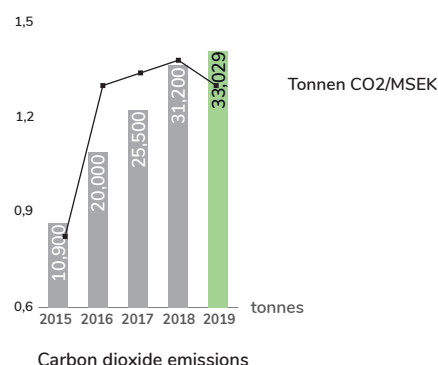
Packaging material in % of total use



Waste categories in % of total use



Water consumption in % of total use



Carbon dioxide emissions

NIBE supports the Agenda 2030 goals by



Making production more sustainable by using resources efficiently, using clean and eco-friendly technologies, and providing resources for research and development. (Goal 9)



Applying sustainable methods of chemical management and reducing emissions to air, water and soil. Economise resources, minimise waste, recycle and reuse more. Report sustainability information transparently in our reporting cycle. (Goal 12)

# Responsibility for employees

NIBE is a major global employer. Our ability to retain and attract skilled, committed talent is key to achieving our goals today and in the future.

Our shared values and a clear code of conduct must guide our decisions and day-to-day operations.

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

Our internal training efforts and the educational collaboration we have with external partners, universities and schools augments our ability to ensure long-term staffing needs.

In countries with traditionally fewer permanent forms of employment, staff turnover is high. But we are making every effort to find ways to reduce staff turnover in these countries.

Established targets and metrics are followed up at the company level to monitor progress, and strategic goals are followed up on a global level.

We regularly follow up with on-site visits to ensure that working conditions, diversity and equal treatment meet our requirements.

## Committed employees

NIBE should be a safe and stable workplace for our employees. We want all our employees to thrive, develop and feel proud of their work.

If you want to thrive at NIBE, initiative, humility and common sense make a winning combination. We must treat each other with respect, and leaders and managers must set a good example in terms of honesty and straightforward communication.

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.

NIBE's Code of Conduct is regularly updated and covers all employees around the globe. At their induction, all new employees receive training in the Code of Conduct, including combating bribery and corruption and associated policies. This training is repeated at regular intervals.

We have permanent employees, temporary employees and contracted employees. Our own permanent employees make up the majority and only a few are contracted. The increase in the number of employees is largely due to acquisitions.

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.

## Good working conditions

We work systematically to improve the working environment at all our plants to create safe workplaces and reduce ill-health. Our overarching goal is to have zero-accident workplaces, with an interim LTIF target of less than six by the end of 2020. In units with higher accident rates, action plans are drawn up and systematic risk assessments are conducted.

A greater focus on compliance with our health and safety policy and accident reporting has resulted in more companies improving their reporting. Our health and safety policy does not differentiate between different types of employment; everyone in every company is included.

No serious deviations were reported in 2019. The most common types of injuries 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. Muscle pain is the most common type of reported ill health. In 2020, an alcohol and drug policy will also be launched.

We regularly ensure that working conditions in our operations meet our standards. Site visits are conducted at which management is asked to present how the Group's values are implemented and how they work on the areas included in the agenda. Any need for improvement or nonconformities are documented and reported to the individual company, business area managers and Group management. Each business area manager is responsible for ensuring that measures proposed are taken.



### Diversity and equal treatment

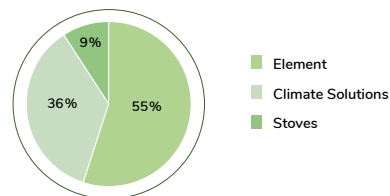
Our employees, with their unique experience, knowledge and talents, add great value to our operations. We conduct a global business with significant cultural and social differences, and so it is important for us to have a diversity and equal treatment policy. We try to work in a way that ensures tolerance to differences and we want to give everyone the same opportunities for development, training and careers. Our employees can report complaints internally through local systems and procedures. In 2019, we had 2 (2) incident reports on discrimination, which in one case resulted in costs of SEK 0.3 million. Measures are being taken to avoid future similar cases.

### Respect for human rights

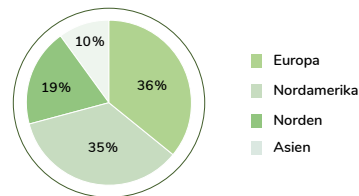
We operate in countries where human rights might be restricted. Our position on human rights and workers' rights is summed up in Our Values and our stance on modern slavery and human trafficking. Our annual risk assessment includes an evaluation of the risk of human rights violations. There should be no risk of child labour or forced labour in our own companies, and collective bargaining is permitted.

The human rights evaluation has been carried out on at least one occasion at 78 (66) of our production companies, which corresponds to 93%. The remainder are companies acquired in 2019 that have not yet been evaluated.

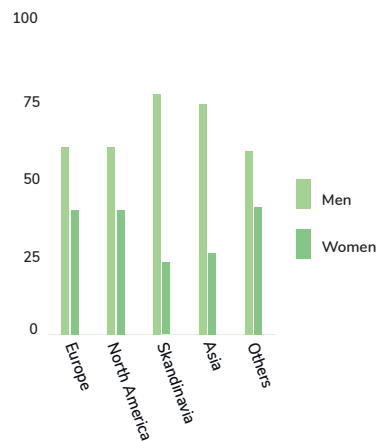
An eLearning programme on human rights was produced in 2019, which will be launched in 2020.



Overview of major materials % of total use



Employees by region, %



Gender per geographical region

All numerical statistics can be found on pages 139-142.

### NIBE supports the Agenda 2030 goals by



Promoting a safe and secure working environment, protecting workers' rights and ensuring decent working conditions in both their own activities and in the supply chain, along with protecting jobs and growth. (Goal 8)

NIBE TAKES RESPONSIBILITY FOR EMPLOYEES

# International trainee programme



The international trainee programme in the NIBE Climate Solutions business area aims to invest in young, talented sales representatives who will help strengthen our market positions in Europe and North America.

The training is done in close collaboration with the companies that have participants in the programme, most recently NIBE Energy Systems Finland, NIBE Biawar Poland, DZD Czech Republic, WaterFurnace USA, Enertech Global USA and NIBE Energietechnik Netherlands.

Over a two-year period, eight training sessions are conducted and one of the participating companies is visited on each occasion. The training starts with a day during which participants can review the host company's business and product information as well as a factory tour at the manufacturing unit. A session with comprehensive business area information, marketing, after sales, basic financial knowledge and negotiation techniques is on the agenda. Then follows two to three days with NIBE's sales coach.

The programme has been greatly appreciated and several of the participants assert that they gained broad knowledge of NIBE and learned how a strong growth-driven group of companies works. In February 2020, the second round of the trainee programme was completed.



*“ The training was an incredible journey, both in terms of personal development and getting to know NIBE. The combination of international training and getting to meet several management groups will lead to new business opportunities in our respective companies. I look forward to the years to come, to continue to push myself and to be a valuable part of the NIBE Group!*

Maarten Sonneveld, NIBE Energietechnik B.V.

# Local social responsibility

It is important for us to maintain local social responsibility in the places where we acquire new businesses, including in terms of employment opportunities and retained skills. This will make us a natural part of the development of the local community while we also take long-term responsibility.

Our values help us decide in each case what priorities are needed to look after our employees and their families and to protect our interests.

As a company, we do what we can locally where we are established to act as a responsible member of the community.

We expect all companies in the Group to 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.

Partnerships with local schools and institutes of higher education offer development opportunities for both parties.

Within the framework of our values and business principles, each company has great freedom to decide for itself how it wants to contribute to developing the community.

We see a heightened risk of conflict resulting from the impact of climate change on nature, which contributes to a shortage of drinking water and food.



Our in-depth collaboration with the NOBEL PRIZE MUSEUM opens new opportunities to inspire both students and teachers in our new NOBEL exhibition in Markaryd.

## Local partnerships for the future

We work with several schools to ensure a good influx of new employees to our businesses in the long term. Young people of all ages are invited to visit our companies to learn about the opportunities available and encourage them to study.

We also have firmly established partnerships with universities and institutes of higher education, offering opportunities for joint development projects, degree projects and internships, both locally and internationally.

## Support for others

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

In many communities where we are a major player, local development is positively affected by our presence and our need for services. As employers, taxpayers and customers to many local entrepreneurs, we have a major positive impact on local economies and investments in infrastructure.

Within the framework of our values and business principles, each company has great freedom to decide for itself how it wants to contribute to developing the community.

In 2019, we sponsored local initiatives relating to culture, sport, health and youth in the amount of SEK 3.0 million (SEK 2.5 million).

As an international company, we also want to contribute to international initiatives that are very close to our hearts. Children are our future, which is why we have decided to support SOS Children's Villages with financial contributions that go towards homes, education and better living conditions for vulnerable children.

Since 2015 we have been working with the organisation Hand in Hand, becoming a sponsor for a project that intends to lift an entire village out of poverty. Women in smaller groups are educated and trained in entrepreneurship and finance. We also support a school for girls in the same area. To follow up our efforts, visits were made to both the village and the girls' school, and we can state that we truly made a difference for the women and children in the area.

## NIBE supports the Agenda 2030 goals by



Respecting and maintaining national and cross-border legislation, and actively working against all forms of corruption. Creating systems for internal control of compliance with legislation and ethical business principles. (Goal 16)

## Local responsibility

Our values help us decide in each case what priorities are needed to look after our employees and their families and to protect our interests.

One clear expectation we have from all companies in the Group is that they comply with statutory requirements, agreements and contracts, and our shared principles and values, regardless of the type of society in which the companies are based. Through our sustainability visits (see page 67) and various external audits, we ensure that the companies comply with laws and requirements and base their operations on our business principles and values.

In cases where our companies have dormitories adjacent to the workplace, we work continuously on improvements to ensure that the accommodation meets local standards. For example, improvements were made to laundry rooms and common recreational rooms in 2019.

# Dialogue with our stakeholders

Through a continuous dialogue with our stakeholders, we ensure that we have identified our most important sustainability areas and that we focus on the right issues for the future as well. The biggest high-influence groups of stakeholders are owners, customers, employees, suppliers, investors and fund management companies as well as government authorities and the local community.

In 2016, we conducted the first major dialogue with a selection of stakeholders from most of these groups. In addition to sending a targeted survey to around 300 representatives of various stakeholder groups, we conducted several interviews and gathered data from analyses of the company.

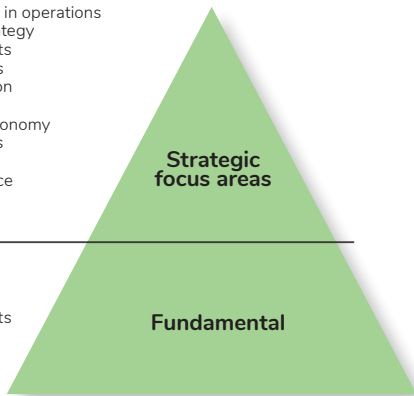
We then supplemented this data by continuously gathering additional information in connection with spontaneous contacts with the various stakeholder groups, at face-to-face meetings or through questionnaires.

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

We see a greater interest in sustainability from analysts, banks and funds, as well as from research institutes and universities. In addition to the usual surveys, interviews or visits are often requested. The topics include inputs, the conversion to new technology in the products due to new regulatory requirements, and diversity and human resource management. We have included these interview and visit questions as inputs to our materiality analysis.

## Materiality and 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



- 2 Resource-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 commitments
- 3 Dedicated, skilled workforce

### Explanation

1. Responsibility in business, 2. Responsibility for the environment, 3. Responsibility for employees, 4. Social responsibility

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

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





NIBE's 2019 Annual General Meeting.

## Materiality analysis

The materiality analysis conducted at the end of 2016 was updated in respect of this year's developments and stakeholder dialogue. We have determined the scope and boundaries in dialogue with management and stakeholders based on trends and GRI topics, along with their impact on our value chain both within and outside the organisation. The topics are summarised in the model on the left and grouped into four different areas: responsibility in business, responsibility for the environment, responsibility for employees and local social responsibility. The different areas are described in detail on pages 57-65 and our strategic focus areas are described on pages 48-51.

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 the UN Global Compact reinforced NIBE's previously communicated values to respect human rights and take responsibility for the environment, working environment and ethical business practices.
- NIBE has an accident rate target to create a safe working environment.
- NIBE has chosen to have certified management systems within environment and quality.
- NIBE has responded to the need to train its staff.
- Supplier evaluations regarding sustainability have resulted in clearer targets and action plans.

## Sustainability visits

An important part of anchoring our sustainability strategies and our focus areas in our daily tasks is the sustainability team's regular visits to our companies. The frequency of these visits is adapted to each company's circumstances and development, but each company is visited at least once every three to four years and the visits normally last for a few days.

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

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

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

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

# NIBE Group in figures





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## SUSTAINABILITY REPORT

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## BOARD OF DIRECTORS, MANAGEMENT

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# Annual Accounts 2019

## Important events during the financial year

### Acquisitions

The remaining 55% of shares in Italian ventilation and air conditioning company Rhoss S.p.A were acquired in January 2019. The company, which has sales of SEK 68 million, was consolidated into the NIBE Climate Solutions business area as of January 2019.

At the end of October, an agreement was made on the acquisition of 51% of the shares in American company Therm-X of California Inc. with an option to acquire the remaining 49% of the shares by 2024. The company, which develops and produces products in the semiconductor industry, has expected sales of over USD 60 million in 2020, with an operating margin of over 10%. The company was consolidated into the NIBE Element business area as from November 2019. The acquisition value is still provisional.

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

In mid-November, an agreement was made to acquire the Serbian water heater manufacturer TIKI Group, which has a strong market position in Eastern Europe and sales of approximately EUR 35 million, with an EBITDA of approximately 10%. The company will be consolidated into the NIBE Climate Solutions business area as of January 2020.

### Change of ownership

On 10 May, 100% of the shares in the Swiss company Schulthess Maschinen AG were sold for CHF 150 million on a cash-free and debt-free basis to a new owner company in which NIBE holds a 51% interest. The other owners are Helvetica Capital AG and the company's management. The agreement grants Helvetica Capital AG an option to acquire another 26% of the shares within a three-year period. The aim is to sell the remaining 25% of the shares in the business after another three or four years. Operations will be consolidated while NIBE has a majority shareholding, with recognition of minority shares. Consequently, no capital gain was recognised during the financial year.

### Remuneration

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

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

with the Chairman of the Board. Decisions in this regard are reported to the Board of Directors. See also Note 6 about remuneration for the year and the principles applied in 2019.

The Board's proposal for guidelines for 2020 largely matches the principles approved at the 2019 Annual General Meeting. As NIBE already essentially meets the new requirements under certain amendments to the Swedish Companies Act that apply for 2020, the guidelines were only expanded with explanatory information on criteria and promotion of the guidelines.

### Environmental issues

NIBE has production facilities in 26 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 failures to comply with environmental conditions were reported in 2019, and measures are being introduced to remedy them.

The Group manages improvements in its environmental performance by following key ratios, setting targets and reporting results according to the GRI standards. Several of our products have a positive impact on the environment as they help reduce energy consumption, increase the use of renewable energy and thus reduce climate impact.

The Sustainability Report is integrated in the Annual Report. To read more about sustainability targets, see pages 22-23. For the GRI index, see page 128, and for statistics, see pages 135-142.

### Staff issues, human rights and anti-corruption measures

NIBE's staff policy assumes 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. In 2019, NIBE implemented its Diversity and Equal Treatment Policy in line with new requirements.

Our policy to respect human rights and work to prevent discrimination also extends to our suppliers, and we evaluate new suppliers against our requirements. We also monitor existing suppliers against our requirements for human rights and working conditions.

Our values and our well-established code of conduct form the ba-



sis for our employees to work together, show commitment and enjoy freedom with responsibility. As part of our internal controls within the Group, several subsidiaries are evaluated every year to ensure that everyone applies the same principles and that the standard of working conditions remains high.

To read more about our employees, see pages 62-63, and about responsible purchasing, see page 58.

NIBE's anti-corruption work is driven by our values and policies. Information is provided to all employees, and exposed roles receive more extensive training. We also offer a Group whistleblower function. Our contracts with our suppliers and business partners include a provision on zero tolerance of corruption. See page 57.

### Research and development

The NIBE Group carries out market-leading research and development within each of its three business areas. We believe that this is a crucial factor behind continued organic growth and our ability to establish a presence in new markets. It also means that we can respond quickly to changes in what our customers want and transform their wishes into the best possible solution in the relevant market context. See Note 8.

### Future trends

- Our corporate philosophy and our strong range of products, with their focus on sustainability and energy efficiency, are in tune with the times in which we are living.
- We are well prepared to continue to be proactive on acquisitions.
- Our internal efforts to enhance efficiency, combined with our rigorous cost control measures, will guarantee persistently healthy margins.
- All three of our business areas have a good geographical spread, which makes us less vulnerable to local downturns in demand.
- Our decentralised organisation, based on independent units, creates the conditions for greater motivation and flexibility.
- As with previous years, the effects of economic trends, currency concerns, volatile energy prices and political turbulence in some parts of the world are hard to predict, but we remain cautiously positive about the year overall.

### Ownership

NIBE's share capital is divided into 58,532,590 class A shares and 445,484,032 class B shares. Each A share carries ten votes at the Annual General Meeting and each B share carries one vote. Class A shares, which represent approximately 56% of the votes, have pre-emption rights as per the company's articles of association.

The company has two shareholders who each hold more than 10% of the votes, one of them a group of shareholders consisting of present

and former directors and managers with around 46% of the votes, the other Melker Schörling, with around 20% of the votes.

### Proposal for appropriation of profits

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

Profit brought forward	SEK 2,201 million
Share premium reserve	SEK 4,751 million
Net profit for the year	SEK 2,027 million
<b>Total</b>	<b>SEK 8,979 million</b>

The Board of Directors proposes issuing a dividend to shareholders of SEK 1.40 per share, equivalent to a total pay-out of SEK 706 million. A total of SEK 8,273 million will be carried over in the accounts: SEK 4,751 million of this in the share premium reserve and SEK 3,522 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 120-123 is not part of the administration report.

# Five-year overview

## Income statement

(SEK million)	2019	2018	2017	2016	2015
Net sales	25,342	22,516	19,009	15,348	13,243
Cost of goods sold	- 17,036	- 15,054	- 12,446	- 9,817	- 8,461
Gross profit	8,306	7,462	6,563	5,531	4,782
Selling expenses	- 3,765	- 3,432	- 3,140	- 2,664	- 2,371
Administrative expenses	- 1,757	- 1,453	- 1,240	- 1,042	- 838
Other operating income	254	252	161	155	127
Operating profit	3,038	2,829	2,344	1,980	1,700
Net financial items	- 202	- 162	- 162	- 109	- 86
Profit after financial items	2,836	2,667	2,182	1,871	1,614
Tax	- 652	- 595	- 479	- 495	- 377
Net profit	2,184	2,072	1,703	1,376	1,237
Net profit attributable to non-controlling interest	14	- 2	-	-	-
<i>Includes amortisation/depreciation according to plan as follows</i>	1,036	691	640	542	480

## Balance sheet

(SEK million)	2019	2018	2017	2016	2015
Intangible assets	18,703	17,029	14,744	14,716	10,209
Property, plant and equipment	4,963	3,410	3,043	2,820	2,117
Financial assets	589	589	331	389	467
Total non-current assets	24,255	21,028	18,118	17,925	12,793
Inventories	4,403	4,106	3,247	2,799	2,115
Current receivables	4,400	3,968	3,203	2,798	1,901
Investments in securities etc.	227	166	90	160	347
Cash and equivalents	3,944	3,023	3,332	2,342	1,448
Total current assets	12,974	11,263	9,872	8,099	5,811
Total assets	37,229	32,291	27,990	26,024	18,604
Equity	17,604	15,421	12,807	12,129	7,428
Non-current liabilities and provisions					
- non-interest-bearing	4,759	3,973	2,859	2,763	1,605
- interest-bearing	7,653	7,357	6,960	5,858	7,118
Current liabilities and provisions					
- non-interest-bearing	4,212	3,658	3,348	2,596	2,289
- interest-bearing	3,001	1,882	2,016	2,678	164
Total equity and liabilities	37,229	32,291	27,990	26,024	18,604

## Statement of cash flows

(SEK million)	2019	2018	2017	2016	2015
Cash flow before change in working capital	3,448	2,652	2,307	2,045	1,717
Change in working capital	- 490	- 764	- 184	- 274	222
Cash flow from operating activities	2,958	1,888	2,123	1,771	1,939
Investments in existing operations	- 1,054	- 777	- 536	- 412	- 384
Operating cash flow	1,904	1,111	1,587	1,359	1,555
Acquisition of businesses	- 569	- 1,001	- 822	- 4,357	- 171
Cash flow after investments	1,335	110	765	- 2,998	1,384
Financing	217	30	703	3,998	- 1,302
Shareholders' dividends	- 656	- 530	- 444	- 369	- 298
Cash flow for the year	896	- 390	1,024	631	- 216
Cash and equivalents at start of year	3,189	3,422	2,502	1,795	1,981
Exchange difference in cash and equivalents	86	157	- 104	76	30
Cash and equivalents at end of year	4,171	3,189	3,422	2,502	1,795

## 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 11,033 million to SEK 25,342 million. This was achieved by means of a proactive acquisition strategy. During the period, 39 acquisitions and business combinations were implemented.

Average growth during the five-year period was 18.1%. Organic growth accounted for a rise in Group sales of 8.1% and acquired growth for 10.0% over the past five years. The weakening of the Swedish krona has had a positive effect on organic growth in recent years.

### 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 14.0%. NIBE Element's operating margin was an average of 10.0% during the period, while NIBE Stoves' average operating margin was 11.6%.

The Group's operating margin over the five-year period averaged 12.5% and return on equity averaged 14.5%.

## Balance sheet over the past five years

Over the past five years total assets rose from SEK 18,110 million to SEK 37,229 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 2 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 936 million. The value of property, plant and equipment increased by SEK 2,885 million over the most recent five-year period. Without the right-of-use assets, the increase would have been SEK 1,949 million. Of this increase, approximately 31% was added through acquisitions, and the remaining 69% 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 (mainly accounts receivable) and constitute approximately 24% of total assets. Normally, both of these items are directly related to sales and, therefore, growth.

### Interest-bearing liabilities

Current and non-current interest-bearing liabilities and provisions consist of loans from banks and other financial institutions, bond loans and pension provisions. These items increased from SEK 7,852 million to SEK 10,654 million over the past five years. This increase is primarily attributable to new borrowing to finance the major acquisitions in 2016 and to the implementation of IFRS 16 in 2019, which meant the addition of lease liabilities of SEK 939 million.

The Group's target is for the equity/assets ratio not to fall below 30%. Over the past five years this ratio averaged 46.0%.

### Non-interest-bearing liabilities

Non-current, non-interest-bearing liabilities and provisions consist mainly of deferred tax, additional considerations and warranty provisions. These grew from SEK 1,849 million to SEK 4,759 million over the past five years, chiefly as a consequence of liabilities for additional considerations and deferred tax attributable to intangible assets that have arisen on the acquisition of other companies.

Current non-interest-bearing liabilities and provisions grew by SEK 2,363 million over the past five years, from SEK 1,849 million to SEK 4,212 million, approximately 78% 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 18% 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 92% of depreciation according to plan. In 2019, however, investments amounted to SEK 1,054 million, compared with depreciation according to plan of SEK 813 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 investment rate in existing operations was moderate, while considerable attention was paid to the Group's day-to-day working capital. Despite the level of investment, operating cash flow in 2019 was at a considerably higher level than in 2018, 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, 39 acquisitions and business combinations were implemented, with 15 of these in the NIBE Climate Solutions business area, 22 in NIBE Element and 2 in NIBE Stoves. The rate of acquisition was relatively low in 2015, and increased in 2016, including the acquisition of the North American company Climate Control Group Inc. Many small acquisitions were completed in 2017-2019. The objective is to continue to pursue an aggressive acquisition strategy going forward.

### Financing

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

### Shareholders' dividends

NIBE Industrier AB aims to pay share dividends of 25-30% of the net profit for the year after tax. Over the most recent five-year period, share dividends varied between 29.9% and 32.5% of the year's profit after tax.

# Consolidated income statement

(SEK million)		2019	2018
Net sales	Note 3	25,342	22,516
Cost of goods sold		- 17,036	- 15,054
<b>Gross profit</b>		<b>8,306</b>	<b>7,462</b>
Selling expenses		- 3,765	- 3,432
Administrative expenses	Note 5	- 1,757	- 1,453
Other operating income	Note 9	254	252
<b>Operating profit</b>	Notes 3-9	<b>3,038</b>	<b>2,829</b>
Profit from financial items			
Profit from participations in associates and joint ventures	Note 23	8	6
Financial income	Note 11	219	173
Financial expenses	Note 12	- 429	- 341
<b>Profit after net financial items</b>		<b>2,836</b>	<b>2,667</b>
Tax	Note 14	- 652	- 595
<b>Net profit</b>		<b>2,184</b>	<b>2,072</b>
Profit for the year attributable to			
Parent shareholders		2,170	2,074
Non-controlling interest		14	- 2
<b>Net profit</b>		<b>2,184</b>	<b>2,072</b>
Includes amortisation/depreciation according to plan as follows		1,036	691
Average number of shares		504,016,622	504,016,622
Net profit per share before and after dilution, SEK		4.31	4.11
Proposed dividend per share in SEK		1.40	1.30

## Statement of comprehensive income

<b>Net profit</b>		<b>2,184</b>	<b>2,072</b>
<b>Other comprehensive income</b>			
Items that will not be reclassified to profit or loss			
Actuarial gains and losses in retirement benefit plans	Note 26	- 233	40
Tax attributable to other comprehensive income	Note 14	49	- 9
		- 184	31
Items that may be reclassified to profit or loss			
Cash flow hedges		7	1
Hedging of net investment		- 23	- 59
Exchange differences		790	1,153
Tax attributable to other comprehensive income	Note 14	- 32	- 73
		742	1,022
<b>Total other comprehensive income</b>		<b>558</b>	<b>1,053</b>
<b>Total comprehensive income</b>		<b>2,742</b>	<b>3,125</b>
Total comprehensive income attributable to			
Parent shareholders		2,727	3,128
Non-controlling interest		15	- 3
<b>Total comprehensive income</b>		<b>2,742</b>	<b>3,125</b>



## Comments on the income statement

### Net sales

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

Consolidated net sales increased during the year by SEK 2,826 million (12.5%) to SEK 25,342 million (SEK 22,516 million).

Consolidated net sales outside Sweden amounted to SEK 22,456 million (SEK 19,556 million), an increase of SEK 2,900 million (14.8%). This means that net sales abroad accounted for 88.6% (86.9%) of total net sales. Consolidated net sales on the Swedish market fell by 2.5% to SEK 2,886 million (SEK 2,960 million).

As acquired sales growth during the year totalled SEK 1,030 million (4.6%), this means that organic sales increased by SEK 1,796 million or 7.9%. The weakening of the Swedish krona during the year had a positive effect on organic growth.

### Operating profit

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

Group operating profit totalled SEK 3,038 million, an increase of 7.4% on the operating profit of SEK 2,829 million for the preceding year. The operating margin was 12.0% compared with 12.6% in the preceding year. The decline in operating margin is largely due to lower operating margins in NIBE Element and NIBE Stoves. For NIBE Climate Solutions, however, the operating margin was slightly better than last year, primarily due to good demand. The increased demand in Europe is most obvious on markets in which governments have displayed an ambition to phase out fossil fuels, while in the US it is primarily because the tax subsidies that had been withdrawn were reintroduced at the start of last year. Operating profit for the year has been charged with acquisition and disposal expenses of SEK 51 million, compared with SEK 15 million last year, which were recognised as administrative expenses in the consolidated income statement. As NIBE remains the majority shareholder of Schulthess Maschinen AG, no capital gain was recognised as a result of the change of ownership during the year.

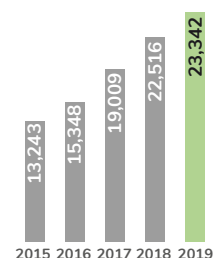
### Profit after financial items

Profit after financial items rose by 6.3% to SEK 2,836 million (SEK 2,667 million) to yield a profit margin of 11.2% (11.8%). Net financial items for the Group was SEK -202 million (SEK -162 million). Consolidated interest-bearing liabilities at year-end amounted to SEK 10,654 million, against SEK 9,239 million at the start of the year. The increase is largely attributable to the lease liabilities that are recognised as from 2019 under IFRS 16. The lease payments are partly charged to net financial items, which is one of the reasons for the decline in net financial items. The average interest rate during the year was 2.1% (1.7%). Net financial items include exchange gains and losses.

### Tax

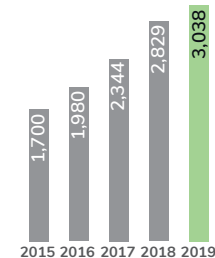
The tax expense for the year was SEK 652 million (SEK 595 million), which gives an effective tax rate of 23.0% (22.3%).

Net sales  
past five years (SEK m)



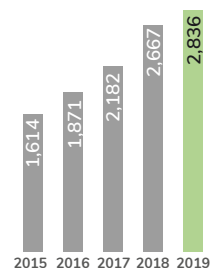
Net sales rose by 12.5%  
in 2019

Operating profit  
past five years (SEK m)



Operating profit rose by  
7.4% in 2019

Profit after  
financial items  
past five years (SEK m)



Profit after financial items  
rose by 6.3% in 2019

# Performance per business area during the year

## Quarterly data

Consolidated income statement	2019				2018			
(SEK million)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	5,763	6,093	6,349	7,137	4,862	5,371	5,785	6,498
Operating expenses	-5,188	-5,434	-5,498	-6,184	-4,365	-4,739	-4,990	-5,593
Operating profit	575	659	851	953	497	632	795	905
Net financial items	-43	-63	-29	-67	-54	-44	-36	-28
Profit after net financial items	532	596	822	886	443	588	759	877
Tax	-116	-148	-187	-201	-107	-148	-152	-188
Net profit	416	448	635	685	336	440	607	689

### Net sales – by business area

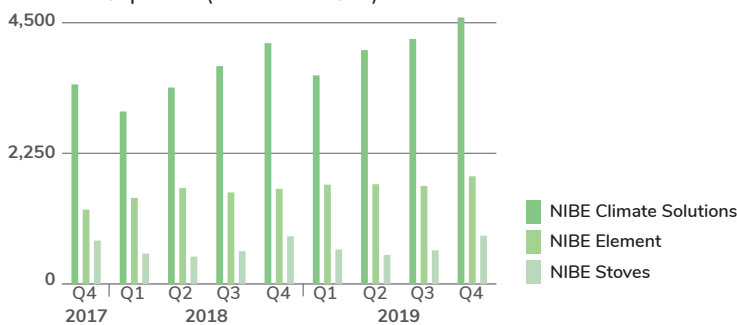
NIBE Climate Solutions	3,593	4,027	4,220	4,590	2,971	3,384	3,752	4,148
NIBE Element	1,710	1,718	1,688	1,855	1,483	1,652	1,576	1,638
NIBE Stoves	593	498	580	832	524	471	563	821
Elimination of Group transactions	-133	-150	-139	-140	-116	-136	-106	-109
Group total	5,763	6,093	6,349	7,137	4,862	5,371	5,785	6,498

### Operating profit – by business area

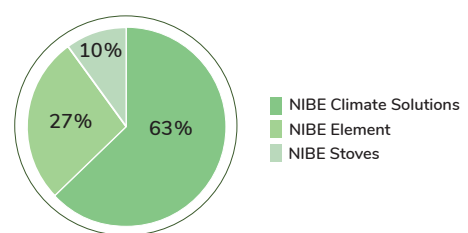
NIBE Climate Solutions	385	523	678	691	308	436	590	628
NIBE Element	161	159	145	157	154	198	164	134
NIBE Stoves	50	14	46	142	45	23	59	138
Elimination of Group transactions	-21	-37	-18	-37	-10	-25	-18	5
Group total	575	659	851	953	497	632	795	905

## Sales by Business Area

Past 9 quarters (in millions of SEK)

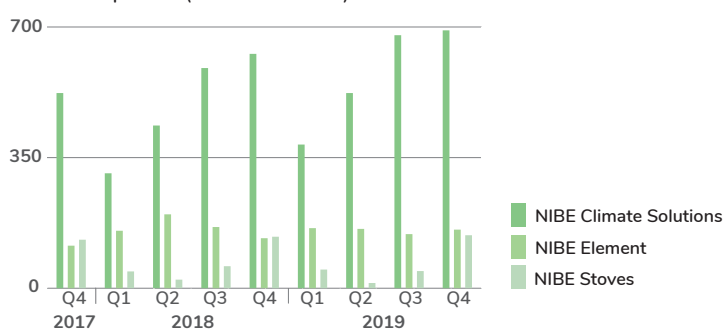


## Business Area contributions to sales

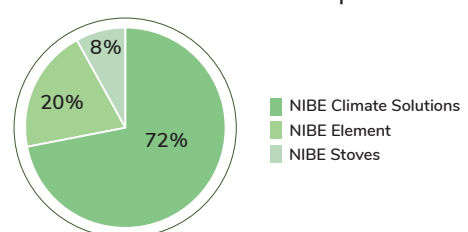


## Operating profit by Business Area

Past 9 quarters (in millions of SEK)



## Business Area contributions to profit



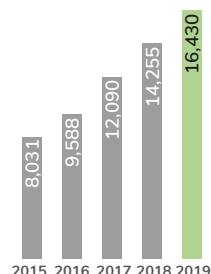
## NIBE Climate Solutions

Net sales for the year amounted to SEK 16,430 million, compared with SEK 14,255 million for the preceding year. The increase in sales was SEK 2,175 million (15.3%), with acquired sales accounting for SEK 815 million (5.7%), which means that organic growth was SEK 1,360 million (9.6%). During the past five years, sales increased from SEK 6,507 million to SEK 16,430 million.

Operating profit increased from SEK 1,962 million to SEK 2,277 million, which represents growth in profits of 16.1% and an operating margin of 13.9% (13.8%) for the year. Over the past five years, the operating margin averaged 14.0%.

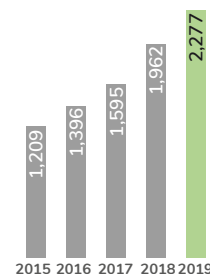
Several of NIBE Climate Solutions' main heat pump markets in Europe had healthy growth during the year. This applies above all to markets such as the UK, the Netherlands and Norway, where the governments have displayed an ambition to phase out fossil energy sources such as oil and gas. Demand in the US also increased during the year after the decision in early 2018 to reintroduce state subsidies for the installation of heat pumps.

Net sales (SEK m)



Net sales rose by 15.3% in 2019

Operating profit (SEK m)



Operating profit rose by 16.1% in 2019

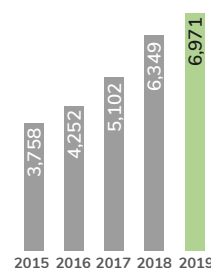
## NIBE Element

Net sales for the year amounted to SEK 6,971 million, compared with SEK 6,349 million for the preceding year. The increase in sales was SEK 622 million (9.8%), with acquired sales accounting for SEK 254 million (4.0%), which means that organic growth was SEK 368 million (5.8%). During the past five years, sales increased from SEK 3,193 million to SEK 6,971 million.

Operating profit fell from SEK 650 million to SEK 622 million, which represents a change in profit of -4.3% and an operating margin of 8.9% (10.2%) for the year. Over the past five years, the operating margin averaged 10.0%.

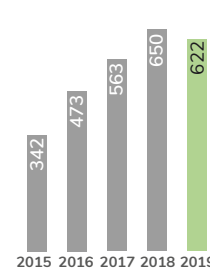
Growth in demand for NIBE Element's products varied between markets and product segments during the year. The poorer operating margin compared with the previous year is due partly to a less favourable product mix and partly to higher pressure on costs in several low-cost countries as a result of a shortage of labour.

Net sales (SEK m)



Net sales rose by 9.8% in 2019

Operating profit (SEK m)



Operating profit fell by 4.3% in 2019

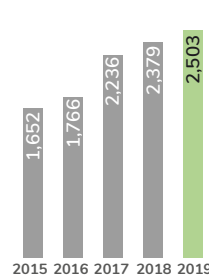
## NIBE Stoves

Net sales for the year amounted to SEK 2,503 million, compared with SEK 2,379 million for the preceding year. The increase in sales was SEK 124 million (5.2%), with acquired sales accounting for SEK 37 million (1.6%), which means that organic growth was SEK 87 million (3.6%). Over the past five years, sales increased from SEK 1,483 million to SEK 2,503 million.

Operating profit decreased from SEK 265 million to SEK 252 million, which represents a change in profit of -4.9% and an operating margin of 10.1% (11.2%) for the year. Over the past five years, the operating margin averaged 11.6%.

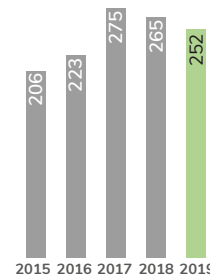
The increase in organic sales should be seen against the background of reduced demand in Europe in several product segments. However, there was growth on the North American market, particularly for gas-fired products. Major investments in product development and marketing during the year are the primary cause of the poorer operating margin.

Net sales (SEK m)



Net sales rose by 5.2% in 2019

Operating profit (SEK m)



Operating profit fell by 4.9% in 2019

# Consolidated balance sheet

## Assets

(SEK million)		31 Dec 2019	31 Dec 2018
<b>NON-CURRENT ASSETS</b>			
<b>Intangible assets</b>			
Market positions	Note 15	1,738	1,703
Brands and trademarks	Note 16	2,304	2,091
Goodwill	Note 16	14,071	12,750
Other intangible assets	Note 17	590	485
<b>Total intangible assets</b>		<b>18,703</b>	<b>17,029</b>
<b>Property, plant and equipment</b>			
Land and buildings	Note 19	2,016	1,811
Machinery and equipment	Note 20	1,623	1,376
Right-of-use assets	Note 21	936	–
Construction in progress	Note 18	388	223
<b>Total property, plant and equipment</b>		<b>4,963</b>	<b>3,410</b>
<b>Financial assets</b>			
Participations in associates and joint ventures	Note 23	34	181
Investments held as non-current assets		23	20
Deferred tax assets	Note 14	350	276
Other non-current receivables	Note 24	182	112
<b>Total financial assets</b>		<b>589</b>	<b>589</b>
<b>TOTAL NON-CURRENT ASSETS</b>		<b>24,255</b>	<b>21,028</b>
<b>CURRENT ASSETS</b>			
<b>Inventories</b>			
Raw materials and consumables		2,193	2,061
Work in progress		345	303
Finished products and goods for resale		1,865	1,742
<b>Total inventories</b>		<b>4,403</b>	<b>4,106</b>
<b>Current receivables</b>			
Accounts receivable		3,496	3,313
Accounts receivable from associates		2	–
Current tax assets		89	274
Other receivables		564	165
Prepaid expenses and accrued income		249	216
<b>Total current receivables</b>		<b>4,400</b>	<b>3,968</b>
Investments in securities etc.		227	166
Cash and equivalents		3,944	3,023
<b>TOTAL CURRENT ASSETS</b>		<b>12,974</b>	<b>11,263</b>
<b>TOTAL ASSETS</b>		<b>37,229</b>	<b>32,291</b>

## Equity and liabilities

(SEK million)		31 Dec 2019	31 Dec 2018
<b>EQUITY</b>			
Share capital	Note 25	79	79
Contributed capital		4,818	4,818
Other reserves		1,844	1,103
Profit brought forward		10,768	9,406
<b>Equity attributable to parent</b>		<b>17,509</b>	<b>15,406</b>
<b>Non-controlling interest</b>		<b>95</b>	<b>15</b>
<b>TOTAL EQUITY</b>		<b>17,604</b>	<b>15,421</b>
<b>NON-CURRENT LIABILITIES AND PROVISIONS</b>			
Provisions for pensions	Note 26	734	457
Provisions for taxes	Note 14	1,229	1,095
Guarantee risk reserve	Note 27	569	596
Other provisions, non-interest-bearing	Note 27	205	200
Liabilities to credit institutions	Note 7	660	1,564
Bond loans	Note 28	5,600	5,360
Lease liabilities	Note 21	660	–
Other liabilities, interest-bearing		68	17
Other liabilities, non-interest-bearing	Note 29	2,687	2,041
<b>TOTAL NON-CURRENT LIABILITIES AND PROVISIONS</b>		<b>12,412</b>	<b>11,330</b>
<b>CURRENT LIABILITIES AND PROVISIONS</b>			
Liabilities to credit institutions	Note 30	1,219	982
Bond loans	Note 28	1,503	900
Accounts payable		1,822	1,648
Advance payments from customers		35	36
Current tax liabilities		176	127
Lease liabilities	Note 21	279	–
Other liabilities	Note 32	720	527
Other liabilities to associates		1	–
Accrued expenses and deferred income	Note 33	1,458	1,320
<b>TOTAL CURRENT LIABILITIES AND PROVISIONS</b>		<b>7,213</b>	<b>5,540</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>37,229</b>	<b>32,291</b>



GROUP  
Changes in equity

(SEK million)	Share capital	Contributed capital	Other reserves 1)	Profit brought forward	Equity attributable to parent	Non-controlling interest	Total equity
Equity 31 Dec 2017	79	4,818	80	7,830	12,807	–	12,807
Change in non-controlling interest						19	19
Net profit for the year				2,074	2,074	–2	2,072
Other comprehensive income for the year			1,023	31	1,054	–1	1,053
Comprehensive income for the year			1,023	2,105	3,128	–3	3,125
Dividend				–529	–529	–1	–530
Equity 31 Dec 2018	79	4,818	1,103	9,406	15,406	15	15,421
Effect of change in accounting policy				–10	–10		–10
Adjusted opening equity	79	4,818	1,103	9,396	15,396	15	15,411
Change in non-controlling interest						66	66
Capital contribution from non-controlling interest				41	41		41
Net profit for the year				2,170	2,170	14	2,184
Other comprehensive income for the year			741	–184	557	1	558
Comprehensive income for the year			741	1,986	2,727	15	2,742
Dividend				–655	–655	–1	–656
Equity 31 Dec 2019	79	4,818	1,844	10,768	17,509	95	17,604

1) Other reserves

(SEK million)	Cash flow hedges	Hedging of net investments	Exchange differences	Total other reserves
Other reserves 31 Dec 2017	4	–527	603	80
Change during the year	1	–59	1,154	1,096
Tax	–1	13	–85	–73
Other reserves 31 Dec 2018	4	–573	1,672	1,103
Change during the year	7	–23	789	773
Tax	–2	–5	–25	–32
Other reserves carried forward, 31 Dec 2019	9	–601	2,436	1,844

Comments on the balance sheet

Total assets

Consolidated total assets rose by SEK 4,938 million (15.3%) during the year from SEK 32,291 million in the preceding year to SEK 37,229 million. The principal reasons for the increase are the addition of assets and liabilities through the acquisitions made during the year, and the weakening of the Swedish krona, which resulted in large exchange differences on translation of consolidated assets and liabilities in foreign currencies. Another contributory factor is the new IFRS accounting standard, which was implemented during the year. See Note 21.

Working capital

Consolidated working capital excluding cash and bank balances increased by SEK 175 million (3.9%) during the year from SEK 4,416 million in the preceding year to SEK 4,591 million. In relation to net sales, working capital decreased from 19.6% to 18.1%. This is primarily due to greater internal focus on issues relating to tying up working capital.

Equity/assets ratio and returns

The consolidated equity/assets ratio at year-end was 47.0% (47.7%). Equity totalled SEK 17,604 million (SEK 15,421 million).

The Group's profitability target is a return on equity of at least 20% in the long term. The return on equity in 2019 was 13.5% (14.8%). The decrease is primarily due to an increase in the Group's average equity compared with the previous year on account of the major exchange differences in the past two years. The return on capital employed was 12.3% (13.0%).

Interest-bearing liabilities

Consolidated interest-bearing liabilities at year-end amounted to SEK 10,654 million (SEK 9,239 million). The increase of SEK 1,415 million is primarily due to lease liabilities added following the implementation of IFRS 16. Since one of the Group's credit agreements expires in 2020, 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 equivalents and investments in securities, increased by SEK 433 million during the year from SEK 6,050 million to SEK 6,483 million. As SEK 939 million was added in the form of lease liabilities, consolidated net liabilities decreased by SEK 506 million if the lease liabilities are not included.

# Consolidated statement of cash flows

(SEK million)	2019	2018
<b>OPERATING ACTIVITIES</b>		
Operating profit	3,038	2,829
+ depreciation/amortisation & impairment charged to this profit	1,036	691
+ capital losses/- capital gains	3	1
+/- other non-cash items	- 51	- 18
<b>Total</b>	<b>4,026</b>	<b>3,503</b>
Interest received and similar items	227	179
Interest paid and similar items	- 411	- 345
Tax paid	- 394	- 685
<b>Cash flow before change in working capital</b>	<b>3,448</b>	<b>2,652</b>
<b>Change in working capital</b>		
Change in inventories	- 49	- 534
Change in current receivables	- 284	- 285
Change in current liabilities	- 157	55
<b>Cash flow from operating activities</b>	<b>2,958</b>	<b>1,888</b>
<b>INVESTING ACTIVITIES</b>		
Investment in machinery and equipment	- 381	- 372
Investment in buildings and land	- 60	- 60
Investment in construction in progress	- 334	- 146
Investment in other intangible assets	- 228	- 139
Sale of land and buildings	-	6
Sale of machinery and equipment	14	7
Change in non-current receivables and other securities	- 65	- 73
Investments in existing operations	- 1,054	- 777
<b>OPERATING CASH FLOW</b>	<b>1,904</b>	<b>1,111</b>
Acquisition of companies	Note 36	- 569
<b>Cash flow from investing activities</b>	<b>- 1,623</b>	<b>- 1,778</b>
<b>CASH FLOW AFTER INVESTMENTS</b>	<b>1,335</b>	<b>110</b>
<b>FINANCING ACTIVITIES</b>		
Capital contribution from non-controlling interest	19	-
Amortisation of non-current loans	Note 31	- 2,727
Amortisation of lease liabilities	- 240	-
New loans raised	Note 31	3,165
Shareholders' dividend	- 656	- 530
<b>Cash flow from financing activities</b>	<b>- 439</b>	<b>- 500</b>
<b>Cash flow for the year</b>	<b>896</b>	<b>- 390</b>
Cash and equivalents at start of year	3,189	3,422
Exchange difference in cash and equivalents	86	157
<b>Cash and equivalents at end of year</b>	<b>4,171</b>	<b>3,189</b>

## Comments on the statement of cash flows

### Cash flow from operating activities

Consolidated cash flow after changes in working capital amounted to SEK 2,958 million (SEK 1,888 million). The improvement is partly because, following the implementation of IFRS 16, lease payments must be recognised in financing activities instead. The increase in inventories was also at a considerably lower level than during the previous year.

### Investments

Investment in Group acquisitions of operations/subsidiaries totalled SEK 569 million (SEK 1,001 million). Other investments totalled SEK 1,054 million (SEK 777 million) net, allocated as follows:

(SEK million)	2019	2018
Machinery and equipment	367	365
Properties	60	54
Construction in progress	334	146
Other non-current assets	293	212
<b>Total</b>	<b>1,054</b>	<b>777</b>

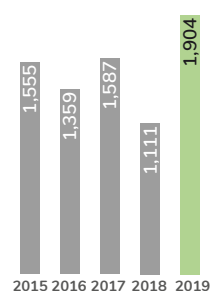
Consequently, cash flow after investment activities was SEK 1,335 million (SEK 110 million). Operating cash flow – i.e. after investments in existing operations, but excluding acquisitions of operations/subsidiaries – was SEK 1,904 million (SEK 1,111 million).

### Consolidated interest-bearing loans

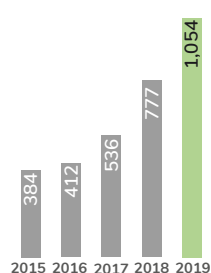
Consolidated interest-bearing liabilities at year-end totalled SEK 10,654 million (SEK 9,239 million). The average interest expense for total interest-bearing liabilities was 2.1% (1.7%). Consolidated net liabilities, which consist of interest-bearing liabilities less cash and equivalents and investments in securities, totalled SEK 6,483 million (SEK 6,050 million).

(SEK million)	2019	2018
Floating rate bank loans	1,205	2,518
Fixed rate bank loans	634	-
Floating rate bond loans	5,700	4,850
Fixed rate bond loans	1,403	1,410
Lease liabilities	939	-
Utilised portion of overdraft facilities with floating interest rate	40	27
Provisions for pensions	665	417
Other interest-bearing liabilities	68	17
<b>Total interest-bearing liabilities</b>	<b>10,654</b>	<b>9,239</b>
Unutilised overdraft facilities	532	373
Other unutilised credit	4,652	4,206
<b>Total credit available</b>	<b>15,838</b>	<b>13,818</b>

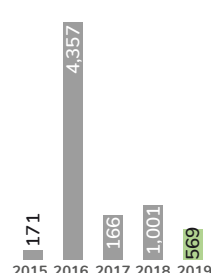
Operating cash flow past five years (SEK m)



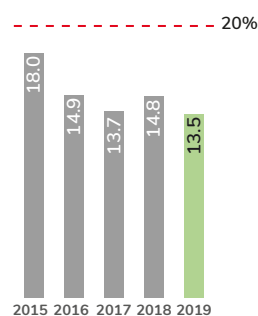
Investments in existing operations past five years (SEK m)



Investments/Acquisitions past five years (SEK m)



Return on equity past five years (%)

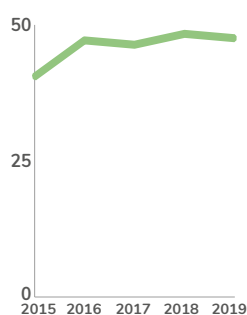


# Key ratios

		2019	2018	2017	2016	2015
Net sales	SEK million	25,342	22,516	19,009	15,348	13,243
Growth	%	+ 12.5	+ 18.5	+ 23.9	+ 15.9	+ 20.0
Operating profit	SEK million	3,038	2,829	2,344	1,980	1,700
Profit after net financial items	SEK million	2,836	2,667	2,182	1,871	1,614
EBITDA margin	%	16.1	15.6	15.7	16.4	16.5
Operating margin	%	12.0	12.6	12.3	12.9	12.8
Profit margin	%	11.2	11.8	11.5	12.2	12.2
Net investments in non-current assets*	SEK million	2,059	2,479	2,026	5,156	531
Operating cash flow	SEK million	1,904	1,111	1,587	1,359	1,555
Available cash and equivalents*	SEK million	4,703	3,562	3,803	2,926	2,195
Working capital, excluding cash and bank balances, in relation to net sales*	%	18.1	19.6	16.3	19.6	13.0
Equity	SEK million	17,604	15,421	12,807	12,129	7,428
Return on equity*	%	13.5	14.8	13.7	14.9	18.0
Equity/assets ratio	%	47.0	47.7	45.8	46.6	39.9
Proportion of risk-bearing capital	%	50.6	51.1	49.2	50.7	44.5
Capital employed	SEK million	28,258	24,660	21,783	20,665	14,710
Return on capital employed*	%	12.3	13.0	11.5	11.8	12.1
Return on total capital*	%	9.4	10.0	9.0	9.4	9.6
Capital turnover ratio	times	0.73	0.75	0.70	0.69	0.72
Interest-bearing liabilities/Equity	%	60.8	60.0	70.1	70.4	98.0
Net debt/EBITDA*	times	1.6	1.7	1.9	2.4	2.5
Interest coverage ratio*	times	7.6	8.8	9.6	9.6	12.3
Average number of employees	no.	16,994	16,569	14,271	11,869	10,545

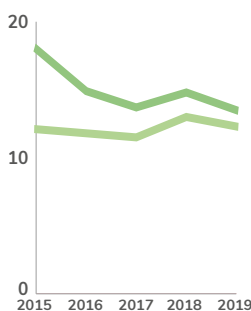
\*Key ratios with calculation specified on pages 82-83.

Equity/assets ratio  
past five years (%)



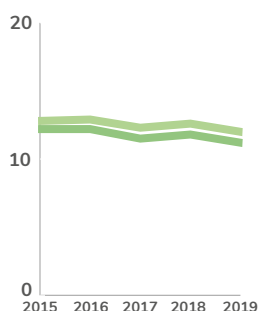
Equity was increased by SEK 3,008 million via a new share issue in 2016.

Returns  
past five years (%)



Equity  
Capital employed

Margins  
past five years (%)



Operating margin  
Profit margin

## Definitions – key ratios

### Growth

Percentage change in net sales compared with previous year.

### EBITDA margin

Operating profit before depreciation as a percentage of net sales.

### Operating margin

Operating profit as a percentage of net sales.

### Profit margin

Profit after net financial items as a percentage of net sales.

### Operating cash flow

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

### Equity

Taxed equity plus untaxed reserves less tax.

### Return on equity

Profit after net financial items less tax at 21.4% (22.0%) standard rate as a percentage of average equity.

### Equity/assets ratio

Equity as a percentage of total assets.

### Proportion of risk-bearing capital

Equity, including non-controlling interest and deferred tax liability, as a percentage of total assets.

### Capital employed

Total assets less non-interest-bearing liabilities and deferred tax.

### Return on capital employed

Profit after net financial items plus financial expenses as a percentage of average capital employed.

### Return on total capital

Profit after net financial items plus financial expenses as a percentage of average total assets.

### Capital turnover ratio

Net sales divided by average total assets.

### Interest-bearing liabilities/Equity

Interest-bearing liabilities as a percentage of equity.

### Net debt/EBITDA

Interest-bearing net debt (financial liabilities less financial assets) divided by profit before depreciation/amortisation.

### Interest coverage ratio

Profit after net financial items plus financial expenses divided by financial expenses.

## 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.

### Net investments in non-current assets

(SEK million)	2019	2018	2017	2016	2015
Acquisition of non-current assets	2,073	2,493	2,058	5,185	539
Disposal of non-current assets	- 14	- 14	- 32	- 29	- 8
Net investments in non-current assets	2,059	2,479	2,026	5,156	531

### Cash and equivalents

(SEK million)	2019	2018	2017	2016	2015
Cash and bank balances	3,944	3,023	3,332	2,342	1,448
Investments in securities etc.	227	166	90	160	347
Unutilised overdraft facilities	532	373	381	424	400
Cash and equivalents	4,703	3,562	3,803	2,926	2,195

### Working capital, excluding cash and bank balances

(SEK million)	2019	2018	2017	2016	2015
Inventories	4,403	4,106	3,247	2,799	2,115
Current receivables	4,400	3,968	3,203	2,798	1,901
Current liabilities and provisions, non-interest-bearing	- 4,212	- 3,658	- 3,348	- 2,596	- 2,289
Working capital, excluding cash and bank balances	4,591	4,416	3,102	3,001	1,727
Net sales	25,342	22,516	19,009	15,348	13,243
Working capital excluding cash and bank balances relative to net sales, %	18.1	19.6	16.3	19.6	13.0

### Return on equity

(SEK million)	2019	2018	2017	2016	2015
Profit after net financial items	2,836	2,667	2,182	1,871	1,614
Standard tax rate, %	21.4	22.0	22.0	22.0	22.0
Profit after net financial items, after tax	2,229	2,080	1,702	1,459	1,259
Equity at start of year	15,406	12,807	12,129	7,428	6,560
Equity at end of year	17,509	15,406	12,807	12,129	7,428
Average equity	16,458	14,107	12,468	9,779	6,994
Return on equity, %	13.5	14.8	13.7	14.9	18.0



#### Return on capital employed

(SEK million)	2019	2018	2017	2016	2015
Profit after net financial items	2,836	2,667	2,182	1,871	1,614
Financial expenses	429	341	255	216	143
Profit before financial expenses	3,265	3,008	2,437	2,087	1,757
Capital employed at start of year	24,660	21,783	20,665	14,710	14,411
Capital employed at end of year	28,258	24,660	21,783	20,665	14,710
Average capital employed	26,459	23,221	21,224	17,687	14,561
Return on capital employed, %	12.3	13.0	11.5	11.8	12.1

#### Return on total capital

(SEK million)	2019	2018	2017	2016	2015
Profit after net financial items	2,836	2,667	2,182	1,871	1,614
Financial expenses	429	341	255	216	143
Profit before financial expenses	3,265	3,008	2,437	2,087	1,757
Total assets at start of year	32,291	27,990	26,024	18,604	18,110
Total assets at end of year	37,229	32,291	27,990	26,024	18,604
Average total assets	34,760	30,140	27,007	22,314	18,357
Return on total assets, %	9.4	10.0	9.0	9.4	9.6

#### Net debt/EBITDA

(SEK million)	2019	2018	2017	2016	2015
Non-current liabilities and provisions, interest-bearing	7,653	7,357	6,960	5,858	7,118
Current liabilities and provisions, interest-bearing	3,001	1,882	2,016	2,678	164
Cash and bank balances	-3,944	-3,023	-3,332	-2,342	-1,448
Investments in securities etc.	-227	-166	-90	-160	-347
Net debt	6,483	6,050	5,554	6,034	5,487
Operating profit	3,038	2,829	2,344	1,980	1,700
Depreciation, amortisation and impairment	1,037	691	641	542	480
EBITDA	4,075	3,520	2,985	2,522	2,180
Net debt/EBITDA, times	1.6	1.7	1.9	2.4	2.5

#### Interest coverage ratio

(SEK million)	2019	2018	2017	2016	2015
Profit after net financial items	2,836	2,667	2,182	1,871	1,614
Financial expenses	429	341	255	216	143
Interest coverage ratio, times	7.6	8.8	9.6	9.6	12.3

# Parent

## Income statement

(SEK million)		2019	2018
Net sales	Note 3	23	14
Administrative expenses	Note 5	- 100	- 71
Operating profit	Notes 3-9	- 77	- 57
<b>Profit from financial items</b>			
Profit from participations in Group companies	Note 10	2,024	638
Profit from participations in associates and joint ventures	Note 23	5	3
Financial income	Note 11	83	91
Financial expenses	Note 12	- 211	- 142
Profit after net financial items		1,824	533
Appropriations	Note 13	204	107
Tax	Note 14	- 1	- 6
Net profit		2,027	634
Net profit attributable to Parent shareholders		2,027	634
<b>Statement of comprehensive income</b>			
Net profit		2,027	634
Other comprehensive income		-	-
Total comprehensive income		2,027	634
Parent shareholders		2,027	634
Total comprehensive income		2,027	634

## Statement of cash flows

(SEK million)		2019	2018
<b>OPERATING ACTIVITIES</b>			
Operating profit		- 77	- 57
Interest received and similar items		83	91
Interest paid and similar items		- 211	- 142
Tax paid		- 1	- 6
Cash flow before change in working capital		- 206	- 114
<b>Change in working capital</b>			
Change in current receivables		- 499	162
Change in current liabilities		163	- 25
Cash flow from operating activities		- 542	23
<b>INVESTING ACTIVITIES</b>			
Change in non-current receivables and other securities		- 1,487	- 1,259
Cash flow from investing activities		- 1,487	- 1,259
<b>OPERATING CASH FLOW</b>		- 2,029	- 1,236
Sale of businesses		69	-
Investments in operations		- 345	- 182
Cash flow from investing activities		- 276	- 1,441
<b>CASH FLOW AFTER INVESTMENTS</b>		- 2,305	- 1,418
<b>FINANCING ACTIVITIES</b>			
Profit from participations in Group companies		2,059	748
Amortisation of non-current loans	Note 31	- 900	-
New loans raised	Note 31	1,750	1,250
Shareholders' dividend		- 655	- 529
Cash flow from financing activities		2,254	1,469
Cash flow for the year		- 51	51
Cash and equivalents at start of year		51	-
Cash and equivalents at end of year		-	51

## Changes in equity

(SEK million)	Share capital	Statutory reserve	Share premium	Share reserve	Profit brought forward	Total equity
Equity 31 Dec 2017	79	75		4,751	2,747	7,652
Profit from merger <sup>1)</sup>					4	4
Comprehensive income for the year					634	634
Dividend					- 529	- 529
Equity 31 Dec 2018	79	75		4,751	2,856	7,761
Comprehensive income for the year					2,027	2,027
Dividend					- 655	- 655
Equity 31 Dec 2019	79	75		4,751	4,228	9,133

1) Profit from merger with the wholly owned subsidiary Nibe Energy Systems WFE AB.

## Balance sheet

### Assets

(SEK million)		31 Dec 2019	31 Dec 2018
<b>NON-CURRENT ASSETS</b>			
<b>Financial assets</b>			
Shares in subsidiaries	Note 22	10,534	10,131
Participations in associates and jointly controlled entities	Note 23	7	163
Receivables from Group companies		5,553	3,907
Investments held as non-current assets		9	8
Deferred tax assets	Note 14	3	2
Other non-current receivables	Note 24	8	13
<b>TOTAL NON-CURRENT ASSETS</b>		<b>16,114</b>	<b>14,224</b>
<b>CURRENT ASSETS</b>			
<b>Current receivables</b>			
Receivables from Group companies		244	130
Tax assets		1	9
Other receivables		392	6
Prepaid expenses and accrued income		20	13
<b>Total current receivables</b>		<b>657</b>	<b>158</b>
Cash and equivalents		–	51
<b>TOTAL CURRENT ASSETS</b>		<b>657</b>	<b>209</b>
<b>TOTAL ASSETS</b>		<b>16,771</b>	<b>14,433</b>

## Comments on Parent

### Operations

Parent activities comprise Group executive management functions and certain shared Group functions.

### Operating profit

The parent's sales refer in their entirety to sales to Group companies, and amounted to SEK 23 million (SEK 14 million) for the year. Administrative expenses consist primarily of personnel costs and purchased services such as 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. Additional dividend was received during the year from the disposal of Schulthess Maschinen AG.

### Balance sheet

The parent's total assets increased from SEK 14,433 million to SEK 16,771 million during the year. The increase is mostly due to Group investments in the acquisition of operations during the year, which entailed increased lending to subsidiaries. During the year, a bond loan of SEK 900 million was redeemed, and additional bond loans for SEK 1,750 million were raised. The parent's non-current interest-bearing liabilities consist entirely of bond loans. Interest-bearing liabilities at year-end amounted to SEK 7,103 million (SEK 6,260 million), and the average interest rate on these liabilities amounted to 1.1% during the year. At year-end, the parent's interest-bearing liabilities consisted entirely of liabilities in SEK, as set out in Note 7.

## Balance sheet

### Equity and liabilities

(SEK million)		31 Dec 2019	31 Dec 2018
<b>EQUITY</b>			
<b>Restricted equity</b>			
Share capital	Note 25	79	79
Statutory reserve		75	75
<b>Total restricted equity</b>		<b>154</b>	<b>154</b>
<b>Non-restricted equity</b>			
Share premium reserve		4,751	4,751
Profit brought forward		4,228	2,856
<b>Total non-restricted equity</b>		<b>8,979</b>	<b>7,607</b>
<b>TOTAL EQUITY</b>		<b>9,133</b>	<b>7,761</b>
<b>NON-CURRENT LIABILITIES AND PROVISIONS</b>			
Provisions for pensions	Note 26	12	10
Other provisions, non-interest-bearing	Note 27	99	89
Bond loans	Note 28	5,600	5,360
Other liabilities, non-interest-bearing	Note 29	192	219
<b>TOTAL NON-CURRENT LIABILITIES AND PROVISIONS</b>		<b>5,903</b>	<b>5,678</b>
<b>CURRENT LIABILITIES AND PROVISIONS</b>			
Bond loans	Note 28	1,503	900
Accounts payable		16	6
Liabilities to Group companies		2	2
Other liabilities	Note 32	169	51
Accrued expenses and deferred income	Note 33	45	35
<b>TOTAL CURRENT LIABILITIES AND PROVISIONS</b>		<b>1,735</b>	<b>994</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>16,771</b>	<b>14,433</b>

# 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 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 54 and the corporate governance report on page 120.

## Business risks

### Political and macroeconomic risks

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

Political instability, pandemics or labour disputes can cause production stoppages that, in turn, lead to compensation claims. NIBE continuously checks compliance with legislation by means of policies, procedures and constructive negotiations with employee representatives.

### Customer and supplier dependence

Large economic fluctuations, changes in energy prices, energy taxes, subsidies and energy legislation may affect the Group's growth. This is deemed to be counteracted by the Group's global presence. Growth per country and product group is monitored continuously. Combined with flexible manufacturing, this permits NIBE to take rapid action. All three business areas have a wide range of customers, and no business area is so dependent on any one customer or group of customers or one supplier that the loss of that customer/group/supplier is likely to seriously impair the profitability of the Group. Moreover, the Group's products help make society more sustainable as they are high-tech and sustainable, which guarantees long-term healthy profitability.

### 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 2019, 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 could lead to product recalls, through problems with materials or for other reasons. The risks are reduced by means of systematic quality assurance and inspection procedures. Most Group companies are certified in accordance with ISO 9001. Insurance policies have been taken out as additional risk cover for similar events.

### Traditional risks with insurance cover

It is our considered opinion that the Group has adequate cover for traditional insurance risks such as fire, theft, liability, etc. via the global insurance policies taken out. The excess on our policies is between SEK 300,000 and SEK 2 million.

### Financial risks

Financial risks comprise these material risks: credit risks, currency risks, financing risks and interest rate risks. These are described in Note 7.

### IT risks

Hacking of data systems, theft of business-critical data or sabotage of critical data systems by viruses represent a continuous, growing threat. Measures designed to compensate for these risks comprise strict IT policies for user authorisation and software/hardware-related protection mechanisms. The Group's insurance coverage also largely covers the IT area. Good IT security contributes to efficiency and stability.



## Sustainability risks

### Climate change

Extreme weather conditions in the form of storms, flooding and extreme heat or cold represent risks of damage to property and entail an increased risk of damage to the environment in the form of spills, unplanned discharges and leakage. This also creates a risk of disruption to production and delivery capacity. Damage and loss can be reduced in areas with an identified higher risk by using our risk analyses and preventive measures and by being prepared. NIBE has global insurance cover for major losses caused by natural disasters.

### The supply chain

Most of the components in the products marketed by the Group's three business areas are manufactured by several suppliers in Europe and elsewhere in the world. Suppliers may harm NIBE's reputation if they fail to follow internationally agreed principles for human rights, working conditions, environmental protection, ethical business conduct and/or social responsibility, or if they fail to comply with national legislation in these areas. NIBE evaluates suppliers against internationally agreed principles, quality requirements and their delivery capacity. In our opinion, the Group would not suffer serious harm if any individual supplier were unable to meet our stipulated requirements.

### Manufacturing

Risk assessments and improvements are implemented continuously at our production facilities, with ongoing maintenance and new investments, to minimise the impact of the Group suffering production stoppages due to external circumstances. The aim is to have sound procedures in the production process as regards quality, health, safety, the environment and fire protection. We monitor compliance with and the status of policies and certifications in these areas by means of internal and external audits. High levels of continuous improvements benefit the production process and safety. A global presence, combined with a flexible production structure, permits NIBE to relocate manufacturing processes in accordance with continuity plans.

### The environment

Handling materials and chemicals in our production plants entails a risk of damage to the environment for which the Group will be held liable. The Group can be held liable for contaminated soil and groundwater in properties caused by previous owners. In our opinion, the risks are minimised by means of systematic environmental work based on ISO 14001 certification and due diligence in conjunction with acquisitions.

### Occupational health and safety

Inadequate health and safety in the workplace can lead to accidents resulting in personal injury and production stoppages. NIBE carries out systematic health and safety work with risk analyses of tasks, machines and materials, and procedures for reporting incidents and investigating fundamental causes. A good, safe working environment promotes productivity and creates more efficient workplaces with better well-being and higher motivation.

### Human resource management

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

### Distribution

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

### Corruption

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

### Human rights

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

### Sensitivity analysis

The Group is exposed to several risk factors that affect earnings trends. Many of these risks are beyond the company's control. The table below sets out some of these changes and illustrates their effect on consolidated earnings. The changes are calculated based on the 2019 balance sheet and income statement.

	Basis for calculation		Change	Impact
Net sales (margin constant)	SEK 25,342 million	+/-	1.0%	SEK 102 million
Operating margin (volume constant)	SEK 25,342 million	+/-	1.0%	SEK 253 million
Material costs	SEK 10,719 million	+/-	1.0%	SEK 107 million
Personnel costs	SEK 6,951 million	+/-	1.0%	SEK 70 million
Interest-bearing liabilities (interest constant)	SEK 10,654 million	+/-	10.0%	SEK 22 million
Interest rate % (interest-bearing liability constant)	2.1 %	+/-	1.0 percentage point	SEK 107 million

## NOTE 1

### GENERAL INFORMATION ABOUT THE BUSINESS

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

The Group has just over 17,300 employees and operates in 30 countries in Europe, North America, Australia and Asia. The legal structure of the Group comprises several subsidiaries that run their operations via their own companies or branch offices.

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

## NOTE 2

### ACCOUNTING AND VALUATION POLICIES

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'.

#### New and amended accounting policies

##### IFRS 16 Leases

The NIBE Group applied IFRS 16 for the first time as from 1 January 2019. As a consequence of this, the Group changed its accounting policies for leases, as shown below. The Group decided to apply the modified retroactive method in the transition. Among other things, this means that the comparative year was not recalculated under IFRS 16 and the accumulated effect of IFRS 16 was recognised in the opening balance as at 1 January 2019.

The Group previously recognised operating lease expenses on a straight-line basis over the lease term and recognised assets (prepaid lease payments) and liabilities (accrued lease payments) only where there was a difference between actual lease payments and recognised expense.

Right-of-use assets attributable to previous operating leases were mainly recognised at amortised value from the start of the lease and, to a lesser extent, at the value of the liability at 1 January 2019 plus advance payments recognised in the balance sheet at 31 December 2018. The Group applied the relaxed rule of inheriting the previous definition of leases in connection with the transition. This means that the Group applied IFRS 16 to all leases made before 1 January 2019 that were identified as leases under IAS 17 and IFRIC 4. Leases of low value (assets worth under approximately SEK 50,000 when new), which primarily consist of computers, printers/copiers and coffee machines, were not included in the lease liability and will continue to be recognised as expenses on a straight-line basis over the lease term. Leases with a maximum term of 12 months, known as short-term leases, are not deemed to be significant in the Group.

In the transition to IFRS 16, the Group recognised lease assets for SEK 826 million and deferred tax assets for SEK 3 million. The right-of-use assets consist mainly of rented premises. There was an additional SEK 839 million of interest-bearing liabilities, SEK 225 million of which is current. The net effect was a reduction in Group equity of SEK 10 million. The weighted average discount rate applied when measuring lease liabilities is 2.2%.

No other new and amended IFRS have had any significant impact on NIBE's financial statements. The parent applies the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 'Accounting for legal entities'. Where the parent follows accounting policies which differ from those of the Group, this is specified in the relevant section in this note. The new policy for leases under IFRS 16 which the Group has started to apply is not applied by the parent. The parent applies an exemption option in RFR 2 with the effect that it recognises existing leases in the same ways as in previous years. The parent's accounting policies are consequently the same as in previous years.

No new and amended IFRS with future application are expected to have any significant impact on NIBE's financial statements.

#### 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.

#### 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. 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 consid-

ered 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.

The consolidated financial statements have been drawn up in accordance with the acquisition method, with the application of IAS 27 and IFRS 3.

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.

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.

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.

#### 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.

#### 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.

#### 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.

#### Statement of cash flows

The statement of cash flows is drawn up in accordance with IAS 7. The indirect method was used, which means that net income is adjusted for transactions that have not given rise to receipts or disbursements during the period, as well as for any income and expense attributable to cash flow from investing or financing activities. Cash and equivalents include cash and immediately accessible holdings in banks, as well as investments in securities.

#### Revenue recognition

##### *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 and extended warranties*

For certain products in the Climate Solutions business area, NIBE offers customers the opportunity to sign a one-year service contract, under which NIBE undertakes to perform maintenance service and remedy certain defects that are not covered by the warranty provided. Payment for service contracts is received annually in advance. 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. Climate Solutions' customers are also offered the opportunity to sign a contract for a warranty term that exceeds the standard term. Payment for the warranty is received on delivery of the goods. The extended warranties have terms of up to six years. The extended warranties are also separate performance obligations that are met over time under IFRS 15.35. Payment received for warranties is taken up as revenue over the term of the warranties.

### *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.

### **Segment reporting**

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. See Note 3.

### **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 2 million) were purchased from companies in which Melker Schörling has a significant influence.

### **Other operating income**

Gains on the sale of non-current assets, exchange differences, etc. are recognised under this heading. See specification in Note 9.

### **Accounting of income taxes**

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

Recognised income taxes include current tax, adjustments for the previous year's current tax and changes in deferred tax. All tax liabilities and tax assets are measured at the nominal amount in accordance with the tax regulations and tax rates approved or announced, when there is good reason to believe these will be confirmed.

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

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

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

### **Lease policies applied up to 31 December 2018**

The Group follows IAS 17 as regards leases. Leased assets are classified in accordance with the substance of the lease as finance leases or operating leases. Leased assets classified as finance leases are recognised as non-current assets, and future lease charges as interest-bearing liabilities. For leased assets classified as operating leases, annual lease expenses are recognised as an operating expense in the income statement.

### **Lease policies applied as from 1 January 2019**

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 been passed or when significant events occur or circumstances change significantly in a manner that is within NIBE's control and affect the current assessment of the lease term.

The Group presents right-of-use assets and lease liabilities as separate items in the statement of financial position.

No right-of-use asset and lease liability are recognised for leases that have a lease term of 12 months or less or have an underlying asset of low value, under SEK 50,000. Lease payments for these leases are recognised as an expense in a straight line over the lease term.

The Group is not a lessor in any case.

### **Goodwill and trademarks**

Goodwill and the consolidated surplus value of trademarks have arisen in connection with business acquisitions. Trademarks are measured at fair value on the acquisition date. The period of use of the trademarks cannot be estimated with certainty, since it is dependent on several unknown factors such as technological advances and market trends. NIBE applies IAS 38 Intangible Assets, which means that goodwill and assets with an indeterminate useful life are not amortised. An impairment test is, however, carried out annually, or more frequently if there are indications that an impairment need may exist, in accordance with IAS 36, in which the Group's carrying amounts on these assets are compared with the assets' estimated value in use based on their discounted future cash flows. The assets are valued by segment, i.e. by business area, which involves calculating future cash flows from each segment as a cash-generating unit. When the value in use is less than the carrying amount, the carrying amount is impaired to the level of the value in use. Accordingly, the assets are recognised at cost less accumulated impairment.

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 profit margin is based on the adopted budgets for each cash-generating unit.
- The discount rate is calculated by weighting the assessed required return on equity plus the standard tax rate and the estimated long-term interest level on the Group's interest-bearing liabilities.

### **Other intangible assets and property, plant and equipment**

Other intangible assets refers to tenancy rights, patents, development expenditures, licences, computer programs, market positions and similar assets, and the Group considers that these assets have a limited useful life.

Other intangible assets and property, plant and equipment are carried at cost less accumulated amortisation/depreciation and any impairment. 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:

Market positions	7-11%
Other intangible assets	5-33%
Buildings	2-7%
Land improvements	2-10%
Machinery and equipment	10-33%
Fixtures and fittings	4%

## Research and development costs

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.

## Inventories

IAS 2 is applied to the accounting of inventories. Inventories are valued at the lower of cost and replacement cost for raw materials, consumables and finished goods purchased, and at manufacturing cost for goods produced. In no case have inventories been recognised at above net realisable value. Interest is not included in the inventory values. Deliveries between Group companies are invoiced at market prices. Internal gains in Group companies' inventories are eliminated in the consolidated financial statements. These eliminations affect operating profit.

## Financial instruments

Financial instruments recognised among assets in the balance sheet include cash and equivalents, accounts receivable, unlisted shares, interest-bearing securities, derivatives and other receivables. Those recognised among liabilities include accounts payable, borrowings, other liabilities, derivatives and liabilities for contingent considerations.

### Initial recognition and measurement

Accounts receivable and issued debt securities are recognised when they are issued. Other financial assets and liabilities are recognised when the Group becomes a party to the contractual terms of the instrument. Financial instruments are initially recognised at fair value plus/less transaction expenses, except for instruments that are measured at fair value via profit or loss on a continuing basis, for which transaction costs are expensed when they arise instead. Accounts receivable (without a significant financing component) are initially measured at the transaction price determined under IFRS 15.

### Classification and subsequent measurement of financial assets

On initial recognition, a financial asset is classified under IFRS 9 as measured at amortised cost, fair value through other comprehensive income (debt securities investment), fair value through other comprehensive income (equity investment) or fair value through profit or loss. A description of how NIBE's various holdings of financial assets have been classified is given below:

#### Holdings of fixed income funds

The Group has holdings of fixed income funds that are measured at fair value through profit or loss as, from the perspective of the fund, the fund units are liabilities, while the funds not only give rise to payment of principal and interest.

#### Endowment insurance

The endowment policies are measured at fair value through profit or loss.

#### Derivative assets

See below under 'Derivatives and hedge accounting'.

#### Other financial assets

All other financial assets, which make up most of the Group's financial assets, are recognised at amortised cost. This is because they are held within the framework of a business model, the aim of which is to obtain the contractual cash flows, while the cash flows from the assets only consist of payments of principal and interest.

## Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at amortised cost or measured at fair value through profit or loss. The financial liabilities that are measured at fair value through profit or loss consist of contingent considerations for business acquisitions. All other financial liabilities are recognised at amortised cost with the application of the effective interest rate method. The liabilities measured at amortised cost also include liabilities that will be paid for minority shareholders' participations in connection with the application of the AAM. Non-current liabilities have an expected term which is longer than one year, while current liabilities have an expected term of a maximum of one year.

## Derecognition of financial assets and financial liabilities

The Group derecognises a financial asset from the balance sheet when the contractual right to the cash flows from the financial asset expires or if the Group transfers the right to receive the contractual cash flows via a transaction that entails the transfer of all substantial risks and benefits of ownership. A financial liability is derecognised from the balance sheet when the obligations specified in the contract are met, cancelled or expire. The Group also derecognises a financial liability when the contractual terms and conditions are modified and the cash flows from the modified liability are substantially different. In this case, a new financial liability is recognised at fair value based on the modified terms and conditions.

## Derivatives and hedge accounting

### Currency hedging

Forward contracts are recognised at fair value in the balance sheet, both initially and after subsequent remeasurement. To fulfil the requirements for hedge accounting, there is a clear link between the derivative and the hedged items. In addition, calculations of effectiveness and all hedging conditions are documented in accordance with the requirements set out in IAS 39. In hedging cash flows, changes in the fair value of hedging instruments, to the extent that the hedging is effective, are recognised under Other comprehensive income until the underlying hedged item is recognised in profit or loss. Ineffective portions are taken up as income immediately. For further information on currency derivatives, please see the section on 'Transaction risks' in Note 7 'Financial instruments and risk management'.

### Price hedging

Forward contracts used to hedge prices of raw materials are measured at fair value in the balance sheet, both initially and after subsequent remeasurement. To fulfil the requirements for hedge accounting, there is a clear link between the derivative and the hedged items. In addition, calculations of effectiveness and all hedging conditions are documented in accordance with the requirements set out in IAS 39. For price hedging of raw materials flows, changes in the fair value of hedging instruments are recognised, to the extent that the hedging is effective, under Other comprehensive income until the underlying hedged item is recognised in profit or loss. Ineffective portions are taken up as income immediately. For further information on raw materials derivatives, please see the section on 'Hedge accounting' in Note 7 'Financial instruments and risk management'.

### 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. See the section on 'Translation risks' in Note 7 'Financial instruments and risk management'.

To hedge the risk of change in the fair value of a bond issued with a fixed interest rate, NIBE Group has entered an interest swap via which the Group receives fixed-rate interest and pays variable-rate interest. The Group applies hedge accounting to the swap. The swap has thus been identified as a hedging instrument in a fair value hedge. The swap is recognised at fair value in the balance sheet. At the same time, the hedged item (the bond) is remeasured at fair value in relation to the hedged risk. Changes in value of both the interest swap and the hedged item are recognised in net financial items. For further information on interest rate hedging, please see Note 7 'Financial instruments and risk management'.

### 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.

#### Impairment of financial assets

A reserve for expected credit losses is calculated and recognised for the financial assets measured at amortised cost. The reserve for credit losses is calculated and recognised initially based on twelve months' expected credit losses. If the credit risk has increased significantly since the financial asset was first recognised, the reserve for credit losses is calculated and recognised based on expected credit losses for the entire remaining term of the asset. A simplified method is applied to accounts receivable that do not contain a significant financing component, and the reserve for credit losses is calculated and recognised based on expected credit losses for the entire remaining term, whether the credit risk has increased significantly or not. The calculation of expected credit losses is based mainly on information about historical losses for similar receivables and counterparties. The historical information is evaluated and adjusted continuously based on the current situation and the Group's expectations of future events.

#### 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.

#### Impairment of non-financial assets

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

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

#### Equity

Transaction costs directly attributable to the issue of new ordinary shares or options are recognised net of deductions for tax in equity as a deduction from the issue proceeds.

#### Provisions

IAS 37 is applied to the accounting of provisions. Provisions are recognised when the Group has or may be regarded as having an obligation due to events that have occurred and it is probable that payment will be required to settle the obligation. A further requirement is that it is possible to make a reliable estimate of the amount that will have to be paid. Contingent considerations for shares and participations acquired before 1 July 2014 are recognised as provisions. Guarantee risk provisions are recognised on the date of sale of the products to which the guarantee refers, and are estimated based on the cost history of equivalent obligations.

#### 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 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.

#### 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 16.

##### *Provisions*

Further information on provisions for the year for the guarantee risk reserve is provided in Note 27. 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 26.

##### *Additional considerations*

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

**NOTE 3**
**INFORMATION ON THE BUSINESS AREAS**

	CLIMATE SOLUTIONS		ELEMENT		STOVES		ELIMINATIONS		TOTAL	
(SEK million)	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Total net sales	19,213	16,642	8,379	7,605	3,058	2,898	- 5,308	- 4,629	25,342	22,516
Internal net sales	- 2,783	- 2,387	- 1,408	- 1,256	- 555	- 519	4,746	4,162	-	-
External net sales	16,430	14,255	6,971	6,349	2,503	2,379	- 562	- 467	25,342	22,516
<b>Sales by geographical region</b>										
Nordic countries	4,871	4,742	1,265	1,095	654	632	- 403	- 311	6,387	6,158
Rest of Europe	6,925	5,352	2,236	2,155	1,203	1,148	- 143	- 139	10,221	8,516
North America	4,432	3,993	2,640	2,345	572	508	- 16	- 17	7,628	6,829
Other countries	202	168	830	754	74	91	-	-	1,106	1,013
External net sales	16,430	14,255	6,971	6,349	2,503	2,379	- 562	- 467	25,342	22,516
<b>Profit</b>										
Profit per business area	2,277	1,962	622	650	252	265	-	-	3,151	2,877
Unallocated costs									- 113	- 48
Operating profit									3,038	2,829
Financial income									227	179
Financial expenses									- 429	- 341
Tax expense for the year									- 652	- 595
Net profit for the year									2,184	2,072
<b>Other information</b>										
Assets	23,191	20,637	9,313	7,655	3,614	3,304	- 10,721	- 10,399	25,397	21,197
Unallocated assets									11,832	11,094
Total assets									37,229	32,291
Liabilities	2,987	2,463	1,406	1,177	442	407	- 344	- 388	4,491	3,659
Unallocated liabilities									15,134	13,211
Total liabilities									19,625	16,870
Investments	639	404	303	214	73	80				
Amortisation/Depreciation	626	448	285	166	124	77				

SEK 2,886 million (SEK 2,960 million) of consolidated net sales relates to customers in the Swedish market and SEK 6,831 million (SEK 6,088 million) relates to customers in the US. Of consolidated non-current assets, SEK 1,655 million (SEK 1,550 million) is placed in Sweden, SEK 9,656 million (SEK 8,536 million) in the US and Mexico and SEK 5,760 million (SEK 5,422 million) in Germany and Switzerland. Unallocated costs refer primarily to the acquisition expenses and to Group-wide costs in the 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.

**Service contracts**

For certain products in Climate Solutions, NIBE offers customers the opportunity to sign one-year service contracts, under which NIBE undertakes to perform maintenance service and remedy certain defects that are not covered by the warranty provided. The scope of defects cannot be reliably predicted, so pricing is based on experience. Payment is received from customers annually in advance, so deferred income will be taken up as revenue gradually over the coming 12-month period.

**Deliverables taken up as revenue gradually**

	Service contracts	Extended warranties	Other	Total
Prepaid at start of year	7	192	-	199
Payments received during the year	80	210	1	291
Taken up as revenue during the year	- 76	- 164	-	- 240
Translation differences	-	7	-	7
Prepaid at year-end	11	245	1	257

**Extended warranty period contracts**

For certain products in Climate Solutions, NIBE offers customers the opportunity to sign contracts for warranty periods that exceed those provided as standard. Standard warranty periods depend both on the type of product and the market in question. The longest contracts expire within six years. The scope of defects cannot be reliably predicted, so pricing is based on experience. Payment is received from customers on delivery of goods. Deferred income will be taken up as revenue gradually over the coming six-year period.

**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	16,190	240	16,430
NIBE Element	6,971	-	6,971
NIBE Stoves	2,503	-	2,503
Eliminations	- 562	-	- 562
Total income	25,102	240	25,342

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 2019, there were no such obligations that had an original expected term of more than one year.

## NOTE 4

### INCOME STATEMENT CLASSIFIED BY TYPE OF COST

(SEK million)	Group		Parent	
	2019	2018	2019	2018
Net sales	25,342	22,516	23	14
Change in inventories	41	284	–	–
Other operating income	254	252	–	–
	25,637	23,052	23	14
Raw materials and consumables	– 10,759	– 9,780	–	–
Other external costs	– 3,853	– 3,783	– 66	– 41
Personnel costs	– 6,951	– 5,969	– 34	– 30
Amortisation/Depreciation	– 1,036	– 691	–	–
Operating profit	3,038	2,829	– 77	– 57

## NOTE 5

### REMUNERATION OF AUDITORS

Group (SEK million)	2019			2018		
	KPMG	Other auditors	Total Group	KPMG	Other auditors	Total Group
Audit engagements	18	4	22	17	3	20
Other audit-related fees	2	2	4	2	1	3
Tax advisory services	1	7	8	1	10	11
Other services	5	6	11	5	4	9
Total	26	19	45	25	18	43

During the year, the parent paid audit expenses of SEK 1 million (SEK 2 million) and expenses for other services of SEK 5 million (SEK 3 million).

## NOTE 6

### PERSONNEL COSTS, AVERAGE NUMBER OF EMPLOYEES, NUMBERS OF MEN AND WOMEN IN SENIOR POSITIONS

#### Salaries and other remuneration

(SEK million)	2019	2018
Parent	22	20
Subsidiaries	5,581	4,853
Group total	5,603	4,873

(SEK million)	2019		2018	
	Social security contributions	of which pension expenses	Social security contributions	of which pension expenses
Parent	11	4	10	4
Subsidiaries	1,017	202	859	187
Group total	1,028	206	869	191

#### Board and senior executives

(SEK thousand)	2019		2018	
	Salaries and other remuneration	Pension expenses	Salaries and other remuneration	Pension expenses
Hans Linnarson, Chair	800	–	720	–
Helene Richmond	400	–	360	–
Georg Brunstam	400	–	360	–
Anders Pålsson	400	–	360	–
Jenny Sjö Dahl	400	–	360	–
Gerteric Lindquist, CEO	7,301	–	6,324	–
Other senior executives 4 (4) individuals	19,013	5,255	16,843	8,461
Group total	28,714	5,255	25,327	8,461

As in the preceding year, none of the parent's pension expenses relate to the CEO. The parent's outstanding pension obligations for the Board of Directors and the CEO amount to SEK 7 million (SEK 6 million). The corresponding amount for the Group is SEK 8 million (SEK 7 million). The Group has no outstanding pension obligations for the previous Board of Directors and CEO.

## 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 2019.

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

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

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

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

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

As an incentive, senior executives will be entitled to a variable salary component that is payable if set targets are achieved. The variable component shall be restricted to four months' salary. The possibility also exists to receive an additional month's salary on condition that this additional payment plus another monthly salary paid as a variable bonus is used to purchase NIBE shares. A further condition for entitlement to receive this additional month's remuneration is that the shares thus purchased are retained for at least three years. Under normal circumstances, shares acquired in this way shall be purchased on one occasion each year in February/March and the purchase shall be subject to the relevant insider trading regulations. The CEO shall not participate in any incentive programme.

The Board may depart from these guidelines if there are reasons for doing so in an individual case.

The Board's proposal for guidelines for 2020 largely matches the principles approved at the 2019 Annual General Meeting. As NIBE already essentially meets the new requirements under certain amendments to the Swedish Companies Act that apply for 2020, the guidelines were only expanded with explanatory information on criteria and promotion of the guidelines.

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

(SEK million)	2019		2018	
	Board, CEO and senior executives	Other employees	Board, CEO and senior executives	Other employees
Parent	18	7	16	6
Subsidiaries in Sweden	10	735	9	671
Norway <sup>1)</sup> (0 and 1)	-	200	-	183
Finland <sup>1)</sup> (2 and 1)	-	174	-	158
Denmark <sup>1)</sup> (3 and 4)	-	431	-	412
France (1 and 0)	-	49	-	40
Germany <sup>1)</sup> (1 and 1)	-	302	-	271
Poland <sup>1)</sup> (2 and 0)	-	278	-	247
Czech Republic <sup>1)</sup> (1 and 1)	-	126	-	114
Italy <sup>1)</sup> (1 and 1)	-	239	-	81
The Netherlands <sup>1)</sup> (1 and 0)	-	66	-	47
Belgium	-	5	-	4
UK <sup>1)</sup> (0 and 1)	-	179	-	156
Spain	-	27	-	23
Romania	-	31	-	28
Russia	-	15	-	13
Austria	-	52	-	46
Switzerland <sup>1)</sup> (1 and 2)	-	535	-	473
Serbia	-	9	-	1
Turkey	-	9	-	2
China	-	126	-	111
Malaysia	-	2	-	2
Vietnam	-	19	-	15
Taiwan	-	1	-	-
Thailand	-	9	-	9
Singapore	-	4	-	3
Australia	-	16	-	14
Mexico	-	209	-	178
Canada <sup>1)</sup> (1 and 1)	-	283	-	252
USA <sup>1)</sup> (5 and 5)	-	1,439	-	1,290
<b>Group total</b>	<b>28</b>	<b>5,577</b>	<b>25</b>	<b>4,850</b>

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

## 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 2019. 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.

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

	2019		2018	
	Number	Of which men	Number	Of which men
Board of Directors	6	4	6	4
Senior management				
Parent	2	2	2	2
Subsidiaries	3	3	3	3
<b>Group</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>

## Average number of employees and gender distribution

	2019		2018	
	Number of employees	Of which men	Number of employees	Of which men
Parent	8	4	8	4
Subsidiaries in Sweden	1,740	1,386	1,707	1,368
Norway	324	261	306	253
Finland	444	349	433	340
Denmark	622	424	612	413
France	66	48	57	44
Germany	639	512	606	489
Poland	2,278	1,099	2,301	1,084
Czech Republic	831	471	789	440
Italy	476	340	183	105
The Netherlands	98	77	75	62
Belgium	6	5	6	5
UK	536	441	485	391
Spain	67	49	68	49
Romania	299	88	288	80
Slovakia	3	2	3	2
Russia	155	108	145	101
Austria	79	61	71	53
Switzerland	614	497	606	486
Serbia	236	156	17	11
Turkey	81	72	14	11
China	976	558	1,017	574
Malaysia	15	4	17	4
Vietnam	427	95	496	87
Taiwan	4	3	-	-
Thailand	156	98	172	103
Singapore	12	9	13	9
Australia	30	15	33	17
Mexico	2,400	1,129	2,690	1,318
Canada	511	412	534	420
USA	2,861	1,914	2,817	1,892
<b>Group total</b>	<b>16,994</b>	<b>10,687</b>	<b>16,569</b>	<b>10,215</b>



## 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 flow. The degree of hedging of future flows determines where in the range the figure is to lie. In 2019 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.

Currency	Group		Parent	
	Net flow in (+)/out (-)	Weakening by 1%	Net flow in (+)/out (-)	Weakening by 1%
AUD	-14	-	-	-
CAD	-1	-	-1	-
CHF	117	-1	-16	-
CNY	-3	-	-	-
CZK	-9	-	-	-
DKK	47	-	-	-
EUR	726	-7	-2	-
GBP	133	-1	-	-
HKD	-7	-	-	-
MXN	-312	3	-	-
NOK	226	-2	-	-
PLN	5	-	-	-
RUB	9	-	-	-
SGD	-2	-	-	-
USD	285	-3	-4	-
<b>Total</b>	<b>1,200</b>		<b>-23</b>	

## 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 2019, 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.

Currency	Net assets	Hedging	2019
AUD	69	-	69
CAD	865	-	865
CHF	4,225	-43	4,182
CZK	680	-	680
DKK	1,138	-99	1,039
EUR	2,669	-265	2,404
GBP	1,123	-110	1,013
HKD	87	-	87
MYR	2	-	2
MXN	82	-	82
NOK	645	-52	593
PLN	711	-	711
RON	71	-	71
RUB	162	-	162
RSD	77	-	77
SGD	23	-	23
TRY	96	-	96
VND	35	-	35
THB	47	-	47
USD	10,011	-	10,011
<b>Total</b>	<b>22,818</b>	<b>-569</b>	<b>22,249</b>

If the Swedish krona falls in value by 1% against the named currencies, the Group's equity is strengthened by SEK 222 million (SEK 195 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 228 million (SEK 201 million).

Currency	Net assets	Hedging	2018
AUD	67	-	67
CAD	807	-122	685
CHF	4,985	-51	4,934
CZK	606	-	606
DKK	1,060	-89	971
EUR	2,024	-176	1,848
GBP	987	-101	886
HKD	70	-	70
MYR	2	-	2
MXN	67	-	67
NOK	662	-50	612
PLN	626	-	626
RON	70	-	70
RUB	133	-	133
RSD	70	-	70
SGD	20	-	20
TRY	102	-	102
VND	24	-	24
THB	41	-	41
USD	7,668	-	7,668
<b>Total</b>	<b>20,091</b>	<b>-589</b>	<b>19,502</b>

Outstanding contracts on the closing date, net sales (+)/purchases (-), flow in each currency

Currency	Flow Q1	Flow Q2	Flow Q3	Flow Q4	Average forward rate	Closing day rate	Unrealised gain/loss 31 Dec 2019	Unrealised gain/loss 31 Dec 2018
AUD	-	2	2	1	6.54	6.51	-	-
DKK	1	1	2	1	1.44	1.40	-	-
EUR	7	7	7	6	10.62	10.43	6	2
GBP	-	-	-	-	-	12.21	-	1
HKD	7	11	18	18	1.20	1.20	-	-
MXN	- 104	- 53	- 47	- 31	0.47	0.50	5	1
NOK	6	4	-	-	1.09	1.06	-	1
PLN	-	- 1	- 1	-	2.47	2.44	-	-
USD	5	2	2	6	9.39	9.32	1	- 6
<b>Total</b>							<b>12</b>	<b>- 1</b>
Of which profit recognised at end of period							3	- 6
Of which recognised in other comprehensive income at end of period							9	5

At the end of 2019, 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 453 million (SEK 543 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 2019, represents an unrealised exchange gain of SEK 12 million.

Other receivables in the consolidated balance sheet includes derivatives with positive fair values of SEK 18 million (SEK 17 million). Other liabilities includes derivatives with negative fair values of SEK 9 million (SEK 12 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.

Currency	2019	2018
DKK	99	89
EUR	164	99
GBP	109	-
NOK	52	49
<b>Total</b>	<b>424</b>	<b>237</b>

If the Swedish krona rises in value by 1% against the named currencies, the parent's equity is strengthened by SEK 4 million (SEK 2 million). If the Swedish krona falls in value by 1% against the named currencies, the reverse applies.

#### 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)	2019	2018
Receivables, wholly or partly impaired		
- overdue by less than 3 months	148	33
- overdue by more than 3 months	97	36
Receivables which have not been impaired		
- overdue by less than 3 months	726	656
- overdue by more than 3 months	143	127
<b>Total overdue receivables</b>	<b>1,114</b>	<b>852</b>
Provision for credit losses	- 90	- 51
<b>Total receivables overdue but not impaired</b>	<b>1,024</b>	<b>801</b>

#### Provision for credit losses

(SEK million)	2019	2018
Provisions brought forward	51	51
Provisions in acquired companies	18	-
Established credit losses	- 4	- 6
Reversed provisions	- 7	- 10
Provisions for the year	31	14
Translation differences	1	2
<b>Provisions carried forward</b>	<b>90</b>	<b>51</b>

Profit for the year has been charged with SEK 29 million (SEK 14 million) for credit losses which have arisen in the consolidated receivables.

#### Gains and losses on financial instruments

(SEK million)	Group		Parent	
	2019	2018	2019	2018
Exchange gains and losses on currency derivatives used for hedge accounting recognised				
- as other operating income	9	12	-	-
- as cost of goods sold	- 3	- 24	-	-
- in other comprehensive income	4	9	-	-
Gains and losses on commodity derivatives used for hedge accounting recognised				
- as cost of goods sold	4	11	-	-
- in other comprehensive income	3	- 8	-	-
Exchange gains and losses on other financial assets and liabilities recognised				
- as other operating income	116	101	-	-
- as cost of goods sold	- 117	- 123	-	-
- as financial income	197	157	74	-
- as financial expenses	- 213	- 181	- 135	- 12
Change in value of bond loans recognised as financial income	7	6	7	6
Change in value of interest swaps recognised as financial income	- 5	- 5	- 5	- 5
Credit losses on accounts receivable recognised as selling expenses	- 29	- 14	-	-
<b>Total</b>	<b>- 27</b>	<b>- 59</b>	<b>- 59</b>	<b>- 11</b>

The items recognised above as gains and losses are exchange gains, exchange losses and losses on credit granted. Interest has not been included. The Group's reporting system does not permit the allocation of exchange gains and exchange losses to the various classes of financial assets and liabilities.

## Fair value of financial instruments

Fair value may deviate from carrying amount, partly due to changes in market interest rates. For consolidated liabilities with a floating rate, fair value is estimated to be the same as the carrying amount. The Group has three fixed-rate bonds. One of these bonds is included as a hedged item in a fair value hedge. The carrying amount of this bond is therefore deemed to be essentially consistent with fair value. For the other bonds, fair value was calculated by discounting future cash flows at current market interest rates. The valuation of these bonds is at level 2 in the valuation hierarchy. Fair value corresponds to the carrying amount for non-interest-bearing assets and liabilities such as accounts receivable and accounts payable. No instruments were offset in the balance sheet. All instruments are recognised at their gross value. For a detailed account of the valuation techniques and inputs, see Note 2. For other consolidated financial assets and liabilities, the carrying amounts represent a reasonable approximation of their fair value.

Assets 31 Dec 2019 (SEK million)	Measured at amortised cost	Measured at fair value through profit or loss	Derivatives used for hedge accounting	Non-finan- cial assets	Total carrying amount	Fair value
Intangible assets	–	–	–	18,703	18,703	
Property, plant and equipment	–	–	–	4,963	4,963	
Participations in associates and joint ventures	–	–	–	34	34	
Investments held as non-current assets	14	9	–	–	23	23
Deferred tax assets	–	–	–	350	350	
Other non-current receivables	174	–	8	–	182	182
Inventories	–	–	–	4,403	4,403	
Accounts receivable	3,496	–	–	–	3,496	3,496
Accounts receivable from associates	2	–	–	–	2	2
Tax assets	–	–	–	89	89	
Other receivables	545	–	19	–	564	564
Prepaid expenses and accrued income	–	–	–	249	249	
Investments in securities etc.	–	227	–	–	227	227
Cash and equivalents	3,944	–	–	–	3,944	3,944
<b>Total assets</b>	<b>8,175</b>	<b>236</b>	<b>27</b>	<b>28,791</b>	<b>37,229</b>	

Assets 31 Dec 2018 (SEK million)	Measured at amortised cost	Measured at fair value through profit or loss	Derivatives used for hedge accounting	Non-finan- cial assets	Total carrying amount	Fair value
Intangible assets	–	–	–	17,029	17,029	
Property, plant and equipment	–	–	–	3,410	3,410	
Participations in associates and joint ventures	–	–	–	181	181	
Investments held as non-current assets	12	8	–	–	20	20
Deferred tax assets	–	–	–	276	276	
Other non-current receivables	99	–	13	–	112	112
Inventories	–	–	–	4,106	4,106	
Accounts receivable	3,313	–	–	–	3,313	3,313
Tax assets	–	–	–	274	274	
Other receivables	148	–	17	–	165	165
Prepaid expenses and accrued income	–	–	–	216	216	
Investments in securities etc.	70	96	–	–	166	166
Cash and equivalents	3,023	–	–	–	3,023	3,023
<b>Total assets</b>	<b>6,665</b>	<b>104</b>	<b>30</b>	<b>25,492</b>	<b>32,291</b>	

Equity and liabilities 31 Dec 2019 (SEK million)	Financial liabilities measured at amortised cost	Derivatives used for hedge accounting	Financial liabilities measured at fair value through profit or loss	Non-financial items	Total carrying amount	Fair value
Equity	–	–	–	17,604	17,604	
Provisions	–	–	–	2,737	2,737	
Non-current liabilities*	6,672	–	2,343	–	9,015	9,015
Lease liabilities (non-current and current)	939	–	–	–	939	939
Current interest-bearing liabilities	2,722	–	–	–	2,722	2,722
Accounts payable	1,822	–	–	–	1,822	1,822
Advance payments from customers	35	–	–	–	35	35
Tax liabilities	–	–	–	176	176	
Other liabilities	514	9	197	–	720	720
Other liabilities to associates	1	–	–	–	1	1
Accrued expenses and deferred income	1,458	–	–	–	1,458	1,458
<b>Total equity and liabilities</b>	<b>14,163</b>	<b>9</b>	<b>2,540</b>	<b>20,517</b>	<b>37,229</b>	

\*Of which SEK 89 million refers to loans in foreign currencies to hedge net investment in foreign operations.

Equity and liabilities 31 Dec 2018 (SEK million)	Financial liabilities measured at amortised cost	Derivatives used for hedge accounting	Financial liabilities measured at fair value through profit or loss	Non-financial items	Total carrying amount	Fair value
Equity	–	–	–	15,421	15,421	
Provisions	–	–	–	2,348	2,348	
Non-current liabilities*	7,028	–	1,954	–	8,982	8,982
Current interest-bearing liabilities	1,882	–	–	–	1,882	1,882
Accounts payable	1,648	–	–	–	1,648	1,648
Advance payments from customers	36	–	–	–	36	36
Tax liabilities	–	–	–	127	127	
Other liabilities	458	14	55	–	527	527
Accrued expenses and deferred income	1,320	–	–	–	1,320	1,320
<b>Total equity and liabilities</b>	<b>12,372</b>	<b>14</b>	<b>2,009</b>	<b>17,896</b>	<b>32,291</b>	

\*Of which SEK 217 million refers to loans in foreign currencies to hedge net investment in foreign operations.

## Hedge accounting

In 2019, hedge accounting was applied in accordance with IAS 39 in relation to:

- Cash flow hedging through currency derivatives for future receipts and disbursements in foreign currencies. See Note 2 for details.
- Interest on bonds was swapped from fixed to floating. The swap is a fair value hedge and the fair value at the end of the reporting period amounts to SEK 8 million.
- Price hedging of raw materials through raw materials derivatives. See Note 2 for details. At the end of 2019, outstanding contracts maturing in Q1 2020 totalled SEK 24 million, with SEK 1 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 74 and 84.

## 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 has averaged 46.0%. 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 78 and 85). 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 three bond loans is at floating interest, the Group is exposed only to cash flow risk from financial borrowing. The interest rate on the Group's only bond has been swapped from fixed to floating, which means that this is also exposed to cash flow risk.

Consolidated interest-bearing liabilities at year-end amounted to SEK 10,654 million. The average interest rate was 2.1%. A change in the interest rate of 1% on constant liabilities would have an impact on Group profit of SEK 107 million.

The NIBE Group's policy is that the fixed interest period for loans shall, as far as possible, offset the commitment period of the incoming cash flows.

The parent's interest-bearing liabilities at year-end amounted to SEK 7,103 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 2019

## Due date structure of financial liabilities

(SEK million)	Nominal amount	Total	<1 year	1-2 years	3-4 years	>5 years
Non-current liabilities to credit institutions	660	703	–	15	–	688
Bond loans	7,103	7,426	1,517	1,543	3,009	1,357
Other non-current liabilities	413	427	–	427	–	–
Additional considerations	2,540	2,540	197	445	866	1,032
Current liabilities to credit institutions	1,219	1,231	1,231	–	–	–
Accounts payable	1,822	1,822	1,822	–	–	–
Advance payments from customers	35	35	35	–	–	–
Derivatives used for hedge accounting	9	9	9	–	–	–
Other current liabilities	514	514	514	–	–	–
Accrued expenses and deferred income	1,458	1,458	1,458	–	–	–
Lease liabilities	939	1,066	334	244	374	114
<b>Total financial liabilities</b>	<b>16,712</b>	<b>17,231</b>	<b>7,117</b>	<b>2,674</b>	<b>4,249</b>	<b>3,191</b>

## Group 31 Dec 2018

## 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	1,564	1,654	–	75	1,579	–
Bond loans	6,260	6,540	908	1,549	2,738	1,345
Other non-current liabilities	101	101	–	99	–	2
Additional considerations	2,009	2,009	55	150	1,581	223
Current liabilities to credit institutions	982	991	991	–	–	–
Accounts payable	1,648	1,648	1,648	–	–	–
Advance payments from customers	36	36	36	–	–	–
Derivatives used for hedge accounting	14	14	14	–	–	–
Other current liabilities	455	455	455	–	–	–
Accrued expenses and deferred income	1,320	1,320	1,320	–	–	–
Finance lease liabilities	6	6	3	3	–	–
<b>Total financial liabilities</b>	<b>14,395</b>	<b>14,774</b>	<b>5,430</b>	<b>1,876</b>	<b>5,898</b>	<b>1,570</b>

## Parent 31 Dec 2019

## Due date structure of financial liabilities

(SEK million)	Nominal amount	Total	<1 year	1-2 years	3-4 years	>5 years
Bond loans	7,103	7,426	1,517	1,543	3,009	1,357
Additional considerations	345	345	153	83	–	109
Current liabilities to Group companies	2	2	2	–	–	–
Accounts payable	16	16	16	–	–	–
Other current liabilities	16	16	16	–	–	–
Accrued expenses and deferred income	45	45	45	–	–	–
<b>Total financial liabilities</b>	<b>7,527</b>	<b>7,850</b>	<b>1,749</b>	<b>1,626</b>	<b>3,009</b>	<b>1,466</b>

## Parent 31 Dec 2018

## Due date structure of financial liabilities

(SEK million)	Nominal amount	Total	<1 year	1-2 years	3-4 years	>5 years
Bond loans	6,260	6,540	908	1,549	2,738	1,345
Additional considerations	268	268	49	99	19	101
Current liabilities to Group companies	2	2	2	–	–	–
Accounts payable	6	6	6	–	–	–
Other current liabilities	2	2	2	–	–	–
Accrued expenses and deferred income	35	35	35	–	–	–
<b>Total financial liabilities</b>	<b>6,573</b>	<b>6,853</b>	<b>1,002</b>	<b>1,648</b>	<b>2,757</b>	<b>1,446</b>

**NOTE 8****RESEARCH AND DEVELOPMENT COSTS**

Research and development costs of SEK 742 million (SEK 614 million) are included in Cost of goods sold.

**NOTE 9****OTHER OPERATING INCOME**

(SEK million)	Group		Parent	
	2019	2018	2019	2018
Profit on sale of non-current assets	4	4	-	-
Exchange gains	125	113	-	-
Reduced additional purchase prices	-	35	-	-
Other	125	100	-	-
<b>Total</b>	<b>254</b>	<b>252</b>	<b>-</b>	<b>-</b>

**NOTE 10****PROFIT FROM PARTICIPATIONS IN GROUP COMPANIES**

(SEK million)	Group		Parent	
	2019	2018	2019	2018
Dividend	-	-	2,054	641
Impairment of participations in subsidiaries	-	-	-30	-3
<b>Total</b>	<b>-</b>	<b>-</b>	<b>2,024</b>	<b>638</b>

**NOTE 11****FINANCIAL INCOME**

(SEK million)	Group		Parent	
	2019	2018	2019	2018
Interest income, Group companies	-	-	9	7
Interest income, other	15	14	-	-
Exchange gains	197	157	74	84
Other financial income	7	2	-	-
<b>Total</b>	<b>219</b>	<b>173</b>	<b>83</b>	<b>91</b>

**NOTE 12****FINANCIAL EXPENSES**

(SEK million)	Group		Parent	
	2019	2018	2019	2018
Interest expense, Group companies	-	-	1	1
Interest expense, other	205	155	75	45
Exchange losses	213	181	135	96
Other financial expense	11	5	-	-
<b>Total</b>	<b>429</b>	<b>341</b>	<b>211</b>	<b>142</b>

**NOTE 13****APPROPRIATIONS**

(SEK million)	Group		Parent	
	2019	2018	2019	2018
Group contributions	-	-	204	107
<b>Total</b>	<b>-</b>	<b>-</b>	<b>204</b>	<b>107</b>

**NOTE 14****TAX**

(SEK million)	Group		Parent	
	2019	2018	2019	2018
Current tax for the year	649	584	2	1
Current tax attributable to preceding years	-4	11	-	5
Deferred tax	7	-	-1	-
<b>Total</b>	<b>652</b>	<b>595</b>	<b>1</b>	<b>6</b>

**Tax on items recognised in other comprehensive income**

(SEK million)	Group		Parent	
	2019	2018	2019	2018
Defined-benefit pensions	-49	9	-	-
Market valuation of currency forward contracts	1	2	-	-
Market valuation of commodity forward contracts	1	-1	-	-
Current tax attributable to exchange differences	25	85	-	-
Current tax attributable to foreign net investment	5	-13	-	-
<b>Total</b>	<b>-17</b>	<b>82</b>	<b>-</b>	<b>-</b>

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

The applicable tax rate was calculated based on the 21.4% (22.0%) tax rate that applies to the parent. See page 75.

(SEK million)	Group		Parent	
	2019	2018	2019	2018
Pre-tax profit	2,836	2,667	2,028	640
Tax at current rate	607	587	434	141
Non-deductible expenses	18	27	8	2
Non-taxable earnings	-3	-2	-	-
Dividends from subsidiaries	-	-	-441	-142
Adjusted tax for preceding years	-4	11	-	5
Deficit deductions not carried forward	-	3	-	-
Change in tax rate for deferred tax	14	-2	-	-
Effect of foreign tax rates	20	-29	-	-
<b>Recognised tax expense</b>	<b>652</b>	<b>595</b>	<b>1</b>	<b>6</b>

## 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 376 million (SEK 362 million) for the Group. The due dates for deficit deductions are within the following intervals:

(SEK million)	Group	
	2019	2018
Due for payment within 1-5 years	79	79
Due for payment within 6-10 years	57	58
Due for payment in 10 years or more	–	1
No due date	240	224
<b>Total</b>	<b>376</b>	<b>362</b>

## 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	
	2019	2018	2019	2018
Deficit deductions	13	16	–	–
Provisions for pension obligations	122	70	–	–
Provisions for guarantee obligations	59	75	–	–
Other	156	115	3	2
<b>Total</b>	<b>350</b>	<b>276</b>	<b>3</b>	<b>2</b>

(SEK million)	Deficit deductions	Provisions for pension obligations	Provisions for guarantee obligations	Other	Total
Amount at start of year	16	70	75	115	276
Change in accounting policy	–	–	–	3	3
Acquired companies	–	–	–	30	30
Recognised as income	–3	–	–18	5	–16
Recognised in other comprehensive income	–	49	–	–	49
Translation difference	–	3	2	3	8
<b>Amount at end of year</b>	<b>13</b>	<b>122</b>	<b>59</b>	<b>156</b>	<b>350</b>

### Deferred tax liabilities

(SEK million)	Group		Parent	
	2019	2018	2019	2018
Untaxed reserves	46	38	–	–
Temporary differences in non-current assets	1,057	961	–	–
Other	126	96	–	–
<b>Total</b>	<b>1,229</b>	<b>1,095</b>	<b>–</b>	<b>–</b>

(SEK million)	Untaxed reserves	Temporary differences in non-current assets	Other	Total
Amount at start of year	38	961	96	1,095
Acquired companies	–	97	2	99
Recognised as income	8	–43	25	–10
Recognised in other comprehensive income	–	–	1	1
Translation difference	–	42	2	44
<b>Amount at end of year</b>	<b>46</b>	<b>1,057</b>	<b>126</b>	<b>1,229</b>

## NOTE 15

### MARKET POSITIONS

(SEK million)	Group	
	2019	2018
<b>Cost</b>		
Opening cost	2,667	2,406
Investments for the year	173	90
Translation differences	123	171
<b>Closing accumulated cost</b>	<b>2,963</b>	<b>2,667</b>
<b>Amortisation</b>		
Opening amortisation	964	714
Amortisation for the year	216	194
Translation differences	45	56
<b>Closing accumulated amortisation</b>	<b>1,225</b>	<b>964</b>
<b>Closing carrying amount</b>	<b>1,738</b>	<b>1,703</b>

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.

## GOODWILL AND TRADEMARKS

Brands and trademarks	Group	
(SEK million)	2019	2018
<b>Cost</b>		
Opening cost	2,098	1,858
Investments for the year	128	104
Translation differences	92	136
Closing accumulated cost	2,318	2,098
<b>Amortisation</b>		
Opening amortisation	7	4
Amortisation for the year	7	3
Closing accumulated amortisation	14	7
Closing carrying amount	2,304	2,091
<b>Carrying amount per business area</b>		
NIBE Climate Solutions	1,847	1,703
NIBE Element	242	187
NIBE Stoves	215	201
<b>Total</b>	<b>2,304</b>	<b>2,091</b>

Goodwill	Group	
(SEK million)	2019	2018
<b>Cost</b>		
Opening cost	12,750	10,794
Investments for the year	786	1,216
Translation differences	535	740
Closing accumulated cost	14,071	12,750
Closing carrying amount	14,071	12,750
<b>Carrying amount per business area</b>		
NIBE Climate Solutions	9,341	8,650
NIBE Element	3,374	2,828
NIBE Stoves	1,356	1,272
<b>Total</b>	<b>14,071</b>	<b>12,750</b>

## Impairment testing

Impairment testing involves the calculation of value in use. The policies adopted by the Group are set out in Note 2 under the heading 'Goodwill and trademarks'.

Assumptions about the gross profit margins for each cash-generating unit are based on the approved budgets.

## Significant assumptions in 2019 (2018)

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, %	5.0 (5.5)	5.6 (6.5)	5.6 (5.9)

The assumed organic growth rate is the same for all cash-generating units. Apart from the most recent years, which have occasionally been subject to economic turbulence, all units have a history of organic growth well above the assumed growth rate.

As in preceding years, the annual impairment testing did not identify any impairment losses.

## 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.

## NOTE 17

### OTHER INTANGIBLE ASSETS

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

(SEK million)	Group	
	2019	2018
<b>Cost</b>		
Opening cost	1,143	949
Cost in acquired companies	–	1
Investments for the year	228	158
Sales and retirements	– 22	– 8
Reclassifications	1	5
Translation differences	21	38
Closing accumulated cost	1,371	1,143
<b>Amortisation</b>		
Opening amortisation	654	542
Sales and retirements	– 17	– 6
Amortisation for the year	126	100
Reclassifications	1	– 1
Translation differences	13	19
Closing accumulated amortisation	777	654
<b>Impairment</b>		
Opening impairment	4	3
Translation differences	–	1
Closing accumulated impairment	4	4
Closing carrying amount	590	485

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

(SEK million)	Group	
	2019	2018
Cost of goods sold	98	78
Selling expenses	6	6
Administrative expenses	22	16
<b>Total</b>	<b>126</b>	<b>100</b>

Other intangible assets consist primarily (SEK 450 million) of capitalised development costs. The Group's principles for capitalisation are described in Note 2. Capitalised development costs are amortised over their estimated useful lives. In 2019, these were between 4 and 6 years.

## NOTE 18

### CONSTRUCTION IN PROGRESS

(SEK million)	Group	
	2019	2018
<b>Cost</b>		
Opening cost	223	168
Cost in acquired companies	3	–
Costs incurred during the year	334	146
Re-allocations during the year	– 172	– 94
Translation differences	–	3
Closing accumulated cost	388	223

## NOTE 19

### LAND AND BUILDINGS

(SEK million)	Group	
	2019	2018
<b>Cost</b>		
Opening cost	2,650	2,474
Cost in acquired companies	80	5
Investments for the year	60	60
Sales and retirements	– 1	– 11
Reclassifications	120	33
Translation differences	53	89
Closing accumulated cost	2,962	2,650
<b>Depreciation</b>		
Opening depreciation	839	741
Depreciation for the year	97	84
Sales and retirements	– 1	– 4
Translation differences	11	18
Closing accumulated depreciation	946	839
Closing carrying amount	2,016	1,811
of which, land	350	317
Closing carrying amount, land and buildings in Sweden	528	490

## NOTE 20

### MACHINERY AND EQUIPMENT

(SEK million)	Group		Parent	
	2019	2018	2019	2018
<b>Cost</b>				
Opening cost	4,003	3,489	1	1
Cost in acquired companies	83	74	–	–
Investments for the year	381	372	–	–
Sales and retirements	– 128	– 96	–	–
Reclassifications	115	56	–	–
Translation differences	78	108	–	–
Closing accumulated cost	4,532	4,003	1	1
<b>Depreciation</b>				
Opening depreciation	2,622	2,342	1	1
Sales and retirements	– 119	– 89	–	–
Depreciation for the year	367	310	–	–
Reclassifications	– 6	1	–	–
Translation differences	41	58	–	–
Closing accumulated depreciation	2,905	2,622	1	1
<b>Impairment</b>				
Opening impairment	5	5	–	–
Reclassifications	– 1	–	–	–
Closing accumulated impairment	4	5	–	–
Closing carrying amount	1,623	1,376	–	–



## NOTE 21

### LEASES

#### 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.

Right-of-use asset	1 Jan 2019	Added during the year	Depreciation during the year	Translation differences	31 Dec 2019
Premises	701	248	- 171	2	780
Machinery	6	4	- 2	- 2	6
Vehicles	99	55	- 43	4	115
IT equipment	5	2	- 2	1	6
Other	15	19	- 5	-	29
<b>Total</b>	<b>826</b>	<b>328</b>	<b>- 223</b>	<b>5</b>	<b>936</b>

#### Lease liabilities at end of year

See Note 7 for an analysis of the terms of Group lease liabilities.

(SEK million)	31 Dec 2019
Non-current liabilities	660
Current liabilities	279
<b>Total lease liabilities at end of year</b>	<b>939</b>

#### Lease liabilities at start of year

At the start of the year, lease liabilities were discounted at a weighted average interest rate of 2.2%.

(SEK million)	1 Jan 2019
Operating lease liabilities as per 2018 annual accounts	875
Discount effect on lease liabilities	- 51
Discounted value of operating lease liabilities	824
Finance leases as per 2018 annual accounts	6
Short-term leases and low-value leases	9
<b>Lease liabilities at start of year</b>	<b>839</b>

#### Income statement

Under IFRS 16, lease payments must be partly charged to net financial items. Consequently, IFRS 16 entailed an improvement in consolidated operating profit for 2019 of SEK 17 million, while consolidated net financial items decreased by a corresponding amount.

(SEK million)	2019
Depreciation of capitalised leases	223
Lease payments for non-capitalised short-term leases and low-value leases	35
Interest expenses	17
<b>Total lease payments in the income statement</b>	<b>275</b>

#### Cash flow

Lease payments for the right-of-use assets capitalised in the consolidated balance sheet are recognised in the statement of cash flows under Financing activities as amortisation of lease liabilities. Lease payments for short-term leases and low-value leases are recognised under Operating activities.

(SEK million)	2019
Amortisation of lease liabilities	240
Lease payments for non-capitalised short-term leases and low-value leases	35
<b>Total cash flow</b>	<b>275</b>

The tables below show reconciliation of the operating and finance lease obligations reported in Note 8 to the Group's 2018 annual report.

(SEK million)	Finance leases			Operating leases
	Pay-ments	Interest	Present value	Nominal amount
Due for payment within 1 year	3	-	3	226
Due for payment within 2-5 years	3	-	3	529
Due for payment within 6 years or more	-	-	-	120
<b>Total</b>	<b>6</b>	<b>-</b>	<b>6</b>	<b>875</b>

#### Non-current assets held through finance leases

(SEK million)	Cost	Depreciation	Carrying amount
Machinery	8	5	3
Equipment and fittings	3	3	-
<b>Total</b>	<b>11</b>	<b>8</b>	<b>3</b>

## NOTE 22

## SHARES IN SUBSIDIARIES

Subsidiary	Proportion of equity	Shares	Carrying amount, SEK million
ABK AS	83%	417	210
Air-Site AB	50%	1,000	36
Backer AB	100%	37,170	186
Backer EHP Inc.	100%	100	217
Cetetherm AB	100%	50,000	5
CK Fires Ltd	51%	204	130
Druzstevniz. Drazice-strojirna s.r.o.	100%	7	199
Eltwin A/S	100%	500	178
Enertech AB	100%	27,000	216
HT S.p.A.	80%	160,000	569
JSC Evan	100%	8,631	131
Jevi A/S	100%	1	30
Kaukora Oy	100%	1,100	201
Lotus Heating Systems A/S	100%	1,076,667	50
Loyal Oy	100%	768	40
METRO THERM A/S	100%	3,400	181
NIBE AB	100%	400,000	153
NIBE Climate Solutions Canada Corp.	100%	6,632,000	132
NIBE Energy Systems France SAS	100%	100	2
NIBE Energy Systems Inc.	100%	100	900
NIBE Stoves Canada Corp.	100%	100	543
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
Varde Ovne A/S	100%	4,009	1
WaterFurnace International Hong Kong Ltd	100%	27,300,000	2
WaterFurnace Renewable Energy Corp.	100%	14,666,765	96
Wiegand S.A. de C.V.	100%	15,845,989	21
<b>Total</b>			<b>10,534</b>

(SEK million)	2019	2018
<b>Cost</b>		
Opening cost	10,275	12,771
Investments for the year	345	182
Sales for the year	– 69	–
Reduction through merger	–	– 2,675
Reduced considerations	–	– 3
Reclassifications	156	–
<b>Closing accumulated cost</b>	<b>10,707</b>	<b>10,275</b>
<b>Impairment</b>		
Opening impairment	144	128
Injected through merger	–	13
Impairment for the year	30	3
Reclassifications	– 1	–
<b>Closing accumulated impairment</b>	<b>173</b>	<b>144</b>
<b>Closing carrying amount</b>	<b>10,534</b>	<b>10,131</b>

The holdings in Varde Ovne A/S and WaterFurnace International Hong Kong Ltd were impaired during the year.

Shares owned via subsidiaries	Proportion of capital	Number of shares
Agerum Sösdala AB	100.00%	500
ait-austria GmbH	100.00%	1
ait-cesko s.r.o	50.10%	100,200
ait-deutschland GmbH	100.00%	
ait-slovensko s.r.o	85.00%	1
ait-värmeteknik-sverige AB	100.00%	1,000
ait Schweiz AG	100.00%	250
Askoma AG	100.00%	200,000
Askoma SDN BHD	100.00%	500,000
ATE-Electronics S.r.l.	100.00%	
Backer Alpe S. de R.L. de C.V.	100.00%	
Backer Asia Ltd	100.00%	1,000
Backer Heating Technologies France SARL	100.00%	12,429
Backer Cellnergy Engineering PTE Ltd	80.00%	
Backer ELC AG	100.00%	34,000
Backer Elektro CZ A.S.	100.00%	
Backer Eltop s.r.o.	100.00%	
Backer Facsa S.L.	100.00%	34,502
Backer Fer s.r.l.	100.00%	
Backer Grand Heater Co Ltd	100.00%	299,998
Backer Heating Technologies Co. Ltd	100.00%	
Backer Heating Technologies Inc	100.00%	100
Backer Hotwatt Inc.	100.00%	100
Backer HTV Co. Ltd	100.00%	100
Backer Marathon Inc.	100.00%	100
Backer OBR Sp. z o.o.	100.00%	10,000
Backer-Springfield Dongguan Co. Ltd	100.00%	
Backer-Wilson Elements Pty Ltd	51.00%	
Backer Wolff GmbH	100.00%	
Bentone AB	100.00%	1,000
Biawar Produkcja Sp z o.o	100.00%	50
Briskheat Corporation	60.00%	6,754,535
Briskheat Corporation HK Ltd	100.00%	10,000
Briskheat Shenzhen Trading Company Ltd	100.00%	
Briskheat Technology Company Co. Ltd	100.00%	60,000
Briskheat Vietnam Co Ltd	100.00%	
Cetetherm LLC	100.00%	
Cetetherm Oy	100.00%	2,500
Cetetherm SAS	100.00%	30,000
Cetetherm s.r.o.	100.00%	
CGC Group of Companies	50.00%	320
ClimaCool Corp.	100.00%	1,000
Climate Control Group Inc.	100.00%	10,000
ClimateCraft Inc.	100.00%	1,000
ClimateMaster Inc.	100.00%	1,000
CTC AB	100.00%	1,000
CTC Ferrofil AS	100.00%	1,001
CTC Giersch AG	100.00%	700
Danotherm Electric A/S	100.00%	1,000
DMD Dis Ticaret Makine Sanayi AS	51.00%	36,720
Elektron Etto s.r.o.	50.10%	
Eltwin Sp. z o.o.	100.00%	100
E. Braude (London) Ltd	100.00%	80,000
Emin Teknik Hortum Ve Makine AS	51.00%	161,160
Enertech Belgium Sprl	100.00%	859,550
Enertech Global LLC	100.00%	

Shares owned via subsidiaries	Proportion of capital	Number of shares
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.	65.00%	901,498
Gaumer Company Inc	60.00%	
Gazco Ltd	100.00%	30,000
HC Holding ETA AG	51.00%	51,000
Heatpoint B.V.	60.00%	480
Heatrod Elements Ltd	100.00%	68,000
Heatron Inc.	100.00%	1,200,000
Hemi Heating AB	70.00%	1,500
Hemi Heating Technology Co Ltd	80.00%	
Høiax AS	100.00%	1,000
HT Est Division s.r.l.	100.00%	100
HT Heizelemente Deutschland GmbH	100.00%	1
Hyper Engineering Pty Ltd	100.00%	
International Environmental Corp.	100.00%	300
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
Moravska Dopravni Spolecnost A.S.	100.00%	
Motron A/S	100.00%	1,000
myUpTech AB	100.00%	1,000
Naturenergi IWABO AB	100.00%	1,000
NIBE Beteiligungenverwaltungs 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%	5,000
Pellux GmbH	100.00%	
Renting 959 KB	100.00%	
Rhoss GmbH	100.00%	
Rotterdamse Elementen Fabriek B.V.	100.00%	23
Schulthess Maschinen AG	100.00%	7,500
Schulthess Maschinen GmbH	100.00%	
Sinus-Jevi Electric Heating B.V.	100.00%	180
Stovax Ltd	100.00%	190,347
Stovax D1 Ltd	100.00%	1,000
Stovax Group Ltd	100.00%	397,800
Structurgruppen AB	100.00%	1,000
Tempeff North America Ltd	65.00%	78,000
Termorad Spolka z.o.o.	100.00%	80,000

Shares owned via subsidiaries	Proportion of capital	Number of shares
ThermaClimate 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%	
Turboflame AB	100.00%	3,000
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
Wolf Laundry Ltd	100.00%	100
Wolf Laundry Holdings Ltd	51.00%	51
Åmot i Markaryd Fastighetsförvaltning AB	100%	500

Details of subsidiaries	Corporate ID number	Registered office	Country	*
ABK AS	959 651 094	Oslo	Norway	*
Agerum Sösdala AB	559223-2952	Hässleholm	Sweden	
Air-Site AB	556725-5780	Lindome	Sweden	*
ait-austria GmbH	FN469896z	Neudorf	Austria	*
ait-deutschland GmbH	HRB 2991	Bayreuth	Germany	*
ait-cesko s.r.o.	28077458	České Budějovice	Czech Republic	*
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 FER s.r.l.	REA: 173478	Sant'Agostino	Italy	*
Backer Grand Heater Co Ltd	105560004323	Muaeng Samutsakorn	Thailand	*
Backer Heating Technologies Co. Ltd	440301503227017	Shenzhen	China	*
Backer Heating Technologies Inc	36-4044600	Elgin	USA	*
Backer Hotwatt Inc.	81-4435368	Wilmington	USA	*
Backer HTV Co. Ltd	1101832398	Tan Kim	Vietnam	*
Backer Marathon Inc.	47-3075187	Delaware	USA	
Backer OBR Sp. z o.o.	8358936	Pyrzyce	Poland	*
Backer-Springfield Dongguan Co. Ltd	441900400000302	Dongguan City	China	*
Backer-Wilson Elements Pty Ltd	ACN 100 257 514	Burwood	Australia	*
Backer Wolff GmbH	HRB 27026	Dortmund	Germany	
Bentone AB	556617-3927	Ljungby	Sweden	
Biawar Produkcja Sp z.o.o.	5423273185	Bialystok	Poland	*
Briskheat Corporation	31-1271116	Columbus	USA	*
Briskheat Corporation HK Ltd	1511003	Hong Kong	China	
Briskheat Vietnam Co Ltd	3216041512	Dong Nai Industrial Zone	Vietnam	*
Briskheat Shenzhen Trading Company Ltd	914403000942785000	Guangdong Province	China	
Briskheat Technology Company Co. Ltd	42982980	Zhubei City	Taiwan	
Cetetherm AB	559147-1437	Ronneby	Sweden	*
Cetetherm LLC	1105010000303	Saint Petersburg	Russia	*
Cetetherm Oy	3008611-6	Vanda	Finland	
Cetetherm SAS	788262459	Pontcharra sur Turdine	France	*
Cetetherm s.r.o.	08300321	Prague	Czech Republic	
CGC Group of Companies	85828 1728 RC0001	Mississauga	Canada	*
CK Fires Ltd	5524093	Wolverhampton	UK	*
ClimaCool Corp.	73-1409358	Oklahoma City	USA	*
Climate Control Group Inc.	73-1415062	Oklahoma City	USA	*
ClimateCraft Inc.	73-1207959	Oklahoma City	USA	*
ClimateMaster Inc.	93-0857025	Oklahoma City	USA	*
CTC AB	556617-3919	Ljungby	Sweden	*
CTC Ferrofil AS	832538132	Årnes	Norway	*
CTC Giersch AG	CHE-105.970.811	Zürich	Switzerland	*
Danotherm Electric A/S	10 12 60 61	Rødovre	Denmark	*

\*Sales companies and production companies included in the 2019 Sustainability Report

Details of subsidiaries	Corporate ID number	Registered office	Country	*
DMD Dis Ticaret Makine Sanayi AS	510421	Istanbul	Turkey	*
Druzstevni z. Drazice - strojirna s.r.o.	45148465	Benátky nad Jizerou	Czech Republic	*
E. Braude (London) Ltd	585474	Sandhurst	UK	*
Elektron Etto s.r.o.	26906040	Hustopeče nad Bečvou	Czech Republic	
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 GmbH	HRB 733204	Iserlohn	Germany	*
Enertech Ltd	299044	Worcestershire	UK	*
Enertech Global LLC	45-2301710	Greenville	USA	*
Fireplace Products Australia Pty Ltd	117 303 554	Hallam	Australia	*
Fireplace Products US Inc.	601374460	Blaine	USA	*
Flex Academy D.O.O.	21296333	Freezone bb Priboj	Serbia	*
FPI Fireplace Products International Ltd.	BC0161829	Richmond	Canada	*
Gaumer Company Inc	74-1778481	Houston	USA	*
Gazco Ltd	2228846	Exeter	UK	*
HC Holding ETA AG	CHE-168.793.868	Baar	Switzerland	*
Heatpoint B.V.	30146922	Bodegraven	The Netherlands	*
Heatrod Elements Ltd	766 637	London	UK	*
Heatron Inc.	43-1126014	Leavenworth	USA	*
Hemi Heating AB	556420-8601	Södertälje	Sweden	*
Hemi Heating Technology Co Ltd	91520100666994785H	Guiyang Guizhou	China	*
Høiax AS	936 030 327	Fredrikstad	Norway	*
HT S.p.A.	TV 195113	Treviso	Italy	*
HT Est Division s.r.l.	J02/1489/2007	Arad	Romania	*
HT Heizelemente Deutschland GmbH	HRB 41822	Bielefeld	Germany	
Hyper Engineering Pty Ltd	ACN 148 010 520	Victoria	Australia	*
International Environmental Corp.	73-0754306	Oklahoma City	USA	*
JSC Evan	1065260108517	Nizhniy Novgorod	Russia	*
Jevi A/S	12 85 42 77	Vejle	Denmark	*
Kaukora Oy	0138194-1	Raisio	Finland	*
KKT Chillers Inc.	83-0486747	Elk Grove	USA	*
KNV Energietechnik GmbH	78375h	Schörfling	Austria	*
Koax Corp.	73-1284158	Oklahoma City	USA	*
KVM-Genvex A/S	21 38 76 49	Haderslev	Denmark	*
Lotus Heating Systems A/S	26 11 04 75	Langeskov	Denmark	*
Loyal Oy	0640930-9	Lovisa	Finland	*
Lund & Sørensen AB	556731-8562	Sösdala	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	*
Moravska Dopravni Spolecnost A.S.	61974421	Hlinsko	Czech Republic	
Motron A/S	26 41 80 97	Risskov	Denmark	*
myUptech AB	556633-8140	Markaryd	Sweden	
Naturenergi IWABO AB	556663-0355	Bollnäs	Sweden	
NIBE AB	556056-4485	Markaryd	Sweden	*
NIBE Beteiligungsverwaltungs GmbH	295717d	Vienna	Austria	
NIBE-BIAWAR Sp. z o.o.	50042407	Bialystok	Poland	*
Nibe Climate Solutions Canada Corp.	BC110 5117	Vancouver	Canada	

\*Sales companies and production companies included in the 2019 Sustainability Report



Details of subsidiaries	Corporate ID number	Registered office	Country	*
NIBE Energietechnik B.V.	20111793	Willemstad	The Netherlands	*
NIBE Energy Systems France SAS	501 594 220	Reyrieux	France	*
NIBE Energy Systems Inc.	99 03 68 191	Wilmington	USA	
NIBE Energy Systems Ltd	5764 775	Sheffield	UK	*
NIBE Energy Systems Oy	09314276	Helsinki	Finland	*
NIBE Foyers France S.A.S.	491 434 965	Lyon	France	*
NIBE Stoves Canada Corp.	BC1093578	Richmond	Canada	
NIBE Stoves GmbH	HRB 13929	Harrislee	Germany	
NIBE Systemtechnik GmbH	HRB 5879	Celle	Germany	*
NIBE Treasury AB	556108-0259	Markaryd	Sweden	
Nordpeis AS	957 329 330	Lierskogen	Norway	*
Norske Backer AS	919 799 064	Kongsvinger	Norway	*
Northstar Poland Sp. z o.o.	570844191	Trzcianka	Poland	*
Omni Control Technology Inc.	04-3142926	Whitinsville	USA	*
Osby Parca AB	556049-4980	Osby	Sweden	*
Pellux GmbH	FN485925	Schorfling am Attersee	Austria	
Renting 959 KB	916616-1787	Ljungby	Sweden	
Rhoss GmbH	HRB 411169	Stuttgart	Germany	
Rhoss S.p.A.	1142230299	Codroipo	Italy	
Rotterdamse Elementen Fabriek B.V.	000016710339	Rotterdam	The Netherlands	
SAN Electro Heat A/S	42 16 59 13	Graested	Denmark	*
Snowcliff AG	CH-020 7 000 720-2	Zürich	Switzerland	
Schulthess Maschinen AG	CH-020 3 923 223-4	Zürich	Switzerland	*
Schulthess Maschinen GmbH	FN 125340z	Vienna	Austria	*
Sinus-Jevi Electric Heating B.V.	37106129	Medemblik	The Netherlands	*
Springfield Wire de Mexico S.A. de C.V.	SWM710722KW3	Nuevo Laredo	Mexico	*
Stovax Ltd	1572550	Exeter	UK	*
Stovax D1 Ltd	4826958	Exeter	UK	
Stovax Group Ltd	7127090	Exeter	UK	
Stovax Heating Group Ltd	8299613	Exeter	UK	
Strukturgruppen AB	556627-5870	Kungsbacka	Sweden	*
TermaTech A/S	27 24 52 77	Hasselager	Denmark	*
Tempeff North America Ltd	812525954	Winnipeg	Canada	*
Termorad Spolka z.o.o.	000542990	Radom	Poland	
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	
Turboflame AB	556117-5125	Ljungby	Sweden	
Varde Ovne A/S	21 55 49 79	Gram	Denmark	*
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 Hong Kong Ltd	1775445	Hong Kong	China	
WaterFurnace International Inc	35-18737995	Fort Wayne	USA	*
WaterFurnace Renewable Energy Corp.	BC 100 6504	Toronto	Canada	
Wiegand S.A. de C.V.	RFC WIE850624H79	Nuevo Laredo	Mexico	*
Wolf Laundry Ltd	8023858	Grimethorpe	UK	
Wolf Laundry Holdings Ltd	10244870	Grimethorpe	UK	
Åmot i Markaryd Fastighetsförvaltning AB	559207-0345	Markaryd	Sweden	

\*Sales companies and production companies included in the 2019 Sustainability Report

## NOTE 23

### PARTICIPATIONS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

Parent (SEK million)

Name	Corporate ID number	Registered office	Proportion of capital	Number of shares	Dividend	Carrying amount
Produktionskonsult Väst AB	556713-5206	Gothenburg	50.0%	600	5	7

Group (SEK million)

Name	Corporate ID number	Registered office	Proportion of capital	Number of shares	Share in profits	Proportion of equity	Carrying amount
Produktionskonsult Väst AB	556713-5206	Gothenburg	50.0%	600	3	8	8
Untes Rhoss Sogutma SAS	2255 – Kazan	Ankara, Turkey	50.0%	5,000	5	17	17
Shanghai Canature Fireplace Products Ltd.	9131 0115 7721 1410 65H	Shanghai, China	25.0%	–	–	8	8
Rhoss Iberica Climatizacion SL	B63597074	Barcelona, Spain	30.0%	3,000	–	1	1
<b>Total</b>					<b>8</b>	<b>34</b>	<b>34</b>

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

## NOTE 23 CONTINUED

(SEK million)	Group	
	2019	2018
Carrying amount at start of year	181	17
Investments for the year	1	156
Dividend received	– 8	– 3
Share in profits for the year	8	6
Reclassifications	– 147	–
Translation differences	– 1	5
<b>Carrying amount at end of year</b>	<b>34</b>	<b>181</b>

## NOTE 24

### OTHER NON-CURRENT RECEIVABLES

(SEK million)	Group		Parent	
	2019	2018	2019	2018
Market value, interest swap	8	13	8	13
Other	174	99	–	–
<b>Total</b>	<b>182</b>	<b>112</b>	<b>8</b>	<b>13</b>

## NOTE 25

### EQUITY

As at the start of the year, there are 504,016,622 shares with a quota value of SEK 0.15625 per share, divided into 58,532,590 class A shares and 445,484,032 class B shares.

Each class A share entitles the holder to ten votes at the Annual General Meeting and each class B share to one vote. Class A shares, which represent approximately 56% of the votes, have pre-emption rights as per the company's articles of association. All shares carry the same entitlement to dividends. The company has two shareholders who each hold more than 10% of the votes, one of them a group of shareholders consisting of present and former directors and managers with around 46% of the votes, the other Melker Schörling, with around 20% of the votes. At the end of 2019 there were no outstanding convertible loans or options that could risk diluting the share capital. The situation was the same in the preceding year.

#### Proposal for appropriation of profits

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

Profit brought forward	SEK 2,201 million
Share premium reserve	SEK 4,751 million
Net profit for the year	SEK 2,027 million
<b>Total</b>	<b>SEK 8,979 million</b>

The Board of Directors proposes issuing a dividend to shareholders of SEK 1.40 per share, equivalent to a total pay-out of SEK 706 million. A total of SEK 8,273 million will be carried over in the accounts: SEK 4,751 million of this in the share premium reserve and SEK 3,522 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.

## PROVISIONS FOR PENSIONS

(SEK million)	2019			2018		
	Funded plans	Unfunded plans	Total	Funded plans	Unfunded plans	Total
<b>Reconciliation of pension obligations</b>						
Present value at start of year	1,107	202	1,309	1,027	180	1,207
Present value in acquired companies	–	13	13	–	2	2
Service charge	33	21	54	35	13	48
Interest on obligations	12	3	15	7	5	12
Contributions from employees	31	–	31	29	–	29
Pensions paid	– 69	– 4	– 73	– 14	– 9	– 23
Actuarial gains (-), losses (+) during the period	184	35	219	– 46	8	– 38
Adjustments	– 13	–	– 13	– 12	– 1	– 13
Translation differences	60	3	63	81	4	85
Present value at end of year	1,345	273	1,618	1,107	202	1,309
<b>Reconciliation of plan assets</b>						
Fair value at start of year	852	–	852	750	–	750
Interest income on plan assets	9	–	9	5	–	5
Actuarial gains (+), losses (-) during period	– 6	–	– 6	4	–	4
Contributions paid in	35	–	35	31	–	31
Contributions from employees	31	–	31	29	–	29
Adjustments	– 13	–	– 13	– 12	–	– 12
Pensions paid	– 69	–	– 69	– 14	–	– 14
Translation differences	45	–	45	59	–	59
Fair value at end of year	884	–	884	852	–	852
<b>Provisions for pensions</b>						
Retirement benefit obligations, present value	1,345	273	1,618	1,107	202	1,309
Plan assets, fair value	– 884	–	– 884	– 852	–	– 852
Provisions for pensions	461	273	734	255	202	457
<b>Pension costs recognised in profit or loss</b>						
Service charge	33	21	54	35	13	48
Interest on obligations	12	3	15	7	5	12
Interest income on plan assets	– 9	–	– 9	– 5	–	– 5
Pension costs, defined-benefit plans	36	24	60	37	18	55
Pension costs, defined-contribution plans			146			136
Total pension costs in profit or loss			206			191
<b>Pension costs recognised in other comprehensive income</b>						
Actuarial gains (-), losses (+) in respect of:						
– changed financial assumptions	187	33	220	– 66	4	– 62
– changed demographic assumptions	–	–	–	–	–	–
– experience-based adjustments	– 2	1	– 1	20	4	24
– difference between actual yield and yield according to discount rate on plan assets	6	–	6	– 4	–	– 4
– special employer's contribution	–	8	8	–	2	2
Pension costs in other comprehensive income	191	42	233	– 50	10	– 40
<b>Reconciliation of provisions for pensions</b>						
Opening balance	255	202	457	277	180	457
Provisions in acquired companies	–	13	13	–	2	2
Pension costs, defined-benefit plans	36	24	60	37	18	55
Actuarial differences	191	34	225	– 50	8	– 42
Pensions paid	–	– 4	– 4	–	– 9	– 9
Contributions paid in	– 35	–	– 35	– 31	–	– 31
Translation differences	14	4	18	22	3	25
Closing balance	461	273	734	255	202	457
Expected pension costs for defined-benefit plans in 2020	53	11	64	40	10	50
<b>Composition of plan assets</b>						
Shares	138			87		
Interest-bearing securities	480			528		
Property, etc.	266			237		
Total plan assets	884			852		

The parent's recognised pension liabilities amount to SEK 12 million (SEK 10 million) and are calculated in accordance with the Pension Obligations Vesting Act and not IAS 19.

### ITP occupational pension plan secured via Alecta

The commitments for retirement pensions and family pensions for white-collar staff in Sweden are secured through an insurance policy with Alecta. In accordance with a statement from the Swedish Financial Reporting Board, UFR 10, this is a multi-employer defined-benefit plan. For the 2019 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 21 million (SEK 18 million). Alecta's surplus can be distributed to the policyholders and/or the insured. At year-end 2019 Alecta's surplus in the collective funding ratio was 148% (142%). 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.

### Defined-benefit pension plans

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. As far as other countries are concerned, Norway has defined-benefit pensions which are calculated and paid out by the employer.

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 2019	Switzerland	Sweden
Discount rate on 1 January	1.00%	2.35%
Discount rate on 31 December	0.15%	1.35%
Expected salary increases	1.00%	3.00%
Expected inflation	0.60%	2.00%

Actuarial assumptions 2018	Switzerland	Sweden
Discount rate on 1 January	0.65%	2.50%
Discount rate on 31 December	1.00%	2.35%
Expected salary increases	1.00%	3.00%
Expected inflation	0.60%	2.00%

A sensitivity analysis has been carried out in respect of the significant assumptions applied, and the impact that changed assumptions would have on the Group's pension liabilities is shown in the table below.

Sensitivity analysis	Impact on pension liabilities (SEK million)	
	of an increase	of a decrease
Discount rate - 0.5 percentage points	- 133	+ 155
Expected salary increases - 0.25 percentage points	+ 10	- 10
Expected inflation - 0.25 percentage points	+ 42	- 7

### 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.

## NOTE 27

### OTHER PROVISIONS

(SEK million)	Guarantee risk reserve	Other	Total Group	Parent
Amount on 31 Dec 2017	585	130	715	61
Provisions in acquired companies	5	52	57	-
Provisions during the year	109	28	137	19
Amount utilised during the year	- 126	- 10	- 136	-
Reversals in provisions	- 12	- 15	- 27	-
Reclassifications	-	2	2	2
Translation differences	35	13	48	7
Amount on 31 Dec 2018	596	200	796	89
Provisions in acquired companies	7	15	22	-
Provisions during the year	112	16	128	9
Amount utilised during the year	- 124	- 12	- 136	- 3
Reversals in provisions	- 41	- 17	- 58	-
Translation differences	19	3	22	4
Amount on 31 Dec 2019	569	205	774	99

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. Other provisions also includes a provision for an additional consideration that is expected to be settled within two years. There is no upper limit to the amount of the additional consideration. This is recognised in the parent's balance sheet and amounts to SEK 99 million.

## NOTE 28

### BOND LOANS

(SEK million)	Group		Parent	
	2019	2018	2019	2018
Loan at a variable rate of Stibor + 120 points that fell due in June 2019	-	900	-	900
Loan at a variable rate of Stibor + 130 points that falls due in May 2020	750	750	750	750
Loan of SEK 750 million at a fixed rate of 1.8% that falls due in May 2020	753	760	753	760
Loan of SEK 650 million at a fixed rate of 1.0% that falls due in June 2021	650	650	650	650
Loan at a variable rate of Stibor + 110 points that falls due in June 2021	350	350	350	350
Loan at a variable rate of Stibor + 60 points that falls due in June 2021	500	-	500	-
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	-
<b>Total</b>	<b>7,103</b>	<b>6,260</b>	<b>7,103</b>	<b>6,260</b>

**NOTE 29**
**OTHER LIABILITIES, NON-INTEREST-BEARING**

(SEK million)	Additional considerations	Other	Total Group	Parent
Amount on 31 Dec 2017	1,101	50	1,151	149
Taken up as liabilities during the year	905	29	934	104
Settled during the year	- 12	- 2	- 14	-
Reversed during the year	- 63	-	- 63	- 37
Reclassifications	- 5	-	- 5	-
Translation differences	33	5	38	3
Amount on 31 Dec 2018	1,959	82	2,041	219
Liabilities in acquired companies	-	9	9	-
Taken up as liabilities during the year	449	261	710	65
Settled during the year	- 29	-	- 29	-
Reversed during the year	-	- 21	- 21	-
Reclassifications	- 139	-	- 139	- 101
Translation differences	103	13	116	9
Amount on 31 Dec 2019	2,343	344	2,687	192

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. In certain cases, there is no upper limit to the amount of additional considerations. The expected amounts are remeasured regularly. For 2019, these remeasurements had no net effect on consolidated earnings. Liabilities recognised for the parent refer in full to expected additional considerations.

**NOTE 30**
**LIABILITIES TO CREDIT INSTITUTIONS**

Since one of the Group's credit agreements expires in 2020, 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 572 million (SEK 401 million). The Group's overdraft facility was thus increased during the year by SEK 171 million. The parent has no overdraft facility.

**NOTE 31**
**CASH FLOW FROM FINANCING ACTIVITIES**

Group (SEK million)	Liabilities to credit institutions	Bond loans	Other liabilities	Total
Amount on 31 Dec 2017	3,524	5,016	1,158	9,698
<b>Changes affecting cash flow</b>				
Amortisation of non-current loans	- 1,455	-	- 15	- 1,470
New loans raised	250	1,250	-	1,500
<b>Total</b>	<b>- 1,205</b>	<b>1,250</b>	<b>- 15</b>	<b>30</b>
<b>Changes not affecting cash flow</b>				
Liabilities in acquired companies	-	-	7	7
Taken up as liabilities during the year	-	-	937	937
Reversed during the year	-	-	- 68	- 68
Change in fair value	-	- 6	-	- 6
Translation differences	227	-	39	266
<b>Total</b>	<b>227</b>	<b>- 6</b>	<b>915</b>	<b>1,136</b>
Amount on 31 Dec 2018	2,546	6,260	2,058	10,864

Group (SEK million)	Liabilities to credit institutions	Bond loans	Other liabilities	Total
Amount on 31 Dec 2018	2,546	6,260	2,058	10,864
<b>Changes affecting cash flow</b>				
Amortisation of non-current loans	- 1,798	- 900	- 29	- 2,727
Amortisation of lease liabilities	-	-	- 240	- 240
New loans raised	1,032	1,750	383	3,165
<b>Total</b>	<b>- 766</b>	<b>850</b>	<b>114</b>	<b>198</b>
<b>Changes not affecting cash flow</b>				
Liabilities in acquired companies	2	-	88	90
Change in accounting policy, IFRS 16	-	-	839	839
Taken up as liabilities during the year	-	-	703	703
Reversed during the year	-	-	- 144	- 144
Change in fair value	-	- 7	- 71	- 78
Translation differences	97	-	107	204
<b>Total</b>	<b>99</b>	<b>- 7</b>	<b>1,522</b>	<b>1,614</b>
Amount on 31 Dec 2019	1,879	7,103	3,694	12,676

Parent (SEK million)	Bond loans	Other liabilities, non-interest-bearing	Total
Amount on 31 Dec 2017	5,016	149	5,165
<b>Changes affecting cash flow</b>			
New loans raised	1,250	-	1,250
<b>Total</b>	<b>1,250</b>	<b>-</b>	<b>1,250</b>
<b>Changes not affecting cash flow</b>			
Taken up as liabilities during the year	-	104	104
Reversed during the year	-	- 37	- 37
Change in fair value	- 6	-	- 6
Translation differences	-	3	3
<b>Total</b>	<b>- 6</b>	<b>70</b>	<b>64</b>
Amount on 31 Dec 2018	6,260	219	6,479
<b>Changes affecting cash flow</b>			
Amortisation of non-current loans	- 900	-	- 900
New loans raised	1,750	-	1,750
<b>Total</b>	<b>850</b>	<b>-</b>	<b>850</b>
<b>Changes not affecting cash flow</b>			
Taken up as liabilities during the year	-	65	65
Reclassifications	-	- 101	- 101
Change in fair value	- 7	-	- 7
Translation differences	-	9	9
<b>Total</b>	<b>- 7</b>	<b>- 27</b>	<b>- 34</b>
Amount on 31 Dec 2019	7,103	192	7,295



**NOTE 32****OTHER LIABILITIES**

There are estimated additional considerations of SEK 197 million (SEK 55 million) in the Group that are due for payment within one year. The corresponding figure for the parent is SEK 153 million (SEK 49 million).

**NOTE 33****ACCRUED EXPENSES AND DEFERRED INCOME**

(SEK million)	Group		Parent	
	2019	2018	2019	2018
Accrued salaries	463	400	7	6
Accrued payroll overheads	132	111	3	2
Deferred income	257	199	–	–
Other items	606	610	35	27
Amount at end of year	1,458	1,320	45	35

**NOTE 34****PLEDGED ASSETS**

(SEK million)	Group		Parent	
	2019	2018	2019	2018
Floating charges	54	43	–	–
Real estate mortgages	207	20	–	–
Receivables	123	111	12	10
Total pledged assets	384	174	12	10

**NOTE 35****CONTINGENT LIABILITIES**

(SEK million)	Group		Parent	
	2019	2018	2019	2018
Pension commitments not taken up under liabilities or provisions	4	3	–	–
Contingent liabilities on behalf of other Group companies	–	–	1,281	1,328
Total contingent liabilities	4	3	1,281	1,328

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

The parent's contingent liabilities mainly concern surety to credit institutions for subsidiaries' borrowings.

**NOTE 36****ACQUISITION OF BUSINESSES**

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 on the acquisition date. Consequently, no non-controlling interest is recognised with this type of acquisition transaction. Profit for the year was charged with acquisition and disposal expenses of SEK 51 million.

**Acquisitions**

The remaining 55% of shares and votes in Italian ventilation and air conditioning company Rhoss S.p.A were acquired in January 2019. The company, which has sales of SEK 68 million, was consolidated into the NIBE Climate Solutions business area as of January 2019.

At the end of October, an agreement was made on the acquisition of 51% of the shares and votes in American company Therm-X of California Inc. with an option to acquire the remaining 49% of the shares and votes by 2024. The company, which develops and produces products in the semiconductor industry, has expected sales of over USD 60 million in 2020, with an operating margin of over 10%. The company was consolidated into the NIBE Element business area as from November 2019. The acquisition value is still provisional.

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

In mid-November, an agreement was made to acquire the Serbian water heater manufacturer TIKI Group, which has a strong market position in Eastern Europe and sales of approximately EUR 35 million, with an EBITDA of approximately 10%. The company will be consolidated into the NIBE Climate Solutions business area as of January 2020.

The considerations consist of the following

(SEK million)	Group	
	2019	2018
Initial considerations	609	872
Additional considerations	396	831
Total consideration	1,005	1,703
Fair value of net assets acquired	359	493
Goodwill	646	1,210
Consideration	1,005	1,703
Cash and equivalents in acquired companies	– 46	– 31
Additional considerations paid	6	160
Additional considerations not yet paid	– 396	– 831
Effect on consolidated cash and equivalents	569	1,001

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 2019, these remeasurements had no net effect on consolidated earnings.

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

Net assets acquired  
are as follows

(SEK million)	Group	
	Fair values	Acquired carrying amounts
Market positions	172	–
Brands and trademarks	126	–
Other intangible assets	29	6
Property, plant and equipment	181	160
Financial assets	36	20
Current receivables	213	229
Inventories	133	164
Cash and equivalents	46	46
Provisions	– 187	– 44
Liabilities	– 390	– 336
<b>Net assets acquired</b>	<b>359</b>	<b>245</b>

Acquired current receivables comprise SEK 229 million, of which SEK 213 million is expected to be settled.

## NOTE 37

### SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

#### Acquisitions

In early February, an agreement was concluded to initially acquire 51% of the shares and votes in the Dutch company Nathan Holding B.V. and the remaining shares in two stages. Among other things, Nathan imports our German subsidiary AIT's heat pumps and sells complete solutions, including both drilling geothermal energy wells and underfloor heating systems. The company has annual sales of approximately EUR 50 million with an operating margin of just over 6%. The company is expected to be consolidated into the NIBE Climate Solutions business area as from 1 April 2020.

In early March, an agreement was made to acquire 100% of the shares in the German heat pump manufacturer WATERKOTTE GmbH. The company has annual sales of approximately EUR 26 million with an operating margin of around 5%. The company is expected to be consolidated into the NIBE Climate Solutions business area as from 1 April 2020.

#### Update on the impact of Covid-19 on the NIBE Group

On account of the Covid-19 outbreak, there is a risk of financial impact on the Group as from the second half of March.

As the situation develops, we and our suppliers will do everything we can to mitigate the consequences for our customers and for the entire NIBE Group. The prevailing uncertainty means that it is not possible to fully predict the financial consequences for the NIBE Group.



### 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, 20 March 2020



Hans Linnarson  
Chairman of the Board



Georg Brunstam  
Director



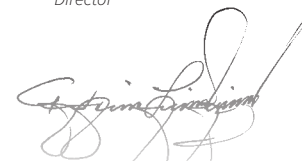
Anders Pålsson  
Director



Helene Richmond  
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 20 March 2020. 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 14 May 2020.

# 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 2019 financial year. The annual report and consolidated financial statements of the company are included in the printed version of this document on pages 69-116.

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 2019 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 2019 and of its financial performance and cash flow in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory Administration Report is consistent with the other parts of the annual report and the consolidated financial statements.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent and the Group. Our opinions in this report on the annual report and the consolidated financial statements are consistent with the content of the supplementary report submitted to the parent's Board in accordance with Article 11 of EU Regulation 537/2014 on statutory audits.

### Basis for our opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibility under these standards is described in further detail in the 'Auditor's responsibility' section. We are independent of the parent and the Group in accordance with generally accepted auditing standards in Sweden and have fulfilled our ethical responsibility under these standards. This means that, based on our best knowledge and belief, no prohibited services referred to in Article 5 (1) of EU regulation 537/2014 on statutory audits were provided to the audited company or, as the case may be, its parent or its companies under its control within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual report and consolidated financial statements for the current period. These matters were addressed in the context of our audit of, and our opinion on, the annual report and consolidated financial statements as a whole, but we do not provide a separate opinion on these matters.

### Valuation of Goodwill

See Note 16 and the accounting policies on pages 89 of the annual report and consolidated financial statements for detailed information and a description of this matter.

#### Description of the matter

As at 31 December 2019, the Group had goodwill of SEK 14,071 million, representing 38% of total assets.

Every year, goodwill must be subject to at least one impairment test which contains both complexity and significant features of assessments from the Group management.

Under the existing rules, the test must be performed using a specific technique in which the management makes future assessments of the business's internal and external conditions and plans. Examples of such assessments are future receipts and payments, which require assumptions about future market conditions, among other things, and thus indirectly about how competitors may be expected to act. Another important assumption is the discount rate that should be used to show that future assessed receipts are subject to risk and are thus worth less than cash and equivalents that are directly available to the Group.

#### Response in the audit

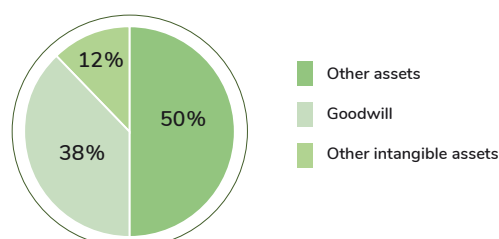
We have studied the company's impairment tests to assess whether they were performed in accordance with the technique prescribed.

We have also assessed the reasonableness of the future receipts and payments and the assumed discount rates by studying and evaluating the management's written documentation and plans. We have also interviewed the management and evaluated previous years' assessments in relation to actual outcomes.

We included our own valuation specialists in the audit team to ensure experience and expertise in this matter, primarily for assumptions linked to external markets and competitors and assessment of the company's assumptions for future receipts and payments. It has also been an important part of our work to evaluate how changes in assumptions may affect the valuation, i.e. a critical evaluation of the Group's sensitivity analysis.

We have also checked the completeness of the information in the annual report and assessed whether the information matches the assumptions applied by the company in its impairment test and whether the information is extensive enough to understand the assessments made by the company management.

Group assets



## Acquisition analyses

See Note 36 and the accounting policies on pages 88-90 of the annual report and consolidated financial statements for detailed information and a description of this matter.

### Description of the matter

A number of 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.

Preparation of this analysis also requires access to knowledge of the methods to be used in the analysis and knowledge of the circumstances in the acquired business that give rise to the values to be recognised in the Group. The acquisition analysis requires assessments by the Group management of the assets that are to be recognised in the financial statements (intangible assets can be particularly difficult to assess here) and the values allocated to them in the financial statements. These assessments affect the Group's future earnings, partly dependent on whether depreciable or non-depreciable assets are recognised in the financial statements.

The value that remains after all assets and liabilities have been assessed and valued is recognised as goodwill. This goodwill is not subject to depreciation but it must be subject to impairment testing at least once a year instead.

### Response in the audit

We analysed acquisition analyses in order to assess whether they were prepared using the correct methods.

We included valuation specialists in our team who have experience of the methods and valuations used for acquisitions. In our work, we focused in part on the intangible assets and on whether the techniques used by the Group management to allocate values to these assets in the financial statements are compatible with the rules and established valuation techniques.

Other important parts of our work involved assessing whether the assets included in the acquisition analysis exist and whether all assets, especially intangible assets, were included. This assessment was based in part on inspection of contracts made and reports prepared by the external consultants engaged by the Group in order to prepare basic data and calculations for the acquisition analyses.

We have also checked the completeness of the information in the annual report and assessed whether the information matches the information used by the Group in its acquisition analysis and whether the information is extensive enough to understand the assessments made by the company management.

## Information other than the annual report and consolidated financial statements

This document also contains information other than the annual report and consolidated financial statements and can be found on pages 1-67 and 120-142. The Board and the Managing Director are responsible for this other information.

Our opinion concerning the annual report and consolidated financial statements does not include this information and we do not give an assured opinion on this other information.

In connection with our audit of the annual report and consolidated financial statements, it is our responsibility to read the information identified above and consider whether the information is materially inconsistent with the annual report and consolidated financial statements. In this review, we also take into account the knowledge we have obtained during the audit and assess whether the information appears to contain material misstatements in other respects.

If, based on the work performed concerning this information, we conclude that the other information contains a material misstatement, we are liable to report this. We have nothing to report in this respect.

## Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of this annual report in accordance with the Annual Accounts Act and of the consolidated financial statements in accordance with IFRS, as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of an annual report and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual report and consolidated financial statements, the Board of Directors and the Managing Director are responsible for assessing the company's and the Group's ability to continue as a going concern. Where appropriate, they disclose circumstances that may affect the ability to continue business operations and to apply a going concern assumption. However, a going concern assumption is not applied if the Board of Directors and the Managing Director intend to liquidate the company or cease business operations or have no realistic alternative to doing one of these.

## Auditor's responsibility

Our objective is to obtain reasonable assurance that the annual report and consolidated financial statements do not contain any material misstatement, whether due to fraud or error, and to submit an auditor's report that contains our opinions. Reasonable assurance is a high level of assurance, but is no guarantee that an audit performed in accordance with ISA and generally accepted auditing standards in Sweden will always detect material misstatement if such exists. Misstatements may arise due to fraud or error and are regarded as material if, individually or together, they may reasonably be expected to affect the financial decisions that users make based on the annual report and consolidated financial statements.

As part of an audit in accordance with ISA, we employ our professional judgement and assume a professionally sceptical attitude throughout the audit. In addition:

- we identify and assess the risks of material misstatements in the annual report and consolidated financial statements, whether they are due to fraud or error, design and perform audit procedures in part based on these risks and obtain audit evidence that is adequate and appropriate as a basis for our opinions. The risk of not identifying a

material misstatement as a consequence of fraud is higher than the risk of not identifying a material misstatement due to error as fraud may involve agency in collusion, forgery, intentional omissions, incorrect information or disregard for internal controls.

- we gain an understanding of the part of the company's internal control that is of importance to our audit to design audit procedures that are appropriate to the circumstances but not to supply an opinion on the effectiveness of the internal control.
- we evaluate the suitability of the accounting policies applied and the reasonableness of the Board of Directors' and the Managing Director's estimates in the financial statements and associated information.
- 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 state-

ments. We are responsible for the management, monitoring and performance of the consolidated audit. We bear sole responsibility for our opinions.

We must inform the Board of Directors about matters including the planned scope, focus and date of the audit. We must also provide information about significant observations during the audit, including any significant deficiencies in the internal control we have identified.

We must also provide the Board of Directors with a statement to the effect that we have met relevant ethical requirements regarding independence and mention all relationships and other circumstances that may reasonably affect our independence and, where appropriate, take remedial action.

Of the matters communicated to the Board of Directors, we determine which of them were the most important to the audit of the annual report and consolidated financial statements, including the risks of material misstatements considered to be the most significant, and which therefore represent the key audit matters. We describe these matters in the auditor's report unless laws or other statutes prevent disclosure of the matter.

## Report on other legal and regulatory requirements

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### 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 2019 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.

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### Basis for our opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibility under these standards is described in further detail in the 'Auditor's responsibility' section. We are independent of the parent and the Group in accordance with generally accepted auditing standards in Sweden and have fulfilled our ethical responsibility under these standards

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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### 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.

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### Auditor's responsibility

Our objective with regard to our audit of the management of the company, and thus our opinion on discharge from liability, is to obtain audit evidence to be able to assess, with a reasonable level of assurance, whether any Board member or the Managing Director has, in any material respect:

- taken any action or been guilty of any negligence that may lead to the company being liable for damages, or
- in any other way acted in breach of the Swedish Companies Act, the Swedish Annual Accounts Act or the company's Articles of Association.

Our objective in our audit of the proposed appropriation of the company's profit or loss, and thus our opinion on this, is to assess with reasonable assurance whether the proposal is consistent with the Swedish Companies Act.

Reasonable assurance is a high level of assurance, but is no guarantee that an audit performed in accordance with generally accepted auditing standards in Sweden will always identify actions or negligence that may result in liability for damages to the company, or identify that a proposal for appropriation of the company's profit or loss is not consistent with the Swedish Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we employ our professional judgement and assume a professionally sceptical attitude throughout the audit. Our examination of the company's management and the proposed appropriation of the company's profit or loss is based primarily on our

audit of the accounts. Any additional audit procedures performed are based on our professional judgement with reference to risk and materiality. This means that we focus the examination on actions, matters and conditions that are material to the business operations and where departures and non-compliance would be of particular importance to the company's situation. We review and test decisions made, decision data, actions taken and other matters that are relevant to our opinion on discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriation of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

KPMG AB was appointed auditor of NIBE Industrier AB (publ) by the annual general meeting on 14 May 2019. KPMG AB or auditors working at KPMG AB have been the company's auditor since 2013.

Markaryd, 27 March 2020

KPMG AB



Dan Kjellqvist  
Authorised Public Accountant

# Corporate governance report



Hans Linnarson  
Chairman of the Board

Corporate governance in NIBE Industrier AB (publ) (NIBE) is performed by the Annual General Meeting, the Board of Directors and the Managing Director/CEO in accordance with the Swedish Companies Act (Swedish Code of Statutes 2005:551), the company's Articles of Association, the Swedish Annual Accounts Act (1995:1554), the listing agreement with the Nasdaq Stock Exchange in Stockholm, and good practice on the stock market.

It is good practice for Swedish companies whose shares are traded on regulated markets to comply with the Swedish Code of Corporate Governance (the Code). NIBE complies with the Code, and this corporate governance report has been drawn up in accordance with the Code. The current Code may be accessed on the Swedish Corporate Governance Board's website, [www.bolagsstyrning.se](http://www.bolagsstyrning.se). In addition, NIBE also provides information via the company's website in accordance with the Market Abuse Regulation and other requirements.

The corporate governance report is not part of the formal annual report documents. The company's auditors have examined the corporate governance report, and it is their opinion that the corporate governance report has been properly drawn up and that the statutory information in the report is consistent with other parts of the annual report and consolidated financial statements.

## Ownership

NIBE has its registered office in Markaryd, Sweden, and has been listed on Nasdaq Stockholm since 1997.

NIBE class B shares have also had a secondary listing on the SIX Swiss Exchange since August 2011. On 31 December 2019, NIBE had 51,722 registered shareholders, excluding previous shareholders in Schulthess Group AG who have become shareholders in NIBE. As the Swiss authorities do not report any details relating to individual shareholders in Switzerland to NIBE, it is not possible to determine the total number of shareholders.

The ten largest shareholders comprise the constellation of 'current and former board members and senior executives' with a total of 21% of the capital and 46% of voting rights, followed by Melker Schörling who holds 11% of the capital and 20% of the voting rights, and eight institutional investors with a total of 26% of capital and 13% of voting rights. Together these ten constellations of investors hold a total of 58% of the capital in the company and 79% of the votes.

## Annual General Meeting

The Annual General Meeting (AGM) is NIBE's highest decision-making body. The AGM elects the company's Board of Directors and auditors, adopts the accounts, makes decisions on dividends and other appropriations of profits/losses, and discharges the Board of Directors and the MD/CEO from liability.

The most recent AGM, held on 14 May 2019 in Markaryd, was attended by 546 shareholders. Those present represented 53% of the shares and 77% of the total number of votes in the company. The AGM was attended by the Board of Directors, the MD/CEO and the company's auditors. The minutes of the AGM and the company's articles of association are available on the company's website.

There are no limitations in the articles of association as to the number of votes a shareholder may hold at a general meeting of the company. Nor are there any provisions on the appointment or dismissal of directors of the company, or changes to the company's articles of association.

The 2019 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 2020 AGM and is restricted to a maximum of 10% of the number of shares issued at the time of the AGM.

## Communication with the stock market

The ambition is to maintain a high standard of information issued by the company to the stock market. Such information must be accurate and transparent to create long-term confidence in the company.

Earnings and a summary of the Group's financial position are presented quarterly and, like the annual report, are issued in printed form to all shareholders who so wish. All information that may have an effect on the company's share price and information on all acquisitions is announced via press releases. All financial information is also available on the website, [www.nibe.com](http://www.nibe.com). Press releases and reports are posted there at the same time as they are made public.

During the course of the year there were several meetings with Swedish and foreign investors and financial analysts, the media and Aktiespararna, the Swedish Shareholders' Association.

## Board procedures

The NIBE Board of Directors consists of six members, elected by the AGM. Directors 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 2019 comprised Hans Linnarson (Chair), Georg Brunstam, Anders Pålsson, Helene Richmond, Jenny Sjö Dahl and Gerteric Lindquist. Under the Code, no more than one director may work on the company's management or the management of a company subsidiary. Gerteric Lindquist is both the Group CEO and a director. On 1 November 2019, Helene Richmond became MD of the subsidiary Enertech AB. This means that, as from 1 November 2019, two directors have been active in Group operations. However, Helene Richmond is leaving the Board at the 2020 Annual General Meeting. In the period from 1 November up to the 2020 Annual General Meeting, Helene Richmond will not have participated in any discussions or decisions relating to Enertech AB.

NIBE's Board of Directors assesses that all directors are independent of the company apart from the MD, Helene Richmond (as from 1 November 2019), who are both employed by the Group, and Georg Brunstam, due to his position in Melker Schörling AB, which is owned by one of the principal shareholders. Please see page 124 for a brief presentation of the directors of the company.

The work of the Board is governed by formal rules of procedure adopted annually to regulate the decision-making processes within the company, authority to sign for the company, meetings of the Board and the duties of the Chairman of the Board. The Board of Directors has not otherwise distributed responsibilities among its members. However, some Board members are more familiar with certain matters than others due to their particular expertise and experience.

The Board of Directors oversees the work of the MD/CEO and is responsible for ensuring that the organisation, management and administrative guidelines for the company's funds are suitable for the purpose. The Board is also responsible for developing and monitoring the company's strategies through plans and objectives, decisions on acquisitions, major investments, appointments to managerial positions and the continual supervision of operations during the year. In addition, the Board sets the budget and is responsible for the annual accounts.

The Chairman leads the work of the Board and ensures that it is carried out in accordance with the Swedish Companies Act and other relevant legislation. The Chairman follows the progress of operations through consultations with the MD, and is responsible for ensuring that other members of the Board receive the information they need to hold discussions of a high quality and make the best possible decisions.

The Board of Directors evaluates its work every year. The evaluation is carried out by means of a survey of the directors. The results of the survey are then presented to the full Board, which uses them to make specific proposals on how its work can be developed, improved and made more efficient, where necessary. The Board survey for 2019 revealed an open, constructive climate with well-functioning control and decision-making processes. The areas covered by the evaluation included the composition, working methods, communication and internal control of the Board, the Board's evaluation of the MD/CEO and other company management, and the need for committees.

## Decision-making process

The NIBE Board deals with all matters of significance.

Issues such as the composition of the Board and directors' fees are dealt with once a year prior to the AGM, when the Chairman of the Board contacts major shareholders personally.

The company's auditor makes his report to the Board as a whole.

The company does not have a Nomination Committee (Section III, item 2.1, of the Code), a Remuneration Committee (Section III, item 9.1, of the Code) or an Audit Committee (Section III, item 7.2, of the Code). NIBE does not comply with the Code in respect of nominations because of the clear ownership structure with two principal shareholder constellations, which together control 66% of the company's votes, and which also enjoy mutually cordial relations. The Board of Directors is not too large to carry out the audit and remuneration tasks in a manner consistent with the Swedish Companies Act and the Code.

## 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.

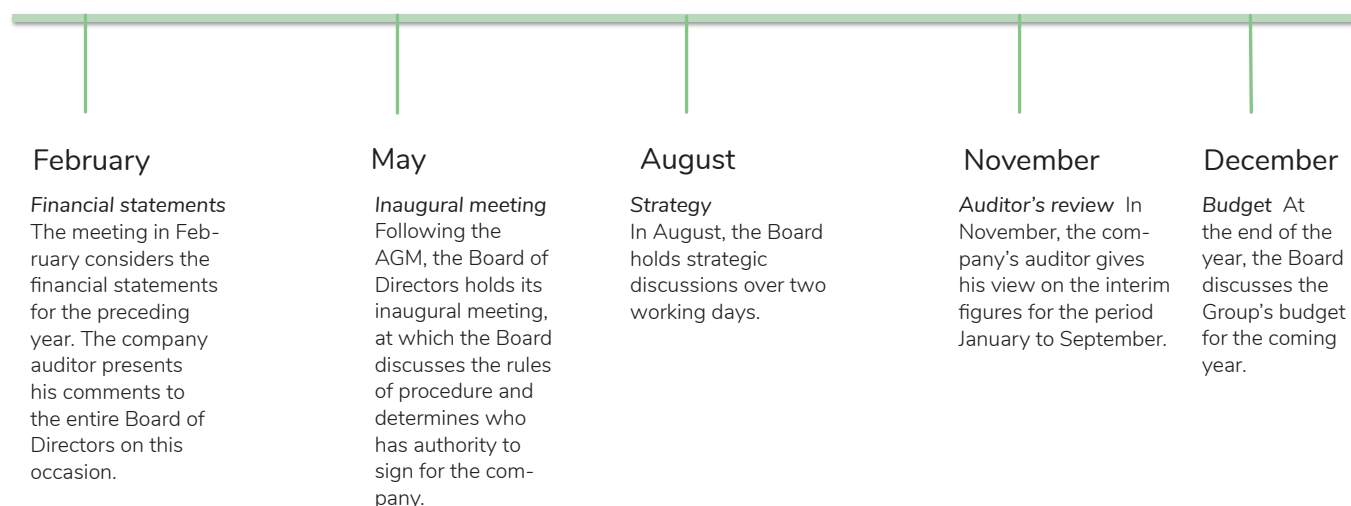
The CEO leads operations in accordance with the instructions adopted by the Board in respect of the division of duties between the

## The work of the Board in 2019

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

<b>Status report</b>	Report of significant events affecting operations that have not been listed in the written report that has been circulated.
<b>Financial report</b>	Review of the financial information circulated.
<b>Investments</b>	Decisions regarding investments exceeding SEK 10 million, based on the data circulated.
<b>Legal processes</b>	Review of new or ongoing legal processes, where appropriate.
<b>Acquisitions</b>	Report on ongoing discussions and decisions concerning the acquisition of companies, as and when appropriate.
<b>Press releases, etc.</b>	When appropriate, a review of proposals for external reports to be published after the meeting.
<b>Internal control</b>	Report on the internal control work.

Every ordinary board meeting focuses on one principal topic of discussion



Board and the MD/CEO. The work of the MD/CEO and of Group management is evaluated annually.

Financing, currency management, corporate acquisitions, new establishments, financial control, financial information, human resources policy, sustainability and other overall policy matters are coordinated at Group level.

## Governance of business areas

NIBE consists of three business areas.

Each business area has its own operational management with profit responsibility. Each business area has a Business Area Board chaired by the Group's CEO.

Each Business Area Board, in addition to responsibility for day-to-day operations, is also responsible to the NIBE Board of Directors for the strategic development of its respective business area. Each Business Area Board meets once per quarter.

## Management of the Group's sustainability work

The Group's sustainability workgroup reports to the Sustainability Council which, in addition to the workgroup, consists of the CEO, CFO and business area managers.

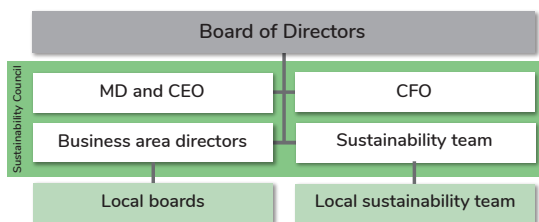
Much of the work is regulated in national legislation, such as environmental laws and labour law, but we are also obliged to comply with regional and international law and voluntary commitments such as the UN Global Compact.

NIBE's Board has the ultimate responsibility for ensuring that risks are managed and that sustainability initiatives comply with the requirements of authorities, shareholders and other stakeholders. The Managing Director reports to the Board. The business area managers are responsible for communicating and implementing their strategic work at the local board level.

The management of each company is responsible for local operational sustainability work and for compliance with Group guidelines. These managers report to the business area managers in each area.

The sustainability workgroup regularly visits companies in the Group to monitor compliance with common policies and guidelines. The workgroup also works strategically and reports on sustainability issues to the Boards at Group and business area level.

Any need for improvement or nonconformities are documented and reported to the individual company, business area managers and Group management. Each business area manager is responsible for ensuring that measures proposed are taken.



## Code of conduct

NIBE has a code of conduct that reflects the NIBE culture and the ten principles of the UN Global Compact.

The Code of Conduct is reflected in NIBE's documents on business principles, values and working methods and the content of these is based on a long tradition of honest and sincere business practices. The information can be found on page 25.

All companies 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 2019, the composition of the Board was evaluated within the framework of the Board's own annual evaluation (presented above under 'Board procedures').

## Remuneration, 2019

The 2019 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.

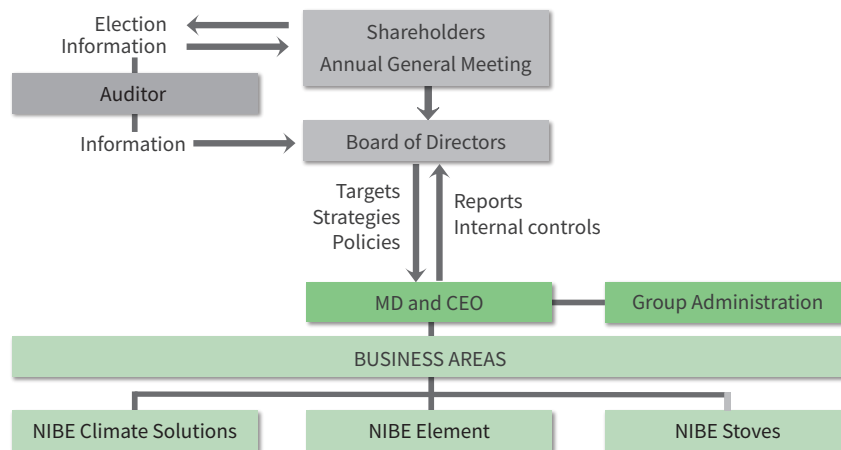
Remuneration to the Managing Director/CEO is a matter decided by the Board, but the preparatory work for this decision is undertaken by the Chairman of the Board after discussions with the Managing Director/CEO. The remuneration of other senior executives is determined by the Managing Director in consultation 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 a variable bonus 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 sub-



ject to the relevant market abuse regulations. No incentive programme is offered to the MD/CEO. Certain key individuals in the foreign companies acquired during the year have incentive programmes that, in certain respects, deviate from the principles for remuneration that are otherwise applied in the NIBE Group. Further information about the principles that apply for senior executives can be found in Note 6 to the annual report.

### Severance pay

No severance pay or other benefits apply to the Chairman of the Board or to the directors, apart from the MD/CEO.

The period of notice for the MD/CEO is six months in the event that the company gives notice. In addition to salary during the period of notice, the MD/CEO is entitled to severance pay equal to 12 months' salary. Other senior executives are entitled to receive their salaries during a period of notice which varies between 6 and 12 months.

### Pensions

The Chairman of the Board and the directors of the company receive no retirement benefits for their work on the Board.

No special agreements have been reached that entitle senior executives to retire before the official retirement age while still retaining part of their salary in the interim.

Information on the retirement benefits of the Managing Director/CEO and other senior executives can be found in Note 6 to the annual report.

Under the Group's policy, no further pension premium payments are made if employment continues after the age of 65.

### Internal controls of financial reporting in 2019

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 regarding financial reporting, but also with internal instructions and policies set out in a finance handbook. These are applied by all companies in the Group,

along with systems aimed at ensuring effective internal control of financial reporting.

Consolidated financial statements containing comprehensive analyses and comments are prepared each quarter for the Group and its business areas. Earnings are also monitored 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 2019, the project aimed at reinforcing internal control continued. It is our opinion that this review increases insight and awareness, provides explicit instructions and proposes a clear organisation as regards internal control. It is therefore the opinion of the Board that, because of the implementation of this review, there is no need for any separate internal control (item 7.3 of the Code).

### External auditors

NIBE's auditors were elected at the AGM to serve for a period of one year.

The registered public accounting firm KPMG AB has held the position of the company's auditors since the AGM in 2013. Dan Kjellqvist has been auditor in charge since the AGM in 2016.

The auditor in charge has continual access to the approved minutes of company Board meetings and the monthly reports that the Board receives.

The company's auditor in charge reports his observations from the audit and his assessment of the company's internal controls to the Board as a whole.

Over and above normal auditing duties, KPMG AB assists in particular with due diligence reviews in conjunction with corporate acquisitions and with accounting consultations. Information on the remuneration of auditors is given in Note 5 to the annual report.



# Board of Directors



**HANS LINNARSON**  
born 1952

Elected to NIBE's Board of Directors

2006, Chair in 2015

Training and education

B.Sc. (Electrical Engineering)

Directorships

Chairman of the Board of HP Tronic AB and Scandbio, director of Eolusvind AB, Inission AB, NP Nilsson AB, Nordiska Plast AB and Zinkteknik AB.

Experience

Several different positions as MD of international Swedish industrial companies over more than 30 years, such as Enertec Component AB, CTC AB and Asko Cylinda AB. Executive positions in the Electrolux Group and MD and CEO of Husqvarna AB.

Fees

SEK 800,000

Present at Board meetings

11/12

Shareholding in NIBE Industrier AB

914 B shares

Independence

Yes



**GERTERIC LINDQUIST**  
born 1951

1989

M.Sc. 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

12/12

6,877,988 A shares and 16,290,011 B shares

Not independent due to his position, his shareholding and the length of time during which he has been a member of the Board



**GEORG BRUNSTAM**  
born 1957

2003

M.Sc. in Engineering

Chairman of HEXPOL AB, INWIDO AB and AAK AB. Director of Melker Schörling AB and Beckers Industrial Coating Holding 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 400,000

12/12

1,828 B shares

Not independent due to his position at Melker Schörling AB, which is owned by one of NIBE's principal owners.



**JENNY SJÖDAHL**  
born 1973

Elected to NIBE's Board of Directors

2018

Training and education

M.Sc. in Engineering

Directorships

CEO of Westermo Network Technologies AB. Director of Nolato AB.

Experience

Considerable experience of international business and solid industrial experience from several different positions at ABB.

Fees

SEK 400,000

Present at Board meetings

11/12

Shareholding in NIBE Industrier AB

No shareholding

Independence

Yes



**ANDERS PÅLSSON**  
born 1958

2010

M.Sc. in Business & Economics

Chairman of the Board of Lamhults Design Group AB and Malmö FF.

More than 30 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 400,000

12/12

22,857 B shares

Yes



**HELENE RICHMOND**  
born 1960

2015

M.Sc. in Engineering

Since November 2019, CEO of Enertech AB – a company in the NIBE Group (see page 120). Director of Hanza Holding.

Considerable experience of international sales and solid industrial experience from several different positions at SKF. Previous directorship at VBG Group AB.

SEK 400,000

12/12

9,142 B shares

See page 120 Board procedures

# Group management

## CEO and CFO



**GERERIC LINDQUIST**  
born 1951

Year employed	1988
Training and education	M.Sc. in Engineering and M.Sc. in Business & Economics
Position	CEO and MD of NIBE Industrier AB and NIBE AB
Shareholding	6,877,988 A shares and 16,290,011 B shares



**HANS BACKMAN**  
born 1966

Year employed	2011
Training and education	M.Sc. in Business & Economics and MBA
Position	CFO, NIBE Industrier AB.
Shareholding	23,770 B shares.

# Group management

## Business Area Directors



**KLAS DAHLBERG**  
born 1964

Year employed	2016
Training and education	M.Sc. in Engineering
Position	Business Area Director for NIBE Climate Solutions
Shareholding	11,750 B shares



**CHRISTER FREDRIKSSON**  
born 1955

Year employed	1992
Training and education	M.Sc. in Engineering
Position	Business Area Director for NIBE Element and MD for Backer AB.
Shareholding	1,718,125 A shares and 2,867,840 B shares



**NIKLAS GUNNARSSON**  
born 1965

Year employed	1987
Training and education	Engineer
Position	Business Area Director for NIBE Stoves
Shareholding	511,142 B shares

# Auditor

	<b>DAN KJELLQVIST</b> born 1954
Elected	2017
Training and education	Authorised Public Accountant
Position	Auditor in charge
Accounting firm	KPMG AB

# 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 2019 on pages 120-123, and for ensuring that it has been prepared in accordance with the Annual Accounts Act.

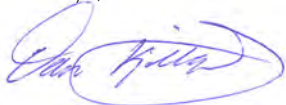
## Focus and scope of the review

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 compliance with Chapter 6, Section 6, paragraph 2, clauses 2-6 of the Annual Accounts Act and Chapter 7, Section 31, paragraph 2 of the same act are consistent with the annual accounts and the consolidated accounts and comply with the Annual Accounts Act.

Markaryd, 27 March 2020



KPMG AB  
Dan Kjellqvist  
Authorised Public Accountant

# 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 2019 on pages 127-142, 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, 27 March 2020



KPMG AB  
Dan Kjellqvist  
Authorised Public Accountant

# Sustainability reporting

This year's sustainability report is the ninth one 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 2019.

The primary audience for the report is investors. Other stakeholders such as customers, suppliers, employees and the general public should also be able to have their most important questions answered here.

The 2019 report is in line with the GRI Standards Core. 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 sustainability report is reported by each company through two IT systems, the accounts system and the sustainability system. Data is compiled here 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.

No external audit of the sustainability report was conducted. NIBE Industrier'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. For more detailed information on sustainability control, see page 122.

## 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	GDPR Policy Stance against modern slavery and human trafficking	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 Diversity and equal treatment policy	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	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 Trade sanctions policy	External/Internal Internal Internal	Annual report	16
	Responsible purchasing	Supplier code of conduct Diversity and equal treatment policy Stance against modern slavery and human trafficking Conflict minerals policy	External/Internal External/Internal External/Internal External/Internal	Suppliers that were screened using social criteria. Operations and suppliers with 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

# GRI index

## Sustainability reporting

NIBE's sustainability report was prepared in accordance with the Global Reporting Initiative (GRI) Guidelines for Sustainability Reporting, Core Option ([www.globalreporting.org](http://www.globalreporting.org)). The annual sustainability report also complies with the statutory sustainability reporting requirements of Chapter 6, Section 11, of the Annual Accounts Act.

This report concerns 1 January 2019 - 31 December 2019, and the most recent report was for 2018, published on 15 April 2019.

*The following companies were acquired/established in 2018 and are now included in the 2019 sustainability report:*

Emin Teknik Hortum Ve Makine AS, Flex Academy D.O.O., DMD Dis Ticaret Makine Sanayi AS, CK Fires Ltd, Briskheat Vietnam Co Ltd, Hemi Heating AB, Hemi Heating Technology Co Ltd, Cetetherm LLC, Cetetherm SAS, Cetetherm AB, Gaumer Company Inc, ait-austria GmbH, Backer Cellnergy Engineering PTE Ltd and Briskheat Corporation.

*The following companies were acquired/established in 2019 and will only report in 2020:*

Rhoss S.p.A., Rhoss Deutschland GmbH, Wolf Laundry Ltd, Rotterdamse Elementen Fabriek B.V, Cetetherm s.r.o, Cetetherm OY, Therm-X of California Inc and Therm-X System Vietnam Technology Co. Ltd.

GRI index			
GRI 102: General disclosures, 2016			
1. Organizational Profile	Disclosure/Page/URL/Omission	Comments	
102-1	Name of the organisation	Page 88	
102-2	Activities, brands, products and services	Pages 16-19, 28-29, 36-37, 44-45, 57	
102-3	Location of headquarters	Page 88	
102-4	Location of operations	Pages 30, 38, 45, 88	
102-5	Ownership and legal form	Pages 4, 88	
102-6	Markets served	Pages 5, 17-19, 32-33, 36	
102-7	Scale of the organization	Pages 52, 88, 107-109	
102-8	Information on employees and other workers	Pages 62, 127, 139	
102-9	Supply chain	Pages 58, 142	
102-10	Significant changes to the organization and its supply chain.	Pages 11, 58, 70, 114	
102-11	Precautionary Principle or approach	Page 60	
102-12	External initiatives	Page 58	
102-13	Membership of associations.	Page 43	
2. Strategy			
102-14	Statement from senior decision-maker.	Pages 6-7, 27, 35, 43	
3. Ethics and integrity			
102-16	Values, principles, standards and norms of behaviour	Pages 24, 25, 122, 127	
4. Governance			
102-18	Governance structure	Pages 121-122	
5. Stakeholder engagement			
102-40	List of stakeholder groups	Page 66	
102-41	Collective bargaining agreements	Page 142	
102-42	Identifying and selecting stakeholders	Page 66	Method used is Mitchel et al 1997
102-43	Approach to stakeholder engagement	Page 66	
102-44	Key topics and concerns raised	Page 66	
6. Reporting practice			
102-45	Entities included in the consolidated financial statements	Pages 107-109, 128	
102-46	Defining report content and topic Boundaries	Pages 67, 128	
102-47	List of material topics	Page 66	
102-48	Restatements of information	Pages 128, 137, 142	



		Disclosure/Page/URL/Omission	Comments
102-49	Changes in reporting	Pages 66, 128	
102-50	Reporting period	Page 128	
102-51	Date of most recent report	Page 128	
102-52	Reporting cycle	Page 128	
102-53	Contact point for questions regarding the report	sustainability@nibe.se	
102-54	Claims of reporting in accordance with the GRI Standards	Page 128	
102-55	GRI content index	Page 128	
102-56	External assurance	Page 126	
<b>Materiality specific disclosures</b>			
<b>GRI 201: Economic performance 2016 and GRI 103: Management approach 2016</b>			
103-1	Explanation of the material topic and its Boundary	Pages 48, 66	
103-2	The management approach and its components	Pages 20-21, 24, 25, 57, 127	
103-3	Evaluation of the management approach	Page 72	
201-1	Direct economic value generated and distributed	Pages 74, 76	Including financial section in Annual report
201-3	Defined benefit plan obligations and other retirement plans.	Pages 94, 111-112	
201-4	Financial assistance from government	SEK 0	
<b>GRI 204: Procurement practices 2016 and GRI 103: Management approach 2016</b>			
103-1	Explanation of the material topic and its Boundary	Pages 58, 66	
103-2	The management approach and its components	Pages 25, 48, 57	
103-3	Evaluation of the management approach	Page 58	
204-1	Proportion of spending on local suppliers	Pages 58, 142	
<b>GRI 205: Anti-corruption 2016 and GRI 103: Management approach 2016</b>			
103-1	Explanation of the material topic and its Boundary	Pages 57, 58	
103-2	The management approach and its components	Pages 25, 57, 127	
103-3	Evaluation of the management approach	Pages 57, 141	
205-1	Operations assessed for risks related to corruption	Page 57	
205-2	Communication and training about anti-corruption policies and procedures	Page 141 Exception: Data not available in % and region as we do not have data on a number of business partners	
205-3	Confirmed incidents of corruption and actions taken	Page 58	
<b>GRI 206: Anti-competitive behaviour 2016 and GRI 103: Management approach 2016</b>			
103-1	Explanation of the material topic and its Boundary	Pages 57-58	
103-2	The management approach and its components	Page 57	
103-3	Evaluation of the management approach	Page 58	
206-1	Number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices	No cases received	
<b>GRI 301: Materials 2016 and GRI 103: Management approach 2016</b>			
103-1	Explanation of the material topic and its Boundary	Page 61	
103-2	The management approach and its components	Pages 50, 61	
103-3	Evaluation of the management approach	Page 135 <a href="https://www.wri.org/applications/aqueduct/water-risk-atlas">https://www.wri.org/applications/aqueduct/water-risk-atlas</a>	
301-1	Materials used by weight or volume	Page 135 Omission: Data not available. The companies' various ERP systems cannot distinguish between renewable and non-renewable. Investigation is underway to identify how to obtain data.	

	Disclosure/Page/URL/Omission	Comments	
<b>GRI 302: Energy 2016 and GRI 103: Management approach 2016</b>			
103-1	Explanation of the material topic and its Boundary	Page 60	
103-2	The management approach and its components	Pages 25, 50, 60, 127	
103-3	Evaluation of the management approach	Pages 22, 50	
302-1	Energy consumption within the organization	Page 135 Emission factors and GWP factor from the Swedish Environmental Protection Agency. <a href="https://www.naturvardsverket.se/upload/stod-i-miljoarbetet/vagledning/Luft-klimat/emissionsfaktorer-och-varmevarden-2019.xlsx">https://www.naturvardsverket.se/upload/stod-i-miljoarbetet/vagledning/Luft-klimat/emissionsfaktorer-och-varmevarden-2019.xlsx</a> Based on consolidated reports from two common group IT-systems.	
302-2	Energy consumption outside the organization	Omission: Data is not available for scope 3. We need to investigate who can provide data for scope 3..	
302-3	Energy intensity	Page 135	Emissions are calculated only for carbon dioxide
302-4	Reduction of energy consumption	Page 22	
<b>GRI 303: Water and effluents 2018 and GRI 103: Management approach 2016</b>			
103-1	Explanation of the material topic and its Boundary	Page 61	
103-2	The management approach and its components	Pages 60, 61, 127	
103-3	Evaluation of the management approach	Page 137	
303-3	Water withdrawal	Page 136	
303-4	Water discharge	Pages 136-137	
303-5	Water consumption	Page 137 <a href="https://www.wri.org/applications/aqueduct/water-risk-atlas">https://www.wri.org/applications/aqueduct/water-risk-atlas</a>	
<b>GRI 305: Emissions 2016 and GRI 103: Management approach 2016</b>			
103-1	Explanation of the material topic and its Boundary	Page 61	
103-2	The management approach and its components	Pages 50, 60-61	
103-3	Evaluation of the management approach	Pages 135-136	
305-1	Direct (scope 1) GHG emissions	Page 135-136 Emission factors and GWP factor from the Swedish Environmental Protection Agency. <a href="https://www.naturvardsverket.se/upload/stod-i-miljoarbetet/vagledning/Luft-klimat/emissionsfaktorer-och-varmevarden-2019.xlsx">https://www.naturvardsverket.se/upload/stod-i-miljoarbetet/vagledning/Luft-klimat/emissionsfaktorer-och-varmevarden-2019.xlsx</a> Based on consolidated reports from two common group IT-systems.	
305-2	Energy indirect (scope 2) GHG emissions.	Page 135 Emission factors and GWP values from the Swedish Environmental Protection Agency. <a href="https://www.naturvardsverket.se/upload/stod-i-miljoarbetet/vagledning/Luft-klimat/emissionsfaktorer-och-varmevarden-2019.xlsx">https://www.naturvardsverket.se/upload/stod-i-miljoarbetet/vagledning/Luft-klimat/emissionsfaktorer-och-varmevarden-2019.xlsx</a> Based on consolidated reports from two common group IT-systems.	
305-3	Other indirect (scope3) GHG emissions.	Omission: Data is not available for scope 3. We need to investigate who can provide data for scope 3.	
305-4	GHG emissions intensity.	Page 136 Omission: Data is not available for scope 3. We need to investigate who can provide data for scope 3.	We call it climate intensity
305-5	Reduction of GHG emissions	Omission: Data is not available since we acquire new companies.	
305-7	Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions	Page 135	
<b>GRI 306: Effluents and waste 2016 and GRI 103: Management approach 2016</b>			
103-1	Explanation of the material topic and its Boundary	Page 66	
103-2	The management approach and its components	Pages 25, 60-61, 127	

		Disclosure/Page/URL/Omission	Comments
103-3	Evaluation of the management approach	Page 60	
306-2	Waste by type and disposal method	Page 138	
306-3	Significant spills	Page 60	
<b>GRI 307: Environmental compliance 2016 and GRI 103: Management approach 2016</b>			
103-1	Explanation of the material topic and its Boundary	Page 66	
103-2	The management approach and its components	Pages 25, 60-61	
103-3	Evaluation of the management approach	Page 60	
307-1	Non-compliance with environmental laws and regulations	Page 60	
<b>GRI 308: Supplier environmental assessment 2016 and GRI 103: Management approach 2016</b>			
103-1	Explanation of the material topic and its Boundary	Pages 58, 59	
103-2	The management approach and its components	Pages 25, 48, 59, 127	
103-3	Evaluation of the management approach	Pages 58, 142	
308-1	Percentage of new suppliers that were screened using environmental criteria	Page 142	
<b>GRI 401: Employment 2016 and GRI 103: Management approach 2016</b>			
103-1	Explanation of the material topic and its Boundary	Pages 62, 66	
103-2	The management approach and its components	Pages 24, 25, 50, 62	
103-3	Evaluation of the management approach	Pages 23, 139-142	
401-1	New employee hires and employee turnover	Page 140	
401-3	Parental leave	Page 139 Omission: Data is not available regarding workers returning to work after parental leave and still in company after 12 months. Investigation how to retrieve data.	
<b>GRI 402: Labour/Management relations 2016 and GRI 103: Management approach 2016</b>			
103-1	Explanation of the material topic and its Boundary	Pages 62, 66	
103-2	The management approach and its components	Pages 24, 25, 50, 62	
103-3	Evaluation of the management approach	Page 140	
402-1	Minimum notice periods regarding operational changes	There is no Group policy, we follow the laws and regulations in the country we are located in.	
<b>GRI 403: Occupational health and safety 2018 and GRI 103: Management approach 2016</b>			
103-1	Explanation of the material topic and its Boundary	Pages 62, 66	
103-2	The management approach and its components	Pages 62, 25, 127	
103-3	Evaluation of the management approach	Pages 140-141	
403-5	Worker training on occupational health and safety	Omission: Data is not available on Group level, defined locally in each company	
403-8	Workers covered by an occupational health and safety management system	Page 142	
403-9	Work-related injuries	Page 140 Omission: Data is not available in this section for point C and D. Clarification of definition of injury risk to establish data. Based on 1 000 000 working hours	

		Disclosure/Page/URL/Omission	Comments
403-10	Work-related ill health	Page 141	Omission: mission: Data is not available in this section for point C and D . Clarification of definition of ill health risk to establish data.

#### GRI 404: Training and education 2016 and GRI 103: Management approach 2016

103-1	Explanation of the material topic and its Boundary	Pages 62, 66	
103-2	The management approach and its components	Pages 50, 62	
103-3	Evaluation of the management approach	Pages 141-142	
404-1	Average hours of training per year per employee	Page 141	
404-3	Percentage of employees receiving regular performance and career development reviews	Page 142	

#### GRI 405: Diversity and equal opportunity 2016 and GRI 103: Management approach 2016

103-1	Explanation of the material topic and its Boundary	Pages 62, 66	
103-2	The management approach and its components	Pages 25, 62, 127	
103-3	Evaluation of the management approach	Pages 139-142	
405-1	Diversity of governance bodies and employees	Pages 139-142	
405-2	Ratio of basic salary and remuneration of women to men	Omission: Confidentiality restraints. Group policy to not disclose salaries. Data is available internally.	

#### GRI 406: Non-discrimination 2016 and GRI 103: Management approach 2016

103-1	Explanation of the material topic and its Boundary	Pages 63, 66	
103-2	The management approach and its components	Pages 25, 63, 127	
103-3	Evaluation of the management approach	Pages 139-142	
406-1	Total number of incidents of discrimination and corrective actions taken.	Page 63	

#### GRI 407: Freedom of association and collective bargaining 2016 and GRI 103: Management approach 2016

103-1	Explanation of the material topic and its Boundary	Pages 66, 67	
103-2	The management approach and its components	Pages 25, 63, 127	
103-3	Evaluation of the management approach	Pages 58, 67, 142	
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Pages 58, 142	

#### GRI 408: Child labour 2016 and GRI 103: Management approach 2016

103-1	Explanation of the material topic and its Boundary	Pages 66, 67	
103-2	The management approach and its components	Pages 25, 63, 127	
103-3	Evaluation of the management approach	Pages 58, 67, 142	
408-1	Operations and suppliers with a significant identified risk of incidents of child labour and measures taken	Pages 58, 67, 142	

#### GRI 409: Forced or compulsory labour 2016 and GRI 103: Management approach 2016

103-1	Explanation of the material topic and its Boundary	Pages 58, 63	
103-2	The management approach and its components	Pages 25, 58, 63, 127	
103-3	Evaluation of the management approach	Page 63	
409-1	Operations and suppliers with a significant identified risk of incidents of forced or compulsory labour and measures taken	Pages 58, 67, 142	

		Disclosure/Page/URL/Omission	Comments
<b>GRI 411: Rights of indigenous peoples 2016 and GRI 103: Management approach 2016</b>			
103-1	Explanation of the material topic and its Boundary	Page 63	
103-2	The management approach and its components	Pages 25, 63, 127	
103-3	Evaluation of the management approach	Page 63	
411-1	Incidents of violations involving rights of indigenous peoples	No cases received	
<b>GRI 412: Human rights assessment and GRI 103: Management approach 2016</b>			
103-1	Explanation of the material topic and its Boundary	Page 63	
103-2	The management approach and its components	Pages 25, 63, 127	
103-3	Evaluation of the management approach	Pages 67, 133, 142	
412-1	Operations that have been subject to human rights reviews or impact assessments	Pages 133, 142	Number of site visits in our own companies per country: SE 7, NO 3, FI 5, DK 7, CA 3, UK 4, NL 1, IT 5, CN 4, MY 1, MX 5, PL 5, RO 2, RU 1, CZ 3, ES 1, D 2, US 16, AT 1, RS 2
412-2	Employee training on human rights policies or procedures	Page 141	
<b>GRI 414: Supplier social assessment 2016 and GRI 103: Management approach 2016</b>			
103-1	Explanation of the material topic and its Boundary	Page 58	
103-2	The management approach and its components	Pages 25, 57, 58, 127	
103-3	Evaluation of the management approach	Page 142	
414-1	New suppliers that were screened using social criteria	Page 142	
<b>GRI 415: Public policy 2016 and GRI 103: Management approach 2016</b>			
103-1	Explanation of the material topic and its Boundary	Page 65	
103-2	The management approach and its components	Pages 57, 58, 65	
103-3	Evaluation of the management approach	Pages 58, 65	
415-1	Political contributions	SEK 0	
<b>GRI 416: Customer health and safety 2016 and GRI 103: Management approach 2016</b>			
103-1	Explanation of the material topic and its Boundary	Pages 57, 66	
103-2	The management approach and its components	Pages 49, 57, 127	
103-3	Evaluation of the management approach	Page 58	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Page 58	
<b>GRI 417: Marketing and labelling 2016 and GRI 103: Management approach 2016</b>			
103-1	Explanation of the material topic and its Boundary	Pages 57, 66	
103-2	The management approach and its components	Pages 25, 49, 127	
103-3	Evaluation of the management approach	Pages 58, 134	
417-1	Requirements for product and service information and labelling	Page 58	
417-2	Incidents of non-compliance concerning product and service information and labelling.	Page 58	
417-3	Incidents of non-compliance concerning marketing communications.	No cases identified.	



Disclosure/Page/URL/Omission		Comments
<b>GRI 418: Customer privacy 2016 and GRI 103: Management approach 2016</b>		
103-1	Explanation of the material topic and its Boundary	Pages 57, 66
103-2	The management approach and its components	Pages 57-58
103-3	Evaluation of the management approach	Page 134
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	No cases identified.
<b>GRI 419: Socio-economic compliance 2016 and GRI 103: Management approach 2016</b>		
103-1	Explanation of the material topic and its Boundary	Pages 58, 66
103-2	The management approach and its components	Pages 25, 65, 127
103-3	Evaluation of the management approach	Page 134
419-1	Non-compliance with laws and regulations in the social and economic area	No cases identified.

# Environmental data

	Unit	2019	2018	2017	Comments
<b>Materials used</b>					
Metals	tonnes	104,625	108,689	101,016	
Components purchased	tonnes	73,877	73,239	57,872	
Composites and minerals	tonnes	15,218	15,430	16,001	
Plastic	tonnes	5,832	5,387	4,435	
Paint, glue, etc.	tonnes	841	758	752	
Chemicals	tonnes	660	555	849	
Acids	tonnes	144	136 (647)	-	2018 adjusted owing to incorrect reporting by one company
Gases	tonnes	4,299	3,894	-	
Refrigerants	tonnes	461	469	369	
<b>Packaging materials</b>	<b>tonnes</b>	<b>18,414</b>	<b>17,382</b>	<b>16,496</b>	
Plastic	tonnes	1,422	1,414	1,380	
Wood	tonnes	11,084	10,767	9,092	
Cardboard	tonnes	5,828	5,051	5,888	
Steel	tonnes	80	150	136	
<b>Air emissions</b>					
NOx	tonnes	169.8	188	218	
SOx	tonnes	13.8	15.0	18.4	
VOC	tonnes	83	82	49	
Particulate matter	tonnes	9.9	8.6	8.7	
POP	tonnes	0	-	-	
HAP	tonnes	0	-	-	
<b>Energy consumption – Scope 1</b>					
<b>Non-renewable sources</b>					
Gasoline/Petrol	MWh	4,261	2,369	2,034	
Diesel	MWh	24,070	21,210	19,703	
CNG	MWh	691	18	0	
LPG	MWh	31,288	35,753	28,871	2019: LPG is divided into three areas of application: heating, gas and refrigerant
Light fuel	MWh	2,540	2,973	3,092	
Heavy fuel	MWh	86	172	172	
Natural gas	MWh	81,940	68,329	59,209	
Methane	MWh	132	-	-	
<b>Renewable sources</b>					
Pellets	MWh	0.9	1.2	1.4	
Biogas	MWh	0	0	0	
Biodiesel	MWh	114	67	0	
Bioethanol	MWh	0	0	0	
Total self-produced energy	MWh	46	74	33	
Total self-produced heat	MWh	4,816	2,356	2,701	Installation of heat pumps
Total self-produced cooling	MWh	189	190	172	
Self-produced energy sold	MWh	4.3	3.0	2.2	
<b>Energy consumption – Scope 2</b>					
Total electricity consumption	GWh	147	142	136	
Total heating consumption	GWh		10.6	7.9	2019 is divided into renewable/non-renewable energy
Total heating consumption (renewable)	GWh	6.3			
Total heating consumption (non-renewable)	GWh	4.7			
Total cooling consumption	GWh	0	0	0	
Total steam consumption	GWh	0	0	0	
<b>Total energy consumption</b>	<b>GWh</b>	<b>308</b>	<b>263</b>	<b>219</b>	
Energy intensity (energy consumption/SEK million)		12.2	11.7	11.5	Scope 1 and Scope 2
<b>GHG emissions</b>					

	Unit	2019	2018	2017	Comments
Greenhouse gas emissions, total	tonnes of CO2e	33,029	31,200	25,500	
of which emissions from own vehicles	tonnes of CO2e	5,693	4,535	5,300	
of which emissions from own operations (Scope 1)	tonnes of CO2e	25,021	23,502	18,535	
of which indirect emissions (Scope 2)	tonnes of CO2e	966	2,165	1,614	CO2 is from district heating
of which emissions from filling losses of refrigerants	tonnes of CO2e	1,349	998	-	
Climate intensity (CO2/SEK million)		1.30	1.38	1.34	GHG emissions intensity. Scope 1 and Scope 2

	Unit	2019	2018	2017	Comments
<b>Total water withdrawal by source</b>	m <sup>3</sup>	<b>391,092</b>	<b>372,709</b>	<b>352,483</b>	
Municipal water (third-party water)	m <sup>3</sup>	353,436	284,979	277,734	
Fresh water (<1,000 mg/l dissolved solids)	m <sup>3</sup>	351,282			
Other water (>1,000 mg/l dissolved solids)	m <sup>3</sup>	2,154			
Surface water	m <sup>3</sup>	1,775	1,617	1,548	
Fresh water (<1,000 mg/l dissolved solids)	m <sup>3</sup>	0			
Other water (>1,000 mg/l dissolved solids)	m <sup>3</sup>	1,775			
Groundwater	m <sup>3</sup>	35,881	34,376	23,571	
Fresh water (<1,000 mg/l dissolved solids)	m <sup>3</sup>	0			
Other water (>1,000 mg/l dissolved solids)	m <sup>3</sup>	35,881			
Seawater	m <sup>3</sup>	0	0	0	
Produced water	m <sup>3</sup>	0	0	0	
Recycled/reused water from another organization	m <sup>3</sup>	-	3	0	The scope is not included in GRI Standards 2018. Will not be reported 2020 and onward.
Recycled/reused water from own organization	m <sup>3</sup>	-	51,734	49,630	The scope is not included in GRI Standards 2018. Will not be reported 2020 and onward.

<b>Of which water from areas with water stress</b>	m <sup>3</sup>	<b>52,160</b>			
Municipal water (third-party water)	m <sup>3</sup>	44,324			
Fresh water (<1,000 mg/l dissolved solids)	m <sup>3</sup>	44,324			
Other water (>1,000 mg/l dissolved solids)	m <sup>3</sup>	0			
Surface water	m <sup>3</sup>	0			
Fresh water (<1,000 mg/l dissolved solids)	m <sup>3</sup>	0			
Other water (>1,000 mg/l dissolved solids)	m <sup>3</sup>	0			
Groundwater	m <sup>3</sup>	7,836			
Fresh water (<1,000 mg/l dissolved solids)	m <sup>3</sup>	0			
Other water (>1,000 mg/l dissolved solids)	m <sup>3</sup>	7,836			
Seawater	m <sup>3</sup>	0			
Produced water	m <sup>3</sup>	0			

<b>Total reclamation of used water discharge by source</b>	m <sup>3</sup>	<b>324,100</b>	<b>340,713</b>	<b>286,792</b>	
Municipal water treatment plant	m <sup>3</sup>	311,492	329,891	230,930	
Fresh water (<1,000 mg/l dissolved solids)	m <sup>3</sup>	0			
Other water (>1,000 mg/l dissolved solids)	m <sup>3</sup>	311,492			
Surface water	m <sup>3</sup>	11,758	0	0	
Fresh water (<1,000 mg/l dissolved solids)	m <sup>3</sup>	0			
Other water (>1,000 mg/l dissolved solids)	m <sup>3</sup>	11,758			

	Unit	2019	2018	2017	Comments
Groundwater	m <sup>3</sup>	850	0	0	
Fresh water (<1,000 mg/l dissolved solids)	m <sup>3</sup>	0			
Other water (>1,000 mg/l dissolved solids)	m <sup>3</sup>	850			
Seawater	m <sup>3</sup>	0	0	0	
Adjacent body of water	m <sup>3</sup>	-	10,290	54,095	Not included as a water category under GRI Standards 2018. Will not be reported in 2020 and future years
External water treatment	m <sup>3</sup>	-	532	1,767	Not included as a water category under GRI Standards 2018. Will not be reported in 2020 and future years
<b>Of which water discharge in areas with water stress</b>					
Municipal water (third-party water)	m <sup>3</sup>	34,207			
Fresh water (<1,000 mg/l dissolved solids)	m <sup>3</sup>	0			
Other water (>1,000 mg/l dissolved solids)	m <sup>3</sup>	34,207			
Surface water	m <sup>3</sup>	0			
Fresh water (<1,000 mg/l dissolved solids)	m <sup>3</sup>	0			
Other water (>1,000 mg/l dissolved solids)	m <sup>3</sup>	0			
Groundwater	m <sup>3</sup>	0			
Fresh water (<1,000 mg/l dissolved solids)	m <sup>3</sup>	0			
Other water (>1,000 mg/l dissolved solids)	m <sup>3</sup>	0			
Seawater	m <sup>3</sup>	0			
Produced water	m <sup>3</sup>	0			
<b>Total water discharge (metals)</b>	<b>tonnes</b>	<b>9.0</b>	<b>17.6</b>	<b>8.9</b>	
<b>Total water discharge (organic materials)</b>	<b>tonnes</b>	<b>37</b>	<b>36</b>	<b>19</b>	
<b>Water consumption</b>					
Total water consumption	m <sup>3</sup>	66,992	-	-	Change in calculation basis under GRI Standards 2018. The highest volume is evaporation from processes
Of which water consumption in areas with extreme water stress	m <sup>3</sup>	3,832	-	-	
Of which water consumption in areas with high water stress	m <sup>3</sup>	18,431	-	-	
Total change in water storage	m <sup>3</sup>	-	-	-	Insufficient data

	Unit	2019	2018	2017	Comments
<b>Waste</b>					
<b>Total waste</b>	tonnes	<b>27,287</b>	<b>24,638</b>	<b>27,770</b>	
Reuse	tonnes	220	225	212	
Recycling	tonnes	20,901	17,864	22,110	
Composting	tonnes	81	1	-	
Reuse (new area of application)	tonnes	173	245	281	
Energy recovery	tonnes	2,465	2,268	1,923	
Incineration	tonnes	174	171	358	
Deep well injection	tonnes	0	0	-	
Landfill	tonnes	2,929	3,420	2,660	
On-site storage	tonnes	76	73	23	
Other	tonnes	268	371	203	

<b>Hazardous waste</b>					
<b>Total hazardous waste</b>	tonnes	<b>1,799</b>	<b>1,614</b>	<b>1,446</b>	
Reuse	tonnes	5	6	-	
Recycling	tonnes	164	348	273	
Composting	tonnes	0	0	-	
Reuse (new area of application)	tonnes	19	12	12	
Energy recovery	tonnes	119	94	51	
Incineration	tonnes	1,069	463	546	Process liquids as waste included in 2019
Deep well injection	tonnes	0	0	-	
Landfill	tonnes	94	202	127	
On-site storage	tonnes	10	10	3.6	
Other	tonnes	319	479	433	

For 2019 divided by region (tonnes)	Nordic countries	Europe	North America	Asia	Other countries	Comments
<b>Waste</b>						
Reuse	68	23	128	0	1	
Recycling	7,002	5,206	8,603	73	17	
Composting	81	0	0	0	0	
Reuse (new area of application)	28	143	1	0	1	
Energy recovery	1,698	647	100	20	0	
Incineration	16	100	58	0	0	
Deep well injection	0	0	0	0	0	
Landfill	158	935	1,737	75	24	
On-site storage	0	10	64	2	0	
Other	8	253	1	6	0	
<b>Hazardous waste</b>						
Reuse	0	0	0	5	0	
Recycling	120	22	22	0	0	
Composting	0	0	0	0	0	
Reuse (new area of application)	5	14	0	0	0	
Energy recovery	31	65	23	0	0	
Incineration	1,021	33	5	10	0	
Deep well injection	0	0	0	0	0	
Landfill	4	85	5	0	0	
On-site storage	2	1	0	7	0	
Other	135	135	47	2	0	



# Employee data

	Unit	2019	2018	2017	Comments
<b>Total number of employees</b>	Number	16,505	15,100	14,271	This total includes only the companies that provided data for the 2019 sustainability report
Nordic countries	%	19	20	-	
Europe	%	36	36	56	
North America	%	35	36	37	
Asia	%	9.9	7.9	7	
Other countries	%	0.1	0.1	-	
<age 30	%	21	25	20	
age 30-50	%	51	50	55	
>age 50	%	28	25	25	
Average age	Age	43	39	39	
<b>Permanent employees</b>	<b>Number</b>	<b>15,644</b>	<b>14,133</b>	<b>11,809</b>	
Men	%	62	62	62	
Women	%	38	38	38	
Nordic countries	%	20	20	17	
Europe	%	35	35	35	
North America	%	35	37	40	
Asia	%	9.9	7.9	8	
Other countries	%	0.1	0.1	0	
Full-time employees, men	%	61	57	-	
Full-time employees, women	%	35	37	-	
Part-time employees, men	%	2	3	-	
Part-time employees, women	%	2	3	-	
<b>Temporary employees</b>	<b>Number</b>	<b>861</b>	<b>967</b>	<b>727</b>	
Men	%	67	67	63	
Women	%	33	33	37	
Nordic countries	%	17	11	4	
Europe	%	62	42	58	
North America	%	11	36	38	
Asia	%	9.7	10.5	-	
Other countries	%	0.3	0.5	0	
<b>Other workers</b>	<b>%</b>	<b>6</b>	<b>5</b>	<b>12</b>	
<b>Production employees</b>					
Men	%	59	-	-	
Women	%	41	-	-	
<age 30	%	23	-	-	
age 30-50	%	52	-	-	
>age 50	%	25	-	-	
<b>Administrative employees</b>					
Men	%	70	-	-	
Women	%	30	-	-	
<age 30	%	17	-	-	
age 30-50	%	53	-	-	
>age 50	%	30	-	-	
Parental leave	Number	16,404			The figure is for the number of employees entitled to parental leave
Men	Number	291			The figure is for the number of men who took parental leave
Women	Number	584			The figure is for the number of women who took parental leave

	Unit	2019	2018	2017	Comments
<b>Board members</b>	<b>Number</b>	<b>361</b>	<b>296</b>	<b>294</b>	
Men	%	93	94	94	
Women	%	7	6	6	
<age 30	%	0	0.7	0	
age 30-50	%	30	32	29	
>age 50	%	70	67.3	71	
<b>Management team</b>	<b>Number</b>	<b>685</b>	<b>728</b>	<b>522</b>	
Men	%	79	80	80	
Women	%	21	20	20	
<age 30	%	5	5	3	
age 30-50	%	51	49	49	
>age 50	%	44	46	48	
<b>New employees</b>	<b>Number</b>	<b>5,634</b>	<b>6,887</b>	<b>4,877</b>	
Men	%	62	63	61	
Women	%	38	37	39	
<age 30	%	42	-	-	
age 30-50	%	45	-	-	
>age 50	%	13	-	-	
Nordic countries	%	12	14	7	
Europe	%	22	18	26	
North America	%	58	57	56	
Asia	%	7.9	10.9	10.9	
Other countries	%	0.1	0.1	0.1	
<b>Employee turnover</b>	<b>%</b>	<b>28</b>	<b>26</b>	<b>6.7</b>	Mexico and China are included from 2018
Men	%	71	71	-	
Women	%	29	29	-	
Nordic countries	%	13	9		
Europe	%	15	11		
North America – excluding Mexico	%	28	15		
Mexico	%	75	94		
Asia	%	37	16		
Other countries	%	36	6		
<b>Employment ended</b>					
<age 30	%	48			
age 30-50	%	40			
>age 50	%	12			
<b>Average length of employment</b>	<b>Years</b>	<b>8.0</b>	<b>7.6</b>	<b>7.9</b>	

	Unit	2019	2018	2017	Comments
<b>Work-related injuries</b>					
Fatalities	Number	0	0	0	
High-consequence work-related injuries	Number	7	4	6	
High-consequence work-related injuries per million hours worked	Number	0.2			
Lost time injuries	Number	310	316	314	
Lost time injuries per million hours worked	Number	9.9			
Number of hours worked	Number (h)	31,028	24,254	23,572	
<b>Work-related injuries – other workers</b>					
Fatalities	Number	0	0	0	
High-consequence work-related injuries	Number	1	13	0	

	Unit	2019	2018	2017	Comments
High-consequence work-related injuries per million hours worked	Number	0.9			
Lost time injuries	Number	19	15	10	
Lost time injuries per million hours worked	Number	17.5			
Number of hours worked	Number (h)	1,084	2,919	3,050	
Accident rate per million hours worked	Number	9.3	10.2	11.0	LTIF target
<b>Work-related ill health.</b>					
Fatalities	Number	0	-	-	
Recorded cases of ill health	Number	77	-	-	
<b>Work-related ill health – other workers</b>					
Fatalities	Number	0	-	-	
Recorded cases of ill health	Number	12	-	-	
<b>Training and education</b>					
Training hours, male production employees	Number	111,747	138,587	100,940	
Training hours, female production employees	Number	76,445	112,247	96,662	
Training hours, male administrative employees	Number	46,689	47,051	37,738	
Training hours, female administrative employees	Number	23,584	23,421	14,273	
Training hours per employee	Number	16	21	18	
Employees who received training in human rights	%	31	36	35	
Training hours in human rights	Number	10,446	18,110	11,059	
Board members who received information and training on anti-corruption	Number (%)	361 (100)	296 (100)	-	
Nordic countries	Number (%)	118 (100)			
Europe	Number (%)	147 (100)			
North America	Number (%)	61 (100)			
Asia	Number (%)	32 (100)			
Other countries	Number (%)	3 (100)			
Employees who received information on anti-corruption	Number (%)	16,505 (100)	15,100 (100)	14,271 (100)	Our values
Nordic countries	Number (%)	3,136 (100)			
Europe	Number (%)	5,942 (100)			
North America	Number (%)	5,777 (100)			
Asia	Number (%)	1,633 (100)			
Other countries	Number (%)	17 (100)			
Employees who received training in anti-corruption, administrative employees	Number (%)	4,950 (100)	3,407 (100)	-	E-learning
Nordic countries	Number (%)	1,440 (100)			
Europe	Number (%)	2,087 (100)			
North America	Number (%)	1,199 (100)			
Asia	Number (%)	210 (100)			
Other countries	Number (%)	14 (100)			
Business partners who received information on anti-corruption policy	Number (%)	528	298	219	Insufficient data for %.
Nordic countries	Number (%)	65	-	-	Insufficient data for %.
Europe	Number (%)	421	-	-	Insufficient data for %.
North America	Number (%)	29	-	-	Insufficient data for %.
Asia	Number (%)	13	-	-	Insufficient data for %.
Other countries	Number (%)	0	-	-	Insufficient data for %.

	Unit	2019	2018	2017	Comments
<b>Performance and career development review</b>					
Performance and career development review, male production employees	%	47	74	70	Implementation of performance and career development reviews at recently acquired companies is low
Performance and career development review, female production employees	%	52	42	68	-II-
Performance and career development review, male administrative employees	%	71	89	86	-II-
Performance and career development review, female administrative employees	%	68	88	84	-II-
Sickness absence	%	3.8	4.1	3.6	
Number of university graduates	%	14	13	12	
Employees covered by safety committee	%	88	84	87	
Employees covered by collective bargaining agreement	%	43	55	55	

## Business data

	Unit	2019	2018	2017	Comments
<b>Purchased value</b>	<b>SEK m</b>	<b>13,606</b>	<b>13,467</b>	<b>9,192</b>	
Local	%	10	8	7	Local community
In own country	SEK m	6,965	-	-	
Europe	SEK m	9,390	8,676	5,468	Extracted from each continent
Asia	SEK m	1,019	1,332	1,327	
North America	SEK m	3,091	3,331	2,319	
South America and Caribbean	SEK m	106	-	-	
Africa	SEK m	0.2	-	-	
Other countries	SEK m	-	128	77	Divided into other continents
<b>Suppliers of direct materials</b>	<b>Number</b>	<b>10,800</b>	<b>9,200</b>	<b>6,000</b>	
<b>New suppliers of direct materials</b>	<b>Number</b>	<b>644</b>	<b>578</b>	<b>600</b>	
screened using social criteria	Number (%)	207 (32%)	140	348	Reported in % in the future
screened using environmental criteria	Number (%)	269 (42%)	168	348	Reported in % in the future
screened on quality	Number (%)	269 (42%)	248	348	Reported in % in the future
Number of own production companies screened for compliance with human rights	Number	78	66	-	
Provisions for strategic and product development projects	SEK m	742	614	502	

## Local social responsibility

	Unit	2019	2018	2017	Comments
<b>Sponsorships</b>					
Sponsorship of culture, sport, health and young people	SEK m	3.0	2.5	2.3	
Political contributions	SEK	0	0	0	





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The complete annual report and AGM notice are sent to all shareholders unless they have informed the company that they do not wish to receive any written information.  
The annual report is also published on our website at [www.nibe.com](http://www.nibe.com).