nobia

Annual Report 2010

Nobia Annual Report 2010

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The Board of Directors and President of Nobia AB, Corporate Registration Number 556528-2752, hereby present the Annual Report and consolidated financial statements for the 2010 fiscal year.

The Board of Directors' Report is presented on pages 6–34.

The kitchen featured on the cover is a product from the French company Hygena.

2010 in summary

Nobia's 2010 net sales amounted to SEK 14,085 million (15,418). Operating profit before restructuring costs amounted to SEK 517 million (346), and SEK 6 million (38) after restructuring costs. Loss after tax totalled SEK 89 million (loss: 79), corresponding to a loss per share of SEK 0.53 (loss: 0.47). Operating cash flow amounted to SEK 641 million (803). The Board of Directors proposes that no dividend be paid for the 2010 fiscal year.

Restructuring costs of SEK 511 million (308) aim to improve efficiency in production, logistics and organisation, and cost-saving measures.

First quarter

The year began with weak demand for kitchens. Nobia continued to strengthen its market position in the UK market, while restructuring measures in France had a substantially negative impact on the quarterly results. A strategic change was presented in February with the purpose of creating a more effective Nobia.

Second quarter

With increasing uncertainty in the UK, continued restructuring efforts in France and an overall weak market situation, Nobia still succeeded in strengthening its gross margin by approximately 3 percentage points during the second quarter. This was mainly the result of implemented plant closures in the Nordic region.

Third quarter

Demand for new-builds in several of the Nordic markets had a favourable impact on net sales and the operating margin, while the negative trend in the UK market continued. Restructuring continued in France, as well as the further development of Nobia's strategy and organisation.

Fourth quarter

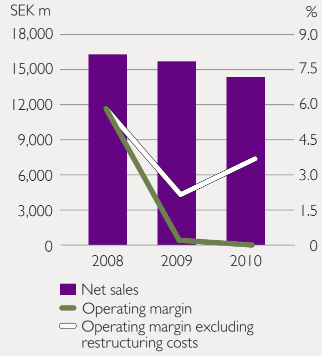
Morten Falkenberg took over as President and CEO on 6 October. Demand continued to show a positive trend in the Nordic region during the fourth quarter. Overall, organic growth was 6 per cent. Net sales were negatively impacted by currency effects in the fourth quarter. The gross margin continued to improve. A cost-saving programme involving the closure of nearly 35 unprofitable stores, and the reduction of 385 personnel impacted the quarter's operating profit. During 2011, the measures will successively reduce the cost base by at least SEK 100 million.

Key figures	**2010**	2009	Change, %
Net sales, SEK m	14,085	15,418	–9
Gross margin, %	39.1	36.7	–
Operating margin before depreciation and impairment losses, % (EBITDA)	6.9	5.6	–
Operating profit, SEK m (EBIT)	517	346	49
Operating margin, %	3.7	2,2	–
Profit after financial items, SEK m	432	271	59
Loss after tax, SEK m	–89	–79	–13
Earnings per share, after dilution, SEK	–0.53	–0.47	–13
Operating cash flow, SEK m	641	803	–20
Return on capital employed, %	0.4	1.0	–
Return on shareholders' equity, %	–2.4	–1.9	–

All figures except "Net sales", "Profit/loss after tax", "Earnings/loss per share" and "Operating cash flow" have been adjusted for restructuring costs.

Net sales and operating margin

January–December



Net sales amounted to SEK 14,085 million. The operating margin totalled 0.0 per cent (0.2), and 3.7 per cent excluding restructuring costs.

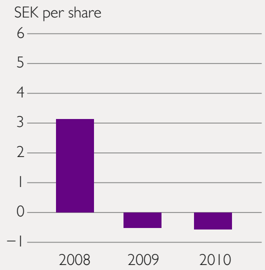
Profitability trend

January–December

Return on capital employed including restructuring costs amounted to 0.4 per cent during 2010.

Earnings/loss per share

January–December



Loss per share for the year including restructuring costs amounted to SEK 0.53.

This is Nobia

Nobia is Europe's kitchen specialist. The operation consists of developing, manufacturing and selling kitchens through about twenty strong brands.

The focus on kitchens enables our various units to leverage joint competencies throughout the entire value chain, which benefits both us and our customers. The greatest economies of scale lie in product development, and the co-ordination of sourcing and production.

We operate in three geographic regions – the UK, the Nordic region and Continental Europe. Sales are conducted directly to consumers through a network of nearly 700 stores, and to professional customers in retail and new-builds. Read more on pages 14–21.

The head office is situated in Stockholm, and approximately 7,500 people are employed in eight main countries. Net sales amount to approximately SEK 14 billion. The Nobia share is listed on NASDAQ OMX Stockholm under the short name "NOBI".

nobia.com

The fastest way to find information about Nobia is via www.nobia.com. You can find up-to-date financial information on our website, and compare and download financial data.

You can also subscribe to reports and press releases via e-mail or SMS.

Are you interested in a career at Nobia? To find out more, visit www.nobia.com for vacant positions and interviews with some of Nobia's employees.

Our new website will be launched in spring 2011.

We will also be launching a mobile web to give you the latest news about Nobia no matter where you are.

Business concept

Nobia offers attractive kitchen solutions in selected market segments through a number of strong brands.

We create value for customers by delivering superior function, design and quality and simplifying buying, delivery and installation.

In addition to attractive customer offerings, the basis for profitable growth and increased market shares is an efficient supply chain.

Objectives and strategy

Nobia is undergoing a change process, which will result in a more co-ordinated and stronger offering. During 2010, the change process mainly focused on developing a module-based common product range. This is the first prerequisite for utilising the Group's potential economies of scale more effectively and thus contributing to greater profitability.

Nobia's financial targets are listed on page 6, and the future strategy is described on page 9.

Brief history

Nobia was originally a division of STORA (now Stora Enso) where the operation comprised doors, windows and kitchens, and a wholesale business for building materials. The company was formed in **1996** when Industri Kapital (now IK) bought Nobia and shifted the focus to kitchens. Several strategic acquisitions then took place, of which Novart and Magnet entailed a breakthrough in the Finnish and UK markets, and Poggenpohl gave Nobia a leading position in the most exclusive segment.

Nobia was listed on the Stockholm Stock Exchange in **2002**, after which several acquisitions took place, such as Gower in the UK, EWE-FM in Austria, and Hygena in France.

In **2009**, the European kitchen market was severely impacted by the recession, and Nobia's profitability declined sharply.

During this period, Nobia decided to oversee the company's entire value chain and organisational structure, and to focus on reducing costs and improving cash flow. Decisions were made to introduce strategic and organisational changes, starting in **2010**, to create long-term profitability and more co-ordinated growth – to create One Nobia.

For a more detailed description of Nobia's history, see www.nobia.com.

Our brands

Read more in the regional sections, pages 14–21

We are creating One Nobia

I would like to begin by saying how proud I am to be part of this wonderful company. Nobia has many strong brands, both local and global, and a unique opportunity to become the clear market-leading kitchen specialist.

2010 was an eventful year, and some events deserve a special mention:

- There are clear signs that the steepest phase of the recession is behind us. Organic growth has recovered. We see growth in several Nordic countries, driven by significant project sales in the new-build segment. There are also increased sales to private customers who are renovating.
- One encouraging sign is that the operating margin, excluding restructuring costs, improved by 1.5 percentage points to 3.7 per cent in 2010. This is due to major productivity improvements, which in part are attributable to plant closures in the Nordic region during recent years. These changes are showing measurable effects in both margins and earnings.
- Our balance sheet continued to improve with a strong cash flow, driven by consistent focus on working capital. This allowed us to concentrate on areas that give the highest return, and invest in these areas for increased growth.
- While the Nordic market made a strong comeback during the latter half of 2010, the UK market was slightly weaker than in 2009. Demand developed negatively due to announced government cutbacks. We experienced a decline in our own distribution chain, but noticed a more favourable result in business-to-business channels.
- Hygena in France has suffered during recent years, and I am happy that we took some vital steps to thoroughly address the situation. With a new, strong management in place, improvements are now underway. The last four months of the year showed favourable growth in both orders received and invoicing. There is no quick-fix, but I am convinced that we will make Hygena profitable again.

Cost-saving measures

To become the leading kitchen specialist that we want to be, we have produced a strategic plan encompassing all of the key stages in Nobia's value chain.

Read more about the journey that Nobia began a few years ago on page 9.

Since we are determined to maintain a rapid tempo in the change process, we introduced a flatter organisation at the beginning of 2011 and have adopted a number of cost-saving measures, which entail personnel reductions involving 385 employees in the Nordic region, France, the UK, and in Poggenpohl. When they reach their full effect, these activities will reduce our costs by more than SEK 100 million on a yearly basis.

Step-by-step

The comprehensive change process that we are currently engaged in has many components, and as we have previously indicated, these must be joined together in the right order at the right time if we want to create One Nobia.

By following the path we have chosen, we are not only making Nobia a leading kitchen specialist, we are also creating the conditions for sustainable profitability with a double-digit operating margin.

I know that everyone at Nobia is looking forward to being part of that journey – and taking an active part in its implementation.

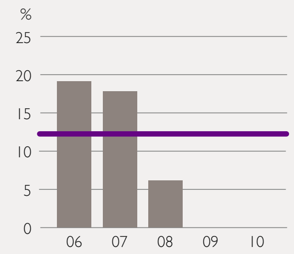
Morten Falkenberg
President and CEO

“By following the path we have chosen, we are not only making Nobia a leading kitchen specialist, we are also creating the conditions for sustainable profitability with a double-digit operating margin.

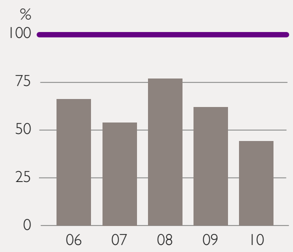
Financial targets

The aims of Nobia's financial targets are to generate favourable inancial returns for shareholders and long-term healthy value growth. The company has been steered towards three financial targets for a number of years.

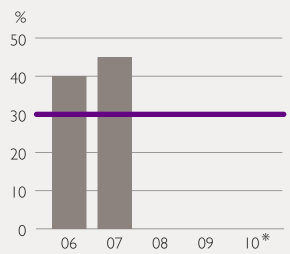
Growth in earnings per share, annual change



Debt/equity ratio



Dividend



* According to Board proposal

1. Growth in earnings

Earnings per share shall increase on average by 12 per cent per year over a business cycle. Nobia will achieve this by:

- attaining organic growth that is 2–3 per cent higher than market growth,
- growing through acquisitions,
- achieving an operating margin (EBIT) that amounts to at least 10 per cent at Group level over a business cycle.

2. Financial strength

The debt/equity ratio shall not exceed 100 per cent. A temporary elevation of the debt/equity ratio is acceptable in conjunction with acquisitions. A long-term, significantly lower debt/equity ratio shall be adjusted by an extra dividend to shareholders or the buy-back of own shares.

3. Dividends

Dividends to shareholders shall on average comprise at least 30 per cent of net profit after tax. However, decisions regarding the amount of the dividend will be made in relation to the company's capital structure at the time.

Special focus

An historic, deep recession began at the end of 2008. As a result, Nobia was forced to make some short-term adjustments to the financial targets. A major focus was shifted to cash flow, resulting in a favourable cash flow in both 2009 and 2010. The focus on maintaining profit margins was increased, partly by strengthening the cost focus.

Overall, these measures entailed that Nobia now stands firmly equipped for leveraging the new business opportunities that a strong economy offers. As the situation normalises, the focus is returning to the financial targets described above.

Earnings per share after dilution, 2006–2010

	2010	2009	2008	2007	2006
Earnings per share, SEK	–0.53	–0.47	3.13	5.50	4.93[1]
Annual change, %	N/A	N/A	–44	12	34
Average[2] annual growth, %	N/A	*N/A*	*6.2*	*17.8*	*19.1*

1) Adjusted for split 3:1.
2) Calculated during the period 2001–2010.

Sales growth 2006–2010

%	2010	2009	2008	2007	2006
Organic change	0	–10	0	7	11
Acquisitions, divestments and currency effects	–9	6	–1	1	14
Total growth	**–8.6**	**–3.6**	**–0.9**	**7.0**	**25.3**
Average[1] annual growth	*6.1*	*8.1*	*9.9*	*11.8*	*13.5*

1) Calculated during the period 2001–2010.

Operating margin per region

%	2010	2009	2008	2007	2006
UK	4.2	4.2	5.6	8.6	7.9
Nordic	4.9	–1.4	8.4	12.3	13.7
Continental Europe	–6.5	–0.4	4.6	5.9	6.1
Group	**0.0**	**0,2**	**5.7**	**8.4**	**8.5**

Comments on the trend

Earnings per share for 2010 were adversely impacted by restructuring costs of SEK 511 million (308), corresponding to SEK 3.06 per outstanding share (1.84).

Net sales for 2010 were adversely impacted by translation effects due to the successive strengthening of the Swedish krona against most of the currencies in which Nobia conducts its sales. The divestment of Pronorm also had a negative effect on net sales. Organic growth improved successively during the year and ended unchanged.

The operating margin excluding restructuring costs and other items affecting comparability developed positively in all regions during the year, mainly due to strengthened gross margins. In the Nordic region, the margin was strengthened by implemented plant closures.

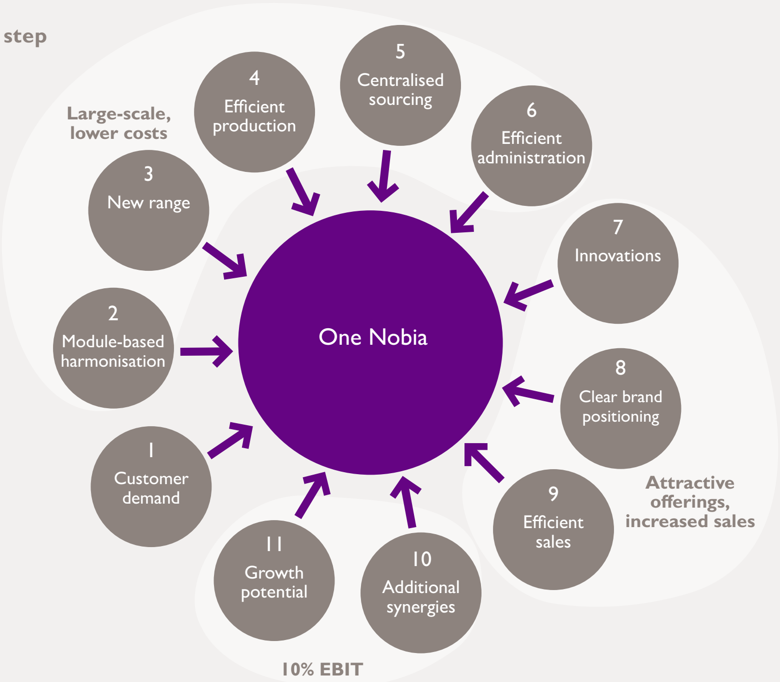
The operating margin was severely impacted by restructuring costs in all regions, but mainly in Continental Europe.

Strategic direction

A change process, which aims to make the customer offering more attractive, strengthen competitiveness and increase profitability, was introduced two years ago and now extends to the entire Group. Here are the main ingredients of the strategy, step by step:

1. Nobia aims to offer kitchens through clearly positioned and defined brands, based on **insight into customer preferences**. The product range and service offerings to both private and professional customers are adapted to customer demand.
2. We leverage the standardized carcass platform. Measures aimed at achieving a **comprehensive harmonisation** and rationalisation will reduce the number of items by at least 50 per cent.
3. With this as our base, we will continue to develop a **co-ordinated range** for several countries and brands. The new range builds upon a cost-effective and solid base, where best-sellers and economies of scale lead to increased profitability.
4. Efficient production based on a single platform entails that our plants no longer need to be regional or brand-specific. As a result, we can utilise the plants more efficiently and thus **reduce the number of production units.**
5. Less complexity, larger volumes and a narrower range make it possible to offer **larger order volumes to fewer suppliers**. In combination with efforts from our Group-wide purchasing organisation, this will lead to more favourable sourcing prices. The proportion of sourcing from low-cost countries should increase from 5 to 15 per cent over the next few years.
6. Since we are creating One Nobia from several acquired kitchen companies, an intra-Group work method is required, and shall be achieved through **efficient administration** in IT, HR and Finance.
7. Historically, the kitchen industry has not been characterised by innovation, but we want to develop and utilise our customer instincts to create kitchens and service offerings that attract and inspire.
8. Our strong local and global brands will acquire **clear positions in each market.**
9. Our sales organisation is one of our greatest assets, which can both offer the products and the services that meet the needs of our corporate customers, and through our network of nearly 700 stores reach Europe's end-consumers. Relevant and innovative advertising increases store visits, while refined customer offerings shall **increase sales.**
10. Finally, we shall continue to increase our internal synergy effects due to even larger volumes, primarily from **organic growth.**
11. We are also open to **growth through acquisitions** – if and when the right opportunity occurs.

The strategy, step by step



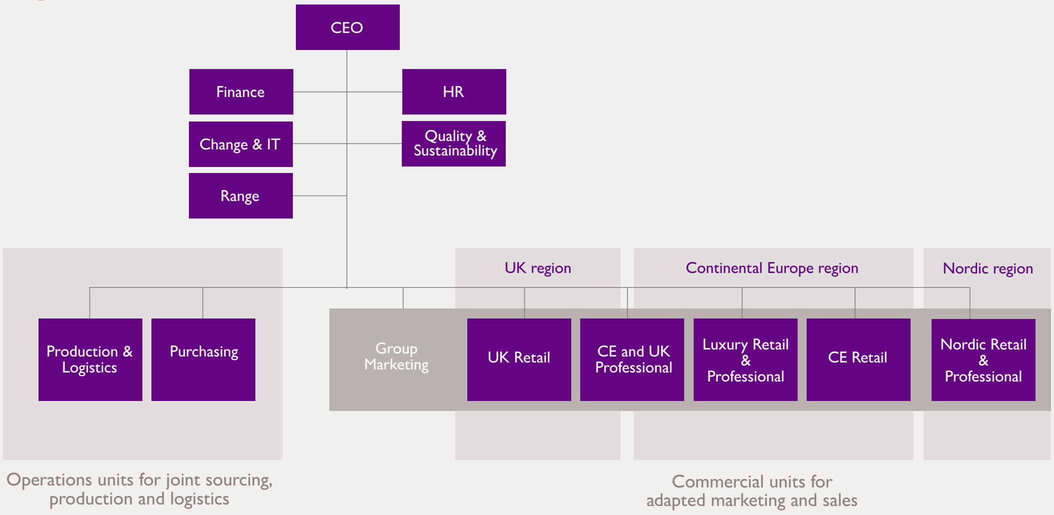
Changes in 2010

In the operations units

Our future objective is to increase co-ordination within the Group, to enable increased utilisation of economies of scale. Co-ordination in range development, sourcing, production and logistics will establish an overall more efficient value chain, and enable lower costs while raising quality.

Objectives and strategic focus	Outcome 2010
An optimised Range Range harmonisation constitutes the basis for the entire change process. Complexity is reduced by using identical rather than similar carcasses, which generates economies of scale along the entire value chain. The objective is to halve – at least – the total number of items, consolidate sourcing from fewer suppliers, and increase investments in innovation and new development. The objective is also to achieve this while broadening the customer offering for individual brands.	**Harmonisation and planning** In 2010, complex and change-critical work was carried out to define the new range. A Group standard based on platform thinking enables a high degree of brand-independence in the supply chain, and greater flexibility. This also creates scope for a differentiation of our product offering to customers without increasing complexity in production and sourcing. The launch of the new range was scheduled, and efforts to prepare the physical implementation are underway in production, as well as the purchasing and sales organisations.
More efficient Production & Logistics Nobia originates from a decentralised structure with 20 plants and supply chains linked to individual brands. By eliminating brand dependency in the production units, capacity utilisation, flexibility and thus cost efficiency can increase.	**Reduced cost base** The closure of plants and other restructuring measures that took place in 2009 and 2010 reduced Nobia's annual costs by approximately SEK 130 million. The number of plants fell from 20 to 15.
Increased co-ordination in Purchasing A co-ordinated range and concentrated production facilities enable more efficient sourcing and logistics. By reducing the number of suppliers and increasing flexibility, costs can be minimised and the quality of sourced goods can be raised.	**Centralised processes** The Group's sourcing was centralised during 2010, enabling further development of the co-ordination. The proportion of sourcing from low-cost countries during the year, including China and Eastern Europe, amounted to approximately 6 per cent, a minor increase compared with 2009.
Customised organisation The organisation shall be continuously adapted to the changed work method.	**Operations units** In 2010, the Group's supply chain was organised into three units – Range, Purchasing and Production & Logistics. In 2011, a central unit for the co-ordination of change projects and IT will be established.

Organisation 2011



In the commercial units

The European kitchen market is highly competitive, which is why our objective is to ensure that the nearly 700 stores controlled by Nobia, either directly or through franchising, are well-positioned and stand out from our competitors. Inspiring stores and clearly positioned brands will also benefit our corporate customers.

Objectives and strategic focus

Clearly positioned brands
Nobia shall offer clear and distinct brands, which offer added value compared with its competitors. The brands shall have a clear position in the consciousness of the target groups. Customers shall be aware of what makes each Nobia brand unique, and experience its added value.

Overhaul and optimisation of sales channels
Various brands in various channels contributed to Nobia's success and historic growth. Sales to end-consumers through nearly 700 kitchen stores gives good knowledge of what customers prioritise, an insight that also benefits corporate customers when delivering kitchens to construction projects, house producers, building materials stores or DIY chains.

Customised organisation
Within the framework of Nobia's three geographic regions, the former business units will be adapted to dedicated sales channels.

Outcome 2010

Strategy development
A comprehensive branding effort began during the year. Key parameters for analysis were customer preferences, brand offerings and positions, and the growth potential of net sales and earnings. The objective for 2011 is to produce a clear brand strategy for moving forward.

Evaluation
During 2010, an overhaul that aimed to optimise sales channels began. In combination with a new and improved range and stronger brands, the sales channels ensure that Nobia is the first choice for both private and professional customers in Europe.

Commercial units
During 2010, the business unit structure was replaced by five units for customised marketing and sales in region-based sales channels. Sales to professional customers in the UK and Continental European regions, for example, were combined into a single unit. A new unit for Group-wide branding strategy and marketing will be established in 2011.

The Nobia share

The Nobia share rose about 35 per cent in 2010, and the closing price of the share on the NASDAQ OMX in Stockholm was SEK 60.25 (41.90), corresponding to a market capitalisation of SEK 10.5 billion (slightly more than 7).

Facts in brief

- The share has been listed on the NASDAQ OMX in Stockholm under the short name NOBI since 2002.
- The Nobia share is in the Mid Cap segment and Consumer Discretionary sector, and included in the NASDAQ OMX Stockholm Benchmark Index.
- Nobia is the only kitchen company listed on the NASDAQ OMX in Stockholm.
- Four-fifths of shareholders are Swedish.

In 2010, the NASDAQ OMX Stockholm's index for manufacturers of consumer discretionary products and services (SX25 Consumer Discretionary) rose 14 per cent.

A total of 124,083,894 Nobia shares were traded at a value of SEK 5,306 million during the year, corresponding to a turnover rate of 71 per cent. An average of 490,450 Nobia shares were traded on a trading day, corresponding to approximately SEK 21 million. The highest and lowest prices during the year were SEK 61.50 and SEK 30.40 respectively.

Share capital

On 31 December 2010, Nobia's share capital amounted to an unchanged SEK 58,430,237, divided between an unchanged number of shares, namely 175,293,458, each with a par value of SEK 0.33. Each share, except for repurchased treasury shares, entitles the holder to one vote, and carries the same entitlement to the company's capital and profits.

Ownership structure

On 31 December 2010, the number of shareholders was 4,343 (4,876). The percentage of registered shares held by foreign owners amounted to 10.3 per cent (24) at year-end. The ten largest shareholders held 57 per cent of all shares.

Nobia's Group management had combined holdings of 76,334 shares at year-end. Nobia's Board members owned 638,450 shares at year-end.

Dividend policy

One of Nobia's financial targets is that dividends to shareholders shall correspond to at least 30 per cent of net profit after tax. Investment requirements, acquisition opportunities, liquidity and the financial position of the company are taken into consideration when preparing dividend proposals.

Proposed dividend

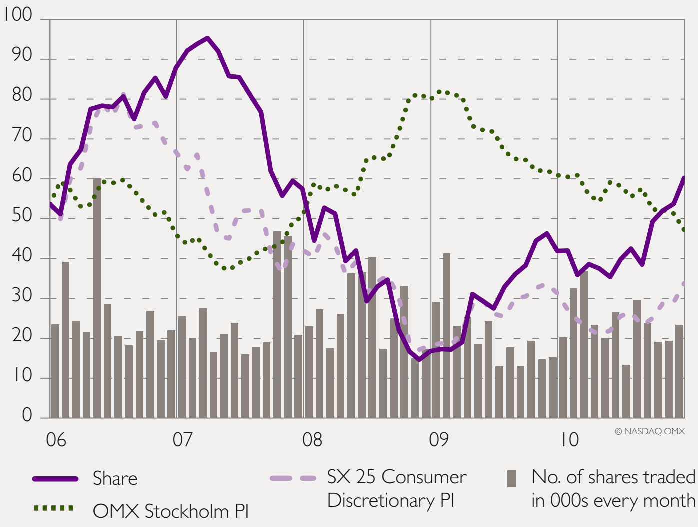
The Board and President recommend that no dividend be paid for the 2010 fiscal year.

Contact with the stock market

Nobia's objective is to simplify the market valuation process by providing clear information. Contact with the stock market is primarily based on quarterly financial reports, press releases and company presentations. In 2010, meetings with more than 400 investors and analysts took place in Sweden and abroad.

At year-end, the following securities brokers and banks regularly tracked Nobia's progress: ABG Sundal Collier, Carnegie, Danske Bank, Deutsche Bank, Handelsbanken, Nordea, Penser Bank, SEB Enskilda and Swedbank.

Share price trend



Nobia's ten largest owners, 31 December 2010

	Number of shares	Share of capital, %
Säkl	22,000,000	12.6
Nordstjernan	15,899,573	9.1
Swedbank Robur	15,719,808	9.0
If skadeförsäkring	14,632,850	8.3
Lannebo funds	10,018,000	5.7
Skandia funds	4,902,166	2.8
SIX SIS AG	4,337,940	2.5
Carlsson funds	4,329,916	2.5
The Fourth Swedish National Pension Fund	4,071,005	2.3
Didner & Gerge	3,912,171	2.2
Summa	**99,823,429**	**57.0**

Source: Euroclear Sweden
Through buy-backs, Nobia owns 8,162,300 treasury shares corresponding to 4.7 per cent of the total number of shares issued.

Data per share

	2010	2009	2008
Earnings per share before dilution, SEK	–0.53	–0.47	3.13
Earnings per share after dilution, SEK	–0.53	–0.47	3.13
Dividend per share, SEK	0[1)]	0	0
Shareholders' equity per outstanding share, SEK	21	24	25

1) According to Board proposal.

Press releases 2010

9 Feb 2010
Invitation to Nobia's presentation of its Year-end Report for 2009

12 Feb 2010
2010 Nobia Q4, Lower profit but improved cash flow

15 Feb 2010
New organisational model to strengthen Nobia

25 Feb 2010
Nobia sells Pronorm and its 50-per cent holding in Culinoma

1 Mar 2010
Notice to attend the Annual General Meeting

30 Mar 2010
Preben Bager comments on first-quarter performance

30 Mar 2010
Nobia's 2010 Annual General Meeting

20 Apr 2010
Invitation to Nobia's presentation of its Interim Report for January-March 2010

27 Apr 2010
Nobia Q1, Continued restructuring and efficiency enhancement

27 Apr 2010
Morten Falkenberg appointed new President of Nobia

8 Jun 2010
Kitchen production negotiations with trade unions commenced

24 Jun 2010
Change in Hygena management

14 Jul 2010
Invitation to Nobia's presentation of its Interim Report for January-June 2010

19 Jul 2010
Nobia Q2, Improved operating margin

7 Sep 2010
Kitchen production negotiations with trade unions completed

17 Sep 2010
Nick Friend leaves Nobia

6 Oct 2010
New CEO starts today

20 Oct 2010
Invitation to Nobia's presentation of its Interim Report for January-September 2010

22 Oct 2010
Nobia Q3, Continued margin improvements

15 Dec 2010
Relocation of kitchen production from Älmhult to Tidaholm

Shareholder contact

For IR-related information, contact Ingrid Yllmark, Investor Relations Officer, tel +46 8-440 16 07 or ingrid.yllmark@nobia.com.

Ownership structure, 31 December 2010

	No. of shares	No. of shareholders	Percentage of shares, %	Percentage of shareholders, %
1–500	431,618	2,025	0.3	46.6
501–1,000	695,643	839	0.4	19.3
1,001–2,000	833,640	516	0.5	11.9
2,001–5,000	1,606,918	477	0.9	11.0
5,001–10,000	1,257,161	170	0.7	3.9
10,001–20,000	1,443,180	102	0.8	2.3
20,001–50,000	2,442,469	76	1.4	1.8
50,001–100,000	2,622,560	34	1.5	0.8
100,001–	163,960,269	104	93.5	2.4
Total	**175,293,458**	**4,343**	**100.0**	**100.0**

Focus on Europe

Nobia sells kitchens in several markets but is organised into three segments: the UK, Nordic and Continental Europe regions. Due to this geographic spread, Nobia's net sales are impacted by currency effects, which in 2010 had a negative impact of more than SEK 1 billion on the year's net sales, compared with a positive impact in 2009 corresponding to just over SEK 800 million.

Total organic growth remained unchanged in 2010, specified as follows: negative 1 per cent in the UK, positive 3 per cent in the Nordic region, and negative 3 per cent in Continental Europe.

Fragmented and local market

The value of the European kitchen market is estimated at between EUR 11 and 12 billion. The largest single markets are Germany, Italy and the UK. In terms of price segments, the economy and middle-price segments each account for more than 40 per cent of the market, while the luxury segment represents the remaining approximately 15 per cent.

The European kitchen market is still fragmented and relatively local by nature. The five largest kitchen market players combined represent only about 35 per cent of the total sales value and in terms of value, Nobia is the top player with an estimated market share of about 10 per cent. Only a few brands have a presence in several markets. The market is instead characterised by a high number of strong local players.

Source: CSIL 2010

Macroeconomic and emotional drivers

The kitchen market is strongly impacted by several mutually reinforcing factors, of which the general economic trend, the new-build rate, the property market trend and rate of employment are the most prominent. Interest in interior decorating and design, as well as product development in related industries such as white goods, also influence demand for kitchens.

In the wake of the financial crisis and general recession, the European kitchen market has experienced a weak trend in recent years. The demand for kitchens declined between 2007 and 2009. However, the demand for kitchens increased in several of Nobia's main markets during 2010. Growth was strongest in the Nordic region.

Nordic region

Organic growth was 3 per cent.

36% of the Group's net sales

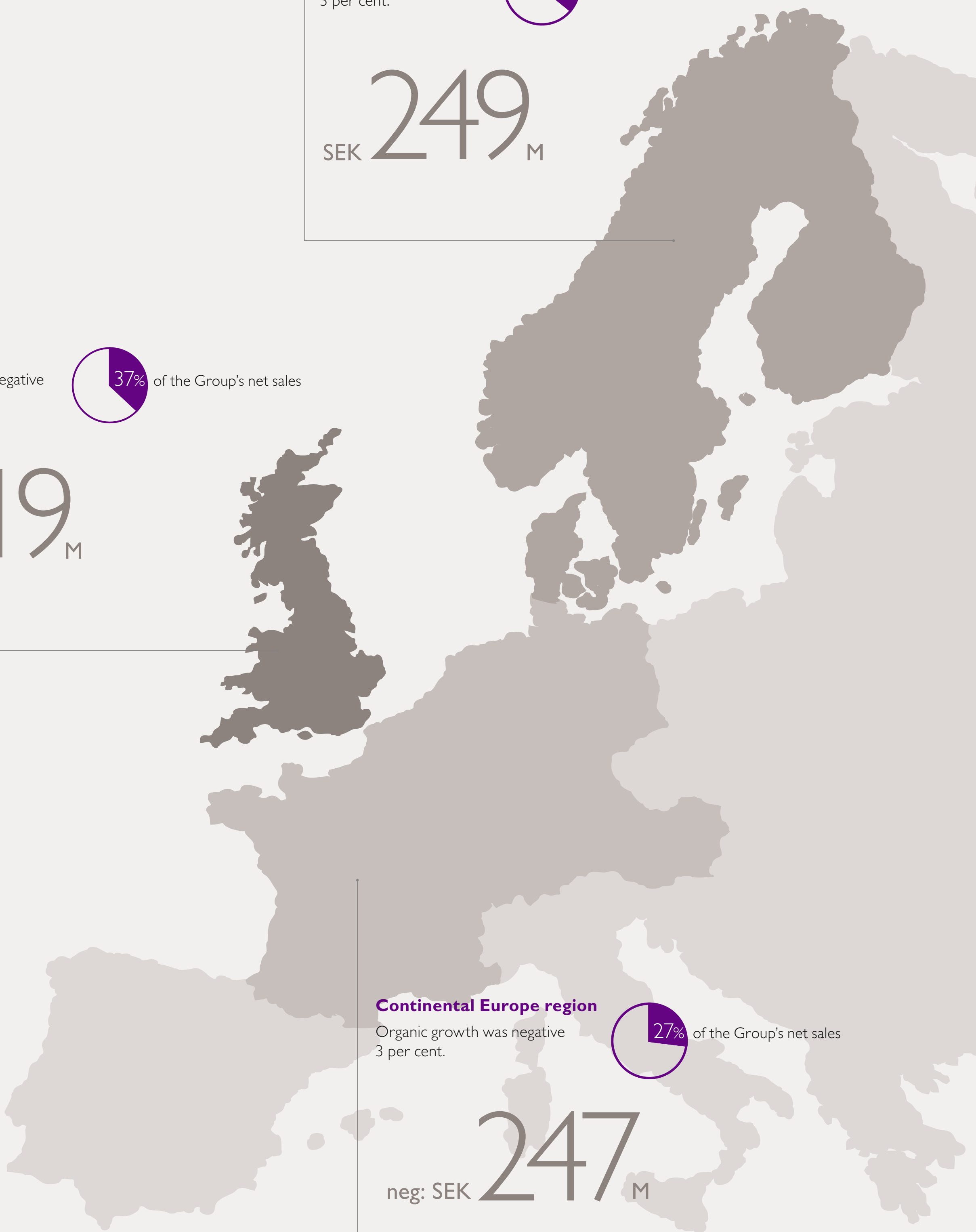
SEK 249 M

UK region

Organic growth was negative 1 per cent.

37% of the Group's net sales

SEK 219 M



Continental Europe region

Organic growth was negative 3 per cent.

27% of the Group's net sales

neg: SEK 247 M

Operating profit 2010

UK region

The uncertainty of the economic situation in the UK continued to impact the kitchen market in 2010. Nobia's net sales declined 8 per cent to SEK 5,198 million (5,623) during the year. Restructuring costs of SEK 107 million (0) impacted operating profit, resulting in operating profit amounting to SEK 219 million (236). Excluding restructuring costs, operating profit totalled SEK 326 million (236). Negative currency effects had an adverse impact of about SEK 35 million (neg: 70) on earnings. The operating margin was 4.2 per cent (4.2).

Despite the weak market, increased earnings were mainly attributable to implemented price increases, lower costs and a favourable sales mix.

Market

Approximately one quarter of the UK kitchen market consists of kitchen specialists, which in turn comprise a large number of independent retailers and several large specialist chains, such as Magnet. The remaining market mainly comprises large DIY chains, players that focus on small local builders (Trade), and the market for large new-build and renovation projects.

The government's austerity package is deemed the primary reason for slightly weaker demand during the year.

Sales channels

In the UK region, Nobia is represented by the Magnet, Magnet Trade, Interior Solutions and Gower brands.

- Magnet Retail targets end-consumers directly through its wholly owned kitchen studios*. These kitchens, in the middle-price segment, are normally installed and sold complete with comprehensive after-sales care.
- Magnet Trade focuses on local construction companies through wholly-owned kitchen studios*.
- Interior Solutions and Gower deliver flat-pack kitchens to builder's merchants and DIY chains. In addition to the actual kitchens, Nobia's offering to the retailers also includes category management: assistance with kitchen displays in stores, advertising, and training for sales and installation personnel.

Nobia's position

Nobia's sales in the lower-price segment increased during the year. The proportion of sold complete kitchens, in which appliances and other accessories are included, also increased during 2010. Price increases in combination with the above entailed an overall higher than average order value for the region.

Overall, in 2010, Nobia continued to strengthen its market-leading position in the UK, improved the gross margin and increased the operating margin. Sales to social housing and builders' merchants increased during the year. Investments in the store network during recent years have proved a positive factor and contributed to the stronger market share.

The challenge for the future lies in meeting the continued weak market expectation with a favourable offering and continued healthy cost control.

TrustMark

Magnet is certified under the TrustMark scheme, which is a partnership between the UK government, consumer organisations and industry players with the objective of helping customers find trustworthy and reputable companies to carry out repairs and maintenance to their homes and gardens. Magnet received TrustMark approval several years ago.

*) The main feature of Magnet kitchen studios is "mixed stores", entailing that both Magnet Retail and Magnet Trade have a presence in the same store. The UK also has dedicated stores of various sizes for Retail and Trade.

Significant events during the year

In the operational units
The former local units for Purchasing, Production & Logistics were transferred to the joint organisation during the year, which was created at Nobia level.

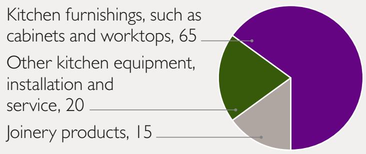
In the commercial units
Surveys show that Magnet Retail's customers have appreciated the methodical, step-by-step sales process. The service offering was expanded during the year with a 12-month follow-up carried out by an installer, which was well received and strengthened Magnet's position as the leading kitchen brand in the country.

A business system for improved customer care in stores was developed and tested, and will be deployed in Magnet in 2011.

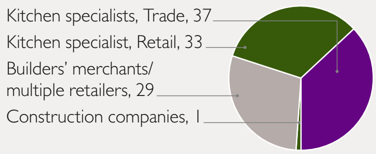
The market for elderly accommodation, day-care centres and schools was expanded, which strengthened Nobia's market share.

A partnership with one of the country's leading DIY chains was strengthened during the year due to good experiences and a positive sales trend.

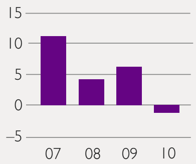
Sales per product, %



Sales channels, %



Organic sales growth, %



Key figures	2010	2009	Change, %
Net sales, SEK m	5,198	5,623	–8
Gross profit excluding restructuring costs, SEK m	2,029	2,000	1
Gross margin excluding restructuring costs, %	39.0	35.6	–
Operating profit excluding restructuring costs, SEK m	326	236	38
Operating margin excluding restructuring costs, %	6.3	4.2	–
Operating profit, SEK m	219	236	–7
Operating margin, %	4.2	4.2	–
Operating capital, SEK m	724	991	–27
Return on operating capital, %	30	24	–
Investments, SEK m	132	57	–
Average number of employees	2,537	2,720	–7

Kitchen stores	Group-owned
UK	222
Total	**222**

Store trend	
Refurbished or relocated	0
Newly opened, net	0

	2010				2009			
Quarter	IV	III	II	I	IV	III	II	I
Net sales, SEK m	1,291	1,263	1,360	1,284	1,399	1,361	1,494	1,369
Gross profit excluding restructuring costs, SEK m	506	507	543	473	522	492	532	454
Gross margin excluding restructuring costs, %	39.2	40.1	39.9	36.8	37.3	36.1	35.6	33.2
Operating profit excluding restructuring costs, SEK m	86	101	98	41	114	65	26	31
Operating margin excluding restructuring costs, %	6.7	8.0	7.2	3.2	8.1	4,8	1.7	2.3
Operating profit/loss, SEK m	–5	94	89	41	114	65	26	31
Operating margin, %	–0.4	7.4	6.5	3.2	8.1	4.8	1.7	2.3

Brands

Gower

Interior Solutions

Magnet

Nordic region

Net sales in the region declined 3 per cent to SEK 5,092 million (5,234). Restructuring costs of SEK 82 million (162) impacted operating profit, resulting in operating profit amounting to SEK 249 million (loss: 75). Excluding restructuring costs, operating profit totalled SEK 331 million (187). Currency effects had a favourable impact of about SEK 35 million (neg: 40) on earnings. The operating margin was 4.9 per cent (neg: 1.4).

Operating profit improved in 2010, primarily attributable to higher sales volumes and productivity improvements resulting from plant closures during recent years. The concentration into fewer production units rationalised the supply chain and reduced production costs.

Market

The Nordic kitchen market is characterised by a few large players and many small, local kitchen companies. After several years of low activity in new-builds, construction companies' and prefab home manufacturers' demand started to recover. Demand for refurbishment generally remained stable.

Sales channels

Nobia is represented in the Nordic region by HTH, Invita and uno form, Myresjökök and Marbodal, Sigdal and Norema, Petra, Parma, A la Carte and the franchise chains Netto-keittiöt and Keittiömaailma.

- HTH offers complete kitchen solutions to both consumer and project markets throughout the entire Nordic region. HTH kitchens can also be purchased online.
- Invita sells rigid kitchens in customised, exclusive designs through its own stores and retailers, mainly in Denmark.
- uno form produces exclusive and expertly handcrafted kitchens with distinctive designs. The kitchens are sold through Group-owned stores and other retailers, mainly in the Nordic region.
- Myresjökök is primarily sold to business customers in the project market in Sweden, such as construction companies and prefab home manufacturers, where demand for large volumes of rigid cabinets with superior delivery quality is high. Because of Myresjökök's flexible offering, project customers can offer their home customers a large degree of freedom when choosing their kitchens.
- Marbodal, Sweden's best-known kitchen brand, is sold in Group-owned stores and franchise stores, and to both end-consumers and business customers through other retailers.
- Sigdal's rigid kitchens in the middle-price segment are sold in Norway to end-consumers and construction companies through specialised kitchen stores, builders' merchants and other retailers.
- Norema sells rigid kitchens in the middle-price segment in Group-owned stores and through other retailers. Some sales are also made to construction companies.
- Petra and Parma can be purchased rigid or in flat packs from builders' merchants, and are also sold directly to construction companies in Finland. The kitchens are also available from the Netto-keittiöt and Keittiömaailma franchise stores.
- A la Carte's rigid kitchens are sold through specialised kitchen stores in Finland.

In 2010, one-third of Nobia's market value in the Nordic region comprised new-builds, mainly through construction companies and prefab home manufacturers.

At year-end, the number of specialised kitchen stores in the Nordic region amounted to 285 (291), of which 92 where Group-owned, and 193 were franchises or other retailing stores.

Nobia's position

Nobia holds a market-leading position in sales to construction companies and house producers in the Nordic region. The recovery of this market segment, most noticeable in Finland, strengthened Nobia during the year.

The challenge for the future lies in consistently reducing costs for the supply chain, maintaining high delivery compliance and clarifying the position of the brands.

Significant events during the year

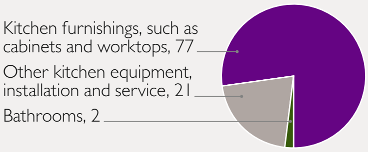
In the operational units
A decision was made during the year to relocate the kitchen production in Sweden from Älmhult to Tidaholm, which is now underway. Approximately 75 employees in Älmhult are affected, and the relocation is expected to be completed by spring 2011. The kitchen production is concentrated to fewer and larger production units with the purpose of strengthening Nobia's competitiveness. About 50 positions will thus be transferred to the plant in Tidaholm. The change had a negative impact of SEK 42 million (–) in restructuring costs on profit for the year.

The former local units for Purchasing, Production & Logistics were transferred to the joint organisation during the year, which was created at Nobia level.

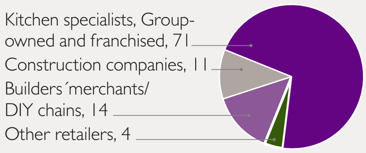
In the commercial units
HTH's supplementary sales of flat-pack kitchens in Denmark, Norway, and now also in Sweden, strengthened the brand's market share. Online sales also increased during the year and are gaining significance as a proportion of the brand's market channels.

Marbodal established three shop-in-shop stores in the Mio furniture chain in the Gothenburg area during the year.

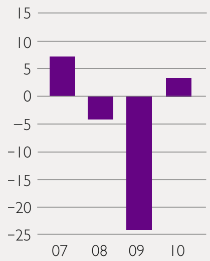
Sales per product, %



Sales channels, %



Organic sales growth, %



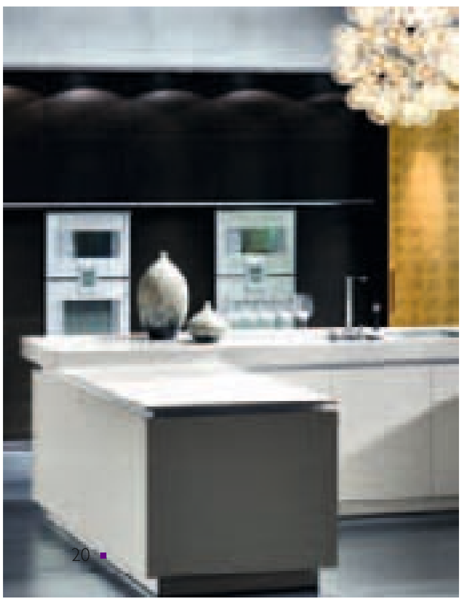
Key figures	**2010**	2009	Change, %
Net sales, SEK m	5,092	5,234	–3
Gross profit excluding restructuring costs, SEK m	1,945	1,861	5
Gross margin excluding restructuring costs, %	38.2	35.6	–
Operating profit excluding restructuring costs, SEK m	331	187	77
Operating margin excluding restructuring costs, %	6.5	3.6	–
Operating profit, SEK m	249	–75	–
Operating margin, %	4.9	–1.4	–
Operating capital, SEK m	898	1,117	–20
Return on operating capital, %	28	–7	–
Investments, SEK m	100	160	–37
Average number of employees	2,758	2,636	5

Kitchen stores	Group-owned	Franchised
Sweden	8	29
Denmark	61	35
Norway	19	39
Finland	–	80
Other countries	4	10
Total	**92**	**193**

Store trend	
Refurbished or relocated	0
Newly opened, net	–6

	2010				2009			
Quarter	IV	III	II	I	IV	III	II	I
Net sales, SEK m	1,392	1,091	1,401	1,208	1,302	1,039	1,499	1,394
Gross profit excluding restructuring costs, SEK m	529	418	550	448	481	367	542	471
Gross margin excluding restructuring costs, %	38.0	38.3	39.3	37.1	36.9	35.3	36.2	33.8
Operating profit excluding restructuring costs, SEK m	136	63	115	17	64	15	91	17
Operating margin excluding restructuring costs, %	9.8	5.8	8.2	1.4	4.9	1.4	6.1	1.2
Operating profit/loss, SEK m	102	15	115	17	56	15	66	–212
Operating margin, %	7.3	1.4	8.2	1.4	4.3	1.4	4.4	–15.2

Brands



Continental Europe region

Fiscal 2010 saw a weak improvement in demand. Nobia's net sales declined 18 per cent to SEK 3,805 million (4,625). Restructuring costs of SEK 214 million (46) impacted operating loss, resulting in operating loss amounting to SEK 247 million (loss: 20). Excluding restructuring costs, operating loss totalled SEK 33 million (profit: 26). Positive currency effects had a favourable impact of about SEK 20 million (20) on earnings. The operating margin was a negative 6.5 per cent (neg: 0.4).

Operating profit deteriorated in 2010, mainly attributable to lower sales and increased costs in the French company, Hygena. A number of measures were implemented to strengthen the Hygena operation. These included a restructuring of the logistics system, a changed and slimmed-down organisation, a commenced rationalisation of unprofitable stores, preparations for a new range and an already initiated refurbishment of stores.

Market

Nobia's main markets in the Continental Europe region are France, Austria and Germany. There are many market players in France, including French, Italian, German and other companies. The number of kitchen stores and thus competitors has increased in recent years.

Two kitchen companies dominate in Austria, one of these is Nobia's EWE/FM. As in Germany, the major furniture stores hold a strong position in terms of kitchen distribution.

Germany is Europe's largest kitchen market. Demand remained at a stable low level, resulting in an intensification of efforts by German kitchen companies in neighbouring markets.

Sales channels

In the Continental Europe region, Nobia is represented by Hygena, EWE, Intuo and FM and Optifit. German Poggenpohl is Nobia's only global brand.

- Hygena offers complete kitchen solutions, which are delivered in flat packs for attractive prices through about 150 wholly-owned stores in France. There are another three stores in the Barcelona area of Spain. Hygena's kitchen carcasses are produced by Optifit in Germany.
- EWE symbolises modern design in the upper-middle-price segment. The kitchens are predominantly produced and sold to corporate customers in Austria.
- Intuo means inspiration in Esperanto. The Austrian brand caters to the quality-conscious consumer in the upper-middle-price segment.
- FM offers kitchens with traditional design and a high degree of functionality, such as solid-wood doors and height-adjustable cabinets. Sales channels are primarily furniture stores and independent kitchen stores in Austria.
- Optifit sells flat-pack kitchens to Hygena, and to DIY chains and building materials stores in Germany. Optifit also offers bathroom series under the Marlin brand.
- Poggenpohl is the world's best-known kitchen brand. The production of these exclusive kitchens is carried out in Herford, Germany with distribution to all continents. Complete kitchen solutions are sold to end-consumers through about 35 Group-owned stores in major cities, to independent kitchen stores and to business customers in the project market. In 2010, project sales were mainly concentrated to Asia, especially China.

At year-end, the number of kitchen stores in the Continental Europe region totalled 191 (191), of which 190 were Group-owned stores, and one was franchised.

Nobia's position

Nobia's market share in the Continental Europe region is modest. Nobia's strongest position is in Austria, where the assessed market position in the country is second. In France, Nobia intends to strengthen Hygena's position through a number of initiatives. Nobia is a modest player in Germany. Poggenpohl's brand awareness in the global luxury market is high.

The challenge for the future lies in consistently reducing costs for the supply chain. Special focus was placed on turning Hygena into a successful chain store in France, and continuing to improve profitability in Poggenpohl.

Significant events during the year

In the operational units

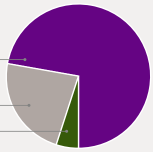
Hygena's logistics system was further developed during the year, in relation to depot structure, a centralised warehouse and reorganisation of IT systems.

The former local units for Purchasing, Production & Logistics were transferred to the joint organisation during the year, which was created at Nobia level.

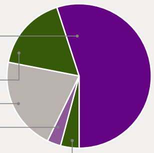
In the commercial units

Hygena was slimmed down to enable the offering of a new range in refurbished stores in 2011–2012. A cost-saving programme at the end of the year encompassed the closure of 15 stores in 2011, affecting just over 100 employees in the retail chain.

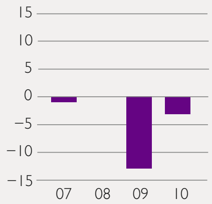
Sales per product, %



Sales channels, %



Organic sales growth, %



Key figures	2010	2009	Change, %
Net sales, SEK m	3,805	4,625	–18
Gross profit excluding restructuring costs, SEK m	1,501	1,770	–15
Gross margin excluding restructuring costs, %	39.4	38.3	–
Operating profit/loss excluding restructuring costs, SEK m	–33	26	–
Operating margin excluding restructuring costs, %	–0.9	0.6	–
Operating loss, SEK m	–247	–20	–
Operating margin, %	–6.5	–0.4	–
Operating capital, SEK m	421	953	–56
Return on operating capital, %	59	–2	–
Investments, SEK m	114	129	–11
Average number of employees	2,298	2,544	–10

Kitchen stores	Group-owned	Franchised
France	150	0
Germany	9	1
Austria	1	0
Other countries	30	0
Total	**190**	**1**

Store trend	
Refurbished or relocated	0
Newly opened, net	0

	2010				2009			
Quarter	IV	III	II	I	IV	III	II	I
Net sales, SEK m	923	875	1,040	967	1,082	1,170	1,325	1,048
Gross profit excluding restructuring costs, SEK m	380	363	400	358	419	466	521	364
Gross margin excluding restructuring costs, %	41.2	41.5	38.5	37.0	38.7	39.8	39.3	34.7
Operating profit/loss excluding restructuring costs, SEK m	11	6	10	–60	13	47	24	–58
Operating margin excluding restructuring costs, %	1.2	0.7	1.0	–6.2	1.2	4.0	1.8	–5.5
Operating profit/loss, SEK m	–140	–12	–11	–84	–5	33	19	–67
Operating margin, %	–15.2	–1.4	–1.1	–8.7	–0.5	2.8	1.4	–6.4

Brands

ewe, FM Die Küche zum Leben, hygena, INTUO, MARLIN, OPTIFIT Die Küche · Das Bad, poggenpohl

Financial overview

In 2010, Nobia was characterised by an internal change process, which aimed to rationalise the entire value chain and leverage economies of scale. The comprehensive restructuring measures were intensified towards the end of the year, and the costs for these amounted to a total of SEK 511 million during the year.

Nobia Group summary

	Jan-Dec 2010	Jan-Dec 2009	Change, %
Net sales, SEK m	14,085	15,418	–9
Gross margin, %	39.1	36.7	–
Operating margin before depreciation and impairment losses, % (EBITDA)	6.9	5.6	–
Operating profit, SEK m (EBIT)	517	346	49
Operating margin, %	3.7	2.2	–
Profit after financial items, SEK m	432	271	59
Loss after tax including restructuring costs, SEK m	–89	–79	–13
Loss per share after dilution, including restructuring costs, SEK	–0.53	–0.47	–13
Operating cash flow, SEK m	641	803	–20

All figures except "Net sales", "Profit/loss after tax", "Earnings/loss per share" and "Operating cash flow" have been adjusted for restructuring costs.

Significant events

In February, Nobia presented a new organisation and work method for the Group. Production and sourcing are co-ordinated with the purpose of leveraging Nobia's size, while the Group's brands are positioned to satisfy customer requirements more clearly. The new organisation in April 2010 signalled the start of a several-year change process, which will lead to a stronger Group. The objective is to increase both profitability and growth by fully capitalising on Nobia's economies of scale in the market, the supply chain and Group units for IT, HR and Finance. The change process is expected to take place between 2010 and 2014.

Later in February, Nobia announced that Pronorm and its ownership share in Culinoma in Germany had been divested to DeMandemaker Groep (DMG). The transaction was part of Nobia's strategy to focus on attractive customer offerings, clear brands and a more efficient supply chain with fewer and larger plants. The sale encompassed the Pronorm kitchen plant in Vlotho, of which the largest customers are DMG and Culinoma, and Culinoma's 87 kitchen stores in Germany, including the Plana, Marquardt, Vesta, Asmo and Küchenpohl brands.

In April, Morten Falkenberg was appointed new President and CEO. Morten Falkenberg took office in October, when Preben Bager stepped down from his position as Nobia's President and CEO.

In May 2010, the first step was taken towards the long-term refinancing of Nobia by raising a loan of SEK 800 million from the Swedish Export Credit Corporation. The loan is for five years, with an option to extend it for another two years.

In June, union negotiations began concerning the relocation of Myresjökök's production from Älmhult to Tidaholm. The relocation is expected to take place in March 2011.

In July 2010, Nobia signed an agreement concerning new long-term borrowing with a consortium of banks. The loan is for five years and can amount to a maximum of SEK 2,000 million. Nobia's long-term credit framework now totals SEK 2,800 million, including the loan granted by the Swedish Export Credit Corporation.

In December, cost-saving measures were initiated in several units throughout the Group. The programme is expected to reduce costs by SEK 100–125 million on an annual basis from the end of 2011.

The Group's earnings and financial position

Loss per share for the year after dilution amounted to SEK 0.53 (loss: 0.47). Earnings per share for the year after dilution excluding restructuring costs amounted to SEK 1.86 (0.96). Net sales totalled SEK 14,085 million (15,418).

The Group's organic growth, meaning the change in net sales for comparable units and adjusted for currency effects, was unchanged compared with 2009. Organic growth for the Nordic region increased, while organic growth for the UK and Continental Europe regions declined.

The store network decreased slightly during the year. At year-end, the total number of stores amounted to 698 (704). The total number of stores includes both Group-owned and franchised stores.

The Group's operating profit amounted to SEK 6 million (38). Lower volumes and restructuring costs of SEK 511 million (308) had an adverse impact on earnings. The operating margin amounted to 0 per cent (0.2). Operating profit excluding restructuring costs amounted to SEK 517 million (346). The operating margin excluding restructuring costs totalled 3.7 per cent (2.2).

In the UK region, net sales declined 8 per cent due to negative currency effects and lower volumes in Magnet. In the Nordic region, net sales declined 3 per cent. Net sales rose 3 per cent after adjustments for additional sales through HTH's takeover of franchise stores in Denmark and negative currency effects. In the Continental Europe region, net sales were 18 per cent lower than in 2009. Net sales declined 3 per cent after adjustments for the divestment of Pronorm and negative currency effects.

Financial items amounted to an expense of SEK 85 million (expense: 75). Net financial items also included the net of return on pension assets and interest expense on pension liabilities corresponding to a negative amount of SEK 37 million (neg: 40). Loss after financial items declined to SEK 79 million (loss: 37).

Tax revenue of SEK 25 million (35) was primarily attributable to capitalised loss carry-forwards and tax refunds in the UK. Loss after tax declined to SEK 89 million (loss: 79).

Operating cash flow for the period remained favourable, but declined to SEK 641 million (803).

Investments in fixed assets totalled SEK 347 million (346), of which SEK 107 million (154) related to investments in the store network.

The Group's capital employed amounted to SEK 5,323 million (7,095) at the end of the period.

Net debt amounted to SEK 1,510 million (2,426) at year-end. This decrease was primarily due to a positive operating cash flow of SEK 641 million, currency effects and the divestments of Culinoma and Pronorm.

The debt/equity ratio amounted to 44 per cent at year-end (62 at the beginning of the year).

Provisions for pensions, which are included in net debt, amounted to SEK 587 million (656) at the end of the period. At year-end 2010, unrecognised actuarial losses amounted to a total of SEK 67 million (loss: 60).

Shareholders' equity at year-end amounted to SEK 3,446 million (3,934).

The equity/assets ratio at year-end amounted to 41 per cent (38).

Nobia's credit framework, which is valid until 2015, amounted to SEK 2.8 billion excluding overdraft facilities. At the end of December 2010, SEK 1.6 billion of this was unutilised.

Significant events after the end of the year

With the purpose of clarifying and simplifying decision-making processes, a new organisation was introduced on 22 January 2011. The change entails that functions that previously reported to the Chief Operating Officer function, or the formerly vacant Chief Commercial Officer function, now report directly to the Chief Executive Officer, Morten Falkenberg.

Future outlook

Demand for kitchens normally follows the same business cycle as other consumer discretionary products. In 2010, demand increased in the Nordic region during the second half of the year, but remained weak in the UK and Continental Europe regions compared with 2009. The effect of lower volumes in Nobia was offset by reduced costs and raised prices. Various projects were started during 2010 to increase long-term efficiency, and leverage the Group's size. In addition to this, cost-saving measures were introduced at the end of the year to strengthen the Group's earnings. These measures are expected to generate annual savings of about SEK 100–125 million, and are expected to reach their full effect from the fourth quarter of 2011.

In the light of the prevailing recession, the future demand trend is expected to increase slightly in the Nordic region while demand in the UK and Continental Europe regions is more difficult to predict.

Personnel

The average number of personnel in 2010 amounted to 7,627, compared with 7,930 in 2009. This decrease is primarily due to the divestment of Pronorm.

The reorganisation of Nobia with the aim of becoming a leading kitchen specialist requires innovative thinking and motivated employees. Competence sourcing at all levels is thus a key process. Another key process is to create a joint approach to how HR issues are managed throughout the Group. Nobia's Group-level HR function is responsible for ensuring a standardised approach to the management of employee-related issues, and is also responsible for developing and supporting Nobia's managers by providing recruitment tools, skills analyses and change leadership. HR is also reviewing such remuneration issues as fixed and variable salary, pensions and incentive programmes.

Environment

In Sweden, the Group conducts activities within Marbodal AB and Myresjökök AB that require a permit according to the Swedish Environmental Code. These activities impact the external environment mainly through noise levels, and emissions to air from the surface treatment of wooden parts. The County Administrative Board administers these licensable activities.

In 2009, an application for final conditions for the Tidaholm plant was lodged with the County Administrative Board for a decision. Myresjökök's appeal in relation to one of the conditions in the licence decision concerning noise levels in the Älmhult plant was heard in 2009. The decision also remains firm for 2010, but due to Nobia's decision to relocate Myresjökök's assembly and distribution of kitchens from Älmhult to the Tidaholm plant, the County Administrative Board in Kronoberg agreed to postpone the noise inquiry until a later date. A suitable time is expected to be during the latter part of the second quarter in 2011, or until the remaining part of the operation (cabinet door manufacturing and painting) has been relocated. The licensing issue will be administered by the operation in Tidaholm.

The ISO 9001 and 14011 standards for Myresjökök AB will be refined to comprise a marketing organisation, meaning sales and installation. The Tidaholm plant's ISO accreditations and protective work will encompass the remaining production operations in Älmhult.

Emissions levels for volatile organic compounds are well within the limits stipulated by the permits for both Marbodal and Myresjökök. The licensable-activities production in Sweden corresponds to less than 10 per cent of consolidated net sales.

Nobia also responded to the Carbon Disclosure Project (CDP) questionnaire in 2010, and participated in the Sustainable Value Creation project, an initiative by Sweden's largest investors and shareholders.

Parent Company

The Parent Company is a limited liability company domiciled in Sweden. The address of the head office is: Klarabergsviadukten 70 A, SE-107 24, Stockholm. The Parent Company is listed on the NASDAQ OMX in Stockholm. Information regarding the Nobia share and its owners can be found on pages 12–13.

The Parent Company's operations comprise Group-wide functions and the ownership of subsidiaries. Profit after net financial items amounted to SEK 2 million (2) and primarily comprised Group contributions received, and dividends from subsidiaries.

The share and ownership structure

Nobia's share capital amounts to SEK 58,430,237, divided between 175 293 458 shares with a quotient value of SEK 0.33. Each share, apart from own shares, entitles the holder to one vote and the right to a share of the company's capital and profits. Nobia has only one class of share.

In 2007 and 2008, Nobia repurchased a total of 8,162,300 own shares at a value of SEK 468,056,934 under the authorisation mandate granted by the 2007 and 2008 Annual General Meeting. The total number of shares bought back corresponds to 4.7 per cent of the total number of shares. The aim was to enable whole or partial acquisition financing through payment using treasury shares, as well as to adjust the company's capital structure to thereby contribute to higher shareholder value. The mandate enables the buy-back of a maximum of 10 per cent of the total number of registered shares in the company. No additional shares were bought back in 2010.

The ten largest owners held 57 per cent of the votes. The single largest shareholder in Nobia, Säkl AB's shareholding, represented 12.6 per cent of the number of votes for all shares.

Nobia's lenders have prepared a clause that may entail the termination of all loans if the control of the company were to be significantly altered. If any one party, or jointly with other parties (under formal or informal forms) gains control of the company, the lender is entitled to terminate all outstanding loans for payment. The term "control of the company" pertains to control of more than half of the total number of votes or capital or the acquisition of direct and decisive influence over the appointment of the Board of Directors or members of Group management. Control of the company is also deemed to arise if a party, alone or jointly with other parties, can exercise direct and decisive influence over the company's financial and strategic position.

If such a situation were to arise whereby the control of the company were to be significantly altered, the lender and Nobia shall begin negotiations that shall last for a maximum of 30 days. The aim of these negotiations is to reach an agreement between the lender and Nobia. If an agreement is not reached, the lender is entitled to terminate all outstanding loans for immediate payment.

More information on share capital and shareholders is presented on pages 12–13.

Remuneration guidelines and other employment conditions for Group management 2010

The guidelines for 2010 correspond with the proposed guidelines for 2011 below, which are essentially based on agreements signed with each member of Group management.

Motion on guidelines and other employment conditions for Group management 2011

The Board of Directors of Nobia AB proposes that the 2011 Annual General Meeting decide on the following motion pertaining to guidelines for determining remuneration and employment conditions for the President and other members of Group management. Group management currently comprises nine people.

Remuneration Committee

The Board of Directors appoints a Remuneration Committee from within its ranks. The Committee's tasks include preparing proposals with respect to remuneration for the President, and to reach decisions on remuneration proposals for managers who report directly to the President.

The Remuneration Committee monitored and evaluated the application of the principles for remuneration and other employment conditions for Group management that were adopted at the 2010 Annual General Meeting, concerning remuneration structures and remuneration levels, and otherwise considered needs for changes. The Remuneration Committee also monitored and evaluated the Nobia Group's employee share options scheme. In the Remuneration Committee's opinion, there are reasonable grounds to continue with both the remuneration principles and incentive schemes in the forthcoming year that essentially conform to those principles and schemes applied in previous years.

Proposed guidelines for 2011

Nobia's policy stipulates that total remuneration shall correspond to market levels. A continuous International Position Evaluation is performed to secure the market levels in each country. Members of Group management receive both a fixed and a variable salary portion. The fundamental principle is that the variable salary portion may amount to a maximum of 30 per cent of fixed annual salary. The exception to this principle is the President whose variable salary portion may amount to a maximum of 50 per cent of fixed annual salary. Exceptions may also be made for other senior executives following a decision by the Board.

The Hunger Project, Sweden

Meals play a central role in kitchen-based operations. Nobia believes that having enough food to eat is a human right. However, this is not the case for many people today. For this reason, Nobia – since 2006 – has supported the work of The Hunger Project, which aims to eliminate hunger in the world.

The Hunger Project is a non-profit, non-political and non-religious organisation that helps people living in hunger to build sustainable development in their community, primarily through education, self-identification of problems, establishing goals and achieving change though their own efforts.

The Hunger Project conducts change programmes in 13 countries in the African continent, Central and South America, India and Bangladesh. Nobia's financial support has, for example, led to 125 women in India being trained in leadership.

Read more at www.hungerprojektet.se.

The variable salary portion is normally divided between several targets, such as the Group's earnings, earnings in the business unit for which the manager is responsible and individual/qualitative targets. The variable salary portion is based on a period of service of one year. The targets for the President are determined by the Board. The targets for other senior executives are determined by the President following recommendations from the Board's Remuneration Committee.

In the event of a maximum outcome, which presupposes that all bonus-related targets are fulfilled, the variable salary costs for Group management may be expected to amount to approximately SEK 9,944,100 (excluding social security contributions). The calculation is based on the current composition of Group management. Members of Group management are entitled to a pension under the ITP system or equivalent. The age of retirement is 65.

In addition to the ITP plan, members of Group management are entitled to an increased occupational pension premium on salary portions amounting to more than 30 basic amounts. Employment contracts for Group management include provisions regulating remuneration and termination of employment. In accordance with these agreements, employment may usually be terminated at the request of the employee with a period of notice of six months and at the request of the company with a period of notice of 12 months.

Following decisions taken at the Annual General Meeting, the Group has implemented an annual employee share option scheme since 2005. The purpose is to further strengthen the commitment of senior executives to and ownership in the company, and to attract, motivate and retain key employees in the Group. The allotment of employee share options is free of charge, but the allotment is conditional on a rising scale based on the average increase in earnings per share during the vesting period, which is three years. Accordingly, the earnings trend determines the number of employee share options that may be exercised of the total number of allotted employee share options.

The 2010 employee share option scheme encompasses a total of about 104 senior executives, including members of Group management.

In accordance with the figures reported at the 2007, 2008 and 2009 Annual General Meetings, employee share options may lead to costs for the Nobia Group in the form of social security contributions and accounting costs as stipulated in IFRS 2. The social security contributions are estimated at approximately 20 per cent of the growth in value of the employee share options. For the 2007, 2008 and 2009 programmes, the earnings trend determines the number of employee share options that may be exercised of the total number of allotted employee share options.

The employee share option scheme proposal to be presented to the 2011 Annual General Meeting proposes that the President and Group management be allotted 470,000 options free of charge. The options are calculated to have a value on allotment in accordance with IFRS 2 that amounts to SEK 11.50.

The options have a vesting period of three years and may be exercised only if the option holder is both a Nobia employee on the date of exercise and earnings per share have risen at a certain rate over a three-year period. If the average growth in earnings per share is less than 5 per cent per year, no options may be exercised and the recognised cost over the three-year vesting period will be zero. If, instead, growth in earnings per share is at least 15 per cent per year, all options can be exercised and the maximum cost of the scheme under IFRS 2 will be attained, which is expected to total approximately SEK 5.4 million over the three-year vesting period. The level of social security costs related to the scheme will depend on the value of the options on the exercise date, should the requirements of continued employment at Nobia and growth in earnings per share be fulfilled. Social security contributions to the President and Group management are expected to amount to approximately 25 per cent, which, if the value of the options on the exercise date is the same as it was on the allotment date (SEK 11.50) will result in a cost over the three years of a total of slightly less than SEK 1.4 million, if the employment and earnings per share conditions are fully met.

The Board is entitled to deviate from the guidelines described above if the Board finds there to be reasonable grounds in a particular case.

Proposed appropriation of profits

The following profits in the Parent Company are at the disposition of the Annual General Meeting:

Share premium reserve	52,225,486
Unappropriated profit brought forward	1,710,071,038
Net profit for the year	2,873,614
Total SEK	**1,765,170,138**

The Board of Directors proposes that profits at the disposition of the Annual General Meeting be appropriated as follows:

To be carried forward	1,765,170,138
Total SEK	**1,765,170,138**

The Board of Directors proposes that all profits at the disposition of the Annual General Meeting be carried forward and that no dividend be paid for the 2010 fiscal year.

Restructuring costs – an overview

Nobia has implemented a number of restructuring measures during recent years, aimed at reducing the cost base. The changes are planned to take place over a three-year period.

A number of cost-saving measures were also introduced to strengthen the Nobia Group's earnings. These are recognised in the 2010 income statement. The initiative entails that approximately 385 employees will leave the Group, and resulted in costs totalling SEK 275 million, of which SEK 244 million affect operating profit, and SEK 31 million affect profit from divested operations. The net effect of the Group's cash flow in 2011 is approximately SEK 100 million. This initiative shall also lead to annual cutbacks in the size of SEK 100-125 million, which will be introduced successively from the beginning of 2011 and reach their full effect from the fourth quarter of 2011.

In 2010, restructuring costs totalled SEK 511 million (308), which were recognized as operating profit. These include a loss of SEK 72 million during the first quarter from the divestments of Culinoma and Pronorm. Restructuring measures impacted the cash flow by SEK 178 million, of which SEK 37 million was derived from restructuring measures implemented in 2009.

Remaining restructuring reserves at the end of the year totalled SEK 270 million.

The savings generated by these measures will enable significant investments in product and service development, brand-enhancement measures, store development and training initiatives for Nobia's sales personnel.

Risks and risk management

Nobia is exposed to both commercial and financial risk. Commercial risks can be divided into strategic, operating and legal/political risks.

Financial risks are attributable to currencies, interest rates, liquidity, credit granting, prices of raw materials and financial instruments.

All business operations are associated with risks. Risks that are well managed can create opportunities, whereas risks that are not managed correctly may lead to damage and losses. The aim of Nobia's risk management is to create awareness of risks and consequently limit, control and manage them, whilst safeguarding business opportunities and strengthening profitability.

Identified material risks are managed on an ongoing basis at all levels in Nobia and in strategic planning. The Board of Directors is responsible to the shareholders for the company's risk management. Company management regularly reports on risk issues to the Board.

Strategic risks

Corporate-governance and policy risks

Corporate-governance and policy risks are managed by Nobia continuously developing its internal control.

The internal dissemination of appropriate information is ensured through the company's management systems and processes. A more detailed description is provided in the Group Management section of the Corporate Governance Report on page 29.

Business-development risk

Risks associated with business development, such as company acquisitions, are managed by using a systematic process (known as due diligence) and subsequent follow-ups of acquisitions compared with original plans. More long-term risks are initially addressed by the Board during its annual Group strategy planning meeting. In conjunction with this, Nobia's business development is evaluated and discussed based on external and internal considerations.

Operating risks

Market and competition

Nobia operates in markets exposed to competition, many of which are relatively mature, meaning that underlying demand in normal market circumstances is relatively stable. However, price competition is intense.

Demand for Nobia's products is influenced by trends in the housing market, as well as housing prices, the number of property transactions and access to financing for housing. It is estimated that four fifths of the European market comprises renovation purchases and one fifth new builds. Nobia's strategy is based on large-scale product supply, product development and the utilisation of the positioning of the Group's strong brands in the various markets and sales channels. Nobia's offerings are also based on the strategy of offering added value to customers in the form of complete solutions with accessories and installation.

Market risks in 2010 declined compared with 2009. Demand for kitchens stabilised but was generally weak in 2010, with slightly higher demands for new builds in the Nordic market in the second half of 2010.

Customers

Kitchens to end-consumers are sold through almost 700 Group-owned stores and through DIY stores, furniture stores and other retailers. Having Group-owned and franchise stores is a deliberate strategy to influence the kitchen offering that will allow for such advantages as co-ordination of the Group's supply chain. A higher percentage of Group-owned stores will entail a larger share of fixed costs, which increases risk but also provides more opportunities for Nobia to profile its concepts with greater added value. Another risk is that retailers are unable to fulfil their commitments under established contracts, which may have a negative effect on sales.

New-build kitchens, also known as project sales, are sold directly to regional and local construction companies via a specialised sales organisation. Concentrating on these large separate customers entails an elevated risk of losing sales if a large customer is lost as well as increased credit risk.

Supply chain

A total of about 60 per cent of Nobia's cost structure comprises variable costs (raw materials, components, accessories), about 30 per cent semi-variable costs (personnel costs, marketing and maintenance) and about 10 per cent fixed costs (rents, depreciation, insurance). The division of costs is relatively equal between the primary markets, except that the UK and France have a slightly higher percentage of fixed costs due to their extensive store networks.

Nobia's proprietary production mainly comprises the production and assembly of cabinets and doors, together with purchased components. Production has sufficient flexibility to cope with fluctuations in demand and, accordingly, has a relatively high percentage of temporary labour.

In 2010, Nobia purchased materials and components valued at approximately SEK

5.2 billion, of which about 15 per cent pertained to raw materials (such as chipboard), 60 per cent components (such as handles and hinges) and 25 per cent goods for resale (such as appliances). The underlying raw materials that the Group is primarily exposed to are wood, steel, aluminium and plastics. Cost variations can be caused by changes in the prices of raw materials in the global market or the company's suppliers' ability to deliver. Nobia's sourcing organisation works closely with its suppliers to ensure efficient flows of materials.

The Group's sourcing and production are continuously evaluated to secure low product costs.

Property risks in the form of loss of production, for example, in the event of a fire, are minimised by the business units conducting annual technical risk inspections of manufacturing units jointly with the Group's insurers. Preventive measures are continuously implemented to reduce the risk of disruptions in the operations.

Restructuring measures

Nobia's ability to increase profitability and returns for shareholders is heavily dependent on the Group's success in developing innovative products, maintaining cost-efficient manufacturing and capitalising on synergies. Managing restructuring measures is a key factor in maintaining and enhancing Nobia's competitiveness. In 2010, the Group underwent an extensive co-ordination of its product development, production, sourcing and logistics. The brand portfolio and commercial strategy were also evaluated. The strategic direction is described in more detail on pages 9–11. The implementation of these plans entails operating risks, which are addressed every day in the ongoing change process.

A programme to reduce fixed costs throughout the Group was initiated at the end of 2010.

Political and legal risks

Nobia's products are encompassed by international and local regulations regarding environmental impact and other effects arising in the production of kitchens, for example, the release of exhaust fumes and emissions, noise and safety. Nobia works continuously with its operations to adjust to the necessary expectations and requirements. The company is well aware of the demands in these areas for the near future and, provided that they do not significantly change, the current products and ongoing development activities are deemed to be sufficient to meet such requirements.

Changes in local tax legislation in the countries in which Nobia conducts operations may affect demand for the company's products. Subsidies for new builds and/or refurbishment or changes to the taxation of residential properties may influence trends in demand. The ROT tax deduction on home renovations in many of the Nordic countries is an example of this.

Human capital risks

Nobia endeavours to be an attractive employer, which is a key success factor. To ensure availability of and skills development for motivated employees, manager sourcing and managerial development is administered by a central unit at Nobia.

Financial risks

In addition to strategic and operating risks, Nobia is exposed to a variety of financial risks. The most significant financial risks are related to currencies, interest rates, liquidity, borrowing and credit granting, financial instruments and pensions. All of these risks are managed in accordance with the Finance Policy, which is adopted by the Board on an annual basis. For further information regarding financial risks, refer to Note 2 (Financial risks) and Note 25 (Provisions for pensions) on pages 51 and 64.

Corporate Governance Report

Nobia AB is a Swedish public limited liability company domiciled in Stockholm, Sweden. The company is the Parent Company of the Nobia Group. The basis for the control of the Group includes the Articles of Association, the Swedish Companies Act and the regulations issued by the NASDAQ OMX in Stockholm.

Nobia applies the Swedish Code of Corporate Governance (the Code). In addition, Nobia applies the Swedish Annual Accounts Act concerning the company's corporate governance reporting. Nobia monitors developments in the area of corporate governance and continuously adapts its corporate-governance principles to create value for its owners and other stakeholders. The Nobia Group has an information and IR policy adopted by the Board to ensure appropriate and standardised provision of information to all shareholders.

Nobia complies with the Code with one exception, which is the regulation that a Board member may not be the Chairman of the Nomination Committee. This deviation is explained below under the Nomination Committee heading.

2010 Annual General Meeting

The 2010 Annual General Meeting was held on 30 March 2010 at Summit, Grev Turegatan 30 in Stockholm. Board Chairman Hans Larsson was elected Chairman of the Meeting. In accordance with the Board of Directors' recommendation, the Annual General Meeting resolved that no dividends be paid to shareholders for the 2009 fiscal year. The reason for the decision was the company's negative earnings after tax and the aim was to strengthen the company's and Group's financial position given market trends, financial commitments and future restructuring measures. In addition, the Meeting adopted the proposals that the number of Board members should be eight excluding alternates, the fees to be paid to the Board and the Board Chairman, and the election of Board members. Rolf Eriksen and Johan Molin were elected new Board members. Wilhelm Laurén, Joakim Rubin and Preben Bager declined re-election. All other Board members were re-elected and Hans Larsson was re-elected Board Chairman. Johan Molin was elected Deputy Chairman at the subsequent statutory Board meeting following election. The Annual General Meeting decided in accordance with the Board's proposal to authorise the Board of Directors to acquire and sell treasury shares.

The complete minutes from the Annual General Meeting are available on Nobia's website at www.nobia.com.

Nomination Committee

In accordance with the principles for the composition of the Nomination Committee adopted at the 2008 Annual General Meeting, the Chairman of the Board is responsible for convening the company's four largest shareholders not later than the end of the third quarter, each of whom shall appoint one member of the Nomination Committee. Should any of the four largest shareholders refrain from appointing a member, the next largest owner shall be presented with the opportunity to appoint a member. Should more than one shareholder refrain from its right to appoint a member of the Nomination Committee, only the next eight largest owners shall be asked to appoint a member, unless more than these eight largest shareholders need be asked in order for the Nomination Committee to comprise at least three members. In addition, the Chairman of the Board may be appointed as a member of the Nomination Committee. In accordance with the Code, the Nomination Committee should be chaired by an owner representative. The tasks of the Nomination Committee are to submit proposals to the Annual General Meeting on the election of the Board of Directors, the Chairman and, when applicable, auditors, on fees for the Board of Directors, the Chairman and auditors and on the Chairman of the Annual General Meeting. In addition, the Nomination Committee shall submit proposals to the Annual General Meeting on decisions for the principles of the composition of the Nomination Committee.

The members of the Nomination Committee for 2010–2011 were: Fredrik Palmstierna from Säkl (Chairman of the Nomination Committee), Åsa Nisell from Swedbank Robur funds, Lars Bergkvist from Lannebo funds, and Tomas Billing from Nordstjernan and, following a decision by the other members of the Nomination Committee, Board Chairman Hans Larsson. The Nomination Committee's reasoning behind the election of a Board member (Fredrik Palmstierna) as the Chairman of the Committee is that the largest shareholder, in terms of the number of votes, should naturally lead the work of the Nomination Committee. No remuneration is paid to the Committee members.

The Nomination Committee held five minuted meetings prior to the 2011 Annual General Meeting. The basis of the Nomination Committee's work included the company's strategies and priorities and an evaluation of the Board, its size and composition, and the election of auditors.

The Nomination Committee's proposals prior to the 2011 Annual General Meeting are incorporated in the notice to attend the Annual General Meeting published on Nobia's website on 28 February. The principles for the composition of the Nomination Committee are also available at www.nobia.com.

Work of the Board of Directors

The Board of Directors of Nobia AB comprises eight standard Board members elected by the Annual General Meeting and two Board members with two alternates appointed by the employees. The Code contains certain requirements regarding the composition of the Board of Directors, for example, the majority of the Board members elected by the Annual General Meeting shall be independent in relation to the company and company management. Furthermore, at least two of these Board members shall also be independent in relation to the company's largest shareholders. Nobia's Board of Directors fulfils these requirements. The President is proposed as a member of the Board proposed to the 2011 Annual General Meeting. This has been the case in earlier years, except for the preceding year when the President decided to retire. Other executives in the company participate at Board meetings to make presentations and to serve as Secretary. The Board held ten scheduled meetings and one extraordinary meeting during the 2010 fiscal year.

The work of the Board of Directors follows a fixed agenda for each Board meeting, including such matters as business status, investments, budget, interim reports and annual accounts. The Chairman leads and delegates the work of the Board and ensures that matters not included in the fixed agenda are addressed. The Board's work is also regulated by the rules of procedure adopted annually by the Board governing the distribution of duties between the Board and the President.

The rules of procedure include a calendar schedule with accompanying checklists. In 2010, the Board's work focused on issues concerning Group strategy pertaining to brands, concepts, product range, production and the supply chain, as well as issues related to the new organisational structure. Mikael Norman, Nobia's CFO, succeeded Gun Nilsson as the Secretary to the Board on 30 March 2010. Morten Falkenberg was appointed the new President by the Board on 27 April 2010. Morten Falkenberg took office on 6 October 2010, the same date on which Preben Bager stepped down as the President of Nobia. A presentation of the Board members and President is found on pages 32–34. Attendance at Board meetings during the year is shown in the table on page 31.

The Board's work in 2010 was evaluated by all Board members completing a number of questions about the Board work specifically prepared for this purpose. The members' responses were compiled and subsequently presented and discussed by the Board. The Board decided that the same evaluation method would be employed for the forthcoming year.

The Board does not have a separate audit committee. Instead, control issues to be discussed by such a committee are addressed by the Board in its entirety, except for Board members who are employed by the company. Accordingly, the Board can monitor significant issues regarding the company's financial reporting and its internal control, and risk management of financial issues. The same applies to significant issues related to the audit of the annual report and consolidated financial statements and the impartiality and independence of the auditors. Furthermore, the Board assists in the preparation of the Nomination Committee's proposals for the Annual General Meeting's decision regarding the election of auditors. To ensure that the Board's information requirements are met in this respect, the company's auditors report to the Board at least three times a year. Part of the auditors' presentation of information to the Board takes place in the absence of the company's executives. The form in which these reports are to be prepared is documented in the Board's rules of procedure.

The audit process is structured such that reports from the auditors are received in connection with the planning of the year's audit, in conjunction with internal control and hard-close audits in the autumn and finally, in conjunction with the adoption of the annual accounts. In addition, the auditors also present an annual account of the consulting assignments that have been performed by the audit firm.

In August 2010, the auditors presented and discussed the focus and scope of the audit, which also took particular consideration of the risk perspective regarding internal control and reporting of the IT audit performed. At the meeting in October, the auditors reported on the self-assessment of the internal control that the company's business units perform annually. Also at this meeting, the auditors presented their observations from the hard-close audit. The examination of the annual accounts for 2010 was presented at the Board meeting in February 2011.

Remuneration Committee

The Board appoints a Remuneration Committee from within its ranks, which for the period until the 2011 Annual General Meeting comprises Hans Larsson (Chairman), Johan Molin and Fredrik Palmstierna. Bodil Eriksson and Stefan Dahlbo were members of the Committee until the 2010 Annual General Meeting. The Committee's task is to prepare proposals to the Board relating to the company's remuneration programme (pension policy, employee share option scheme, bonus scheme, etc.) as well as the remuneration and employment terms for the President. The Committee also has the task of making decisions on the President's proposals regarding remuneration and other employment terms for the managers who report to the President. In addition, the Committee shall ensure that the company has an adequate programme to ensure the supply of managers and their development, and a model for evaluating the performance of the President. Furthermore, the Committee submits proposals to the Annual General Meeting regarding principles for remuneration and other employment terms for senior executives and monitors and evaluates the ongoing programmes for variable remuneration to senior executives, and the programmes concluded during the year, and the implementation of the Annual General Meeting's decision on guidelines for remuneration to senior executives. The Committee held five meetings during the year.

Remuneration to senior executives

All senior executives in the management group are offered, under a main principle, a fixed annual salary supplemented by variable remuneration comprising a maximum of 30 per cent of fixed annual salary. The exception is the President whose variable salary portion may total a maximum of 50 per cent of fixed annual salary. Exceptions may also be made for senior executives following decisions by the Board.

The variable salary portion is normally divided between several targets: 1) The Group's earnings; 2) Earnings in the business unit for which the manager is responsible; and 3) Individual/qualitative targets.

The variable salary portion is based on an earnings period of one year. The targets for the President are established by the Board. The targets for the other senior executives are established by the President following recommendations by the Board's remuneration Committee.

In addition, approximately 100 senior managers have also been offered the opportunity to participate in a long-term employee share option scheme described in more detail in the "Financial Overview" of the Board of Directors' Report. The remuneration and benefits of senior executives are described in Note 4 on page 54.

Group management

Group management, refer to page 34, holds regular Group-management meetings led by the President. The President and CFO meet the management group of each business unit at local management meetings three times a year.

Auditors

KPMG AB was elected as the company's auditors for a four-year mandate at the 2007 Annual General Meeting. The Auditor in Charge is Authorised Public Accountant Helene Willberg. KPMG AB with Helene Willberg as Auditor in Charge is proposed for re-election at the 2011 Annual General Meeting. In accordance with the new regulations of the Swedish Companies Act from 1 January 2011, the mandate period for auditors is one year. The interaction of the auditors with the Board is described above. Nobia's purchases of services from this firm, in addition to audit assignments, are described in Note 5, page 58.

The Board's description of internal control and risk management systems regarding the financial reporting for the 2010 fiscal year

The Board of Directors is responsible for the internal control of the company in accordance with the Swedish Companies Act and the Code. This description has been prepared in accordance with Chapter 6, Section 6, Second Paragraph, Second Point of the Swedish Annual Accounts Act, and is thereby limited to the internal control and risk management of the financial reporting. The description of the Group's internal control and risk management systems also includes the description of the company's systems.

Control environment and steering documents

Effective 2010, the structure of Nobia was organised by function so that the first stage of the value chain, sourcing/purchasing, production and logistics have Group-wide management functions. The main task of these operations units is to capitalise on the opportunities of economies of scale that exist in each individual area. The commercial units are responsible for developing Nobia's sales channels and brands in line with Nobia's strategy.

The basis for the internal control of financial reporting is the control environment that comprises the company's organisation, decision-making procedures, authority and responsibility, as documented and communicated in steering documents such as internal policies, guidelines, manuals and codes. Examples include the division of responsibility between the Board on the one hand and the President and other bodies established by the Board on the other, as well as instructions for attestation rights, accounting and reporting.

The documentation concerning principles and methods for reporting, internal governance, controls and monitoring are collected in Nobia's Financial & Administration Manual. This Manual is available to all relevant employees on the Nobia intranet.

Each unit manager is ultimately responsible for maintaining a high level of internal control, and the finance manager at each unit is responsible for following up and ensuring daily compliance with Nobia's accounting procedures and policies. These instructions are included in the aforementioned manual. All finance managers from the various units meet once a year to discussion various topics relevant to financial reporting.

Risk management

The Group has introduced methods for risk assessment and risk management to ensure that the risks to which the Group is exposed are managed within the established frameworks. The risks identified concerning financial reporting are managed in the Group's control structure and are monitored and assessed continuously. One of the tools used for this purpose is self-assessment, a process that is performed by local management groups and evaluated annually according to established procedures. Risk assessments are described in more detail on pages 26–27.

Financial information

The Group has established information and communication channels in order to support the completeness and accuracy of the financial reporting, for example, through steering documents in the form of internal policies, guidelines, manuals and codes regarding the financial reporting applied by the appropriate employees.

The Group monitors compliance with these steering documents and measures the efficiency of control structures.

In addition, the Group's information and communication channels are monitored to ensure that these channels are appropriate for the financial reporting. Furthermore, the Group has developed checklists to ensure compliance with the disclosure requirements in the financial statements.

Monitoring by the Board

The outcome of the Group's risk assessment and risk management processes is addressed each year by the Board, which ensures that these processes include all material areas and provide balanced guidelines for the various executives.

The Board receives monthly financial reports and each Board meeting addresses the company's and Group's financial position.

The Group's Internal Control function, which is an integrated part of the central Finance function, followed up on viewpoints that emerged during the year from the self-assessments of the internal control at some of the larger units. The results of these reviews, the measures to be taken and their status are reported to the Board.

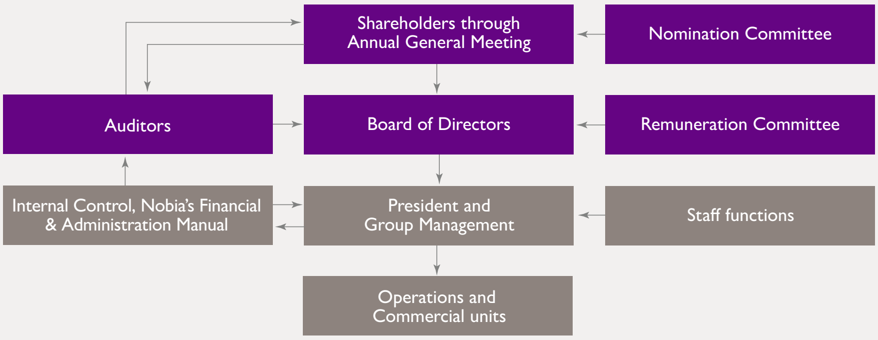
Nobia does not currently have an internal audit function. The Board has discussed this matter and found the existing monitoring and evaluation structure of the Group to be suitable. External services may also be engaged in the context of certain special examinations. The decision on this issue is reviewed every year.

Articles of Association

Nobia's Articles of Association regulate the focus of the operations, share capital and how and when notification of the Annual General Meeting is to take place. The full text of the Articles of Association is available from the Nobia website, www.nobia.com.

On 31 December 2010, the share capital in Nobia AB amounted to SEK 58,430,237 divided between 175,293,458 shares in one class of share. The quotient value is SEK 0.33 per share. Each share, except for bought-back treasury shares, entitles the holder to one vote and carries the same entitlement to the company's assets and profits. The Nobia share and ownership structure are described in more detail on pages 12–13.

Overview of governance at Nobia



Key *external* regulations:

- Companies Act
- IFRS and Swedish Annual Accounts Act
- NASDAQ OMX in Stockholm's Listing Agreement
- Swedish Code of Corporate Governance

Key *internal* regulations:

- Articles of Association
- Internal policies, guidelines, manuals, codes and checklists
- Nobia Financial & Administration Manual
- Risk management processes

Board of Directors in 2010

		Board meetings, 11 meetings in total	Remuneration Committee, 5 meetings in total	Year of birth	Board member since	Nationality	Independence
Hans Larsson	Chairman	11	5 of 5	1942	1996	Swedish	Independent
Johan Molin	Deputy Chairman	8	3 of 3	1959	2010	Swedish	Independent
Preben Bager*	President and CEO	8		1948	2008	Danish	Dependent[1]
Stefan Dahlbo	Board member	10	2 of 2	1959	2004	Swedish	Independent
Bodil Eriksson	Board member	10	2 of 2	1963	2003	Swedish	Independent
Wilhelm Laurén*	Board member	2		1943	1996	Swedish	Independent
Rolf Eriksen	Board member	8		1944	2010	Danish	Independent
Thore Olsson	Board member	11		1943	2007	Swedish	Independent
Lotta Stalin	Board member	11		1954	2007	Swedish	Independent
Fredrik Palmstierna	Board member	11	3 of 3	1946	2006	Swedish	Dependent[2]
Joakim Rubin*	Board member	3		1960	2009	Swedish	Independent
Per Bergström	Employee representative	11		1960	2000	Swedish	
Olof Harrius	Employee representative	10		1949	1998	Swedish	
Kjell Sundström	Employee representative[3]	9		1953	2007	Swedish	
Marie Nilsson	Employee representative[3]	9		1973	2007	Swedish	

1) President until 5 October 2010
2) Dependent in relation to major shareholders
3) Alternate
*) Member of Board of Directors until 2010 Annual General Meeting

Board of Directors

Hans Larsson 1.
Born 1942. B.Sc. Business Economics.
Chairman since 1998, Board member since 1996.
Chairman of Remuneration Committee.
Independent. Declined re-election.
Other board assignments: Chairman of Handelsbanken, Attendo and Valedo Partners Fund.
Board member of Holmen and Industrivärden.
Previous employment: President of Swedish Match, Esselte and Nordstjernan. Previous chairmanships include NCC, Bilspedition/BTL, Sydsvenska Kemi and Althin Medical.
Holding in Nobia: 365,000 shares.

Johan Molin 2.
Born 1959. B.Sc. Business Administration. President and CEO ASSA ABLOY. Deputy Chairman since 2010, Board member since 2010.
Proposed as Chairman. Independent.
Board assignments: Board member of ASSA ABLOY.
Previous employment: CEO of Nilfisk-Advance and Head of Division at Atlas Copco Group.
Holding in Nobia: 19,250 shares, 400,000 call options.

Stefan Dahlbo 3.
Born 1959. B.Sc. Business Administration. Board member since 2004.
Independent. Declined re-election.
Other board assignments: Chairman of Klövern.
Previous employment: Executive Vice President and President of Investment AB Öresund.
Holding in Nobia: 20,800 shares, including family and companies.

Bodil Eriksson 4.
Born 1963. Berghs School of Communication.
Executive Vice President of Apotek Hjärtat.
Board member since 2003. Independent.
Other board assignments: Board member of Attendo.
Previous employment: Senior Vice President, Communications and Investor Relations at SCA, Vice President at Axfood, Communications Director at Volvo Cars.
Holding in Nobia: 900 shares, 61,500 call options.

Thore Ohlsson 5.
Born 1943. President of Elimexo.
Board member since 2007. Independent.
Other board assignments: Chairman of Bastec, Thomas Frick and Tretorn. Vice Chairman of Puma AG. Board member of Elite Hotels, Cobra and Kistamässan.
Previous employment: President and CEO of Aritmos with wholly owned companies ABU-Garcia, Etonic Inc., Monark-Crescent, Stiga, Tretorn and Puma AG (84%). President of Trianon, Etonic Inc. and Tretorn. CEO of Tretorn.
Holding in Nobia: 30,000 shares and 250,000 call options.

Lotta Stalin 6.
Born 1954. Master of Engineering. Consultant.
Board member since 2007. Independent.
Other board assignments: Board member of Nederman and Partnertech.
Previous employment: President of Kuusakoski Sweden, Business Area Manager of FMV Logistics, Business Area Manager and Vice President of Poolimon, President of Överums Bruk and senior positions at Electrolux.
Holding in Nobia: 1,500 shares, 60,000 call options.

Fredrik Palmstierna 7.
Born 1946. B.Sc. Business Economics, MBA.
President of Säkl since 1997.
Board member since 2006. Dependent in relation to major shareholder.
Other board assignments: Chairman of Investment AB Latour. Board member of Securitas, Säkl, Hultafors, Fagerhult and Academic Work.
Holding in Nobia: 201,000 shares.

Rolf Eriksen 8.
Born 1946.
Board member since 2010.
Board assignments: Board member of Bang & Olufsen. A/S, Boconcept Holding A/S, Bianco International A/S, Royal Copenhagen A/S, Ucly Duck Aps and H&M Hennes & Mauritz A/S.
Previous employment: President and CEO of H&M Hennes & Mauritz.
Holding in Nobia: 125,000 call options.

Employee representatives

Per Bergström 9.
Born 1960. Employee representative since 2000.
Employed at Marbodal since 1976.
Holding in Nobia: 5,000 call options.

Olof Harrius 10.
Born 1949. Employee representative since 1998.
Employed at Marbodal since 1971.
Holding in Nobia: 5,000 call options.

Kjell Sundström 11.
Born 1953. Alternate, employee representative since 2007. Employed at Myresjökök since 1992.
Holding in Nobia: 2,000 call options.

Marie Nilsson 12.
Born 1973. Alternate, employee representative since 2007. Employed at Myresjökök since 2006.
Other board assignments: Board member of Myresjökök.
Holding in Nobia: 1,500 call options.

Auditors

KPMG AB
Auditor in Charge, Authorised Public Accountant:
Helene Willberg
Other auditing assignments:
Cloetta, Investor, Ortivus and Thule.

Group management

Group Management 2011

Morten Falkenberg 1.
Born 1958. B.Sc. Business Administration. President and CEO of Nobia since 6 October 2010.
Previous employment: Executive Vice President Electrolux AB and sector CEO Floor Care and Small Appliances, management positions at TDC Mobile and Coca-Cola Company.
Holding in Nobia AB: 36,700 shares, 500,000 call options and 35,000 employee share options.

Mikael Norman 2.
Born 1958. CFO. Employed by Nobia since 2010.
Previous employment: Group controller Electrolux.
Holding in Nobia AB: 10,000 shares, 100,000 call options and 50,000 employee share options.

Ingemar Tärnskär 3.
Born 1961. EVP and Head of Production and Logistics.
Employed by Nobia since 1998.
Previous employment: Management positions within Nobia.
Holding in Nobia AB: 70,000 call options and 145,000 employee share options.

Christian Rösler 4.
Born 1967. EVP and Head of Continental European and UK Professional.
Employed by Nobia since 2007.
Previous employment: Management positions at IKEA Austria.
Holding in Nobia AB: 145,000 employee share options.

Henrik Karup Jørgensen 5.
Born 1963. EVP and Head of Nordic Retail and Professional.
Employed by Nobia since 2008.
Previous employment: Management positions at Royal Greenland A/S, KNI A/S and Salling A/S.
Holding in Nobia AB: 2,107 shares, 145,000 employee share options.

Peter Kane 6.
Born 1965. EVP and Head of UK Retail.
Employed by Magnet since 1984.
Previous employment: Management positions at Magnet.
Holding in Nobia AB: 15,525 shares and 105,000 employee share options.

Per Kaufmann 7.
Born 1956. EVP and Head of Continental European Retail.
Employed by Nobia since 2010.
Previous employment: Management positions at IKEA, Conforama and Printemps.
Holding in Nobia AB: 50,000 employee share options.

Grace Pardy 8.
Born 1963. EVP and Head of Group Marketing.
Employed by Nobia since 2011.
Previous employment: Management positions at International Press Institute, Dockers Europe, Reebok, Coca-Cola and L'Oréal.
Holding in Nobia AB: 0.

Jonas Hård 9.
Born 1971. EVP and Head of Change Programmes & IT.
Employed by Nobia since 2010.
Previous employment: Management positions at Vin & Sprit, Maxxium and Electrolux.
Holding in Nobia AB: 2,000 shares, 70,000 call options and 50,000 employee share options.

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Consolidated income statement

SEK m	Note	**2010**	2009
Net sales	3	14,085	15,418
Cost of goods sold	4, 6, 9, 10, 25	–8,740	–9,976
Gross profit		**5,345**	**5,442**
Selling expenses	4, 6, 9, 10, 25	–4,437	–4,592
Administrative expenses	4, 5, 6, 9, 10, 25	–850	–890
Other operating income	7	58	145
Other operating expenses	8	–102	–65
Share of profit after tax of joint venture	16	–8	–2
Operating profit		**6**	**38**
Financial income	11	18	41
Financial expenses	11	–103	–116
Loss after financial items		**–79**	**–37**
Tax on net profit for the year	12, 26	25	35
Net loss for the year from continuing operations		**–54**	**–2**
Loss from discontinued operations, net after tax	34	–35	–77
Net loss for the year		**–89**	**–79**
Earnings per share, before dilution, SEK[1]	23	–0.53	–0.47
Earnings per share, after dilution, SEK[1]	23	–0.53	–0.47
Earnings per share for continuing operations, before dilution, SEK	23	–0.32	–0.01
Earnings per share for continuing operations, after dilution, SEK	23	–0.32	–0.01
Number of shares before dilution[2]	23	167,131,158	167,131,158
Average number of shares before dilution[2]	23	167,131,158	167,131,158
Number of shares after dilution[2]	23	167,131,158	167,131,158
Average number of shares after dilution[2]	23	167,131,158	167,131,158

1) Earnings per share attributable to Parent Company shareholders.
2) Shares outstanding, less treasury shares.

Consolidated statement of comprehensive income

SEK m	Note	**2010**	2009
Net loss for the year		–89	–79
Other comprehensive income			
Exchange-rate differences attributable to translation of foreign operations	22	–406	–77
Cash-flow hedges before tax	22	4	–68
Tax attributable to change in hedging reserve for the period	22	–1	19
Other comprehensive income for the year		**–403**	**–126**
Comprehensive income for the year		**–492**	**–205**
Net loss for the year attributable to:			
Parent Company shareholders		–89	–79
Non-controlling interest		0	0
Net loss for the year		**–89**	**–79**
Comprehensive income for the year attributable to:			
Parent Company shareholders		–491	–205
Non-controlling interest		–1	0
Comprehensive income for the year		**–492**	**–205**

Comments on and analysis of the income statement

Net sales declined 9 per cent to SEK 14,085 million (15,418). For comparable units and adjusted for currency effects, net sales remained unchanged. The relationship is shown in the table below.

	I	II	III	IV	Jan–Dec	
Analysis of net sales	%	%	%	%	%	SEK m
2009						15,418
Organic growth	–1	–3	–1	6	0	21
– of which, UK region[1]	1	–1	–1	–1	–1	–46
– of which, Nordic region[1]	–10	–3	10	16	3	131
– of which, Continental Europe region[1]	6	–6	–11	2	–3	–114
Currency effect	–7	–7	–6	–7	–7	–1,078
Acquired units[2]	1	1	0	0	0	52
Divested units[3]	–1	–2	–3	–2	–2	–328
2010	–8	–12	–10	–5	–9	14,085

1) Organic growth for each region.
2) Acquired units refers to the stores HTH took over in Denmark in 2009.
3) Divested units refers to Pronorm.

Net sales and profit per region

	UK region		Nordic region		Continental Europe region		Other and Group adjustments		Group	
SEK m	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
Net sales from external customers	5,198	5,623	5,092	5,234	3,795	4,561	–	–	14,085	15,418
Net sales from other regions	–	–	–	–	10	64	–10	–64	0	0
Total net sales	**5,198**	**5,623**	**5,092**	**5,234**	**3,805**	**4,625**	**–10**	**–64**	**14,085**	**15,418**
Gross profit excluding restructuring costs	2,029	2,000	1,945	1,861	1,501	1,770	32	31	5,507	5,662
Gross margin excluding restructuring costs, %	39.0	35.6	38.2	35.6	39.4	38.3	–	–	39.1	36.7
Operating profit excluding restructuring costs	326	236	331	187	–33	26	–107	–103	517	346
Operating margin excluding restructuring costs, %	6.3	4.2	6.5	3.6	–0.9	0.6	–	–	3.7	2.2
Operating profit	219	236	249	–75	–247	–20	–215	–103	6	38
Operating margin, %	4.2	4.2	4.9	–1.4	–6.5	–0.4	–	–	0.0	0.2

Depreciation/amortisation of and impairment losses on fixed assets for the year amounted to SEK 544 million (602).

Specification of restructuring costs

SEK m	**2010**	2009
Restructuring costs by function		
Cost of goods sold	–162	–220
Selling and administrative expenses	–321	–89
Other income/expenses	–28	1
Total restructuring costs	**–511**	**–308**
Restructuring costs by region		
UK	–107	–
Nordic	–82	–262
Continental Europe	–214	–46
Other and Group adjustments	–108	–
Group	**–511**	**–308**

Impact of exchange rate /EBIT

	Translation effect		Transaction effect		Total effect	
	2010	2009	**2010**	2009	**2010**	2009
UK region	–15	–5	–20	–65	–35	–70
Nordic region	–15	–5	50	–35	35	–40
Continental Europe region	30	–5	–10	25	20	20
Group	**0**	**–15**	**20**	**–75**	**20**	**–90**

Quarterly data per region	**2010**				2009			
SEK m	IV	III	II	I	IV	III	II	I
Net sales								
UK	1,291	1,263	1,360	1,284	1,399	1,361	1,494	1,369
Nordic	1,392	1,091	1,401	1,208	1,302	1,039	1,499	1,394
Continental Europe	923	875	1,040	967	1,082	1,170	1,325	1,048
Other and Group adjustments	–1	–1	–5	–3	–1	–2	–27	–34
Group	**3,605**	**3,228**	**3,796**	**3,456**	**3,782**	**3,568**	**4,291**	**3,777**
Gross profit excluding restructuring costs								
UK	506	507	543	473	522	492	532	454
Nordic	529	418	550	448	481	367	542	471
Continental Europe	380	363	400	358	419	466	521	364
Other and Group adjustments	3	12	9	8	40	10	–18	–1
Group	**1,418**	**1,300**	**1,502**	**1,287**	**1,462**	**1,335**	**1,577**	**1,288**
Gross margin excluding restructuring costs, %								
UK	39.2	40.1	39.9	36.8	37.3	36.1	35.6	33.2
Nordic	38.0	38.3	39.3	37.1	36.9	35.3	36.2	33.8
Continental Europe	41.2	41.5	38.5	37.0	38.7	39.8	39.3	34.7
Group	**39.3**	**40.3**	**39.6**	**37.2**	**38.7**	**37.4**	**36.8**	**34.1**
Operating profit excluding restructuring costs								
UK	86	101	98	41	114	65	26	31
Nordic	136	63	115	17	64	15	91	17
Continental Europe	11	6	10	–60	13	47	24	–58
Other and Group adjustments	–40	–17	–28	–22	–25	–20	–34	–24
Group	**193**	**153**	**195**	**–24**	**166**	**107**	**107**	**–34**
Operating margin excluding restructuring costs, %								
UK	6.7	8.0	7.2	3.2	8.1	4.8	1.7	2.3
Nordic	9.8	5.8	8.2	1.4	4.9	1.4	6.1	1.2
Continental Europe	1.2	0.7	1.0	–6.2	1.2	4.0	1.8	–5.5
Group	**5.4**	**4.7**	**5.1**	**–0.7**	**4.4**	**3.0**	**2.5**	**–0.9**
Operating profit								
UK	–5	94	89	41	114	65	26	31
Nordic	102	15	115	17	56	15	66	–212
Continental Europe	–140	–12	–11	–84	–5	33	19	–67
Other and Group adjustments	–45	–20	–28	–122	–25	–20	–34	–24
Group	**–88**	**77**	**165**	**–148**	**140**	**93**	**77**	**–272**
Operating margin, %								
UK	–0.4	7.4	6.5	3.2	8.1	4.8	1.7	2.3
Nordic	7.3	1.4	8.2	1.4	4.3	1.4	4.4	–15.2
Continental Europe	–15.2	–1.4	–1.1	–8.7	–0.5	2.8	1.4	–6.4
Group	**–2.4**	**2.4**	**4.3**	**–4.3**	**3.7**	**2.6**	**1.8**	**–7.2**

Consolidated balance sheet

SEK m	Note	**31 Dec 2010**	31 Dec 2009
ASSETS			
Intangible assets	13		
Goodwill		2,676	3,037
Other intangible assets		258	171
		2,934	**3,208**
Tangible fixed assets	14		
Land and buildings		1,126	1,542
Investments in progress and advance payments		13	21
Plant and machinery		672	846
Equipment, tools, fixtures and fittings		373	515
		2,184	**2,924**
Interest-bearing long-term receivables (IB)	15	10	350
Other long-term receivables	15	52	66
Participations in joint ventures	16	–	58
Deferred tax assets	26	406	293
Total fixed assets		**5,586**	**6,899**
Inventories			
Raw materials and consumables		258	348
Products in process		80	96
Finished products		477	533
Goods for resale		156	235
		971	**1,212**
Current receivables			
Tax receivables		43	43
Accounts receivable	2	1,180	1,441
Derivative instruments	2, 18	8	7
Interest-bearing current receivables (IB)		1	2
Other receivables	2	87	125
Prepaid expenses and accrued income	19	182	268
Assets held for sale	35	72	75
		1,573	**1,961**
Cash and cash equivalents (IB)	20	356	384
Total current assets		**2,900**	**3,557**
Total assets		**8,486**	**10,456**
Of which, interest-bearing items (IB)		367	736

SEK m	Note	**31 Dec 2010**	31 Dec 2009
SHAREHOLDERS' EQUITY AND LIABILITIES			
Attributable to Parent Company shareholders			
Share capital	21	58	58
Other contributed capital		1,453	1,449
Reserves	22	–382	20
Profit brought forward		2,312	2,401
		3,441	**3,928**
Non-controlling interest		5	6
Total shareholders' equity		**3,446**	**3,934**
Provision for guarantees		13	16
Provisions for pensions (IB)	25	587	656
Deferred tax liabilities	26	211	225
Other provisions	27	398	174
Liabilities to credit institutions (IB)	2, 28	1,246	2,446
Other liabilities (IB)	2	1	10
Total long-term liabilities		**2,456**	**3,527**
Liabilities to credit institutions (IB)	2	1	0
Overdraft facilities (IB)	2, 20	41	48
Other liabilities (IB)	2	1	2
Advance payment from customers		273	290
Accounts payable	2	1,037	1,189
Current tax liabilities		62	21
Derivative instruments	2, 18	11	12
Other liabilities	2	368	420
Accrued expenses and deferred income	29	779	973
Liabilities attributable to assets held for sale	35	11	40
Total current liabilities		**2,584**	**2,995**
Total shareholders' equity and liabilities		**8,486**	**10,456**
Of which, interest-bearing items (IB)		1,877	3,162

Information on consolidated pledged assets and contingent liabilities is provided in Notes 31 and 32 on page 68.

Comments on and analysis of the balance sheet

Goodwill

At the end of 2010, recognised goodwill amounted to SEK 2,676 million (3,037). The carrying amount of goodwill is specified by cash-generating units as follows:

SEK m	**2010**	2009
Nobia UK	1,025	1,116
Hygena	834	959
Nobia DK	315	355
Nobia SweNo	156	163
Other	346	444
Total	**2,676**	**3,037**

Goodwill has been allocated to cash-generating units (CGU) when these units were acquired. Nobia has eight CGUs, which in organisational terms correspond to the company's business units.

Goodwill is subject to an annual impairment test by calculating the expected cash flow discounted by a weighted average cost of capital (WACC) after tax.

The recoverable amount calculated in conjunction with this is compared with the carrying amount, including goodwill, for each CGU.

The starting point of the calculation is the estimated future cash flows based on the financial budget for the forthcoming fiscal year. A forecast for the next four years is prepared based on this budget and expectations regarding market trends in the years ahead.

Significant assumptions applied to the calculation of the expected cash flow include the growth in net sales, operating margin, investment and working capital requirements. It has been assumed that growth will increase in line with market growth in all CGUs except for Hygena for which growth is anticipated to be slightly higher. The logistics and delivery problems that led to negative growth in Hygena in 2010 have essentially been resolved, meaning that growth is expected to increase by slightly more than the market in forthcoming years. In addition, the extensive store renovation programme started in 2010 is expected to result in further growth for Hygena. In order to extrapolate the cash flows outside the first five years, a growth rate of 2 per cent is applied to all CGUs. The operating margin and working capital requirements are expected to increase and normalise compared with historic levels for each CGU, while investments are assumed to reflect a historic reinvestment level.

The weighted average cost of capital is calculated on the average debt/equity ratio for large companies in similar industries and costs for borrowed and shareholders' equity. The cost of shareholders' equity is determined on the basis of the assumption that all investors require at least the same level of return as for risk-free government bonds, with an additional risk premium for the estimated risks assumed when they invest in cash-generating units. The risk premium has been established based on the long-term historical return on the stock market for large companies in similar industries by taking into consideration the risk profile of each business unit. The required return on debt-financed capital is also calculated on the return on risk-free government bonds and by applying a borrowing margin based on an estimated company-specific risk. The required return and tax rate for each CGU is influenced by the various interest and tax rates in different countries.

The Group's weighted cost of capital before tax amounted to 13.7 per cent (12.0) in 2010 and after tax to 9.8 per cent (8.6). In total, the utilised cost of capital after tax for 2010 is in the interval 9.5–10.2 per cent (8.3–9.2).

No impairment requirements on the amounts of goodwill found in the Group on 31 December 2010 were identified from the impairment tests performed. Calculations indicate that the value in use exceeds the carrying amount.

Assumptions for calculating recoverable amounts

Discount rate after tax, %	
Nobia UK	10.2
Hygena	9.9
Nobia DK	9.7
Nobia SweNo	10
Other	9.5–10.2

Financing

Net debt declined and amounted at the end of the period to SEK 1,510 million (2,426). The change in net debt primarily derived from a positive operating cash flow of SEK 641 million, the sale of Culinoma and Pronorm of SEK 160 million and positive currency translation effects of SEK 188 million, which reduced net debt. Consequently, the debt/equity ratio amounted to 44 per cent at year-end (62 per cent at the beginning of the year). The change in net debt is shown in the table below.

Analysis of net debt

SEK m	**2010**	2009
Opening balance	2,426	3,181
Translation differences	–188	–60
Operating cash flow	–641	–803
Interest paid	35	52
Acquisition of subsidiaries	–	69
Divestment of subsidiaries and joint ventures	–160	–
Change in pension liabilities	38	–13
Dividend	0	0
Closing balance	**1,510**	**2,426**

The components of net debt are described in the table below. Unrealised actuarial losses on the pension liability at the end of 2010 totalled SEK 67 million (losses: 60).

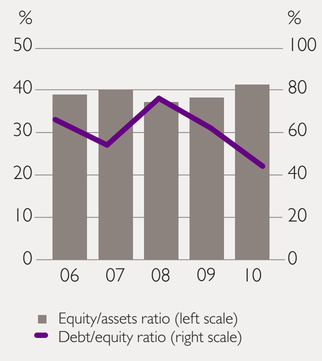
Components of net debt

SEK m	**2010**	2009
Bank loans, etc.	1,288	2,496
Provisions for pensions	587	656
Leasing	1	10
Cash and cash equivalents	–356	–384
Other financial receivables	–10	–352
Total	**1,510**	**2,426**

Change in consolidated shareholders' equity

SEK m	Share capital	Other contributed capital	Exchange-rate differences attributable to translation of foreign operations	Cash-flow hedges after tax	Profit brought forward	Total	Non-controlling interests	Total shareholders' equity
	Attributable to Parent Company shareholders							
Opening balance, 1 January 2009	**58**	**1,449**	**101**	**45**	**2,495**	**4,148**	**6**	**4,154**
Net loss for the year	–	–	–	–	–79	–79	0	–79
Other comprehensive income for the year	–	–	–77	–49	–	–126	0	–126
Comprehensive income for the year	**–**	**–**	**–77**	**–49**	**–79**	**–205**	**0**	**–205**
Dividend	–	–	–	–	–	–	0	0
Change in non-controlling interest in joint ventures	–	–	–	–	–15	–15	–	–15
Closing balance, 31 December 2009	**58**	**1,449**	**24**	**–4**	**2,401**	**3,928**	**6**	**3,934**
Opening balance, 1 January 2010	**58**	**1,449**	**24**	**–4**	**2,401**	**3,928**	**6**	**3,934**
Net loss for the year	–	–	–	–	–89	–89	0	–89
Other comprehensive income for the year	–	–	–405	3	–	–402	–1	–403
Comprehensive income for the year	**–**	**–**	**–405**	**3**	**–89**	**–491**	**–1**	**–492**
Dividend	–	–	–	–	–	–	0	0
Allocation of employee share option scheme	–	4	–	–	–	4	–	4
Closing balance, 31 December 2010	**58**	**1,453**	**–381**	**–1**	**2,312**	**3,441**	**5**	**3,446**

Equity/assets ratio and debt/equity ratio



Consolidated cash-flow statement and comments

SEK m	Note	**2010**	2009
Operating activities			
Operating profit		6	38
Depreciation/amortisation/impairment		544	602
Adjustments for non-cash items		332	32
Income tax paid		–51	–84
Change in inventories		110	221
Change in receivables		176	79
Change in operating liabilities		–154	173
Cash flow from operating activities		**963**	**1,061**
Investing activities			
Investments in tangible fixed assets		–205	–292
Investments in intangible fixed assets		–142	–54
Sale of tangible fixed assets		30	101
Acquisition of subsidiaries	33	–	–64
Divestment of subsidiaries		491	–
Interest received		18	41
Increase in interest-bearing assets		–	–17
Decrease in interest-bearing assets		6	30
Other items in investing activities		–5	–13
Cash flow from investing activities		**193**	**–268**
Operating cash flow before acquisitions/divestments of subsidiaries, interest, increase/decrease in interest-bearing assets		**641**	**803**
Operating cash flow after acquisitions/divestments of subsidiaries, interest, increase/decrease in interest-bearing assets		1,156	793
Financing activities			
Interest paid		–53	–93
Decrease in interest-bearing liabilities		–1,091	–638
New share issue		–	–
Dividend to Parent Company's shareholders		–	–
Dividend to non-controlling interests		0	0
Buy-back of shares		–	–
Cash flow from financing activities		**–1,144**	**–731**
Cash flow for the year excluding exchange-rate differences in cash and cash equivalents		**12**	**62**
Cash and cash equivalents at the beginning of the year		**384**	**332**
Cash flow for the year		12	62
Exchange-rate differences in cash and cash equivalents		–40	–10
Cash and cash equivalents at year-end		**356**	**384**

Comments on the cash-flow statement

The cash flow from operating activities amounted to SEK 963 million (1,061). Working capital increased cash flow by SEK 132 million (473) and is primarily attributable to inventories and decreased current receivables. Adjustments for non-cash items amounted to SEK 332 million (32) as specified in the table below.

Adjustments for non-cash items

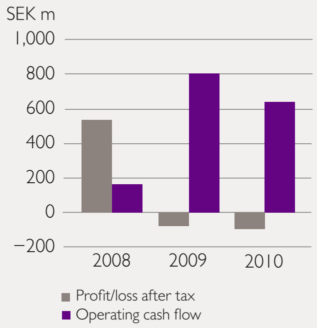
SEK m	**2010**	2009
Capital gains on fixed assets	–1	–7
Capital gains attributable to divestments of companies	36	–
Provisions	289	113
Gains on changes to pension conditions	–	–42
Other	8	–32
Total	**332**	**32**

Investments in fixed assets amounted to SEK 347 million (346). Other items in investing activities, excluding acquisitions and divestments of companies, had a negative impact on the cash flow.

Operating cash flow, that is, the cash flow after investments, but excluding the acquisitions and divestment of companies, interest and increases/decreases in interest-bearing assets, amounted to SEK 641 million (803).

Profit/loss and cash flow

January–December



Parent Company

Parent Company income statement

SEK m	Note	2010	2009
Net sales		46	53
Administrative expenses	4, 5, 10, 25	–108	–74
Other operating expenses	7, 8	–33	–
Operating loss		**–95**	**–21**
Profit from shares in Group companies	11	100	22
Financial income	11	29	18
Financial expenses	11	–32	–17
Profit after financial items		**2**	**2**
Tax on net profit for the year	12	1	4
Net profit for the year		**3**	**6**

Parent Company statement of comprehensive income

SEK m	Note	2010	2009
Net profit for the year		3	6
Other comprehensive income			
Other comprehensive income for year		**–**	**–**
Comprehensive income for year		**3**	**6**

Parent Company cash-flow statement

SEK m	Note	2010	2009
Operating activities			
Operating loss		–95	–21
Adjustments for non-cash items		33	–
Dividend received	11	100	22
Interest received	11	29	18
Interest paid	11	–32	–17
Tax paid		0	–15
Cash flow from operating activities before changes in working capital		**35**	**–13**
Change in liabilities		219	384
Change in receivables		–1,096	–290
Cash flow from operating activities		**–842**	**81**
Investing activities			
Other long-term receivables		–1	1
Provision for pensions		3	2
Divestment of associated companies		36	–
Cash flow from investing activities		**38**	**3**
Financing activities			
Group contributions		3	16
Borrowings		800	–
Cash flow from financing activities		**803**	**16**
Cash flow for the year		**–1**	**100**
Cash and cash equivalents at beginning of the year		**170**	**70**
Cash flow for the year		–1	100
Cash and cash equivalents at year-end		**169**	**170**

Parent Company balance sheet

SEK m	Note	31 Dec 2010	31 Dec 2009
ASSETS			
Fixed assets			
Financial fixed assets			
Shares and participations in Group companies	15,17	1,245	1,379
Other securities held as fixed assets		4	2
Associated companies	16	–	57
Total fixed assets		**1,249**	**1,438**
Current assets			
Current receivables			
Accounts receivable		2	3
Receivables from Group companies		3,680	2,097
Receivables from associated companies		–	332
Other receivables		6	3
Prepaid expenses and accrued income	19	6	26
Cash and cash equivalents	20	169	170
Total current assets		**3,863**	**2,631**
Total assets		**5,112**	**4,069**
SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES			
Shareholders' equity			
Restricted shareholders' equity			
Share capital[1]	21	58	58
Statutory reserve		1,671	1,671
		1,729	**1,729**
Non-restricted shareholders' equity			
Share premium reserve		52	52
Buy-back of shares		–468	–468
Profit brought forward		2,179	2,155
Net profit for the year		3	6
		1,766	**1,745**
Total shareholders' equity		**3,495**	**3,474**
Provisions for pensions	25	**10**	**7**
Non-current liabilities			
Liabilities to credit institutions	28	800	–
Current liabilities			
Liabilities to credit institutions		20	41
Accounts payable		11	5
Liabilities to Group companies		759	521
Other liabilities		1	4
Accrued expenses and deferred income	29	16	17
Total current liabilities		**807**	**588**
Total shareholders' equity, provisions and liabilities		**5,112**	**4,069**
Pledged assets	31	4	2
Contingent liabilities	32	678	2,698

1) The number of outstanding shares was 167,131,158 (167,131,158).

Change in shareholders' equity – Parent Company

SEK m	Note	Share capital	Statutory reserve[1]	Share premium reserve	Buy-back of shares	Profit brought forward	Total share-holders' equity
Opening balance, 1 January 2009		**58**	**1,671**	**52**	**–468**	**2,156**	**3,469**
Net profit for the year		–	–	–	–	6	6
Comprehensive income for the year		**–**	**–**	**–**	**–**	**6**	**6**
Group contribution received		–	–	–	–	16	16
Tax effect of Group contributions		–	–	–	–	–5	–5
Exchange-rate differences on expanded investments in associated companies		–	–	–	–	–12	–12
Shareholders' equity, 31 December 2009		**58**	**1,671**	**52**	**–468**	**2,161**	**3,474**
Opening balance, 1 January 2010		**58**	**1,671**	**52**	**–468**	**2,161**	**3,474**
Net profit for the year		–	–	–	–	3	3
Comprehensive income for the year		**–**	**–**	**–**	**–**	**3**	**3**
Group contribution received		–	–	–	–	13	13
Tax effect of Group contributions		–	–	–	–	–3	–3
Group contribution paid		–	–	–	–	–10	–10
Tax effect of Group contributions		–	–	–	–	3	3
Employee share option scheme							
– Allocation of employee share option scheme		–	–	–	–	3	3
Reinvestments in associated companies		–	–	–	–	12	12
Shareholders' equity, 31 December 2010		**58**	**1,671**	**52**	**–468**	**2,182**	**3,495**

1) Of the Parent Company's statutory reserve, SEK 1,390 million (1,390) comprises contributed shareholders' equity.

Notes

Note 1 Significant accounting policies

Compliance with standards and legislation
Nobia's consolidated financial statements are prepared in accordance with International Financial Reporting Standards, IFRS, as approved by the International Accounting Standards Board (IASB) as adopted by the European Union (EU). The Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups was also applied.

The Parent Company applies the same accounting policies as the Group except in the cases described below under the section entitled "Parent Company accounting policies". The Annual Report and the consolidated financial statements were approved for issue by the Board of Directors and President on 9 March 2011.

Principles applied in the preparation of the financial statements
Assets and liabilities are recognised at historic acquisition value (cost), except for certain financial assets and liabilities. Financial assets and liabilities measured at fair value comprise derivative instruments.

Receivables and liabilities and income and expenses are offset only if required or expressly permitted in an accounting recommendation.

The Parent Company's functional currency is Swedish kronor (SEK), which is also the presentation currency for the Parent Company and Group. Accordingly, the financial statements are presented in SEK. All amounts are stated in SEK million (SEK m), unless otherwise stated.

Preparing the financial statements in accordance with IFRS requires that company management make assessments, estimates and assumptions that affect the application of accounting policies and the recognised amounts of assets, liabilities, income and expenses. The actual outcome may differ from these estimates and assessments. Estimates and assumptions are regularly reviewed. Changes to estimates are recognised in the period in which the change is made if the change affects only that period, or in the period in which the change is made and future periods if the change affects both current periods and future periods. Assessments made by company management in the application of IFRS that have a significant impact on the financial statements and estimates made that may lead to significant adjustments in the financial statements of future fiscal years are primarily the following:

– Assumptions regarding impairment testing of goodwill
The Group regularly performs impairment tests of goodwill in accordance with the accounting policies described under "Intangible assets" on page 48. The assumptions and assessments made pertaining to expected cash flows and the discount rate in the form of weighted average cost of capital are described under "Comments on and analysis of the balance sheet." Forecasts of future cash flows are based on the approved budget and assumptions on the rate of growth and investment requirements.

– Assumptions regarding income tax
Since the Group is liable to pay taxes in many different countries, assessments are made to determine the Group-wide provisions for income tax in each country. Liabilities for expected tax-audit issues are recognised based on assessments of whether an additional tax obligation will arise. The probability of whether tax receivables can be realised through future taxable income is assessed. Refer also to the accounting policies described under "Taxes" on page 48 and in Note 26 on page 66. There are currently no indications that the risk of such material adjustments to carrying amounts is significant in 2011.

The significant accounting principles stated below, with the exceptions stated, are applied consistently to all of the periods presented in the consolidated financial statements. Furthermore, the Group's accounting principles were consistently applied by the Group companies regarding associated companies, where necessary, by making adjustments to the Group's policies.

Fixed assets and long-term liabilities essentially comprise amounts that are expected to be recovered or paid after more than 12 months calculated from the closing date. Current assets and current liabilities comprise amounts that are expected to be recovered or paid within 12 months calculated from the closing date.

Changed accounting policies
The changed accounting policies applied by the Group from 1 January 2010 are described below. Other amendments to IFRS applicable from 2010 did not have any material effect on the Group's financial statements.

– Business combinations and consolidated financial statements
The Group applies the revised IFRS 3 Business Combination and the amended IAS 27 Consolidated and Separate Financial Statements. The changes resulting from these amended accounting policies include the following: definitions of operations are changed, transaction costs attributable to business combinations are to be expensed, contingent considerations are to be determined at fair value on the acquisition date and the effects of remeasuring liabilities related to contingent considerations are to be recognised as income or an expense in net profit for the year. Another new feature is that the introduction of two alternative methods for recognising non-controlling interests and goodwill, either at fair value, meaning that goodwill is included in the non-controlling interest, or the non-controlling interest comprising a portion of net assets. The selection of these two methods will be made individually on an acquisition by acquisition basis. Furthermore, additional transactions occurring after a controlling influence has been obtained are considered to be a transaction with owners and should be recognised in shareholders' equity, which is a change to Nobia's currency policy which entails recognising the surplus amount as goodwill.

The relevant sections of the changes will be applied prospectively from the date of application, and since Nobia did not carry out any acquisitions during the year, the aforementioned amended policies have not, to date, impacted Nobia's reporting.

– Presentation of financial statements
The requirements regarding the presentation of the statement of changes in shareholders' equity stipulated in IAS 1 Presentation of Financial Statements were changed in the IASB's annual improvements process published in May 2010. The company has opted to apply these changes in advance from the 2010 Annual Report. Under the changes, the reconciliation in the statement of changes in shareholders' equity regarding changes for the year for each equity component, for example, reserves for accumulated other comprehensive income, do not need to specify each individual item in other comprehensive income. As permitted by the changes, the company has decided to provide disclosures with such a detailed reconciliation of reserves and other equity components in a note rather than in the statement of changes in shareholders' equity. Such a detailed reconciliation was also presented in a note in the 2009 Annual Report, but appears to be required in the statement of changes in shareholders' equity in accordance with the version of IAS 1 that was to apply from 2010 without any such early application. However, in accordance with the wording of the amended IAS 1, the former row for comprehensive income for the year in the statement of changes in shareholders' equity has been divided into two rows, with net profit for the year and other comprehensive income for the year stated separately. The changed presentation is applied to the current year and comparative year. The changes did not led to any adjustments of amounts in the financial statements.

New IFRSs, amendments and interpretations that have not yet been applied
When the consolidated financial statements were prepared on 31 December 2010, a number of standards and interpretations had been published that had not yet come into effect. Nobia did not apply any standards or interpretations in advance in 2010. The amended standards that may affect Nobia's accounting policies when introduced are as follows.

The new IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments: Recognition and Measurement by 2013. The IASB has published the first of at least three parts that will jointly form IFRS 9. The first part addresses the classification and measurement of financial assets. The categories of financial assets found in IAS 39 will be replaced by two categories: measurement at fair value or amortised cost. Amortised cost is utilised for instruments held to collect the any contractual cash flows, which comprise payments of principal and interest on the principal on the specified date. Other financial assets are recognised at fair value and the fair value option provided under IAS 39 is retained. Changes in fair value are to be recognised in earnings except for changes in the value of equity instruments that are not held for trading and for which on initial recognition changes in value are recognised in other comprehensive income. Changes in value of derivatives in hedge accounting are not affected by this part of IFRS 9, but are recognised until future notice in accordance with IAS 39. Due to the fact that Nobia's financial assets comprise accounts and loans receivable, derivatives in cash-flow hedges and cash and cash equivalents, the changes introduced in this part of IFRS 9 are not expected to have any or only insignificant effects on the financial statements. Nobia has not made any decision on whether the new policies are to be applied in advance or from 2013.

Other new and changed accounting policies with future application are, preliminarily, not deemed to have an effect on accounting or lead to additional disclosure requirement.

Classification, etc.
Fixed assets and long-term liabilities essentially comprise amounts that are expected to be recovered or paid more than 12 months after the closing

date. Current assets and current liabilities essentially comprise amounts that are expected to be recovered or paid within the 12 months after the closing date.

Consolidation principles and business combinations

Subsidiaries

Subsidiaries are companies subject to the controlling influence of the Parent Company. A controlling influence entails the direct or indirect right to shape a company's financial or operational strategies in a bid to receive financial benefits. An assessment of whether a controlling influence exists takes into account potential voting shares that can be immediately utilised or converted.

–Acquisitions on 1 January 2010 or later

Subsidiaries are recognised in accordance with the purchase method of accounting. According to this method, an acquisition of a subsidiary is considered a transaction through which the Group indirectly acquires the subsidiary's assets and assumes its liabilities. The acquisition analysis determines the fair value on the acquisition date of the acquired, identifiable assets and assumed liabilities and any non-controlling interest. Transaction costs, except for transaction costs attributable to issues of equity instruments or debt instruments, that arise are recognised directly in net profit for the year.

For business combinations whereby the consideration transferred, any non-controlling interests and the fair value of previously owned participations (step acquisitions) exceed the fair value of the acquired assets and assumed liabilities recognised separately, the difference is recognised as goodwill. When the difference is negative, known as a bargain purchase, it is recognised directly in net profit for the year.

Consideration transferred in conjunction with the acquisition does not include payments for the settlement of previous business connections. Such settlement is recognised in profit and loss.

Contingent consideration is recognised at fair value on the acquisition date. If the contingent consideration is classified as an equity instrument, no remeasurement is performed and settlement takes place in equity. Other contingent considerations are remeasured on each reporting occasion and the change is recognised in net profit for the year.

A non-controlling interest arises if the acquisition does not pertain to 100-per cent ownership of the subsidiary. There are two options for recognising non-controlling interests. The non-controlling interest's proportionate share of net assets can be recognised or the non-controlling interest can be recognised at fair value, meaning that the non-controlling interest has a share of goodwill. The choice between the two options of recognising non-controlling interests may be made on an acquisition by acquisition basis.

For step acquisitions, goodwill is determined on the date on which the controlling influence arose. Previous holdings are measured at fair value and the change in value is recognised in net profit for the year.

Divestments leading to the loss of a controlling influence but where a holding remains, this holding is measured at fair value and the change in value is recognised in net profit for the year.

–Acquisitions made between 1 January 2004 and 31 December 2009

Acquisitions made between 1 January 2004 and 31 December 2009 where the cost exceeds the fair value of the acquired assets and assumed liabilities and contingent liabilities recognised separately, the difference is recognised as goodwill. When the difference is negative, it is recognised directly in net profit for the year.

Transaction costs, except for transaction costs attributable to issues of equity instruments or debt instruments, that arise are included in the cost.

–Acquisitions prior to 1 January 2004 (date of transfer to IFRS)

For acquisitions that took place prior to 1 January 2004, goodwill, after an impairment test, is recognised at cost which corresponds to the carrying amount according to previously applied accounting policies. The classification and accounting treatment of business combinations that took place prior to 1 January 2004 were not reassessed in accordance with IFRS 3 when the consolidated IFRS opening balance sheet was prepared on 1 January 2004.

The subsidiaries' financial statements are included in the consolidated financial statements from the date of acquisition until the date on which the controlling influence ceased.

If the subsidiary's accounting policies are not the same as the Group's policies, adjustments were made to the Group's accounting policies.

Losses attributable to non-controlling interests are allocated to the non-controlling interest except that the non-controlling interest is recognised as a debit item under shareholders' equity.

–Acquisitions of non-controlling interests

Acquisitions from non-controlling interests are recognised as a transaction in shareholders' equity, meaning between the Parent Company's owners (within profit brought forward) and the non-controlling interest. Accordingly, no goodwill arises in these transactions. Changes in non-controlling interest are based on their proportionate share of net assets.

–Sales to non-controlling interests

Sales to non-controlling interests, whereby the controlling influence remains, are recognised as a transaction in shareholders' equity, meaning between the Parent Company's owners and the non-controlling interest. The difference between the proceeds received and the non-controlling interest's proportionate share of net assets is recognised under "Profit brought forward."

Translation of foreign subsidiaries

The financial statements of subsidiaries are prepared in the local currency, that is the functional currency used in the country in which the company conducts operations. Swedish kronor, SEK, is utilised in the consolidated financial statements, which is the Parent Company's functional currency and also the Group's reporting currency. This means that the earnings and financial position of all Group companies that have a functional currency that is different to the reporting currency are translated to the Group's reporting currency of SEK. Foreign subsidiaries' assets and liabilities are translated at the closing-date rate and all income-statement items are translated at the average exchange rate for the year. Translation differences are recognised in other comprehensive income and in a separate reserve in consolidated shareholders' equity.

	Closing-date rate		Average	
Significant exchange rates	**31 Dec 2010**	31 Dec 2009	**2010**	2009
DKK	1.21	1.39	1.28	1.43
EUR	9.00	10.35	9.54	10.62
GBP	10.55	11.49	11.13	11.93
NOK	1.15	1.24	1.19	1.22
USD	6.80	7.21	7.20	7.65

Recognition of associated companies

Associated companies are those companies in which the Group exercises a significant but not controlling influence over operational and financial control, usually entailing a holding of between 20 and 50 per cent of the voting rights. Investments in associated companies are recognised in the Group's accounts in accordance with the equity method. The equity method means that participations in an associated company are recognised at cost on the acquisition date and are subsequently adjusted by the Group's share of the change in the associated company's net assets as well as depreciation and impairment losses on Group goodwill, and surplus and deficit values. Participations in associated companies are recognised in accordance with the equity method from the date on which the significant influence is acquired.

The accumulated profits of associated companies that are not paid as dividends are recognised under "Profit brought forward" in the consolidated balance sheet. The Group's profit brought forward is reduced by the accumulated portion of losses in associated companies. Unrealised inter-Group profit is eliminated by the portion accruing to the Group.

Shares in profit of associated companies are recognised on separate lines in the consolidated income statement and consolidated balance sheet. Shares in profit of associated companies are recognised in operating profit in the consolidated income statement since the holdings are operations-based. Shares in profit of associated companies are recognised after tax.

When the Group's share of recognised losses in associated companies exceeds the carrying amount of the shares in the consolidated accounts, the value of the participation is reduced to zero. Recognition of losses is also affected against long-term financial transactions without collateral, whose financial implication constitutes a part of the owning company's net investment in the associated company. Continued losses are not recognised unless the Group has provided guarantees to cover losses arising in the associated company. The equity method is applied up to the date the significant influence ceases.

Joint ventures

In terms of accounting, joint ventures are defined as companies for which the Group, through co-operative agreements with one or more parties, has a joint controlling influence over operational and financial control. Participations in joint ventures are consolidated in accordance with the equity method; see Recognition of associated companies.

Segment reporting

An operating segment is a part of the Group that conducts business activities from which it can generate income and incur expenses and for which independent financial information is available. Furthermore, the results of an operating segment are monitored by the company's chief operating decision-maker to evaluate them and to allocate resources to the operating segment. Nobia's operating segments are the Group's three regions: the UK, Nordic and Continental Europe regions. The division of the units by region is based on the geographic domicile of the units. Refer to Note 3 on page 53 for a more detailed description of this divisions and a presentation of the operating segments.

Revenue recognition
The company recognises revenue when the risk and benefit associated with the goods has been transferred to the customer in accordance with the terms of delivery. In cases where installation services are provided, revenue is recognised when the service has been completed. Sales are recognised net after VAT, discounts and exchange-rate differences for sales in foreign currency and returns. Inter-Group sales are eliminated in the consolidated financial statements.

Government assistance
Government subsidies are recognised in the balance sheet as deferred income when there is reasonable assurance that the subsidy will be received and the Group will fulfil the conditions associated with the subsidy. Subsidies are allocated systematically in the income statement in the same manner and over the same periods as the costs for which the subsidies are intended to cover.

Financial income and expenses
Financial income and expenses comprise interest income on bank balances and receivables, dividend income, interest expense on loans and pension liabilities, as well as exchange-rate differences on financial items.

Interest income on receivables and interest expense on liabilities are calculated in accordance with the effective interest rate method. The effective interest rate is the interest rate that results in the present value of all future receipts and disbursements during the interest-rate maturity period becoming equal to the carrying amount of the receivable or liability. The calculation includes all fees paid or received by contractual parties that are part of the effective interest rate, meaning transaction costs and surplus and deficit values.

Taxes
Tax expenses for the year comprise current tax and deferred tax. Income taxes are recognised in net profit for the year except when the underlying transaction is recognised in other comprehensive income or in shareholders' equity, whereby the associated tax effects are recognised in other comprehensive income or in shareholders' equity.

Current tax is tax that is to be paid or received regarding the current year, by applying the tax rates determined or that have been determined in principle on the closing date. This item also includes adjustments to current tax attributable to previous periods.

Deferred tax is calculated according to the balance-sheet method on all temporary differences arising between recognised and fiscal values of assets and liabilities.

The tax effect attributable to tax loss carryforwards that could be utilised against future profits is capitalised as a deferred tax asset. This applies to both accumulated loss carryforwards at the date of acquisition and losses arising thereafter.

Valuations take place at the tax rate applying on the closing date. Deferred tax is recognised in the balance sheet as a fixed asset or long-term liability. The income tax liability is recognised as a current receivable or liability.

If the actual outcome differs from the amounts first recognised, the differences will affect current tax and deferred tax in the period in which these calculations are made.

Tangible fixed assets
Tangible fixed assets are recognised at cost with deductions for depreciation and possible impairments. Cost includes expenses that can be directly attributed to the acquisition. Expenses for improvements to the asset's performance, exceeding the original level, increase the asset's carrying amount. The borrowing costs of the cost of any assets established from 1 January 2009 that comprise qualifying assets are expensed. Expenses for repairs, maintenance and any interest expenses are recognised as costs in profit and loss in the period in which they arise.

In the event that an asset's carrying amount exceeds its estimated recoverable amount, the asset is written down to its recoverable amount, which is charged to operating profit.

In the income statement, operating profit is charged with straight-line depreciation, which is calculated on the original cost and is based on the estimated useful lives of the assets as follows:

Kitchen displays	2–4 years
Office equipment and vehicles	3–5 years
Buildings	15–40 years
Plant and machinery	6–12 years
Equipment, tools, fixtures and fittings	6–12 years

Land is not depreciated.

Fixed assets/disposal groups held for sale and discontinued operations
Discontinued operations comprise important operations that have been divested or comprise a divestment group held for sale as well as subsidiaries that are acquired for the purpose of subsequently being sold. Profit after tax from discontinued operations is recognised on a separate line in profit and loss.

The significance of a group of assets and liabilities being classified as held for sale is that the carrying amounts are recovered primarily by being sold and not by being used. All assets included in the group are presented on a separate line among assets and all of the group's liabilities are presented on a separate line among liabilities. The group is valued at the lower of the carrying amount and fair value, less selling expenses. Changes in value are recognised in profit.

Intangible assets
Goodwill comprises the amount by which the cost of the acquired operation exceeds the established fair value of identifiable net assets, as recognised in the acquisition analysis. In connection with the acquisition of operations, goodwill is allocated to cash-generating units. Nobia has eight cash-generating units. Since goodwill has an indeterminable useful life, it is not amortised annually. Instead, goodwill is subject to impairment testing either annually or when an indication of an impairment requirement arises. The carrying amount comprises the cost less any accumulated impairment losses. A description of the method and assumptions applied when conducting impairment tests is found under "Goodwill" in "Comments on and analysis of the balance sheet" on page 41.

Other intangible assets are recognised at cost less accumulated amortisation and possible impairments. It also includes capitalised expenses for purchases and internal and external expenses for the development of software for the Group's IT operations, patents and licences. Amortisation takes place according to the straight-line method based on the estimated useful life of the asset (three to six years).

Research and product development
Costs for product development are expensed immediately as and when they arise.

Product development within the Group is mainly in the form of design development and is conducted continuously to adapt to current style trends. This development is relatively fast, which is the reason that no portion of the costs for product development is recognised as an intangible asset. The Group does not carry out research and development in the true sense of such work, or to any significant extent.

Leasing agreements
Leasing agreements concerning fixed assets in which the Group essentially carries the same risks and enjoys the same benefits that direct ownership would entail are classified as financial leasing. Financial leasing is recognised at the start of the leasing period at the lower of the leasing object's fair value and the present value of minimum leasing fees. Financial leasing agreements are recognised in the balance sheet as fixed assets and financial liabilities, respectively. Future leasing payments are divided between repayment of the liabilities and financial expenses whereby each accounting period is charged with an amount of interest corresponding to a fixed-interest rate on the liability recognised during the respective period. Leasing assets are amortised according to the same principles that apply to other assets of the same type. Costs for leasing contracts are divided between amortisation and interest in the income statement.

Leasing of assets, where the lessor essentially remains the owner of the asset, is classified as operational leasing. Leasing fees are recognised on a straight-line basis during the leasing period. Operational leasing agreements are recognised in profit and loss as an operating expense. Leasing of cars and computers is normally treated as operational leasing. The value of these leasing agreements is not considered to be significant.

Inventories
Inventories comprise finished and semi-manufactured products and raw materials. Inventories are valued according to the first-in, first-out (FIFO) principle, at the lower of the cost and net sales value on the closing date. The net sales value comprises the estimated sales value in the ongoing operations less selling expenses. Finished and semi-manufactured products are valued at manufacturing cost including raw materials, direct labour, other direct expenses and production-related overheads based on normal production. Borrowing costs are not included in inventory valuations.

Deductions are made for inter-Group profits arising in conjunction with deliveries between companies in the Group.

Receivables

Receivables are recognised at the amounts that are expected to be received after individual assessment.

Financial instruments

Financial instruments recognised in the balance sheet include cash and cash equivalents, loans receivable, accounts receivable and derivative instruments on the asset side. On the liability side, there are accounts payable, loan liabilities and derivative instruments.

– Recognition in and derecognition from the balance sheet

A financial asset or a financial liability is entered in the balance sheet when the company becomes a party in accordance with the contractual terms of the instrument. Accounts receivable are recognised in the balance sheet when an invoice has been sent. A liability is recognised when the counterparty has performed a service and a contractual payment obligation arises, even if an invoice has not been received. Accounts payable are recognised when an invoice has been received.

A financial asset is derecognised from the balance sheet when the rights resulting from the agreement have been realised, expire or the company loses control over them. The same applies to a part of a financial asset. A financial liability is derecognised from the balance sheet when the obligation resulting from the agreement has been realised or is extinguished in some other manner. The same applies to a part of a financial liability.

A financial asset and a financial liability may only be offset against each other and recognised net in the balance sheet if there is a legal right to offset the amounts and the intention is to settle the items in a net amount or to simultaneously sell the asset and settle the debt.

The acquisition or divestment of financial assets is recognised on the date of transaction for on-demand transactions, which is the date when the company undertakes to acquire or sell the asset.

– Classification and measurement

Financial instruments that are not derivative instruments are initially recognised at cost corresponding to the instrument's fair value plus transaction costs. On initial recognition, a financial instrument is classified on the basis of the purpose underlying the acquisition of the instrument. This classification determines how the financial instrument is measured after initial recognition, in the manner described below. For the recognition of derivative instruments, refer to Cash-flow hedges below.

– Receivables and liabilities in foreign currencies

Receivables and liabilities in foreign currencies are valued at the closing-date rate. Exchange-rate fluctuations pertaining to operating receivables and liabilities are recognised in operating profit, while exchange-rate fluctuations pertaining to financial receivables and liabilities are recognised in net financial items.

– Loans and accounts receivable

Long-term loans receivable recognised as fixed assets and accounts receivable recognised as current assets comprise financial assets that are not derivatives, which has determined or determinable payments and are not listed on an active market. These assets are valued at amortised cost. Amortised cost is determined based on the effective rate calculated on the acquisition date. Loan and accounts receivable are recognised at the amounts that are expected to be received, meaning less any provisions for decreases in value.

– Cash and cash equivalents

Cash and cash equivalents are defined as cash and bank balances and short-term investments with maturities not exceeding three months from the acquisition date.

– Financial liabilities

All transactions pertaining to financial liabilities are recognised on the settlement date. Liabilities are valued at amortised cost.

– Cash-flow hedges

The currency forward contracts and currency options used for hedging highly probable forecasted sales and material purchases in foreign currency are recognised in the balance sheet at fair value. Changes in their value are recognised in other comprehensive income and the accumulated changes in value in a separate component of shareholders' equity (the hedging reserve) until the hedged flow impacts net profit for the year, whereby the accumulated changes in value of the hedging instrument are reclassified to net profit for the year.

Impairment losses

The carrying amounts of the Group's assets are tested annually for indications of any impairment requirement. IAS 36 is applied for the impairment testing of assets other than financial assets, which are tested according to IAS 39, assets held for resale and disposal groups that are recognised according to IFRS 5, inventories, plan assets used for the financing of employee benefits and deferred tax assets. For the exempted assets mentioned above, the carrying amount is tested in accordance with the relevant standard.

– Impairment testing of tangible and intangible assets, and participation in subsidiaries, associated companies, joint ventures, etc.

If there is an indication of an impairment requirement, the recoverable value of the asset is tested in accordance with IAS 36 (see below). For goodwill, other intangible assets with an indefinite useful life and intangible assets that are not yet ready for use, the recoverable value is calculated annually. When testing for impairment requirements, if it is not possible to establish essentially independent cash flows for an individual asset, the assets must be grouped at the lowest level at which it is possible to identify essentially independent cash flows, known as cash-generating units.

Impairment losses are recognised when the carrying amount of an asset or a cash-generating unit (group of units) exceeds the recoverable value. Impairment losses are charged against the income statement. Impairment losses related to assets attributable to a cash-generating unit are primarily allocated to goodwill. Subsequently, a pro-portional impairment of other assets included in the unit (group of units) is effected.

The recoverable value is the higher of fair value less selling expenses and value in use. When calculating the value in use, future cash flows are discounted using a discounting factor that takes into account the risk-free interest rate and the risk associated with the specific asset.

– Impairment testing of financial assets

At every reporting occasion, the company evaluates whether there is any objective evidence to suggest that a financial asset or group of assets is subject to an impairment requirement. Objective evidence comprises observable conditions that have occurred and that have had a negative impact on the ability to recover the cost. For accounts receivable, objective evidence comprises, for example, payment difficulties among customers or imminent corporate reconstructions. Accounts receivable that require impairment are recognised at the present value of expected future cash flows, Receivables with short maturities are not discounted.

– Impairment reversal

An impairment loss on assets that come under the scope of IAS 36 is reversed if there is an indication that the impairment requirement is no longer pertinent and that there has been a change in the assumptions upon which the calculation of the recoverable value was based. However, an impairment loss on goodwill is never reversed. A reversal is only performed to the extent that the carrying amount of the asset after the reversal does not exceed the carrying amount that would have been recognised, less depreciation wherever applicable, if no impairment had been posted.

An impairment loss on loans receivable and accounts receivable recognised at amortised cost is reversed if the previous reasons for the impairment loss no longer exist and full payment can be expected to be received from the customer.

Provisions

Provisions are recognised in the balance sheet among current and long-term liabilities, when the Group has a legal or informal obligation deriving from an occurred event and that it is probable that an outflow of resources will be required to settle the obligation and the amount concerned can be reliably estimated. A provision differs from other liabilities since the date of payment or the amount required to settle the provision is uncertain.

– Restructuring

A provision for restructuring is recognised once a detailed and formal restructuring plan has been adopted and the restructuring process has either commenced or been publically announced. No provisions are established for future operating expenses.

– Guarantees

A provision for guarantees is recognised when the underlying products or services are sold. The provision is based on historical data and a total appraisal of the potential outcomes in relation to the probabilities associated with the outcomes.

Contingent liabilities

A contingent liability is recognised when the company has a possible obligation deriving from an occurred event whose existence will be confirmed only by one or more uncertain future events, or when there is an obligation that has not been recognised as a liability or provision because it is not probable that an outflow of resources will be required, or alternatively because it is not possible to sufficiently reliably estimate the amount concerned.

Shareholders' equity

When shares are repurchased, shareholders' equity is reduced by the entire amount paid. Dividends are recognised as a liability after the Annual General Meeting has approved the dividend.

Earnings per share

The calculation of earnings per share is based on consolidated net profit attributable to the Parent Company's shareholders and on the weighted average number of shares outstanding during the year. When calculating earnings per share after dilution, the average number of shares outstanding is adjusted to take into account the dilutive effects of potential common shares, which during the recognised periods pertain to options issued to employees. The options are dilutive if the profit targets of the share option scheme have been fulfilled on the reporting date and if the exercise price is lower than the share price. Dilution is greater, the greater the difference between the exercise price and the share price. The exercise price is adjusted by a supplement to the value of future services related to the equity-settled employee share option scheme recognised as share-based payment in accordance with IFRS 2.

Employee benefits

– Pensions

Within the Group, there are a number of both defined-contribution and defined-benefit pension plans. In Sweden, Norway, the UK and in some Group companies in Germany, employees are covered by defined-benefit pension plans. In other countries and companies, employees are covered by defined-contribution pension plans. Effective 2010, all new vesting in the UK comes under defined-contribution pension plans.

Plans for which the company's obligations are limited to the fees the company has undertaken to pay are classified as defined-contribution pension plans. The company's obligations for defined-contribution pension plans are recognised as a cost in earnings at the rate at which they are vested by the employees performing services on behalf of the company for a period of time.

The Group's defined-benefit pension plans state the amount of pension benefit that an employee, or a former employee, will receive after retirement based upon their salary and the number of years of service. Pension obligations for defined-benefit plans are recognised according to common principles and calculation methods and are calculated by considering future salary increases and inflation, among other factors. The Group carries the risk that the promised benefit will be paid.

There are both funded and unfunded defined-benefit plans within the Group. Funded pension plans are mainly financed on the basis of contributions paid to pension funds.

Regarding defined-benefit plans, the pension commitment is calculated in accordance with the Projected Unit Credit method. This method allocates the cost of pensions at the rate at which the employees perform services for the company that increase their entitlement to future remuneration. This calculation is performed annually by independent actuaries. The company's obligations are valued at the present value of expected future cash flows using a discount rate. This discount rate corresponds to the interest on high-quality corporate bonds, where a market with sufficient depth exists, or government bonds if no such market exists. The rate in Sweden and Norway is determined based on government bonds, while in the UK and Germany, the rate is based on corporate bonds.

Actuarial gains and losses may arise when the present value of commitments and the fair value of plan assets are established. Such gains and losses arise either because the fair value differs from the previous assumption or because the assumption has changed. The portion of accumulated actuarial gains and losses at the end of the preceding year exceeding a corridor of plus or minus 10 per cent of the largest of the present value of the commitments or the fair value of the plan assets is recognised in profit and loss over the employees' estimated average remaining period of service.

For funded plans, the Group recognises pension obligations in the consolidated balance sheet as a liability comprising the net of the estimated present value of the commitments and the fair value of plan assets. Funded plans with net assets, that is, plans with assets exceeding the pension commitment, are recognised as financial fixed assets.

The net amount of interest on pension liabilities and the expected return on accompanying plan assets is recognised as part of net financial items. For defined-contribution plans, the company pays fixed contributions to an external legal entity.

When the pension cost established in the legal entity differs from that in the Group, a provision or a receivable is recognised pertaining to the special payroll tax based on this difference. Such a provision or receivable is not present-valued.

– Other long-term remuneration

The Group operates schemes for remuneration in connection with anniversaries and to employees with long service. Actuarial gains and losses may arise when the present value of commitments and the fair value of plan assets are established. Unlike the reporting of benefit-defined pension plans, actuarial gains and losses are recognised immediately and no corridor is applied.

The discount rate is established on the basis of high-quality corporate bonds or government bonds issued in the same currency as the remuneration that is to be paid and with maturities equivalent to the commitments in question.

– Share option scheme

The Group has an employee share option scheme. The fair value of allotted employee share options is recognised as a personnel cost at a corresponding amount recognised directly in shareholders' equity. The fair value is calculated on the date of allotment and allocated over the vesting period. The recognised cost corresponds to the fair value of an estimate of the number of options expected to be earned. This cost is adjusted in subsequent periods to reflect the actual number of options earned. An adjustment is made only when default is due to conditions stipulating a certain level of profit growth or continued employment, and not when default is due solely to the share price being lower than the exercise price. In countries where employee share options may give rise to costs in the form of social security contributions, a cost is recognised allocated over the vesting period. The provision for social security contributions is based on the fair value of the operations on each reporting occasion and, ultimately, when the options are exercised or expire without being exercised.

– Short-term remuneration

Short-term remuneration to employees is calculated without discounting and is recognised as a cost when the related services are obtained. A provision is posted for the anticipated cost of profit shares and bonus payments when the Group has a current legal or informal obligation to make such payments, due to the services being obtained from the employees and it being possible to reliably estimate the obligation.

– Payments in connection with employment termination

A cost for payments arising in connection with the laying-off of employees is recognised only if the company is legally obliged to terminate employment in advance of the normal date. When such payment is made as an offering to encourage voluntary retirement, it is recognised as a cost if it is probable that the offer will be accepted and the number of employees who will accept the offering can be reliably estimated.

Parent Company accounting policies

The Parent Company has prepared its Annual Report in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. The Financial Reporting Board's statements for listed companies were also applied. RFR 2 entails that the Parent Company applies all IFRSs adopted by the EU and statements to the annual report of the legal entity as far as possible under the framework of the Annual Accounts Act and the Swedish Pension Obligations Vesting Act and with respect to the connection between accounting and taxation. The Recommendation states the exceptions and additions to IFRS that are to be made. Overall, the Recommendation entails differences between the Group's and the Parent Company's accounting policies in the areas stated below. The accounting policies for the Parent Company described below were applied consistently to all periods presented in the Parent Company's financial statements.

– Changed accounting policies

Unless otherwise stated below, the Parent Company's accounting policies for 2010 were changed in accordance with the aforementioned changes for the Group. The changed accounting policies pertaining to transaction costs and contingent consideration under revised IFRS 3 Business Combination and amended IAS 27 Consolidated and Separate Financial Statements as applied in the Group do not give rise to the same changes in the Parent Company's accounting policies, refer below under "Subsidiaries, associated companies and joint ventures."

– Classification and presentation format

An income statement and statement of comprehensive income are presented for the Parent Company whereas these two statements for the Group jointly comprise a statement of comprehensive income. The Parent Company's income statement and balance sheet are presented following the format stipulated in the Annual Accounts Act, while the statement of comprehensive income, the statement of changes in shareholders' equity and cash-flow statement are based on IAS 1 Presentation of Financial Statements and IAS 7 Statement of Cash Flows. The differences in the Parent Company's income statement and the balance sheet compared with the presentation of the consolidated financial statements primarily pertain to the recognition of financial income and expenses, fixed assets, shareholders' equity and the existence of provisions as a separate heading in the balance sheet.

– Subsidiaries, associated companies and joint ventures
Participations in subsidiaries, associated companies and joint ventures are recognised in the Parent Company in accordance with the cost method. This means that transaction costs are included in the carrying amount of the holdings in subsidiaries, associated companies and joint ventures. In the consolidated financial statements, transaction costs are recognised directly in profit and loss when they arise. Contingent considerations are valued based on the probability of the consideration being paid. Any changes to the provisions/ receivable are added to/deducted from the cost. In the consolidated financial statements, contingent considerations are measured at fair value with changes in value recognised in profit and loss.

Bargain purchases corresponding to future losses and costs are reversed during the expected periods in which the losses and costs arise. Bargain purchases arising for other reasons are recognised as a provision to the extent that the purchase does not exceed the fair value of the acquired, identifiable non-monetary assets. The portion that exceeds this fair value is recognised in profit and loss immediately. The portion that does not exceed the fair value of acquired, identifiable non-monetary assets is recognised in profit and loss systematically over a period calculated as the remaining weighted average useful life of the acquired identifiable assets that are depreciable. In the consolidated financial statements, bargain purchases are recognised directly in profit and loss.

– Leased assets
All leasing agreements in the Parent Company are recognised in accordance with operational leasing regulations.

– Employee benefits
The Parent Company applies other principles for the calculation of defined-benefit plans than those stipulated in IAS 19. The Parent Company follows the provisions of the Pension Obligations Vesting Act and the Swedish Financial Supervisory Authority's regulations since this is a condition for eligibility for rights to tax deductions. The significant differences compared with the IAS 19 regulations pertain to how the dis-count rate is determined, the calculation of defined-benefit commitments based on current salary levels with no assumptions regarding future salary increases and that all actuarial gains and losses are recognised in profit and loss when they arise. The Parent Company recognises the fair value of employee share options issued to employees of subsidiaries as shareholders' contributions by recognition in shareholders' equity and the value of the shares in the subsidiary.

– Group contributions and shareholders' contributions
The Parent Company's recognises Group contributions and shareholders' contributions in accordance with the statement from the Swedish Financial Reporting Board (UFR 2). Shareholders' contributions are recognised directly against the shareholders' equity of the recipient and capitalised in the shares and participations of the donor unless impairment losses are required. Group contributions are recognised according to financial implication, meaning that Group contributions paid with the intention of minimising the Group's total tax are recognised directly against profit brought forward less current tax effects.

– Anticipated dividends
Anticipated dividends from subsidiaries are recognised if the Parent Company has the sole right to decide the amount of the dividend and the Parent Company has made a decision on the amount of the dividend prior to the publication of the Parent Company's financial statements.

– Financial instruments
Due to the connection between reporting and taxation, the regulations regarding financial instruments and hedge accounting provided in IAS 39 are not applied in the Parent Company.

– Financial guarantees
The Parent Company's financial guarantee agreements primarily comprise guarantees on behalf of subsidiaries, joint ventures and associated companies. Under a financial guarantee, the company has an obligation to compensate the holder of a debt instrument for losses incurred by this holder due to a specific debtor not fulfilling their payment duties that are due in accordance with the terms and conditions of the agreement. In the recognition of financial guarantee agreements, the Parent Company applies a relaxation rule permitted by the Financial Reporting Board, in contrast to the provisions of IAS 39. This relaxation rule pertains to financial guarantee agreements issued on behalf of subsidiaries, associated companies and joint ventures. The Parent Company recognises financial guarantee agreements as a provision in the balance sheet when the company has a commitment for which it is probable that payment will be required to settle the commitment.

Note 2 Financial risks

Foreign exchange risk
Nobia's policy is to hedge approximately 80 per cent of the forecast flows, 0–3 months in the future, 60 per cent 4–6 months in the future, 40 per cent 7–9 months in the future and 100 per cent of contracted projects. The principal currency combinations were the EUR against the GBP and the SEK against the NOK. Total exposure in 2010, expressed in SEK and after setting off counteracting flows, amounted to SEK 1,978 million, of which SEK 1,346 million was hedged. At the end of 2010, the hedged volume was SEK 693 million.

Unrealised gains and losses recognised as cash-flow hedges in shareholders' equity will be transferred to the income statement at various points in time within 12 months.

Credit risk
Nobia is active in many markets and in several distribution channels. Depending on the type of distribution channel, the customer base comprises both professional customers and consumers. For these reasons, credit management and payment terms must be adapted to each business unit's business logic and distribution channels within the framework of the credit policy established by the Group. The credit policy stipulates that credit ratings shall be based on at least one credit report from a reputable credit rating institute. Credit assessments are continuously performed on customers who make regular purchases. Credit insurance is utilised for certain markets and customer categories. Collateral is often required when credit is granted to customers with low buying frequencies. Counterparty risk pertaining to banks is deemed to be very minor. The total credit risk amounted to SEK 1,686 million. The credit quality of financial assets that have neither fallen due for payment or that are subject to impairment is high.

Financial exposure
Nobia's policy for financing foreign assets involves financing capital employed with external borrowings in the corresponding currency in order to minimise the impact of exchange-rate fluctuations on the debt/ equity ratio. Group loans are handled by Nobia's head office. The head office supplies the subsidiaries with funds through an internal bank. These loans are raised in local currencies, which minimises the effects of exchange-rate fluctuations on profits. As a supplementary measure, currency contracts may be entered into to avoid exposure. Given the current debt/equity ratio and currency distribution

	2010		2009	
SEK m	Capital employed per currency	Interest-bearing loans and lease liabilities	Capital employed per currency	Interest-bearing loans and lease liabilities
SEK	378	892	766	552
EUR	2,150	49	2,610	1,128
GBP	1,806	464	2,370	733
DKK	719	427	983	695
USD	82	41	102	41
NOK	157	4	229	13
Other	31	0	35	0
Total	**5,323**	**1,877**	**7,095**	**3,162**

of capital employed, approximately 20 per cent of foreign capital employed must be financed through borrowing in local currencies. In combination with this policy, other forms of capitalisation may be utilised in each country to optimise the Group's tax situation. Nobia's financial exposure policy does not involve hedging equity.

Translation exposure
The Group's policy is not to hedge translation exposure in foreign currencies. A 10-per-cent strengthening of the Swedish krona compared with other currencies on 31 December 2010 would entail a decrease in shareholders' equity of SEK 361 million (decrease: 423) and an increase in profit of SEK 1 million (increase: 6). The sensitivity analysis is based on the assumption that all other factors (for example, interest) are unchanged. The same conditions were applied to 2009.

Interest-rate risk
Interest-rate exposure is managed centrally, meaning that the head office is responsible for identifying and managing interest-rate risks. Nobia uses short, fixed-interest terms. Nobia's approach is that times of high interest rates usually coincide with healthy demand in society at large. In 2010, the fixed-interest rate term was 1–3 months.

Refinancing risk

Nobia applies a centralised approach to the Group's financing, which means that all financing takes place in Nobia AB or Nobia Sverige AB. During the year, Nobia raised a bond loan of SEK 800 million from AB SEK Securities (Swedish Export Credit Corporation), which has a term of five years and a mutual extension period of two years. The company also raised a syndicated bank loan of SEK 2,000 million with four banks. The term is five years. The loan has three covenants: leverage (net debt to EBITDA), gearing (net debt to equity) and interest cover (EBITDA to net interest expenses). Nobia meets all covenants with a satisfactory margin. Nobia's policy is to obtain long-term lines of credit that are compatible with Nobia's long-term strategy, while simultaneously balancing the needs for low credit costs. In addition to these loans, Nobia has local overdraft facilities. The table below shows the maturity of all of Nobia's loans:

	2010		2009	
Year of maturity, SEK m	2011	2015	2010	2011
Loans and lines of credit	–	2,800	–	6,000
Of which, utilised	–	1,246	–	2,446

Capital management

The debt/equity ratio may not exceed 100 per cent. A temporary elevation of the debt/equity ratio is acceptable. A significantly lower debt/equity ratio in the long term is to be corrected by an extra dividend to shareholders or through the buy-back of treasury shares. Dividends shall on average comprise at least 30 per cent of net profit after tax. The debt/equity ratio amounted to 44 per cent (62) at year-end. The decreased debt/equity ratio is primarily due to the use of cash flow to repay loans. Nobia considered recognised shareholders' equity to be capital.

Liquidity risk

Daily liquidity is tracked with the help of carefully prepared liquidity forecasts. Liquidity is controlled centrally with the aim of using available liquidity effectively, at the same time as necessary reserves are available.

Commercial exposure	USD	EUR	NOK	CHF	GBP	SEK	DKK
Currency contracts							
2010, local currencies	1	40	203	2	1	68	–
Total, SEK m[1]	**8**	**358**	**233**	**11**	**15**	**68**	**–**
Fair value, SEK m	0	1	0	–1	0	–2	–
Net flow							
Net flow 2010, local currencies	–10	–85[3]	414	4	3	249	–37
Net flow 2010, SEK m[2]	–70	–813[3]	493	25	35	249	–47
Hedged volume, SEK m[2]	31	663	–429	–18	–23	–183	–

1) Flows restated at closing-date rate, SEK. 2) Restated apply average rate in 2010. 3) In addition, EUR 26 million pertains to flows against DKK, corresponding to SEK 246 million.

Sensitivity analysis

Currencies[1] and interest rates	Change	SEK m Impact on profit before tax	SEK m Impact on shareholders' equity
EUR/SEK	5%	4.9	3.5
NOK/SEK	5%	12.0	8.6
EUR/GBP	5%	20.4	14.7
NOK/DKK	5%	6.4	4.6
SEK/DKK	5%	4.5	3.2
Interest-rate level	100 point	12.0	8.6

1) Transaction effects after hedges.

Analysis of maturity for financial liabilities including accounts payable

			2010						2009					
Group, SEK m	Currency	Nominal amount, original currency	Total	Within 1 month	1–3 months	3 months –1 year	1–5 years	5 years or longer	Total	Within 1 month	1–3 months	3 months –1 year	1–5 years	5 years or longer
Banklån (R)														
Bank loans	SEK	976	976	2	5	21	948	–	489	–	–	–	489	–
Bank loans	EUR	–	–	–	–	–	–	–	1,027	–	–	–	1,027	–
Bank loans	GBP	–	–	–	–	–	–	–	204	–	–	–	204	–
Bank loans	DKK	402	485	1	2	9	473	–	685	–	–	–	685	–
Bank loans	NOK	–	–	–	–	–	–	–	0	–	–	–	0	–
Bank loans	USD	7	47	0	0	1	46	–	41	–	–	–	41	–
Other liabilities														
Forward agreements*	SEK		3	0	1	2	–	–	1	0	0	1	–	–
Forward agreements*	EUR		4	2	1	1	–	–	3	0	1	2	–	–
Forward agreements*	GBP		0	0	0	0	–	–	0	0	0	0	–	–
Forward agreements*	DKK		–	–	–	–	–	–	–	–	–	–	–	–
Forward agreements*	NOK		2	0	0	2	–	–	6	1	2	3	–	–
Forward agreements*	CHF		1	0	1	0	–	–	1	0	0	1	–	–
Forward agreements*	USD		1	0	0	1	–	–	0	0	0	0	–	–
Currency options*	SEK		–	–	–	–	–	–	0	0	0	–	–	–
Currency options*	NOK		–	–	–	–	–	–	1	0	1	–	–	–
Overdraft facilities (IB)	SEK		41	–	–	41	–	–	48	–	–	48	–	–
Financial lease liabilities (IB)	SEK		1	–	–	–	1	–	10	–	–	–	10	–
Other liabilities (IB)	SEK		2	–	2	–	–	–	2	–	2	–	–	–
Accounts payable and other liabilities	SEK		1,403	1,092	262	45	4	–	1,609	1,154	344	93	18	–
Total			**2,966**	**1,097**	**274**	**123**	**1,472**	**–**	**4,127**	**1,155**	**350**	**148**	**2,474**	**–**
Interest-bearing liabilities (IB)			1,290						2,506					

* The value of forward agreements and currency options is included in the item "Derivatives."

Age analysis, accounts receivable and other receivables, SEK m	2010 Gross	2010 Of which, impairment losses	2009 Gross	2009 Of which, impairment losses
Non-due accounts receivable	982	–	1,207	–
Past-due accounts receivable 0–30 days	213	12	274	18
Past-due accounts receivable > 30 days–90 days	70	9	121	15
Past-due accounts receivable > 90 days–180 days	24	16	40	14
Past-due accounts receivable > 180 days–360 days	40	32	43	41
Past-due accounts receivable > 360 days	60	53	19	50
Total receivables	**1,389**	**122**	**1,704**	**138**

Deposit account for impairment losses on accounts receivable and other receivables, SEK m	2010	2009
Opening balance	138	98
Reversal of previously posted impairment losses	–15	–12
Impairment losses for the year	16	54
Confirmed losses	2	0
Divested operations	–5	–
Translation differences	–14	–2
Closing balance	**122**	**138**

An impairment loss is recognised when obvious reasons are deemed to exist that the company will not receive the entire or part of the amount due. Obvious reasons may, in this context, pertain to external information that establishes that a receivable is doubtful. An impairment loss is initially recognised for each individual receivable. Group-wise impairment losses are recognised for a group of receivables with similar credit properties and characteristics.

Note 3 Operating segments

The Group's business activities are divided into operating segments based on a management approach, meaning the parts of the operations monitored by the company's chief operating decision-maker. The Group's operations are organised such that Group management monitors the earnings, returns and cash flow generated by the Group's regions. These regions comprise the Group's operating segments since Group management monitors the operations' earnings and decides on the allocation of resources based on the regions. Accordingly, the Group's internal reporting is structured so that Group management can monitor the performance and earnings of all of the regions. The following operating segments were identified: UK region, Nordic region and Continental Europe region.

Nobia considers the Group's income from kitchens, bathrooms and storage to comprise a single product group since bathrooms and storage represent such a small percentage of the Group's total balance sheet, income statement and cash-flow statement.

Net sales and profit/loss per region

	UK region		Nordic region		Continental Europe region		Group-wide and eliminations		Group	
SEK m	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
Net sales from external customers	**5,198**	**5,623**	**5,092**	**5,234**	**3,795**	**4,561**	–	–	**14,085**	**15,418**
Net sales from other regions	–	–	–	–	10	64	–10	–64	0	0
Total net sales	**5,198**	**5,623**	**5,092**	**5,234**	**3,805**	**4,625**	**–10**	**–64**	**14,085**	**15,418**
Depreciation/amortisation	–130	–135	–151	–184	–143	–176	–23	–24	–447	–519
Shares in joint ventures	–	–	–	–	–	–	–	–	–8	–2
Operating profit/loss	**219**	**236**	**249**	**–75**	**–247**	**–20**	**–215**	**–103**	**6**	**38**
Financial income									18	41
Financial expenses									–103	–116
Profit/loss before tax and divested operations									**–79**	**–37**
Impairment losses	–	–	–34	–74	–14	–9	–49	–	–97	–83
Restructuring costs	–107	–	–82	–262	–214	–46	–108	–	–511	–308
Profit on changes to pension conditions	–	42	–	–	–	–	–	–	–	42

Total assets and liabilities per region

	UK region		Nordic region		Continental Europe region		Group-wide and eliminations		Group	
SEK m	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
Total operating assets	**1,690**	**1,967**	**1,834**	**2,192**	**1,334**	**1,937**	**2,813**	**3,288**	**7,671**	**9,384**
Total operating assets include:										
Proportions of equity in joint ventures	–	–	–	–	–	58	–	–	–	58
Investments in fixed assets	132	57	100	160	114	129	1	0	347	346
Total operating liabilities	**966**	**976**	**936**	**1,075**	**913**	**984**	**76**	**80**	**2,891**	**3,115**

Geographic areas, Group	Income from external customers[1]		Fixed assets[2]	
SEK m	**2010**	2009	**2010**	2009
Sweden	1,091	1,059	236	307
Denmark	1,944	2,164	743	939
Norway	1,315	1,250	173	199
Finland	732	735	188	198
UK	5,317	5,791	1,786	1,946
France	1,707	2,113	1,201	1,418
Germany	517	634	405	686
Austria	533	536	317	360
Netherlands	76	228	2	3
USA	144	176	45	49
Other countries	709	732	22	27
Total	**14,085**	**15,418**	**5,118**	**6,132**

1) Net sales from external customers based on customers' geographic domicile.
2) Fixed assets that are not financial instruments, deferred tax assets, assets associated with benefits after employment termination or rights under insurance agreements.

Note 4 Salaries, other remuneration and social security costs

	2010		2009	
SEK m	Salaries and other remuneration	Social security costs (of which, pension costs)	Salaries and other remuneration	Social security costs (of which, pension costs)
Subsidiaries in:				
Sweden	224	141	222	96
		(25)		(23)
Denmark	646	65	684	66
		(48)		(60)
Norway	143	33	168	41
		(7)		(8)
Finland	98	57	100	59
		(27)		(29)
Germany	289	56	426	82
		(1)		(0)
Austria	154	54	161	57
		(20)		(21)
UK	698	70	853	76
		(25)		(25)
France	264	110	282	118
		(18)		(20)
USA	36	7	37	7
		(1)		(1)
Switzerland	26	4	24	4
		(2)		(–)
Poland	5	1	6	1
		(0)		(1)
Netherlands	1	0	1	0
		(0)		(–)
Spain	3	1	3	1
		(–)		(–)
Japan	2	0	1	0
		(–)		(–)
Total subsidiaries	**2,589**	**599**	**2,968**	**608**
		(174)		**(188)**
Parent Company	**37**	**20**	**26**	**15**
		(8)		**(7)**
Group[1]	**2,626**	**619**	**2,994**	**623**
		(182)		**(195)**

1) Excludes costs for share-based remuneration.

Total remuneration costs for employees

SEK m	**2010**	2009
Salaries and other remuneration	2,626	2,994
Social security costs	437	428
Pension costs – defined-contribution plans	146	147
Pension costs – defined-benefit plans	12	24
Costs for special employer's contributions and tax on returns	24	24
Costs for allotted employee share options 2005–2009	–	–
Costs for allotted employee share options 2006–2010	–	–
Costs for allotted employee share options 2007–2011	–	–
Costs for allotted employee share options 2008–2012	–	–
Costs for allotted employee share options 2009–2013	–	–
Costs for allotted employee share options 2010–2014	5	–
Total costs for employees	**3,250**	**3,617**

Salaries and other remuneration for the Parent Company

SEK m	**2010**	2009
Senior management	23	18
Other employees	14	8
Total Parent Company[1)]	**37**	**26**

1) Excludes costs for share-based remuneration.

Salaries and other remuneration for the Group

SEK m	**2010**	2009
Board and Presidents of subsidiaries	31	35
Other employees of subsidiaries	2,558	2,933
Total subsidiaries	**2,589**	**2,968**
Group[1)]	**2,626**	**2,994**

1) Excludes costs for share-based remuneration.

Remuneration and other benefits, 2010, SEK m	Basic salary, Directors' fee	Variable remuneration	Other benefits	Pension cost	Share-based remuneration	Other remuneration	Total	Pension commitments
Chairman of the Board								
Hans Larsson	0.8	–	–	–	–	–	0.8	–
Vice Chairman of the Board								
Johan Molin	0.4	–	–	–	–	–	0.4	–
Board members								
Stefan Dahlbo	0.3	–	–	–	–	–	0.3	–
Bodil Eriksson	0.3	–	–	–	–	–	0.3	–
Fredrik Palmstierna	0.3	–	–	–	–	–	0.3	–
Lotta Stalin	0.3	–	–	–	–	–	0.3	–
Thore Ohlsson	0.3	–	–	–	–	–	0.3	–
Rolf Eriksen	0.2	–	–	–	–	–	0.2	–
Former Board members								
Wilhelm Laurén	0.1	–	–	–	–	–	0.1	–
Joakim Rubin	0.1	–	–	–	–	–	0.1	–
President								
Morten Falkenberg	1.6	–	0.0	0.6	0.1	–	2.3	–
Former President								
Preben Bager	6.6	1.7	0.1	1.7	–	–	10.1	3.5
Other members of Group management	28.8	4.2	1.3	4.2	1.1	–	39.6	1.1
Total	**40.1**	**5.9**	**1.4**	**6.5**	**1.2**	**–**	**55.1**	**4.6**

Remuneration and other benefits, 2009, SEK m	Basic salary, Directors' fee	Variable remuneration	Other benefits	Pension cost	Share-based remuneration	Other remuneration	Total	Pension commitments
Chairman of the Board								
Hans Larsson	0.8	–	–	–	–	–	0.8	–
Board members								
Stefan Dahlbo	0.3	–	–	–	–	–	0.3	–
Bodil Eriksson	0.3	–	–	–	–	–	0.3	–
Wilhelm Laurén	0.3	–	–	–	–	–	0.3	–
Joakim Rubin	0.2	–	–	–	–	–	0.2	–
Fredrik Palmstierna	0.3	–	–	–	–	–	0.3	–
Thore Ohlsson	0.3	–	–	–	–	–	0.3	–
Lotta Stalin	0.3	–	–	–	–	–	0.3	–
Former Board members								
Harald Mix	0.1	–	–	–	–	–	0.1	–
President								
Preben Bager	6.7	0.8	0.1	2.0	–	–	9.6	2.3
Other members of Group management	26.3	2.0	1.2	3.5	–	–	33.0	0.9
Total	**35.9**	**2.8**	**1.3**	**5.5**	**–**	**–**	**45.5**	**3.2**

Sickness absence in Parent Company, %	**2010**	2009
Total sickness absence as a percentage of ordinary working hours	2.2	1.1
Percentage of total sickness absence pertaining to uninterrupted sickness absence of 60 days or more	94.1	0
Sickness absence as a percentage of each group's ordinary working hours:		
Sickness absence by gender		
Men	2.8	1.6
Women[1)]	n/a	n/a
Sickness absence by age category		
30–49 years of age	3.5	0.8
50 years of age or older[1)]	n/a	n/a

1) Not reported since the group contains less than ten individuals.

The average number of employees and number of men and women among Board members and senior managers are described in Note 37, see page 69.

Remuneration to senior management

– Board and Chairman of the Board

Remuneration to the Chairman and members of the Board is determined by resolutions taken at the Annual General Meeting. No special fees are paid for committee work. Board members who are employed by Nobia do not receive a separate Directors' fee. Board members elected by the Annual General Meeting received a fixed fee of SEK 315,000 per member and the Chairman received SEK 790,000. The Vice Chairman received SEK 550,000. Accordingly, the Board received a total of SEK 3,230,000. Employee representatives receive a study and preparation fee of SEK 26,000 per person per year.

– President

The President who took office on 6 October received SEK 1,626,121 in salary and benefits during the 2010 fiscal year, plus a variable salary portion related to results for 2010 of SEK 0. In addition to the normal pension in accordance with the Swedish National Insurance Act (ATP and AFP), the President has pension benefits corresponding to 30 per cent of pensionable salary. Pensionable salary means fixed annual salary. For 2010, the premium cost was SEK 480,000. The retirement age is 65. The President has the right to 12 months' notice if employment is terminated by Nobia. If employment is terminated by the President, six months' notice must be given.

– Other Group management

Group management, comprised of 14 in 2010, of whom seven are employed in the Parent Company, received salaries and benefits during the fiscal year amounting to SEK 30,007,479 plus variable salary portions based on results for 2009 of SEK 4,158,936. Group management has the right to ITP pensions or an equivalent scheme. The age of retirement is 65. In addition, management has the right to an increased occupational pension premium of 20 per cent on salary portions amounting to more than 30 basic amounts, following a Board decision.

– Variable salary portion

The fundamental principle for the variable salary portion for the unit managers and Group management is that such portions may amount to a maximum bonus of 30 per cent of fixed annual salary. The exception is the President whose variable salary portion may amount to a maximum bonus of 50 per cent of fixed annual salary. Exceptions may also be made for other senior managers following a decision by the Board. The variable portion is based on an earning period of one year. The outcome depends on the extent to which predetermined targets are met. The targets for the President are set by the Board of Directors. The President sets the targets for other senior managers following recommendations from the Board Remuneration Committee.

– Remuneration Committee

The Board of Directors appoints a Remuneration Committee from within its ranks. The Committee's tasks include preparing proposals with respect to remuneration for the President, and to reach decisions on remuneration proposals for managers that report directly to the President. For information about the Committee and its members, see page 29.

– Group management's employee contracts

The contracts include provisions regarding remuneration and termination of employment. Under these agreements, employment may be terminated by the employee with a six-month period of notice and by the company with a 12-month period of notice.

– Share option scheme 2005–2012

At the 2005 Annual General Meeting, a resolution was made in accordance with the Board's proposal to implement an incentive scheme in the form of a performance-related employee share option scheme. This resolution comprised the first stage in annually recurring identical incentive schemes. It was also followed by resolutions passed at the 2006, 2007 and 2008 Annual General Meetings.

– Share option scheme 2009–2013

At the 2009 Annual General Meeting, a resolution was made in accordance with the Board's proposal to continue the same incentive scheme implemented in previous years in the form of a performance-based employee share option scheme. This means that approximately 130 senior executives in the Nobia Group will be allotted a total of 2,300,000 employee share options. Each employee share option carries entitlement to the acquisition of shares in Nobia AB during the period from and including 31 May 2012 up to and including 1 March 2013 at a predetermined exercise price of SEK 35.30 kronor. The right to utilise these employee share options requires that on the exercise date the holder is an employee of the Nobia Group and that during the 2009–2012 fiscal years, the Nobia Group increases its earnings per share compared with the 2008 fiscal year such that the total increase in earnings per share corresponds to an average annual increase in earnings per share of at least 5.0 per cent and a maximum of 15.0 per cent. The annual increase in earnings per share influences the number of options that can be received.

– Share option scheme 2010–2014

At the 2010 Annual General Meeting a resolution was made in accordance with the Board's proposal to continue the same incentive scheme implemented in previous years in the form of a performance-based employee share option scheme. This means that approximately 100 senior executives in the Nobia Group will be allotted a total of 2,300,000 employee share options. Each employee share option carries entitlement to the acquisition of shares in Nobia AB during the period from and including 31 May 2013 up to and including 31 December 2014 at a predetermined exercise price of SEK 39.50 kronor. The right to utilise these employee share options requires that on the exercise date the holder is an employee of the Nobia Group and that during the 2010–2013 fiscal years, the Nobia Group increases its earnings per share compared with the average for the 2008 and 2009 fiscal years such that the total increase in earnings per share corresponds to an average annual increase in earnings per share of at least 5.0 per cent and a maximum of 15.0 per cent. The annual increase in earnings per share influences the number of options that can be received.

The table below is a summary of key data concerning the schemes. Fair value has been established using the Black & Scholes valuation model:

Scheme	Share option scheme 2005–2014 Exercise period	Exercise price, SEK per share	Share value at allotment, SEK per share	Volatility in per cent	Risk-free interest rate in per cent
2005–2009	31 May 2008–1 March 2009	41.57	37.77	24	2.71
2006–2010	31 May 2009–1 March 2010	88.37	80.34	26	3.31
2007–2011	31 May 2010–1 March 2011	101.30	92.10	24	4.09
2008–2012	31 May 2011–1 March 2012	44.40	42.00	32.5	4.32
2009–2013	31 May 2012–1 March 2013	35.30	29.40	35	2.17
2010–2014	31 May 2013–31 December 2014	39.50	35.20	37	1.71

Premature exercise is expected to occur during the exercise period. This entails that exercise is expected to occur in the middle of each particular option scheme. Historical volatility is assumed to match the estimation of future volatility.

The entitlement to exercise the employee share options presupposes that the option holder remains an employee of the Nobia Group and that earnings per share increases to the extent that the total increase in earnings per share corresponds to an average annual increase in earnings per share of at least 5.0 per cent and a maximum of 15.0 per cent compared with the average for a certain defined period.

Assuming a maximum increase in earnings and full exercise, the number of employee share options from the various schemes will be as follows:

	Allotment of employee options				
Scheme	President	Other members of Group management	Other employees	Total	Original allotment
2005–2009	–	–	–	–	1,830,000
2006–2010	–	–	–	–	1,830,000
2007–2011[1)]	–	–	1,155,500	1,155,500	1,830,000
2008–2012	–	295,000	1,644,500	1,939,500	2,592,500
2009–2013	–	370,000	1,530,000	1,900,000	2,292,000
2010–2014	35,000	700,000	1,360,000	2,095,000	2,165,000
Total	**35,000**	**1,365,000**	**5,690,000**	**7,090,000**	**12,539,500**

1) Since the earnings targets were not achieved in the 2007 scheme, no options were allocated.

Future dilution effects from the four current schemes are reduced since persons included in the scheme have left Nobia. An average of 56 per cent of the original number of options issued remain.

The costs of the schemes are presented in the table below:

	Accumulated cost			**2010[1]**			2009[2]		
Scheme	Acc. IFRS 2 cost	Acc. soc. costs	Total cost	IFRS 2 cost	Soc. costs	Total cost	IFRS 2 cost	Soc. costs	Total cost
2005–2009	7	0	7	–	–	–	–	–	–
2006–2010	–	–	–	–	–	–	–	–	–
2007–2011	–	–	–	–	–	–	–	–	–
2008–2012	–	–	–	–	–	–	–	–	–
2009–2013	–	–	–	–	–	–	–	–	–
2010–2014	3	2	5	3	2	5	–	–	–
	10	**2**	**12**	**3**	**2**	**5**	**–**	**–**	**–**

1) Price on 31 December 2010 = SEK 60.25 per share
2) Price on 31 December 2009 = SEK 41.90 per share

Of the 7,090,000 outstanding options (7,114,200), it was possible to exercise 0 options (0) since the earnings targets were not achieved.

Changes in the number of outstanding share options and their weighted average exercise price were as follows:

	2010		2009	
	Average exercise price, SEK per share	Number of options	Average exercise price, SEK per share	Number of options
As per 1 January	60.16	7,114,200	66.30	6,852,200
Alloted	39.50	2,165,000	35.30	2,292,000
Expired	88.37	–1,193,700	41.57	–1,321,500
Forfeited	53.25	–995,500	73.77	–708,500
Utilised	–	0	–	0
As per 31 December	**50,07**	**7,090,000**	**60,16**	**7,114,200**

Outstanding share options at year-end had the following expiry dates and exercise prices:

		Shares	
Expiry date	Exercise price, SEK per share	**2010**	2009
1 March 2010	88.37	–	1,193,700
1 March 2011	101.30	1,155,500	1,371,000
1 March 2012	44.40	1,939,500	2,307,500
1 March 2013	35.30	1,900,000	2,242,000
31 December 2014	39.50	2,095,000	–
		7,090,000	**7,114,200**

Note 5 Remuneration to auditors

SEK m	Group 2010	Group 2009	Parent Company 2010	Parent Company 2009
KPMG				
Audit assignment	11	12	3	2
Audit activities other than audit assignment	0	1	0	0
Tax advice	0	2	0	0
Other assignments	1	1	0	1
Other auditors				
Audit assignment	0	0	–	–
Audit activities other than audit assignment	–	–	–	–
Tax advice	0	0	–	–
Other assignments	–	–	–	–

Note 6 Depreciation and impairment losses by activity

SEK m	Depreciation 2010	Depreciation 2009	Impairment losses 2010	Impairment losses 2009
Cost of goods sold	–142	–168	–27	–69
Selling expenses	–254	–299	–24	–13
Administrative expenses	–51	–52	–46	–1
Total depreciation and impairment losses	**–447**	**–519**	**–97**	**–83**

Note 7 Other operating income

SEK m	Group 2010	Group 2009	Parent Company 2010	Parent Company 2009
Gains attributable to sale of fixed assets	1	7	–	–
Exchange-rate gains from operating receivables/liabilities	41	59	–	–
Profit attributable to changes to pension conditions	–	42	–	–
Other	16	37	–	–
Total other operating income	**58**	**145**	**–**	**–**

Note 8 Other operating expenses

SEK m	Group 2010	Group 2009	Parent Company 2010	Parent Company 2009
Exchange-rate losses from operating receivables/liabilities	–67	–47	–	–
Capital loss attributable to divestment of subsidiaries	–26	–	–33	–
Other	–9	–18	–	–
Total other operating expenses	**–102**	**–65**	**–33**	**–**

Note 9 Specification by type of costs

SEK m	2010	2009
Costs for goods and materials	–6,142	–6,905
Costs for remuneration to employees (Note 4)	–3,250	–3,617
Depreciation and impairment losses (Note 6)	–544	–602
Freight costs	–697	–751
Operational leasing costs, primarily stores (Note 10)	–640	–641
Other operating expenses	–2,856	–3,007
Total operating expenses	**–14,129**	**–15,523**

Note 10 Operational lease contracts

The nominal values of contracted future leasing fees where the remaining term exceeds one year, are specified as follows (pertains mainly to rental contracts for premises):

SEK m	Group 2010	Group 2009	Parent Company 2010	Parent Company 2009
Expensed during the year	640	641	0	0
Falling due for payment within one year	667	726	0	0
Falling due for payment between one and five years	1,844	2,211	0	0
Falling due for payment later	1,065	1,335	0	0
Total	**3,576**	**4,272**	**0**	**0**

The nominal values of rental contracts that are re-let, where the remaining term exceeds one year, are specified as follows:

SEK m	Koncernen 2010	Koncernen 2009	Parent Company 2010	Parent Company 2009
Falling due for payment within one year	59	67	–	–
Falling due for payment between one and five years	166	186	–	–
Falling due for payment later	11	43	–	–
Total	**236**	**296**	**–**	**–**

Note 11 Financial income and expenses

SEK m	Group 2010	Group 2009	Parent Company 2010	Parent Company 2009
Profit from participations in Group companies				
Dividends	–	–	100	22
Financial income				
Interest income, current	18	28	6	16
Exchange-rate differences	0	13	23	2
Financial expenses				
Interest expense	–53	–76	–32	–17
Interest expense pertaining to pension liability	–37	–40	–	–
Divestment of shares in associated companies	–	–	–	–
Exchange-rate differences	–13	0	0	0
Total	**–85**	**–75**	**97**	**23**

Note 12 Tax on net profit for the year

SEK m	Group 2010	Group 2009	Parent Company 2010	Parent Company 2009
Current tax expenses for the period	–95[1]	–33[1]	1	4
Deferred tax	120	68	–	–
Tax on net profit for the year	**25**	**35**	**1**	**4**

1) This amount includes tax revenue attributable to the earlier period of SEK 38 million (59) that primarily pertain to the repayment of tax in the UK.

Tax revenue on net profit for the year comprised 28.4 per cent of profit before tax. In 2009, the tax revenue accounted for 41.4 per cent of profit before tax. The difference between the recognised tax (28.4 per cent) and the anticipated tax on the Group's profits before tax calculated at the local tax rate for Sweden (26.3 per cent) is explained in the table below.

In the Parent Company, Group contributions and associated tax effects are recognised directly against shareholders' equity at a tax effect of a loss of less than SEK 1 million (income: 4). Accordingly, the remaining recognised current tax refers to tax accrued on earnings recognised before Group contributions. Group contributions are recognised directly against shareholders' equity. The difference between the nominal and effective tax rate primarily pertains to dividends from subsidiaries.

%	**2010**	2009
Local tax rate in Sweden	26,3	26,3
Different local tax rates	19,9	1,8
Tax relating to earlier periods	33,4	41,3
Non-tax deductible income	25,7	24,7
Non-deductible costs	–71,0	–49,2
Changed corporate tax rate in the UK	–3,3	–
Other	–2,6	–3,5
Recognised effective tax	**28,4**	**41,4**

Note 26 on page 66 explains the calculation of deferred tax liabilities and assets.

Note 13 Intangible assets

Goodwill, SEK m	**2010**	2009
Opening carrying amount	3,037	3,056
Corporate acquisitions (Note 33)	1	23
Goodwill arising from acquisition of net assets	7	14
Reclassifications	–	4
Impairment losses	–46	–
Translation differences	–323	–60
Closing carrying amount	**2,676**	**3,037**

Impairment testing of goodwill, refer to "comments on and analysis of the balance sheet" on page 38.

Other intangible assets, SEK m		
Opening cost	417	347
Investments for the year	135	40
Sales and scrapping	–17	–2
Corporate acquisitions	–	10
Company sales	–27	–
Reclassifications	13	39
Translation differences	–59	–17
Closing accumulated cost	**462**	**417**
Opening amortisation	246	220
Sales and scrapping	–16	–1
Amortisation for the year	30	37
Corporate acquisitions	–	3
Company sales	–25	–
Reclassifications	–	0
Translation differences	–31	–13
Closing accumulated amortisation	**204**	**246**
Closing carrying amount	**258**	**171**
Of which		
Software	176	74
Brands	20	23
Other	62	74
Closing carrying amount	**258**	**171**

No interest was capitalised in the closing cost. Assets totalling SEK 13 million were reclassified from tangible to intangible fixed assets. Impairment for the year of SEK 46 million pertains to the goodwill for Pronorm recognised under "Group-wide" in the segment reporting. The impairment was part of the established restructuring programme and was recognised as a restructuring cost.

Note 14 Tangible fixed assets

Buildings, SEK m	**2010**	2009
Opening cost	3,040	3,241
Investments for the year	38	56
Sales and scrapping	–18	–53
Company sales	–146	–
Reclassifications	–47	–102
Translation differences	–329	–102
Closing cost including written-up amount	**2,538**	**3,040**
Opening depreciation and impairment losses	1,729	1,664
Sales and scrapping	–17	–28
Company sales	–61	–
Reclassifications	–31	–64
Depreciation for the year	142	172
Impairment losses	29	51
Translation differences	–200	–66
Closing depreciation and impairment losses	**1,591**	**1,729**
Closing residual value according to plan	**947**	**1,311**
Closing accumulated depreciation	**1,540**	**1,646**

Land and land improvements, SEK m	**2010**	2009
Opening cost	267	289
Investments for the year	0	2
Sales and scrapping	–	–13
Company sales	–26	–
Reclassifications	–8	0
Translation differences	–30	–11
Closing cost including written-up amount	**203**	**267**
Opening depreciation	36	32
Sales	–	5
Company sales	–9	–
Reclassifications	–4	–
Depreciation for the year	1	1
Impairment losses	4	–
Translation differences	–4	–2
Closing depreciation	**24**	**36**
Closing carrying amount	**179**	**231**
Closing accumulated depreciation	**22**	**36**
Tax assessment value for property in Sweden	**88**	**110**
Closing carrying amount	**39**	**85**

Investments in progress, SEK m	**2010**	2009
Opening balance	20	96
Investments initiated during the year	11	30
Investments completed during the year[1]	–18	–103
Translation differences	–1	–3
Closing carrying amount	**12**	**20**

1) Assets reclassified as other tangible assets.

Plant and machinery, SEK m	**2010**	2009
Opening cost	2,738	2,804
Investments for the year	66	67
Sales and scrapping	–160	–194
Company sales	–138	–
Reclassifications	5	101
Translation differences	–249	–40
Closing cost including written-up amount	**2,262**	**2,738**
Opening depreciation and impairment losses	1,892	1,904
Sales and scrapping	–158	–168
Company sales	–116	–
Reclassifications	–3	–
Depreciation for the year	141	162
Impairment losses	6	24
Translation differences	–172	–30
Closing depreciation and impairment losses	**1,590**	**1,892**
Closing carrying amount	**672**	**846**
Closing accumulated depreciation	**1,565**	**1,853**

Equipment, tools, fixtures and fittings, SEK m	**2010**	2009
Opening cost	1,323	1,282
Investments for the year	88	136
Sales and scrapping	–63	–102
Corporate acquisitions	–	26
Company sales	–20	–
Reclassifications	–11	17
Translation differences	–135	–36
Closing cost	**1,182**	**1,323**
Opening depreciation and impairment losses	808	738
Sales and scrapping	–38	–65
Corporate acquisitions	–	1
Company sales	–17	–
Reclassifications	–3	–2
Depreciation for the year	133	147
Impairment losses	12	8
Translation differences	–86	–19
Closing depreciation and impairment losses	**809**	**808**
Closing carrying amount	**373**	**515**
Closing accumulated depreciation	**785**	**788**

Advance payments for tangible fixed assets, SEK m	**2010**	2009
Opening balance	1	52
Expenses during the year	1	1
Reclassifications	–1	–52
Closing carrying amount	**1**	**1**

No interest was capitalised in the closing cost.

Reclassifications for the year totalled SEK 26 million, of which SEK 18 million pertains to buildings, SEK 4 million to land and land improvements and SEK 4 million to Equipment, tools, fixtures and fittings. These assets were reclassified as assets held for sale (refer to Note 35). Assets of SEK 13 million were reclassified from tangible to intangible fixed assets.

Impairment losses for the year amounted to SEK 51 million (83), of which SEK 48 million (76) were included in recognised restructuring costs. The most significant impairment losses pertain to Myresjökök in the Nordic region where buildings and land were impaired in the amount of SEK 19 million, and plant and machinery as well as equipment, tools, fixtures and fittings were impaired in the amount of SEK 6 million. The impairment losses were recognised at fair value less selling expenses based on the estimated price in the location in question. The impairment was part of the established restructuring programme and was recognised as a restructuring cost.

Note 15 Financial fixed assets

	Group	
Other long-term receivables, SEK m	**2010**	2009
Deposits	51	59
Long-term loans to retailers	0	8
Financial leasing receivable	1	8
Other interest-bearing receivables	2	338
Other	8	3
Total	**62**	**416**

	Parent Company	
Shares and participations in Group companies, SEK m	**2010**	2009
Opening cost	1,379	1,379
Inter-Group sales	–150	–
Shareholders' contribution	14	–
Other changes	2	0
Closing cost	**1,245**	**1,379**

Note 16 Participating interests in joint ventures

During the year, the Group sold its 50-per cent shareholding in Culinoma AG, which is jointly owned with De Mandemakers Groep Holding B.V. Joint ventures are recognised in accordance with the equity method.

	Group		Parent Company	
SEK m	**2010**	2009	**2010**	2009
Carrying amount, 1 January	58	76	57	57
Acquisition of joint ventures	–	–	–	–
Divestment of joint ventures	–50	–	–57	–
Participation in profit/loss	–8	–2[1)]	–	–
Translation differences	0	–1	–	–
Other changes in the joint venture's shareholders' equity	–	–15	–	–
Carrying amount, 31 December	–	**58**	–	**57**

1) The participation in profit/loss for the year includes an earnings adjustment pertaining to Nobia's share of Culinoma's profit/loss of negative SEK 3 million.

The figures presented below refer to Culinoma Group AG.

SEK m	**2010**	2009
Income	242	1,866
Expenses	–258	–1,864
Profit/loss after tax	**–16**	**2**
Fixed assets	–	907
Current assets	–	336
Total assets	–	1,243
Current liabilities	–	255
Long-term liabilities	–	885
Total liabilities	–	1,140
Net assets/net liabilities	**–**	**103**
Nobia's share of net assets/net liabilities	**–**	**51**
Equity/assets ratio, %	–	8.2
Net debt, SEK m	–	686
Capital employed, SEK m	–	884
Number of stores	–	87

Note 17 Shares and participations in subsidiaries

Nobia AB's holdings of shares and participations in operating Group companies, %.

	Corporate Registration Number	Domicile	Share of equity, %	No. of shares	Carrying amount 2010	Carrying amount 2009
Nobia Sverige AB	556060-1006	Stockholm	100	100	456	456
Sigdal Kjøkken AS		Kolbotn	100			
Marbodal AB	556038-0072	Tidaholm	100			
Marbodal OY*		Helsinki	100			
Nobia Denmark A/S		Ølgod	100			
HTH Kök Svenska AB	556187-3190	Helsingborg	100			
Nobia Denmark Retail A/S		Ølgod	100			
HTH Kuchni Ekspert w. Kuchni S.p.z.o.o.		Warsaw	83,8			
Novart OY		Nastola	100			
Nobia Holding (UK) Limited		Darlington	100			
Magnet Ltd		Darlington	100			
Hiveserve Ltd		Darlington	100			
Larkflame Ltd		Darlington	100			
Magnet (Retail) Ltd		Dublin	100			
Magnet (Isle of Man) Limited		Man	100			
Aqua Ware Ltd*		Darlington	100			
Magnet Group Trustees Ltd*		Darlington	100			
Magnet Group Ltd*		Darlington	100			
Flint Properties Ltd*		Darlington	100			
Eastham Ltd*		Darlington	100			
Hyphen Fitted Furniture Ltd*		Darlington	100			
Magnet Distribution Ltd*		Darlington	100			
The Penrith Joinery Company Ltd*		Darlington	100			
Magnet & Southerns Ltd*		Darlington	100			
Magnet Furniture Ltd*		Darlington	100			
Magnet Joinery Ltd*		Darlington	100			
Magnet Manufacturing Ltd*		Darlington	100			
Magnet Retail Ltd*		Darlington	100			
Magnet Supplies Ltd*		Darlington	100			
Magnet Industries Ltd*		Darlington	100			
Magnet Kitchens Ltd*		Darlington	100			
Firenzi Kitchens Ltd*		Darlington	100			
Gower Group Ltd		Halifax	100			
Gower Furniture Ltd		Halifax	100			
Charco Ninety-Nine Ltd		Halifax	100			
WOR Ltd*		Halifax	100			
Gower Windows Ltd*		Halifax	100			
Eurostyle Furniture Ltd*		Halifax	100			
Beverly Doors Ltd*		Halifax	100			
Working Systems Ltd*		Halifax	100			
Perfectshot Ltd*		Halifax	100			
Addspace Products Ltd*		Halifax	100			
Gower Garden Furniture Ltd*		Halifax	100			

Note 17 cont'd.

	Corporate Registration Number	Domicile	Share of equity, %	No. of shares	Carrying amount 2010	Carrying amount 2009
Lovene Dörr AB*	556038-1724	Gothenburg	100			
Star Möbelwerk GmbH*		Herford	99,95			
Nobia Interiör AB**	556039-2440	Tidaholm	100			
Swedoor Bauelementevertrieb Gmbh*		Herford	100			
Nobia Köksinvest AB**	556062-9502	Värnamo	100			
Myresjökök AB	556048-3256	Älmhult	100	30,000	92	77
Poggenpohl Möbelwerke GmbH		Herford	98,57		532	532
Poggenpohl Group UK Ltd		London	100			
Norman Glen Kitchens & Interiors Ltd		London	100			
Wigmore Street Kitchens Ltd		London	100			
Ultimate Kitchens (Pimlico) Ltd		London	100			
Poggenpohl Austria Gmbh		Vienna	100			
Poggenpohl France SARL Montesson		Montesson Cedex	100			
Poggenpohl Nederland BV		Veldhoven	100			
SA Poggenpohl Belgium NV*		Ghent	100			
Poggenpohl US Inc. Fairfield		Fairfield NJ	100			
Poggenpohl Group Schweiz AG		Littau	100			
Poggenpohl AB	556323-2551	Stockholm	100			
Poggenpohl A/S		Copenhagen	100			
Poggenpohl Japan Co Ltd		Tokyo	100			
Möbelwerkstätten Josef Ritter GmbH		Herford	100			
Poggenpohl Forum Gmbh		Herford	100			
Goldreif Möbelfabrik GmbH*		Herford	100			
WKF Wehdemer Komponentfertigung Gmbh*		Stemwede	100			
Optifit Jaka-Möbel GmbH		Stemwede	100			
Marlin Bad-Möbel GmbH		Stemwede	100			
Nobia Holding France SAS		Seclin	100			
Hygena Cuisines SAS		Seclin	100			
Hygena Cuisines Spain SAU		Barcelona	100			
Norema ASA Jevnaker		Jevnaker	100	20,000	154	154
Invita Køkkener A/S***		Bording	100	6,000,000	–	151
Invita Retail A/S		Ølgod	100			
Invita Köksstudio Malmö	556634-7497	Malmö	100			
Norema Försäljnings AB**	556236-4280	Stockholm	100	1,000	0	0
Nobia Beteiligungs-GmbH		Wels	100		2[1)]	2[1)]
Nobia Liegenschafts- und Anlagenverwaltungs-GmbH		Wels	100		1[1)]	1[1)]
EWE Küchen GmbH		Wels	100			
FM Küchen GmbH		Linz	100			
Other					8	6
Total					**1,245**	**1,379**

1) The company is 1-per cent-owned by Nobia AB and 99-per cent-owned by the subsidiary, Nobia Sverige AB. The details concern the 1-per cent holding.
* The company is dormant.
** The company is being liquidated.
*** The company was merged with Nobia Denmark A/S.

Note 18 Derivative instruments

SEK m	Group Carrying amount 2010	Group Fair value 2010	Parent Company Carrying amount 2010	Parent Company Fair value 2010
Forward agreements, transaction exposure – assets	8	8	–	–
Forward agreements, transaction exposure – liabilities	11	11	–	–
Total	**–3**	**–3**	**–**	**–**

Unrealised gains and losses totalling a net loss of SEK 1 million in shareholders' equity for forward agreements as per 31 December 2010 will be recognised in the income statement at different times within 12 months of the closing date. For information about forward agreements, see Note 2 Financial risks on page 51. Unrealised gains and losses totalling a net loss of SEK 4 million were reversed in the income statement in their entirety in 2010.

Note 19 Prepaid expenses and accrued income

SEK m	Group 2010	Group 2009	Parent Company 2010	Parent Company 2009
Prepaid rent	35	47	–	–
Bonus from supplier	55	66	4	9
Prepaid bank charges	17	2	–	–
Insurance policies	7	12	1	1
Accrued income from property sales and rental contracts	1	8	–	–
Other	67	133	1	15
Total	**182**	**268**	**6**	**25**

Note 20 Cash and cash equivalents

SEK m	Group 2010	Group 2009	Parent Company 2010	Parent Company 2009
Cash and bank balances	356	384	169	170

Unutilised credit facilities, which are not included in cash and cash equivalents, totalled SEK 391 million (512) in the Group, and SEK 312 million (412) in the Parent Company at year-end. In addition to the overdraft facilities, the company has unutilised credit commitments of SEK 1,554 million (3,554).

Note 21 Share capital

	No. of registered shares	No. of shares outstanding
As per 1 January 2009	**175,293,458**	**167,131,158**
As per 31 December 2009	**175,293,458**	**167,131,158**
As per 31 December 2010	**175,293,458**	**167,131,158**

The share capital amounts to SEK 58,430,237. The par value per share is SEK 0.33. All of the registered shares are fully paid. All shares are ordinary shares of the same type. Nobia owns 8,162,300 bought-back shares (8,162,300). Bought-back shares are not reserved for issue according to the option agreement or other sale.

Note 22 Reserves in shareholders' equity

A specification of changes in shareholders' equity is provided on pages 42 and 45.

SEK m	Translation reserve	Hedging reserve	Total
Opening balance, 1 January 2009	**101**	**45**	**146**
Exchange-rate differences attributable to translation of foreign operations	–77	–	–77
Cash-flow hedges, before tax	–	–68	–68
Tax attributable to change in hedging reserve for the year	–	19	19
Closing balance, 31 December 2009	**24**	**–4**	**20**
Opening balance, 1 January 2010	**24**	**–4**	**20**
Exchange-rate differences attributable to translation of foreign operations	–405	–	–405
Cash-flow hedges, before tax	–	4	4
Tax attributable to change in hedging reserve for the year	–	–1	–1
Closing balance, 31 December 2010	**–381**	**–1**	**–382**

Translation reserve
The translation reserve includes all exchange-rate differences arising in conjunction with the translation of financial statements from foreign operations that have prepared their financial statements in a different currency to the currency in which the consolidated financial statements are prepared. The Parent Company and Group present their financial statements in SEK.

Hedging reserve
The hedging reserve includes the effective portion of the accumulated net change in fair value of a cash-flow hedging instrument attributable to hedging transactions that have not yet occurred.

Note 23 Earnings per share

Earnings per share before dilution
Earnings per share before dilution are calculated by dividing profit attributable to the Parent Company's shareholders by the weighted average number of outstanding ordinary shares during the period.

	2010	2009
Profit attributable to Parent Company's shareholders, SEK m	–89	–79
Profit from continuing operations, SEK m	–54	–2
Profit from discontinued operations, SEK m	–35	–77
Weighted average number of outstanding ordinary shares before dilution	167,131,158	167,131,158
Earnings per share before dilution, SEK	–0.53	–0.47
Earnings per share before dilution, for continuing operations, SEK	–0.32	–0.01
Earnings per share before dilution, for discontinued operations, SEK	–0.21	–0.46

Earnings per share after dilution
To calculate earnings per share after dilution, the weighted average number of outstanding ordinary shares is adjusted for the dilution effect of all potential ordinary shares. These potential ordinary shares are attributable to the employee share options that were allotted to senior executives in 2007, 2008, 2009 and 2010. Refer also to Notes 4 and 21 on pages 54 and 63.

A dilution effect arises if the issue price is lower than the fair value of the ordinary shares. The dilution effect appears as the difference between the number of shares that option holders are entitled to subscribe for, and the number of shares valued at fair value and to which the subscription payment corresponds. The difference is treated as an issue of shares for which the company does not receive any payment.

At present, the options from the four share option schemes are not dilutive, but they may be in future. Three circumstances may prevail for the options not to result in any dilutive effect. The first circumstance is that the exercise price for the options exceeds the average share price during the part of the year when the options were outstanding. The second is that the earnings per share that have been achieved to date fail to fulfil the earnings conditions without the contribution of future profits. The third is that during an unprofitable year (earnings from continuing operations), Nobia will not be able to calculate dilution from options; the company will have to turn a profit before dilution can occur. If the effect of these circumstances ceases, the said schemes will become dilutive. At least one of these circumstances prevailed between 2008 and 2010, which is why no dilutive effect arose. The earnings targets for the 2007 scheme were not achieved and, accordingly, did not give rise to any dilutive effect.

	2010	2009
Weighted average number of outstanding ordinary shares	167,131,158	167,131,158
Employee share option scheme 2006, 2007, 2008, 2009, 2010	–	–
Weighted average number of outstanding ordinary shares after dilution	167,131,158	167,131,158
Earnings per share after dilution, SEK	–0.53	–0.47
Earnings per share after dilution, from continuing operations, SEK	–0.32	–0.01
Earnings per share after dilution, from discontinued operations, SEK	–0.21	–0.46

Note 24 Dividend per share

At the Annual General Meeting on 30 March 2011, the Board of Directors proposes that no dividend be paid for the 2010 fiscal year. During 2010, no dividend was paid for the 2009 fiscal year. SEK 0.4 million was paid to non-controlling interests in subsidiaries. No dividend was paid in 2009 for the 2008 fiscal year. SEK 0.3 million was paid to non-controlling interests in subsidiaries.

Note 25 Provisions for pensions

Defined-benefit pension plans, Group

Provisions for pensions, SEK m	**2010**	2009
Defined-benefit pension plans	587	656

There are several defined-benefit pension plans within the Group, whereby the employee's right to remuneration after termination of employment is based upon final salary and period of service. These plans are primarily found in the UK, Sweden, Norway and Germany.

Commitments for old-age pensions and family pensions for salaried employees in Sweden are secured on the basis of the FPG/PRI system and insurance primarily with Alecta. According to statement UFR 3 from the Swedish Financial Reporting Board, the insurance with Alecta is a multi-employer defined-benefit plan. Since the Group did not have access to information in the 2010 fiscal year that would make it possible to recognise this plan as a defined-benefit plan, ITP pension plans secured on the basis of insurance with Alecta have been recognised as defined-contribution plans. Fees for pension insurance with Alecta for the year amounted to SEK 2.0 million (2.1). On 31 December 2010, Alecta's surplus, which can be distributed between the policy holder and/or the persons insured in the form of the collective consolidation rate, amounted to 143 per cent (141 per cent in December 2009). The collective consolidation rate com-prises the market value of Alecta's assets as a percentage of the insurance commitments calculated in accordance with Alecta's actuarial calculation assumptions, which are not in agreement with IAS 19.

The amounts recognised in the consolidated balance sheet have been calculated as follows:

SEK m	**2010**	2009
Present value of funded obligations	1,978	2,060
Fair value of plan assets	–1,451	–1,462
	527	**598**
Present value of unfunded obligations	127	118
Unrecognised actuarial gains (+)/losses (–)	–67	–60
Net liability in balance sheet	**587**	**656**

The net liability for defined-benefit plans amounting to SEK 587 million (656) is recognised in its entirety in the "Provisions for pensions" item in the consolidated balance sheet. The breakdown of the net liability at year-end was as follows: UK 79 per cent, Sweden 11 per cent, Germany 8 per cent and Norway 2 per cent.

Changes in the defined-benefit pension commitments during the year were as follows:

SEK m	**2010**	2009
At beginning of the year	2,178	1,791
Costs for service during current year	9	25
Interest expense	113	112
Contributions from plan participants	–	3
Actuarial losses (+)/gains (–)	80	354
Exchange-rate differences	–179	26
Reclassification from defined-benefit to defined-contribution pension plans	–	–45
Benefits paid	–96	–88
Amount at year-end	**2,105**	**2,178**

The change in fair value of plan assets during the year was as follows:

SEK m	**2010**	2009
At beginning of the year	1,462	1,273
Expected return on plan assets	76	72
Actuarial losses (–)/gains (+)	68	81
Exchange-rate differences	–125	25
Employer contributions	59	89
Employee contributions	–	3
Benefits paid	–89	–81
Amount at year-end	**1,451**	**1,462**

The amounts recognised in the consolidated income statement are as follows:

SEK m	**2010**	2009
Costs for service during current year	12	24
Interest expense	113	112
Expected return on plan assets	–76	–72
Actuarial net losses recognised during the year	–1	–3
Gains at change in pension conditions[1)]	–	–42
Total pension costs	**48**	**19**

1) Pertains to change in pension conditions for defined-benefit to defined-contribution for new vesting in 2010 and onward in the British company Magnet.

Costs in the consolidated income statement are divided between the following items:

SEK m	**2010**	2009
Cost of goods sold	3	3
Selling expenses	3	4
Administrative expenses	5	–28
Net financial items	37	40
Total pension costs	**48**	**19**

The actual return on the plan assets of the pension plans amounted to SEK 155 million (167).

Principal actuarial assumptions on the closing date:

%	**2010**	2009
Discount rate	3.2–5.3	5.4–5.8
Expected return on plan assets	5.6–5.9	5.8–6.3
Future annual salary increases	2.9	4.5
Future annual pension increases	3.4	3.5

Life expectancy

The expected average number of years of life remaining after retirement at 65 years of age is as follows:

	2010	2009
On closing date		
Men	21.3	20.9
Women	24.4	23.7
20 years after closing date		
Men	22.6	21.3
Women	26.8	25

Plan assets comprise the following:

%	**2010**	2009
Shares	46	46
Interest-bearing securities	21	22
Other	33	32
	100	**100**

The expected return on plan assets was determined by taking into consideration the current level of expected return on risk-free investments, the historic estimated risk premium on the other assets encompassed by the investment policy in question and the estimate of expected future return for each type of asset. The expected return for each type of asset was weighted on the distribution of assets in the applicable investment policy.

Contributions to remuneration plans after employment has been completed are expected to amount to SEK 65 million (63) for the 2011 fiscal year.

SEK m	**2010**	2009	2008	2007	2006
Present value of defined-benefit commitments	2,105	2,178	1,791	2,250	2,442
Fair value of plan assets	1,451	1,462	1,273	1,668	1,704
Deficit/surplus	**654**	**716**	**518**	**582**	**738**
Experience-based adjustments of defined-benefit commitments	23	–89	0	0	233
Experience-based adjustments of plan assets	64	95	–280	–54	54

Total pension costs recognised in the consolidated income statement are as follows:

Pension costs, SEK m	**2010**	2009
Total costs for defined-benefit plans	12	24
Total costs for defined-contribution plans	146	147
Costs for special employer's contribution and tax on returns from pension	24	24
Total pension costs	**182**	**195**

Defined-benefit pension plans, Parent Company

Provisions for pensions, SEK m	**2010**	2009
Provisions in accordance with Pension Obligations Vesting Act, FPG/PRI pensions	8	7

The costs are recognised in the Parent Company's income statement as follows:

Defined-benefit plans, SEK m	**2010**	2009
Administrative expenses	3	2

The total pension cost recognised in the Parent Company's income statement is as follows:

Pension costs, SEK m	**2010**	2009
Total costs for defined-benefit plans	3	1
Total costs for defined-contribution plans	4	5
Costs for special employer's contribution and tax on returns from pension funds	1	1
Total pension costs	**8**	**7**

The Parent Company's pension liabilities are calculated at a discount rate of 3.8 per cent (3.8).

The assumptions are calculated based on the salary levels applicable on the closing date. No payment of defined-benefit pension plans in the Parent Company is expected in 2011.

Note 26 Deferred tax

The change in deferred tax assets/tax liabilities for the year, Group

SEK m	2010 Deferred tax assets	2010 Deferred tax liabilities	2010 Net	2009 Deferred tax assets	2009 Deferred tax liabilities	2009 Net
Opening balance	293	225	68	258	291	–33
Recognised in profit and loss	133	13	120	31	–37	68
Changes in forward agreements	0	–	0	2	–17	19
Reclassifications	13	13	0	–	–	–
Corporate acquisitions	–	–	–	–	1	–1
Divestment of companies	–	–8	8	–	–	–
Other changes[1]	–	–7	7	0	–4	4
Translation differences	–33	–25	–8	2	–9	11
Closing balance	**406**	**211**	**195**	**293**	**225**	**68**

The change in deferred tax assets/tax liabilities for the year
Deferred tax assets

	Defined-benefit pension plans	Other temporary differences	Loss carryforwards	Total
As per 1 January 2009	**174**	**66**	**18**	**258**
Recognised in profit for the year	–23	–8	62	31
Recognised in other comprehensive income	–	2	–	2
Reclassification	4	–4	–	0
Translation differences	4	–1	–1	2
As per 31 December 2009	**159**	**55**	**79**	**293**
Recognised in profit for the year	–11	27	117	133
Recognised in other comprehensive income	0	–	–	0
Reclassification	–	13	–	13
Other changes[1]	–	0	–	0
Translation differences	–12	–8	–13	–33
As per 31 December 2010	**136**	**87**	**183**	**406**

Deferred tax liabilities	Temporary differences in fixed assets	Other	Total
As per 1 January 2009	**235**	**56**	**291**
Recognised in profit for the year	4	–41	–37
Recognised in other comprehensive income	–	–17	–17
Reclassification	–6	6	0
Corporate acquisitions	1	–	1
Other changes[1]	1	–5	–4
Translation differences	–11	2	–9
As per 31 December 2009	**224**	**1**	**225**
Recognised in profit for the year	12	1	13
Recognised in other comprehensive income	0	–	0
Reclassification	3	10	13
Corporate acquisitions	–8	–	–8
Other changes[1]	–5	–2	–7
Translation differences	–27	2	–25
As per 31 December 2010	**199**	**12**	**211**

1) Other changes in 2010 pertain to items that were included in "Liabilities attributable to assets held for sales" in the preceding year but that have now been reclassified.

The change in loss carryforwards pertains primarily to France. Deferred tax assets at year-end were primarily attributable to France, Sweden and the US. The loss carryforward attributable to the US will expire in 2011 or later. The value of the loss carryforward for which a deferred tax asset is not recognised amounts to SEK 50 million (36) and is primarily attributable to Spain, Germany and the US. Of the loss carryforwards that have not been recognised, approximately SEK 7 million will expire in 2011, SEK 4 million in 2012, SEK 20 million in 2017 or later and SEK 19 million of the unrecognised loss carryforwards have no date of expiry.

Nobia does not recognise any deferred tax attributable to temporary differences relating to investments in subsidiaries or associated companies. Any future effects (withholding tax and other deferred tax for profit taking within the Group) are recognised when Nobia is no longer able to govern the reversal of such differences or when, for other reasons, it is no longer improbable that reversals will be made in the foreseeable future. These possible future effects are not deemed to have any relation to the overall amount of the temporary differences.

Note 27 Other provisions

SEK m	Unutilised tenancy rights	Dilapidations	Other long-term employee benefits	Structural costs	Other	Total
As per 1 January 2010	**57**	**15**	**60**	**39**	**3**	**174**
Expensed in the consolidated income statement						
– Additional provisions	34	8	7	264	6	319
– Reversed unutilised amounts	–	–	–	–	–	–
Reclassification	–2					–2
Utilised during the year	–24	–1	–2	–45	–1	–73
Translation differences	–5	–1	–8	–5	–1	–20
As per 31 December 2010	**60**	**21**	**57**	**253**	**7**	**398**

The additional provisions for restructuring costs primarily comprise personnel-related expenses of SEK 105 million and rent for premises of SEK 115 million. At year-end, provisions for personnel-related expenses totalled SEK 95 million and these will be charged to cash flow during 2011. The provision for rent for premises will impact cash flow between 2011 and 2015.

Note 28 Liabilities to credit institutions

	Group		Parent Company	
Maturity structure, SEK m	**2010**	2009	**2010**	2009
Within 1 year	–	–	–	–
Between 1 and 5 years	1,246	2,446	800	–
Longer than 5 years	–	–	–	–
Total	**1,246**	**2,446**	**800**	**–**

Note 29 Accrued expenses and deferred income

	Group		Parent Company	
SEK m	**2010**	2009	**2010**	2009
Bonuses to customers	110	110	–	–
Accrued salary-related costs	260	339	6	8
Accrued interest	5	1	3	–
Rents	43	48	–	–
Other	361	475	7	9
Total	**779**	**973**	**16**	**17**

Note 30 Financial assets and liabilities

Group 2010 SEK m	Derivatives used in hedge accounting	Accounts and loans receivable	Other liabilities	Total carrying amount	Fair value
Long-term interest-bearing receivables	–	10	–	10	10*
Other long-term receivables	–	52	–	52	52*
Accounts receivable	–	1,180	–	1,180	1,180*
Current interest-bearing receivables	–	1	–	1	1*
Other receivables	8	87	–	95	95*
Total	**8**	**1,330**	**–**	**1,338**	**1,338**
Long-term interest-bearing liabilities	–	–	1,247	1,247	1,241
Current interest-bearing liabilities	–	–	43	43	43*
Accounts payable	–	–	1,037	1,037	1,037*
Other liabilities	11	–	368	379	379*
Total	**11**	**–**	**2,695**	**2,706**	**2,700**
Unrecognised gains/losses	–	–	–	–	–

Group 2009 SEK m	Derivatives used in hedge accounting	Accounts and loans receivable	Other liabilities	Total carrying amount	Fair value
Long-term interest-bearing receivables	–	350	–	350	350*
Other long-term receivables	–	66	–	66	66*
Accounts receivable	–	1,441	–	1,441	1,441*
Current interest-bearing receivables	–	2	–	2	2*
Other receivables	7	125	–	132	132*
Total	**7**	**1,984**	**–**	**1,991**	**1,991**
Long-term interest-bearing liabilities	–	–	2,456	2,456	2,420
Current interest-bearing liabilities	–	–	50	50	50*
Accounts payable	–	–	1,189	1,189	1,189*
Other liabilities	12	–	420	432	432*
Total	**12**	**–**	**4,115**	**4,127**	**4,091**
Unrecognised gains/losses	–	–	–	–	–

* The carrying amount is considered to be an acceptable approximation of fair value. The effective interest rate of the receivables was very close to the market-based interest rate of the loans.

Exchange-rate gains and losses pertaining to the operations are recognised in operating income and operating expense in the net amount of negative SEK 26 million (pos: 12). Financial exchange-rate gains and losses are recognised in net financial items in the amount of negative SEK 13 million (pos: 13).

Parent Company 2010

SEK m	Accounts and loans receivable	Other liabilities	Total carrying amount	Fair value
Accounts receivable	2	–	2	2*
Other receivables	3,686	–	3,686	3,686*
Total	**3,688**	**–**	**3,688**	**3,688**
Current interest-bearing liabilities	–	779	779	779*
Accounts payable	–	11	11	11*
Other liabilities	–	1	1	1*
Total	**–**	**791**	**791**	**791**
Unrecognised gains/losses	–	–	–	–

Parent Company 2009

SEK m	Accounts and loans receivable	Other liabilities	Total carrying amount	Fair value
Accounts receivable	3	–	3	3*
Other receivables	2,432	–	2,432	2,432*
Total	**2,435**	**–**	**2,435**	**2,435**
Current interest-bearing liabilities	–	562	562	562*
Accounts payable	–	5	5	5*
Other liabilities	–	4	4	4*
Total	**–**	**571**	**571**	**571**
Unrecognised gains/losses	–	–	–	–

* The carrying amount is deemed to be an acceptable approximation of the fair value. The effective interest rate of the receivables was every close to the market-based interest rate of the loans.

Determination of fair value of financial instruments
Level 1 according to prices listed in an active market for the same instrument.
Level 2 based directly or indirectly on observable market information not included in Level 1.
Level 3 based on input that is not observable in the market.

Nobia has only financial instruments that are measured at fair value in accordance with level 2, meaning based directly or indirectly on observable market information. These instruments comprise derivative instruments amounting to SEK 8 million (7) in assets and SEK 11 million (12) in liabilities.

Note 31 Pledged assets

SEK m	Group 2010	Group 2009	Parent Company 2010	Parent Company 2009
For liabilities to credit institutions				
Floating charges	–	–	–	–
Endowment insurance	4	2	4	2
Property mortgage	–	–	–	–
Total pledged assets	**4**	**2**	**4**	**2**

Note 32 Contingent liabilities and commitments

The Group has contingent liabilities pertaining to sub-contractor guarantees, pension liabilities, bank guarantees for loans and other guarantees and other considerations that arise in normal commercial operations. No significant liabilities are expected to arise through these contingent liabilities. Based on the company's assessment, no provision has been posted for ongoing tax cases. The amounts involved are not considered to have any significant effect on the company's results or financial position.

In their normal business activities, the Group and the Parent Company have posted the following guarantees and contingent liabilities:

SEK m	Group 2010	Group 2009	Parent Company 2010	Parent Company 2009
Securities for pension commitments	1	1	12	11
Other contingent liabilities	187	258	666	2,687
Total	**188**	**259**	**678**	**2,698**

Note 33 Corporate acquisitions

No acquisitions took place in 2010. The acquisition analysis for 2009 pertains to the seven companies with eight stores that were acquired in Denmark. In 2010, the fair-value costs were finally determined, which meant that goodwill rose by SEK 1 million.

Acquired net assets and goodwill, SEK m	**2010**	2009
Purchase consideration, including costs	–	63
Fair value of acquired net assets	–	–39
Goodwill	**–**	**24**

Goodwill is attributable to synergies expected to be achieved through additional co-ordination of the product offering, in the customer-service organisation and in distribution.

Assets and liabilities included in the acquisition, SEK m	2010 Fair value	2010 Acquired carrying amount	2009 Fair value	2009 Acquired carrying amount
Cash and cash equivalents	–	–	–1	–1
Tangible fixed assets	–	–	25	25
Intangible fixed assets	–	–	7	3
Inventories	–	–	7	7
Receivables	–	–	43	43
Liabilities	–	–	–34	–34
Financial liabilities	–	–	–5	–5
Taxes, net	–	–	–2	–2
Deferred tax, net	–	–	–1	1
Acquired net assets	**–**	**–**	**39**	**36**

SEK m	2010	2009
Purchase consideration settled in cash	–	63
Additional purchase consideration	–	–
Cash and cash equivalents in acquired subsidiaries	–	1
Change in the Group's cash and cash equivalents in conjunction with acquisitions	**–**	**64**

Note 34 Discontinued operations

In 2008 and 2009, Nobia acquired a total of ten stores from franchise holders in Denmark with the intention of subsequently selling on. Two of these stores were subsequently sold on in 2009. An additional five stores were acquired in 2010 and four were sold on. At year-end 2010, Nobia owned a total of nine stores that are recognised as discontinued operations and disposal groups held for sale in accordance with IFRS 5. These stores are recognised in the Nordic region operating segment.

In 2009, Nobia divested its window production in the UK. The earnings from operations and earnings from divestment of discontinued operations are recognised in the UK region operating segment.

Profit from discontinued operations	Group	
SEK m	**2010**	2009
Loss from business activities of discontinued operations		
Income	98	183
Expenses	–137	–227
Loss before tax	–39	–44
Tax	6	12
Loss after tax	–33	–32
Loss from remeasurement to fair value after deductions for selling expenses		
Loss from remeasurement to fair value after deductions for selling expenses attributable to discontinued operations before tax	–17	–6
Tax attributable to aforementioned remeasurement	4	0
Loss in conjunction with remeasurement after tax	–13	–6
Profit/loss in conjunction with divestment of discontinued operations		
Capital gains/losses in conjunction with divestment of discontinued operations	11	–47
Tax attributable to aforementioned capital gains/losses	0	8
Profit/loss from divestment after tax	11	–39
Total loss from discontinued operations after tax	**–35**	**–77**
Loss per share from divested operations		
before dilution (SEK)	–0.21	–0.46
after dilution (SEK)	–0.21	–0.46

The loss from discontinued operations of SEK 35 million (loss: 77) is attributable to the Parent Company's owners. Of the loss of SEK 54 million (loss: 2) from continuing operations, the loss of SEK 54 million (loss: 2) is attributable to the Parent Company's owners.

Net cash flow from discontinued operations	2010
Cash flow from operating activities	15
Cash flow from investing activities	–8
Cash flow from financing activities	0
Net cash flow from discontinued operations	7

Note 35 Fixed assets held for sale

Nobia intends to divest a production property in Denmark and a production property in Sweden in 2011. These properties are recognised in accordance with IFRS 5 under "Assets held for sale," which is also where the assets and liabilities of the nine stores that Nobia acquired in 2008–2010 with the intention of selling on are recognised, refer also to Note 34.

	Group
SEK m	**2010**
Assets held for sale	
Divestment group for sale:	
Tangible fixed assets	64
Inventories	1
Accounts receivable and other receivables	7
	72

Liabilities classified as led for sale	2010
Divestment group for sale:	
Accounts payable and other liabilities	11
	11

Note 36 Related-party transactions

No sales of goods were made to and no purchases of goods were made from the Parent Company to other Group companies during the year. Group-wide services are invoiced to subsidiaries. A specification of subsidiaries is presented in Note 17 on page 61.

Following the divestment of the 50-per-cent holding in the joint venture Culinoma AG, the Group no longer has any associated companies. Accordingly, sales of goods during the year amounted to SEK 0 million (106). The closing balance at year-end amounted to SEK 0 million (10), refer also to Note 16 on page 60.

Remuneration was paid to senior executives during the year; refer also to Note 4, on page 54.

Note 37 Average number of employees

Subsidiaries in:	2010 Average no. of employees	2010 Of whom, men	2009 Average no. of employees	2009 Of whom, men
Sweden	790	615	702	631
Denmark	1,271	902	1,263	833
Norway	286	121	311	142
Finland	428	303	368	260
Germany	623	468	942	750
Austria	478	392	442	363
UK	2,573	1,997	2,769	2,173
France	1,049	512	990	523
US	59	26	62	28
Switzerland	32	25	33	26
Poland	24	24	31	31
The Netherlands	2	2	2	2
Spain	9	2	12	5
Japan	3	1	3	3
Group	**7,627**	**5,390**	**7,930**	**5,770**
Of which, Parent Company	16	11	13	8

	2010		2009	
	Number on closing date	Of whom, men, %	Number on closing date	Of whom, men, %
Board members	68	84	81	77
President and other senior executives	80	86	98	85
Group	**148**	**85**	**179**	**80**

Several people are members of more than one of the subsidiaries' Boards of Directors or management groups.

	2010		2009	
	Number on closing date	Of whom, men, %	Number on closing date	Of whom, men, %
Board members	13	77	13	77
President and other senior executives	15	93	11	82
Parent Company	**28**	**86**	**24**	**83**

Note 38 Events after closing date

With the aim of clarifying and simplifying its lines of decision-making, a new organisation was introduced on 22 January 2011.

The reorganisation implies that the employees who previously reported to the then vacant position of Chief Commercial Officer, CCO, and Chief Operations Officer, COO, will instead report directly to the Chief Executive Officer.

A revised Group management team was appointed, effective from 1 March 2011, refer to page 34.

The organisational changes are in line with the geographic regions and the divisions between the operations and commercial units.

The Board of Directors and President verify that the Annual Report has been compiled in compliance with generally accepted accounting policies in Sweden, and the consolidated financial statements with the international accounting standards, referred to in the European Parliament's and Council of Europe's Regulation (EC) No.1606/2002 dated 19 July 2002 regarding the application of international accounting standards. The Annual Report and the consolidated financial statements provide a true and fair view of the Parent Company's and the Group's financial position and earnings. The Reports of the Board of Directors for both the Group and the Parent Company provide a fair overview of the Group's and the Parent Company's operations, financial positions and earnings and describe the significant risks and uncertainties facing the Parent Company and the companies included in the Group.

The consolidated income statement and balance sheet will be presented to the Annual General Meeting for adoption on 30 March 2011.

Stockholm, 9 March 2011

Hans Larsson
Chairman

Johan Molin
Vice Chairman

Stefan Dahlbo

Bodil Eriksson

Thore Ohlsson

Fredrik Palmstierna

Rolf Eriksen

Lotta Stalin

Morten Falkenberg
President

Per Bergström
Employee representative

Olof Harrius
Employee representative

Our Audit Report was submitted on 9 March 2011

KPMG AB

Helene Willberg
Authorised Public Accountant

Audit Report

To the Annual General Meeting of Nobia AB (publ)
Corporate Registration Number 556528-2752

We have audited the annual accounts, the consolidated financial statements, the accounting records and the administration of the Board of Directors and the President of Nobia AB (publ) for the year 2010. The company's annual accounts are included in the printed version of this document on pages 6–70. The Board of Directors and the President are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRS as adopted by the EU and the Annual Accounts Act when preparing the consolidated financial statements. Our responsibility is to express an opinion on the annual accounts, the consolidated financial statements and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting policies used and their application by the Board of Directors and the President and significant estimates made by the Board of Directors and the President when preparing the annual accounts and consolidated financial statements as well as evaluating the overall presentation of information in the annual accounts and the consolidated financial statements. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting policies in Sweden. The consolidated financial statements have been prepared in accordance with international financial reporting standards IFRS as adopted by the EU and the Annual Accounts Act and give a true and fair view of the Group's financial position and results of operations. A Corporate Governance Report has been prepared. The Board of Directors' Report and the Corporate Governance Report are consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statement and balance sheets of the Parent Company and the Group be adopted, that the profit of the Parent Company be dealt with in accordance with the proposal in the Board of Directors' Report and that the members of the Board of Directors and the President be discharged from liability for the fiscal year.

Stockholm, 9 March 2011
KPMG AB

Helene Willberg
Authorised Public Accountant

Five-year summary

SEK m	**2010**	2009	2008[3]	2007[2]	2006
Income statement					
Net sales	14,085	15,418	15,991	16,134	15,590
Change in per cent	–9	–4	–1	3	25
Gross profit	5,345	5,442	5,830	5,889	6,065
Operating profit	6	38	915	1,353	1,327
Financial income	18	41	50	23	17
Financial expenses	–103	–116	–213	–129	–134
Profit/loss after financial items	**–79**	**–37**	**752**	**1,247**	**1,210**
Tax on net profit for the year	25	35	–216	–289	–345
Profit/loss from continuing operations	–54	–2	536	958	865
Loss from discontinued operations, net after tax	–35	–77	–7	–	–
Net profit/loss for the year	**–89**	**–79**	**529**	**958**	**865**
Net profit/loss for the year attributable to:					
Parent Company shareholders	–89	–79	529	958	864
Minority interests	0	0	0	0	1
Net profit/loss for the year	**–89**	**–79**	**529**	**958**	**865**
Balance sheet					
Fixed assets	5,586	6,899	7,356	6,527	6,011
Inventories	971	1,212	1,465	1,480	1,356
Current receivables	1,501	1,886	2,101	2,013	2,028
Cash and cash equivalents	356	384	332	270	229
Assets held for sale	72	75	43	–	–
Total assets	**8,486**	**10,456**	**11,297**	**10,290**	**9,624**
Shareholders' equity	3,441	3,928	4,148	4,150	3,727
Non-controlling interest	5	6	6	6	7
Non-interest-bearing liabilities	3,152	3,320	3,221	3,424	3,160
Interest-bearing liabilities	1,877	3,162	3,887	2,710	2,730
Liabilities attributable to assets held for sale	11	40	35	–	–
Total shareholders' equity and liabilities	**8,486**	**10,456**	**11,297**	**10,290**	**9,624**
Net debt including pensions	1,510	2,426	3,181	2,224	2,460
Capital employed	5,323	7,095	8,042	6,866	6,464
Key figures					
Gross margin	37.9	35.3	36.5	36.5	38.9
Operating margin, %	0	0.2	5.7	8.4	8.5
Operating profit before depreciation/amortisation (EBITDA)	550	640	1,394	1,790	1,745
Operating margin before depreciation/amortisation, %	3.9	4.2	8.7	11.1	11.2
Profit/loss after financial items as a percentage of net sales	–0.6	–0.2	4.7	7.7	7.8
Turnover rate of capital employed, multiple	2.6	2.2	2.0	2.3	2.4
Return on capital employed, %	0.4	1.0	12.6	20.6	20.9
Return on shareholders' equity, %	–2.4	–1.9	13.2	25.0	25.4
Debt/equity ratio, %	44	62	77	54	66
Equity/assets ratio, %	41	38	37	40	39
Cash flow from operating activities	963	1,061	804	1,410	1,300
Investments	347	346	733	678	532
Earnings per share after dilution	–0.53	–0.47	3.13	5.50	4.93[1]
Dividend per share, SEK	0[4]	0	0	2.50	2.00
Personnel					
Average no. of employees	7,627	7,930	8,682	8,526	7,968
Net sales per employee, SEK 000s	1,741	1,858	1,803	1,849	1,957
Salaries and other remuneration	2,626	2,994	3,024	2,783	2,591

1) 2006 was adjusted for the 3:1 split approved at the 2007 Annual General Meeting.
2) 2007 was adjusted for changed accounting policy of conditional discounts.
3) The full-year 2008 was adjusted for changed accounting policy regarding recognition of expenses.
4) In accordance with the Board's proposal.

2011 Annual General Meeting

The shareholders of Nobia AB (publ) are invited to the Annual General Meeting on Wednesday, 30 March 2011 at 5:00 p.m. at Summit, Grev Turegatan 30, Stockholm.

Right to participate in the Annual General Meeting

Shareholders who wish to participate in the Annual General Meeting must:

- *Firstly* be included in the shareholders' register maintained by Euroclear Sweden AB as of Thursday, 24 March 2011, and,
- *Secondly* notify the company of their participation not later than 4:00 p.m. on Thursday, 24 March 2011.

Notification of attendance

Notification of attendance at the Annual General Meeting may be made:

- by e-mail to lisa.ahnberg@nobia.com
- by telephone at +46 8 440 16 00
- by fax at +46 8 503 826 49
- by mail to Nobia AB, Box 70376, SE-107 24 Stockholm, Sweden

This notification shall state:

- the shareholder's name
- personal identity number/corporate registration number
- address and daytime telephone number
- shareholding
- information about any assistants (not more than two assistants) and information on any representatives who may accompany the shareholder to the Meeting

When applicable, complete authorisation documents, such as registration certificates, shall be appended.

Proxy

Shareholders represented by proxy shall issue a written power of attorney for the proxy. If the power of attorney is issued on behalf of a legal entity, a certified copy of a registration certificate or corresponding document ("certificate") for the legal entity shall be appended to the notification of attendance. The power of attorney and certificate may not be more than one year old. However, the power of attorney may have a maximum period of validity of five years if this is specifically stated. The power of attorney in original and, where applicable, the certificate, should be sent by post to the company at the address stated above in good time prior to the Annual General Meeting. Power of attorney forms are available from the company's website, www.nobia.com, and are sent to shareholders who have submitted a request for such a form and provided their postal address.

Nominee shares

Shareholders whose shares have been registered with a nominee must, through the bank or securities broker administering the shares, temporarily re-register their shares in their own names with Euroclear Sweden AB in order to be entitled to participate in the Annual General Meeting. Such re-registration must have been completed not later than Thursday, 24 March 2011. A request for re-registration must be made well in advance of this date.

Dividend

The Board of Directors proposes that no dividend be paid for the 2010 fiscal year.

Distribution policy

The Nobia Annual Report is published in English and Swedish, and both versions are available for download from the Group's website, www.nobia.com.

Printed versions of the Annual Report are sent to shareholders and other stakeholders who have expressly requested such a version.

Definitions

Capital employed
Balance-sheet total less non-interest-bearing provisions and liabilities.

Currency effects
"Translation effects" refers to the currency effects arising when foreign results and balance sheets are translated to SEK.
"Transaction effects" refers to the currency effects arsing when purchases or sales are made in currency other than the currency of the producing country (functional currency).

Debt/equity ratio
Net debt as a percentage of shareholders' equity.

Earnings per share
Net profit for the year divided by a weighted average number of shares during the year.

EBITDA
Earnings before depreciation/amortisation and impairment losses.

Gross margin
Gross profit as a percentage of net sales.

Net debt
Interest-bearing liabilities less interest-bearing assets. Interest-bearing provisions includes pension liabilities.

Operating cash flow
Cash flow from operating activities including cash flow from investing activities, excluding cash flow from acquisitions/divestments of subsidiaries.

Operating margin
Operating profit as a percentage of net sales.

Region
A region comprises an operating segment in accordance with IFRS 8.

Return on capital employed
Profit after financial income as a percentage of average capital employed. The calculation of average capital employed has been adjusted for acquisitions and divestments.

Return on shareholders' equity
Net profit for the year as a percentage of average shareholders' equity. The calculation of average shareholders' equity has been adjusted for capital increases and reductions.

Financial information 2011

30 March	Annual General Meeting
28 April	Interim Report January–March
26 May	Capital Market Day
19 July	Interim Report January–June
27 October	Interim Report January–September

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