ANNUAL REPORT **2012**

nobia

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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 2012 fiscal year.

The kitchen on the front cover is called Concept and is sold at HTH.

Photos: Mats Lundqvist and Lena Modigh/Johnér. Other photos are Nobia's own.

FURTHER INFORMATION

More information about Nobia is available at www.nobia.com or by contacting Investor Relations on +46 8 440 16 00 or e-mail: ir@nobia.com

FINANCIAL CALENDAR 2013

11 April	Annual General Meeting
30 April	Interim report January–March
19 July	Interim report January–June
25 October	Interim report January–September

2012 IN BRIEF

Nobia's net sales for 2012 amounted to SEK 12,343 million (13,114). Organic growth totalled negative 5 per cent (neg: 2). Operating profit excluding restructuring costs of net SEK 839 million (334) amounted to SEK 565 million (518). Loss after tax amounted to SEK 543 million (profit: 69). Operating cash flow amounted to 237 million (9). The Board proposes a dividend of SEK 0.50 per share to the Annual General Meeting.

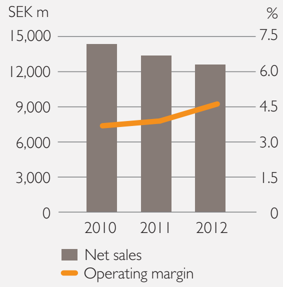
KEY EVENTS IN 2012

- Nobia took major steps towards higher efficiency, greater co-ordination and lower costs. Margins were strengthened and implemented cost-savings programmes are generating annual savings of about SEK 250 million from 2013.
- All of Nobia's markets weakened. In the UK, the kitchen market declined for the fifth consecutive year. Nobia's sales in the UK were also negatively impacted by the bankruptcy of the window supplier Oakworth Joinery.
- The refurbishment programme in the Hygena chain was completed. Accordingly, 118 of a total of 126 French stores have been refurbished under the programme. Due to the general negative trend in the French economy, goodwill and deferred tax assets pertaining to Hygena were impaired in the fourth quarter. The goodwill impairment for Hygena of SEK 492 million was added to restructuring costs in this Annual Report.
- As part of the measures to reduce complexity in the Group, a joint range was gradually introduced at Nobia's various business units. At year-end, more than 90 per cent of the range had been introduced to the retail chain in the markets in France, UK and Scandinavia.
- Work on creating a more efficient production structure continued. Manufacturing in Älmhult was transferred to the facility in Tidaholm. Nobia also initiated the relocation of the manufacturing of products sold under the Hygena brand from Stemwede in Germany to the company's production units in the UK.

KEY FIGURES	2011	**2012**	Change, %
Net sales, SEK m	13,114	12,343	–6
Gross margin, %	39.1	40.3	–
Operating margin before depreciation and impairment losses, % (EBITDA)	7.0	7.8	–
Operating profit, SEK m (EBIT)	518	565	9
Operating margin, %	3.9	4.6	–
Profit after financial items, SEK m	435	472	9
Profit/loss after tax, SEK m	69	–543	–
Earnings/loss per share after dilution, SEK	0.42	–3.25	–
Operating cash flow, SEK m	9	237	–
Return on capital employed, %	3.6	–5.4	–
Return on shareholders' equity, %	2.0	–17.0	–
Number of employees at year-end	7,430	7,187	–3

All figures except net sales, profit/loss after tax, earnings/loss per share, operating cash flow, return on capital employed and return on shareholders' equity have been adjusted for restructuring costs. Goodwill impairment in Hygena of SEK 492 million has been added to restructuring costs in this Annual Report. Impairment of deferred tax assets of SEK 49 million impacted profit/loss after tax, earnings/loss per share, return on capital employed and return on shareholders' equity.

NET SALES AND OPERATING MARGIN

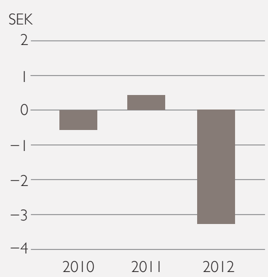


Net sales amounted to SEK 12,343 million. The operating margin was 4.6 per cent (3.9).

PROFITABILITY TREND

Return on capital employed amounted to negative 5.4 per cent and return on shareholders' equity was negative 17.0 per cent.

EARNINGS/LOSS PER SHARE



Loss per share amounted to SEK 3.25 in 2012.

EUROPE'S LEADING KITCHEN SPECIALIST

Nobia is focused on developing, manufacturing and selling complete kitchen solutions. Our customers know us under strong, local brands, such as Magnet, Hygena, HTH, Marbodal, Sigdal, Petra, ewe, unoform and Poggenpohl. The Group produces about 140,000 cabinets every week and meets kitchen consumers in many countries in more than 600 stores, among other channels. This makes Nobia Europe's leading kitchen specialist.

Focus on kitchens

Nobia was founded in 1996 from a division of what is now Stora Enso, and the focus was immediately directed to kitchens. Over its first decade as an independent company, Nobia expanded to new markets through a number of acquisitions. Profitability fell sharply in 2008 and 2009 and since 2010 Nobia has been undergoing a process of change aimed at better capitalising on economies of scale thus increasing profitability. The focus on kitchens means that Nobia can leverage joint know-how – across business units and countries – and become the leader in the European kitchen industry.

Business concept

Nobia offers attractive kitchen solutions through a number of strong brands. The company creates value for its customers by offering a high level of functionality and design in both complete kitchen solutions and individual products, and through such services as professional advice, customised deliveries and installation. Nobia supplies high-quality kitchens in various price segments. An efficient production structure is in place behind the scenes which capitalises on economies of scale.

Vision

Our aim is to inspire people to realise their kitchen dreams. Based on consumer insight, we produce smart and attractive kitchen solutions. No matter what a consumer's dream kitchen looks like, we will have a solution suitable for you. We help customers realise their dreams and invest in kitchens that they enjoy.

Nobia in brief

Nobia is Europe's leading kitchen specialist. The operation consists of developing, manufacturing and selling kitchens through some twenty strong brands, as well as manufacturing under private label. The focus on kitchens allows us to leverage the expertise of our business units throughout the value chain.

Nobia is organised into three geographic regions – the UK, Nordic and Continental Europe regions. Sales are conducted directly to consumers through a network of more than 600 own and franchise stores, and to professional customers in retail and new-builds.

Net sales in 2012 amounted to approximately SEK 12 billion. Nobia has a total of about 7,200 employees mainly in eight European countries. The head office is located in Stockholm and the Nobia share has been listed on the NASDAQ OMX Stockholm since 2002.

OUR AIM:
YOUR KITCHEN DREAM

This Annual Report will introduce you to some of Nobia's employees who have made their kitchen dreams into reality. Many of our employees are passionate about kitchens. The employees featured in the Annual Report share their thoughts on the role of the kitchen in their homes and you can meet them on pages 14, 24 and 32. They come from different countries and work in different professions, but have all chosen a kitchen solution from Nobia. In this image you can see Sofia Niedomysl Enlund, Group accounting, with her daughters.

MY *kitchen dream*

WE ARE LAYING THE FOUNDATION FOR A STRONG KITCHEN GROUP

It is fair to say that the market was not quite Nobia's friend in 2012, as can clearly be seen in the first line of the income statement. Net sales have fallen by more than SEK 1.7 billion since 2010. With such a decline in sales, it has been a challenged to deliver a significantly improved operating margin.

When we released the 2011 Year-end Report, a series of strategic initiatives had been carried out and a second savings programme introduced. We predicted that the market would remain challenging and we focused our efforts on internal improvements and planned for them to lead to successive profitability improvements. Now, one year on, we have implemented a number of efficiency enhancements and have thus been able to deliver an improved operating margin, despite a weak market performance.

Unchanged strategy

Our strategy is working and we will continue to carry out all strategic initiatives identified last year. We are creating a strong kitchen Group with the vision of becoming the leading and most profitable kitchen specialist that inspires and realises kitchen dreams on the basis of a world-class customer experience. The starting point of our strategy activities was the Group's strengths and weaknesses and we performed a thorough analysis of contributions of all of the units to the overall business. We saw that higher profitability could be achieved if the correct areas were prioritised. Specific initiatives were formulated based on local and Group-wide requirements, and were grouped under the themes of Growth and Efficiency.

We are working to develop our sales channels, distinguish our product range and brands and simplify the purchasing process for our customers. We are expanding co-ordination within sourcing to create economies of scale. By harmonising the product range and with co-ordinated sourcing and more efficient production and logistics we are developing a more efficient value chain.

The past year

The kitchen market weakened in 2012 in all regions and sales fell 5 per cent organically. In the UK, sales were negatively affected by the bankruptcy of our window supplier Oakworth Joinery. To counteract lower consumer demand, Magnet expanded its customer base to include professional building contractors and HTH developed its project sales for the renovation of social housing in Denmark. Generally, the Nordic markets were relatively favourable, with Norway in particular reporting a positive performance again in 2012. The operations in Finland and Sweden posted healthy results, although project sales in particular fell slightly towards the end of the year. In Continental Europe, Austria continued to post strong earnings and both Poggenpohl and Hygena displayed a clear improvement, albeit from unsatisfactory levels.

Operating profit excluding restructuring costs amounted to SEK 565 million, up 9 per cent compared with the preceding year. The operating margin improved to 4.6 per cent, compared with 3.9 per cent in 2011. The company's financial position remains healthy and the Board proposes a dividend of SEK 0.50.

Improved cost efficiency

An important reason for the improvement in earnings despite the weak markets is the far-reaching cost-savings programmes that have been conducted since the end of 2010. These programmes have resulted in, for example, some 1,000 employees leaving the Group and accumulated annual savings of approximately SEK 250 million from 2013. No similarly extensive savings programmes are currently planned, but we are continuing to proactively adjust the cost level to prevailing market conditions.

Other efficiency measures that are starting to generate effects are based on the harmonisation of the product range, which enables the co-ordination of the Group's sourcing. The Group-wide range was introduced to all sales channels in France, the UK and Scandinavia during the year. Higher sales volumes of the Group-wide range will result in the realisation of continued efficiency gains in coming years.

We also took steps in advancing toward a competitive manufacturing structure. The Nordic region is one of our regions that has progressed the most in terms of large-scale manufacturing and production efficiency. The co-ordination of the Swedish production operations was completed when the manufacturing unit in Älmhult was relocated to the now brand-independent production facility in Tidaholm.

Another production measure is the relocation of the production of the Hygena range that has been initiated from Stemwede in Germany to the Group's production facilities in the UK. The relocation is in line with the strategy of focusing on larger and thus more efficient plants. A preliminary agreement has been reached regarding the sale of the remaining operations in Stemwede to the management team of Optifit Group. In total, these measures are expected to have an annual positive contribution of about SEK 25 million per year on Nobia's earnings and result in lower net sales of about SEK 380 million per year.

Growth initiatives

When I became President more than two years ago, our French chain of stores, Hygena, was suffering from rather acute problems, with run-down stores, parts of the product range that were out of date, high personnel turnover and falling sales and earnings. Following a trial under which around ten stores were renovated with positive results, a decision was made to invest about SEK 250 million in an ambitious renovation programme. Allowing the negative trend to continue was never an option and it was essential to make these investments. The renovation programme was completed in 2012,

Improved margins, despite a weak market trend, show that our strategy is working.

except for a few stores that will be relocated or closed, and has led to improved sales and increased shares. The impairment of goodwill and deferred tax assets in the fourth quarter should be viewed in the light of the general downturn in the French economy. Hygena now has a strong platform and every possibility to perform well in the French market going forward.

I am proud to state that every single day we are advancing towards a standardised Nobia. Key Group-wide structures have been put in place, such as a joint process for product development and an intranet that enables all Group employees to share news and knowledge. Meanwhile, a centrally run project on front-end excellence has resulted in joint store guidelines. We are also developing the Group's sustainability efforts and important work on values is being conducted in the organisation in the spring to implement Nobia's updated Code of Conduct.

Continued change work

In 2013, we will continue to optimise the use of Nobia's assets, under the watchwords of growth and efficiency throughout the value chain. We will launch new digital solutions and introduce new elements to the product range to generate growth.

No other player in the fragmented kitchen industry can match Nobia's size or ability to capitalise on synergy effects. As a leading kitchen specialist, we have the strength to develop the most efficient processes whether they be found in development, sales or the manufacturing of kitchens. Our strong brands, our stores and production apparatus mean that we can leverage the structural changes implemented. Accordingly, I am convinced that the operating-margin target of 10 per cent will be achieved once demand in Europe's kitchen markets increases.

I would like to thank all of our employees, customers and shareholders for an exciting 2012. We are now laying the foundation for a strong kitchen Group with the best possible position for the future.

Morten Falkenberg
President and CEO

FINANCIAL TARGETS

Nobia's operations are steered towards three financial targets that aim to generate favourable returns for shareholders and long-term value growth.

Profitability

Nobia's operating margin (EBIT margin) is to amount to at least 10 per cent over a business cycle. This target is realised through the strategy described in greater detail on pages 8–13. Furthermore, Nobia aims at organic growth that is 2–3 per cent higher than market growth and, in the long term, also growth through acquisitions.

Financing

The debt/equity ratio (net debt/shareholders' equity) shall not exceed 100 per cent. A temporary elevation of the debt/equity ratio is acceptable in conjunction with acquisitions.

Dividends

Dividends to shareholders shall on average comprise at least 30 per cent of net profit after tax. When decisions about the amount of the dividend are made, the company's capital structure is to be taken into consideration.

KEY FIGURES

SALES GROWTH, %	2008	2009	2010	2011	2012
Organic change	0	–10	0	–2	–5
Acquisitions, divestments and currency	–1	6	–9	–5	0
Total growth	**–1**	**–4**	**–9**	**–7**	**–6**
Average annual growth*	–1	–2	–4	–5	–5

* Calculated during the period 2007–2012.

Comments on the development

Nobia's sales are impacted by demand and competition in the European kitchen markets. Market performance has been weak in recent years. In 2012, sales fell 5 per cent organically.

OPERATING MARGIN EXCLUDING RESTRUCTURING COSTS, %	2008	2009	2010	2011	2012
UK	5.6	4.2	6.3	5.0	4.5
Nordic	8.5	3.6	6.5	8.8	10.5
Continental Europe	4.8	0.6	–0.9	–2.1	–0.3
Group total	**5.8**	**2.2**	**3.7**	**3.9**	**4.6**

The operating margin target has never been achieved, although the margin peaked at 8.5 per cent in 2006. The aim of Nobia's strategy is to improve profitability by capitalising on economies of scale. The operating margin has improved in recent years and amounted to 4.6 per cent in 2012.

INDEBTEDNESS AND CASH FLOW	2008	2009	2010	2011	2012
Net debt, SEK m	3,181	2,426	1,510	1,586	1,417
Operating cash flow, SEK m	163	803	641	9	237
Equity/assets ratio, %	37	38	41	42	40
Debt/equity ratio, %	77	62	44	45	49

Nobia has a solid financial position. Net debt amounted to SEK 1,417 million, of which SEK 529 million pertains to pension liabilities. Operating cash flow in 2012 was positively affected by higher earnings generation, a positive change in working capital and lower investment level.

DIVIDENDS TO SHAREHOLDERS, %	2008	2009	2010	2011	2012
Earnings/loss per share, SEK	3.13	–0.47	–0.53	0.42	–3.25
Dividend per share, SEK	0	0	0	0	0,50*

* Board proposal.

For 2012, the Board of Directors proposes a dividend of SEK 0.50 per share to the Annual General Meeting. No dividend was paid for 2008–2011. Prior to these years, the average dividend ratio was 37 per cent of net profit after tax.

Hygena Fantasy

STRATEGY FOR A STRONG NOBIA

Nobia endeavours to fulfil the company's vision – to become the leading and most profitable kitchen specialist that inspires and realises kitchen dreams. This is a long-term focus that sets the tone for the Group's operations.

Nobia has been undergoing a change process since the end of 2010, with the overall objective of achieving an operating margin of more than 10 per cent. To success in this effort, the Group must improve at capitalising on economies of scale and synergy effects and strengthen its sales channels and develop its customer offering. These strategic initiatives can be summarised under the headings of Efficiency and Growth, depending on whether they are efficiency-enhancing measures or aimed at increasing sales.

In recent years, the focus has been targeted on efficiency-enhancing measures – adjusting the cost level of the business to the market situation and increasing internal co-ordination, primarily in sourcing and production. Extensive cost savings resulted in substantial personnel reductions in all business units and functions. A Group-wide range has been developed and introduced to the retail chain in large parts of the Group. The Group-wide range will enable sourcing synergies and form a fundamental platform for continued production streamlining.

Nobia also conducts growth-promoting projects that are implemented in the various business units. Based on its robust brands and a multi-channel strategy, the Group is working to expand distribu-

NOBIA'S DEVELOPMENT

1996
Business in kitchens, windows, doors and construction products

1998
Acquisition of kitchen operations in Finland

2000
Acquisition of Poggenpohl and Optifit in Germany, Myresjökök in Sweden, Invita in Denmark and Norema in Norway

2001
Acquisition of Magnet in the UK

2002
Listing on Stockholm Stock Exchange

2003
Acquisition of Gower in the UK

2004
Acquisition of ewe and FM in Austria

2006
Acquisition of Hygena in France

2008/2009
Strongly reduced profitability

2010
New organisation and new work methods

2011
A Group-wide range is defined and launched

2012
Production relocation from Älmhult to Tidaholm

1996–2006

Growth through acquisitions

During its first decade as an independent company, Nobia expanded extensively, mainly through acquisitions. Sales rose and the company generated high returns, but no real consolidation of the business took place. Some 20 highly diverse kitchen companies were grouped together under the Parent Company Nobia, and became part of a decentralised Group with limited co-ordination.

2007–2010

Falling profitability

The financial crisis and subsequent recession entailed a considerably more difficult market situation. Nobia's sales declined, as did the European kitchen market in general. Profitability also fell and focus was directed towards cash flow and profit margins, partly by strengthening the cost focus. Production restricting in the Nordic region was initiated at the end of the period.

2011–

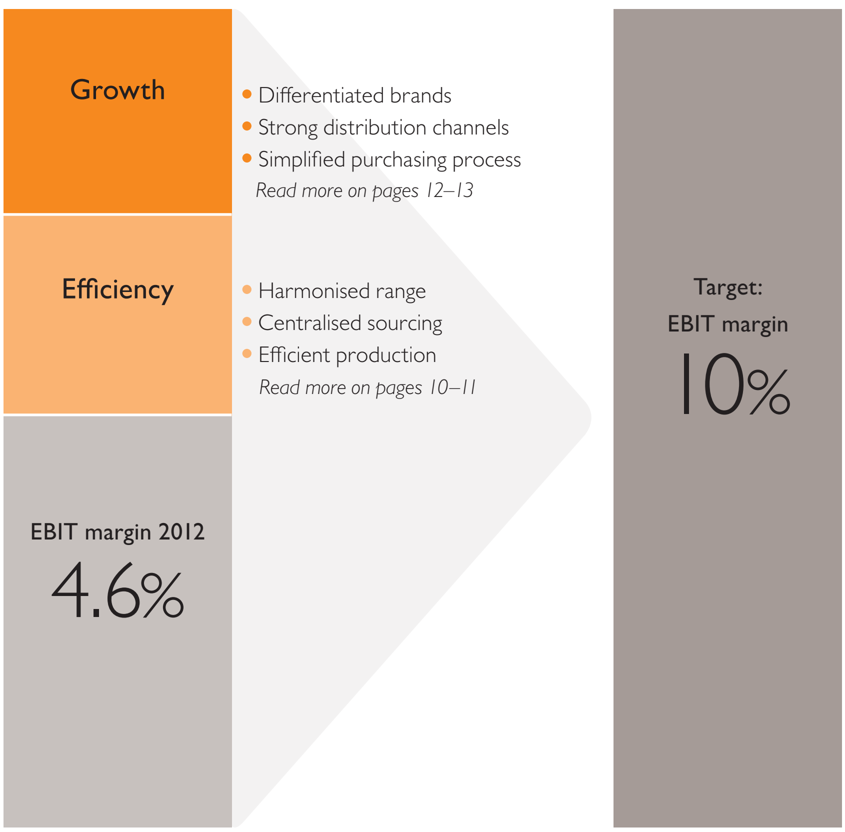
Restructuring

A plan for capitalising on synergies and economies of scale was formulated and a number of strategic initiatives aimed at enhancing efficiency and improving profitability were initiated in 2011 and 2012. At the same time, demand in the European kitchen market further declined. The ultimate aim is, based on internal improvements, to lay the foundation for a strong Nobia and achieve an operating margin of more than 10 per cent by 2014. Improved earnings enables continued advances in innovative kitchen solutions for Nobia's customers.

tion and improve its offering to customers. As a leading kitchen specialist, Nobia has comprehensive combined expertise in such fields as customer preferences, the purchasing process, sales methodology, digital tools and showroom design.

The single largest investment made in 2011 and 2012 was the refurbishment of the French kitchen chain Hygena, under which nearly 120 stores were given a new design and a largely new range, while personnel underwent customised training to help increase sales.

Strategic initiatives for improved profitability



STRATEGIC INITIATIVES

>> EFFICIENCY

The aim of the Efficiency initiatives is to reduce complexity in the Group in all its forms and thus reduce costs and enhance the efficiency of the operations. Economies of scale within the Group are created and utilised. Several initiatives are being implemented in standardised sourcing, co-ordinated manufacturing and product development. A shared prerequisite for these initiatives is a harmonised and streamlined range.

The Nobia Group's structure derives from numerous business units with unique product ranges and their own supply chains. Despite the closure of a number of production facilities in recent years, the Group's total production system continues to have excess capacity, calculated in terms of total available capacity. Consequently, work is being carried out on consolidating the Group's supply chain and production, thus reducing costs.

Group-wide range

A Group-wide range was formulated and most was launched in 2012. The objective of the Group-wide range is to increase "overlaps" of the ranges of the various business units without the units losing their ability to differentiate their offering in terms of design, perceived customer benefit and quality. The conditions have been created with this joint range for co-ordinating the Group's sourcing, supply chain, manufacturing and assembly and thus possibilities to reduce costs.

The Group-wide range was gradually introduced during 2012, and followed the normal range-development cycle with key launches during the second and fourth quarters to minimise costs so as to replace existing kitchen showrooms and stock. By year-end, more than 90 per cent of the Group-wide range had been introduced to all sales channels in the Nordic region, France and UK.

The number of items in the new range in large product categories, such as doors, fronts, interiors, knobs and handles was markedly reduced. For example, prior to the harmonisation, Hygena had an entirely unique range of 41 different door types. The Hygena range has now been reduced to 37 door types, of which 16 are from the Group-wide range.

The introduction of the range is continuing and is scheduled for completion in all sales channels in all geographic markets by the end of 2013. Further reductions of the Group-wide range are planned to be implemented countiniously.

Central sourcing and product-development functions

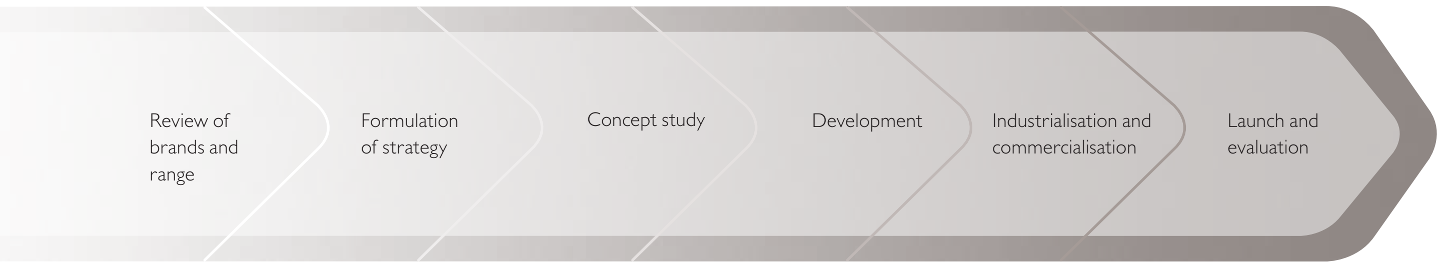
As part of the heightened co-ordination, a central sourcing and product-development function (Nobia Product & Sourcing) was established with responsibility for both the product range and sourcing related to the range. The sourcing organisation has been structurally organised based on category responsibility, meaning that each sourcing category assumes complete responsibility for the range, sourcing and supplier contact. Nobia is striving to reduce its number of suppliers and enter into strategic partnerships with several key suppliers in a bid to enhance flexibility, lower costs and raise the quality of purchased goods.

A central development and implementation function and a Group-wide process for product development were also implemented in 2012. Proposals regarding new products or changes to the range are made via a structured process prior to implementation and launch. An analysis of business opportunities is performed from a Group perspective and based on such factors as customer insight, profitability requirements and technical conditions. After a decision has been made to introduce a new product, it is produced either by in-house development or a partnership with a supplier. This structured process ensures that all perspectives are taken into consideration from concept to launch. Phasing out obsolete elements of the range also takes place by using this process, in parallel with the introduction of new products.

Fewer production units

The aim of the ongoing production and logistics restructuring is to strike a balance between a large-scale organisation, transport efficiency and lead-time requirements. The aim is to create a production structure with fewer, brand-independent production units. More large-scale manufacturing will generate co-ordination

PRODUCT DEVELOPMENT PROCESS



advantages in terms of fixed costs, and also enable investments in first-rate equipment, since the Group will have fewer plants to maintain and develop.

The ongoing production-structure reviews have resulted in several plants being closed in recent years. In 2011 and 2012, production was successively discontinued in Älmhult, which was Myresjökök's former manufacturing site. This operation has now been completed relocated to the facility in Tidaholm, which has resulted in annual cost savings of approximately SEK 30 million.

In addition, Nobia decided to relocate the manufacturing of products sold under the Hygena brand from Stemwede in Germany to the company's production facilities in the UK during the first half of 2013. A letter of intent was signed regarding the sale of the remaining operations in Stemwede – comprising flat-pack kitchen primarily distributed to the German DIY market and bathroom furniture – to the management team, known as a management buyout (MBO). The measures to be taken at the production plant in Stemwede are expected to make a total positive contribution of about SEK 25 million per year to Nobia's profitability.

In parallel with these restructuring measures, Nobia is working on continuously enhancing efficiency through improved internal production processes. Employees working in cross-functional teams are circulating best practices in production and logistics. Nobia's in-house Lean Production model entitled the "Nobia Lean Framework," started to be implemented in 2012 and is planned to be implemented at all production and logistics plants throughout the coming year.

FOCUS: TIDAHOLM

From joiner's workshop to process industry

Marbodal Snickerifabrik (joiner's workshop) was founded in 1924 in Marbotorp, outside Tidaholm, Sweden, and kitchens have been made around this area under the Marbodal brand ever since the 1950s. Operations have been expanded in recent years and today, kitchens for three of the Nobia Group's brands are made here. Co-ordinating production in such a manner contributed to the improvement in Nobia's profitability in the Nordic region in 2012.

The review of Nobia's Nordic production system led to the closure of the plant in Jevnaker, Norway in 2009. Operations, which had supplied the Norema brand, were transferred to Tidaholm. Also, the relocation of all production and logistics from the plant Älmhult, which manufactured products under the Myresjökök range, commenced in 2011. These operations were gradually moved to the plant in Tidaholm and the relocation was finally completed in November 2012.

Following these structural changes, the Tidaholm plant now supplies the Marbodal, Norema and Myresjökök brands. Accordingly, three facilities have now become one and volumes have almost doubled. Today, about 20,000 cabinets are made every week at the Tidaholm plant, of which about 15,000 are rigid. Both flat-pack and rigid kitchens are distributed from Tidaholm to customers throughout Sweden and Norway. In addition to these volumes, the Tidaholm plant supplies other facilities in the Group with cabinet components and certain door models.

Such production co-ordination has resulted in cost savings and significantly more efficient processes for the supply chain, production, assembly and logistics-flow management. An indicator of successful restructuring and improved internal processes is a plant's delivery reliability. In 2012, the Tidaholm plant's delivery reliability, defined as the percentage of complete orders of the total number of orders, was more than 97 per cent. Improvements are continuing and are mainly attributable to more efficient processes and a streamlined organisation. Upgrading an obsolete materials planning system also made it easier to follow products throughout the production process and manage the variety of logistical challenges.


Myresjökök Vendelsö


Norema Tid klassisk


Marbodal Form

STRATEGIC INITIATIVE

>> GROWTH

The focus of the Growth initiatives is to simplify the purchasing process for customers and develop existing distribution channels and thus increase sales. Work is being conducted in projects and encompasses all aspects from investments in individual sales channels to the introduction of joint sales procedures and improved digital tools.

Brands are key assets to both consumers and professional customers among the competition in the kitchen market. A brand gives a promise to customers and can be crucial to a decision on whether to invest in a new kitchen. One of the roles of the brand is to reflect the perceived quality and design of the offering. Other important competitive tools in kitchen sales are price, stores, displays, knowledgeable personnel and service.

Differentiated brands

Nobia's brand portfolio primarily comprises strong, local brands in the mid-segment, tactical brands for a certain sales channel or for brands that have development potential and also fall in the mid-segment, as well as international brands in the luxury segment.

Nobia is working to clarify the brands' market positions, differentiate them in terms of target group and product range, while enabling synergies in the form of shared processes and work procedures. Based on extensive consumer analyses, Nobia has defined the two large customer segments that are attracted by most of the brands in the Group's brand portfolio. These segments are described in greater detail on page 27. Consumer insight and innovation are essential components of efforts to differentiate the brands and also central conditions for successful product development.

Strong distribution channels

Nobia has a broad market presence with own stores and franchise stores. However, kitchens can also be purchased from specialised retailers and directly from each business unit. This multi-channel strategy has been a source of strength for Nobia during economic fluctuations. At the same time, Nobia's broad channel presence benefits customers – sales through own stores provide detailed insight into what end-consumers want, insight that is also an advantage for professional customers.

The refurbishment programme at Hygena is an example of how, by adopting a targeted approach, Nobia developed an existing sales channel that was neglected a couple of years ago. Hygena's stores have now been completely refurbished and the French chain is at the forefront of the European kitchen industry. Moving forward, opportunities are being assessed for developing new distribution channels and expanding to new markets through the Group's existing brand portfolio and production structure.

BRAND PORTFOLIO

Type of brand	Example from Nobia's brand portfolio
Core brands	Magnet, HTH, hygena, Marbodal, A la Carte, sigdal, ewe, PARMA
Tactical brands	myresjökök, NOREMA, PETRA
Premium brands	poggen pohl, uno form

The brand portfolio comprises some twenty brands, most of which are strong locally and are directed towards consumers in the mid-segment. One way of structuring the brand portfolio is by core brands, tactical brands or premium brands.

SALES CHANNELS

Market segment	Direct sales	Own stores	Franchise stores	Retailers
Consumers	●	●	●	●
Professional customers	●	●	●	●

Nobia's sales channels cover the entire spectrum and encompass direct sales, own stores, franchise stores and sales via retailers, builders' merchants and DIY chains. Nobia's customers in all of its channels comprise both consumers and professional customers.

Simplified purchasing process

Purchasing a kitchen is often a relatively large investment for a consumer, and the purchasing process can be perceived to be complicated. Customer surveys show that consumers appreciate a simple and flexible process. Accordingly, Nobia conducted a central project to simplify the purchasing process. A shared and improved sales process was defined based on benchmarking, consumer surveys and statistics from the HTH, Magnet and Hygena business units. The focus of this work was primarily directed to the in-store customer experience. Digital tools that support customer contact, such as tablet applications, were produced as part of the project. The project also resulted in guidelines and templates for training store personnel and other employees with sales responsibility.

Digital solutions

An increasingly large part of the customer purchasing process takes place by gathering information on the Internet even before customers visit a store. For this reason, the kitchen industry, like many other industries, is moving away from advertising in print media towards more online marketing. Knowledgeable store personnel and personalised offers remain key elements of consumer sales, but brand websites and online media are becoming increasingly important communication channels. As a result, Nobia is investing in digital solutions that make it easier for customers to plan, budget and visualise different kitchen solutions before they even come to the store. As a leading player in the kitchen industry, Nobia has favourable prerequisites for taking the lead in digital solutions.

FOCUS: CONTINENTAL EUROPE REGION

Improved conditions

The Continental Europe region has reported unsatisfactory growth and profitability in recent years. Robust action has been taken to turn around this negative trend in the region's largest units measured in sales: Hygena and Poggenpohl.

Investments in Hygena

In the first years following its acquisition in 2006, Hygena was a relatively modest entity in the Nobia Group, which led to neglected stores, a range that was unable to satisfactorily meet demand from French kitchen consumers, comparatively high personal turnover net sales and thus a negative earnings trend. Focused measures to reverse this trend were decided on in 2011.

After a successful test run under which around ten stores were refurbished following a new store concept, it was decided that Hygena's entire store network would undergo the same transformation. Between 2011 and 2012, 118 stores were refurbished, with training for personnel and the introduction of a partly new range. Sales efficiency improved after this investment. The percentage of visits that resulted in either quotes or sales rose and Hygena is deemed to have increased its market share in 2012.

Fresh start for Poggenpohl

The new management team at Poggenpohl, which was appointed in 2011, is working incredibly purposefully to improve profitability. As part of these efforts, contracts with project customers have been harmonised to ensure that business terms are compatible with the quality and value supplied by Poggenpohl. Other growth-promoting measures were targeted to consumer sales.

The range has been adapted to customer demand for greater flexibility and the need to combine different kitchen series. Smaller scale kitchen solutions were also added to the range.

The Poggenpohl brand, which holds the special position as one of the few international kitchen brands, renowned for its German manufacturing quality and exclusive and innovative design, was also considered to need modernising. The profile and store concept were revitalised, the website was updated and a tablet application developed for Poggenpohl was introduced to the retail chain. All of these changes coincided with the company's 120th anniversary and garnered attention at the annual Küchenmeile A30 kitchen trade fair. The changes were positively received by both store personnel and retailers.

MY *kitchen dream*

When designing their dream kitchen, it was important to Gary and his wife Rachel that it be compatible with their social lifestyle. Their house is located in beautiful surroundings in northern England, and the kitchen is spacious with its open floor plan, making it perfect for socialising with friends and family. The host and hostess serve welcome drinks while their friends chat. One of the couple's friends who is a professional chef sometimes gets involved with the cooking and shows them some tips and tricks from the professional restaurant world. The couple's children also enjoy helping out in the kitchen – this is where the family spends most of its time together.

"Our parties always start in the kitchen and then we never leave"

GARY HEDLEY | SERVICE OPERATIONS MAGNET

MARKET

The kitchen market has weakened in line with the trend in the general economy in Europe. In 2012, demand in most of Nobia's markets declined. This trend was attributable to a weaker consumer market, but also demand in the Nordic project segment fell towards the end of the year.

European kitchen market

The value of the European kitchen market is estimated at approximately EUR 12 billion*. The four single largest markets in Europe are Germany, Italy, the UK and France, which jointly represent about 60 per cent of the total European kitchen market. Sweden, Norway, Denmark and Finland combined represent about 10 per cent of the total European kitchen market.

Market characteristics

The European kitchen market is highly fragmented. A historically typical profile has been that kitchen companies have a production plant that supplies products under one brand to a single geographic market. Accordingly, many players have, similar to most of the Nobia Group's business units, a more or less complete value chain encompassing all stages from production to consumer sales.

The market is generally characterised by high competition between many small and locally strong companies. Certain companies also have several kitchen brands in the same group, although few have operations in several different geographic markets.

In the European kitchen market, a total of four companies in addition to Nobia hold market shares of more than a couple of per cent. There are companies that focus on a specific part of the value chain or hold a strong position in certain large geographic markets, and there is a large furniture company that has kitchens as only one part of its total range.

In the Nordic region and the UK, kitchens are considered to be fixtures meaning that they are included in the sale of a flat or house, whereas, for example in France, a home is usually sold without any kitchen cabinets or appliances. As a result, the project market in Continental Europe is less extensive.

Trends and driving factors

Demand for kitchens is affected by such factors as the general economic trend, consumer confidence, households' disposable income, rate of employment, trends in the property market and the new-build rate. General interest in interior decorating and product development in related industries such as appliances, also influence demand for kitchens.

On average, Europeans buy a new kitchen every 15 years, mainly when they move to a new home. For kitchen renovations, customers often also need to pay for certain labour for installation, laying the flooring and plumbing, in addition to purchasing the actual kitchen products. Tax reductions for renovations, remodelling and home extensions in certain countries encourage consumers' ability to renovate and maintain their homes and are therefore considered to have a positive effect on the kitchen renovation market.

Kitchens have become something of a lifestyle product. It is not a place for cooking but a room for socialising. Purchasing a kitchen is a relatively large investment for a household, with design comprising an important element. Kitchen consumers want more choice when they purchase a new kitchen, although customer preferences are relatively homogenous in European countries. The process of choosing and buying a kitchen is often considered complicated. For this reason, alongside quality and price, digital tools and sellers' skills in kitchen design and their ability to guide customers through the decision-making process have become important competitive tools.

A kitchen comprises a number of parts, such as cabinets, drawers, doors, worktops, appliances, mixer taps, sinks and interior fittings, for example, knobs, handles, cabinet fittings and lighting. In addition, kitchen specialists offer assistance in designing, planning the kitchen, home delivery and installation. The offering to professional customers can also include service, transport and installation. Given the rising complexity of both kitchen solutions and peripheral services, the average investment in a kitchen is increasing.

Nobia's position

Nobia is Europe's leading kitchen Group with operations spanning the entire value chain from manufacturing to sale, and encompassing all distribution channels. Nobia holds a leading position in the mid-segment in all of its markets, with strong local brands and high market presence in the form of 444 own stores and 180 franchise stores. Furthermore, Nobia operates in the luxury segment and with the international renowned Poggenpohl brand also conducts sales outside Europe, for example, in Southeast Asia, China and the US.

As a complete kitchen specialist, Nobia not only provides kitchen products and kitchen solutions but also assists customers with designing and planning their kitchens, assembly, home delivery and installation. Few other companies in the European market have Nobia's size and thereby its possibilities to capitalise on synergies in sourcing, production, administration, marketing and sales.

* Source: CSIL 2011.

NORDIC REGION

42% of the Group's net sales in 2012

x6

read more on pages 20–21

UK REGION

33% of the Group's net sales in 2012

x3 x1

read more on pages 18–19

CONTINENTAL EUROPE REGION

25% of the Group's net sales in 2012

x4 x1

read more on pages 22–23

Production plants

Large warehouse units


Magnet Pembury


Magnet Integra

UK REGION

Net sales in the UK fell 12 per cent organically to SEK 4,042 million (4,481). Restructuring costs of SEK 88 million (24) were charged to operating profit. Excluding restructuring costs, operating profit for the region amounted to SEK 181 million (223) and the operating margin was 4.5 per cent (5.0). Positive currency effects of SEK 25 million (neg: 5) impacted earnings.

Market

The UK kitchen market largely comprises kitchen specialists, companies focusing on local builders and DIY chains in the building materials trade. There is also a market for large new-build and renovation projects.

Demand in the UK kitchen market weakened during the year, meaning that the UK kitchen market has declined for five consecutive years since 2008.

Brands

In the UK, Nobia operates as a kitchen specialist to consumers and builders with such brands as Magnet and Magnet Trade. In addition, Nobia has a B2B offering aimed at UK DIY chains and builder's merchants.

Magnet Retail is a nationwide chain of wholly owned kitchen stores* that directly targets end-consumers. These kitchens are rigid and normally sold complete with comprehensive after-sales care.

Magnet Trade is a nationwide chain of wholly owned kitchen stores* primarily focusing on builders and local construction companies. Kitchens are rigid and kept in stock. Magnet trade stores also offer a limited range of joinery products.

B2B sales are conducted through Gower and Interior Solutions, which mainly deliver flat-pack kitchens to UK builder's merchants, including DIY chains. In addition to the actual kitchens, Nobia's offering to retailers also includes category management: assistance with kitchen displays in stores, advertising, and training for sales and installation personnel.

Nobia's position

With its wide variety of sales channels, Nobia is one of the overall leaders in the UK kitchen market. Its broad channel presence has been an advantage in times of weaker market performance when demand has shifted between the various channels. Magnet is the leading kitchen specialist targeted to consumers in the UK.

The challenges going forward are turning around the decline in sales and enhancing the efficiency of the business.

* The main feature of Magnet kitchen stores is "mixed stores," entailing that both Magnet retail and Magnet trade have a presence in the same store. However, the UK also has dedicated stores for Retail (for consumers) and Trade (for local construction companies).

KEY EVENTS DURING THE YEAR

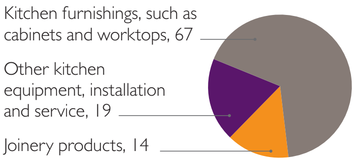
In February, the window supplier Oakworth Joinery went bankrupt, which meant lower sales of both windows and kitchens for Magnet Trade. Nobia established a business relationship with a new window supplier during the autumn.

Beginning in the second quarter, the Group-wide range was introduced in Magnet's stores. By year-end, almost the entire range had been introduced to the stores in the UK.

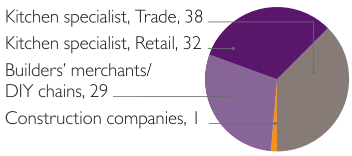
Weaker demand was counteracted by cost savings and a reduction of the workforce, primarily in the Magnet store network.

Magnet Astral

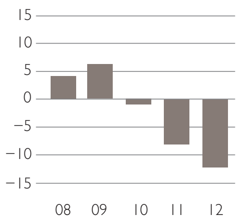
SALES PER PRODUCT, %



SALES CHANNELS, %



ORGANIC SALES GROWTH, %



KEY FIGURES	2011	**2012**	Change, %
Net sales, SEK m	4,481	4,042	–10
Gross profit excluding restructuring costs, SEK m	1,719	1,622	–6
Gross margin excluding restructuring costs, %	38.4	40.1	–
Operating profit excluding restructuring costs, SEK m	223	181	–19
Operating margin excluding restructuring costs, %	5.0	4.5	–
Operating profit, SEK m	199	93	–53
Operating margin, %	4.4	2.3	–
Operating capital, SEK m	822	786	–4
Return on operating capital, %	24	12	–
Investments, SEK m	70	134	91
Average number of employees	2,482	2,435	–2
Number of employees at year-end	2,496	2,319	–7

KITCHEN STORES	Own
UK	212
Total	**212**

STORE TREND	
Refurbished or relocated	–
Newly opened, net	1

OUR BRANDS

Gower

Interior Solutions

Magnet


Marbodal Koster


Petra Saara

NORDIC REGION

Net sales in Nordic region rose 1 per cent organically to SEK 5,233 million (5,276). Restructuring costs of SEK 17 million (63) were charged to operating profit. Excluding restructuring costs, operating profit for the region amounted to SEK 551 million (462) and the operating margin was 10.5 per cent (8.8). Positive currency effects of SEK 20 million (15) impacted earnings.

Market

The Nordic kitchen market is characterised by a few large kitchen companies and many small, locally strong kitchen companies. Also, the Nordic kitchen market has a relatively large element of project sales, with customers comprising prefab home manufacturers and construction companies that have lead times of about nine months for their construction projects.

The weak economy in 2012 primarily affected the markets in Denmark, Sweden and Finland, and to a lesser extent the Norwegian market. The positive trend in the professional segment gradually waned during the year.

Brands

Nobia is represented in the Nordic region by the brands HTH, Invita and unoform from Denmark, Myresjökök and Marbodal from Sweden, Sigdal and Norema from Norway, and Petra, Parma and A la Carte in Finland.

HTH offers complete kitchen solutions to both consumers and professional customers throughout Scandinavia. Sales take place through own and franchise stores. Flat-pack HTH kitchens can also be purchased.

Invita sells rigid kitchens in customised, exclusive designs through its own stores and retailers, mainly in Denmark.

unoform offers exclusive and expertly handcrafted kitchens with special designs. The kitchens are sold through own stores and retailers, mainly in Scandinavia.

Myresjökök is primarily sold to 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.

Marbodal is a well-known kitchen brand in Sweden. Most sales are made by an in-house sales organisation to builders' merchants, building contractors and prefab home manufacturers, but also in dedicated kitchen stores in Sweden. Marbodal kitchens are also sold in Norway.

Sigdal offers rigid kitchens in Norway to consumers and construction companies through specialised kitchen stores, builders' merchants and other retailers.

Norema sells rigid kitchens to consumers and construction companies through own stores and other retailers in Norway. Some sales are also made to construction companies.

Petra, Parma and ***A la Carte*** are sold in Finland through specialised kitchen stores, builders' merchants and directly to construction companies. Sales through kitchen stores mainly comprise sales via the franchise chain KeittiöMaailma and the Nettokeittiöt concept, which is a dedicated channel for flat-pack kitchens.

Nobia's position

With its strong local brands, Nobia is the leader in the middle-price segment of the Nordic kitchen market. Market coverage is extensive with a total of 250 kitchen stores, of which about a third are own stores and about two thirds are franchise stores. Nobia is also the market leader in new-builds and sales to construction companies and house manufacturers, with highly developed service concepts and documented ability to ensure large-scale deliveries.

The challenges going forward involve clarifying the positions of the brands and strengthening the sales channels.

KEY EVENTS DURING THE YEAR

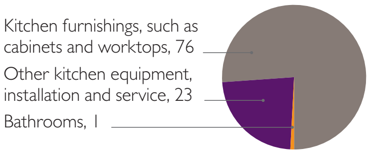
The surface treatment and manufacturing of kitchen doors in Älmhult were moved to the plant in Tidaholm. This relocation took place gradually and was completed in November. Since 2009, the brand-independent Tidaholm factory has doubled its production volumes. Read more on page 11.

The Group-wide product range was introduced in all business units in the mid-price segment in Denmark, Sweden and Norway, i.e. HTH, Invita, Marbodal, Myresjökök, Norema and Sigdal.

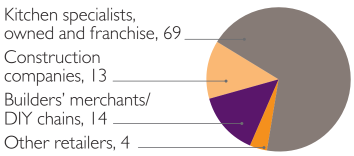
HTH increased its sales to professional customers as a result of targeted efforts to this segment as well as a public funding programme for the renovation of social housing in Denmark.

unoform Classic

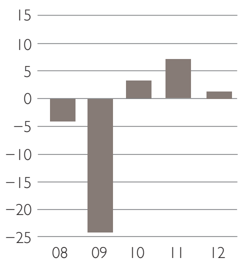
SALES PER PRODUCT, %



SALES CHANNELS, %



ORGANIC SALES GROWTH, %



KEY FIGURES	2011	**2012**	Change, %
Net sales, SEK m	5,276	5,233	–1
Gross profit excluding restructuring costs, SEK m	2,019	2,061	2
Gross margin excluding restructuring costs, %	38.3	39.4	–
Operating profit excluding restructuring costs, SEK m	462	551	19
Operating margin excluding restructuring costs, %	8.8	10.5	–
Operating profit, SEK m	399	534	34
Operating margin, %	7.6	10.2	–
Operating capital, SEK m	881	700	–21
Return on operating capital, %	45	76	–
Investments, SEK m	120	80	–33
Average number of employees	2,831	2,875	2
Number of employees at year-end	2,767	2,815	2

KITCHEN STORES	Own	Franchise
Denmark	49	31
Sweden	6	24
Norway	13	38
Finland	–	82
Other countries	3	4
Total	**71**	**179**

STORE TREND	
Refurbished or relocated	–
Newly opened, net	–5

OUR BRANDS

HTH, uno form, Marbodal, Sigdal, PETRA, PARMA, GØR DET SELV HTH, INVITA, myresjökök, NOREMA, A la Carte, netto

Hygena Belgravia

Intuo Core Ash

CONTINENTAL EUROPE REGION

Net sales in Continental Europe fell 6 per cent organically to SEK 3,089 million (3,368). Restructuring costs of SEK 204 million (202) were charged to operating profit. Excluding restructuring costs, operating loss for the region amounted to SEK 9 million (loss: 70) and the operating margin was negative 0.3 per cent (neg: 2.1). Positive currency effects of SEK 5 million (10) impacted earnings.

Market

Nobia's main markets in Continental Europe are France, Austria and Germany. In France, Nobia's kitchen chain Hygena competes both with other kitchen specialists and large DIY and furniture chains. Nobia's operations in Austria are one of the largest in the Austrian kitchen market. The major furniture stores in both Austria and Germany hold a strong position in terms of kitchen distribution. Germany has many relatively small kitchen suppliers and a couple of large kitchen companies, which also hold strong positions in neighbouring geographic markets.

Demand for kitchens in Continental Europe weakened during the year. The economic downturn primarily affected demand in France.

Brands

In France, Nobia sells kitchens under the Hygena brand through a total of 126 stores. In Austria, Nobia has a presence through the kitchen brands ewe, FM and Intuo. The German brand Poggenpohl is included in the Continental Europe region, but conducts sales globally. In Germany, Nobia also manufactures and sells kitchens under the Optifit brand and bathroom furniture under the Marlin brand.

Hygena is a well-known kitchen chain in France that offers complete, flat-pack kitchen solutions at attractive prices. Installation services are sold as part of the total offering. Hygena kitchens were previously manufactured in Germany but in the future will be produced in the UK.

ewe symbolises modern design in the upper-middle-price segment. The kitchens are predominantly sold through furniture chains and independent kitchen companies in Austria.

Intuo offers kitchen solutions to the quality-conscious consumer in the upper-middle-price segment. Intuo kitchens are produced in Austria and sold through retailers.

FM offers kitchens with traditional design and a high degree of functionality, such as solid-wood doors and height-adjustable cabinets. Sales primarily take place in furniture stores and independent kitchen stores in Austria.

Optifit sells flat-pack kitchens mainly to DIY chains in Germany, but also to independent kitchen stores and furniture chains.

Marlin offers bathroom solutions in the premium segment. Manufacturing and sales take place in Germany.

Poggenpohl offers exclusive kitchen solutions and is one of the few internationally recognised kitchen brands. Production takes place in Germany with distribution to all continents. Complete kitchen solutions are sold to consumers in Europe, the US and Asia through some 35 own stores, through independent kitchen stores and to professional customers in the project market.

Nobia's position

Nobia's share of total kitchen sales in Continental Europe is modest. Hygena represents the largest share of the Nobia's sales in the region. However, in relative terms, Nobia's strongest position in the region is in Austria. In Germany, Nobia is a comparatively small player but the German brand of Poggenpohl is strong in the global luxury market.

The challenges going forward are to improve profitability and to develop distribution to new markets.

KEY EVENTS DURING THE YEAR

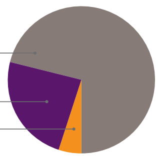
In Hygena, a total of 40 stores were refurbished, while staff were trained and a partly new range was introduced. These efforts generated results in increased sales efficiency. Read more on page 13. At the same time, 17 stores were closed and the number of employees was reduced.

A decision was made to relocate the production of Hygena products from Stemwede in Germany to the company's production facilities in the UK. Nobia's remaining operations in Stemwede are planned to be divested to the local management team of Optifit.

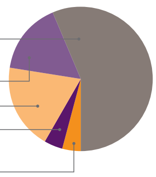
During the year, Poggenpohl's management launched a new marketing plan, a new store concept and adapted to a wider audience. Read more on page 13. Cost-savings measures were also taken to increase profitability.

Poggenpohl +EDITION

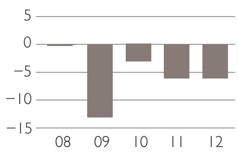
SALES PER PRODUCT, %



SALES CHANNELS, %



ORGANIC SALES GROWTH, %



KEY FIGURES	2011	**2012**	Change, %
Net sales, SEK m	3,368	3,089	–8
Gross profit excluding restructuring costs, SEK m	1,319	1,253	–5
Gross margin excluding restructuring costs, %	39.2	40.6	–
Operating profit excluding restructuring costs, SEK m	–70	–9	87
Operating margin excluding restructuring costs, %	–2.1	–0.3	–
Operating profit, SEK m	–272	–213	22
Operating margin, %	–8.1	–6.9	–
Operating capital, SEK m	489	461	–6
Return on operating capital, %	–56	–46	–
Investments, SEK m	274	179	–35
Average number of employees	2,110	1,993	–6
Number of employees at year-end	2,112	2,002	–5

KITCHEN STORES	Own	Franchise
France	126	–
Germany	8	1
Austria	1	–
Other countries	26	–
Total	**161**	**1**

STORE TREND	
Refurbished or relocated	40
Newly opened, net	–16

OUR BRANDS

hygena ewe INTUO FM OPTIFIT poggenpohl

MY *kitchen dream*

It is the kitchen of the Niedomysl Enlund family's newly built house in Täby, Sweden, where everyone gets together. When the children come home from school and nursery, this is where they all spend time together, eating, playing or doing their homework. Big sister Vera helps her mum Sofia bake an apple pie while her little sister Hedvig is playing with beads on her pegboard. In the mornings they eat breakfast together and get their lunchboxes ready. They often cook dinner together and once everyone has finished eating they do homework or other work on the kitchen island.

"We chose the a simple, clean style. It's suits us perfectly"

SOFIA NIEDOMYSL ENLUND | GROUP ACCOUNTING NOBIA

HEART OF THE EUROPEAN HOME

Nowadays, a kitchen is not merely a kitchen; it is the centre of many people's lives. It is a place where we can meet for Sunday dinner or a cup of coffee, for in-depth conversations and socialising, or simply a place for a moment of quiet and reflection.

Generally speaking, having less space to live in is becoming increasingly common in Europe and the need for efficient housing that also offers plenty of space for socialising has led to open-plan solutions becoming the norm. Walls between kitchens, dining rooms and living rooms are often removed, thus creating social areas for entertaining, multimedia, dinners, socialising and cooking. This trend places new demands for kitchen solutions in our homes.

Ergonomics, functionality, comfort, energy efficiency and technical fascination all characterise the modern kitchen. Design and choice of materials reflect the kitchen's new role. A kitchen should be aesthetically pleasing and stylish and retain its value for a long period of time rather than simply reflect a passing trend.

Open-plan solutions and interior architecture require that kitchen appliances and furniture do not make too much noise. Noise suppressors in doors and drawers have become standard for everyone's comfort. Intense focus has been directed to reducing noise from fans and other kitchen machinery. Appliances have become more integral parts of interior decorating and in the future will be seen as attractive decorative details that we are either happy to show off or hide in the furniture.

In line with the rising interest in food and cooking in Europe increasingly advanced small appliances are appearing in our kitchens. Inspiration is taken from professional kitchens. An increasingly common feature is built-in ovens in a high position, often steam ovens. Such features make it easy to enjoy cooking as a hobby and it is more convenient, safe and ergonomically much better to have the oven built-in under the worktop.

Optimal use of storage spaces has received greater attention since we need to incorporate more functions into the same, or less, space. Smart cabinet and drawer designs mean that we can now organise our kitchen to make better use of the space available.

A sophisticated lighting concept is another feature of a modern kitchen. Lighting is not only important for a high degree of functionality but also for creating atmosphere and comfort. This is increasingly important in a modern kitchen, where individuality and independence in terms of design are equally as important as ergonomics and energy efficiency.

Sigdal Bello

Ewe Strato

Invita Athena

Originality and individuality have taken on a more important role, in contract to the uniformity that standard solutions are often associated with. The kitchen reflects the consumers' lifestyles to a greater extent – there should be enough space for the smallest members of the family but also for our hobbies. More emphasis is placed on the design element and choice of materials that add a personal touch. All to make the kitchen experience more genuine and personal.

Nobia's two main segments

Based on market surveys, Nobia has formulated two main segments among kitchen consumers that many of the Group's brands are aimed at:

- "Image strivers" want a stylish kitchen that they can show off and be complimented on. This customer group wants functionality and technical solutions that add that little extra element and provide a talking point. Generally, their kitchens are places in which they entertain their guests. Look and presentation are important when they serve food, and they prefer simpler recipes that can easily create an awe-inspiring experience.
- The home is very dear to "Caring Connectors" and they have a deep emotional attachment to the kitchen. It is at the very centre of everyday life for this customer group since it also plays a functional role. It is from the kitchen that they organise their own and their family's lives. The kitchen is very often used for everything from a home office, doing homework, and hobbies in the home to serving as the living room for the entire family. They view the kitchen as a place where magic can happen – as long as everything is in place.

FINANCIAL OVERVIEW

In 2012, Nobia continued to carry out its change work aimed at enhancing the efficiency of sourcing and the product range so as to reduce complexity and costs. Nobia also refurbished 40 Hygena stores in France during the year and adjusted costs and the organisation of various business units to the prevailing market conditions. In light of the negative trend in the French economy, goodwill and deferred tax assets pertaining to Hygena were impaired in the amount of SEK 541 million. Restructuring costs totalled SEK 839 million (334) including goodwill impairment totalling SEK 513 million (–) in 2012.

NOBIA GROUP SUMMARY

	2011	**2012**	Change, %
Net sales, SEK m	13,114	12,343	–6
Gross margin, %	39.1	40.3	–
Operating margin before depreciation and impairment losses, % (EBITDA)	7.0	7.8	–
Operating profit, SEK m (EBIT)	518	565	9
Operating margin, %	3.9	4.6	–
Profit after financial items, SEK m	435	472	9
Profit/loss after tax, SEK m	69	–543	–
Earnings/loss per share after dilution, SEK	0.42	–3.25	–
Operating cash flow, SEK m	9	237	–
Return on capital employed, %	3.6	–5.4	–
Return on shareholders' equity	2.0	–17.0	–
Number of employees at year-end	7,430	7,187	–3

All figures except net sales, profit/loss after tax, earnings/loss per share, operating cash flow, return on capital employed and return on shareholders' equity have been adjusted for restructuring costs. Goodwill impairment in Hygena was added to restructuring costs in this Annual Report. Profit/loss after tax, earnings/loss per share, return on capital employed and return on shareholders' equity were affected by the impairment of deferred tax assets.

Significant events

A new purchasing organisation was introduced in January to simplify relevant decision-making paths and thus facilitate efficient work on harmonising the range and enhancing the efficiency of sourcing activities.

In April, Nobia commenced negotiations with the trade unions and an investigation into the relocation of the existing surface treatment and manufacturing of kitchen doors in Älmhult to the company's production units in Tidaholm. The relocation was expected to be finalised by the end of 2012.

At the Annual General Meeting on 11 April, Lilian Fossum Biner was elected a new member of Nobia's Board of Directors.

In June 2012, an agreement in principle was established with the works council at Poggenpohl, which involved the possibility of voluntary staff reductions and an obligation for the company not to relocate operations from the plant in Herford until the end of 2013. Also, a number of restructuring measures totalling SEK 40 million in Poggenpohl were announced and were expected to generate annual savings of SEK 40 million.

In August, union negotiations commenced concerning a relocation of product manufacturing under the Hygena brand from Stemwede in Germany to Nobia's plants in the UK, and a closure of the operations for sales and manufacturing of kitchens in Stemwede, which are primarily conducted to German retailers.

On 1 September, Bodil Eriksson stepped down from the Nobia Board of Directors at her own request.

Nobia announced on 28 September that Titti Lundgren would take office as the new Executive Vice President, Head of Group Marketing on 17 October 2012.

In November, the relocation of surface treatment and manufacturing of kitchen doors from Älmhult to Tidaholm was completed.

On 10 December, a letter of intent was signed with Optifit's management team regarding the divestment of all assets in the Optifit Group, including production and sales of kitchens, and production and sales of bathroom furniture sold under the Marlin brand, and associated production sites and machinery in Stemwede, Germany.

At year-end, 118 Hygena stores of a total of 126 had been completed under the refurbishment programme that had been initiated in 2010.

The Group-wide range was gradually introduced throughout the year to Nobia's various business units. At year-end, more than 90 per cent of the range had been introduced to retail/stores in the markets in France, the UK and Scandinavia.

In 2012, 25 unprofitable stores were closed, 13 of these were closed in January 2012 in France, Denmark and Norway in accordance with a decision made in the third quarter of 2011.

The Group had 7,187 employees (7,430) at year-end.

The Group's earnings and financial position

Loss per share for the year after dilution amounted to SEK 3.25 (earnings: 0.42). Earnings per share for the year after dilution excluding restructuring costs, adjusted for the tax effect of taxable contributions to subsidiaries and impairment of previously capitalised loss carryforwards, amounted to SEK 2.08 (1.81).

Net sales amounted to SEK 12,343 million (13,114). The Group's organic growth, meaning the change in net sales for comparable units and adjusted for currency effects, was negative 5 per cent compared with the preceding year. Organic growth in the Nordic region was positive, while the UK region and Continental Europe region reported negative organic growth.

The store network decreased during the year. At year-end, the total number of stores amounted to 624 (647). The total number of stores includes both own and franchise stores.

The Group's operating loss including restructuring costs amounted to SEK 274 million (profit: 184). Restructuring costs, including impairment of goodwill of SEK 839 million (334) and lower volumes, had an adverse impact on earnings. The operating margin amounted to negative 2.2 per cent (pos: 1.4). Operating profit excluding restructuring costs amounted to SEK 565 million (518). The operating margin excluding restructuring costs amounted to 4.6 per cent (3.9). The effect of lower volumes on operating profit for the year was offset in Nobia by lower costs and price increases.

In the UK region, net sales fell approximately 10 per cent due to lower volumes to both consumers and professional customers and negative currency effects. In the Nordic region, net sales declined 1 per cent, primarily due to lower sales to consumers. In the Continental Europe region, net sales were 8 per cent lower than in 2011 due to lower volumes in Hygena and Optifit. Sales for Hygena were negatively affected, particularly in the first quarter, by the extensive store refurbishment programme.

Financial items amounted to an expense of SEK 93 million (expense: 83). Net financial items include the net of return on pension assets and interest expense on pension liabilities corresponding to negative SEK 39 million (neg: 27). Loss after financial items weakened to SEK 367 million (profit: 101).

Loss after tax fell to SEK 543 million (profit: 69).

Operating cash flow rose to SEK 237 million (9) due to higher earnings and working capital generation and a lower investment level.

Investments in fixed assets amounted to SEK 393 million (471), of which SEK 217 million (291) related to investments in the store network.

The Group's capital employed amounted to SEK 4,479 million (5,269) at the end of the period. Net debt totalled SEK 1,417 million (1,586) at year-end. The debt/equity ratio at year-end amounted to 49 per cent (45 per cent).

Provisions for pensions, which are included in net debt, amounted to SEK 529 million (565) at the end of the period. At year-end 2012, unrecognised actuarial losses amounted to a total of SEK 290 million (loss: 184). As a result of the change in accounting standards (IAS 19) that come into effect at the start of 2013, these unrecognised actuarial losses will be recognised in the balance sheet. This is expected to adversely affect shareholders' equity in the amount of SEK 223 million.

Shareholders' equity at year-end amounted to SEK 2,885 million (3,525).

The equity/assets ratio at year-end amounted to 40 per cent (42).

Nobia's credit frameworks, which are valid until 2015 and 2017 respectively, amount to SEK 2.8 billion excluding overdraft facilities. At the end of December 2012, SEK 1.9 billion of this was unutilised.

Restructuring costs – an overview

Nobia has carried out a number of restructuring measures in recent years to lower its cost base. In 2012, costs of SEK 150 million were charged to operating profit for the planned sales of Optifit and Marlin, of which SEK 60 million is expected to impact cash flow in 2013. In light of the negative trend in the French economy, goodwill pertaining to Hygena was impaired in a total of SEK 492 million. The impairment did not affect cash flow.

In addition, cost-savings measures were implemented to adjust the cost base to the prevailing market conditions. These cost-savings measures, the store refurbishments in France and the expenses for the introduction of the Group-wide range resulted in costs of SEK 197 million being charged to earnings for 2012.

Restructuring costs for 2012 totalled SEK 839 million (334), which were charged to operating profit. Restructuring measures amounting to SEK 224 million (241) were charged to cash flow, of which SEK 167 million (122) derived from restructuring measures in preceding years.

Continuing restructuring reserves amounted to SEK 173 million (280) at year-end.

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

Significant events after the end of the year

On 1 February 2013, Dominique Maupu took office as Executive President and Head of Hygena. In conjunction with this, Per Kaufmann left Nobia.

Future outlook

Demand for kitchens normally follows the same business cycle as other consumer discretionary products. Given the prevailing economic climate, future demand trends are deemed to be uncertain for all markets. In total, market conditions in 2013 are deemed to remain challenging.

Several projects were started during 2012 to increase long-term efficiency, and leverage the Group's size.

Personnel

The average number of personnel in 2012 amounted to 7,355, compared with 7,475 in 2011. This decrease is primarily due to cost-saving measures in France and the UK. The number of employees at year-end was 7,187 (7,430).

Nobia's vision of becoming a leading kitchen specialist requires innovative thinking and motivated employees. Competence sourcing at all levels is thus a key process for Nobia. Nobia's HR function is responsible for ensuring a standardised approach to the management of employee-related issues in the Group, 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

The Swedish operations of the Nobia Group have been organised in two companies since 1 June 2012. Sales, marketing, finance and IT were affiliated under Nobia Svenska Kök AB, while production, logistics and sourcing were affiliated to Nobia Production Sweden AB. Nobia Production Sweden AB also includes the plants in Tidaholm and Älmhult that conducted activities in 2012 that require a permit according to the Swedish Environmental Code. However, during 2011 and 2012 manufacturing was gradually co-ordinated and concentrated to Tidaholm. The remaining manufacturing in Älmhult was terminated in November 2012.

The production facilities in Tidaholm and Älmhult impacted the external environment in 2012 mainly through noise levels, and emissions to air from the surface treatment of wooden parts. The Västra Götaland and Kronoberg County Administrative Boards are the supervisory authorities and administer these licensable activities.

In 2009, the former legal entity Marbodal AB lodged an application for final conditions for the Tidaholm plant with the County Administrative Board. The final conditions were decided on by the County Administrative Board in December 2012 and entail an increase in the permitted consumption of paint, but also stricter requirements for noise levels and volatile organic compounds.

A new driveway to the plant is being planned jointly with the Municipality of Tidaholm to reduce noise from transportation vehicles to nearby residential areas. This driveway is scheduled to be completed during the latter half of 2013. A geological survey was carried out in conjunction with the project planning of the driveway.

Emissions levels for volatile organic compounds are well within the limits stipulated by the permits for the plant in Tidaholm. The plant in Älmhult did not use any acid-based varnish in 2012 and therefore did not generate any emissions of volatile organic compounds.

Nobia Production Sweden AB was re-certified under ISO 9001 and ISO 14001 quality and environmental management systems in May 2012. The new certification was approved in August 2012 and is valid for a period of three years. Nobia's sustainability work is presented in more detail on pages 83–89.

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.

The Parent Company's operations comprise Group-wide functions and the ownership of subsidiaries. Profit after net financial items amounted to SEK 98 million (58) 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, held as treasury shares, 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. The 2012 Annual General Meeting authorised the buy-back of treasury shares but no additional shares were bought back in 2012.

The ten largest owners held about 69 per cent of the votes. The single largest shareholder in Nobia, Nordstjernan AB, represented 20.8 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 lenders are 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 lenders and Nobia. If an agreement is not reached, the lender is entitled to terminate all outstanding loans for immediate payment.

More information on the share and shareholders is presented on pages 90–91.

Remuneration guidelines and other employment conditions for Group management 2012

The guidelines for 2012 essentially correspond with the proposed guidelines for 2013.

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 performs annual follow-ups and evaluations of the ongoing variable-remuneration programmes, and the programmes completed during the year. The Remuneration Committee also monitors and evaluates the application of the principles for remuneration and other employment conditions for Group management concerning remuneration structures and remuneration levels, and otherwise considers needs for changes. Following on from its evaluations, the Remuneration Committee stated that remuneration to senior executives in 2012 conformed to the remuneration guidelines decided at the 2012 Annual General Meeting. In the Remuneration Committee's opinion, the guidelines were appropriate and the application of them was correct. To strengthen senior managers' commitment to and ownership in the company, and to attract, motivate and retain key employees in the Group, Nobia has implemented long-term performance-based remuneration schemes since 2005 following resolutions by each Annual General Meeting. The remuneration schemes adopted for the years 2005-2011 – of which the 2010 and 2011 schemes are outstanding – were based on employee share options. A resolution was made at the 2012 Annual General Meeting to establish a new long-term share-based remuneration scheme ("Performance Share Plan 2012") based on matching and performance shares, instead of employee share options. The Remuneration Committee's evaluation concluded that the conditions established for the Performance Share Plan 2012 are deemed to be appropriate and relevant, and in the Remuneration Committee's opinion, there is reason to continue to have a long-term share-based remuneration scheme based on the same principles as those for the Performance Share Plan 2012.

Proposal on remuneration guidelines and other employment conditions for Group management 2013

The Board of Directors of Nobia AB proposes that the 2013 Annual General Meeting decide on the following proposal pertaining to guidelines for determining remuneration and employment conditions for the President and other members of Group management. Group management currently comprises eleven individuals. Basing its opinion on, for example, the evaluation performed by the Remuneration Committee, the Board believes that the proposed proposal on remuneration guidelines and other employment conditions for Group management – which essentially conform to those guidelines adopted by the 2011 Annual General Meeting – represents an appropriate balance between fixed cash salary, variable cash salary, long-term share-based remuneration, pension conditions and other benefits. Nobia's policy stipulates that total remuneration shall correspond to market levels. A continuous international position evaluation is performed to ensure 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 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/quantitative 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 are estimated to amount to approximately SEK 10,700,000 (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 implemented an annual employee share option scheme in the period 2005–2011. Within the framework of each scheme, employee share options were allotted free of charge, but exercising the options is conditional on a rising scale based on the average increase in earnings per share during a three-year vesting period. The vesting periods for the 2005 to 2009 schemes have expired and for the 2010 and 2011 schemes 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 104 senior executives, including Group management. The 2011 employee share option scheme encompasses a total of 105 senior executives, including Group management. The employee share options may lead to costs for the Nobia Group in the form of social security contributions when the options are exercised and accounting costs as stipulated in IFRS 2, in accordance with the figures reported at the 2010 and 2011 Annual General Meetings. The social security contributions are estimated at approximately 20 per cent of the growth in value of the employee share options. However, the employee share options allotted under the 2010 scheme will not be utilised, since the performance targets for this scheme were not achieved, which is why the scheme will not lead to any costs.

A resolution was made at the 2012 Annual General Meeting to establish a new long-term share-based remuneration scheme ("Performance Share Plan 2012") for about 100 individuals comprising senior executives and senior managers at the Nobia Group. The Performance Share Plan 2012 is based on the participants investing in Nobia shares that are "locked into" the plan. Each Nobia share invested in under the framework of the plan entitles the participant, following a vesting period of about three years and provided that certain conditions are fulfilled, to allotment (for no consideration) of matching and performance shares in Nobia. The conditions are linked to the participant's continued employment and ownership of invested shares, as well as fulfilment of a financial performance target. The Board is entitled to deviate from the guidelines described above if the Board finds that particular reasons warrant this in a specific case.

The Board has proposed that the 2013 Annual General Meeting resolve on a new share-based long-term remuneration scheme ("Performance Share Plan 2013"). The Performance Share Plan 2013 is based on the participants investing in Nobia shares that are "locked into" the plan. Each Nobia share invested in under the framework of the plan entitles the participant, following a vesting period of about three years and provided that certain conditions are fulfilled, to allotment (for no consideration) of matching and performance shares in Nobia. The conditions are linked to the participant's continued employment and ownership of invested shares, as well as fulfilment of a financial performance target. The estimated costs for the plan for the President and Group management are based on the accounting policies in accordance with IFRS 2 and given a share price of SEK 36.50 amount to approximately SEK 10.4 million. This figure includes costs for social security contributions. The costs are distributed over the three-year qualification period. The Board is entitled to deviate from the guidelines described above if the Board finds that particular reasons warrant this in a specific 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	1,773,987,930
Net profit for the year	98,256,595
Total SEK	**1,924,470,011**

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

Dividend of SEK 0.50 per share to be paid to shareholders	83,565,579
To be carried forward	1,840,904,432
Total SEK	**1,924,470,011**

The Board of Directors proposes a dividend of SEK 0.50 (0) per share for the 2012 fiscal year.

The Board proposes Tuesday, 16 April 2013 as the record day. If the Annual General Meeting resolves in accordance with the Board's proposal, the dividend is expected to be paid through Euroclear Sweden AB on Friday, 19 April 2013.

MY *kitchen dream*

When Sophie Crommelink, who lives in Lille, France, was going to renovate and replace her old kitchen fittings, her idea was to create a space with a chic bistro-like atmosphere. Black is one of her favourite colours and she decided on polished panels and doors. She enjoys being in her new kitchen – it is like she has a brand new room that can be used for so many different purposes. She can do the household chores, drink tea, talk on the phone and work on her laptop. The design and choice of materials feel personal and modern.

"I just love my new black, bistro kitchen"

SOPHIE CROMMELINK | MARKETING HYGENA

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, borrowing credit granting, financial instruments and pensions.

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, while 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 38.

Business-development risk

Risks associated with business development, such as major structural changes, are managed by the Group's central change programme and by specific project groups organised for the various projects. Continuous follow-ups are carried out compared with plans and expected outcomes. More long-term risks are initially addressed by the Board in its Group strategy planning. 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 and mature markets, which means that underlying demand in normal market circumstances is relatively stable. However, price competition remains intense despite several players in the UK, for example, exiting the market in 2011 after experiencing financial difficulties. Intensified competition and a weak economy in France in 2012 had a negative impact on demand.

Demand for Nobia's products is influenced by trends in the housing market, whereby housing prices, the number of property transactions and access to financing for housing are key conditions. It is estimated that four-fifths of the European kitchen 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 various 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 2012 increased in France where demand for kitchens weakened compared with 2011. The market trend in the UK region was negative but at a lower rate than the weak performance in 2011. In the Nordic region, the trend in the professional market was positive with a slight weakening towards the end of the year, whereas the consumer market was weak for the entire year. Nobia has a structured and proactive method for following demand fluctuations. Robust measures and the cost-saving programme for adjusting capacity have proven that Nobia can adjust its cost level when demand for the Group's products falls. In 2012, Nobia continued to increase its prices where possible, which had a positive impact on net sales compared with 2011.

Customers

Kitchens to end-consumers are sold through almost 625 specialised kitchen stores and through DIY stores, furniture stores and other retailers. Conducting sales through own 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 own 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.

Sales to professional customers, also known as project sales, are sold directly to regional and local construction companies via a specialised sales organisation or directly through the store network. 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 2012 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.

In 2012, Nobia purchased materials and components valued at approximately SEK 5.1 billion, of which about 15 per cent pertained to raw materials (such as chipboard), about 60 per cent components (such as handles and hinges) and about 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. Average market prices of raw materials fell slightly in 2012. Compared with 2011 the cost of chipboard, for example, was about 5 per cent lower in the Nordic and Continental Europe regions and unchanged in the UK region. 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 at manufacturing units, are minimised by Nobia conducting annual technical risk inspections jointly with the Group's insurers and the risk consulting firm AON, that reports on deviations from Nobia's "Standard for Loss-Prevention Measures." 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 2012, the Group's product-range development, production and sourcing continued to be co-ordinated. The brand portfolio and commercial strategy were also evaluated. The strategic direction is described in more detail on pages 8–13. The implementation of these plans entails operating risks, which are addressed every day in the ongoing change process. Restructuring is a complex process that requires the management of a series of different activities and risks.

Restructuring costs in 2012 primarily related to the impairment of goodwill and fixed assets, but also cost-savings programmes for adapting the organisation to demand, store refurbishments and costs for introducing the Group-wide range.

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.

Political and legal risks

Nobia's products are encompassed by international and local regulations regarding environmental impact and other effects arising in the production and transportation of kitchens, for example, the release of exhaust fumes and emissions, noise, waste 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 tax deductions on the labour for home renovations have, for example, had a positive effect on demand in several of the Nordic countries.

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 has been adopted by the Board. For further information regarding financial risks and a sensitivity analysis, refer to Note 2 Financial risks on page 59.

Changes in value in balance sheet

In addition to the financial risks that are regulated in the finance policy adopted by the Board, there is also the risk of changes in value in the balance sheet.

A structure work model is applied to testing the value of assets and liability items in the balance sheet.

Impairment testing of goodwill

Nobia's balance sheet includes acquisition goodwill totalling SEK 2,102 million (2,681). The value of this asset item is tested annually and more often if there is any indication of an impairment requirement. In 2012, goodwill was impaired in the following amounts: SEK 492 million (–) pertaining to Hygena, SEK 14 million (–) pertaining to Optifit and SEK 7 million (–) pertaining to HTH, which was charged to operating profit. For a more detailed description, refer to Note 1 Significant Accounting Policies on page 54 and Note 14 Intangible assets on page 67.

Calculation of pension liabilities

Nobia's balance sheet includes pension liabilities of SEK 529 million (565) that pertain to defined-benefit pension plans in the UK, Germany, Norway and Sweden. All pension plans are calculated every year by actuaries in accordance with IAS 19. Unrecognised actuarial losses in the Group on 31 December 2012 amounted to SEK 290 million. In the first quarter of 2013, this amount will, in accordance with the revised IAS 19, increase pension liabilities and after tax will negatively impact shareholders' equity by SEK 223 million. For a more detailed description, refer to Note 1 Significant Accounting Policies on page 54 and Note 25 Provisions for pensions on page 73.

Deferred tax assets

The Group's loss carryforwards for which deferred tax assets were recognised in the amount of SEK 187 million (226). The taxable profit in the parts of the Group that generate tax-loss carryforwards is expected to improve in future years. The Group's restructuring measures over the past years are generating cost savings that are expected to result in a marked improvement in earnings. There is a risk that it will not be possible to utilise portions of the carrying amount of deferred tax assets against taxable surpluses in the future. In 2012, impairment of deferred tax assets of SEK 49 million (–) pertaining to Hygena was charged to net profit for the year. This amount is recognised in the consolidated income statement on the tax line. For further information about tax, refer to Note 26 Deferred tax on page 75 and Note 1 Significant Accounting Policies on page 54.

CORPORATE GOVERNANCE

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 Swedish Corporate Governance Code, the Articles of Association, the Swedish Companies Act and the regulations issued by the NASDAQ OMX Stockholm.

Nobia has applied the Swedish Corporate Governance Code (the Code) since 1 July 2005 and in 2012, the company had no deviations to report. Nobia also 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. No violations of applicable stock exchange regulations were reported.

2012 Annual General Meeting

The right of shareholders to make decisions concerning the affairs of Nobia is exercised at the Annual General Meeting. A notice convening the Annual General Meeting is issued pursuant to the Swedish Companies Act and the company's Articles of Association. The 2012 Annual General Meeting was held on 11 April at Summit, Grev Turegatan 30 in Stockholm. 116 shareholders participated in the 2012 Annual General Meeting, representing 67 per cent of the capital and votes in Nobia. The Board of Directors, members of Group management and auditors were present at the Meeting. Board Chairman Johan Molin was elected Chairman of the Meeting. In accordance with the Board of Directors' recommendation, the Annual General Meeting resolved that no dividends be paid for the 2011 fiscal year. The decision was motivated by the fiscal year's weak earnings after tax and aimed at strengthening the financial position of the company and the Group in the light of the market trends and future restructuring measures. The Meeting also adopted the proposals that the number of Board members should be eight without any deputy members, the fees to be paid to the Board and the Board Chairman, and the election of Board members and auditors. Lilian Fossum Biner was elected a new Board member. Lotta Stalin declined re-election. All other Board members were re-elected and Johan Molin was re-elected Board Chairman. The Annual General Meeting resolved in accordance with the Board of Directors' proposal to authorise the Board of Directors to make decisions concerning acquisitions and sales of treasury shares.

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

Individual shareholders wishing to have a specific matter addressed by the Annual General Meeting can do so by submit a request to the Board in good time prior to the Meeting, to the address published on the Group's website.

Articles of Association

Nobia's Articles of Association regulate such matters as the focus of the operations, information about share capital and how 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 2012, the share capital in Nobia AB amounted to SEK 58,430,237 divided between 175,293,458 shares. All of the shares are of the same class. The share's quotient value is SEK 0.33. All shares, except for bought-back treasury shares, entitle owners to a share of the company's assets and profit. The Nobia share and ownership structure are described in more detail on pages 90–91.

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 are offered an opportunity to 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 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.

Prior to the 2013 Annual General Meeting, the members of the Nomination Committee, representing approximately 53 per cent of capital and votes, comprised Tomas Billing, (Nomination Committee Chairman) Nordstjernan, Fredrik Palmstierna, Latour, Björn Franzon, Swedbank Robur Funds and Ricard Wennerklint, If Skadeförsäkring and, following a decision by the other members of the Nomination Committee, Board Chairman Johan Molin. No remuneration is paid to the Committee members.

The Nomination Committee held four minuted meetings prior to the 2013 Annual General Meeting. Based on the company's strategy and priorities, the Nomination Committee's work included an evaluation of the results of the Board of Directors' own evaluation, its size and structure and the election of an auditor.

The Nomination Committee's proposals prior to the 2013 Annual General Meeting are incorporated in the notice of the Annual General Meeting, which was published on Nobia's website on 12 March 2013. The principles for the composition of the Nomination Committee and the Nomination Committee's reasons for proposing the election of the Board of Directors and so forth are also available at www.nobia.com.

Shareholders are welcome to contact the Nomination Committee and submit proposals via post to Nobia AB, Valberedningen, Box 70376, SE-107 24 Stockholm, Sweden.

Work of the Board of Directors

In accordance with Nobia's Articles of Association, the Board is, to the extent appointed by the General Meeting, to comprise not fewer than three and not more than nine members, with not more than three deputy members. The 2012 Annual General Meeting resolved that the Board was to comprise eight members with no deputy members. The Board also includes two members, with two deputy members, who are appointed by employees' organisation in accordance with the Swedish Board Representation (Private Sector Employees) Act. The Code also 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 2013 Annual General Meeting. This has been the case in earlier years, except for 2010 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 eight scheduled meetings during the 2012 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 2012, the strategy of achieving the Group's operating margin targets of 10 per cent continued to receive a great deal of focus in the Board of Directors' work. Issues relating to brands, range, production consolidation and supply chain were key components of these efforts. Issues surrounding the cost-saving programme to address lower sales volumes were dealt with during the year. In the summer of 2012, the Board of Directors visited Nobia's plants in France. The Board members are presented on pages 40–41. Attendance at Board meetings is shown in the table on page 39.

The work of the Board in 2012 was evaluated by all Board members completing a number of questions specifically related to the Board's work. 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 also evaluates the President on an ongoing basis throughout the year.

The Board does not have a separate audit Committee. Instead, control issues to be discussed by such a Committee are managed by the Board in its entirety, except for the President who does not participate in these issues. 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. 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. 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.

One occasion is primarily devoted to the planning of the year's audit. In the hard-close audit at the end of September, the company's processes for internal control are also addressed. Finally, reporting is received 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 April 2012, the auditors presented and discussed the focus and scope of the audit, which also took particular consideration of the risk perspective regarding internal control. At the meeting in October, the auditors reported on the control self-assessment and IT-audit that the company's commercial units perform annually. Also at this meeting, the auditors presented their observations from the hard-close audit. The examination of the annual accounts for 2012 was presented at the Board meeting in February 2013.

In 2012, the Group's CFO served as the Board of Directors' secretary.

On 1 September 2012, Bodil Eriksson stepped down from the Nobia Board at her own request.

Remuneration Committee

The Board appoints a Remuneration Committee from within its ranks, which for the period from the 2012 Annual General Meeting until the 2013 Annual General Meeting comprised Johan Molin (Chairman), Fredrik Palmstierna and Nora Førisdal Larssen. The Committee's task is to prepare proposals to the Board relating to 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. 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 three meetings during the year.

Remuneration to senior executives

The members of Group management receive both fixed and variable remuneration. The basic principle is that the variable remuneration may comprise 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, for example, the Group's earnings, earnings in the business unit for which the manager is responsible and individual/quantitative 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 the period 2005-2011, Nobia implemented long-term employee share option schemes for senior managers. These schemes encompassed about 100-200 managers and employees every year. The Remuneration Committee's follow-ups and monitoring of the Group's former employee share option scheme indicated a need for a slight structural change. The 2012 Annual General Meeting resolved to introduce a new share-based remuneration scheme based on matching and performance shares ("Performance Share Plan 2012"). Unlike the former scheme, this Plan requires that participants acquire shares in Nobia. The remuneration schemes are described in more detail in the "Financial overview" of the Board of Directors' report on page 30. The remuneration and benefits of senior executives are described in Note 4 on page 62.

Group management

Group management, refer to page 42, holds regular Group-management meetings led by the President. The President and the 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 auditor for a mandate period of one year until the conclusion of the 2013 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 2013 Annual General Meeting. 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 6, page 66.

The Board's description of internal control and risk management systems regarding the financial reporting for the 2012 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 environments and governance documents

The structure of Nobia is organised 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 governance 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 discuss 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 34–35.

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 governance 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 governance 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

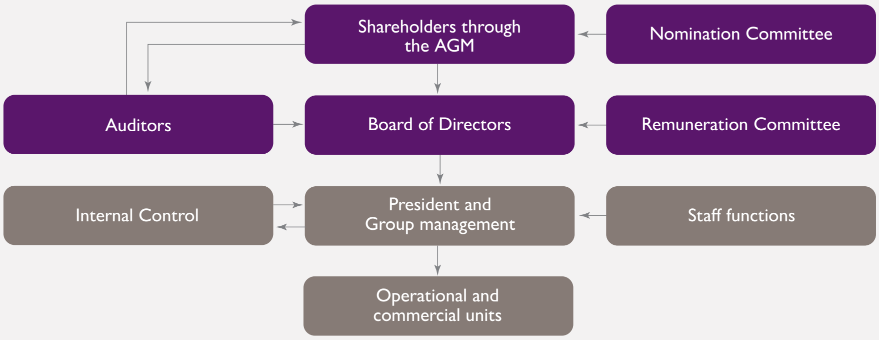
The outcome of the Group's risk assessment and risk management processes is addressed each year by the Board, which ensures that these processes include all material areas and provide balanced guidelines for the various executives.

The Board receives periodic 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, monitored viewpoints that emerged during the year from the internal control self-assessment 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 assessment structure of the Group to be satisfactory. External services may also be engaged in the context of certain special examinations. This decision is reviewed annually.

OVERVIEW OF GOVERNANCE AT NOBIA



Key *external* regulatory frameworks:

- The Swedish Companies Act
- IFRS and the Swedish Annual Accounts Act
- NASDAQ OMX Stockholm's issuer rules
- Swedish Corporate Governance Code, www.corporategovernanceboard.se

Key *internal* regulatory frameworks:

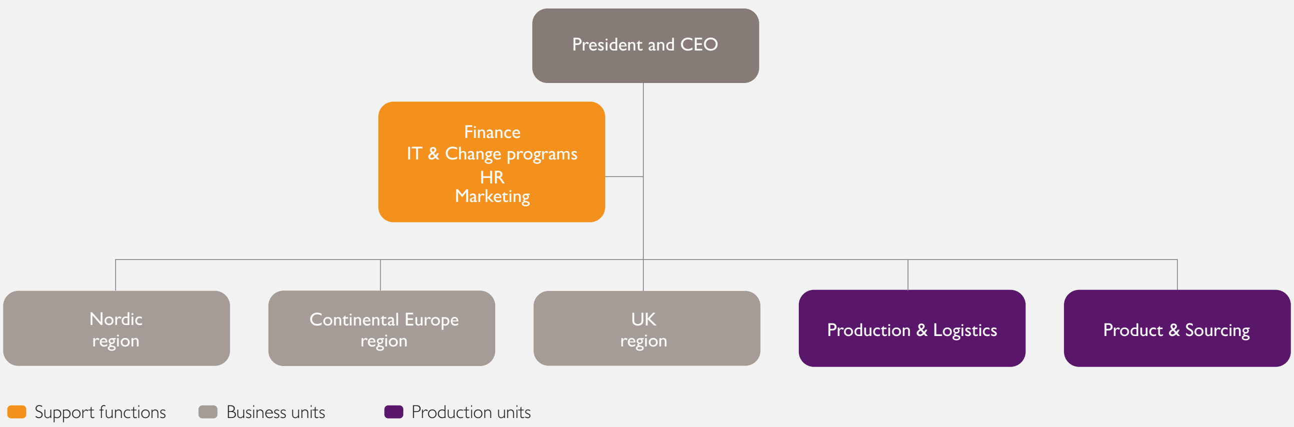
- Articles of Association
- The Board's rules of procedure and instructions on the distribution of duties between the Board and President, internal policies, guidelines, manuals, codes and checklists
- Nobia financial & administration Manual
- Risk management processes

BOARD OF DIRECTORS IN 2012

		Board meetings, 8 meetings intotal	Remuneration Committee, 3 meetings in total	Year of birth	Board member since	Nationality	Independence
Johan Molin	Chairman	8	3	1959	2010	Swedish	Dependent[4]
Morten Falkenberg	President and CEO	8		1958	2011	Danish	Dependent[5]
Lilian Fossum Biner[1]	Board member	5		1962	2012	Swedish	Independent
Bodil Eriksson[2]	Board member	3		1963	2003	Swedish	Independent
Rolf Eriksen	Board member	6		1944	2010	Danish	Independent
Nora Førisdal Larssen	Board member	8	3	1965	2011	Norwegian	Dependent[4]
Thore Olsson	Board member	8		1943	2007	Swedish	Independent
Lotta Stalin[3]	Board member	1		1954	2007	Swedish	Independent
Fredrik Palmstierna	Board member	8	3	1946	2006	Swedish	Dependent[4]
Per Bergström	Employee representative	8		1960	2000	Swedish	
Olof Harrius	Employee representative	8		1949	1998	Swedish	
Marie Nilsson[6]	Employee representative	8		1973	2007	Swedish	
Patrik Falck[6]	Employee representative	8		1965	2011	Swedish	

1) Board member from 11 April 2012
2) Left Board on 1 September 2012
3) Board member until 11 April 2012
4) Dependent in relation to major shareholders
5) President
6) Deputy

NOBIA'S ORGANISATION



BOARD OF DIRECTORS

Johan Molin 1.
Born 1959. B.Sc. Business Administration. President and CEO of ASSA ABLOY. Chairman of the Board since 2011.
Board member since 2010. Dependent in relation to major shareholders.
Board assignments: Board member of ASSA ABLOY.
Previous employment: CEO of Nilfisk-Advance and Head of division at Atlas Copco.
Holding in Nobia: 283,051 shares, 400,000 call options.

Morten Falkenberg 2.
Born 1958, B.Sc. Business Administration. President and CEO of Nobia.
Board member since 2011.
Board assignments: Board member of Velux Group.
Previous employment: Executive Vice President and Head of Floor Care and Small Appliances at Electrolux, senior positions in TDC Mobile and the Coca-Cola Company.
Holding in Nobia: 339,664 shares (private and occupational pension), 500,000 call options and 105,000 employee share options.
Holding in related companies: –

Nora Førisdal Larssen 3.
Born 1965. B.Sc. Business Economics, MBA. Senior Investment Manager at Nordstjernan. Board member since 2011. Dependent in relation to major shareholders.
Board assignments: Chairman of Etac and Emma S, Board member of Ekornes and Filippa K.
Previous employment: Product Line manager at Electrolux and Partner in McKinsey & Co.
Holding in Nobia: 5,000 shares.

Lilian Fossum Biner 4.
Born 1962. Board member since 2012. B.Sc. Business Administration. Independent.
Board assignments: Board member of Oriflame, Retail & Brands, Thule, Givaudan, Melon Fashion Group OJSC and a-connect AG.
Previous positions: Vice President and CFO Axel Johnsson, Senior Vice President and HR Director at Electrolux.
Holding in Nobia: 6,000 shares

A la Carte Inverno habitare

Thore Ohlsson 5.
Born 1943. President of Elimexo.
Board member since 2007. Independent.
Board assignments: Chairman of Bastec, Thomas Frick and Tretorn. Board member of Cobra inc., Elite Hotels AB and Puma SE.
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: 70,000 shares, 250,000 call options.

Fredrik Palmstierna 6.
Born 1946. B.Sc. Business Administration, MBA.
Board member since 2006. Dependent in relation to major shareholders.
Board assignments: Chairman of Investment AB Latour. Board member of Securitas, Hultafors, Fagerhult, Academic Work and the Viktor Rydberg Schools foundation.
Holding in Nobia: 351,338 shares.

Rolf Eriksen 7.
Born 1944.
Board member since 2010. Independent.
Board assignments: Hennes & Mauritz A/S, Royal Copenhagen A/S, Bianco Footwear A/S, BoConcept A/S.
Previous employment: President of H&M Hennes & Mauritz A/S Denmark and H&M Hennes & Mauritz AB Sweden.
Holding in Nobia: 125,000 call options.

Employee representatives

Per Bergström 8.
Born 1960. Employee representative since 2000. Employed at Marbodal since 1976.
Board assignments: Board member of Tidaholms Energi AB and Elnät AB.
Holding in Nobia: 5,000 call options.

Olof Harrius 9.
Born 1949. Employee representative since 1998. Employed at Marbodal since 1971.
Holding in Nobia: 5,000 call options.

Patrik Falck 10.
Born 1965. Deputy Board member.
Employee representative since 2011.
Employed at Marbodal since 1986.
Holding in Nobia: –

Marie Nilsson 11.
Born 1973. Deputy Board member.
Employee representative since 2007.
Employed at Myresjökök since 2007.
Holding in Nobia: 1,500 call options.

Auditors

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

GROUP MANAGEMENT

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Morten Falkenberg 1.
Born 1958, B.Sc. Business Administration.
President and CEO of Nobia.
Employed at Nobia since 2010
Previous employment: Executive Vice President and Head of Floor Care and Small Appliances at Electrolux, senior positions in TDC Mobile and the Coca-Cola Company.
Holding in Nobia: 339,664 shares (private and occupational pension), 500,000 call options and 105,000 employee share options.
Holding in related companies: –

Mikael Norman 2.
Born 1958. CFO.
Employed at Nobia since 2010.
Previous employment: Group controller, Electrolux.
Holding in Nobia: 19,360 shares, 100,000 call options and 100,000 employee share options.

Ingemar Tärnskär 3.
Born 1961. Executive Vice President and Head of Production and Logistics.
Employed at Nobia since 1998.
Previous employment: Management positions at Nobia.
Holding in Nobia: 9,360 shares, 70,000 call options and 100,000 employee share options.

Christian Rösler 4.
Born 1967. Executive Vice President and Head of Continental European and CEE Professional.
Employed at Nobia since 2007.
Previous employment: Management positions at IKEA Austria.
Holding in Nobia: 100,000 employee share options.

Peter Kane 5.
Born 1965. Executive Vice President and Head of UK Retail.
Employed at Magnet since 1984.
Previous employment: Management positions at Magnet.
Holding in Nobia: 23,726 shares and 100,000 employee share options.

Titti Lundgren 6.
Born 1966. Executive Vice President and Head of Group Marketing.
Employed at Nobia since 2012.
Previous employment: President of Natural Fragrance of Sweden. Management positions at SSL International and Scholl.
Holding in Nobia: –

Jonas Hård 7.
Born 1971. Executive Vice President and Head of Change Programmes & IT.
Employed at Nobia since 2010.
Previous employment: Management positions at Vin & Sprit, Maxxium and Electrolux.
Holding in Nobia: 9,958 shares, 70,000 call options and 100,000 employee share options.

Lars Völkel 8.
Born 1975. Executive Vice President, Luxury Retail & Professional.
Employed at Nobia since 2011.
Previous employment: Senior positions at Electrolux and EDS.
Holding in Nobia: 50,000 employee share options.

Lars Bay-Smidt 9.
Born 1968. Executive Vice President, Nobia Denmark.
Employed at Nobia since 2008.
Previous employment: Senior sales positions at HTH Køkkener A/S, Actona Company A/S, Bøg Madsen A/S and Gasa Aarhus A/S.
Holding in Nobia: 40,000 employee share options.

Thomas Myringer 10.
Born 1960. Executive Vice President, HR Director.
Employed at Nobia since 2003.
Previous employment: Senior HR positions in the Skanska Group.
Holding in Nobia: 7,172 shares, 30,000 call options and 80,000 employee share options.

Dominique Maupu 11.
Born 1963. Executive Vice President, Head of Hygena.*
Employed at Nobia since 2013.
Previous employment: Management positions Darty, KparK and Lapeyre.
Holding in Nobia: –

* Took office on 1 February 2013.
Per Kaufmann held this position in 2012.

Magnet Integra

FINANCIAL STATEMENTS, THE GROUP AND PARENT COMPANY

CONSOLIDATED INCOME STATEMENT

SEK m	Note	2011	**2012**
Net sales	3	13,114	12,343
Cost of goods sold	4, 7, 10, 11, 25	–8,066	–7,552
Gross profit		**5,048**	**4,791**
Selling expenses	4, 7, 10, 11, 25	–4,039	–4,283
Administrative expenses	4, 6, 7, 10, 11, 25	–812	–731
Other operating income	8	51	84
Other operating expenses	9	–64	–135
Operating profit/loss		**184**	**–274**
Financial income	12	9	11
Financial expenses	12	–92	–104
Profit/loss after financial items		**101**	**–367**
Tax on net profit for the year	13, 26	–16	–156
Net profit/loss for the year from continuing operations		**85**	**–523**
Profit/loss from discontinued operations, net after tax	32	–16	–20
Net profit/loss for the year		**69**	**–543**
Net profit/loss for the year attributable to:			
Parent Company shareholders		70	–544
Non-controlling interest		–1	1
Net profit/loss for the year		**69**	**–543**
Earnings/loss per share, before dilution, SEK[1]	23	0.42	–3.25
Earnings/loss per share, after dilution, SEK[1]	23	0.42	–3.25
Earnings/loss per share from continuing operations, before dilution, SEK	23	0.51	–3.13
Earnings/loss per share from continuing operations, after dilution, SEK	23	0.51	–3.13
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/loss per share attributable to Parent Company shareholders.
2) Shares outstanding, less treasury shares.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK m	Note	2011	**2012**
Net profit/loss for the year		69	–543
Other comprehensive income			
Exchange-rate differences attributable to translation of foreign operations	22	11	–104
Cash-flow hedges before tax	22	–9	11
Tax attributable to hedging reserve for the period	22	2	–3
Other comprehensive income/loss for the year		**4**	**–96**
Comprehensive income/loss for the year		**73**	**–639**
Comprehensive income for the year attributable to:			
Parent Company shareholders		74	–640
Non-controlling interest		–1	1
Comprehensive income/loss for the year		**73**	**–639**

FINANCIAL STATEMENTS

COMMENTS AND ANALYSIS OF INCOME STATEMENT

Net sales declined 6 per cent to SEK 12,343 million (13,114). For comparable units and adjusted for currency effects, net sales declined 5 per cent. The relationship is shown in the table below.

	2012				2012	
Analysis of net sales, %	I	II	III	IV	%	SEK m
2011						13,114
Organic growth	–10	–5	–5	–2	–5	–715
– of which, UK region[1]	–17	–11	–14	–8	–12	–558
– of which, Nordic region[1]	3	3	–2	–1	1	43
– of which, Continental Europe region[1]	–20	–11	6	3	–6	–191
Currency effect	1	2	–3	–2	0	–56
2012	–9	–3	–8	–4	–6	12,343

1) Organic growth for each organisational region.

Net sales and profit/loss per region

	UK region		Nordic region		Continental Europe region		Group-wide and eliminations		Group	
SEK m	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**
Net sales from external customers	4,480	4,030	5,276	5,232	3,358	3,081	–	–	13,114	12,343
Net sales from other regions	1	12	0	1	10	8	–11	–21	0	0
Total net sales	**4,481**	**4,042**	**5,276**	**5,233**	**3,368**	**3,089**	**–11**	**–21**	**13,114**	**12,343**
Gross profit excluding restructuring costs	1,719	1,622	2,019	2,061	1,319	1,253	65	43	5,122	4,979
Gross margin excluding restructuring costs, %	38.4	40.1	38.3	39.4	39.2	40.6	–	–	39.1	40.3
Operating profit/loss excluding restructuring costs	223	181	462	551	–70	–9	–97	–158	518	565
Operating margin excluding restructuring costs, %	5.0	4.5	8.8	10.5	–2.1	–0.3	–	–	3.9	4.6
Operating profit/loss	199	93	399	534	–272	–213	–142	–688	184	–274
Operating margin, %	4.4	2.3	7.6	10.2	–8.1	–6.9	–	–	1.4	–2.2

Depreciation/amortisation of and impairment losses on fixed assets for the year amounted to SEK 1,013 million (448).

Specification of restructuring costs[1]

SEK m	2011	**2012**
Restructuring costs by function		
Cost of goods sold	–74	–188
Selling and administrative expenses	–235	–595
– of which impairment of goodwill in Hygena	–	–492
Other income/expenses	–25	–56
Total restructuring costs	**–334**	**–839**
Restructuring costs per region		
UK	–24[2]	–88[5]
Nordic	–63	–17[6]
Continental Europe	–202[3]	–204[7]
Group-wide and eliminations	–45[4]	–530[8]
– of which impairment of goodwill in Hygena	–	–492
Group	**–334**	**–839**

1) Refers to costs affecting operating profit.
2) Impairment amounted to SEK 3 million and pertained to inventory.
3) Impairment amounted to SEK 29 million and pertained to store fittings and kitchen displays.
4) Impairment amounted to SEK 17 million and pertained to building.
5) Impairment amounted to SEK 16 million and pertained to kitchen displays.
6) Impairment amounted to SEK 11 million and pertained to goodwill, buildings and machinery.
7) Impairment amounted to SEK 71 million and pertained mainly to building and machinery.
8) Impairment amounted to SEK 519 million and pertained to goodwill and building.

Impact of exchange rate (Operating profit)[1)]

	Translation effect		Transaction effect		Total effect	
	2011	**2012**	2011	**2012**	2011	**2012**
UK region	–15	5	10	20	–5	25
Nordic region	–20	–10	35	30	15	20
Continental Europe region	5	0	5	5	10	5
Group	**–30**	**–5**	**50**	**55**	**20**	**50**

1) Pertains to effects excluding restructuring costs.

Quarterly data per region

	2011				**2012**			
	I	II	III	IV	I	II	III	IV
Net sales, SEK m								
UK	1,142	1,137	1,108	1,094	973	1,084	967	1,018
Nordic	1,270	1,432	1,192	1,382	1,319	1,481	1,101	1,332
Continental Europe	798	993	811	766	645	888	802	754
Group-wide and eliminations	–3	–3	–2	–3	–3	–4	–7	–7
Group	**3,207**	**3,559**	**3,109**	**3,239**	**2,934**	**3,449**	**2,863**	**3,097**
Gross profit excluding restructuring costs, SEK m								
UK	442	430	424	423	387	431	384	420
Nordic	466	553	452	548	500	590	422	549
Continental Europe	316	414	310	279	244	357	334	318
Group-wide and eliminations	16	27	10	12	14	6	8	15
Group	**1,240**	**1,424**	**1,196**	**1,262**	**1,145**	**1,384**	**1,148**	**1,302**
Gross margin excluding restructuring costs, %								
UK	38.7	37.8	38.3	38.7	39.8	39.8	39.7	41.3
Nordic	36.7	38.6	37.9	39.7	37.9	39.8	38.3	41.2
Continental Europe	39.6	41.7	38.2	36.4	37.8	40.2	41.6	42.2
Group	**38.7**	**40.0**	**38.5**	**39.0**	**39.0**	**40.1**	**40.1**	**42.0**
Operating profit/loss excluding restructuring costs, SEK m								
UK	54	57	66	46	27	51	37	66
Nordic	75	159	102	126	106	179	101	165
Continental Europe	–34	41	–18	–59	–76	22	42	3
Group-wide and eliminations	–24	–16	–24	–33	–35	–47	–38	–38
Group	**71**	**241**	**126**	**80**	**22**	**205**	**142**	**196**
Operating margin excluding restructuring costs, %								
UK	4.7	5.0	6.0	4.2	2.8	4.7	3.8	6.5
Nordic	5.9	11.1	8.6	9.1	8.0	12.1	9.2	12.4
Continental Europe	–4.3	4.1	–2.2	–7.7	–11.8	2.5	5.2	0.4
Group	**2.2**	**6.8**	**4.1**	**2.5**	**0.7**	**5.9**	**5.0**	**6.3**
Operating profit/loss, SEK m								
UK	54	52	56	37	27	8	36	22
Nordic	69	148	86	96	106	171	101	156
Continental Europe	–22	36	–98	–188	–79	11	17	–162
Group-wide and eliminations	–38	–19	–31	–54	–44	–47	–38	–559
Group	**63**	**217**	**13**	**–109**	**10**	**143**	**116**	**–543**
Operating margin, %								
UK	4.7	4.6	5.1	3.4	2.8	0.7	3.7	2.2
Nordic	5.4	10.3	7.2	6.9	8.0	11.5	9.2	11.7
Continental Europe	–2.8	3.6	–12.1	–24.5	–12.2	1.2	2.1	–21.5
Group	**2.0**	**6.1**	**0.4**	**–3.4**	**0.3**	**4.1**	**4.1**	**–17.5**

FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

SEK m	Note	31 Dec 2011	**31 Dec 2012**
ASSETS			
Intangible assets	14		
Goodwill		2,681	2,102
Other intangible assets		249	197
		2,930	**2,299**
Tangible fixed assets	15		
Land and buildings		975	837
Investments in progress and advance payments		20	18
Machinery and other technical equipment		792	754
Equipment, tools, fixtures and fittings		324	352
		2,111	**1,961**
Interest-bearing long-term receivables (IB)	16	5	5
Other long-term receivables	16	54	48
Deferred tax assets	26	456	402
Total fixed assets		**5,556**	**4,715**
Inventories			
Raw materials and consumables		277	278
Products in progress		82	69
Finished products		486	411
Goods for resale		160	171
		1,005	**929**
Current receivables			
Tax assets		88	81
Accounts receivable	2	1,210	941
Derivative instruments	2,18	3	6
Interest-bearing current receivables (IB)		1	0
Other receivables	2	81	90
Prepaid expenses and accrued income	19	249	207
Assets held for sale	33	71	71
		1,703	**1,396**
Cash and cas h equivalents (IB)	20	152	171
Total current assets		**2,860**	**2,496**
Total assets		**8,416**	**7,211**
Of which interest-bearing items (IB)		158	176

SEK m	Note	31 Dec 2011	**31 Dec 2012**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Attributable to Parent Company shareholders			
Share capital	21	58	58
Other contributed capital		1,459	1,458
Reserves	22	–378	–474
Profit brought forward		2,382	1,838
		3,521	**2,880**
Non-controlling interest		4	5
Total shareholders' equity		**3,525**	**2,885**
Provisions for guarantees		15	14
Provisions for pensions (IB)	25	565	529
Deferred tax liabilities	26	207	161
Other provisions	27	389	288
Liabilities to credit institutions (IB)	2, 28	1,106	936
Other liabilities (IB)	2	0	1
Total long-term liabilities		**2,282**	**1,929**
Liabilities to credit institutions (IB)	2	1	0
Overdraft facilities (IB)	2, 20	71	127
Other liabilities (IB)	2	1	0
Advance payments from customers		205	223
Accounts payable	2	1,059	860
Current tax liabilities		90	78
Derivative instruments	2, 18	19	6
Other liabilities	2	331	320
Accrued expenses and deferred income	29	830	674
Liabilities attributable to assets held for sale	33	2	109
Total current liabilities		**2,609**	**2,397**
Total shareholders' equity and liabilities		**8,416**	**7,211**
Of which interest-bearing items (IB)		1,744	1,593

Information on consolidated pledged assets and contingent liabilities is provided in Note 31 on page 78.

COMMENTS AND ANALYSIS OF BALANCE SHEET

Goodwill
Information on goodwill, including comments, is provided in Note 14 on page 67.

Financing
Net debt declined to SEK 1,417 million (1,586) at the end of the period. A positive operating cash flow of SEK 237 million and a positive translation difference reduced net debt. The increase in net debt derived from interest paid of SEK 54 million and change in pension liabilities of SEK 46 million. The debt/equity ratio amounted to 49 per cent at the end of the year (45 per cent at the beginning of the year). The increased debt/equity ratio was attributable to a decline in shareholders' equity due to goodwill impairment of SEK 513 million. The change in net debt is shown in the table below.

Analysis of net debt	Group	
SEK m	2011	**2012**
Opening balance	1,510	1,586
Translation differences	–5	–32
Operating cash flow	–9	–237
Interest	58	54
Change in pension liabilities	32	46
Dividend	0	–
Closing balance	**1,586**	**1,417**

The components of net debt are shown in the table below. Unrecognised actuarial losses on the pension liability totalled SEK 290 million (losses: 184) at the end of 2012.

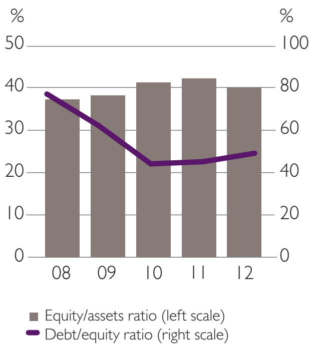
Components of net debt	Group	
SEK m	2011	**2012**
Bank loans, etc	1,179	1,063
Provisions for pensions	565	529
Leasing	0	1
Cash and cash equivalents	–152	–171
Other financial receivables	–6	–5
Total	**1,586**	**1,417**

FINANCIAL STATEMENTS

CHANGE IN CONSOLIDATED SHAREHOLDERS' EQUITY

	Attributable to Parent Company shareholders							
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
Opening balance, 1 January 2011	**58**	**1,453**	**–381**	**–1**	**2,312**	**3,441**	**5**	**3,446**
Net profit for the year	–	–	–	–	70	70	–1	69
Other comprehensive income for the year	–	–	11	–7	–	4	0	4
Comprehensive income for the year	**–**	**–**	**11**	**–7**	**70**	**74**	**–1**	**73**
Dividend	–	–	–	–	–	–	0	0
Allocation of employee share option schemes	–	6	–	–	–	6	–	6
Closing balance, 31 December 2011	**58**	**1,459**	**–370**	**–8**	**2,382**	**3,521**	**4**	**3,525**
Opening balance, 1 January 2012	**58**	**1,459**	**–370**	**–8**	**2,382**	**3,521**	**4**	**3,525**
Net loss for the year	–	–	–	–	–544	–544	1	–543
Other comprehensive income for the year	–	–	–104	8	–	–96	0	–96
Comprehensive income for the year	**–**	**–**	**–104**	**8**	**–544**	**–640**	**1**	**–639**
Dividend	–	–	–	–	–	–	–	–
Allocation of employee share option scheme and performance share plan	–	–1	–	–	–	–1	–	–1
Closing balance, 31 December 2012	**58**	**1,458**	**–474**	**0**	**1,838**	**2,880**	**5**	**2,885**

EQUITY/ASSETS RATIO AND DEBT/EQUITY RATIO



CONSOLIDATED CASH-FLOW STATEMENT AND COMMENTS

SEK m	Note	2011	**2012**
Operating activities			
Operating profit/loss		184	–274
Depreciation/amortisation/impairment		448	1 013
Other adjustments for non-cash items		179	114
Income tax paid		–82	–155
Change in inventories		–28	16
Change in receivables		–89	205
Change in operating liabilities		–199	–359
Cash flow from operating activities		**413**	**560**
Investing activities			
Investments in tangible fixed assets		–439	–382
Investments in intangible assets		–32	–11
Sale of tangible fixed assets		95	93
Interest received		8	11
Increase in interest-bearing assets		–	–
Decrease in interest-bearing assets		5	0
Other items in investing activities		–28	–23
Cash flow from investing activities		**–391**	**–312**
Operating cash flow before acquisitions/ divestments of subsidiaries, interest, increase/decrease in interest-bearing assets		**9**	**237**
Operating cash flow after acquisitions/ divestments of subsidiaries, interest, increase/decrease in interest-bearing assets		**22**	**248**
Financing activities			
Interest paid		–66	–65
Decrease in interest-bearing liabilities		–159[1]	–159[2]
Dividend to non-controlling interests		0	–
Cash flow from financing activities		**–225**	**–224**
Cash flow for the year excluding exchange-rate differences in cash and cash equivalents		**–203**	**24**
Cash and cash equivalents at the beginning of the year		**356**	**152**
Cash flow for the year		–203	24
Exchange-rate differences in cash and cash equivalents		–1	–5
Cash and cash equivalents at year-end		**152**	**171**

1) Repayment of loans comprising SEK 130 million.
2) Repayment of loans comprising SEK 160 million.

Comments on the cash-flow statement

The cash flow from operating activities amounted to SEK 560 million (413). Working capital decreased cash flow by SEK 138 million (316) and is primarily attributable to decreased current liabilities. Adjustments for non-cash items amounted to SEK 114 million (179) as specified in the table below.

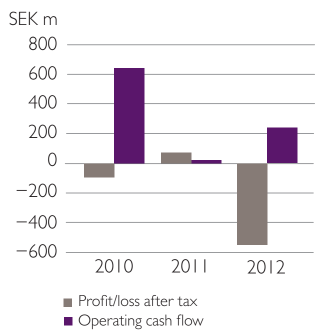
Adjustments for non-cash items

SEK m	2011	**2012**
Capital gains/losses on fixed assets	11	–7
Provisions	157	120
Other	11	1
Total	**179**	**114**

Investments in fixed assets amounted to SEK 393 million (471).

Operating cash flow, that is, the cash flow after investments but excluding the acquisitions and divestments of companies, interest and increases/decreases in interest-bearing assets, amounted to SEK 237 million (9).

PROFIT/LOSS AND CASH FLOW



PARENT COMPANY

Parent Company income statement

SEK m	Note	2011	**2012**
Net sales		80	65
Administrative expenses	4, 6, 11, 25	–145	–157
Other operating expenses	8,9	–	–
Operating loss		**–65**	**–92**
Profit from participations in Group companies	12	193	231
Financial income	12	8	31
Financial expenses	12	–78	–72
Profit after financial items		**58**	**98**
Tax on net profit for the year	13	–1	0
Net profit for the year		**57**	**98**

Parent Company statement of comprehensive income

SEK m	Note	2011	**2012**
Net profit for the year		57	98
Other comprehensive income			
Other comprehensive income for the year			
Comprehensive income for the year		**57**	**98**

Parent Company cash-flow statement

SEK m	Note	2011	**2012**
Operating activities			
Operating loss		–65	–92
Adjustments for non-cash items		0	–1
Dividend received	12	193	231
Interest received	12	8	31
Interest paid	12	–78	–72
Tax paid		0	0
Cash flow from operating activities before changes in working capital		58	97
Change in liabilities		–21	–113
Change in receivables[1]		–175	42
Cash flow from operating activities		**–138**	**26**
Investing activities[1]			
Other long-term receivables		4	–
Provisions for pensions		–2	2
Cash flow from investing activities		**2**	**2**
Financing activities			
Cash flow from financing activities		**0**	**0**
Cash flow for the year		**–136**	**28**
Cash and cash equivalents at beginning of the year		**169**	**33**
Cash flow for the year		–136	28
Cash and cash equivalents at year-end		**33**	**61**

1) Non cash-flow impacting investments in subsidiaries amounted to SEK 981 million.

Parent Company balance sheet

SEK m	Note	2011-12-31	**2012-12-31**
ASSETS			
Fixed assets			
Financial fixed assets			
Shares and participations in Group companies	16,17	1,250	2,229
Other securities held as fixed assets		0	0
Total fixed assets		**1,250**	**2,229**
Current assets			
Current receivables			
Accounts receivable		25	15
Receivables from Group companies		3,832	2,792
Other receivables		2	7
Prepaid expenses and accrued income	19	10	32
Cash and cash equivalents	20	33	61
Total current assets		**3,902**	**2,907**
Total assets		**5,152**	**5,136**
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		2,188	2,242
Net profit for the year		57	98
		1,829	**1,924**
Total shareholders' equity		**3,558**	**3,653**
Provisions for pensions	25	**8**	**10**
Long-term liabilities			
Liabilities to credit institutions	28	800	800
Current liabilities			
Liabilities to credit institutions		71	127
Accounts payable		9	16
Liabilities to Group companies		644	501
Other liabilities		3	5
Accrued expenses and deferred income	29	59	24
Total current liabilities		**786**	**673**
Total shareholders' equity, provisions and liabilities		**5,152**	**5,136**
Pledged assets	31	–	–
Contingent liabilities	31	535	329

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

Parent Company change in shareholders' equity

SEK m	Share capital	Statutory reserve[1]	Share premium reserve	Buy-back shares	Profit brought forward	Total shareholders' equity
Opening balance, 1 January 2011	**58**	**1,671**	**52**	**–468**	**2,182**	**3,495**
Net profit for the year	–	–	–	–	57	57
Comprehensive income for the year	**–**	**–**	**–**	**–**	**57**	**57**
Employee share option scheme						
– Allocation of employee share option scheme	–	–	–	–	6	6
Shareholders' equity, 31 December 2011	**58**	**1,671**	**52**	**–468**	**2,245**	**3,558**
Opening balance, 1 January 2012	**58**	**1,671**	**52**	**–468**	**2,245**	**3,558**
Net profit for the year	–	–	–	–	98	98
Comprehensive income for the year	**–**	**–**	**–**	**–**	**98**	**98**
Employee share option scheme						
– Allocation of employee share option scheme and performance share plan	–	–	–	–	–3	–3
Shareholders' equity, 31 December 2012	**58**	**1,671**	**52**	**–468**	**2,340**	**3,653**

1) Of the Parent Company 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 21 March 2013.

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 and fixed assets held for sale. Financial assets and liabilities measured at fair value comprise derivative instruments. Fixed assets held for sale are recognised at the lower of the carrying amount and fair value, less selling expenses.

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.

The most significant accounting principles stated below are applied consistently to all of the periods presented in the consolidated financial statements.

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:

– Impairment testing of goodwill
The Group regularly performs impairment tests of goodwill in accordance with the accounting policies described under "Intangible assets" on page 56. 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 Note 14, "Intangible assets." In light of the negative trend of the French economy in general, an impairment requirement of SEK 492 million (-) attributable to Hygena was identified in the 2012 accounts (see Note 14). Economic trends in other countries are also strained, but the restructuring measures implemented in recent years have had a positive effect on Nobia's profitability. The current assessment is that the risk of further impairment losses in the forthcoming year is not high, although this cannot be ruled out if the kitchen markets were to weaken further.

– Deferred tax assets
The Group's loss carryforwards for which deferred tax assets have been capitalised have a carrying amount of SEK 187 million (226) after impairment losses of SEK 49 million (–) pertaining to Hygena in 2012 for the same reason as the goodwill impairment described above. Deferred tax assets pertaining to loss carryforwards are capitalised to the extent it is probable that carryforwards can be offset against surpluses in future taxation. Particularly high demands are placed on the assessment if the company, to which the loss carryforwards are attributable, has recognised losses in recent years. The amounts of capitalised and non-capitalised loss carryforwards in the Group are presented in Note 26 "Deferred tax." If the probability that non-capitalised loss carryforwards could be utilised in future taxation in future annual accounts is deemed to be high, additional amounts may be capitalised, with a corresponding positive amount recognised in profit and loss. The reverse applies if markets were to significantly deteriorate in forthcoming years. The current assessment is that the probability of such increases or declines in the value in the balance sheet during the forthcoming year is not high, although this cannot be ruled out if conditions in the kitchen markets were to change more than expected.

Changed accounting policies
In 2012, no changes were made to the accounting policies applied by the Group according to IFRS.

New IFRSs, amendments and interpretations that have not yet been applied
A number of new or changed IFRSs will not come into effect until the next fiscal year, and have not been applied in advance when preparing these financial statements. There are no plans to apply any new or changed accounting policies with future application in advance.

Revised IAS 1 Presentation of Financial Statements (Presentation of other comprehensive income) will be applied for the fiscal year commencing 1 July 2012. This change pertains to how items in other comprehensive income are presented. The items are divided into two categories: items that will be reclassified to net profit/loss for the year, and items that will not be reclassified. Items reclassified include translation differences and gains/losses on cash-flow hedges. Items that are not reclassified include actuarial gains and losses on defined-benefit pension plans and revaluations according to the revaluation method for tangible and intangible assets. For Nobia, the change entails that for financial statements pertaining to 2013, translation differences and gains/losses on cash-flow hedges will be recognised in a category in other comprehensive income, and actuarial gains and losses on defined-benefit pension plans will be recognised in another separate category in other comprehensive income.

IFRS 9 Financial Instruments is intended to replace IAS 39 Financial Instruments: Recognition and Measurement with the most recently issued application by the IASB from 2015. The IASB has published the sections of IFRS 9 that cover classification and measurement of financial assets and liabilities, and has released proposals for certain changes to a comment process that will continue until the end of March 2013. In addition to derivates for hedging, Nobia's financial assets and liabilities essentially comprise accounts and loans receivable, accounts payable and loan liabilities. The sections of IFRS 9 regarding general hedge accounting requirements will be published shortly. The new regulations will be more closely aligned with how companies manage hedging internally and present more opportunities for hedge accounting. Nobia's hedging strategies mainly concern cash-flow hedges in various currencies and, in exceptional cases, interest-rate swaps. Judging by the draft standard, there will be no significant impact on the recognition of these hedges. Other sections of IFRS 9 – pertaining to impairments and portfolio hedges – have not yet been completed.

Amended IAS 19 Employee Benefits will be applied in the fiscal year commencing 1 January 2013 or later, with retroactive effect. This amendment entails that the corridor method used in the recognition of defined-benefit pension plans will be discontinued. Actuarial gains and losses (remeasurement according to the new terminology) will require immediate recognition in other comprehensive income. Measurement of the return on plan assets that is recognised in profit and loss is to be based on the discount rate for pension commitments, rather than the expected return, which is currently applied, and which has a less negative impact in profit and loss. As per 31 December 2012, unrecognised actuarial losses in the Group amounted to SEK 290 million. In line with the changes to IAS 19, this amount will increase pension liabilities in future reporting, reduce shareholders' equity by an amount of SEK 223 million and increase deferred tax assets by an amount of SEK 67 million. The changed method for calculating the return on plan assets that is recognised in profit and loss will not change significantly.

The following changes to accounting policies with future applications are not deemed to have any effect on the Group's accounting:
- Amendments to IAS 32 Financial Instruments: Presentation – clarification of the rules for when offsetting financial assets and liabilities is permitted
- Amendments to IFRS 7 Financial Instruments: Disclosures pertaining to new disclosure requirements relating to offsetting financial assets and liabilities
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interest in Other Entities
- Revised IAS 27 Consolidated and Separate Financial Statements
- Revised IAS 28 Investments in Associates
- IFRS 13 Fair Value Measurement
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine
- Annual Improvements to IFRSs (2009–2011)
- UFR 9 regarding accounting of tax on returns on pension funds

For IFRS 12 Disclosure of Interest in other entities and IFRS 13 Fair Value Measurement, disclosure requirements may be added.

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 Nobia AB. 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. When assessing whether a controlling influence exists, potential voting shares that can be immediately utilised or converted must be taken into account.

Business combinations are recognised in accordance with the acquisition method. 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 and contingent liabilities. The Group-wise cost is determined by an acquisition analysis in conjunction with the acquisition. The analysis determines the cost of the participations or business activities, and the fair value of the acquired identifiable assets and assumed liabilities and contingent liabilities on the acquisition date.

As of 2010, goodwill in business combinations is calculated as the total of the consideration transferred, any non-controlling interests (previously termed minority interests) and fair value of previously owned participations (for step acquisitions) less the fair value of the subsidiary's identifiable assets and assumed liabilities. When the difference is negative, it is recognised directly in net profit for the year. Goodwill from acquisitions prior to 2010 is calculated as the total of the consideration transferred and acquisition costs less the fair value of acquired identifiable net assets for each part acquisition, whereby the costs for goodwill from all potentially historic part acquisitions are aggregated. As of 2010, transaction costs arising from business combinations are expensed but for acquisitions prior to 2010, transaction costs are included in goodwill.

As of 2010, contingent consideration in acquisitions is measured at fair value on both the acquisition date and continuously thereafter, with changes in value recognised in profit and loss. For acquisitions prior to 2010, contingent consideration is only recognised when a probable and reliable amount can be calculated and any later adjustments are recognised against goodwill.

For acquisitions of subsidiaries as of 2010 involving non-controlling interests, the Group recognises net assets attributable to non-controlling interests either at fair value of all of the net assets except goodwill, or at fair value of all net assets including goodwill. The principle is decided individually for each acquisition.

Ownership in companies that grow through acquisitions on several occasions are recognised as step acquisitions. For step acquisitions that lead to a controlling interest in 2010 or later, the previously acquired participations are remeasured according to the most recent acquisition and the arising gains or losses are recognised in profit and loss. For acquisitions prior to 2010, step acquisitions are recognised as an aggregation of costs from each acquisition date, and any remeasurement at the acquisition of control is recognised against the revaluation reserve in shareholders' equity.

When controlling interests are achieved, changes in ownership are recognised as a reallocation of shareholders' equity between the Parent Company's owners and the non-controlling interest, without any remeasurement of the subsidiary's net assets. For changes in ownership with retained controlling interests that took place prior to 2010, the difference between consideration and the transaction's share of recognised, identifiable net assets was recognised against goodwill.

From 2010 or later, if ownership is reduced to such an extent that controlling interests are lost, any remaining holdings are recognised at fair value and the change in value is recognised in profit and loss. For changes in ownership prior to 2010, no remeasurement was carried out if the remaining holdings comprised a joint venture or associated company.

When acquisitions of subsidiaries involve acquisitions of net assets that are not part of the operations, the acquisition cost is distributed between the individual identifiable assets and liabilities based on their fair value on the acquisition date.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that the controlling interest arises and are included in the consolidated financial statements until the date on which the controlling interest ceases.

Transactions that are eliminated through consolidation
Intra-Group receivables and liabilities, income or expenses and unrealised gains or losses that arise from intra-Group transactions between Group companies, are eliminated in their entirety in the preparation of the consolidated financial statements.

Translation of foreign subsidiaries
The financial statements of subsidiaries are prepared in the local currency, or 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 are accumulated in a separate reserve in consolidated shareholders' equity.

	Closing-date rate		Average	
Significant exchange rates	2011–12–31	**2012–12–31**	2011	**2012**
DKK	1.20	**1.16**	1.21	**1.17**
EUR	8.94	**8.62**	9.03	**8.71**
GBP	10.68	**10.49**	10.41	**10.73**
NOK	1.15	**1.17**	1.16	**1.16**
USD	6.92	**6.52**	6.50	**6.78**

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 per region is based on the geographic domicile of the units. Refer to Note 3 on page 61 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.

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 costs 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.

Note 1 cont'd.

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. Costs 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. Costs 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 and loss.

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 Note 14 Intangible Assets on page 67.

Other intangible assets are recognised at cost less accumulated amortisation and possible impairments. It also includes capitalised costs for purchases and internal and external costs 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.

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

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. Receivables with short maturities are not discounted.

– 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 of uncertainty in forecasted sales and material purchases in foreign currency
The currency forward contracts 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.

– Cash-flow hedges interest-rate risk
Interest rate swaps are used to hedge the uncertainty in highly probable forecasted interest-rate flows pertaining to borrowing with floating interest rates, whereby the company receives a floating interest rate and a pays fixed interest rate. The interest coupon portion is recognised continuously in net profit for the year as part of interest expense.

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 participations in subsidiaries
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, 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 profit and loss. Impairment losses related to assets attributable to a cash-generating unit are primarily allocated to goodwill. Subsequently, a proportional 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 or cash-generating unit (group of units).

– 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.

– 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 disclosed 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 ordinary shares. During the recognised periods, potential ordinary shares comprise employee share options issued to employees and share rights (matching and performance shares). 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. Matching share rights held by employees on the reporting date are considered dilutive. Performance share rights are dilutive to the extent that profit targets have been fulfilled on the reporting date. For the options, the exercise price is adjusted by a supplement to the value of future services calculated as remaining cost to recognise in accordance with IFRS 2. A corresponding adjustment is carried out for the share rights, but without the existence of an underlying exercise price.

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. As previously, all new vesting in Germany 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.

Note 1 cont'd.

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 pension 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 is determined based on mortgage bonds, while in Norway, 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 less 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.

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-based remuneration schemes

Share-based payment pertains to employee benefits, including senior executives in accordance with the employee share option scheme, allotted by Nobia between 2005 and 2011 and the Performance Share Plan that was initiated in 2012. Costs for employee benefits are recognised as the value of services received, allocated over the vesting periods for the plans, calculated as the fair value of the allotted equity instruments. The fair value is determined on the allotment date, or the date on which Nobia and the employees have agreed on the terms and conditions of the plans. Since the plans are regulated with equity instruments, they are classified as "equity settled" and an amount corresponding to the recognised cost for employee benefits is recognised directly in shareholders' equity (other contributed capital).

The vesting of share options depends on the scheme participant remaining in employment and that Nobia's earnings per share show a sufficiently positive trend. The Performance Share Plan contains two types of rights. Matching share rights give entitlement to Nobia shares if the participant remains in employment and retains the Saving Share that must initially be purchased. Performance shares give entitlement to shares under the same conditions and if the accumulated earnings per share are sufficiently high during the vesting period. The recognised cost is initially based on, and regularly adjusted in relation to, the number of share options/share rights that are expected to be vested by considering how many participants are expected to remain in service during the vesting period and the expected and actual fulfilment of the terms and conditions for earnings per share. No such adjustment is carried out for the number of share options that are expected to be exercised and are actually exercised depending on whether the level of the exercise price gives rise to the exercise. Neither is such an adjustment carried out when participants lose share rights due to selling the saving shares that they were required to purchase and must retain. In this case, the entire remaining cost is immediately recognised instead.

When share options are exercised or shares are matched, social security contributions are paid in certain countries for the value of the employee's benefits. An expense and a provision are recognised, allocated over the vesting period, for these social security contributions. The provision for social security contributions is based on the number of share options/share rights that are expected to be vested and the fair value of the share options/share rights on each reporting date and finally, for the exercise/matching.

– 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 2012 were changed in accordance with the aforementioned changes for the Group.

– Classification and presentation form

An income statement and statement of comprehensive income are presented for the Parent Company and the Group. 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

Participations in subsidiaries 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. 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 discount rate is determined, that 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 and share saving schemes issued to employees of subsidiaries as shareholders' contributions by recognition in shareholders' equity and the value of the shares in the subsidiary.

– Group contributions
The Parent Company recognises Group contributions received as dividends and Group contributions paid as investments in shares in subsidiaries. Prior to 2011, Group contributions were recognised directly in shareholders' equity.

– 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, the NOK against the SEK and NOK against the DKK. Total exposure in 2012, expressed in SEK and after setting off counteracting flows, amounted to SEK 2,450 million, of which SEK 1,417 million was hedged. At the end of 2012, the hedged volume amounted to SEK 788 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 1,255 million (1,503). 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 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 SEK compared with other currencies

	2011		**2012**	
SEK m	Capital employed per currency	Interest-bearing loans and lease liabilities	Capital employed per currency	Interest-bearing loans and lease liabilities
SEK	498	905	825	916
EUR	1,860	56	955	223
GBP	1,940	477	1,875	398
DKK	721	256	654	1
USD	90	42	89	48
NOK	134	8	63	7
Other	26	0	18	0
Total	**5,269**	**1,744**	**4,479**	**1,593**

on 31 December 2012 would entail a decrease in shareholders' equity of SEK 362 million (decrease: 406) and an increase in profit of SEK 8 million (decrease: 11). The sensitivity analysis is based on the assumption that all other factors (for example, interest) are unchanged. The same conditions were applied to 2011.

Interest-rate risk
Interest-rate exposure is managed centrally, meaning that the head office is responsible for identifying and managing interest-rate risks. Nobia normally uses short, fixed-interest terms. Nobia's approach is that times of high interest rates usually coincide with healthy demand in society at large. However, since the long-term interest rates at the end of 2011 were very low compared with short-term rates, Nobia chose to fix the interest rates for loans of SEK 400 million at a term of five years through an interest swap. The fixed-interest-rate term for remaining loans 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. In 2010, Nobia raised a bond loan of SEK 800 million from AB SEK Securities (Swedish export Credit Corporation), which has a term of seven years with a right of termination for Nobia AB after five years. In 2010, 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.

Note 2 cont'd.

The table below shows the maturity of all of Nobia's loans:

	2011		2012		
Year of maturity, SEK m	2012	2015	2013	2015	2017
Loans and lines of credit	–	2 800	–	2 000	800
Of which, utilised	–	1 098	–	128	800

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 49 per cent (45). Nobia considered recognised shareholders' equity of SEK 2,885 (3,525) 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.

Interest-rate maturity period – borrowing	2011		**2012**	
Group, SEK m	0–3 months	five years	0–3 months	five years
SEK	400	400	400	400
EUR	–	–	80	–
GBP	–	–	–	–
DKK	256	–	–	–
NOK	–	–	–	–
USD	42	–	48	–

	2011							**2012**						
Commercial exposure	USD	EUR	NOK	CHF	GBP	SEK	DKK	USD	EUR	NOK	CHF	GBP	SEK	DKK
Currency contracts on closing date														
local currency m	1	41	–212	–1	–1	–77	–	0	39	–281	–1	–1	–55	–
Total, SEK m[1]	**6**	**366**	**–244**	**–10**	**–14**	**–77**	**–**	**1**	**340**	**–328**	**–10**	**–14**	**–55**	**–**
Fair value, SEK m	–1	–14	1	0	0	–2	–	0	3	–3	0	0	0	–
Net flow calendar year														
Net flow, local currency m	–18	–89[4]	565	3	2	259	–29	–15	–95[3]	704	3	4	178	17
Net flow, SEK m[2]	–115	–805[4]	654	25	17	259	–35	–98	–829[3]	819	19	48	178	20
Hedged volume, SEK m[2]	22	628	–495	–19	–24	–143	–	20	646	563	18	26	144	–

1) Flows restated at closing-date rate, SEK. 2) Restated at average rate in 2011, 2012 3) In addition, EUR 42 m pertains to flows against DKK, corresponding to SEK 362 m.
4) In addition, EUR 38 m pertains to flows against DKK, corresponding to SEK 343 m.

Sensitivity analysis	2011			**2012**		
Currencies[1] and interest rates[2]	Change	SEK m Impact on profit before tax	SEK m Impact on shareholders' equity	Change	SEK m Impact on profit before tax	SEK m Impact on shareholders' equity
EUR/SEK	5%	7.2	5.3	5%	7.7	6.0
NOK/SEK	5%	11.5	8.5	5%	9.9	7.7
EUR/GBP	5%	17.6	13.2	5%	12.0	9.3
NOK/DKK	5%	8.7	6.6	5%	13.9	10.4
SEK/DKK	5%	4.8	3.6	5%	4.2	3.2
Interest-rate level	100 points	7.0	5.5	100 points	5.3	4.1

1) Transaction effects after hedges. 2) After interest-rate hedging

Analysis of maturity for financial liabilities including accounts payable

		2011							**2012**						
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	Nominal amount, original currency	Total	Within 1 month	1–3 months	3 months – 1 year	1–5 years	5 years or longer
Bank loans (IB)															
Bank loans	SEK	952	952	3	6	26	917	–	800	932	2	5	22	903	–
Bank loans	EUR	–	–	–	–	–	–	–	10	92	0	0	3	89	–
Bank loans	GBP	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Bank loans	DKK	239	287	1	1	5	280	–	–	–	–	–	–	–	–
Bank loans	NOK	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Bank loans	USD	7	46	0	0	1	45	–	7	51	0	0	1	50	–
Other liabilities															
Forward agreements*	SEK		2	0	1	1	–	–		1	0	0	1	–	–
Forward agreements*	EUR		14	3	4	7	–	–		2	1	1	0	–	–
Forward agreements*	GBP		1	0	0	1	–	–		0	0	0	0	–	–
Forward agreements*	NOK		1	0	0	1	–	–		3	0	1	2	–	–
Forward agreements*	CHF		0	0	0	0	–	–		0	0	0	0	–	–
Forward agreements*	USD		1	0	0	1	–	–		0	0	0	0	–	–
Current account credit (IB)	SEK		71	–	–	71	–	–		127	–	–	127	–	–
Financial lease liabilities (IB)	SEK		–	–	–		–	–		–	–	–	–	–	–
Other liabilities (IB)	SEK		2	–	2		–	–		1	–	–	1	–	–
Accounts payable and other liabilities	SEK		1,390	1,095	271	22	2	–		1,180	972	171	25	12	–
Total			**2,767**	**1,102**	**285**	**136**	**1,244**	**–**		**2,389**	**975**	**178**	**182**	**1,054**	**–**
Interest-bearing liabilities (IB)			1,179							1,064					

* The value of forward agreements is included in the item "Derivatives" in the balance sheet.

Age analysis, accounts receivable and other receivables, SEK m	2011 Gross	2011 Of which, impairment losses	2012 Gross	2012 Of which, impairment losses
Non-due accounts receivable	952	–	742	–
Past-due accounts receivable 0–30 days	244	8	212	7
Past-due accounts receivable > 30 days–90 days	84	9	71	9
Past-due accounts receivable > 90 days–180 days	26	15	28	9
Past-due accounts receivable > 180 days–360 days	24	16	15	16
Past-due accounts receivable > 360 days	69	60	46	42
Total receivables	**1,399**	**108**	**1,114**	**83**

Deposit account for impairment losses on accounts receivable and other receivables, SEK m	2011	2012
Opening balance	122	108
Reversal of previously posted impairment losses	–31	–42
Impairment losses for the year	18	27
Confirmed losses	–1	–7
Translation difference	0	–3
Closing balance	**108**	**83**

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	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**
Net sales from external customers	4,480	**4,030**	5,276	**5,232**	3,358	**3,081**	–	**–**	13,114	**12,343**
Net sales from other regions	1	12	0	1	10	8	–11	–21	0	0
Total net sales	**4,481**	**4,042**	**5,276**	**5,233**	**3,368**	**3,089**	**–11**	**–21**	**13,114**	**12,343**
Depreciation/amortisation	–116	–124	–140	–125	–110	–122	–24	–24	–390	–395
Operating profit/loss	199	93	399	534	–272	–213	–142	–688	184	–274
Financial income									9	11
Financial expenses									–92	–104
Profit/loss before tax and discontinued operations									**101**	**–367**
Impairment losses	–12	–16	0	–12	–29	–71	–17	–519*	–58	–618
Restructuring costs in EBIT	–24	–88	–63	–17	–202	–204	–45	–530*	–334	–839

* Impairment of goodwill in Hygena totalling SEK 492 million.

Total liabilities and assets per region

	UK region		Nordic region		Continental Europe region		Group-wide and eliminations		Group	
SEK m	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**
Total operating assets	**1,652**	**1,484**	**1,859**	**1,611**	**1,405**	**1,264**	**2,798**	**2,193**	**7,714**	**6,552**
Total operating assets include:										
Investments in fixed assets	70	134	120	80	274	179	7	0	471	393
Total operating liabilities	**831**	**698**	**979**	**911**	**915**	**803**	**125**	**82**	**2,850**	**2,494**

Note 3 cont'd.

Geographic areas, Group	Income from external customers[1]		Fixed assets[2]	
SEK m	2011	**2012**	2011	**2012**
Sweden	1,126	1,084	237	251
Denmark	1,855	1,713	715	680
Norway	1,485	1,656	157	147
Finland	800	779	181	160
UK	4,586	4,156	1,745	1,701
France	1,561	1,350	1,264	743
Germany	474	403	366	216
Austria	496	501	317	303
Netherlands	51	35	1	1
USA	141	159	47	51
Other countries	539	507	11	7
Total	**13,114**	**12,343**	**5,041**	**4,260**

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

NOTE 4 COSTS FOR EMPLOYEE BENEFITS AND REMUNERATION TO SENIOR EXECUTIVES

	2011			**2012**		
SEK m	Salaries and other remuneration	Social security costs	Total	Salaries and other remuneration	Social security costs	Total
Total subsidiaries	2,438	592	**3,030**	2,312	576	**2,888**
of which pension costs		175	**175**		184	**184**
Parent Company	47	22	**69**	40	25	**65**
of which pension costs		14	**14**		12	**12**
Group[1]	2,485	614	**3,099**	2,352	601	**2,953**
of which pension costs		189	**189**		196	**196**

1) Excludes costs for share-based remuneration.

Total costs for employee benefits

SEK m	2011	**2012**
Salaries and other remuneration	2,485	2,352
Social security costs	425	405
Pension costs – defined-contribution plans	145	138
Pension costs – defined-benefit plans	37	51
Costs for special employer's contributions and tax on returns	7	7
Costs for allotted employee share options		
2007–2011	–	–
2008–2012	–	–
2009–2013	–	–
2010–2014	2	–6
2011–2015	2	4
Costs for the Performance share plan		
2012–2015	–	1
Total costs for employees	**3,103**	**2,952**

Salaries and other remuneration for the Parent Company

SEK m	2011	**2012**
Senior management[1]	18	19
Other employees	29	21
Total Parent Company[2]	**47**	**40**

1) In 2012, the number of individuals was 6 (5).
2) Excludes costs for share-based remuneration.

Salaries and other remuneration for the Group

SEK m	2011	**2012**
Board and President of subsidiaries[1]	34	29
Other employees of subsidiaries	2,404	2,283
Total subsidiaries	**2,438**	**2,312**
Group[2]	**2,485**	**2,352**

1) In 2012, the number of individuals was 15 (13).
2) Excludes costs for share-based remuneration.

Remuneration and other benefits, 2012, SEK m	Basic salary, Director's fee	Variable remuneration	Other benefits	Pension cost	Share-based remuneration	Other remuneration	Total	Pension commitments	Number of individuals
Chairman of the Board									
Johan Molin	0.8	–	–	–	–	–	0.8	–	1
Board members									
Nora Førisdal Larssen	0.3	–	–	–	–	–	0.3	–	1
Lilian Fossum Biner	0.2	–	–	–	–	–	0.2	–	0.75
Fredrik Palmstierna	0.3	–	–	–	–	–	0.3	–	1
Thore Ohlsson	0.3	–	–	–	–	–	0.3	–	1
Rolf Eriksen	0.3	–	–	–	–	–	0.3	–	1
Former Board members									
Lotta Stalin	0.2	–	–	–	–	–	0.2	–	0.25
Bodil Eriksson	0.2	–	–	–	–	–	0.2	–	0.67
President									
Morten Falkenberg	6.7	1.0	0.2	2.5	0.3	–	10.7	–	1
Other members of Group management	**23.5**	**1.9**	**0.8**	**4.3**	**–0.1**	**–**	**30.4**	**0.9**	**10**
–of which, from subsidiaries	13.0	1.1	0.5	1.5	0	–	16.1	–	5
Total	**32.8**	**2.9**	**1.0**	**6.8**	**0.2**	**–**	**43.7**	**0.9**	**17.67**

Remuneration and other benefits, 2011, SEK m	Basic salary, Director's fee	Variable remuneration	Other benefits	Pension cost	Share-based remuneration	Other remuneration	Total	Pension commitments	Number of individuals
Chairman of the Board									
Johan Molin	0.7	–	–	–	–	–	0.7	–	1
Board members									
Nora Førisdal Larssen	0.2	–	–	–	–	–	0.2	–	0.75
Bodil Eriksson	0.3	–	–	–	–	–	0.3	–	1
Fredrik Palmstierna	0.3	–	–	–	–	–	0.3	–	1
Lotta Stalin	0.3	–	–	–	–	–	0.3	–	1
Thore Ohlsson	0.3	–	–	–	–	–	0.3	–	1
Rolf Eriksen	0.3	–	–	–	–	–	0.3	–	1
Former Chairman									
Hans Larsson	0.2	–	–	–	–	–	0.2	–	0.25
Former Board member									
Stefan Dahlbo	0.1	–	–	–	–	–	0.1	–	0.25
President									
Morten Falkenberg	6.5	–	0.2	2.4	0.2	–	9.3	–	1
Other members of Group management	**23.1**	**1.4**	**0.7**	**3.7**	**1.8**	**–**	**30.7**	**0.7**	**9**
–of which, from subsidiaries	14.8	0.9	0.5	1.4	0.9	–	18.5	–	5
Total	**32.3**	**1.4**	**0.9**	**6.1**	**2.0**	**–**	**42.7**	**0.7**	**17.25**

The average number of employees and number of men and women among Board members and senior managers are described in Note 5, see page 66.

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 325,000 per member and the Chairman received SEK 850,000. The Board received a total of SEK 2,646,667. Employee representatives receive a study and preparation fee of SEK 26,000 per person per year.

– President

In the 2012 fiscal year, the President received SEK 6,853,425 in salary and benefits, plus a variable salary portion related to results for 2012 of SEK 962,406. 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 2012, the premium cost was SEK 2,008,500. 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, which comprised ten individuals in 2012, of whom five are employed in the Parent Company, received salaries and benefits during the fiscal year amounting to SEK 24,270,911 plus variable salary portions based on results for 2012 of SEK 1,889,381. 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

Note 4 cont'd.

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 37.

– 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. 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 2009–2011 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. 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 2010–2012 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.

– Share option scheme 2011– 2015

At the 2011 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 1,640,000 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 2014 up to and including 31 December 2015 at a predetermined exercise price of SEK 54.10. 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 2011–2013 fiscal years, the Nobia Group increases its earnings per share compared with the average for the 2009 and 2010 fiscal years, adjusted for structural nonrecurring costs, 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.

– Performance Share Plan 2012-2015

At the 2012 Annual General Meeting, a resolution was made in accordance with the Board's proposal to introduce an incentive scheme in the form of a Performance Share Plan. The basic motivation for the Performance Share Plan is the same as for the incentive scheme implemented in previous years in Nobia. The Performance Share Plan encompasses about 100 individuals, consisting of senior executives and senior managers at the Nobia Group. Participation in the plan requires an investment in Nobia shares. At the end of the vesting period, the participants will be allotted shares in Nobia free of charge, provided that certain conditions are fulfilled. A participant's entitlement to receive shares in Nobia for matching share rights requires continued employment in the Nobia Group during the vesting period, May 2012 - April/May 2015, and that investment in Nobia shares is "locked into" the plan during the same period. Allotment of shares based on performance shares also requires fulfilment of a financial performance target linked to accumulated earnings per share, adjusted for structural nonrecurring costs and structural nonrecurring income during the same period, during the 2012–2013 fiscal years. The maximum number of shares that can be allocated under the plan is limited to 1,500,000. The value of the share rights is based on the closing price of the Nobia share on the allocation date in mid May 2012, with deductions for the present value of the estimated dividend during the 2012-2014 fiscal years. The share rights were attributed a value of SEK 22.79. Nobia does not compensate plan participants for dividends made during the vesting period in respect of the shares for which each share right is qualified.

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

	Share option scheme 2007–2015					
Scheme	Exercise period	Exercise price, SEK per share	Theoretical value of the options, SEK per share	Share value at allotment, SEK per share	Volatility in per cent	Risk-free interest rate in per cent
2007–2011	31 May 2010–1 March 2011	101.3	14.2	92.1	24	4.09
2008–2012	31 May 2011–1 March 2012	44.4	6.16	42	33	4.32
2009–2013	31 May 2012–1 March 2013	35.3	5.47	29.4	35	2.17
2010–2014	31 May 2013–31 December 2014	39.5	8.12	35.2	37	1.71
2011–2015	31 May 2014–31 December 2015	54.1	9.1	47.7	33	2.55

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 share options				
Scheme	President	Other members of Group management	Other employees	Total	Original allotment
2007–2011	–	–	–	–	1,830,000
2008–2012	–	–	–	–	2,592,500
2009–2013	–	–	–	–	2,292,000
2010–2014[1)]	–	–	–	–	2,165,000
2011–2015	70,000	400,000	925,000	1,395,000	1,640,000
Total	**70,000**	**400,000**	**925,000**	**1,395,000**	**10,519,500**

1) Since the earnings target was not achieved in the 2010 scheme, the employee share options could not be exercised. Consequently, the options are considered forfeited.

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

	Accumulated costs			2011[1)]			**2012[2)]**		
Scheme	IFRS 2 cost	Social costs	Total cost	IFRS 2 cost	Social costs	Total cost	IFRS 2 cost	Social costs	Total cost
2007–2011	–	–	–	–	–	–	–	–	–
2008–2012	–	–	–	–	–	–	–	–	–
2009–2013	–	–	–	–	–	–	–	–	–
2010–2014	0	0	0	4	–2	2	–6	0	–6
2011–2015	6	0	6	2	0	2	4	0	4
	6	**0**	**6**	**6**	**–2**	**4**	**–2**	**0**	**–2**

1) Price on 31 Dec 2011 = SEK 24.50 per share
2) Price on 31 Dec 2012 = SEK 26.50 per share

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

	2011		**2012**	
	Average exercise price, SEK per share	Number of options	Average exercise price, SEK per share	Number of options
As per 1 January	38.01	3,995,000	47.00	3,230,000
Allotted	54.10	1,640,000	–	0
Expired	–	0	–	0
Forfeited	36.91	–2,405,000	40.49	–1,835,000
Exercised	–	0	–	0
As per 31 December	**47.00**	**3,230,000**	**55.55**	**1,395,000**

Of the 1,395,000 outstanding options (3,230,000), it was possible to exercise 0 options (0) since the date of expiry had not yet fallen.

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

	Options		
Expiry date	Exercise price, SEK per share	2011	**2012**
31 December 2014	39.5	1,710,000	–
31 December 2015	54.1	1,520,000	1,395,000
		3,230,000	**1,395,000**

The costs of the Performance Share Plan are presented in the table below:

	Accumulated costs			2011[1)]			**2012[2)]**		
Performance Share Plan	IFRS 2 cost	Social costs	Total cost	IFRS 2 cost	Social costs	Total cost	IFRS 2 cost	Social costs	Total cost
2012–2015	1	0	1	–	–	–	1	0	1
	1	**0**	**1**	**–**	**–**	**–**	**1**	**0**	**1**

1) Price on 31 Dec 2011 = SEK 24.50 per share
2) Price on 31 Dec 2012 = SEK 26.50 per share

	2011	**2012**
	No. of share rights	No. of share rights
As per 1 January	–	–
Allotted	–	536,122
Expired	–	–22,660
As per 31 December	**–**	**513,462**

Outstanding share rights at year-end had the following expiry dates:

	Share rights	
Expiry date	2011	**2012**
April/May 2015	**–**	**513,462**

NOTE 5 AVERAGE NUMBER OF EMPLOYEES

	2011		2012	
Subsidiaries in:	Average number of employees	Of whom, men	Average number of employees	Of whom, men
Sweden	822	604	772	552
Denmark	1,267	917	1,336	961
Norway	289	113	325	153
Finland	463	334	451	319
Germany	545	399	577	403
Austria	473	382	425	339
UK	2,524	1,879	2,476	1,818
France	960	427	868	483
USA	48	15	49	15
Switzerland	23	19	24	18
Poland	24	11	22	9
Netherlands	2	2	2	2
Spain	8	0	0	0
Japan	4	2	3	1
Total subsidiaries	**7,452**	**5,104**	**7,330**	**5,073**
Parent Company	23	15	25	11
Group	**7,475**	**5,119**	**7,355**	**5,084**

	2011		2012	
	Number on closing date	Of whom, men, %	Number on closing date	Of whom, men, %
Board members	67	85	66	86
President and other senior executives	79	81	81	83
Group	**146**	**79**	**147**	**80**

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

	2011		2012	
	Number on closing date	Of whom, men, %	Number on closing date	Of whom, men, %
Board members	12	67	11	73
President and other senior executives	11	91	11	91
Parent Company	**23**	**78**	**22**	**82**

NOTE 6 REMUNERATION TO AUDITORS

Specification by type of costs

	Group		Parent company	
SEK m	2011	**2012**	2011	**2012**
KPMG				
Audit assignment	10	11	3	3
Audit activities other than audit assignment	0	0	0	0
Tax advice	1	1	0	0
Other assignments	1	1	1	1
Other auditors				
Audit assignment	0	0	–	–

Audit assignment refers to the statutory audit of the annual and consolidated financial statements and accounting, the administration of the Board and the President and other examinations performed by agreement or contract. This includes other duties that fall upon the company's auditor to perform and providing advisory services or other assistance due to observations made during such an audit or while performing other such duties.

NOTE 7 DEPRECIATION/AMORTISATION AND IMPAIRMENT LOSSES BY ACTIVITY

	Depreciation/ amortisation		Impairment losses	
Group, SEK m	2011	**2012**	2011	**2012**
Cost of goods sold	–155	–153	–17	–84
Selling expenses	–190	–201	–38	–531
Administrative expenses	–45	–41	–3	–3
Total depreciation/amortisation and impairment losses	**–390**	**–395**	**–58**	**–618**

NOTE 8 OTHER OPERATING INCOME

	Group		Parent company	
SEK m	2011	**2012**	2011	**2012**
Gains attributable to sale of fixed assets	0	7	–	–
Exchange-rate gains from operating receivables/liabilities	31	38	–	–
Other	20	39	–	–
Total other operating income	**51**	**84**	**–**	**–**

NOTE 9 OTHER OPERATING EXPENSES

	Group		Parent company	
SEK m	2011	**2012**	2011	**2012**
Exchange-rate losses from operating receivables/liabilities	–47	–64	–	–
Capital loss attributable to divestment of subsidiaries	–	–	–	–
Loss attributable to sale of fixed assets	–11	0	–	–
Other	–6	–71	–	–
Total other operating expenses	**–64**	**–135**	**–**	**–**

NOTE 10 SPECIFICATION BY TYPE OF COST

SEK m	2011	**2012**
Costs for goods and materials	–5,646	–5,236
Costs for remuneration to employees (Note 4)	–3,103	–2,952
Depreciation and impairment losses (Note 7)	–448	–1,013
Freight costs	–689	–643
Operational leasing costs, primarily stores (Note 11)	–685	–649
Other operating expenses	–2,410	–2,208
Total operating expenses	**–12,981**	**–12,701**

NOTE 11 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):

	Group		Parent company	
SEK m	2011	**2012**	2011	**2012**
Expensed during the year	685	649	0	1
Falling due for payment within one year	650	622	0	0
Falling due for payment between one and five years	1,701	1,575	0	0
Falling due for payment later	1,156	885	0	0
Total	**3,507**	**3,731**	**0**	**1**

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

	Group		Parent company	
SEK m	2011	**2012**	2011	**2012**
Falling due for payment within one year	66	77	–	–
Falling due for payment between one and five years	233	234	–	–
Falling due for payment later	8	3	–	–
Total	**307**	**314**	**–**	**–**

NOTE 12 FINANCIAL INCOME AND EXPENSES

	Group		Parent company	
SEK m	2011	**2012**	2011	**2012**
Profit from participations in Group companies				
Dividends	–	–	133	110
Group contributions received	–	–	60	121
Financial income				
Interest income, current	8	6	5	15
Exchange-rate differences	1	5	3	16
Financial expenses				
Interest expense	–66	–63	–72	–72
Interest expense pertaining to pension liability	–26	–39	–	–
Exchange-rate differences	0	–2	–6	0
Total	**–83**	**–93**	**123**	**190**

NOTE 13 TAX ON NET PROFIT FOR THE YEAR

	Group		Parent company	
SEK m	2011	**2012**	2011	**2012**
Current tax expenses for the period	–67	–158	–	–
Deferred tax	51	2[1]	–1	0
Tax on net profit for the year	**–16**	**–156**	**–1**	**0**

1) This amount includes impairment of deferred tax assets at an amount of SEK 49 m.

Reconciliation of effective tax Parent Company, %	2011	**2012**
Tax rate in the Parent Company	26.3	26.3
Tax relating to earlier periods	–	–
Non-tax deductible income	0.0	–
Non-deductible costs	0.4	0.2
Non-tax deductible dividend	–60.5	–29.4
Non-capitalised loss carryforwards	34.1	2.9
Other	1.0	0.1
Recognised effective tax	**1.3**	**0.1**

The difference between the nominal and effective tax rates for the Parent Company primarily pertain to dividends from subsidiaries and a non-capitalised loss carryforward. The loss carryforward is capitalised at Group level.

Tax expense on net profit for the year for the Group comprised negative 40.3 per cent of profit before tax. In 2011, tax revenue accounted for 17.2 per cent of profit before tax. On 1 January 2013, corporation tax in Sweden was lowered from 26.3 per cent to 22.0 per cent and as of 1 April 2013, corporation tax in UK will be lowered, from 24.0 per cent to 23.0 per cent. Nobia's deferred tax liabilities and receivables from these countries are thus recognised at this new tax rate from 31 December 2012, with a marginal effect in the income statement and the balance sheet. The difference between recognised tax (40.3 per cent) and anticipated tax in consolidated profit before tax estimated with the local tax rate for Sweden (26.3 per cent) is explained in the table below.

Reconciliation of effective tax Group, %	2011	**2012**
Local tax rate in Sweden	26.3	26.3
Different local tax rates	–29.9	1.1
Taxes attributable to previous periods	–3.4	0.5
Non-tax deductible income	–12.2	3.9
Non-deductible costs	20.5	–5.2
Changed tax rate	6.9	–0.5
Taxable contribution to subsidiary	–	–19.5
Impairment of goodwill	–	–33.4
Reconsideration of previously capitalised loss carryforwards	–	–12.6
Other	9.0	–0.9
Recognised effective tax	**17.2**	**–40.3**

Note 26 on page 75 explains the calculation of deferred tax assets and liabilities.

NOTE 14 INTANGIBLE ASSETS

Goodwill, SEK m	2011	**2012**
Opening cost	2,676	2,681
Goodwill arising from acquisition of net assets	1	–
Impairment losses	–	–513
Translation differences	4	–66
Closing carrying amount	**2,681**	**2,102**

Impairment testing of goodwill

At the end of 2012, recognised goodwill amounted to SEK 2,102 million (2,681). The carrying amount of goodwill is specified by cash-generating units as follows:

SEK m	2011	**2012**
Nobia UK	1,038	1,026
Hygena	828	311
Nobia DK	315	296
Nobia SweNo	155	157
Other	345	312
Total	**2,681**	**2,102**

Goodwill has been allocated to cash-generating units (CGU) when these units were acquired. Nobia has eight CGU s, 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. Various economic indicators are used to analyse the business climate, as well as external and internal analyses of these. Development of the operating margin is based on cost of goods sold

Note 14 cont'd.

and operating expenses in relation to sales. The assumptions are also based on the effects of the Group's long-term strategic initiatives, comprising differentiated brands, a Group-wide range, central sourcing and product development. 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 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 interest and tax rates in different countries.

In 2012, the Group's weighted cost of capital before tax amounted to 13.7 per cent (11.9) and after tax to 9.8 per cent (9.1). In total, the utilised cost of capital after tax for 2012 is in the interval 8.8–12.4 per cent (8.7–10.2).

Impairment testing of Hygena's goodwill when closing the 2012 accounts identified an impairment requirement due to the increasingly negative market trend in France during the fourth quarter of 2012. Future forecasted sales and operating profit have been adjusted downwards despite the numerous internal efficiency measures implemented in recent years, such as refurbishing 118 stores, harmonising the product range and reducing the number of employees. As a result, the risk premium for the company-specific risk and uncertainty from a macro perspective rose to 5 per cent (2.5), entailing a higher return requirement for Hygena. The weighted average capital cost used in the test increased to 16.4 per cent (13.9) before tax, and 12.4 per cent (9.5) after tax. Recognised goodwill for Hygena was therefore impaired by SEK 492 million (–) to a value in use of SEK 311 million. The impairment was allocated to Group-wide and eliminations, see Note 3 Operating segments on page 61.

In addition to impairment losses in Hygena, recognised goodwill was impaired to the amount of SEK 14 million (–) in the fourth quarter of 2012 prior to the planned divestment of the Optifit Group, and SEK 7 million (–) in HTH, which was attributable to HTH's jointly owned subsidiary in Poland.

Assumptions for calculating recoverable amounts:

Discount rate before tax, %

%	2011	**2012**
Nobia UK	11.6	13.2
Hygena	13.9	16.4
Nobia DK	11.1	11.8
Nobia SweNo	11.6	12.7
Other	12.8–13.5	12.6–13.0

Other intangible assets, SEK m	2011	**2012**
Opening cost	462	487
Investments for the year	32	11
Sales and scrapping	–6	–10
Corporate acquisitions	–	–
Company sales	–	–
Reclassifications	–	0
Translation differences	–1	–15
Closing accumulated cost	**487**	**473**
Opening amortisation	204	238
Sales and scrapping	–1	–8
Amortisation for the year	36	51
Corporate acquisitions	–	–
Company sales	–	–
Reclassifications	–	2
Impairment losses	–	2
Translation differences	–1	–9
Closing accumulated amortisation	**238**	**276**
Closing carrying amount	**249**	**197**
Of which:		
Software	176	136
Brands	19	18
Other	54	43
Closing carrying amount	**249**	**197**

NOTE 15 TANGIBLE FIXED ASSETS

	Group	
Buildings, SEK m	2011	**2012**
Opening cost	2,538	1,904
Investments for the year	28	23
Sales and scrapping	–6	–126
Reclassifications	–660	131
Translation differences	4	–51
Closing cost including written-up amount	**1,904**	**1881**
Opening depreciation and impairment losses	1,591	1,102
Sale and scrapping	–2	–99
Reclassifications	–590	83
Depreciation for the year	87	85
Impairment losses	15	57
Translation differences	1	–31
Closing depreciation and impairment losses	**1,102**	**1,197**
Closing carrying amount	**802**	**684**
Closing accumulated depreciation	**1,037**	**1,096**

	Group	
Land and land improvements, SEK m	2011	**2012**
Opening cost	203	203
Investments for the year	1	–
Sales and scrapping	–	–18
Reclassifications	–	12
Translation differences	–1	–7
Closing cost including written-up amount	**203**	**190**
Opening depreciation	24	30
Sales	–	–6
Reclassifications	–	4
Depreciation for the year	1	–
Impairment losses	6	10
Translation differences	–1	–1
Closing depreciation	**30**	**37**
Closing carrying amount	**173**	**153**
Closing accumulated depreciation	**23**	**25**

	Group	
Investments in progress, SEK m	2011	**2012**
Opening balance	12	19
Investments initiated during the year	15	12
Investments completed during the year[1]	–1	–7
Translation differences	–7	–7
Closing carrying amount	**19**	**17**

1) Assets reclassified as other tangible fixed assets.

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Machinery and other technical equipment, SEK m	Group 2011	Group 2012
Opening cost	2,262	2,847
Investments for the year	246	189
Sales and scrapping	–321	–226
Company sales	–	–
Reclassifications	661	–257
Translation differences	–1	–61
Closing cost including written-up amount	**2,847**	**2,492**
Opening depreciation and impairment losses	1,590	2,055
Sales and scrapping	–305	–223
Reclassifications	589	–212
Depreciation for the year	160	148
Impairment losses	21	17
Translation differences	0	–47
Closing depreciation and impairment losses	**2,055**	**1,738**
Closing carrying amount	**792**	**754**
Closing accumulated depreciation	**2,010**	**1,695**

Equipment, tools, fixtures and fittings, SEK m	Group 2011	Group 2012
Opening cost	1,182	1,135
Investments for the year	149	158
Sales and scrapping	–204	–142
Reclassifications	1	281
Translation differences	7	–41
Closing cost	**1,135**	**1,391**
Opening depreciation and impairment losses	809	811
Sales and scrapping	–122	–100
Corporate acquisitions	–	–
Company sales	–	–
Reclassifications	1	226
Depreciation for the year	106	111
Impairment losses	16	19
Translation differences	1	–28
Closing depreciation and impairment losses	**811**	**1,039**
Closing carrying amount	**324**	**352**
Closing accumulated depreciation	**771**	**989**

Advance payments for tangible fixed assets, SEK m	Group 2011	Group 2012
Opening balance	1	1
Expenses during the year	1	0
Reclassifications	–1	0
Closing carrying amount	**1**	**1**

A production property in both Denmark and Sweden, which were previously recognised in accordance with IFRS 5 as Assets held for sale, are recognised from the fourth quarter 2012 as tangible assets in accordance with IAS 16 Property, Plant and Equipment. It is Nobia's continued intention to divest these properties.

In the UK, machinery and other technical equipment was reclassified as equipment, tools, fixtures and fittings.

Impairment losses for the year for tangible fixed assets amounted to SEK 103 million (58). The most significant impairment losses pertain to Germany, where Group-wise land and buildings were impaired in the amount of SEK 65 million, machinery in the amount of SEK 15 million, and equipment, tools, fixtures and fittings in the amount of SEK 2 million. Of these amounts SEK 69 million was charged to the Continental Europe region and SEK 13 million was recognised under Group-wide and eliminations. In the UK region, equipment, tools, fixtures and fittings were impaired in the amount of SEK 17 million. Impairment losses were part of the established restructuring programme and recognised as restructuring costs. Impairment losses were recognised at fair value less selling expenses based on the estimated price in the relevant location.

NOTE 16 FINANCIAL FIXED ASSETS

Other long-term receivables, SEK m	Group 2011	Group 2012
Deposits	50	46
Long-term loans to retailers	3	1
Other interest-bearing receivables	2	2
Other	4	4
Total	**59**	**53**

Shares and participations in Group companies, SEK m	Parent Company 2011	Parent Company 2012
Opening cost	1,245	1,250
Inter-Group sales	–	–
Shareholders' contribution	–	981
Other changes	5	–2
Closing cost	**1,250**	**2,229**

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 2011	Carrying amount 2012
Nobia Sverige AB	556060-1006	Stockholm	100	100	456	**1,256**
Sigdal Kjøkken AS		Kolbotn	100			
Nobia Production Sweden AB	556038-0072	Tidaholm	100			
Marbodal OY[1)]		Helsingfors	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.		Warsawa	83,8			
Novart OY		Nastola	100			
Nobia Holding (UK) Limited		Darlington	100			
Magnet Ltd		Darlington	100			
Larkflame Ltd		Darlington	100			
Magnet (Isle of Man) Limited		Man	100			
Aqua Ware Ltd[1)]		Darlington	100			
Magnet Group Trustees Ltd[1)]		Darlington	100			
Magnet Group Ltd[1)]		Darlington	100			
Flint Properties Ltd[1)]		Darlington	100			
Eastham Ltd[1)]		Darlington	100			
Hyphen Fitted Furniture Ltd[1)]		Darlington	100			
Magnet Distribution Ltd[1)]		Darlington	100			
The Penrith Joinery Company Ltd[1)]		Darlington	100			
Magnet & Southerns Ltd[1)]		Darlington	100			
Magnet Furniture Ltd[1)]		Darlington	100			
Magnet Joinery Ltd[1)]		Darlington	100			
Magnet Manufacturing Ltd[1)]		Darlington	100			
Magnet Retail Ltd[1)]		Darlington	100			
Magnet Supplies Ltd[1)]		Darlington	100			
Magnet Industries Ltd[1)]		Darlington	100			
Magnet Kitchens Ltd[1)]		Darlington	100			
Firenzi Kitchens Ltd[1)]		Darlington	100			
Gower Group Ltd		Halifax	100			
Gower Furniture Ltd		Halifax	100			
Charco Ninety-Nine Ltd		Halifax	100			
WOR Ltd[1)]		Halifax	100			
Gower Windows Ltd[1)]		Halifax	100			
Eurostyle Furniture Ltd[1)]		Halifax	100			
Beverly Doors Ltd[1)]		Halifax	100			
Working Systems Ltd[1)]		Halifax	100			
Perfectshot Ltd[1)]		Halifax	100			
Addspace Products Ltd[1)]		Halifax	100			
Gower Garden Furniture Ltd[1)]		Halifax	100			
Lovene Dörr AB[1)]	556038-1724	Stockholm	100			
Star Möbelwerk GmbH[1)]		Herford	100			

	Corporate Registration Number	Domicile	Share of equity, %	No. of shares	Carrying amount 2011	2012
Swedoor Bauelementevertrieb Gmbh[1]		Herford	100			
Nobia Svenska Kök AB	556048-3256	Tidaholm	100	30,000	92	92
Poggenpohl Möbelwerke GmbH		Herford	98.57		532	713
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		Wien	100			
Poggenpohl France SARL		Paris	100			
Poggenpohl Nederland BV		Veldhoven	100			
SA Poggenpohl Belgium NV[1]		Gent	100			
Poggenpohl US Inc.		Fairfield NJ	100			
Poggenpohl Group Schweiz AG		Littau	100			
Poggenpohl AB	556323-2551	Stockholm	100			
Poggenpohl A/S[1]		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[1]		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	100	20 000	154	154
Invita Retail A/S		Ølgod	100			
Nobia Beteiligungs-GmbH		Wels	100		2[2]	2[2]
Nobia Liegenschafts- und Anlagenverwaltungs-GmbH		Wels	100		1[2]	1[2]
EWE Küchen GmbH		Wels	100			
FM Küchen GmbH		Linz	100			
Other					13	11
Total					**1,250**	**2,229**

1) The company is dormant.
2) The company is one-per cent-owned by Nobia AB and 99-per cent-owned by the subsidiary, Nobia Sverige AB. The details concern the one-per cent holding.

NOTE 18 DERIVATIVE INSTRUMENTS

	Group		Parent Company	
SEK m	Carrying amount **2012**	Fair value **2012**	Carrying amount **2012**	Fair value **2012**
Forward agreements, transaction exposure – assets	6	6	–	–
Forward agreements, transaction exposure – liabilities	6	6	–	–
Total	**0**	**0**	**–**	**–**

Unrealised gains and losses totalling a net loss of SEK 0 million in shareholders' equity for forward agreements as per 31 December 2012 will be recognised in profit and loss at different times within 12 months of the closing date. For information about forward agreements, see Note 2 Financial risks on page 59. Last year´s unrealised gains and losses totalling a net loss of SEK 8 million was reversed in profit and loss in its entirety in 2012.

NOTE 19 PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
SEK m	2011	**2012**	2011	**2012**
Prepaid rent	53	66	–	–
Bonus from suppliers	87	56	8	27
Prepaid bank charges	13	9	–	–
Insurance policies	7	6	1	0
Accrued income from property sales and rental contracts	1	–	–	–
Other	88	70	1	5
Total	**249**	**207**	**10**	**32**

NOTE 20 CASH AND CASH EQUIVALENTS

	Group		Parent Company	
SEK m	2011	**2012**	2011	**2012**
Cash and bank balances	152	171	33	61

Unutilised credit facilities, which are not included in cash and cash equivalents, totalled SEK 343 million (406) in the Group, and SEK 243 million (306) in the Parent Company at year-end. In addition to the overdraft facilities, the company has unutilised credit commitments of SEK 1,872 million (1,702).

NOTE 21 SHARE CAPITAL

	No. of registered shares	No. of outstanding shares
As per 1 January 2011	175,293,458	167,131,158
As per 31 December 2011	175,293,458	167,131,158
As per 31 December 2012	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 50 and 53.

SEK m	Translation reserve	Hedging	Total
Opening balance, 1 January 2011	**–381**	**–1**	**–382**
Exchange-rate differences attributable to translation of foreign operations	11	–	11
Cash-flow hedges, before tax	–	–9	–9
Tax attributable to change in hedging reserve for the year	–	2	2
Closing balance, 31 December 2011	**–370**	**–8**	**–378**
Opening balance, 1 January 2012	**–370**	**–8**	**–378**
Exchange-rate differences attributable to translation of foreign operations	–104	–	–104
Cash-flow hedges, before tax	–	11	11
Tax attributable to change in hedging reserve for the year	–	–3	–3
Closing balance, 31 December 2012	**–474**	**0**	**–474**

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.

	2011	**2012**
Profit attributable to Parent Company's shareholders, SEK m	70	–544
Profit from continuing operations, SEK m	86	–524
Profit from discontinued operations, SEK m	–16	–20
Weighted average number of outstanding ordinary shares before dilution	167,131,158	167,131,158
Earnings per share before dilution, SEK	0,42	–3,25
Earnings per share before dilution, from continuing operations, SEK	0,51	–3,13
Earnings per share before dilution, for discontinued operations, SEK	–0,09	–0,12

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 2011 and potential ordinary shares attributable to the Performance Share Plan that was introduced in 2012. Refer to Notes 4 and 21, on pages 62 and 72.

Various circumstances may mean that the options and share rights do not lead to any dilution. If net profit for the year from continuing operations is negative, neither the share options nor share rights are considered dilutive. Also, the share options and performance share rights do not lead to dilution if the achieved earnings per share are insufficient to entitle shares at the end of the vesting period. In addition, the share options are not dilutive if the exercise price, including a supplement for the value of remaining future services to report during the vesting period, exceed the average share price for the period. Correspondingly, share rights are not dilutive if the value of remaining future services to report during the vesting period correspond to an exercise price that exceeds the average share price for the period. For both the employee share option scheme and the Performance Share Plan, at least one of these circumstances is required to bring about dilution.

	2011	**2012**
Weighted average number of outstanding ordinary shares	167,131,158	167,131,158
Employee Share Option Scheme 2010, 2011	–	–
Performance Share Plan 2012	–	–
Weighted average number of outstanding ordinary shares after dilution	167,131,158	167,131,158
Earnings per share after dilution, SEK	0,42	–3,25
Earnings per share after dilution, from continuing operations, SEK	0,51	–3,13
Earnings per share after dilution, from discontinued operations, SEK	–0,09	–0,12

NOTE 24 DIVIDEND

A dividend of SEK 0.5 per share for the 2012 fiscal year will be proposed at the Annual General Meeting on 11 April 2013. Based on the number of shares outstanding at the end of 2012, the proposed dividend totals SEK 84 million. This amount has not been recognised as a liability, but will be recognised as an appropriation of profits under shareholders' equity for the 2013 fiscal year.

In 2012, no dividend was paid for the 2011 fiscal year. No dividend was paid to non-controlling interests in subsidiaries.

In 2011, no dividend was paid for the 2010 fiscal year. SEK 0.3 million was paid to non-controlling interests in subsidiaries.

NOTE 25 PROVISIONS FOR PENSIONS

Defined-benefit pension plans, Group

	Group	
Provisions for pensions, SEK m	2011	**2012**
Defined-benefit pension plans	565	529

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. In the UK, all new vesting in the defined-benefit pension plan was concluded in 2010, and has already been concluded in 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 multiemployer defined-benefit plan. Since the Group did not have access to information in the 2012 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 1.9 million (1.2). On 31 December 2012, 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 129 per cent (113 per cent in December 2011). The collective consolidation rate comprises the market value of Alecta's assets as a percentage of the insurance commitments produced 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:

	Group	
SEK m	2011	**2012**
Present value of funded obligations	2,175	2,349
Fair value of plan assets	–1,556	–1,675
	619	**674**
Present value of unfunded obligations	130	145
Unrealised actuarial gains (+)/losses (–)	–184	–290
Net debt in balance sheet	**565**	**529**

The net debt for defined-benefit plans amounting to SEK 529 million (565) is recognised in its entirety in the "Provisions for pensions" item in the consolidated balance sheet. The net debt at year-end was as follows: UK 76 per cent (78), Sweden 15 per cent (13), Germany 8 per cent (8) and Norway 1 per cent (1).

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

	Group	
SEK m	2011	**2012**
At beginning of the year	2,105	2,305
Costs for service during current year	11	8
Interest expense	103	106
Actuarial losses (+)/gains (–)	132	207
Exchange-rate differences	35	–43
Benefits paid	–81	–89
Amount at year-end	**2,305**	**2,494**

FINANCIAL STATEMENTS » NOTES

Note 25 cont'd.

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

	Group	
SEK m	2011	**2012**
At beginning of the year	1,451	1,556
Expected return on plan assets	76	67
Actuarial losses (–)/gains (+)	23	94
Exchange-rate differences	19	–29
Employer contributions	57	71
Benefits paid	–70	–84
Amount at year-end	**1,556**	**1,675**

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

	Group	
SEK m	2011	**2012**
Costs for service during current year	9	11
Interest expense	103	106
Expected return on plan assets	–76	–67
Actuarial net losses recognised during the year	1	1
Total pension costs	**37**	**51**

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

	Group	
SEK m	2011	**2012**
Cost of goods sold	3	4
Selling expenses	3	5
Administrative expenses	4	3
Net financial items	27	39
Total pension costs	**37**	**51**

The actual return on the plan assets of the pension plans amounted to SEK 161 million (99).

Principal actuarial assumptions on the closing date:

	Group	
%	2011	**2012**
Discount rate	3.3–5.0	3.5–4.3
Expected return on plan assets	4.8–4.9	4.0–4.9
Future annual salary increases	2.5–4.0	2.5–3.5
Future annual pension increases	3.0–3.8	3.0–3.25

Life expectancy

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

	Group	
	2011	**2012**
On closing date		
Men	21.4–23.0	21.9–23.0
Women	24.5–24.8	24.8–25.1
20 years after closing date		
Men	22.7–23.0	23.0–24.9
Women	24.8–26.9	24.8–28.3

Plan assets comprise the following:

	Group	
%	2011	**2012**
Shares	37	38
Interest-bearing securities	57	57
Property	5	5
Other	1	0
	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 89 million (66) for the 2013 fiscal year.

	Group				
SEK m	2008	2009	2010	2011	**2012**
Present value of defined-benefit commitments	1,791	2,178	2,105	2,305	2,494
Fair value of plan assets	1,273	1,462	1,451	1,556	1,675
Deficit/surplus	**518**	**716**	**654**	**749**	**819**
Experience-based adjustments of defined-benefit commitments	0	–89	23	–4	20
Experience-based adjustments of plan assets	–280	95	64	26	91

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

	Group	
Pension costs, SEK m	2011	**2012**
Total costs for defined-benefit plans	37	51
Total costs for defined-contribution pension plans	145	138
Costs for special employer's contributions and tax on returns from pension	7	7
Total pension costs	**189**	**196**

Defined-benefit pension plans, Parent Company

	Parent Company	
Provisions for pensions, SEK m	2011	**2012**
Provisions in accordance with Pension Obligations Vesting Act, FPG/PRI pensions	12	13

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

	Parent Company	
Defined-benefit plans, SEK m	2011	**2012**
Administrative expenses	2	2

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

	Parent Company	
Pension costs, SEK m	2011	**2012**
Total costs for defined-benefit plans	2	2
Total costs for defined-contribution pension plans	9	8
Costs for special employer's contributions and tax on returns from pension funds	3	2
Total pension costs	**14**	**12**

Parent Company pension liabilities are calculated at a discount rate of 3.50 per cent (3.75).

The assumptions are calculated on the basis of the salary levels applicable on the closing date. SEK 120,000, pertaining to defined-benefit pension plans in the Parent Company, is expected to be paid in 2013.

NOTE 26 DEFERRED TAX

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

	2011			**2012**		
SEK m	Deferred tax assets	Deferred tax liabilities	Net	Deferred tax assets	Deferred tax liabilities	Net
Opening balance	406	211	195	456	207	249
Recognised in net profit/loss for the year	48	–3	51	–39	–41	2
Changes in forward agreements	1	–1	2	–4	1	–5
Other changes	–	–	–	2	0	2
Translation differences	1	0	1	–13	–6	–7
Closing balance	**456**	**207**	**249**	**402**	**161**	**241**

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 2011	**136**	**87**	**183**	**406**
Recognised in net profit for the year	–18	22	44	48
Recognised in other comprehensive income	0	1	–	1
Reclassification	–	–	–	–
Other changes	–	–	–	–
Translation differences	2	0	–1	1
As per 31 December 2011	**120**	**110**	**226**	**456**
Recognised in net profit for the year	–17	9	–31	–39
Recognised in other comprehensive income	–	–2	–	–2
Translation differences	–2	–3	–8	–13
As per 31 December 2012	**101**	**114**	**187**	**402**

Deferred tax liabilities	Temporary differences in fixed assets	Other	Total
As per 1 January 2011	**199**	**12**	**211**
Recognised in net profit for the year	–5	2	–3
Recognised in other comprehensive income	–	–1	–1
Translation differences	0	0	0
As per 31 December 2011	**194**	**13**	**207**
Recognised in net profit for the year	–44	3	–41
Recognised in other comprehensive income	–	1	1
Translation differences	–5	–1	–6
As per 31 December 2012	**145**	**16**	**161**

On 1 January 2013, corporation tax in Sweden was lowered from 26.3 per cent to 22.0 per cent and as of 1 April 2013, corporation tax in UK will be lowered, from 24.0 per cent to 23.0 per cent. Nobia's deferred tax liabilities and receivables from these countries are thus recognised at this new tax rate from 31 December 2012, with a marginal effect in the income statement and the balance sheet. The change in loss carryforwards for the year pertains primarily to France, the US and the UK. The change for the year includes impairment of deferred tax assets of SEK 49 million pertaining to Hygena. 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 2018 or later. The value of the loss carryforward for which a deferred tax asset is not recognised amounts to SEK 82 million (51) and is primarily attributable to France and Germany. Of the loss carryforwards that have not been recognised, approximately SEK 8 million will expire in 2016 or later, and SEK 74 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	Restructing costs	Other	Total
As per 1 January 2012	**40**	**24**	**55**	**264**	**6**	**389**
Expensed in the consolidated income statement						
– Additional provisions	13	7	13	99	27	159
– Reversed unutilised amounts	–16	–	–1	–15	0	–32
Reclassification	–	–	–	–	–	–
Utilised during the year	–18	–1	–2	–195	–2	–218
Translation differences	0	0	–2	–7	–1	–10
As per 31 December 2012	**19**	**30**	**63**	**146**	**30**	**288**

The additional provisions for restructuring costs primarily comprise personnel-related expenses of SEK 60 million, and costs of about SEK 25 million due to the bankruptcy of window supplier Oakworth Joinery. At year-end, provisions for personnel-related expenses totalled SEK 40 million and these will be charged to cash flow during 2013. The provision for leasing premises will impact cash flow between 2013 and 2016.

NOTE 28 LIABILITIES TO CREDIT INSTITUTIONS

	Group		Parent Company	
Maturity structure, SEK m	2011	**2012**	2011	**2012**
Within 1 year	–	2	–	–
Between 1 and 5 years	1,106	934	800	800
Longer than 5 years	–	–	–	–
Total	**1,106**	**936**	**800**	**800**

NOTE 29 ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
SEK m	2011	**2012**	2011	**2012**
Bonus to customers	104	104	–	–
Accrued salary-related costs	274	268	13	17
Accrued interest	4	3	4	3
Rents	37	28	–	0
Other	411	271	42	4
Total	**830**	**674**	**59**	**24**

NOTE 30 FINANCIAL ASSETS AND LIABILITIES

Group 2012 SEK m	Derivatives used in hedge accounting	Accounts and loans receivable	Other liabilities	Total carrying amount	Fair value
Long-term interest-bearing receivables	–	5	–	5	5[1]
Other long-term receivables	–	48	–	48	48[1]
Accounts receivable	–	941	–	941	941[1]
Current interest-bearing receivables	–	0	–	0	0[1]
Other receivables	6	90	–	96	96[1]
Total	**6**	**1,084**	**–**	**1,090**	**1,090**[1]
Long-term interest-bearing liabilities	–	–	937	937	937[2]
Current interest-bearing liabilities	–	–	127	127	127[1]
Accounts payable	–	–	860	860	860[1]
Other liabilities	6	–	320	326	326[1]
Total	**6**	**–**	**2,244**	**2,250**	**2,250**
Unrealised gains/losses	–	–	–	–	–

Group 2011 SEK m	Derivatives used in hedge accounting	Accounts and loans receivable	Other liabilities	Total carrying amount	Fair value
Long-term interest-bearing receivables	–	5	–	5	5[1)]
Other long-term receivables	–	54	–	54	54[1)]
Accounts receivable	–	1,210	–	1,210	1,210[1)]
Current interest-bearing receivables	–	1	–	1	1[1)]
Other receivables	3	81	–	84	84[1)]
Total	**3**	**1,351**	**–**	**1,354**	**1,354**
Long-term interest-bearing liabilities	–	–	1,106	1,106	1,104[2)]
Current interest-bearing liabilities	–	–	73	73	73[1)]
Accounts payable	–	–	1,059	1,059	1,059[1)]
Other liabilities	19	–	331	350	350[1)]
Total	**19**	**–**	**2,569**	**2,588**	**2,586**
Unrealised gains/losses	–	–	–	–	–

1) 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.
2) The estimated market value is based on the estimated terms and conditions when renegotiating 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 (neg: 16). Financial exchange-rate gains and losses are recognised in net financial items in the amount of SEK 3 million (gain: 2).

Parent Company 2012 SEK m	Accounts and loans receivable	Other liabilities	Total carrying amount	Fair value
Accounts receivable	15	–	15	15[1)]
Other receivables	2,799	–	2,799	2799[1)]
Total	**2,814**	**–**	**2,814**	**2,814**
Long-term interest-bearing liabilities	–	800	800	800[2)]
Current interest-bearing liabilities	–	628	628	628[1)]
Accounts payable	–	16	16	16[1)]
Other liabilities	–	5	5	5[1)]
Total	**–**	**1,449**	**1,449**	**1,449**
Unrealised gains/losses	–	–	–	–

Parent Company 2011 SEK m	Accounts and loans receivable	Other liabilities	Total carrying amount	Fair value
Accounts receivable	25	–	25	25[1)]
Other receivables	3,834	–	3,834	3,834[1)]
Total	**3,859**	**–**	**3,859**	**3,859**
Long-term interest-bearing liabilities	–	800	800	799[2)]
Current interest-bearing liabilities	–	715	715	715[1)]
Accounts payable	–	9	9	9[1)]
Other liabilities	–	3	3	3[1)]
Total	**–**	**1,527**	**1,527**	**1,526**
Unrealised gains/losses	–	–	–	–

1) 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.
2) The estimated market value is based on the estimated terms and conditions when renegotiating 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 6 million (3) in assets and 6 million (19) in liabilities.

NOTE 31 PLEDGED ASSETS, 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.

	Group		Parent Company	
SEK m	2011	**2012**	2011	**2012**
Floating charges	–	–	–	–
Endowment insurance	–	–	–	–
Property mortgage	–	–	–	–
Total pledged assets	**–**	**–**	**–**	**–**

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

	Group		Parent Company	
SEK m	2011	**2012**	2011	**2012**
Securities for pension commitments	1	1	14	15
Other contingent liabilities	175	130	521	279
Total	**176**	**131**	**535**	**294**

NOTE 32 DISCONTINUED OPERATIONS

During 2008–2011, Nobia acquired a number of stores from franchise holders in Denmark and Sweden with the intention of subsequently selling on. Six of these stores were subsequently sold on in 2009 and 2010. During the first-half of 2011, five stores were closed down. In the second quarter of 2011, five stores were acquired in Sweden and one store in Denmark. The store in Denmark was sold on during the same quarter. In the third quarter of 2011, two stores were sold on in Denmark and in the fourth quarter, one store was sold on in Sweden. At the end of the year 2011, Nobia had two stores in Denmark and four stores in Sweden, a total of six stores. During 2012 further three stores were acqired, two stores in Denmark and one store in Sweden. In quarter four two stores in Sweden were sold on. At the end of the year 2012 Nobia had four stores in Denmanrk and three stores in Sweden that are recognised as discontinued operations and a disposal group that is held for sale in the Nordic region operating segment in accordance with IFRS 5.

Profit/loss from discontinued operations	Group	
SEK m	2011	**2012**
Profit/loss from business activities of discontinued operations		
Income	119	111
Expenses	–134	–128
Loss before tax	–15	–17
Tax	1	0
Loss after tax	–14	–17
Profit/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	–2	–3
Tax attributable to aforementioned remeasurement	0	0
Loss from remeasurement after tax	–2	–3

Profit/loss in conjunction with divestment of discontinued operations	Group	
	2011	**2012**
Capital gains in conjunction with divestment of discontinued operations	0	0
Tax attributable to aforementioned capital gains	0	0
Profit from divestment after tax	0	0
Total loss from discontinued operations after tax	**–16**	**–20**
Loss per share from divested operations		
before dilution (SEK)	–0,09	–0,12
after dilution (SEK)	–0,09	–0,12

The loss from discontinued operations of SEK 20 million (loss: 16) is attributable to the Parent Company's owners. Of the loss of SEK 523 million (loss: 85) from continuing operations, SEK 524 million (loss: 86) is attributable to the Parent Company's owners.

Net cash flow from discontinued operations	2011	**2012**
Cash flow from operating activities	2	16
Cash flow from investing activities	0	–7
Cash flow from financing activities	0	0
Net cash flow from discontinued operations	2	9

NOTE 33 ASSETS HELD FOR SALE

A production property in both Denmark and Sweden, which were previously recognised in accordance with IFRS 5 as Assets held for sale, are recognised from the fourth quarter of 2012 as tangible assets in accordance with IAS 16 Property, Plant and Equipment. It is Nobia's continued intention to divest these properties but divestments are not considered probable at present due to the manner in which market-based conditions for divesting properties have developed.

Nobia signed a letter of intent with Optifit's management team regarding the divestment of all assets in the Optifit Group, including production and sales of kitchens, production and sales of bathroom furniture sold under the Marlin brand, and associated production sites and machinery in Stemwede, Germany. As a result, net assets for Optifit and Marlin are recognised as Assets held for sale in accordance with IFRS 5.

Assets and liabilities for the seven stores acquired by Nobia between 2010–2012 with the intention of selling on are also recognised as Assets held for sale, refer also to Note 32.

	Group	
SEK m	2011	**2012**
Assets held for sale		
Disposal group for sale:		
Tangible fixed assets	66	8
Inventories	0	19
Accounts receivable and other receivables	5	44
Total	**71**	**71**

Liabilities attributable to assets held for sale	2011	**2012**
Disposal group for sale:		
Accounts payable and other liabilities	2	109
Total	**2**	**109**

Accumulated exchange-rate differences attributable to the translation of net assets held for sale in foreign currency that are recognised in other comprehensive income amounted to SEK 0 million (neg: 3). Impairment losses amounted to 3 million (2).

NOTE 34 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 70.

Remuneration was paid to senior executives during the year, refer to Note 4 on page 62.

Summary of related-party transactions

Parent Company	Year	Sale of goods/ services from related parties	Purchase of goods/ services from related parties	Invoicing Group-wide services	Other (such as interest, dividends)	Receivables from related parties per 31 Dec	Liabilities to related parties per 31 Dec
Related parties							
Subsidiaries	2012	–	12	57	231	2,792	501
Subsidiaries	2011	–	9	41	193	3,832	644

NOTE 35 EVENTS AFTER CLOSING DATE

In February 2013, Dominique Maupu took office as Executive Vice President and Head of Hygena. In conjunction with this, Per Kaufmann left Nobia.

BOARD OF DIRECTORS' ASSURANCE

The Board of Directors and the President declare that the Annual Report was prepared in accordance with generally accepted accounting principles in Sweden and that the consolidated accounts have been prepared in accordance with accounting standards referred to in Regulation (EG) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards. The Annual Report and the consolidated accounts give a true and fair view of the position and earnings of the Parent Company and the Group. The Board of Directors report for the Parent Company and the Group gives a true and fair view of the developments of operations, position and earnings and describes significant risks and uncertainties facing the Parent Company and companies included in the Group. The consolidated accounts and balance sheet and the Parent Company income statement and balance sheet will be presented to the Annual General Meeting for adoption on 11 April 2013.

Stockholm, 21 March 2013

Johan Molin
Chairman

Nora Førisdal Larssen

Lilian Fossum Biner

Thore Ohlsson

Fredrik Palmstierna

Rolf Eriksen

Morten Falkenberg
President

Per Bergström
Employee representative

Olof Harrius
Employee representative

Our Audit Report was submitted on 21 March 2013

KPMG AB

Helene Willberg
Authorised Public Accountant

AUDITOR'S REPORT

To the annual meeting of the shareholders of Nobia AB (publ), corp. id. 556528-2752

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Nobia AB (publ) for the year 2012. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 6–80.

Responsibilities of the Board of Directors and the President for the annual accounts and consolidated accounts

The Board of Directors and the President are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the President determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the President, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2012 and of its financial performance and its cash flows for the year then ended in accordance with Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Account Act and present fairly, in all material respects, the financial position of the group as of 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standard, as adopted by the EU, and the Annual Accounts Act. A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of share-holders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory require-ments

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President of Nobia AB (publ) for the year 2012.

Responsibilities of the Board of Directors and the President

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the President are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the President is liable to the company. We also examined whether any member of the Board of Directors 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the President are discharged from liability for the financial year.

Stockholm 21 March 2013
KPMG AB

Helene Willberg
Authorized Public Accountant

NOBIA'S SUSTAINABILITY REPORT

For the first time, Nobia is presenting a sustainability report prepared in accordance with the Global Reporting Initiative (GRI). This report is an account of the economic, environmental and social impact of the operations and encompasses the entire Group.

The report has been adapted to GRI's G3 guidelines and is a Level C self-declaration. Read more about GRI on www.globalreporting.org.

The sustainability report has not been reviewed or audited by an external party.

The environmental data, measurements and key figures are reported per calendar year and are collated from all the Group's production units at least once a year. Environmental data from the supplier chain is not reported.

A materiality analysis was performed prior to the preparation of the sustainability report based on interviews with key employees. This enabled the identification of risks, opportunities and priority areas for Nobia's continued sustainability activities.

Nobia's sustainability function is organisationally affiliated with the finance department and sustainability related results are reported to senior management.

SUSTAINABLE BUSINESS

Nobia has a fundamental responsibility for developing and maintaining sustainable business activities. Its sustainability work is based on and measured from the Group's economic, environmental and social impact. The overall focus is on profitability, lower impact on the environment and responsible enterprising.

Nobia's most important stakeholders are customers, employees, suppliers, partners and owners. A basic strengthen in the operations from a sustainability point of view is that production largely comprises wood, which is a renewable resource found in the natural ecocycle. Nobia endeavours to ensure that the products it sells and distributes are to meet both customer requirements and taking into account environmental aspects.

In general, Nobia's environmental impact is relatively small in terms of both products and manufacturing process. Nevertheless, the company strives to reduce its impact on the environment by limiting its use of hazardous chemicals, economising on resources, introducing efficient heating systems and optimising transportation.

The company's product development, manufacturing and distribution mainly take place in Europe. Accordingly, Nobia has most of its operations in countries that, generally speaking, are advanced in such areas as business ethics, human rights and work conditions. In their work, Nobia's employees and partners are to comply with the ethical principles described in the company's Code of Conduct.

KEY EVENTS DURING 2012

- Nobia adopted a target for 2013 of reducing carbon emissions from transportation and heating by 1.5 per cent each, based on figures for 2012.
- A Group-wide intranet, available to all employees, was launched.
- To meet stricter requirements from the Nordic Ecolabel, products for Marbodal, Myresjökök, Norema and Sigdal underwent comprehensive reviews. One of the results was that chipboard used in doors and cabinets were replaced with boards in low-emitting material.
- The work sites in Darlington and Halifax in the UK received a merit award at the British Safety Council international safety awards in recognition for the organisation's commitment to health and safety,
- The Nobia share was included in the NASDAQ OMX GES Sustainability Sweden Index, which is a comparison index for the 40 best-rated Swedish listed companies in sustainability.

GOVERNANCE DOCUMENTS

In February 2013, the Nobia Board adopted an updated and enhanced Code of Conduct that applies to all employees in the Group. Nobia's partners, meaning its suppliers, franchise holders, retailers and consultants, are also expected to adhere to the principles of this Code of Conduct. The areas regulated by the Code include business principles, human rights, working conditions and environmental considerations.

The Code of Conduct will be made available on the Group-wide intranet, translated to seven languages, and implemented through training programmes that will include workshops for managers. To ensure compliance with the Code, an anonymous communication channel will be established where employees can report violations of laws and internal policies.

In addition to the Code of Conduct, there is an operational purchasing procedure, known as a supplier audit, that is followed by employees with purchasing responsibilities when entering into agreements with suppliers. Nobia also has other policies that govern specific areas of sustainability, for example a forest policy targets to suppliers of wood materials.

SUSTAINABLE BUSINESS

ECONOMIC RESPONSIBILITY

Nobia's operations create financial value for the company's stakeholders. The generated value is divided between the stakeholders and a certain portion is retained within the company for such purposes as investments in or the development of new kitchen solutions.

Through its operations, Nobia creates financial value for its stakeholders. The company's employees share in this value through their salaries and other benefits, suppliers are paid for purchases made, customers receive high-quality kitchen products, states and municipalities receive tax revenue and shareholders receive dividends and returns on their shares.

A certain portion of the generated value is retained within the company, and is used for investments in and the development of new products. Nobia's total value added, meaning net sales less costs for materials and services, amounted to SEK 3,605 million (3,750) in 2012.

Employees

At year-end 2012, 7,187 (7,430) people were employed in 13 countries, mainly in Europe. The terms of employment follow national laws, regulations and collective agreements and are in line with Nobia's remuneration policy. Payroll expenses for 2012 amounted to SEK 2,351 million (2,489), while social security contributions and pension costs amounted to SEK 601 million (614).

Suppliers

The cost of goods sold and materials is Nobia's single largest type of cost, and includes purchases of raw materials such as wooden chipboard and also processed products such as appliances and cabinet interiors. In recent years, the purchasing function was centralised and in 2012 a sourcing organisation was formed based on category responsibilities. The percentage of purchasing from low-cost countries increased slightly and amounted to 13 per cent (10) for the year.

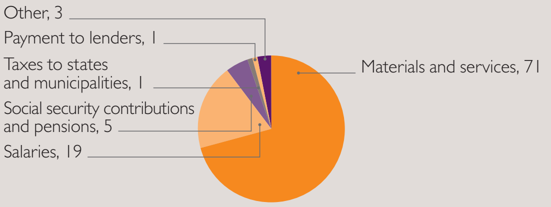
Society

Nobia contributes to the economic development of local communities in which the company conducts operations through salaries to the employees, payments to pension funds and social insurance, social security contributions and through taxes to the states in which the company operates. In 2012, Nobia paid income tax to various states in a total of SEK 155 million (82).

Shareholders

Capital from shareholders finances the capital base, which is used to create value. In return, shareholders can receive returns and dividends. No dividend was paid in 2012 for the 2011 financial year, but a dividend to shareholders totalling approximately SEK 84 million is proposed for 2012.

SPECIFICATION OF THE GROUP'S COSTS, %



Nobia's total value added in 2012 amounted to SEK 3,605 million (3,750). The Group's costs are distributed between the company's stakeholders as described above.

CARBON DISCLOSURE PROJECT

Nobia has been reporting to the Carbon Disclosure Project (CDP) since 2007. The CDP is an independent organisation and an initiative from investors and shareholders across the globe. More than 3,700 companies now report their greenhouse-gas emissions to the CDP and each year the participating countries are ranked according to the quality and completeness of their reporting and the activities implemented to combat climate change. The results of the 2011 reporting, which were presented in 2012, showed a general improvement among the reporting companies.

Nobia's ranking also increased, from 51 points in 2011 to 66 points in 2012. This means that the quality of the company's reporting is deemed to have improved and that the Group has reduced its environmental impact in terms of carbon emissions.

SUSTAINABLE BUSINESS

ENVIRONMENTAL RESPONSIBILITY

Nobia's environmental impact primarily arise in conjunction with manufacturing, surface treatment, assembly and kitchen transportation. Focus areas for environmental activities, which selected inicators are linked to, have been defined at Group-level, although the activities are integrated in the operations of each business unit.

Nobia's core operations consist of product development, manufacturing, transportation and sales of kitchens and accessories and it is from these activities that the Group's main environmental impact derives. The areas of Nobia's operations that have the most significant impact on the environment are manufacturing, surface treatment, assembly and transportation.

Environmental certification and guidelines

The Nobia Group's products are manufactured at 13 production facilities in seven countries, and all production units meet the environmental requirements stipulated in each country. Nobia's licensable-activities in Sweden are described in greater detail in the Financial Overview on page 29.

Nine of the production facilities have ISO 14001 environmental management systems certification, which means that every year, the plants' environmental impact is reviewed, new targets are established and specific action plans are produced. Of the plants that do not have ISO certification, two are in Austria, one is in Norway and one is a minor operation in Denmark.

Environmental work and focus areas

Environmental work at Nobia is delegated and integrated into the operations of each business and production unit. Targets, direction and priorities are determined at Group level. The units then translate these into their own environmental targets and activities based on the Group-wide directives.

A number of areas were identified at Group level as priority focus areas for environmental activities:

- Carbon emissions – transportation and heating of plants.
- Energy consumption – both electricity and heat consumption.
- Choice of materials – wood and chemicals.
- Surface treatment – use of water-based paints and emissions from solvents.
- Waste – recycling and reduction.
- Packaging – volumes and type of materials.

Greenhouse-gas emissions

Greenhouse gases are mainly emitted from heating and cooling premises and from transportation. To reduce both costs and the impact on the environment, modern systems for cooling, heat recycling as well as fan systems are continuously introduced.

Nobia's mainly transports raw materials and finished kitchen products by truck. Also, travel by employees emits greenhouse gases. About 5 per cent (5) of Nobia's total expenses are attributable to transportation, making it an important item for optimising resources and for working on recycling the Group's environmental impact.

Surveys and analyses of transportation flows are conducted in close co-operation with forwarding agents, as well as by engaging external expertise to identify financial environmental advantages. A vital factor of this work on reducing greenhouse-gas emissions is optimising loading so that transportation can carry as many rigid and flat-pack products as possible without causing damage. Another focus area is high quality and delivery reliability, since faultless deliveries are positive from both an environmental point of view and for Nobia's customers.

ENVIRONMENTAL KPI'S

Greenhouse-gas emissions, thousands of tonnes CO_2	Source	2010	2011	**2012**[2]
Nordic region	Transportation	11.2	10.1	11.6
	Heating	32.4	31.8	32.6
Continental Europe region	Transportation	4.5	4.8	7.5
	Heating	10.7	9.1	6.4
UK region	Transportation	9.3	7.1	11.6
	Heating	8.8	7.9	7.2

Energy consumption, GWh	Type of energy			
Nordic region	Electricity	42.5	42.6	42.2
	Energy	50.8	41.8	46.5
Continental Europe region	Electricity	12.3	11.7	21.3
	Energy	21.7	16.3	19.5
UK region	Electricity	16.1	15.3	14.7
	Energy	41.5	34.3	22.7

Materials, thousands of tonnes	Type			
Wood and wood products	Wood, chipboard, MDF	238.0	218.6	196.3
FSC-certified wood and wood products	Wood, chipboard, MDF	69.0	71.8	60.4

Emissions of solvents to air, tonnes	Type			
Nordic region	Volatile organic compounds	189.6	168.4	164.5
Continental Europe region	Volatile organic compounds	40.0	42.3	39.9
UK region	Volatile organic compounds	5.7[1]	–	–

1) In 2010, Nobia discontinued surface finishings of kitchen products in the UK
2) For 2012 the warehouse unit in Arras, France is included.

Myresjökök Aspekt

ECO-LABELLED PRODUCTS

Several of Nobia's Nordic brands and products are Nordic eco-labelled. Marbodal's, Myresjökök's, Norema's and Sigdal's products are all controlled by the Nordic ecolabelling scheme and contain a minimum of harmful chemicals. Assessments are made based on a lifecycle analysis, with each the environmental impact of each product group analysed based on, for example, energy use, water consumption, chemicals and waste.

Today, a total of 75 per cent of door models manufactured at the production plant in Tidaholm are ecolabelled, as are 100 per cent of the white cabinets.

One of the Ecolabel criteria is the use of water-based and UV paints. Water-based paints not only radically reduce emissions of solvents but also improve the work environment and result in an odourless environment. Furthermore, such quality aspects as colour fastness and scratch resistance are often better with water-based paints than with solvent-based ones.

In 2012, Nobia adopted a Group-wide target of reducing carbon emissions from transportation and heating by 1.5 per cent each during 2013, based on figures for 2012.

Energy consumption

Electricity and energy consumption is another priority area in environmental activities. Electricity and energy are primarily used to operate production equipment, ventilation, fans, lighting and the heating and cooling of premises. Electricity and energy consumption account for about 1 per cent (1) of Nobia's total costs.

Part of the efforts to reduce electricity and energy consumption is to train and involve employees in economising on resources. Other measures that have been conducted are replacing outdated equipment with new, which uses less electricity, and equipping fans with frequency controls and heat recovery systems.

Materials

Wooden materials and components are key elements of Nobia's products and the single largest purchasing category, accounting for about 18 per cent (17) of the Group's total costs. Nobia's suppliers of wood and wooden products are mainly in Europe, but also in Asia. All timber suppliers are informed about the Group's forest policy and must sign a timber declaration that includes requirements on the following matters:

- Compliance with forestry legislation.
- Known origin and details of source.
- Not illegally harvested timber.
- Not wood from intact natural forests or high conservation values.
- Not forest material from protected areas.
- Not timber from plantations in tropical and sub-tropical regions.
- Not valuable tropical types of trees, except for those certified by the Forest Stewardship Council (FSC).

The FSC promotes responsible forest management and ensures that the harvesting of wood and non-wood products do not impact forests' biodiversity, productivity or ecological processes. Nobia is striving to increase its share of FSC-certified wooden material, which during the year amounted to approximately 31 per cent.

Emissions of solvents to air

Reducing the use of solvents is a core element of Nobia's environmental aims and is a guideline applicable to the entire Group. Solvents are primarily used in surface treatment and cleaning painting facilities. Part of reducing the consumption of solvents is to replace them with water-based and UV-tempered paint and to reduce the number of changes of production equipment to lower the number of cleaning instances and enhance productivity. The percentage of water-based and UV-tempered paint during the year totalled approximately 48 per cent.

Waste

Timber pallets, corrugated board, shrink-wrap and plastic tape are the main components of the packaging material used by Nobia. About 90 per cent of this packaging material is recyclable. A certain amount of waste is produced from the manufacture of products, primarily in the form of timber pallets, and plastic packaging and corrugated board from materials received. This waste is sent for recycling or combustion. Other types of waste include paint, oil and residue from cleaning which are sorted for combustion or for land-fills. For 2012, the amount of wood waste totalled about 20 thousands of tonnes. The amount of waste excluding wood waste was about 7 thousands of tonnes, of which about 43 per cent went to external recycling, about 45 per cent to land-fills and combustion and about 12 per cent comprised hazardous waste.

SOCIAL RESPONSIBILITY

Nobia endeavours to create a safe and stimulating work environment for its employees. The Group has joint ethical principles and standardised guidelines for such issues as employee performance appraisals and supplier evaluations.

Nobia's development and success is heavily dependent on its employees' performance and ability to face changes. The company's responsibility encompasses the work environment for employees and a general, responsible business behaviour.

Joint processes

As part of the development toward a uniform Nobia, a joint process for performance evaluations and reviews was implemented in 2011. This process aims to break down and delegate business goals throughout the entire organisation, monitor and evaluate them, for example via employee appraisals, and identify individual development plans. The introduction of the process has commenced for salaried employees, but was also established for other employees during 2012.

The work on co-ordinating the Group's other internal processes continued during the year. A review of Nobia's various reward and remuneration systems was performed and joint policies and processes were introduced for travel, company cars and remuneration, for example.

Skills development

Many of the Group's brands offer their own skills development training to employees to familiarise them with products, sales, design, drawing systems and language skills. These training courses are supplied by the company's own training centres, including the Magnet Training Academy in the UK, Hygena Training Academy in France and HTH Training Academy in Denmark.

A number of Group-wide initiatives were also taken in the area of skills development. For example, interactive language courses were launched for all employees in 2011, and the number of participants increased in 2012.

Talent management

Nobia endeavours wherever possible to apply internal recruitment and promotion from within the company. The identification and development of internal talent is key to the Group's continued success. The Group has a centrally controlled talent-management processes in which about 400 managers were assessed with the objective of identifying leadership potential, development requirements and future succession solutions.

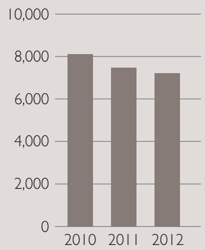
Leadership development

A Group-wide leadership programme was arranged for the sixth time during the year. An element of this training programme was Group management selecting a number of real business challenged faced by Nobia. These challenges formed the basis of projects that were run within the framework of the programme. The participants were divided into groups, were given several months to work on the assignment and then presented their results to management. The leadership programme spanned over nine months and included financial analysis, market and management skills.

Safe workplace

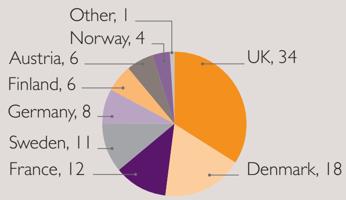
Nobia works according to a vision of zero accidents in the workplace and work-related injuries. Preventive activities are taken to minimise the risk of accidents, injuries and sickness absence. Worksites are regularly inspected to ensure a safe work environment and that the necessary equipment is available. The number of workplace-related accidents during the year amounted to 125.

NUMBER OF EMPLOYEES



The number of employees at year-end 2012 amounted to 7,187 (7,430). The lower number of employees in recent years is mainly due to cost-savings measures in all regions, as part of adapting the operations to the prevailing economic climate.

EMPLOYEES, GEOGRAPHIC DISTRIBUTION, %



Nobia has employees in 13 countries. Most employees work in the UK. Other countries where Nobia has many employees are Denmark, France and Sweden. A total of 69 per cent of the workforce are men.

Respect for the individual

Nobia promotes diversity and equal opportunities. No employees, customer or other business contact should be discriminated against on the grounds of age, ethnicity, social origin, nationality, skin colour, gender, sexual orientation, religion, political opinion, disability or for any other reason.

Human rights

Nobia supports the UN Universal Declaration of Human Rights, which forms the basis of relationships with employees, partners and others who come into contact with the company. Nobia does not accept child labour, forced labour or discrimination, be it within its own organisation or from business partners.

Supplier chain

Suppliers are checked and evaluated in accordance with the Group's guidelines on environment, work-environment conditions, and social and ethical issues. All suppliers must follow laws, requirements and the UN Universal Declaration of Human Rights.

A supplier evaluation template called Nobia Supplier Assessment Record (NSAR) is used that contains a built-in point system, with a low point score leading to corrective action or a business relationship never being established. The NSAR contains questions on quality and environmental management systems, products, social and ethical issues and health and safety matters. If a supplier does not comply with laws and established requirements or Nobia's Code of Conduct, the partnership is discontinued or not even established.

Auditing new suppliers and those that are deemed to entail a high risk are prioritised in this work. Nobia's supplier audits in 2012 and 2013 focused on Asia and 15 suppliers were audited in 2012. Nobia has a total of about 800 suppliers, of which the vast majority are based in Europe and about 6 per cent are in Asia.

THE HUNGER PROJECT

Nobia has supported the Hunger Project since 2006. The Hunger Project is a non-profit, global organisation that aims to end hunger and poverty. The Hunger Project invests in people, mainly through education, so that they can find solutions to their challenges through their own efforts, and establish sustainable development in their local community.

The organisation has about 330 employees, the majority in countries in which development projects are conducted, and has more than 385,000 local volunteers who reach out to 20 million people.

The project's activities are based on local priorities at grass roots level and therefore vary between different parts of the world. However, the same vision – to end hunger and poverty – is followed everywhere, as is the work approach that focuses on social mobilisation, equality and local democracy.

The Hunger Project conducts change projects in 12 countries in Africa, Central and South America, as well as in India and Bangladesh.

Nobia's annual donations can, for example, lead to about 500 people being supported in breaking out of poverty to self-reliance.

HUNGER PROJEKTET

SUSTAINABLE BUSINESS

SUMMARY

Nobia follows GRI's Sustainability Reporting Guidelines and, by its own assessment, meets the Level C criteria. For information about GRI's guidelines, visit www.globalreporting.org. For the GRI index, refer to www.nobia.com under About Nobia and Running sustainable business.

GRI indicators	Economic Performance Indicators, SEK m	2011	2012[1]
EC1	Net sales	13,114	**12,343**
EC1	Operating expenses (materials and services)	9,364	**8,737**
EC1	Payroll expense	3,103	**2,952**
EC1	Taxes to states and municipalities	82	**155**
EC1	Payment to lenders	83	**93**
EC1	Paid dividends to shareholders	–	**–**
EC1	Retained in operations	482	**406**

GRI indicators	Environmental Performance Indicators	2011	2012[1]
EN1	Use of materials: Wood, thousands of tonnes	219	**196**
EN1	Use of materials: Packaging materials, kg/cabinet	1.4	**1.4**
EN2	Recyclable packaging materials, %	89	**90**
EN3	Energy consumption: Electricity consumption, kWh/cabinet	9.0	**10.1**
EN3	Energy consumption: Heating, kWh/cabinet	12.0	**11.5**
EN16	Greenhouse-gas emissions from transportation, kg/cabinet	2.8	**4.0**
EN16	Greenhouse-gas emissions from heating and manufacturing, kg/cabinet	6.3	**6.0**
EN20	VOC emissions, kg/100 lacquered front	6.2	**5.1**
EN22	Waste (excluding wood waste), kg/cabinet	0.9	**0.9**
EN22	Wood waste, thousands of tonnes	21	**20**

GRI indicators	Social Performance Indicators	2011	2012[1]
LA1	Employees, average number	7,475	**7,355**
LA1	Women, %	32	**31**
LA7	Work-related accidents in production facilities, number	137	**125**
HR2	Audited suppliers and subcontractors, number	5	**15**

1) For 2012, the environmental indicators were affected by the inclusion of the warehouse unit in Arras, France.

THE NOBIA SHARE

In 2012, the closing price of the Nobia share on the NASDAQ OMX Stockholm was SEK 26.50 (24.50), corresponding to a market capitalisation of approximately SEK 4.6 billion (4.3).

FACTS IN BRIEF

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

In 2012, the Nobia share price rose 8 per cent. During the same period, the NASDAQ OMX increased 12 per cent, and the OMX Stockholm Consumer Goods PI index rose 21 per cent.

During the year, a total of 93.8 million (116.5) Nobia shares were traded at a value of SEK 2.5 billion (4.4). The average turnover per day corresponded to a value of SEK 10.0 million (17.5). In 2012, the turnover rate, or the share's liquidity, amounted to 53 per cent (62), which can be compared with the average on the NASDAQ OMX of 74 per cent (96).

The highest closing price for the Nobia share during the year was SEK 35.90 on 5 March in 2012. The lowest closing price during the year was SEK 18.50 on 11 July.

Ownership structure

On 31 December 2012, the number of shareholders was 4,162 (3,842). At year-end, the five largest shareholders held 58.5 per cent (54.1) of all shares and the ten largest shareholders held 68.9 per cent (66.3) of the share capital. The proportion of registered shares held by foreign owners amounted to 19.3 per cent (19.9) of the total number of shares at year-end.

On the date of publication of this Annual Report, members of Nobia's Group management had combined holdings of 409,240 shares (134,694) and, on the same date, Nobia's Board members excluding the President, had total holdings of 715,389 shares (314,052).

Share capital

On 31 December 2012, Nobia's share capital amounted to SEK 58,430,237, divided between 175,293,458 shares with a par value of SEK 0.33. The share capital remained unchanged throughout the year. On 31 December 2012, Nobia had 8,162,300 treasury shares, corresponding to 4.7 per cent of the total number of shares issued. The aim of holding treasury shares is that they can be used as a means of payment for future acquisitions and enable adjustment of the company's capital structure, thereby contributing to greater shareholder value. Each share, with the exception of repurchased treasury shares, entitles the holder to one vote, and carries the same entitlement to the company's capital and profits.

Dividend policy

Nobia's objective is that the dividend will 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. No dividend was paid in the 2008-2011 fiscal years. Prior to that, Nobia's average dividend ratio was 37 per cent since the company was listed.

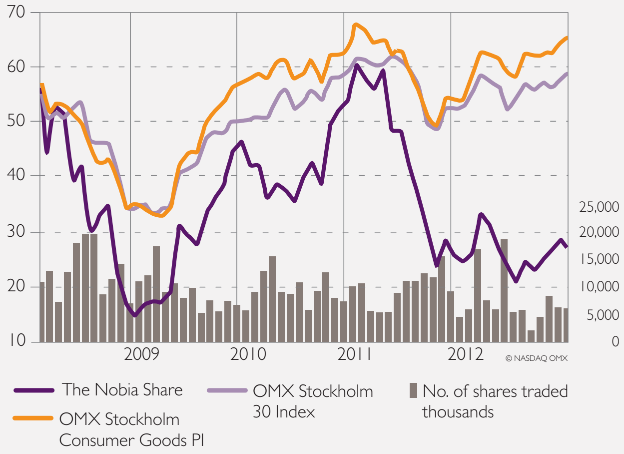
Proposed dividend

The Board of Directors proposes to the Annual General Meeting a dividend of SEK 0.50 per share for the 2012 fiscal year. The proposal entails a total dividend of approximately SEK 84 million, corresponding to 2.3 per cent of the Parent Company's shareholders' equity and 2.9 per cent of the Group's shareholders' equity.

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 interim reports, press releases, information on the website, company presentations and meetings.

THE NOBIA SHARE



NOBIA'S LARGEST OWNERS, 31 DECEMBER 2012

Shareholder	Number of shares	Share of capital, %
Nordstjernan	36,447,843	20.8
Investmentaktiebolaget Latour	23,100,000	13.2
If Skadeförsäkring	21,075,000	12.0
Swedbank Robur funds	12,196,926	7.0
Lannebo funds	9,566,995	5.5
Handelsbanken funds	7,099,951	4.0
The Fourth Swedish National Pension Fund	4,127,063	2.4
Didner & Gerge funds	3,211,412	1.8
SEB Investment Management	2,448,604	1.4
Unionen	1,402,000	0.8

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.

OWNERSHIP STRUCTURE, 31 DECEMBER 2012

	Number of share-holders	Percentage of share-holders, %	Percentage of capital, %
1–500	1,725	41.4	0.21
501–1,000	786	18.9	0.37
1,001–5,000	1,127	27.1	1.59
5,001–10,000	213	5.1	0.87
10,001–15,000	68	1.6	0.50
15,001–20,000	46	1.1	0.47
20,001–	197	4.7	96.0
Total	**4,162**	**100**	**100**

DATA PER SHARE

	2010	2011	**2012**
Earnings per share, SEK	–0.53	0.42	–3.25
Dividend per share, SEK	0	0	0.50[1]
Shareholders' equity per share, SEK	21	21	17
Number of shares at year-end	175,293,458	175,293,458	175,293,458
Shareholders at year-end	4,343	3,842	4,162
Share price at year-end	60.25	24.50	26.50

1) The Board's proposal.

ANALYSTS THAT FOLLOW NOBIA

Company	Analyst
Carnegie Investment Bank	Agnieszka Vilela
Danske Markets Equities	Anders Hansson
Handelsbanken	Rasmus Engberg
Nordea	Catrin Jansson
Penser Bank	Johan Dahl
SEB Enskilda Equities	Anders Trapp
Swedbank	Niclas Höglund

SHAREHOLDER CONTACT

For financial and sustainability related information, contact Lena Schattauer, Head of Investor Relations, tel +46 8 440 16 07 or lena.schattauer@nobia.com.

FIVE-YEAR OVERVIEW

SEK m	2008[1]	2009	2010	2011	**2012**
Income statement					
Net sales	15,991	15,418	14,085	13,114	12,343
Change in per cent	–1	–4	–9	–7	–6
Gross profit	5,830	5,442	5,345	5,048	4,791
Operating profit/loss	915	38	6	184	–274
Financial income	50	41	18	9	11
Financial expenses	–213	–116	–103	–92	–104
Profit/loss after financial items	**752**	**–37**	**–79**	**101**	**–367**
Tax on net profit for the year	–216	35	25	–16	–156
Profit/loss from continuing operations	536	–2	–54	85	–523
Loss from discontinued operations, net after tax	–7	–77	–35	–16	–20
Net profit/loss for the year	**529**	**–79**	**–89**	**69**	**–543**
Net profit/loss for the year attributable to:					
Parent Company shareholders	529	–79	–89	70	–544
Non-controlling interests	0	0	0	–1	1
Net profit/loss for the year	**529**	**–79**	**–89**	**–69**	**–543**
Balance sheet					
Fixed assets	7,356	6,899	5,586	5,556	4,715
Inventories	1,465	1,212	971	1,005	929
Current receivables	2,101	1,886	1,501	1,632	1,325
Cash and cash equivalents	332	384	356	152	171
Assets held for sale	43	75	72	71	71
Total assets	**11,297**	**10,456**	**8,486**	**8,416**	**7,211**
Shareholders' equity	4,148	3,928	3,441	3,521	2,880
Non-controlling interests	6	6	5	4	5
Non-interest-bearing liabilities	3,221	3,320	3,152	3,145	2,624
Interest-bearing liabilities	3,887	3,162	1,877	1,744	1,593
Liabilities attributable to assets held for sale	35	40	11	2	109
Total shareholders' equity and liabilities	**11,297**	**10,456**	**8,486**	**8,416**	**7,211**
Net debt including pensions	3,181	2,426	1,510	1,586	1,417
Capital employed	8,042	7,095	5,323	5,269	4,479
Key figures					
Gross margin, %	36.5	35.3	37.9	38.5	38.8
Operating margin, %	5.7	0.2	0.0	1.4	–2.2
Operating profit before depreciation/amortisation (EBITDA)	1,394	640	550	632	739
Operating margin before depreciation/amortisation, %	8.7	4.2	3.9	4.8	6.0
Profit/loss after financial items as a percentage of net sales	4.7	–0.2	–0.6	0.8	–3.0
Turnover rate of capital employed, multiple	2.0	2.2	2.6	2.5	2.8
Return on capital employed, %	12.6	1.0	0.4	3.6	–5.4
Return on shareholders' equity, %	13.2	–1.9	–2.4	2.0	–17.0
Debt/equity ratio, %	77	62	44	45	49
Equity/assets ratio, %	37	38	41	42	40
Cash flow from operating activities	804	1,061	963	413	560
Investments	733	346	347	471	393
Earnings/loss per share after dilution	3.13	–0.47	–0.53	0.42	–3.25
Dividend per share, SEK	0	0	0	0	0.50[2]
Personnel					
Average number of employees	8,682	7,930	7,681	7,475	7,355
Net sales per employee, SEK 000s	1,803	1,858	1,717	1,765	1,717
Salaries and other remuneration	3,023	2,994	2,626	2,485	2,352

1) 2008 was adjusted for the changed accounting policy regarding recognition of expenses.
2) The Board's proposal.

2013 ANNUAL GENERAL MEETING

The shareholders of Nobia AB (publ) are invited to the Annual General Meeting on Thursday, 11 April 2013 at 5:00 p.m. at Lundqvist & Lindqvist Klara Strand Konferens, Klarabergsviadukten 90, 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 Friday, 5 April 2013, and,
- *secondly* notify Nobia of their participation not later than Friday, 5 April 2013.

Notification of attendance

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

- by e-mail: bolagsstamma@nobia.com
- by telephone: +46 8 440 16 00
- by fax: +46 8 503 826 49
- by post: 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 validity of the power of attorney may be a maximum of five years from the date of issue, if 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. Proxy forms are available from www.nobia.com, and will also be sent to shareholders who so request and inform the company of 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 in order to be entitled to participate in the Annual General Meeting. Such re-registration must be completed with Euroclear Sweden AB not later than Friday, 5 April 2013. A request for re-registration must be made well in advance of this date.

Dividend

The Board of Directors proposes that a dividend of SEK 0.50 per share be paid for the 2012 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.

Equity/assets ratio

Shareholders' equity including non-controlling interests as a percentage of balance-sheet total.

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, interest received, increase/decrease in interest-bearing assets.

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 after tax as a percentage of average shareholders' equity. The calculation of average shareholders' equity has been adjusted for capital increases and reductions.

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