# ANNUAL REPORT 2015

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HTH Mono

**Nobia develops and sells kitchen solutions through some twenty strong brands in Europe, including Magnet in the UK, HTH, Marbodal, Sigdal, Norema, Petra and A la Carte in the Nordic region, ewe, Intuo and FM in Austria, as well as Poggenpohl globally. Every week, we manufacture more than 140,000 cabinets and meet around 70,000 consumers in our stores. Nobia creates profitability through attractive offers and economies of scale, and has the ambition to consolidate Europe's kitchen market. The Group has approximately 6,500 employees and net sales of about SEK 13 billion.**

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 2015 fiscal year. The audited Annual Report, signed by the Board of Directors and reviewed by the auditors, can be found on pages 32–85.
The kitchen on the front cover is Newbury and is sold through Magnet.

## BRANDS

A la Carte Keittiöt
HTH
INVITA
Marbodal
NOREMA
PETRA Keittiöt
sigdal
uno form
ck commodore kitchens
Gower
Interior Solutions
Magnet
rixonway kitchens
ewe
FM
goldreif
INTUO
poggenpohl

## 2015 IN FIGURES

| | | |
|---|---|---|
| Net sales, SEK m | Operating profit, SEK m | Profit after tax, SEK m |
| 13,336 | 1,241 | 828 |
| Operating cash flow, SEK m | Return on operating capital, % | Debt/equity ratio, % |
| 770 | 26.9 | 20 |

All of the figures except for profit after tax, operating cash flow and return on operating capital are presented excluding items affecting comparability.


HTH Hacienda

Nobia's sales increased in 2015 as a result of organic growth, acquisitions and positive currency effects. The operating margin improved to 9.3 per cent, which is the highest level in the company's history.

**Morten Falkenberg,** President and CEO

# Nobia is Europe's leading kitchen specialist

**Nobia's operations span the entire value chain, from development and manufacturing to distribution and sales. Kitchen solutions are sold under some twenty brands as well as under private labels.**

**Nobia has production facilities in seven European countries, where the kitchens are manufactured and assembled.**

**Sales to private individuals are conducted through own stores and a network of franchise stores and retailers, including furniture stores, builders' merchants, DIY stores and independent kitchen specialists.**

**Nobia's products are also sold to professional players such as construction companies and property developers, which, in turn, sell the kitchens to their end customers.**

**Operations are organised into three regions: Nordic, the UK and Central Europe. The former two are the largest regions, jointly representing close to 90 per cent of income.**

**Nobia has 14 production facilities**

300

**Around 300 own stores and a network of retailers**

**Nobia develops, manufactures and sells kitchen solutions**

**Operations are organised into three regions**

## BUSINESS CONCEPT

Nobia offers attractive kitchen solutions under strong local brands. We generate value for customers by offering high-quality function and design in both complete kitchens and individual kitchen products, and through related services such as advice, design, and delivery. Behind the scenes, sourcing is co-ordinated and efficient production capitalises on economies of scale.

## VISION

Our vision is to be the leading and most profitable kitchen specialist that inspires people to realise their kitchen dreams. We help our customers invest in kitchens they feel happy in. No matter what a customer's ideal kitchen looks like, Nobia can offer a solution. We produce functional and aesthetically pleasing kitchen solutions based on a solid understanding of both kitchens and modern consumers.

## FOCUS ON KITCHENS

Ever since the company was founded, Nobia has focused on kitchens. This focus makes it possible to leverage joint know-how throughout the entire value chain – across national boundaries and brands. As a dedicated kitchen specialist, Nobia is taking the lead in the kitchen industry both in terms of developing new products and services and industry consolidation.

# Near the target, but much left to do

2015 was a year of growth. Our decisive efficiency work also continued to deliver results. Profitability improved for the sixth consecutive year. In 2016, we will achieve an operating margin target of 10 per cent.

As I summarise developments over the past few years, I note that our targeted work to reduce costs and raise earnings has yielded positive results. Our processes have been streamlined and we have consolidated operations, resulting in a reduced number of plants, stores and employees. One important change was the divestment of the French kitchen chain Hygena in March 2015. This considerably improved the Group's profitability.

The sales trend turned towards growth in 2015. Our sales increased in part due to positive currency effects and acquisitions, but also as a result of organic growth of 6 per cent. The total market situation was better than the previous year, with growth in the UK market and an improved Nordic kitchen market. Increased sales volumes contributed to the improved operating profit. The operating margin improved for the sixth consecutive year, amounting to 9.3 per cent. Poggenpohl was impaired by SEK 96 million during the fourth quarter, and was recognised under items affecting comparability. The background to the impairment was that we had discovered that accounting at Poggenpohl USA had been conducted incorrectly over several years. Measures have been taken to restore confidence in Poggenpohl.

**Margin target and financial position**

Since 2005, Nobia has had the target of achieving an operating margin of 10 per cent, and it is towards this target that I am leading and steering the business. The margin target has never been achieved, however – not even during the boom period between 2006-2008 – and I have been told at times that it would be impossible. It therefore pleases me greatly that we have gradually approached the target and that we expect to achieve an operating margin of 10 per cent in 2016, which will represent an important milestone in Nobia's development.

The company's financial position is very favourable. At the beginning of the year, the debt/equity ratio was 20 per cent and net debt consisted primarily of pension liabilities. The Board proposes a dividend corresponding to 51 per cent of net profit after tax.

The strong balance sheet and generally reduced cost level have equipped Nobia well for future economic downturns and created good scope to invest in growth creation. This means it is now the fun begins. However, we will not compromise on efficiency, nor lose control of costs.

**Acquisitions strengthen our position**

Since the end of 2014, we have made two acquisitions that have strengthened our position in the UK, which is now our largest region in terms of sales. Nobia is currently the leading kitchen company on the UK kitchen market and the only player to have a comprehensive offering in every market segment. The majority of the UK business still comprises the well-known kitchen chain Magnet and supplying private label kitchens for building materials chains, but thanks to the latest acquisition, operations have also been supplemented by kitchen sales to professional customers involved in both renovation and new construction.

Rixonway, which supplies kitchens to UK social housing, was acquired at the end of 2014. Rixonway's market was negatively affected in 2015 by reduced public financial aid. We are working to compensate for this market development and have begun to realise synergies, particular within the area of sourcing.

"Nobia's change process is in no way complete – we still have much left to do to achieve the company's full potential. We need to consolidate operations further and drive our business forward."

In November 2015, we also acquired Commodore and CIE Kitchens, two companies operating as kitchen suppliers to professional private developers in London and South East England. Commodore designs, manufacturers and installs kitchens in the mid-price segment, while CIE sells kitchens in the luxury segment. With these acquisitions, we have entered an attractive market segment for private development and have strengthened our presence in the UK project market. We are now working to integrate these operations.

**Continued change process**
Nobia's change process is in no way complete – we still have much left to do to achieve the company's full potential. We need to consolidate operations further and drive our business forward. The strategy remains based on the Efficiency and Growth platforms. The aim is to achieve organic growth that is 2–3 per cent higher than market growth. We are also assessing potential acquisitions in order to expand into markets and segments that complement our current operations, when the right opportunity presents itself.

As a leading European kitchen specialist, major gains can be made through increased coordination. We have been implementing a Group-wide common standard over the past few years, but we need to continue to reduce complexity and increase overlap in our range. Larger volumes enable savings in terms of sourcing and efficient production, and amidst the tough competition in the kitchen market, larger scale operations are a decisive advantage. We consistently review opportunities to streamline the Group's production and logistics, and I cannot rule out that we may need to make further structural changes over the coming years.

**On the agenda in 2016**
In 2016 we will open new stores, mainly in the UK, but also in the Nordic region. We are differientiating the brands and strengthening our position by investing in product development, so that we can continuously present new and exciting products and solutions. We are working constantly to improve customer experience, not least via digital solutions and services. Our products and services should always be available for consumers, and within a couple of years I expect a significant proportion of sales to have migrated to our digital channels.

We are also developing our business for the lower price segments. The introduction of the flat-pack range, Simply Magnet, has had very positive results and made a strong contribution to the increased sales and earnings seen in the UK in 2015. We are now going to try and replicate this experience in our other regions. Under the HTH brand, we will market well-designed and high-quality kitchens for the economy segment in all Nordic countries in 2016. As we introduce these attractively priced kitchens, we do so on the basis of a solid range, good service and a calculation that does not threaten profitability.

As a manufacturing company with many employees, customers and suppliers, Nobia has an important environmental, social and ethical responsibility. Our Sustainability Report details how we view this responsibility. We prioritise being able to offer our employees a safe and secure work environment and we will increase investment in order to retain and recruit highly skilled employees. We see increased interest from our professional customers in sustainability issues, and we value this dialogue about how we can work together to create a positive impact. We offer eco-labelled kitchens and develop products that help consumers live more environmentally friendly lives. We have much left to do in this area, too, however.

Nobia's success is ultimately a result of employees' tremendous efforts and commitment. I would therefore like to warmly thank all employees for the past year, as well as our shareholders and customers for their confidence in us.

**Morten Falkenberg**
President and CEO

# Targets and target fulfilment

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

## Profitability

The operating margin is to amount to more than 10 per cent over a business cycle. Furthermore, Nobia aims at organic growth that is 2–3 per cent higher than market growth and also growth through acquisitions.

>10%

## Financing

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

<100%

## Dividend

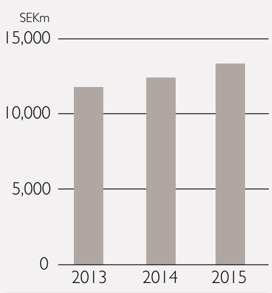
Dividends to shareholders are on average to comprise 40–60 per cent of net profit after tax. When decisions about the amount of the dividend are made, the company's capital structure is to be taken into consideration.

40–60%

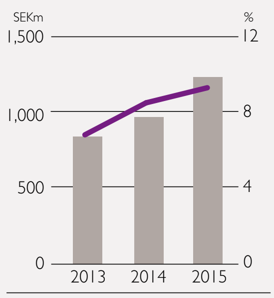
9.3%

The operating margin continued to improve. For 2015, the operating margin excluding items affecting comparability amounted to 9.3 per cent.

**Net sales**

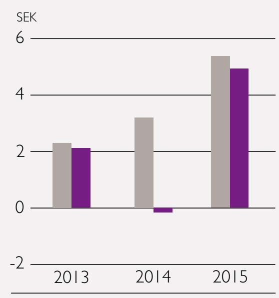



**Operating profit and operating margin***




*) Excluding items affecting comparability

**Earnings per share**




Earnings per share excluding items affecting comparability
Earnings per share including items affecting comparability

## COMMENTS ON PERFORMANCE

**Net sales** Nobia's sales are impacted by demand in European kitchen markets. In 2015, several of Nobia's markets reported growth despite consistently challenging market conditions. In total, organic growth was 6 per cent. Currency effects had an impact on net sales of 7 per cent and acquired operations of 4 per cent. Since 2010, average sales growth per year has amounted to negative 1 per cent.

### SALES GROWTH, %

| | 2011 | 2012 | 2013 | 2014 | **2015** |
|---|---|---|---|---|---|
| Organic change | -2 | -5 | 0 | 2 | 6 |
| Acquisition, divestments and currency | -5 | 0 | -5 | 5 | 11 |
| **Total growth** | **-7** | **-6** | **-5** | **7** | **17** |
| Average annual growth * | -7 | -6 | -6 | -5 | -1 |

* Based on the base year of 2010.

**Operating margin** Nobia's profitability has improved every year since 2009. For 2015, operating profit excluding items affecting comparability of negative SEK 96 million amounted to SEK 1,241 million, corresponding to an operating margin of 9.3 per cent. Earnings improved primarily as a result of increased sales volumes and positive currency effects. Over the past five years, the Nordic region has reported the highest margin out of all the regions. The UK region's operating margin has been improving since 2012. Following the divestment of Hygena in 2015, the Central Europe region has reported profitability.

### OPERATING MARGIN EXCLUDING ITEMS AFFECTING COMPARABILITY, %

| | 2011 | 2012 | 2013 | 2014 | **2015** |
|---|---|---|---|---|---|
| Nordic | 8.8 | 10.5 | 12.6 | 12.8 | 13.3 |
| UK | 5.0 | 4.5 | 6.0 | 7.5 | 9.3 |
| Central Europe | -2.1 | -0.3 | -1.7 | 7.8 | 5.1 |
| **Group total** | **3.9** | **4.6** | **5.9** | **8.5** | **9.3** |

**Financial position** Borrowing declined in 2015 despite the acquisition of Commodore and CIE Kitchens and increased investment. Net debt amounted to SEK 774 million, of which SEK 732 million pertained to pension liabilities. The debt/equity ratio at year-end was 20 per cent. Operating cash flow declined slightly in 2015, adversely affected by a negative change in working capital and higher investments, and positively impacted by higher earnings generation.

### INDEBTEDNESS AND CASH FLOW

| | 2011 | 2012 | 2013 | 2014 | **2015** |
|---|---|---|---|---|---|
| Net debt, SEK m | 1,586 | 1,707 | 1,176 | 1,206 | 774 |
| Operating cash flow, SEK m | 9 | 237 | 601 | 779 | 770 |
| Equity/assets ratio, % | 42 | 37 | 44 | 41 | 47 |
| Debt/equity ratio, % | 45 | 64 | 37 | 38 | 20 |

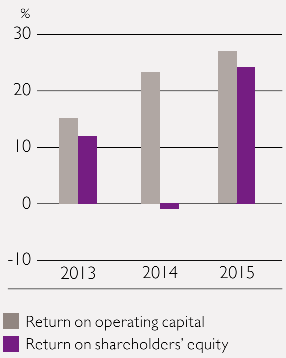
**Dividend to shareholders** The Board of Directors proposes a dividend of SEK 2.50 per share to the Annual General Meeting, corresponding to 51 per cent of net profit after tax. The proposal entails a total dividend of approximately SEK 421 million. For the 2014 fiscal year, the dividend amounted to SEK 1.75 per share, while the dividend for 2013 was SEK 1.00 per share. For 2012, the dividend was SEK 0.50 per share.

### DIVIDEND TO SHAREHOLDERS

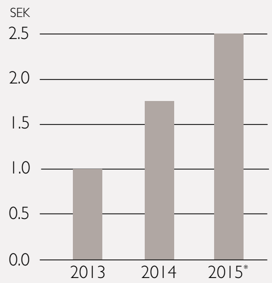
| | 2011 | 2012 | 2013 | 2014 | **2015** |
|---|---|---|---|---|---|
| Earnings/loss per share, SEK | 0.42 | -3.27 | 2.10 | -0.17 | 4.92 |
| Dividend per share, SEK | 0 | 0.50 | 1.00 | 1.75 | 2.50* |
| Dividend as a per cent of net profit after tax | n/a | n/a | 48 | n/a | 51 |

* Board's proposal.

### Profitability trend

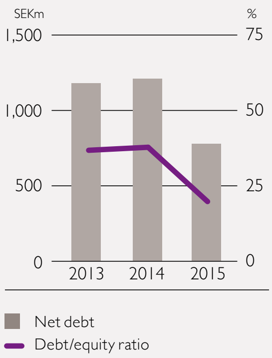



### Dividend per share




* Board's proposal

### Net debt and net debt/equity ratio




# 51%

The proposed dividend of SEK 2.50 per share corresponds to 51 per cent of net profit after tax.

# Nobia creates value through growth and efficiency

Nobia endeavours to fulfil the vision of being the leading and most profitable kitchen specialist that inspires and realises kitchen dreams and creates a fantastic customer experience.

Nobia's long-term strategy is to create synergies by introducing a uniform standard and a partially Group-wide range, efficient production and co-ordinated sourcing. In parallel to these efficiency enhancements, increasing importance is being placed on growth-promoting initiatives.

The strategy for profitable growth is based on the Group's strengths in the form of strong brands, established sales channels, cost awareness and economies of scale throughout the value chain.

In order to create growth, Nobia is focusing on improving the customer experience both in stores and online, and is differentiating its brands by way of new products and solutions. Opportunities for efficiency enhancements can be found throughout the value chain, but mainly within product development, sourcing and production. The knowledge and skills of Nobia's employees are both vital for its continued success.

> In parallel to efficiency enhancements, increasing importance is being placed on growth-promoting initiatives.

## FOCUS AREAS IN 2016

**New products and innovations** are key to differentiating Nobia's kitchens from those of competitors. Nobia is focusing on product development and strives to take an innovative lead in the kitchen industry by continuously presenting new products. We should be first to market with new concepts and solutions that satisfy customers' needs. New products serve as incitements and encourage renewal of or updates to existing kitchen fittings.

**Digital solutions** are a key component of the growth strategy since kitchen consumers today conduct an increasing amount of their purchasing online. The websites of Nobia's brands are at the cutting edge and the aim is to facilitate customers' purchases by migrating a portion of sales to digital channels. An e-commerce platform has been created for HTH that contains a new, digital design tool. HTH's e-commerce began in Denmark in 2015, and will also be implemented in 2016 in the Norwegian, Swedish and Finnish markets.

**The economy segment** is a new focus area. Nobia has not historically targeted the lower price segments to any great extent, but now has production economies of scale that makes it possible to explore this large and growing share of the market. A number of the brands complement the range by offering good-value ready-to-assemble kitchen solutions. The Simply Magnet range contributed to increased sales in the UK in 2015, and during 2016 a similar range will be introduced for HTH and marketed in the Nordic region. The economy segment will also be examined in Norway, Finland and Denmark through a collaboration with electronics chain Expert, which will sell Nobia's Nordic range of ready-to-assemble kitchen solutions.

**Acquisitions** are another way to create growth. In the past two years, the UK kitchen businesses Rixonway Kitchens, Commodore and CIE Kitchens have been acquired and consolidated. As a result of these additions, Group sales increased and Nobia has strengthened its position in the UK project market. Nobia maintains its ambition of growing through acquisitions that complement the company's current structure.

**Harmonising the range** into a uniform standard with identical product items creates the conditions for economies of scale, particularly within sourcing and production. In 2015, Magnet in the UK and the Finnish operations converted to Nobia's common standard dimension. Most of the kitchens Nobia manufactures now follow the same standard dimension. A Group-wide core range exists in several markets, but the aim is to reduce complexity further in the range as a whole. The target for 2016 is that 12 platforms, or the front designs, are to represent 80 per cent of total sales of the Group-wide range.

**Efficient production** is a focus area that involves leveraging economies of scale and creating improved profitability. The trend

is towards large-scale and brand-independent production. Several production facilities were closed or divested between the years 2008-2013, and the production structure could be consolidated further in the future. Co-ordinated efforts are also made in production to optimise the flows and increase efficiency using a Lean-based programme called Nobia Production and Logistics System, in which best practice from different parts of the Group are implemented in all units.

**Highly skilled employees** are vital to the success of the company. To strengthen the company's ability to retain and attract skilled and committed employees, the Group's HR efforts will be lifted to the next level. A range of improvement activities will be implemented in areas such as the work environment, career development, skills development, leadership and recruitment, with the aim of strengthening the company's ability to retain and attract skilled employees.

## BRAND STRATEGY

Nobia's brand portfolio primarily consists of strong, local consumer brands in the mid-price and premium segments, but also of a couple of international brands in the luxury segment.

The brands enjoy a high level of recognition and appeal in their respective local markets. As an example, consumers' spontaneous recognition of Magnet in the UK, Marbodal in Sweden, HTH in Denmark, Sigdal in Norway and ewe in Austria has been above 80 per cent over time.

The brand strategy is based on a segmentation of the market by consumer attitudes and needs. Based on comprehensive consumer analyses and market surveys, Nobia has identified two main segments in Europe's kitchen market that form the basis of the brands' marketing.

Nobia is working to clarify the brands' positioning and differentiate them in terms of range and target group, while behind the scenes there are in fact joint processes.

> The brands enjoy a high level of recognition and appeal in their respective local markets.

# New solutions strengthen our position in the market

Nobia endeavours to take an innovative lead in the kitchen industry. We will continuously present new kitchen solutions that meet customers' needs and serve to stir up interest. The ambition is to be first to market with new products and solutions that make the Group's brands stand out among the competition.

**New products are produced centrally**
The overall strategy for Nobia's product range is to increase the basis of bestselling platforms and limit the number of local adjustments, as well as generate a strong flow of new products and solutions that differentiate Nobia's brands. All product development for the Group-wide range is managed centrally. The new products and kitchen concepts can be added to the brands' ranges, while the marketing can be differentiated for different customers segments by way of local market adjustments.

New products contribute new sales and can ultimately also generate higher sales of other kitchen products. These create interest in the brand and give consumers a reason to visit the brand's store or website, and also enable existing kitchen fittings to be updated.

**Development areas for new concepts**
Work on producing new products is focused on a number of areas that meet specific customer requirements and within which new concepts are created. Nobia has identified the following development areas:

**Size 0** creates efficient and functional kitchen solutions for small spaces. New solutions within this area were marketed during the year for several Nordic brands as part of the much discussed "Space for the great things in life in a small kitchen" campaign. Another generation of Size 0 is currently being developed.

**Logical workflow** brings together product developments focused on efficiency, flexibility, accessibility and functionality. A kitchen concept called Easy Flow was launched at the end of 2015 in this area, offering solutions that satisfy customers' needs to have everything close to hand when cooking while also having clear work surfaces.

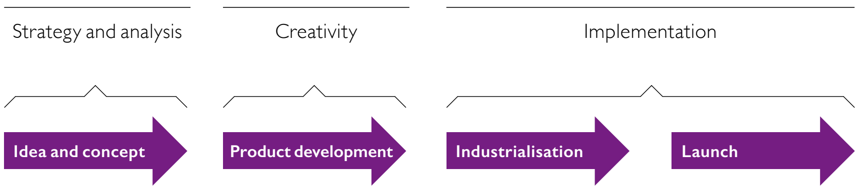
**Multi kitchen** is about making the kitchen the social hub of the home using clever solutions. To make the kitchen the heart of the home, products and solutions are needed for many activities other than just cooking.

**Sustainability** is the latest addition to the development areas. In this area, Nobia produces products from the perspective of sustainability that will help consumers live more environmentally friendly lives in their kitchens.

**Feedback during the entire process**
Extensive consumer insight forms the basis of the development work and prototypes are developed during the process that are tested on consumers. Nobia also arranges product expos at one of its production facilities twice a year. The aim of these expos is to present new products that will be introduced, but also to get feedback on potential new concepts and new solutions as part of the work to refine the product range.

The visitors are mainly sellers from the Group, retailers, customers and kitchen designers. Their viewpoints are collected and analysed for future development of new concepts and products. Nobia's first product expo opened in Tidaholm, Sweden in June 2015, while a new product fair opened in Darlington, UK in January 2016.

Our product development is based on extensive consumer insight that is analysed together with prevailing market trends and the kitchen's development options seen from a broad perspective. Possible development areas are identified to begin with, followed by a creative phase in which concepts and new solutions are developed. Depending on the level of innovation and type of product, the time it takes from creating an idea to launching a new product is six months to two years.



**Pull-down Unit** is an electronically lowerable shelf that uses the rear section of a top cabinet and can be concealed or displayed depending on the occasion and requirement. Along with other products within the Easy Flow concept, this solution creates a more efficient and easily accessible kitchen.

**Frame Flex ID** is a flexible shelf with a modern and functional design that exploits the depth of the worktop to help keep the worktop clear and clean, while also keeping everything close at hand for the cook.

**Worktop Extender** is a space-efficient and flexible solution for a small kitchen that provides extra work space and is easy to hide under a worktop when it is not needed. This product has been awarded the Red Dot Award for its excellent design.

**Plinth Ladder** is a collapsible and attractive stepladder adapted for storage in a plinth cabinet, making it easy to reach even the highest parts of the kitchen.

Shallow shelves for storing groceries provide a clear view and easy access. Dry goods can also be organised in a clearly visible way in glass jars inspired by 1950s functionalism.

Nobia has two product development design centres where new products and concepts are displayed and feedback is gathered from visitors. The product fair in Tidaholm was the first of its kind and was extremely positively received.

# Drivers and trends on the kitchen market

The number of people and households in Europe is deemed to increase as our metropolitan areas become more urbanised and concentrated. This indicates that there will be an increase in residential construction and a growing European kitchen market. Urbanisation and the increased number of small households is also driving demand for clever solutions for small kitchens.

Alongside long-term demographic trends, kitchen demand is impacted by such factors as general economic conditions, consumer confidence, disposable income, furnishing trends, the property market trend and the construction of new housing.

New kitchens are assembled during either renovation or new construction. The most common reasons for investing in a kitchen are that consumers' previous kitchens are worn or outdated, that changing personal situations have led to new requirements or that the current kitchen in a new home is out of sync with the new owners' taste or requirements. The main reason for investment in a new kitchen is due to a move, and on average, European consumers purchase new kitchens every 15–20 years.

Increased digitisation is leading to new consumer behaviour. Constantly connected, consumers require kitchen companies to always be available in order to remain relevant, regardless of channel or location and throughout the entire purchasing process. This places increased requirements on the kitchen industry, which is relatively immature in terms of digital development compared with the retail industry for example, even though the long-term trend in terms of kitchen sales is towards increased e-commerce.

**The kitchen is the heart of the home**

Today's European kitchens are larger in area and fulfil more functions than they used to in the past. Open plan solutions between the kitchen, dining room and living room are now common. The kitchen has gone from being a place for preparing food to the heart of the home.

We spend more time in our kitchens and it has become a natural place for many of the household's activities. New functionalities and designs in terms of kitchen solutions, technology and decor reflect the greater significance of the kitchen in our homes and encourage consumers to update existing kitchen fittings.

For households, buying a new kitchen is a relatively complex and major investment in which design and function play a key role in the decision-making process. When renovating a kitchen, in addition to buying the actual kitchen products, consumers also have to pay labour costs for installation, plumbing and flooring. Tax deductions for home improvements are therefore deemed to have a positive impact on the kitchen renovation market. From 2016, the Swedish tax deduction for labour costs will be reduced from 50 per cent to 30 per cent, with a maximum amount of SEK 50,000 per person. The maximum tax deduction in Finland is lower, while in Denmark the option to make a tax deduction for kitchens will be removed entirely from 2016.

**Professional customers**

Nobia's professional customers operating within residential renovation need to be in a position to offer their customers kitchens with an attractive design and many optional extras. Additionally, for companies working within property development and new construction, appealing and high-quality kitchen solutions are a part of the marketing process for new items. In recent years, sustainability issues have also become increasingly important for Nobia's professional customers.

The new construction sector is cyclical and affected by political decisions regarding rules and subsidies for housing construction. Lead-times from construction start to kitchen delivery are an average of eight to ten months. In Nobia's largest markets, the UK and the Nordic region, kitchens are considered building accessories and included in the sale of an apartment or a house, while a home in Central Europe is usually sold without kitchen fittings.

**The market is local and fragmented**

The kitchen market in Europe is highly fragmented and consumers principally recognise and are offered local kitchen brands. However, there is a slow move towards a more consolidated European kitchen market. Nobia is playing an important role in this development. As a leading

SELECTED COMPETITORS

| Market | Players |
|---|---|
| UK | Howdens, B&Q, Wren, IKEA |
| Sweden | IKEA, Ballingslöv, Vedum, Kvik |
| Norway | IKEA, Kvik, Drømmekjøkkenet, Strai |
| Denmark | IKEA, Kvik, Svane, Vordingborg Køkkenet |
| Finland | IKEA, Puustelli, Topi Keittiöt |
| Austria | DAN Küchen, Nobilia, Häcker, Schüller |

kitchen specialist, Nobia is striving to consolidate the European kitchen market by making acquisitions and capitalising on economies of scale.

**The competition**

There is a highly level of competition in European kitchen markets. Just like Nobia, many kitchen companies have a complete value chain ranging from production to sales via different distribution channels, including own stores. Nobia is Europe's leading kitchen specialist with strong brands and established sales channels. Its size also makes it possible to capitalise on synergies.

Nobia's competitors include small, local players as well as major kitchen producers and furniture companies. About ten kitchen suppliers are considered to have market shares of around 2 per cent of the European kitchen market, while the five largest players – Nobia, IKEA, Nobilia, Howdens Joinery and Alno – jointly account for about 35 per cent of the market.

## EUROPE'S KITCHEN MARKET IN FIGURES

The estimated value of the European market for kitchen products is about EUR 11.7 billion. The four largest European markets are Germany, Italy, the UK and France, which jointly account for 73 per cent of kitchen production and 66 per cent of kitchen consumption. Overall, Europe net exports kitchens and the main exporting country is Germany, followed by Italy and Denmark.

Total kitchen consumption in Nobia's main markets – the UK, Sweden, Norway, Denmark, Finland, Austria and Germany – is estimated to be about EUR 6.5 billion. The UK alone accounts for around 16 per cent of Europe's total kitchen consumption.

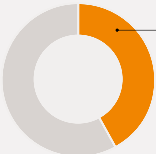
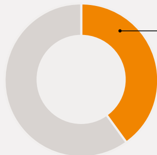
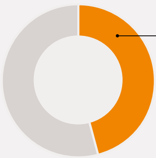
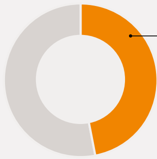
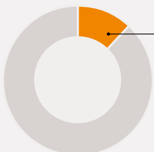
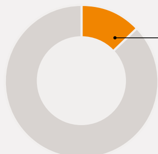
The markets in Sweden, Norway, Denmark, Finland and Austria are estimated to jointly account for about 15 per cent of the European kitchen market. Of these countries, Sweden is the largest kitchen market, while Finland is the smallest market. The German kitchen market, where Nobia is a minor player, is deemed to account for approximately 25 per cent of Europe's kitchen market.

SOURCE: CENTRE FOR INDUSTRIAL STUDIES (CSIL): THE EUROPEAN MARKET FOR KITCHEN FURNITURE 2015

6.5

Total kitchen consumption in Nobia's main markets is estimated to be about EUR 6.5 billion.

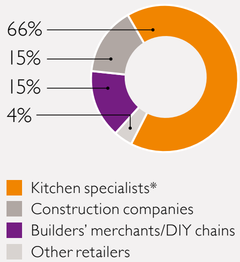
# Business overview

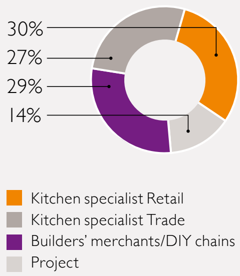
| | Net sales | Operating profit | Number of employees |
|---|---|---|---|
| NORDIC REGION |  42% SEK 5,651 m | SEK 749 m |  40% 2,596 employees |
| UK REGION |  46% SEK 6,099 m | SEK 567 m |  47% 3,042 employees |
| CENTRAL EUROPE REGION |  12% SEK 1,586 m | SEK 81 m |  13% 844 employees |
| GROUP TOTAL | SEK 13,336 m | SEK 1,241 m | 6,539 |

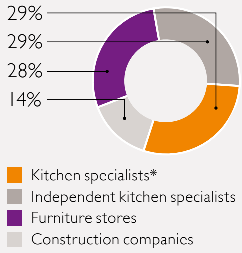
**Explanation of overview**
Net sales and operating profit have been adjusted for items affecting comparability and net sales for the regions do not include sales to other regions. Commodore and CIE Kitchens were consolidated into Nobia's financial statements from 1 November 2015 and thus two months of their net sales and operating profit are included. In addition to the regions' operating profit, the Group's operating profit includes operating profit from Group-wide items and eliminations. The Group's employees also include employees in the Parent Company.

| Production units | Own stores | Operational description |
|---|---|---|
| 6 | 55 | In the Nordic region, Nobia manufactures and sells kitchens to consumers and professional customers under several brands, of which a number can be found on several markets. In Sweden, Nobia sells kitchens under the Marbodal, HTH and uno form brands, and in Norway under the Sigdal, Norema, HTH, Marbodal and uno form brands. In Denmark, Nobia operates under the HTH, Invita and uno form brands. Laminated worktops are also manufactured in Denmark. In Finland, Nobia sells kitchens under the A la Carte, Petra and HTH brands. |
| 5 | 206 | Nobia's operations in the UK include Magnet, Gower, Interior Solutions, Rixonway Kitchens, Commodore and CIE Kitchens. Nobia sells kitchens via these business units to British consumers, builders, DIY and construction chains as well as to property developers, construction companies and social housing administrators. Magnet is the largest operation in terms of sales, with 202 stores across the UK. |
| 3 | 36 | The Central Europe region comprises Nobia's Austrian and German brands. In Austria, Nobia manufactures kitchens under the brands ewe, FM and Intuo, which are mainly sold to Austrian furniture chains and independent kitchen specialists. In Germany, Nobia manufactures exclusive Poggenpohl kitchens for the global market. Poggenpohl targets consumers and professional customers in Europe, the US and Asia. Kitchens under the brand Goldreif are also sold via Poggenpohl's store network. |
| 14 | 297 | |

**Sales channels**




* Own stores and franchise.

# NORDIC REGION


2015

**Net sales**

SEK 5,652 m

**Operating profit**

SEK 749 m

**Organic growth**

8 %

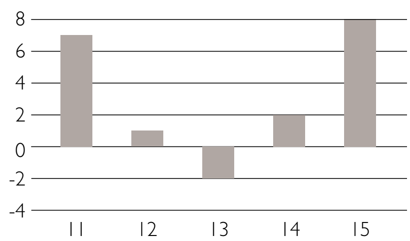
**Operating margin**

13.3 %

In Finland, the Group's common standard dimension was introduced and the previous range began to be phased out.

HTH in Denmark introduced e-commerce and an online design tool.

ORGANIC SALES GROWTH, %




KEY FIGURES

| | 2014 | 2015 | Change, % |
|---|---|---|---|
| Net sales, SEK m | 5,215 | 5,652 | 8 |
| Gross profit excluding items affecting comparability, SEK m | 2,112 | 2,254 | 7 |
| Gross margin excluding items affecting comparability, % | 40.5 | 39.9 | – |
| Operating profit excluding items affecting comparability, SEK m | 666 | 749 | 13 |
| Operating margin excluding items affecting comparability, % | 12.8 | 13.3 | – |
| Operating profit, SEK m | 660 | 749 | 14 |
| Operating margin, % | 12.7 | 13.3 | – |
| Operating capital, SEK m | 640 | 666 | 4 |
| Return on operating capital, % | 104 | 115 | – |
| Investments, SEK m | 133 | 159 | 20 |
| Average number of employees | 2,640 | 2,639 | 0 |
| Number of employees at year-end | 2,569 | 2,596 | 1 |

## POSITION AND MARKET TREND

Nobia is a leading kitchen supplier in the Nordic region, operating both in consumer sales and professional segments. Nobia has a particularly strong position as a supplier of kitchens for renovation and new construction projects in the Nordic countries, and has strong, well-known brands. Sales are conducted directly through both franchise stores and retailers, although Nobia also has its own stores in the region.

Distribution varies between Nobia's eight brands in the region. In Norway, for example, kitchens are sold to consumers from Norema via own stores, while Sigdal kitchens are sold via franchise stores and independent retailers. Marbodal is principally sold through a retailer organisation. In Finland, Nobia does not have its own stores.

The Nordic kitchen market grew during the course of 2015. Sweden was the strongest market, with growth both in consumer demand and in the professional customer segment. Demand also grew in Norway and Denmark, while the Finnish kitchen market shrank.

## BRANDS AND OPERATIONS

**HTH** offers complete kitchen solutions in the mid-price segment to both consumers and professional customers. HTH kitchens are mainly delivered rigid, but there is also a range of flat-pack kitchen series. Sales are conducted in 102 stores throughout Denmark, Sweden and Norway, more than half of which are franchise stores, and via e-commerce.

**Invita** mainly operates in Denmark and sells kitchens with a high design content and a high level of service. Kitchen solutions from Invita are in the premium segment and are sold via franchise stores.

**uno form** offers exclusive and expertly handcrafted kitchens with a timeless design. The kitchens are in the luxury segment and are sold via own stores and franchise-run stores in Scandinavia.

**Marbodal** is a well-known brand on the Swedish market offering complete kitchen solutions in the mid-price segment. The brand is sold in Sweden and Norway to consumers and professional customers. The stores are franchise-run and there is also a large number of retailers.

**Sigdal** offers rigid kitchens in the mid-price segment to both professional customers in the Norwegian market and Norwegian consumers via franchise stores and independent retailers.

**Norema** operates in Norway and sells rigid kitchens in the mid-price segment to consumers and professional customers. For consumers, there is also a range of flat-pack kitchens in the lower price segment.

**A la Carte** offers rigid kitchen solutions in the premium segment that are primarily sold via Nobia's Finnish franchise chain Keittiömaailma ("kitchen world").

**Petra** is sold in Finland to professional customers and consumers via the building materials trade and Nobia's Keittiömaailma franchise chain. Petra's kitchens are in the mid-price segment.

### OWN KITCHENS STORES

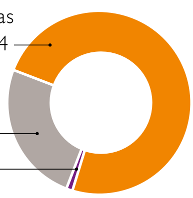
55

During the year, the number of own stores declined by 13, mainly due to mergers and transfers to franchisees.

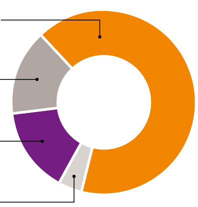
### KITCHENS STORES BY COUNTRY

| | |
|---|---|
| Denmark | 38 |
| Norway | 14 |
| Sweden | 3 |

### SALES PER PRODUCT, %




### SALES CHANNELS, %



# UK REGION

Magnet Hudson

## 2015

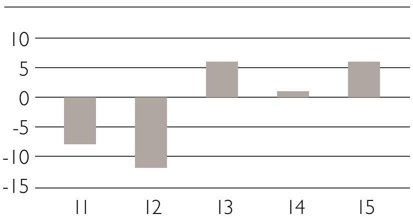
| Net sales | Operating profit |
|---|---|
| SEK 6,099 m | SEK 567 m |

| Organic growth | Operating margin |
|---|---|
| 6 % | 9.3 % |

The Simply Magnet range launched at the end of 2014 was received positively by customers and contributed to the increase in sales.

Nobia acquired the kitchen companies Commodore and CIE Kitchens, who both operate on the UK private development market.

ORGANIC SALES GROWTH, %




KEY FIGURES

| | 2014 | 2015 | Change, % |
|---|---|---|---|
| Net sales, SEK m | 4,707 | 6,099 | 30 |
| Gross profit excluding items affecting comparability, SEK m | 1,927 | 2,463 | 28 |
| Gross margin excluding items affecting comparability, % | 40.9 | 40.4 | – |
| Operating profit excluding items affecting comparability, SEK m | 353 | 567 | 61 |
| Operating margin excluding items affecting comparability, % | 7.5 | 9.3 | – |
| Operating profit, SEK m | 270 | 567 | 110 |
| Operating margin, % | 5.7 | 9.3 | – |
| Operating capital, SEK m | 853 | 1,636 | 92 |
| Return on operating capital, % | 33 | 46 | – |
| Investments, SEK m | 86 | 168 | 95 |
| Average number of employees | 2,365 | 2,868 | 21 |
| Number of employees at year-end | 2,755 | 3,042 | 10 |

## POSITION AND MARKET TREND

Nobia is a leading player in the UK kitchen market and operates in all market segments. Nobia has own stores through Magnet, of which the majority are targeted at both consumers and builders. On the project market, Nobia supplies kitchens to companies within property development and residential construction mainly via Commodore and CIE but also Magnet, and supplies social housing via Rixonway. Nobia also supplies kitchens to UK DIY and building materials chains via Gower and Interior Solutions.

Demand in the UK kitchen market grew for the third year in a row during 2015, although volumes remained at a lower level than they were before the extensive contraction of the market following the financial crisis. Competition was fierce and growth mainly increased in the low-price segments. Consumer demand and sales to privately-financed new builds increased, while investment in social housing renovation subsided as a result of reduced public financial aid.

## BRANDS AND OPERATIONS

**Magnet** is a nationwide kitchen chain that targets UK consumers and professional builders. Magnet is the UK's largest kitchen brand, offering supply-only and fully-installed kitchen solutions in the mid-price segment, with a full service proposition. At the end of 2014, the core range of rigid kitchens was expanded to include an offering of ready-to-assemble kitchens, Simply Magnet. A full range of kitchen products is kept in stock for builders, while a range of doors, windows and accompanying joinery products is also offered.

**Gower** and **Interior Solutions** manufacture and supply ready-to-assemble kitchens to retailers operating in the UK building materials trade and to DIY chains. Alongside kitchen products, retailers are provided with full category management service, which entails service with in-store displays, product development and staff training.

**Rixonway** is a leading supplier of kitchen solutions for social housing in the UK. The kitchens are in the economy segment and are primarily sold to construction companies and purchasing organisations, but also via a large number of builders' merchant stores.

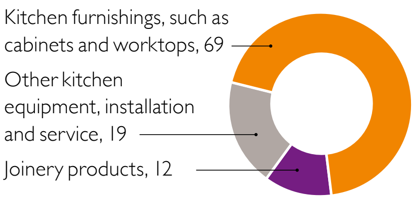
**Commodore** and **CIE** sell kitchens to companies active in private development and residential construction, primarily in London and South East England. The kitchen solutions sold by Commodore are self-manufactured and positioned in the mid-price segment, while CIE is a kitchen retailer in the luxury segment.

OWN KITCHENS STORES

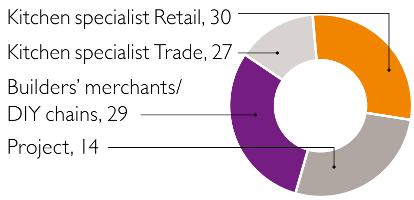
206

7 stores were opened during the year and 9 closed.

SALES PER PRODUCT, %




SALES CHANNELS, %




Poggenpohl MODO

# CENTRAL EUROPE REGION

## 2015

Net sales excluding items affecting comparability

SEK 1,588 m

Operating profit excluding items affecting comparability

SEK 81 m

Organic growth

-2 %

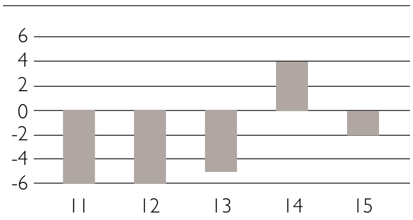
Operating margin excluding items affecting comparability

5.1 %

Nobia divested the French kitchen chain Hygena on 2 March 2015.

SEK 96 million was impaired in Poggenpohl in the fourth quarter as a result of incorrect accounting in the US for several years.

ORGANIC SALES GROWTH, %




KEY FIGURES

| | 2014 | 2015 | Change, % |
|---|---|---|---|
| Net sales excluding items affecting comparability, SEK m | 1,493 | 1,588 | 6 |
| Gross profit excluding items affecting comparability, SEK m | 621 | 662 | 7 |
| Gross margin excluding items affecting comparability, % | 41.6 | 41.7 | – |
| Operating profit excluding items affecting comparability, SEK m | 117 | 81 | -31 |
| Operating margin excluding items affecting comparability, % | 7.8 | 5.1 | – |
| Operating profit/loss, SEK m | 117 | -15 | 113 |
| Operating margin, % | 7.8 | -0.9 | – |
| Operating capital, SEK m | 573 | 424 | -26 |
| Return on operating capital, % | 27 | -3 | – |
| Investments, SEK m | 85 | 59 | -31 |
| Average number of employees | 1,575 | 909 | -42 |
| Number of employees at year-end | 1,546 | 844 | -45 |

## POSITION AND MARKET TREND

Nobia has a small share of the total kitchen market in Central Europe. Following the divestment of the French kitchen chain Hygena in March 2015, Nobia's main markets are in the region Austria and Germany. Nobia is also one of the leading kitchen suppliers in Austria, with three strong brands and sales to furniture chains and kitchen specialists. Nobia is a relatively minor player in Germany, although Poggenpohl in Germany is a strong brand in the global kitchen market. Poggenpohl sells kitchens to consumers and project customers in Europe, the US and Asia both directly and through 36 own stores and a large network of retailers.

Demand was weak on Nobia's markets in Central Europe in 2015. The Austrian kitchen market declined, particularly in the higher price segments.


## BRANDS AND OPERATIONS

**ewe** is a kitchen brand in Austria that represents modern design in the mid-price and premium segments. The rigid kitchen solutions are mainly sold through furniture chains and independent kitchen specialists in Austria and neighbouring countries.

**FM** offers rigid kitchens in the mid-price and premium segments with traditional design and a high degree of functionality, such as solid-wood doors and height-adjustable cabinets. Sales are conducted through furniture chains and kitchen specialists in Austria.

**Intuo** offers kitchen solutions for quality and design-conscious consumers in the premium segment, and are principally sold through kitchen specialists in Austria.

**Poggenpohl** is one of the few internationally well-known kitchen brands. Poggenpohl kitchens are in the luxury segment, have a high design content and are manufactured in Germany.

**Goldreif** offers rigid kitchen solutions in the premium segment. The products are manufactured in Austria and sold through Poggenpohl's store network.


OWN KITCHENS STORES

36 1 store opened during the year.

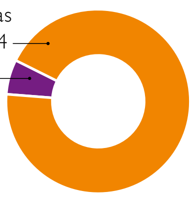
KITCHENS STORES BY COUNTRY

| | |
|---|---|
| US | 12 |
| UK | 9 |
| Germany | 7 |
| Switzerland | 3 |
| Other countries | 5 |

SALES PER PRODUCT, %

Kitchen furnishings, such as cabinets and worktops, 94

Other kitchen equipment, 6



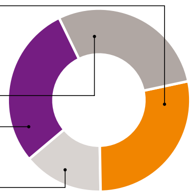
SALES CHANNELS, %

Kitchen specialists, own stores and franchise, 29

Independent kitchen specialists, 29

Furniture stores, 28

Construction companies, 14



# Sustainable development that starts with our impact

Nobia's sustainability initiatives are based on the Group's economic, environmental and social impact. Key figures and focus areas are defined at Group level, with work on social environmental and ethical issues integrated into all units and functions.

**Impact and responsibility**

Nobia has a fundamental responsibility to all of its stakeholders to maintain and develop a sustainable business. The impact of the operations varies across the value chain. Activities depending on the type and scope of the impact are initiated to minimise negative consequences and maximise the positive, and this responsibly develops a sustainable business.

The company's environmental impact primarily arises from the manufacturing, surface treatment, installation and transportation of kitchens, in the form of emissions from energy consumption and transportation of wood, wood products, chemicals, packaging materials and waste.

In total, Nobia has approximately 6,500 employees, of which around 3,000 work with production or logistics and around 3,500 work with administration or sales. The products are manufactured at 14 production facilities in seven countries, and all of these meet the environmental requirements that apply in each country.

**Governing documents**

In 2013, Nobia's Board of Directors adopted a Code of Conduct that forms the basis for how the company should be run. All employees and partners are expected to adhere to this central policy. The Code of Conduct is based on the UN Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work and the OECD guidelines for multinational enterprises.

The Code contains principles governing fair competition, anti-corruption, impartiality and conflicts of interest, respect for the individual, fair labour conditions, safety at the workplace and environmental protection. It thereby supports the UN Global Compact in terms of human rights, labour, environment, anti-corruption and the precautionary principle with regard to the environment.

All production facilities with the exception of two, one in Norway and one in the UK, have ISO 14001 environmental management system certification. This entails an annual review of environmental impact, new environmental targets and specific action plans.

Nobia also has other policies for specific areas of sustainability, such as an operating sourcing procedure and a forest policy for wood suppliers.

**About the report**

Nobia has been preparing a Sustainability Report in accordance with the Global Reporting Initiative (GRI) since 2012. In 2015, work was carried out to adapt the report to the GRI's G4 framework. Nobia's assessment is that the information included in the Annual Report and on the company's website meets to the requirements set by GRI G4 level, Core. The Sustainability Report has not been subject to review or audit by an external party. A GRI index can be found on page 31.

Sustainability aspects reported here are based on the materiality analysis conducted during the year. Environmental data, measurements and key figures are collected from the production units at least once per year, and Group management receives reports on trends in these indicators twice a year. Environmental data from the supplier chain along with information from Hygena, which was divested during the first quarter of 2015, and from Commodore and CIE Kitchens, which were acquired during the fourth quarter of 2015, are not included in the report.

Nobia's activities that are subject to a permit in Sweden are described in the Financial overview on page 34.

Marbodal Lindö

## Stakeholder dialogue

An important aspect of the sustainability work is the company's communication with its stakeholders. Nobia has an ongoing dialogue with its stakeholders in different forums concerning sustainability issues.

During the year, personal interviews were also carried out with representatives for a selection of key customers, major shareholders, union representatives, relevant stakeholder organisations and major suppliers to add input to Nobia's ongoing sustainability efforts. 16 external parties responded to questions and ranked aspects of sustainability. In addition, all Nobia employees were given the opportunity to provide their view about which sustainability aspects were significant in a survey on the Group's intranet.

EXAMPLES OF AREAS CONSIDERED IMPORTANT BY STAKEHOLDERS

| | |
|---|---|
| **Customers** | Taking environmental responsibility for the product over its entire life cycle |
| | Reducing climate impact by limiting $CO_2$ emissions |
| **Owners** | Streamlining the value chain and identifying environmental improvements |
| | Offering employees training, development and career opportunities |
| **Employees** | Offering employees fair labour conditions and ensuring that satisfactory safety equipment is used |
| | Safe and healthy products |
| **Stakeholder organisations** | Taking environmental responsibility for the product over its entire life cycle |
| | Diversity and respect for the individual |
| **Suppliers** | Reducing climate impact through efficient use of resources |
| | Fair business methods and good business ethics |

## NOBIA'S VALUE CHAIN

| | **Product development** | **Sourcing** | **Manufacturing** | **Transportation** | **Sales** | **Use** |
|---|---|---|---|---|---|---|
| **Nobia's value creation** | Nobia produces attractive solutions with a low environmental impact based on consumer insight. | Nobia purchases materials and components from around 820 suppliers. | The kitchens are manufactured, surface treated, assembled and packaged in 14 plants in seven countries. | The kitchens are primarily distributed to customers using lorries. | The kitchens are sold by employees and via partners. | Nobia's kitchens are used in many homes on a daily basis over a long period. |
| **Significant sustainability aspects** | Choice of materials ●● | Responsible sourcing ●●●<br>Supplier audits ●●●<br>Human rights ●<br>Anti-corruption ●●<br>Legal compliance ●●● | Safe work place and fair labour conditions ●<br>Employee development and career opportunities ●<br>Reduced climate impact ●<br>Efficient use of resources ●●<br>Waste management and recycling ● | Safe work place and fair labour conditions ●<br>Efficient use of resources ●● | Diversity and respect for the individual ●<br>Employee development and career opportunities ● | Customer health and safety ● |
| **How Nobia manages these aspects** | Nobia aims to avoid unnecessary environmental impact. Sustainability is a focus area for product development. | Nobia operates under generally accepted business practice and carries out supplier audits. | Nobia strives to reduce emissions and takes responsibility for its local environment, a safe workplace and efficient resource utilisation. | Transportation is primarily provided by established logistics companies, although in the case of several brands, the products are distributed using our own fleet of vehicles. | Business methods comply with generally accepted business practice. Employees and partners are obliged to follow the principles contained in the Code of Conduct. | Tests and documentation guarantee that the products are safe and that they satisfy customer requirements and applicable environment aspects. |

● Financial responsibility ● Social responsibility ● Environmental responsibility

# Care of employees

The commitment and efforts of employees are a vital part of Nobia's success. The company is able to retain and recruit competent employees by offering a safe and secure workplace that offers opportunities for career development.

Nobia supports and respects international conventions governing human rights as well as local legislation. The company mainly operates in Europe, where people have generally made progress in the areas of business ethics, human rights and labour conditions. Employees are covered by collective agreements in every country except the UK.

Nobia mainly has permanent employees, with only 1 per cent of employees being temporarily employed. The workforce can be divided up according to whether the employees work in production and logistics or alternatively in administration and sales.

### Values and respect for the individual

Employees are expected to maintain a high ethical standard and observe the principles described in the company's Code of Conduct in their daily activities. Nobia promotes a healthy work-life balance and encourages its employees to achieve such a balance.

Nobia has respect for the individual, is committed to diversity and equal treatment and aims to increase the proportion of women in senior positions. Out of Nobia's 144 senior executives, the proportion of women amounts to 15 per cent, compared with 28 per cent of the Group's total employees. The Code of Conduct maintains that no employee should be discriminated against due to age, ethnicity, social or national origin, skin colour, gender, sexual orientation, religion, political views, disability or any other reason.

Nobia respects legislation governing fair trade, competition and anti-corruption and applicable business ethics codes. Sourcing and sales should be conducted in a professional manner and with integrity.

To ensure compliance with the Code of Conduct, an anonymous communication channel has been established for employees who want to report suspected breaches of the Code. Three matters were reported via this communication channel in 2015. The reported matters and other issues relating to the principles in the Code of Conduct have been handled and reported to the Board.

### Safe and secure work environment

The safety of employees is the highest priority, and Nobia works according to a vision of zero accidents in the workplace and work-related injuries. Preventive measures are taken to minimise the risk of accidents, injuries and sickness absence. Workplaces are inspected on a regular basis to ensure a safe work environment and that the necessary equipment is in place. In 2015, one of the production facilities in the UK received the Sword of Honour health and safety prize awarded by the British Safety Council.

The total number of workplace-related accidents amounted during the year to 101 (98) and the number of workplace accidents per million hours worked amounted to 16.8. Each workplace accident is followed up and corrective measures are taken.

**Employees per country, number**

| | |
|---|---|
| UK | 3,091 |
| Denmark | 1,308 |
| Sweden | 648 |
| Finland | 363 |
| Austria | 358 |
| Germany | 341 |
| Norway | 298 |
| Other countries | 93 |
| Employees of subsidiaries | 6,500 |
| Employees of Parent Company | 39 |
| Employees of the Group | 6,539 |

**Production facilities**

| PRODUCTION FACILITIES | ISO 14001 |
|---|---|
| Tidaholm, Sweden | Yes |
| Ølgod, Denmark | Yes |
| Bjerringbo, Denmark | Yes |
| Farsø, Denmark | Yes |
| Eggedal, Norway | – |
| Nastola, Finland | Yes |
| Darlington, UK | Yes |

| PRODUCTION FACILITIES | ISO 14001 |
|---|---|
| Halifax, UK | Yes |
| Morley, UK | Yes |
| Dewsbury, UK | Yes |
| Grays, UK | – |
| Herford, Germany | Yes |
| Wels, Austria | Yes |
| Freistadt, Austria | Yes |

## Employee development

Regular employee performance evaluations are carried out at Nobia, during which individual goals and development plans are drawn up. This process has involved all employees since 2014, both office employees and employees in production and logistics.

For employees in production and logistics, there is a programme for operational and employee development named Nobia Production and Logistic System. The programme is based on the employees and leadership and contains guidelines and Lean tools. The aim is to strengthen, engage and motivate employees to improve processes and reduce the risk of accidents in the operations.

Many of the Group's units also offer internal skills development so that employees can learn about products, sales, design and drawing systems. These courses are managed by the Training Academies of each brand. The aim is to transition over to more e-learning based training, and so in 2015 Marbodal launched a new e-learning-based training course under the name Köksakademien (The Kitchen Academy).

## Business development

Nobia's employee survey, MyVoice, was carried out in 2013 in the Scandinavian part of the Group and in central Group functions. The survey was introduced across the whole Group in 2014 and the results formed the basis for around 580 improvement activities in total within areas such as information, conduct, roll distribution and training.

The employee survey is being expanded in 2016 to include a battery of questions regarding leadership at Nobia. The results of this survey are intended to form the basis for ongoing improvement initiatives in the areas of work environment, leadership, career development and employees' commitment.

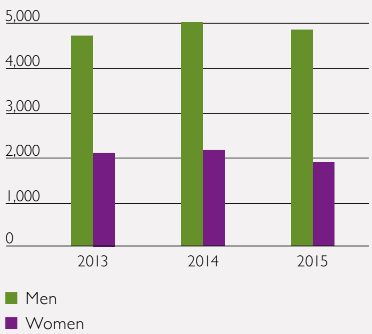
## Talent management

Wherever possible, Nobia tries to apply internal recruitment and internal promotion. The identification and development of internal talent is key to the company's continued success. The company has a centrally controlled talent-management process, where some 400 employees have been assessed with the objective of identifying leadership potential, development requirements and future succession solutions.

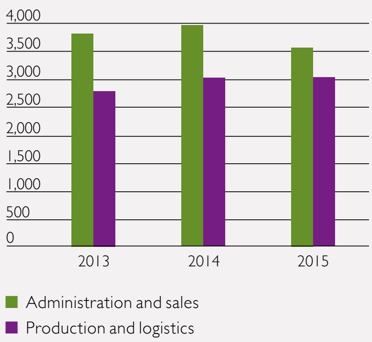
## Leadership development

Managers at Nobia are offered training in such fields as project management and leadership. A Group-wide programme, the Nobia Leadership Acceleration Programme, is also offered to selected talents from different parts of the business. As in previous years, one element of 2015's programme was project work surrounding a number of real challenges facing the company, as defined by Group management.

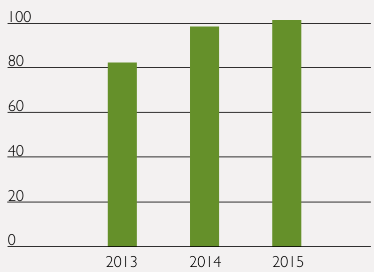
**Employees by gender, number**




**Employees by function, number**




**Workplace-related accidents, number**



# Efficient use of resources

Nobia's overall environmental impact is relatively minor, both in terms of products and manufacturing processes. Nevertheless, the company strives to reduce its environmental impact.

## FOCUS AREAS FOR ENVIRONMENTAL ACTIVITIES

1. $CO_2$ emissions – transportation, heating and electricity for manufacturing.
2. Energy consumption – electricity and heat consumption.
3. Choice of materials – wood and chemicals.
4. Surface treatment – use of water-based paints and emissions from solvents.
5. Waste – recycling and reduction.
6. Packaging – volumes and types of materials.

Nobia strives to reduce its environmental impact by restricting the use of hazardous chemicals, conserving resources, introducing more efficient heating systems and optimising transportation.

Environmental activities at Nobia are delegated and integrated into the operations of each region and production unit. Focus areas for environmental activities, to which selected indicators are linked, have been defined at Group-level. The regions set goals and priorities using the Group-wide direction as a basis.

Continuous efforts are made in production to optimise the flows using a Lean-based programme called Nobia Production and Logistics System.

More efficient resource utilisation is achieved through such optimised processes, meaning energy, emissions and costs can be reduced. Error-free deliveries are positive both for environmental reasons and for Nobia's customers.

The Group's delivery reliability, defined as the proportion of error-free and complete deliveries, amounted to 97 per cent (98) in 2015, and was negatively affected by the transition to the Group's common standard dimension in Finland.

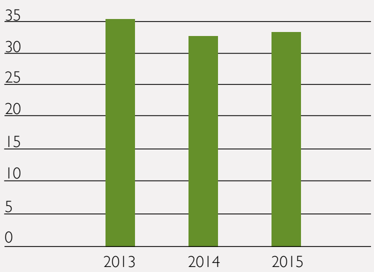
### $CO_2$ emissions

Climate impact mainly occurs through emissions of greenhouse gases. Nobia strives to reduce $CO_2$ emissions, which are mainly caused by heating and cooling buildings, and electricity use in manufacturing. To reduce both costs and our environmental impact, Nobia is continuously introducing modern systems for cooling, heat recovery and ventilation.

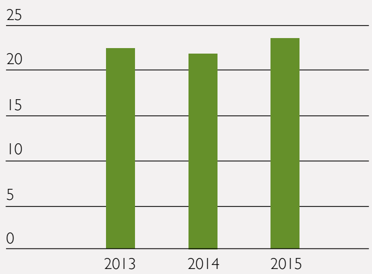
$CO_2$ emissions also arise through the transportation of materials, components and kitchen products, as well as through employee business travel. About 5 per cent (5) of Nobia's total expenses are attributable to transportation, making this a key focus for resource optimisation. Surveys and analyses of transport flows are implemented in close collaboration with logistics companies but also with the assistance of external experts, to identify economic and environmental benefits. Freight load optimisation can help reduce both costs and $CO_2$ emissions.

Nobia's $CO_2$ emissions per produced cabinet declined 6 per cent (6) in 2015, mainly as a result of increased production volumes. New targets for energy consumption and transportation for 2016

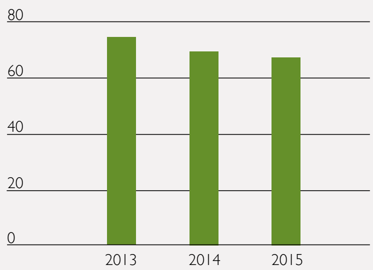
**Greenhouse gas emissions, heating and manufacturing, thousands of tonnes $CO_2$**




**Greenhouse gas emissions, transportation, thousands of tonnes $CO_2$**




**Energy consumption, electricity, GWh**



were adopted to reduce costs and $CO_2$ emissions.

Nobia has been reporting to CDP since 2007 – an independent organisation promoting transparency in terms of companies' $CO_2$ emissions and climate strategies in order to convey this knowledge to investors. Each year, companies that take part are ranked in terms of reporting quality, thoroughness and activities implemented to counteract climate change. Nobia's reporting includes emissions from heating production facilities, electricity consumption, transportation of kitchen products to customers and, to some extent, employees' business trips. In 2015, Nobia's ranking improved to 89D up from 75D the previous year. The average for Nordic companies was 84C. Nobia's ranking shows that its emissions performance is somewhat below the average of participating Nordic companies, but that reporting and governance have improved.

**Energy consumption**
Energy consumption is another prioritised area in Nobia's environmental initiatives. Energy is mainly used to operate production equipment, ventilation, fans, lighting, and to heat and cool buildings. Costs for energy account for less than 1 per cent (1) of Nobia's total expenses. Efforts to reduce energy consumption include training and involving employees in conserving resources. Other measures include replacing old equipment with energy-efficient alternatives and equipping fans with frequency converters and heat recovery units.

**Materials**
Wood and wood products in the form of chipboard and MDF are main components in Nobia's products. During the year, the amount of wood, chipboard and MDF amounted to some 216 thousands of tonnes (184). Nobia endeavours to increase the proportion of wood materials certified by the Forest Stewardship Council (FSC), which amounted to 45 per cent (37) in 2015.

Nobia's suppliers of wood and wood products are mainly based in Europe, but also in Asia. All wood suppliers are informed about the Nobia's sustainable forest management policy and must sign a timber declaration containing requirements relating to. This declaration contains requirements relating to: compliance with forest legislation, known origin and details of source, and not illegally harvested timber, not wood from intact natural forests or high conservation value forest, not timber from protected areas or from plantations in tropical and sub-tropical regions and not wood from tropical trees except those certified by the Forest Stewardship Council (FSC).

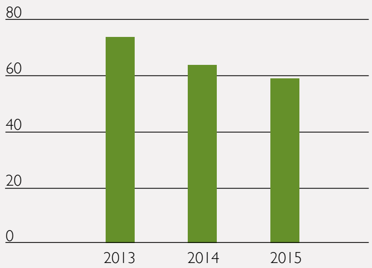
Nobia is a member of the Global Forest & Trade Network in the UK. GFTN is a part of the World Wide Fund for Nature, WWF, and a union of companies and organisations that have committed to pursue or support responsible forest management. GFTN works to coordinate national and regional initiatives in order to increase responsible forest management, and its members undertake to increase sourcing of wood and wood products from sustainable sources and to disassociate themselves from forest products that are illegal or originate from controversial sources.

**Emissions of solvents**
The reduction of solvents is a key issue in Nobia's environmental work. Solvents are mainly used in surface treatment and when cleaning painting facilities. Initiatives to reduce the use of solvents include replacing them with water-based and UV-tempered surface coatings and reducing the number of changeovers in production equipment, which reduces the amount of cleaning required and raises productivity. In 2014, the percentage of water-based and UV-tempered surface coatings totalled about 53 per cent (51).

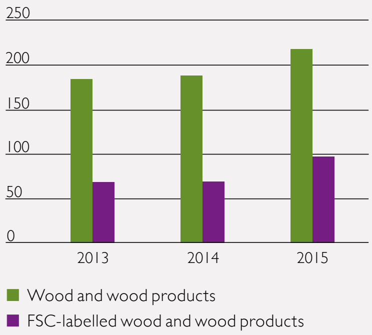
**Waste**
Timber pallets, corrugated board, shrink-wrap and plastic tape are the main components of the packaging materials used by Nobia. About 79 per cent (84) of this packaging materials is recyclable. A certain amount of waste is produced from the manufacture of products, primarily in the form of timber pallets, and plastic packaging and corrugated board from materials received. This waste is sent for recycling or incineration. Other types of waste include paint, oil and residue from cleaning, which are sorted for combustion or for landfill.

During the year, wood waste amounted to about 29 thousands of tonnes (21). The amount of waste excluding wood waste was about 8 thousands of tonnes (9), of which some 29 per cent (22) went to external recycling, about 63 per cent (71) to landfill or incineration and about 8 per cent (7) comprised hazardous waste.

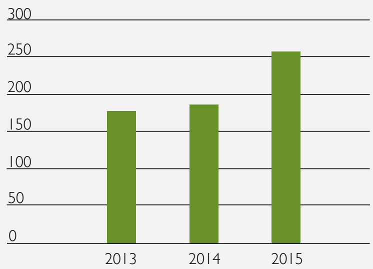
**Energy consumption, heating, GWh**




**Use of materials, wood and FSC-labelled wood, thousands of tonnes**




**Emissions of solvents, tonnes**



# Product responsibility and responsible sourcing

Nobia offers kitchens that satisfy both customers' needs and applicable safety and environmental aspects. Purchased materials and components are carefully specified and the suppliers are audited in terms of work environment, human rights and environmental issues.

**Safe and environmentally friendly products**
Nobia's products should be safe to use throughout their entire useful life. Kitchen products are generally classified as "home environment" during tests and when setting requirements. Before a new product enters the production phase, relevant tests are carried out both in-house and by accredited testing institutions in line with EU standards. Common tests include stress and durability tests to minimise the risk of accidents and guarantee a high level of safety and quality.

Sustainability aspects are becoming increasingly important for Nobia's customers. The construction of eco-friendly buildings has increased over the past few years, which has led to an increase in demand for eco-labelled kitchens and products that live up to eco-building standards. Today, Nobia has 18 Nordic Ecolabelled kitchen platforms in different colours that are sold by Marbodal, Norema and Sigdal, and the range includes products that live up to eco-building standards such as BREEAM (BRE Environmental Assessment Method) and Nordic Ecolabelled single-family houses, apartment blocks and preschool buildings. Nordic Ecolabelled products will also be introduced at HTH in 2016, and sustainability is a new focus area for central product development.

Nobia is represented in the technical committees of Trä and Möbelföretagen, TMF (a trade association for the Swedish wood processing and furniture industry). TMF is a member organisation of the Confederation of Swedish Enterprise, and the work of the technical committees includes participation in the development of standards governing product safety, resistance and environmental performance as well as participation in the EU's standardisation committees. Nobia's involvement in TMF is based on a desire to be at the forefront of product design and products that meet rigorous requirements in terms of safety, lifespan and low environmental impact.

**Supplier chain**
Nobia has around 820 suppliers, of which most are based in Europe and only around 5 per cent (5) are in Asia. The core components of the products, such as chipboard, MDF, paint, hinges, drawer units, edging and worktops, are supplied by European companies. Nobia has several suppliers of appliances depending on the customer segment and in line with the aim to always be in a position to supply products from the leading appliance companies. Product categories manufactured in Asia include screws, some interior fittings and LED lighting, and these products are purchased principally via European wholesalers based on detailed product specifications that include EU requirements and local regulations.

**Responsible sourcing**
Nobia's suppliers are inspected and assessed in accordance with the company's guidelines for the environment, work environment, and other social and ethical issues. All suppliers must comply with laws and requirements, the UN Declaration of Human Rights and Nobia's Code of Conduct.

The assessment process aims to develop Nobia's suppliers and answer questions about quality and environmental management systems, products, social and ethical issues, and health and safety conditions. An assessment template with an internal rating system is used. A low rating leads to corrective measures or not entering into a business relationship. The results of the audits are reviewed together with each supplier.

There is a quality control department responsible for supplier assessments within Nobia's central sourcing organisation. Audits of new suppliers and those considered high-risk are prioritised in this process.

Over the past three years, 148 suppliers in total have been assessed in terms of work environment, human rights and the environment. All new suppliers were audited in 2015. In total, 45 supplier audits (42) were carried out in different countries and across several product categories.

45

45 supplier audits were carried out during the year. New suppliers and those considered high-risk are prioritised in this process.


# NORDIC ECOLABELLED PRODUCTS

In 1996, Marbodal was the first kitchen company to begin offering Nordic Ecolabelled kitchens. This decision required changes in production and major investment in surface treatment machines as well as development resources. Today, several Nobia brands offer Nordic Ecolabelled kitchen series, and demand for eco labelled kitchens is increasing.

The government-owned company Miljömärkning Sverige is responsible for the Nordic Ecolabel, and it was the Nordic Council of Ministers that launched the Nordic Ecolabel in 1989 to help consumers make good product choices while also reducing their environmental impact. The Nordic Ecolabel is the Nordic region's best known ecolabel and can be found on over 10,000 products and services today.

The Nordic Ecolabel is an integrated part of Nobia's product development, with decisions on eco labelling taken at an early stage. Materials for products destined for eco labelling are selected carefully based on an analysis of their environmental impact. Documentation, certification and tests are sent to Miljömärkning Sverige for auditing and approval. Depending on the materials the product is made of, the components are audited against established requirements.

- Chemicals added should contain minimal dangerous substances.
- Wood products should have a traceable origin and contain wood from certified forest management.
- Wood products should have low emissions of hazardous substances.
- Surface treatment should be carried out in controlled systems using water-based paints and UV-cured paint.

The risk of health problems when using the products as well as damaging environmental effects are both reduced due to the minimal dangerous substances in and low emissions of Nordic Ecolabelled products. Products with traceable origins and wood content from certified forest management reduce the risk of deforestation and illegal logging.

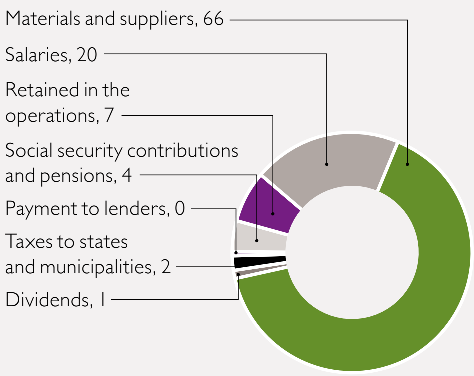
Water-based and UV-cured paints reduce emissions of solvents and improve the work environment.

A lifecycle analysis is also included in the audit, with requirements being placed on how the products are handled once they have been used, entailing accompanying source sorting instructions for waste management and environmentally friendly packaging materials for collection and recycling.

Leif Lång, Furniture Product Manager for Miljömärking Sverige:

> It will be even more important for the consumers of tomorrow to take responsibility for their purchases, and choosing the best products from an environmental perspective is made easy with the help of Nordic Ecolabel. Companies who work strategically to reduce their environmental impact will be the winners of the future.

**Specification of the Group's costs as a percentage of net sales**




## Value generated

Nobia generates value for its stakeholders. Employees share this value through their salaries and other benefits, suppliers are paid for the purchases they make, customers receive high-quality kitchen products, countries and municipalities receive tax revenue, and shareholders receive dividends and returns on their shares. Some of the generated value remains within the company and is used for investment and the development of new products.

In 2015, Nobia's total value added, or net sales less costs for materials and services, amounted to SEK 4,601 million (3,963).

## SUMMARY - SUSTAINABILITY INDICATORS

| GRI indicators | **Economic Performance Indicators, SEK m[1]** | 2013 | 2014 | 2015 |
|---|---|---|---|---|
| G4-EC1 | Net sales | 11,773 | 11,411 | 13,332 |
| G4-EC1 | Operating expenses | 8,060 | 7,448 | 8,731 |
| G4-EC1 | Payroll expenses | 2,240 | 2,385 | 2,653 |
| G4-EC1 | Social security contributions and pensions | 582 | 616 | 589 |
| G4-EC1 | States and municipal taxes | 159 | 194 | 216 |
| G4-EC1 | Payment to lenders | 53 | 37 | 15 |
| G4-EC1 | Dividends to shareholders | 84 | 167 | 194 |
| G4-EC1 | Retained in operations | 595 | 564 | 934 |
| | **Environmental Performance Indicators** | | | |
| G4-EN1 | Materials used: Wood, thousands of tonnes | 182 | 184 | 216 |
| G4-EN1 | Materials used: Packaging materials, kg/cabinet | 1.2 | 1.4 | 1.3 |
| G4-EN1 | Materials used: Recyclable packaging materials, % | 82 | 84 | 79 |
| G4-EN5 | Energy intensity: Electricity consumption, kWh/cabinet | 10.7 | 9.9 | 8.6 |
| G4-EN5 | Energy intensity: Heating, kWh/cabinet | 10.6 | 9.1 | 7.5 |
| G4-EN18[2] | Greenhouse gas emissions: Transportation, kg/cabinet | 3.2 | 3.1 | 3.0 |
| G4-EN18[2] | Greenhouse gas emissions: Heating and manufacturing, kg/cabinet | 5.0 | 4.6 | 4.3 |
| G4-EN21[3] | Air emissions: Volatile organic compounds, kg VOC/100 laquered details | 3.8 | 3.6 | 4.4 |
| G4-EN23 | Waste (excluding wood waste), kg/cabinet | 1.2 | 1.3 | 1.0 |
| G4-EN23 | Wood waste, thousands of tonnes | 20 | 21 | 29 |
| | **Social Performance Indicators including Society indicators** | | | |
| G4-LA6[4] | Work-related accidents in production facilities, number | 82 | 98 | 101 |
| G4-EN32, LA14, HR10 | Audited suppliers and subcontractors, number | 61 | 42 | 45 |

1) Economic performance indicators for 2014 have been re-measured as a result of the reclassification of Hygena as discontinued operations.
2) Includes Scope 1, 2 and 3 emissions.
3) Only VOC is reported.
4) Only accident intensity is reported.

# GRI INDEX

## STANDARD DISCLOSURES

| | Description | Reference |
|---|---|---|
| G4-1 | CEO's comments | pp. 4-5 |
| G4-3 | The name of the organisation | Front inside cover |
| G4-4 | The primary brands, products and services | pp. 1, 3, 15, 17, 19, 21 |
| G4-5 | The location of the organisation's headquarters | Back inside cover |
| G4-6 | Number of countries where the organisation operates | pp. 24, 61, 64 |
| G4-7 | Nature of ownership and legal form | pp. 34, 90 |
| G4-8 | Markets served | pp. 12-21 |
| G4-9 | Scale of the organization | pp. 3, 14-15 |
| G4-10 | Number of employees | pp. 24, 64 |
| G4-11 | Percentage of employees covered by collective bargaining agreements | pp. 24 |
| G4-12 | The organisation's supply chain | pp. 23, 28 |
| G4-13 | Significant changes during the reporting period | pp. 32-33 |
| G4-14 | The precautionary approach | pp. 22 |
| G4-15 | Externally developed initiatives subscribed to by the organisation | pp. 22, 27-28 |
| G4-16 | Memberships of associations held by the organisation | pp. 27-28 |
| G4-17 | Entities included in the report | pp. 22, 24 |
| G4-18 | Process for defining the report's content | pp. 22-23 |
| G4-19 | Material aspects | pp. 23 |
| G4-20 | Aspect boundaries for each material aspect within the organisation | pp. 23 |
| G4-21 | Aspect boundaries for each material aspect outside the organisation | pp. 23 |
| G4-22 | Effects of any restatements of information in previous reports | pp. 22 |
| G4-23 | Significant changes from previous reporting periods | pp. 22 |
| G4-24 | Stakeholder groups engaged by the organisation | pp. 23 |
| G4-25 | Identification and selection of stakeholders | pp. 23 |
| G4-26 | The organisation's approach to stakeholder engagement | pp. 23 |
| G4-27 | Key topics raised through stakeholder engagement and how the organisation has responded to these topics | pp. 23 |
| G4-28 | Reporting period | Fiscal year 2015 |
| G4-29 | Date of most recent previous report | 24 March 2015 |
| G4-30 | Reporting cycle | Annually |
| G4-31 | Contact point for questions regarding the report | pp. 91 |
| G4-32 | The "in accordance" option and GRI index | pp. 22, 31 |
| G4-33 | External assurance | pp. 22 |
| G4-34 | Report of the governance structure of the organisation | pp. 82-85 |
| G4-56 | The organisation's values, principles, standards and norms of behaviour | pp. 22, 24<br>Code of Conduct on Nobia's website |

## SPECIFIC STANDARD DISCLOSURES

| | Description | Reference |
|---|---|---|
| G4-DMA | Economic performance | pp. 6-9 |
| G4-EC1 | Value generated and distributed | pp. 30 |
| G4-DMA | Materials | pp. 26-27 |
| G4-EN1 | Materials used | pp. 26-27 |
| G4-DMA | Energy | pp. 26-27 |
| G4-EN3 | Energy consumption | pp. 26-27 |
| G4-EN5 | Energy intensity | pp. 30 |
| G4-DMA | Emissions | pp. 26-27 |
| G4-EN15 | Direct greenhouse gas emissions (Scope 1) | Nobia's website |
| G4-EN16 | Indirect greenhouse gas emissions (Scope 2) | Nobia's website |
| G4-EN18 | Greenhouse-gas emissions intensity | pp. 30 |
| G4-EN21 | Significant air emissions | pp. 27, 30 |
| G4-EN23 | Waste | pp. 27, 30 |
| G4-DMA | Supplier environmental assessment | pp. 28, 30 |
| G4-EN32 | Percentage of new suppliers screened using environmental criteria | pp. 28 |
| G4-DMA | Health and safety | pp. 24-25, 30 |
| G4-LA6 | Type of injury and rates of injury | pp. 24-25, 30 |
| G4-DMA | Supplier environmental assessment | pp. 28, 30 |
| G4-LA14 | Percentage of new suppliers screened using labour practices criteria | pp. 28 |
| G4-DMA | Supplier human rights assessment | pp. 28, 30 |
| G4-HR10 | Percentage of new suppliers screened using human rights criteria | pp. 28 |
| G4-DMA | Anti-corruption | pp. 24 |
| G4-SO5 | Total number of confirmed incidents of corruption and actions taken | pp. 24 |

# Financial overview

## The operation
Nobia AB (Corporate Registration Number 556528-2752) is the leading kitchen specialist in Europe. Nobia sells kitchens under some twenty strong brands, and as a contract manufacturer. The operation covers the entire value chain, from development, manufacturing and installation to sales and distribution, as well as associated service. A kitchen focus makes it possible to leverage the joint know-how of the business units throughout the entire value chain.

Sales to consumers are conducted through own and franchise stores and through a network of retailers, including furniture stores, builders' merchants, DIY stores and independent kitchen specialists. The products are also sold to professional construction companies which, in turn, sell the kitchens to their end customers.

Nobia is organised in three geographic regions: the UK, Nordic and Central Europe regions.

## 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;*** The Nobia Group's operating margin (EBIT margin) is to amount to at least 10 per cent over a business cycle. Furthermore, Nobia aims at organic growth that is 2–3 per cent higher than market growth and also growth through acquisitions.

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

***Dividends;*** Dividends are, on average, to be within the interval of 40–60 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.

## Strategy
Nobia endeavours to create profitable growth by capitalising on economies of scale and synergy effects, and developing the company's customer offering and sales channels. The strategy is based on the Efficiency and Growth platform, which includes efficiency-enhancing measures and activities to drive increased sales.

## 2015
Nobia was further consolidated and profitability improved. Organic sales growth amounted to 6 per cent (2) and the operating margin continued to strengthen. Operating profit for the year improved primarily as a result of increased sales volumes and favourable exchange-rate fluctuations.

## Significant events
On 23 February, Nobia announced that the French competition authority had approved the divestment of French kitchen chain Hygena and that the transaction was to take place on 2 March 2015. At the same time, it was announced that the Continental Europe region was to be renamed the Central Europe region after the divestment of Hygena.

Tomas Billing was elected Chairman of the Board at the Annual General Meeting on 14 April. Former Chairman Johan Molin had declined re-election. Christina Ståhl was elected a new member of the Nobia Board at the same Meeting. KPMG AB, with George Pettersson as Auditor-in-Charge, was re-elected as the company's auditors for the period until the conclusion of the following Annual General Meeting. The Annual General Meeting appointed a Nomination Committee comprising Viveca Ax:son Johnson (Chairman) representing Nordstjernan, Fredrik Palmstierna representing Latour, Torbjörn Magnusson representing If Skadeförsäkring, Evert Carlsson representing Swedbank Robur funds and Lars Bergqvist representing Lannebo funds, and adopted the instruction for the Nomination Committee.

At the end of April, the Board of Nobia decided to transfer bought-back shares under the employee share option scheme resolved at the 2011 Annual General Meeting, based on the authorisation granted by the 2015 Annual General Meeting, and the Performance Share Plan 2012 adopted at the 2012 Annual General Meeting.

## NOBIA GROUP SUMMARY

| | 2014[1] | 2015 | Change, % |
|---|---|---|---|
| Net sales, SEK m | 11,411 | 13,336 | 17 |
| Gross margin, % | 41.0 | 40.5 | – |
| Operating margin before depreciation/amortisation and impairment (EBITDA), % | 11.3 | 11.8 | – |
| Operating profit, SEK m (EBIT) | 975 | 1,241 | 27 |
| Operating margin, % (EBIT margin) | 8.5 | 9.3 | – |
| Profit after financial items, SEK m | 899 | 1,183 | 32 |
| Profit/loss after tax, incl. items affecting comparability, SEK m | -27 | 828 | – |
| Earnings per share after dilution, excl. items affecting comparability, SEK | 3.20 | 5.36 | 68 |
| Earnings/loss per share after dilution, incl. items affecting comparability, SEK | -0.17 | 4.92 | – |
| Operating cash flow, SEK m | 779 | 770 | -1 |
| Return on operating capital, % | 23.2 | 26.9 | – |
| Return on shareholders' equity, % | -0.9 | 24.1 | – |
| Number of employees at year-end | 6,925 | 6,539 | -5 |

All of the figures except for profit/loss after tax, operating cash flow, return on operating capital and return on shareholders' equity have been adjusted for items affecting comparability.

[1] Hygena's operations are recognised from 2015 as discontinued operations in accordance with IFRS 5 and comparative figures for 2014 have been restated according to the same accounting policy.

On 1 October, Patrick Heinen was employed as Executive Vice President and Head of Poggenpohl.

In November, Nobia acquired Commodore and CIE Kitchens, two kitchen companies active in the private developer market in the UK.

Michael Larsen, Executive Vice President, Supply Chain Operations, left Nobia on 30 November.

### Consolidated net sales

Net sales including items affecting comparability amounted to SEK 13,332 million (11,411) and were distributed as follows: UK region, SEK 6,099 million (4,707); Nordic region, SEK 5,652 million (5,215) and Central Europe region, SEK 1,584 million (1,493). Sales to other regions are also included in net sales for the region.

The Group's organic growth, meaning the change in net sales for comparable units and adjusted for currency effects, totalled 6 per cent (2). Organic growth in the Nordic region was 8 per cent (2), while organic growth was 6 per cent (1) in the UK region and negative 2 per cent (pos: 4) in the Central Europe region.

### The Group's earnings

The Group's operating profit including items affecting comparability amounted to SEK 1,145 million (878). Items affecting comparability that impacted operating profit amounted to an expense of SEK 96 million (expense: 97). The operating margin was 8.6 per cent (7.7). Operating profit excluding items affecting comparability amounted to SEK 1,241 million (975) and the corresponding operating margin was 9.3 per cent (8.5).

In the UK region, operating profit increased to SEK 567 million (270). The earnings improvement was primarily a result of higher sales volumes and positive currency effects. No items affecting comparability impacted operating profit for the year (expense: 83). Currency effects had a positive impact of SEK 120 million (60) on operating profit excluding items affecting comparability.

In the Nordic region, operating profit rose to SEK 749 million (660). The improvement was mainly due to higher sales. No items affecting comparability were charged to operating profit for the year (expense: 6). Currency effects had a negative impact of SEK 25 million (neg: 60) on operating profit excluding items affecting comparability.

In the Central Europe region, the operating result weakened to a loss of SEK 15 million (profit: 117). The decline in earnings was mainly due to lower sales volumes, increased costs and items affecting comparability. Items affecting comparability amounting to an expense of SEK 96 million were charged to operating profit for the year (–). Currency effects had a positive impact of SEK 15 million (10) on operating profit excluding items affecting comparability.

Group-wide items and eliminations amounted to an operating loss of SEK 156 million (loss: 169). Financial items amounted to an expense of SEK 58 million (expense: 78). Net financial items included the net of return on pension assets and interest expense for pension liabilities corresponding to an expense of SEK 43 million (expense: 41). Net interest expense totalled SEK 15 million (expense: 37). Profit after financial items improved to SEK 1,087 million (800).

Tax expense amounted to SEK 262 million (205). Profit from discontinued operations, net after tax, amounted to SEK 3 million (loss: 622), of which a gain of SEK 58 million pertained to the divestment of Hygena, a loss of SEK 51 million to Hygena's current earnings and a loss of SEK 4 million (loss: 17) referred to the stores that Nobia acquired from franchisees with the intention of subsequently selling on. Profit after tax increased to SEK 828 million (loss: 27).

Earnings per share for the year after dilution amounted to SEK 4.92 (loss: 0.17). Earnings per share for the year after dilution and excluding items affecting comparability amounted to SEK 5.36 (3.20).

### Items affecting comparability

Items affecting comparability refer to certain nonrecurring costs that were referred to as restructuring costs in previous annual reports.

Items affecting comparability of a loss of SEK 96 million were charged to operating profit for 2015. These items were attributable to impairment losses in Poggenpohl due to incorrect accounting in Poggenpohl USA for a number of years. The cost items do not impact cash flow.

Approved and implemented restructuring measures of SEK 23 million (76) from previous years were charged to cash flow in 2015.

Items affecting comparability in 2014 amounted to a net expense of SEK 564 million, and were charged to profit after tax. These items primarily pertained to impairment of goodwill and expenses related to the divestment of Hygena, but also the transition to the Group's common standard dimension in Magnet in the UK and in Finland as well as costs related to the divestment of Rixonway Kitchens.

### Investments, cash flow and financial position

Investments in fixed assets amounted to SEK 410 million (316), of which SEK 93 million (135) pertained to investments in the store network.

Operating cash flow amounted to SEK 770 million (779), adversely affected by a negative change in working capital and higher investments, and positively impacted by improved earnings generation.

The Group's capital employed amounted to SEK 5,369 million (4,880) at the end of the period. At year-end, net debt totalled SEK 774 million (1,206). Provisions for pensions, which are included in net debt, amounted to SEK 732 million (869) at the end of the period, while net borrowing amounted to SEK 42 million (337). At year-end, the debt/equity ratio was 20 per cent (38). Shareholders' equity at year-end amounted to SEK 3,822 million (3,196). The equity/assets ratio at year-end was 47 per cent (41).

Nobia's credit frameworks, which are valid until 2019 and 2017, respectively, amounted to SEK 1.8 billion, excluding overdraft facilities, at year-end. The Swedish Export Credit Corporation granted a loan of SEK 800 million in 2010 and it expires in 2017. In 2014, Nobia agreed on a new syndicated loan of SEK 1 billion, valid until 2019, with a small group of banks. At the end of December 2015, the entire credit frameworks had been unutilised.

### Earnings from discontinued operations

Hygena's operations are recognised as discontinued operations from 1 January 2015 in accordance with IFRS 5, and the income statement, organic growth, specification of items affecting comparability, cash-flow statement and comparative data per region for 2014 have been restated in this Annual Report. Restatements are presented in the appendix available from Nobia's website under Investor Relations/Reports and presentations.

Profit after tax from discontinued operations in 2015 amounted to SEK 3 million (loss: 622), of which a gain of SEK 58 million pertained to the divestment of Hygena, a loss of SEK 51 million to Hygena's current earnings and a loss of SEK 4 million (loss: 17) referred to the stores that Nobia acquired from franchisees with the intention of subsequently selling on.

### Acquisition of Commodore and CIE Kitchens

In November, Nobia acquired Commodore and CIE Kitchens, two kitchen companies that primarily target private developers in London and South East England. Commodore designs, manufacturers and installs mid range kitchens and has a production facility in Grays, around 30 km east of London. CIE is a niche kitchen reseller that designs and installs high-end kitchens in London and has offices in London and in Kent. This acquisition strengthens Nobia's position in the UK project market and creates additional synergy effects.

The purchase consideration consisted of an up-front payment of GBP 28 million, on a cash and debt-free basis, and a variable cash consideration of a maximum of GBP 4 million, conditional upon the business performance and that key management remain with the operation for at least the next two years. Commodore and CIE Kitchens have joint annual net sales of approximately GBP 40 million and an operating margin of about 10 per cent and were consolidated into Nobia's financial statements on 1 November 2015.

### Significant events after the end of the year

Lars Bay-Smidt, Executive Vice President, EVP Nordic Region and Head of Commercial Denmark, left Nobia on 18 January 2016.

Rune Stephansen took office as Executive Vice President and Head of Commercial Denmark on 1 February 2016. Rune Stephansen previously served as Executive Vice President, Head of Commercial Sweden. Annica Hagen took office as Executive Vice President and Head of Commercial Sweden on 1 March 2016. Annica Hagen was previously Executive Vice President, Brand Portfolio and Innovation. Kim Lindqvist took office as Executive Vice President, Chief Marketing Officer on 1 March 2016. Kim Lindqvist previously served as Executive Vice President, Digital and Media Strategy.

### Future outlook

Demand for kitchens normally follows the same business cycle as other consumer discretionary products. Given the prevailing economic climate, market conditions and demand trends for 2016 are deemed to remain challenging. Nobia will continue to focus on increasing efficiency over time, and taking greater advantage of the Group's size, while also making significant investments in order to generate profitable growth.

### Personnel

In 2015, the average number of employees was 6,473 (6,636). The number of employees at year-end was 6,539 (6,925). The decrease in the number of employees was mainly due to the divestment of Hygena. The acquisition of Commodore and CIE Kitchens increased the number of employees by 144.

### Environment and sustainability

Nobia conducts activities that require a permit under the Swedish Environmental Code through Nobia Production Sweden AB, which includes Nobia's Swedish operations in production, logistics and sourcing. In 2015, the production facility in Tidaholm affected the external environment through mainly noise and emissions to air in conjunction with the surface treatment of wooden items. The County Administrative Board of Västra Götaland is the regulatory authority and decision-making body regarding permit applications. Nobia Production Sweden AB is certified to the ISO 14001 environmental management standard.

All of Nobia's 14 production units, located in seven European countries, satisfy the environmental requirements determined by each country and 12 of these have been awarded ISO 14001 certification.

Nobia works consistently to reduce the Group's $CO_2$ emissions. In 2015, the Group's $CO_2$ emissions per produced cabinet declined 6 per cent. The Group's $CO_2$ emissions increased a total of about 5 per cent due to a higher number of produced cabinets. Other key sustainability-related performance indicators for Nobia, such as the number of workplace-related accidents and number of supplier audits, are presented on pages 22-30.

### Product development

All product development for the Group-wide range is managed centrally. Work on producing new products is focused on a number of areas that meet specific customer requirements. During the course of the process, prototypes are developed that are tested on consumers.

### Parent Company

The Parent Company Nobia AB's operations comprise Group-wide functions and the ownership of subsidiaries. The limited liability company is domiciled in Sweden and the head office is located in Stockholm.

The Parent Company's profit after net financial items amounted to SEK 305 million (153) and mainly consisted of Group contributions received and dividends from subsidiaries.

### The share and ownership structure

The Nobia share has been listed on the Nasdaq Stockholm since 2002. Nobia's share capital amounts to SEK 58,430,237, divided between 175,293,458 shares with a quotient value of SEK 0.33. Nobia has only one class of share. Each share, with the exception of bought-back treasury shares, entitles the holder to one vote, and carries the same entitlement to the company's capital and profits.

In 2007 and 2008, Nobia bought back 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 Meetings. The aim was to enable whole or partial acquisition financing through payment using treasury shares, but also to adjust the company's capital structure and thereby contribute to higher shareholder value.

The 2015 Annual General Meeting authorised the Board to make a decision regarding a buy-back of up to 10 per cent of the company's own shares. No shares were bought back during the year.

The 2015 Annual General Meeting also authorised the Board, for the period until the 2016 Annual General Meeting, to decide on the transfer of bought-back shares for the purpose of delivering shares under the employee share option scheme resolved at the 2011 Annual General Meeting and the Performance Share Plan resolved in 2012. In 2015, Nobia's Board decided to transfer 755,147 bought-back shares, comprising 0.43 per cent of the Parent Company' share capital, based on this authorisation. Nobia received SEK 33,542,000 for these shares. At the end of 2015, the number of treasury shares after sales amounted to 7,012,153, corresponding to 4.0 per cent of the total number of shares. These shares were acquired in 2007 and 2008 for a total amount of SEK 402,045,159.

At the beginning of 2015, the ten largest owners held about 60 per cent of the shares. The single largest shareholder, Nordstjernan, represented 20.0 per cent of the shares. If Skadeförsäkring held 10.1 per cent of the shares, Lannebo funds 8.3 per cent and the Fourth Swedish National Pension Fund 5.2 per cent.

Nobia's lenders have the option of terminating 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 2015**

The guidelines for 2015 essentially correspond with the proposed guidelines for 2016, except for the changed structure, in certain respects, of the Performance Share Plan 2016 long-term remuneration scheme.

**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 resolved by the Annual General Meeting 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 2015 conformed to the remuneration guidelines resolved at the 2015 Annual General Meeting. In the opinion of the Remuneration Committee, the guidelines were appropriate and the application of them was correct.

To strengthen senior executives' 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 were based on employee share options. The employee share option scheme resolved on in 2011 expired in 2015.

A resolution was made at the 2012, 2013, 2014 and 2015 Annual General Meetings to establish a long-term, share-based remuneration scheme based on matching and performance shares (Performance Share Plans 2012–2015) rather than employee share options. The Remuneration Committee's evaluation shows that the conditions established for the Performance Share Plans are deemed appropriate and relevant and, in the Remuneration Committee's opinion, there is reason to continue with a long-term share-based remuneration scheme. The Remuneration Committee believes that the structure of the Performance Share Plan can be changed in certain respects, for example, for the purpose of further strengthening the performance requirement from participants for entitlement to share allotment.

**Proposal on remuneration guidelines and other employment conditions for Group management 2016**

The Board of Directors of Nobia AB proposes that the 2016 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, including the President, currently comprises 12 persons.

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 2015 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 salary policy stipulates that total remuneration is to correspond to market levels. A continuous position evaluation is carried out to ensure 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 55 per cent of fixed annual salary. Exceptions may also be made for other senior executives following a resolution by the Board. As stated in the separate proposal for resolution to the Annual General Meeting regarding a long-term performance share plan, participation in the plan entails that the maximum variable salary portion is adjusted downwards for this specific plan participant. The fixed salary portion for the President for 2016 will remain unchanged as compared with the preceding year. 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 the other senior executives are established by the President following recommendations by 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 11,700,000 (excluding social security contributions). The calculation is based on the current composition of Group management and does not take into account any decreases in the maximum variable salary portion associated with participation in the long-term performance share plan.

Members of Group management employed in Sweden are entitled to a pension under the ITP system or equivalent. The age of retirement is 65. In addition to the ITP plan, following a resolution by the Board, 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. According to these contracts, employment may ordinarily be terminated upon the employee's request with a six-month period of notice and at the company's request, with a 12-month period of notice.

A resolution was made at the 2012, 2013, 2014 and 2015 Annual General Meetings to establish a long-term, share-based remuneration schemes based on matching and performance shares. The schemes, which encompass some 100 individuals comprising senior executives and managers appointed by senior management, are 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, and to fulfilment of a financial performance target. The maximum level adopted by the Board for allotment of performance share rights under the Performance Share Plan 2014 was accumulated earnings per share excluding items affecting comparability of SEK 7.00. Since the accumulated earnings per share excluding items affecting comparability for the 2014 fiscal year and including items affecting comparability for the 2015 fiscal year amounted to SEK 8.13, 100 per cent of the Board's target figure was achieved and thus performance share rights under the Performance Share Plan 2014 will be allotted after the interim report for the first quarter of 2017. The costs for the scheme are reported prior to each Annual General Meeting and in Nobia's Annual Reports. The Board is entitled to deviate from the guidelines described above if the Board finds that particular reasons warrant this in a specific case.

According to calculations, Nobia will have an obligation to deliver matching shares to participants of the Performance Share Plan 2013 after the interim report for the first quarter of 2016.

The Board has proposed that the 2016 Annual General Meeting resolve on a new share-based, long-term remuneration scheme ("Performance Share Plan 2016"). Performance Share Plan 2016 comprises approximately 100 employees consisting of senior executives and managers within the Nobia Group. Participants will be awarded performance-based share rights that carry entitlement to allotment of 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. Entitlement to allotment of shares requires that the participant remain an employee of the Nobia Group during the vesting period. Allotment of shares also requires that a financial performance target linked to accumulated earnings per share for Nobia during the 2016–2017 fiscal years is achieved.

Unlike previous years, no matching share rights will be allotted to participants. Participants of the Performance Share Plan 2016 are not required to acquire shares in Nobia. Participation in the Performance Share Plan 2016 entails that the maximum variable remuneration for participants in 2016 is adjusted downwards by ten percentage points (for the President), five percentage points (Group management) and three percentage points (other senior executives and managers). The number of share rights that a participant can be allocated depends on the participant's annual salary (based on the participant's monthly salary in March 2016) and the category to which the participant belongs. The Board determines an allocation value for each participant relative to the participant's annual salary. The allocation value for the President amounts to 50 per cent of annual salary and for the other members of Group management the allocation value is 30 per cent of annual salary. The allocation value for other managers in senior positions amounts to 20 per cent of annual salary. The share price forming the basis of the calculation of the number of share rights is to correspond to an average volume-weighted price paid during a specific time period. This time period is the first ten trading days after the day of publication of Nobia's interim report for the first quarter of 2016. The individual allocation value is subsequently divided by the share price to obtain the total number of share rights per participant. Allocation of Nobia shares shall normally take place within two weeks after announcement of Nobia's interim report for the first quarter of 2019, which begins when the participant signs an agreement on participant in the plan.

The following conditions apply to share rights: The share rights are allocated free of charge and to be entitled to receive shares under the share rights, it is required, with certain exemptions, that the participant remains employed within the Nobia Group. In addition, allotment of shares requires that Nobia has fulfilled a financial performance target condition. The participants are not entitled to transfer, pledge or dispose of the share rights or exercise any shareholders' rights regarding the share rights during the Vesting Period. Nobia will not compensate the participants in the plan for standard dividends made in respect of the shares that the respective share right qualifies for.

The number of Nobia shares that will be awarded on the basis of the share rights depends on the degree of fulfilment of a range established by the Board of Directors in relation to Nobia's cumulative earnings per share in the 2016 and 2017 fiscal years. The level of fulfilment will be measured linearly, whereby 25 per cent of the share rights will entitle allocation of shares if the established minimum level is achieved. If the minimum level in the range is not achieved, the share rights will not give entitlement to any shares and if the maximum level in the range is achieved, each share right gives entitlement to one Nobia share.

The share rights cannot be pledged or transferred to other parties. However, an estimated value for each right can be calculated. The Board has estimated the average value for each share right to be SEK 66.60. The estimate is based on generally accepted valuation models by applying the closing price of the Nobia share on 26 February 2016, with deductions for the present value of the estimated dividend for the 2016-2018 fiscal years. On the assumption that all individuals who were offered participation in the Plan actually participate, 100 per cent fulfilment of the financial performance target and estimates regarding personnel turnover, the total estimated value of the share rights is approximately SEK 20.6 million. This value corresponds to approximately 0.1 per cent of Nobia's market capitalisation as per 26 February 2016.

Costs are recognised as employee benefits in profit or loss over the vesting period in accordance with IFRS 2 Share-based Payment. Social security contributions will be expensed in profit or loss in accordance with UFR 7 over the vesting period. The amount of these costs will be calculated based on Nobia's share-price trend over the vesting period and allotment of share rights. Given the aforementioned assumptions, and based on a constant share price during the plan, and a Vesting Period of approximately three years, the cost of Performance Share Plan 2016 including social security contributions is estimated to amount to approximately SEK 26.8 million which, on an annual basis, is approximately 0.3 per cent of Nobia's total costs for employee benefits during the 2015 fiscal year. The plan has no limitation on maximum profits per share right for the participants and therefore no maximum social security costs can be calculated.

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 | 1,669,208,944 |
| Net profit for the year | 305,043,487 |
| **Total SEK** | **2,026,477,917** |

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

| | |
|---|---|
| Dividend of SEK 2.50 per share to be paid to shareholders | 420,703,262 |
| To be carried forward | 1,605,774,655 |
| **Total SEK** | **2,026,477,917** |

The Board proposes a dividend of SEK 2.50 per share (1.75) for the 2015 fiscal year. The record date to be entitled to receive dividend is proposed as Wednesday, 13 April 2016. If the Annual General Meeting resolves in accordance with the proposal, the dividend is expected to be paid on Monday, 18 April 2016.

# Risks and risk management

Nobia is exposed to both commercial and financial risks. Commercial risks can be divided into strategic, business development-related, operating, sustainability-related and political and legal risks. Financial risks are attributable to currencies, interest rates, liquidity, borrowing and 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 materials 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 84.

## Business-development risks

Risks associated with business development, such as acquisitions and major structural changes, are managed by the Group's M&A department and central programme office 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. In Austria and Finland, for example, competition increased and the weak economic trend in 2015 had a negative impact on demand.

Demand for Nobia's products is influenced by trends in the housing market, whereby prices, the number of transactions and access to financing are key factors. Four-fifths of the European kitchen market is estimated to comprise purchases for renovation, and one-fifth for 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 providing added value to customers in the form of complete solutions with accessories and installation.

In 2015, overall demand in the Nordic countries showed an improvement, while demand in the UK increased. Demand in Central Europe remained weak during the year. The company's cyclical nature does not deviate from that of other companies in the industry. Nobia has a structured and proactive method for following demand fluctuations. Robust measures and cost-saving programmes for adjusting capacity have proven that Nobia can adjust its cost level when demand for the Group's products declines. In 2015, Nobia increased the number of kitchens sold and continued to increase its prices where possible, which had a positive impact on net sales and profitability compared with 2014.

*Customers*
Kitchens to end-customers are sold through 297 own stores and a network of franchise stores, as well as DIY stores, furniture chains and other retailers. Conducting sales through own and franchise stores is a deliberate strategy to achieve greater influence over the kitchen offering to end-customers, which contributes to better co-ordination of the Group's supply chain. Own stores allow the concepts to be profiled with higher added value. A 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 conducted directly with 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*
Nobia's cost structure in 2015 comprised about 60 per cent 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 main markets, except that the UK region has a slightly higher percentage of fixed costs due to its extensive store networks.

Nobia's proprietary manufacturing mainly comprises the production and installation of cabinets and doors, together with purchased components.

In 2015, Nobia purchased materials and components valued at about SEK 5.6 billion, of which some 20 per cent pertained to raw materials (such as chipboard and packaging materials), about 55 per cent to components (such as handles, worktops and hinges) and about 25 per cent to 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 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 and components fell slightly in 2015 with markedly lower prices for steel and packaging materials. Compared with 2014, the cost of chipboard was about 1 per cent lower in both the Nordic and the UK regions, while it was 0.5 per cent higher in the Central Europe region. Market prices of chipboard are expected to increase due to such reasons as higher demand from the housing construction industry and weak competition among suppliers. The group's sourcing and production functions are continuously evaluated to reduce 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.

*Strategy and restructuring*
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 2015, the Group's brand portfolio, innovation, product-range development, production and sourcing continued to be co-ordinated. In 2015, Nobia in Denmark launched a drawing design tool and e-commerce service that allows customers to draw and purchase their kitchen online. An e-commerce service was launched in Sweden at the start of 2016. The strategic direction is described in more detail on pages 8–9. 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.

*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.

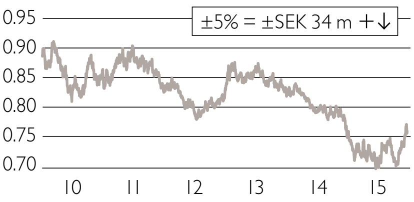
**Sustainability-related challenges and opportunities**
Nobia's products are encompassed by international and local regulations regarding environmental impact and other effects arising in the production and transportation of kitchens, for example, the release of exhaust fumes and emissions, noise, waste 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. For further information, see the sustainability section on pages 22–31.

**Political and legal risks**
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 renovation or changes to the taxation of residential properties may influence demand. Tax deductions on labour for home renovations, for example, have had a positive effect on demand in several Nordic countries.

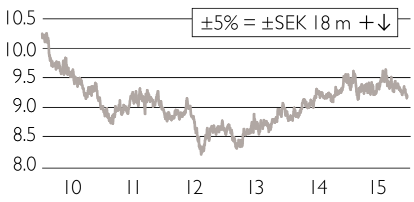
**Financial risks**
In addition to strategic and operating risks, Nobia is exposed to various financial risks. These are mainly attributable to currencies, interest rates, liquidity, borrowing and credit granting, financial instruments and pensions. All of these risks are managed in accordance with the finance policy, which has been adopted by the Board.

**Currency exposure**
Nobia's manufacturing and sales presence in several countries balances currency effects to a certain extent. Transaction flows have the greatest impact on currency – when sourcing and/or production is conducted in one currency, and sales are conducted in another. The Group uses currency derivatives to hedge a portion of the currency exposure that arises. Currency hedging means that the impact of currency movements occurring today will be delayed to some extent. Nobia is also affected by translation differences when consolidated sales and operating income are translated into SEK.

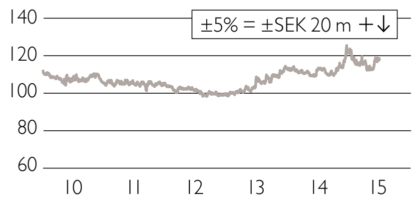
**EUR/GBP**



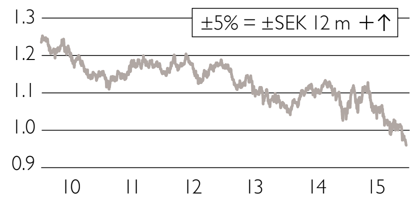

**EUR/SEK**




**NOK/DKK**




**NOK/SEK**




## Sensitivity analysis – transaction effects of currencies

The diagrams shows the major currency pairs and the trend since 2010. The impact of a weak EUR and DKK, and a strong NOK and GBP, on Nobia's earnings is generally favourable.

A significant portion of the UK operation's components are purchased in EUR, while finished products are subsequently sold in GBP. For a transition period, one of the UK operation's production facilities is delivering to French kitchen company Fournier Group, which acquired Hygena from Nobia. Sales are conducted in EUR, which partly offsets the Group's exposure to EUR. The net effect of this currency pair means that a weak EUR against the GBP is positive for the Group.

A proportion of the Swedish operation's costs for material purchases are conducted in EUR. A strong SEK against the EUR is therefore positive for the Group. A significant portion of the Swedish production of components and finished products is sold in Norway. A weak SEK against the NOK is therefore positive for the Group.

The Danish unit conducts a significant portion of its sales in Norway, but also in Sweden. A weak DKK against the NOK and the SEK is therefore positive for the Group.

For a more detailed description and a sensitivity analysis, refer to Note 2 Financial risks on page 58.

## 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 a risk for changes in value in the balance sheet.

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

*Impairment testing of goodwill*

Nobia's balance sheet includes acquisition goodwill totalling SEK 2,551 million (2,278). The value of this asset item is tested annually and more often if there is any indication of impairment requirement. In 2015, goodwill did not indicate any impairment requirement. For a more detailed description, refer to Note 1 Significant accounting policies on pages 52–58 and Note 14 Intangible assets on page 66.

*Calculation of pension liabilities*

Nobia's balance sheet includes pension liabilities of SEK 732 million (869) that pertain to defined-benefit pension plans in the UK, Germany and Sweden. All pension plans are calculated every year by actuaries in accordance with IAS 19.

For a more detailed description, refer to Note 1 Significant accounting policies on pages 52–58 and Note 25 Provisions for pensions on page 72.

*Deferred tax assets*

The Group's loss carryforwards for which deferred tax assets were recognised in the amount of SEK 74 million (94). The value of this asset item is tested annually and more often if there is any indication of impairment requirement. 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 considerable cost savings that are expected to result in an improvement in earnings. However, 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. For more information about tax, refer to Note 26 Deferred tax on page 74 and Note 1 Significant accounting policies on pages 52–58.


ewe Vida

# FINANCIAL STATEMENTS
# THE GROUP AND PARENT COMPANY

# CONSOLIDATED INCOME STATEMENT

| SEK m | Note | 2014 | 2015 |
|---|---|---|---|
| Net sales | 3 | 11,411 | 13,332 |
| Cost of goods sold | 4, 7, 10, 11, 25 | -6,794 | -7,974 |
| **Gross profit** | | **4,617** | **5,358** |
| | | | |
| Selling expenses | 4, 7, 10, 11, 25 | -3,055 | -3,470 |
| Administrative expenses | 4, 6, 7, 10, 11, 25 | -688 | -767 |
| Other operating income | 8 | 51 | 86 |
| Other operating expenses | 9 | -47 | -62 |
| **Operating profit** | | **878** | **1,145** |
| | | | |
| Financial income | 12 | 12 | 34 |
| Financial expenses | 12 | -90 | -92 |
| **Profit after financial items** | | **800** | **1,087** |
| | | | |
| Tax on net profit for the year | 13, 26 | -205 | -262 |
| **Net profit for the year from continuing operations** | | **595** | **825** |
| | | | |
| Profit/loss from discontinued operations, net after tax | 32 | -622 | 3 |
| **Net profit/loss for the year** | | **-27** | **828** |
| | | | |
| **Net profit/loss for the year attributable to:** | | | |
| Parent Company shareholders | | -28 | 829 |
| Non-controlling interests | | 1 | -1 |
| **Net profit/loss for the year** | | **-27** | **828** |
| | | | |
| Earnings/loss per share before dilution, SEK[1] | 23 | -0.17 | 4.93 |
| Earnings/loss per share, after dilution, SEK[1] | 23 | -0.17 | 4.92 |
| Earnings per share from continuing operations, before dilution, SEK | 23 | 3.55 | 4.91 |
| Earnings per share from continuing operations, after dilution, SEK | 23 | 3.54 | 4.90 |
| Number of shares before dilution[2] | 23 | 167,526,158 | 168,281,305 |
| Average number of shares before dilution[2] | 23 | 167,334,491 | 168,059,727 |
| Number of shares after dilution[2] | 23 | 167,932,673 | 168,656,683 |
| Average number of shares after dilution[2] | 23 | 167,733,829 | 168,516,820 |

1) Earnings/loss per share attributable to Parent Company shareholders.
2) Shares outstanding, less bought-back shares.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| SEK m | Note | 2014 | 2015 |
|---|---|---|---|
| Net profit/loss for the year | | -27 | 828 |
| **Other comprehensive income** | | | |
| **Items that may be reclassified subsequently to profit or loss** | | | |
| Exchange-rate differences attributable to translation of foreign operations | 22 | 369 | -89 |
| Cash-flow hedges before tax | 22 | -5 | 4 |
| Tax attributable to hedging reserve for the period | 22 | 1 | -1 |
| | | **365** | **-86** |
| **Items that will not be reclassified to profit or loss** | | | |
| Remeasurements of defined-benefit pension plans | 25 | -202 | 170 |
| Tax attributable to remeasurements of defined-benefit pension plans | | 41 | -34 |
| | | **-161** | **136** |
| **Other comprehensive income for the year** | | **204** | **50** |
| **Total comprehensive income for the year** | | **177** | **878** |
| **Total comprehensive income for the year attributable to:** | | | |
| Parent Company shareholders | | 176 | 879 |
| Non-controlling interests | | 1 | -1 |
| **Total comprehensive income for the year** | | **177** | **878** |

# COMMENTS AND ANALYSIS OF INCOME STATEMENT

Net sales rose 17 per cent to SEK 13,332 million (11,411). For comparable units and adjusted for currency effects, the change in net sales was 6 per cent. The relationship is shown in the table below.

| | 2015 | | | | 2015 | |
|---|---|---|---|---|---|---|
| Analysis of net sales, % | I | II | III | IV | % | SEK m |
| 2014 | | | | | | 11,411 |
| Organic growth | 5 | 7 | 9 | 3 | 6 | 673 |
| – of which Nordic region[1] | 6 | 10 | 12 | 5 | 8 | 421 |
| – of which UK region[1] | 8 | 8 | 5 | 3 | 6 | 283 |
| – of which Central Europe region[1] | -9 | -6 | 9 | -4 | -2 | -31 |
| Currency effect | 11 | 8 | 7 | 3 | 7 | 813 |
| Sale to Hygena | 0 | 0 | 0 | 0 | 0 | -16 |
| Acquired operations | 5 | 3 | 4 | 3 | 4 | 451 |
| **2015** | **21** | **19** | **19** | **10** | **17** | **13,332** |

1) Organic growth for each organisational region.

**Net sales and profit by region**

| | Nordic region | | Region UK | | Central Europe region | | Group-wide and eliminations | | Group | |
|---|---|---|---|---|---|---|---|---|---|---|
| SEK m | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 |
| Net sales from external customers | 5,213 | 5,651 | 4,707 | 6,099 | 1,491 | 1,586 | – | – | 11,411 | 13,336 |
| Net sales from other regions | 2 | 1 | – | – | 2 | 2 | -4 | -3 | – | – |
| **Total net sales** | **5,215** | **5,652** | **4,707** | **6,099** | **1,493** | **1,588** | **-4** | **-3** | **11,411** | **13,336** |
| Gross profit excl. IAC | 2,112 | 2,254 | 1,927 | 2,463 | 621 | 662 | 17 | 16 | 4,677 | 5,395 |
| Gross margin excl. IAC, % | 40.5 | 39.9 | 40.9 | 40.4 | 41.6 | 41.7 | – | – | 41.0 | 40.5 |
| Operating profit excl. IAC | 666 | 749 | 353 | 567 | 117 | 81 | -161 | -156 | 975 | 1,241 |
| Operating margin excl. IAC, % | 12.8 | 13.3 | 7.5 | 9.3 | 7.8 | 5.1 | – | – | 8.5 | 9.3 |
| Operating profit | 660 | 749 | 270 | 567 | 117 | -15 | -169 | -156 | 878 | 1,145 |
| Operating margin, % | 12.7 | 13.3 | 5.7 | 9.3 | 7.8 | -0.9 | – | – | 7.7 | 8.6 |

Depreciation/amortisation and impairment of fixed assets for the year amounted to SEK 346 million (326).

**Specification of items affecting comparability (IAC)[1]**

| SEK m | 2014 | 2015 |
|---|---|---|
| **Items affecting comparability by function** | | |
| Net sales | – | -4 |
| Cost of goods sold | -60 | -33 |
| Selling and administrative expenses | -17 | -59 |
| Other income/expenses | -20 | 0 |
| **Total items affecting comparability** | **-97** | **-96** |
| | | |
| **Items affecting comparability by region** | | |
| Nordic | -6 | – |
| UK | -83[2] | – |
| Central Europe | – | -96[3] |
| Group-wide and eliminations | -8 | – |
| **Group** | **-97** | **-96** |

1) Pertains to costs that impact operating profit.
2) This amount includes impairment of kitchen displays of SEK 17 million.
3) This amount includes impairment of kitchen displays of SEK 10 million.

| Impact of exchange rates (Operating profit excluding items affecting comparability) | Translation effect | | Transaction effect | | Total effect | |
|---|---|---|---|---|---|---|
| | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 |
| Nordic region | 15 | 5 | -75 | -30 | -60 | -25 |
| UK region | 35 | 70 | 25 | 50 | 60 | 120 |
| Central Europe region | 5 | 0 | 10 | 15 | 15 | 15 |
| **Group** | **55** | **75** | **-40** | **35** | **15** | **110** |

| Quarterly data per region | 2014 | | | | 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| | I | II | III | IV | I | II | III | IV |
| **Net sales excluding items affecting comparability, SEK m** | | | | | | | | |
| Nordic | 1,262 | 1,448 | 1,123 | 1,382 | 1,385 | 1,609 | 1,237 | 1,421 |
| UK | 1,099 | 1,173 | 1,208 | 1,227 | 1,522 | 1,571 | 1,535 | 1,471 |
| Central Europe | 335 | 387 | 364 | 407 | 345 | 396 | 432 | 415 |
| Group-wide and eliminations | -1 | -1 | 0 | -2 | -1 | -1 | 0 | -1 |
| **Group** | **2,695** | **3,007** | **2,695** | **3,014** | **3,251** | **3,575** | **3,204** | **3,306** |
| **Net sales, SEK m** | | | | | | | | |
| Nordic | 1,262 | 1,448 | 1,123 | 1,382 | 1,385 | 1,609 | 1,237 | 1,421 |
| UK | 1,099 | 1,173 | 1,208 | 1,227 | 1,522 | 1,571 | 1,535 | 1,471 |
| Central Europe | 335 | 387 | 364 | 407 | 345 | 396 | 432 | 411 |
| Group-wide and eliminations | -1 | -1 | 0 | -2 | -1 | -1 | 0 | -1 |
| **Group** | **2,695** | **3,007** | **2,695** | **3,014** | **3,251** | **3,575** | **3,204** | **3,302** |
| **Gross profit excluding items affecting comparability, SEK m** | | | | | | | | |
| Nordic | 503 | 599 | 457 | 553 | 550 | 659 | 491 | 554 |
| UK | 444 | 477 | 505 | 501 | 604 | 636 | 631 | 592 |
| Central Europe | 131 | 151 | 168 | 171 | 140 | 170 | 184 | 168 |
| Group-wide and eliminations | 3 | 6 | 5 | 3 | 5 | 4 | 5 | 2 |
| **Group** | **1,081** | **1,233** | **1,135** | **1,228** | **1,299** | **1,469** | **1,311** | **1,316** |
| **Gross margin excluding items affecting comparability, %** | | | | | | | | |
| Nordic | 39.9 | 41.4 | 40.7 | 40.0 | 39.7 | 41.0 | 39.7 | 39.0 |
| UK | 40.4 | 40.7 | 41.8 | 40.8 | 39.7 | 40.5 | 41.1 | 40.2 |
| Central Europe | 39.1 | 39.0 | 46.2 | 42.0 | 40.6 | 42.9 | 42.6 | 40.5 |
| **Group** | **40.1** | **41.0** | **42.1** | **40.7** | **40.0** | **41.1** | **40.9** | **39.8** |
| **Operating profit excluding items affecting comparability, SEK m** | | | | | | | | |
| Nordic | 128 | 207 | 138 | 193 | 151 | 254 | 172 | 172 |
| UK | 51 | 103 | 108 | 91 | 94 | 156 | 163 | 154 |
| Central Europe | 18 | 22 | 43 | 34 | 7 | 27 | 39 | 8 |
| Group-wide and eliminations | -41 | -39 | -33 | -48 | -41 | -37 | -31 | -47 |
| **Group** | **156** | **293** | **256** | **270** | **211** | **400** | **343** | **287** |
| **Operating margin excluding items affecting comparability, %** | | | | | | | | |
| Nordic | 10.1 | 14.3 | 12.3 | 14.0 | 10.9 | 15.8 | 13.9 | 12.1 |
| UK | 4.6 | 8.8 | 8.9 | 7.4 | 6.2 | 9.9 | 10.6 | 10.5 |
| Central Europe | 5.4 | 5.7 | 11.8 | 8.4 | 2.0 | 6.8 | 9.0 | 1.9 |
| **Group** | **5.8** | **9.7** | **9.5** | **9.0** | **6.5** | **11.2** | **10.7** | **8.7** |
| **Operating profit, SEK m** | | | | | | | | |
| Nordic | 128 | 207 | 138 | 187 | 151 | 254 | 172 | 172 |
| UK | 51 | 103 | 108 | 8 | 94 | 156 | 163 | 154 |
| Central Europe | 18 | 22 | 43 | 34 | 7 | 27 | 39 | -88 |
| Group-wide and eliminations | -41 | -39 | -33 | -56 | -41 | -37 | -31 | -47 |
| **Group** | **156** | **293** | **256** | **173** | **211** | **400** | **343** | **191** |
| **Operating margin, %** | | | | | | | | |
| Nordic | 10.1 | 14.3 | 12.3 | 13.5 | 10.9 | 15.8 | 13.9 | 12.1 |
| UK | 4.6 | 8.8 | 8.9 | 0.7 | 6.2 | 9.9 | 10.6 | 10.5 |
| Central Europe | 5.4 | 5.7 | 11.8 | 8.4 | 2.0 | 6.8 | 9.0 | -21.4 |
| **Group** | **5.8** | **9.7** | **9.5** | **5.7** | **6.5** | **11.2** | **10.7** | **5.8** |

# CONSOLIDATED BALANCE SHEET

| SEK m | Note | 31 Dec 2014 | 31 Dec 2015 |
|---|---|---|---|
| **ASSETS** | | | |
| **Intangible assets** | 14 | | |
| Goodwill | | 2,278 | 2,551 |
| Other intangible assets | | 158 | 146 |
| | | **2,436** | **2,697** |
| **Tangible fixed assets** | 15 | | |
| Land and buildings | | 816 | 779 |
| Investments in progress and advance payments | | 34 | 46 |
| Machinery and other technical equipment | | 543 | 565 |
| Equipment, tools, fixtures and fittings | | 279 | 332 |
| | | **1,672** | **1,722** |
| Interest-bearing long-term receivables (IB) | 16 | 7 | 3 |
| Other long-term receivables | 16 | 28 | 34 |
| Deferred tax assets | 26 | 303 | 241 |
| **Total fixed assets** | | **4,446** | **4,697** |
| **Inventories** | | | |
| Raw materials and consumables | | 272 | 302 |
| Products in progress | | 77 | 78 |
| Finished products | | 415 | 434 |
| Goods for resale | | 89 | 120 |
| | | **853** | **934** |
| **Current receivables** | | | |
| Tax assets | | 17 | 28 |
| Accounts receivable | 2 | 1,091 | 1,269 |
| Derivative instruments | 2,18 | 20 | 18 |
| Interest-bearing current receivables (IB) | | 1 | 5 |
| Other receivables | 2 | 118 | 87 |
| Prepaid expenses and accrued income | 19 | 247 | 258 |
| Assets held for sale | 33 | 592 | 8 |
| | | **2,086** | **1,673** |
| Cash and cash equivalents (IB) | 20 | 470 | 765 |
| **Total current assets** | | **3,409** | **3,372** |
| **Total assets** | | **7,855** | **8,069** |
| Of which interest-bearing items (IB) | | 478 | 773 |

| SEK m | Note | 31 Dec 2014 | 31 Dec 2015 |
|---|---|---|---|
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | | |
| **Attributable to Parent Company shareholders** | | | |
| Share capital | 21 | 58 | 58 |
| Other contributed capital | | 1,470 | 1,478 |
| Reserves | 22 | 7 | -79 |
| Profit brought forward | | 1,656 | 2,361 |
| | | **3,191** | **3,818** |
| Non-controlling interests | | 5 | 4 |
| **Total shareholders' equity** | | **3,196** | **3,822** |
| Provisions for guarantees | | 12 | 12 |
| Provisions for pensions (IB) | 25 | 869 | 732 |
| Deferred tax liabilities | 26 | 143 | 133 |
| Other provisions | 27 | 147 | 110 |
| Liabilities to credit institutions (IB) | 2, 28 | 804 | 802 |
| Other liabilities (IB) | 2 | 7 | 9 |
| **Total long-term liabilities** | | **1,982** | **1,798** |
| Liabilities to credit institutions (IB) | 2, 28 | 1 | 1 |
| Overdraft facilities (IB) | 2, 20 | 0 | 0 |
| Other liabilities (IB) | 2 | 3 | 3 |
| Advance payments from customers | | 179 | 256 |
| Accounts payable | 2 | 1,053 | 1,089 |
| Current tax liabilities | | 85 | 117 |
| Derivative instruments | 2, 18 | 24 | 14 |
| Other liabilities | 2 | 365 | 365 |
| Accrued expenses and deferred income | 29 | 607 | 601 |
| Liabilities attributable to assets held for sale | 33 | 360 | 3 |
| **Total current liabilities** | | **2,677** | **2,449** |
| **Total shareholders' equity and liabilities** | | **7,855** | **8,069** |
| Of which interest-bearing items (IB) | | 1,684 | 1,547 |

Information on consolidated pledged assets and contingent liabilities is provided in Note 31 on page 77.

# COMMENTS AND ANALYSIS OF BALANCE SHEET

**Goodwill**
Information on goodwill, including comments, is provided in Note 14 on page 66.

**Financing**
Net debt declined to SEK 774 million (1,206) at the end of the period. A positive operating cash flow of SEK 770 million, remeasurements of defined-benefit pension plans of SEK 170 million and the divestment of operations of SEK 230 million reduced net debt. The increase in net debt derived from acquisition of operations with a total effect of SEK 353 million, interest paid of SEK 14 million, change in pension liabilities of SEK 87 million and dividends of SEK 294 million. The debt/equity ratio amounted to 20 per cent at the end of the year (38 per cent at the beginning of the year). The change in net debt is shown in the table below.

**Analysis of net debt**

| | Group | |
|---|---|---|
| SEK m | 2014 | 2015 |
| Opening balance | 1,176 | 1,206 |
| Acquisition of operations | 361 | 353 |
| Divestment of operations | 16 | -230 |
| Translation differences | 14 | 24 |
| Operating cash flow | -779 | -770 |
| Interest | 37 | 14 |
| Remeasurements of defined-benefit pension plans | 195 | -170 |
| Change in pension liabilities | 40 | 87 |
| Dividend | 167 | 294 |
| Sale of bought-back shares | -21 | -34 |
| **Closing balance** | **1,206** | **774** |

The components of net debt are shown in the table below.

**Components of net debt**

| | Group | |
|---|---|---|
| SEK m | 2014 | 2015 |
| Bank loans, etc. | 806 | 804 |
| Provisions for pensions | 869 | 732 |
| Leasing | 9 | 11 |
| Cash and cash equivalents | -470 | -765 |
| Other financial receivables | -8 | -8 |
| **Total** | **1,206** | **774** |

# 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 2014** | **58** | **1,463** | **-361** | **3** | **1,991** | **3,154** | **4** | **3,158** |
| Net profit/loss for the year | – | – | – | – | -28 | -28 | 1 | -27 |
| Other comprehensive income for the year | – | – | 369 | -4 | -161 | 204 | 0 | 204 |
| **Total comprehensive income for the year** | **–** | **–** | **369** | **-4** | **-189** | **176** | **1** | **177** |
| Dividend | – | – | – | – | -167 | -167 | 0 | -167 |
| Allocation of employee share option schemes and performance share plans | – | 7 | – | – | – | 7 | – | 7 |
| Sale of bought-back shares[1] | – | – | – | – | 21 | 21 | – | 21 |
| **Closing balance, 31 December 2014** | **58** | **1,470** | **8** | **-1** | **1,656** | **3,191** | **5** | **3,196** |
| | | | | | | | | |
| **Opening balance, 1 January 2015** | **58** | **1,470** | **8** | **-1** | **1,656** | **3,191** | **5** | **3,196** |
| Net profit/loss for the year | – | – | – | – | 829 | 829 | -1 | 828 |
| Other comprehensive income for the year | – | – | -89 | 3 | 136 | 50 | 0 | 50 |
| **Total comprehensive income for the year** | **–** | **–** | **-89** | **3** | **965** | **879** | **-1** | **878** |
| Dividend | – | – | – | – | -294 | -294 | 0 | -294 |
| Allocation of employee share option schemes and performance share plans | – | 8 | – | – | – | 8 | – | 8 |
| Sale of bought-back shares[1] | – | – | – | – | 34 | 34 | – | 34 |
| **Closing balance, 31 December 2015** | **58** | **1,478** | **-81** | **2** | **2,361** | **3,818** | **4** | **3,822** |

1) Attributable to the employee share option scheme 2011.

# CONSOLIDATED CASH-FLOW STATEMENT AND COMMENTS

| SEK m | Note | 2014 | 2015 |
|---|---|---|---|
| **Operating activities** | | | |
| Operating profit | | 878 | 1,145 |
| Operating profit/loss for discontinued operations | | -484 | 3 |
| Depreciation/amortisation/impairment | | 722 | 346 |
| Other adjustments for non-cash items | | 99 | 66 |
| Income tax paid | | -194 | -216 |
| Change in inventories | | -51 | -99 |
| Change in operating receivables | | -5 | -161 |
| Change in operating liabilities | | 68 | 61 |
| **Cash flow from operating activities** | | **1,033** | **1,145** |
| **Investing activities** | | | |
| Investments in tangible fixed assets | | -257 | -360 |
| Investments in intangible assets | | -59 | -50 |
| Sale of tangible fixed assets | | 58 | 36 |
| Interest received | | 6 | 6 |
| Increase/decrease in interest-bearing assets | | 1 | -1 |
| Other items in investing activities | | 4 | -1 |
| Acquisition of operations | 34 | -250 | -348 |
| Divestment of operations | | -16 | 230 |
| **Cash flow from investing activities** | | **-513** | **-488** |
| **Operating cash flow before acquisitions/divestment of operations, interest and increase/decrease in interest-bearing assets** | | **779** | **770** |
| **Operating cash flow after acquisitions/divestment of operations, interest and increase/decrease in interest-bearing assets** | | **520** | **657** |
| **Financing activities** | | | |
| Interest paid | | -43 | -20 |
| Decrease in interest-bearing liabilities | | -190[1)] | -30[2)] |
| Sale of bought-back shares | | 21 | 34 |
| Dividend | | -167 | -294 |
| **Cash flow from financing activities** | | **-379** | **-310** |
| **Cash flow for the year excluding exchange-rate differences in cash and cash equivalents** | | **141** | **347** |
| **Cash and cash equivalents at the beginning of the year** | | **278** | **470** |
| Cash flow for the year | | 141 | 347 |
| Exchange-rate differences in cash and cash equivalents | | 51 | -52 |
| **Cash and cash equivalents at year-end** | | **470** | **765** |

1) Repayment of loans comprising SEK 100 million.
2) No repayment or loans raised.

**Comments on the cash-flow statement**
The cash flow from operating activities amounted to SEK 1,145 million (1,033). Working capital reduced cash flow by SEK 199 million (12) and was primarily attributable to higher current receivables. Adjustments for non-cash items amounted to SEK 66 million (99) as specified in the table below.

**Adjustments for non-cash items**

| SEK m | 2014 | 2015 |
|---|---|---|
| Capital gains/losses on fixed assets | -12 | -16 |
| Provisions | 19 | 85 |
| Other | 92 | -3 |
| **Total** | **99** | **66** |

Investments in fixed assets amounted to SEK 410 million (316).

Operating cash flow, that is, the cash flow after investments but excluding the acquisitions and divestments of operations, interest and increases/decreases in interest-bearing assets, amounted to SEK 770 million (779).

# PARENT COMPANY

**Parent Company income statement**

| SEK m | Note | 2014 | 2015 |
|---|---|---|---|
| Net sales | | 118 | 200 |
| Administrative expenses | 4, 6, 11, 25 | -238 | -262 |
| Other operating expenses | 8,9 | – | – |
| **Operating profit** | | **-120** | **-62** |
| Profit from participations in Group companies | 12 | 312 | 416 |
| Financial income | 12 | 29 | 3 |
| Financial expenses | 12 | -68 | -52 |
| **Profit after financial items** | | **153** | **305** |
| Tax on net profit for the year | 13 | 1 | 0 |
| **Net profit/loss for the year** | | **154** | **305** |

**Parent Company statement of comprehensive income**

| SEK m | Note | 2014 | 2015 |
|---|---|---|---|
| Net profit/loss for the year | | 154 | 305 |
| **Other comprehensive income for the year** | | – | – |
| **Comprehensive income for the year** | | **154** | **305** |

**Parent Company cash-flow statement**

| SEK m | Note | 2014 | 2015 |
|---|---|---|---|
| **Operating activities** | | | |
| Operating profit | | -120 | -62 |
| Adjustments for non-cash items | | 6 | 4 |
| Dividend received | 12 | 312 | 416 |
| Interest received | 12 | 29 | 3 |
| Interest paid | 12 | -68 | -52 |
| Tax paid | | 0 | 0 |
| **Cash flow from operating activities before changes in working capital** | | **159** | **309** |
| Change in liabilities | | 719 | -250 |
| Change in receivables | | -702 | 487 |
| **Cash flow from operating activities** | | **176** | **546** |
| **Investing activities** | | | |
| Provisions for pensions | | 2 | 2 |
| **Cash flow from investing activities** | | **2** | **2** |
| **Financing activities** | | | |
| Dividend | | -167 | -294 |
| Decrease in item bought-back shares | | 21 | 34 |
| **Cash flow from financing activities** | | **-146** | **-260** |
| **Cash flow for the year** | | **32** | **288** |
| **Cash and cash equivalents at the beginning of the year** | | **152** | **184** |
| Cash flow for the year | | 32 | 288 |
| **Cash and cash equivalents at year-end** | | **184** | **472** |

**Parent Company balance sheet**

| SEK m | Note | 31 Dec 2014 | 31 Dec 2015 |
|---|---|---|---|
| **ASSETS** | | | |
| **Fixed assets** | | | |
| ***Financial fixed assets*** | | | |
| Shares and participations in Group companies | 16,17 | 2,234 | 2,084 |
| Other securities held as fixed assets | | 0 | 0 |
| **Total fixed assets** | | **2,234** | **2,084** |
| **Current assets** | | | |
| ***Current receivables*** | | | |
| Accounts receivable | | 8 | 1 |
| Receivables from Group companies | | 3,195 | 2,863 |
| Other receivables | | 12 | 13 |
| Prepaid expenses and accrued income | 19 | 54 | 59 |
| Cash and cash equivalents | 20 | 184 | 472 |
| **Total current assets** | | **3,453** | **3,408** |
| **Total assets** | | **5,687** | **5,492** |
| **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 | | -447 | -402 |
| Profit brought forward | | 2,215 | 2,071 |
| Net profit/loss for the year | | 154 | 305 |
| | | **1,974** | **2,026** |
| **Total shareholders' equity** | | **3,703** | **3,755** |
| Provisions for pensions | 25 | 13 | 15 |
| **Long-term liabilities** | | | |
| Liabilities to credit institutions | 28 | 800 | 800 |
| **Current liabilities** | | | |
| Liabilities to credit institutions | | 0 | 0 |
| Accounts payable | | 22 | 18 |
| Liabilities to Group companies | | 1,110 | 864 |
| Other liabilities | | 2 | 11 |
| Accrued expenses and deferred income | 29 | 37 | 29 |
| **Total current liabilities** | | **1,171** | **922** |
| **Total shareholders' equity, provisions and liabilities** | | **5,687** | **5,492** |
| Pledged assets | 31 | – | – |
| Contingent liabilities | 31 | 179 | 177 |

1) The number of shares outstanding was 168,281,305 (167,526,158).

**Parent Company change in shareholders' equity**

| SEK m | Share capital | Statutory reserve[1)] | Share premium reserve | Buy-back of shares | Profit brought forward | Total shareholders' equity |
|---|---|---|---|---|---|---|
| **Opening balance, 1 January 2014** | **58** | **1,671** | **52** | **-468** | **2,374** | **3,687** |
| Net profit/loss for the year | – | – | – | – | 154 | 154 |
| **Comprehensive income for the year** | **–** | **–** | **–** | **–** | **154** | **154** |
| Dividend | – | – | – | – | -167 | -167 |
| Treasury shares, reissued | – | – | – | 21 | – | 21 |
| Allocation of employee share option schemes and performance share plans | – | – | – | – | 8 | 8 |
| **Shareholders' equity, 31 December 2014** | **58** | **1,671** | **52** | **-447** | **2,369** | **3,703** |
| | | | | | | |
| **Opening balance, 1 January 2015** | **58** | **1,671** | **52** | **-447** | **2,369** | **3,703** |
| Net profit/loss for the year | – | – | – | – | 305 | 305 |
| **Comprehensive income for the year** | **–** | **–** | **–** | **–** | **305** | **305** |
| Dividend | – | – | – | – | -294 | -294 |
| Treasury shares, reissued | – | – | – | 45 | -11 | 34 |
| Allocation of employee share option schemes and performance share plans | – | – | – | – | 7 | 7 |
| **Shareholders' equity, 31 December 2015** | **58** | **1,671** | **52** | **-402** | **2,376** | **3,755** |

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

## 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 2016.

**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 policies 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 material 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***
Goodwill is recognised at cost less any accumulated impairment. The Group regularly performs impairment tests of goodwill in accordance with the accounting policies described under Note 14 Intangible assets on page 66. 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.

***– Deferred tax assets***
The Group's loss carryforwards for which deferred tax assets have been capitalised have a carrying amount of SEK 74 million (94). 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 or 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**
The changed accounting policies applied by the Group from 1 January 2015 are described below. Other IFRS changes applied from 1 January 2015 did not have any material effect on the consolidated financial statements.

***IFRIC 21 Levies:*** describes how to recognise a levies imposed by a government. IFRIC 21 applies to levies the fall within the framework of IAS 37 and for those where the timing and amount of the levy is certain. IFRIC 21 does not apply to income taxes (IAS 12) or fines. The interpretation address only the liabilities side and not whether an asset or expense arises on the debit side. The interpretation meant that liabilities for property tax are recognised on 1 January when the obligation to pay the tax arises. The entire liability is recognised on 1 January at the same time as a prepaid expense for property tax is recognised. The expense is then evenly allocated over the year.

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

Amendments to IAS 7 Statement of Cash Flows, to be applied not later than from 2017, entail that disclosures are to be provided on changes in liabilities that in the statement of cash flows are attributable to financing activities. Disclosures can be provided in an opening-balance/closing-balance analysis and are to be divided between loans and repayments, changes related to acquisitions and disposals of subsidiaries, currency effects, effects of remeasurement of fair value and other changes. The difference compared with the analysis of net debt that Nobia already discloses is that liabilities attributable to the financing activities in accordance with IAS 7 must be presented separately from changes in other assets and liabilities included in net debt.

IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments: Recognition and Measurement. Through IFRS 9, the IASB has made a number of changes to the recognition of financial instruments. The amendments contain new requirements for recognition and measurement of financial instruments, an expected loss impairment model and simplified requirements for hedge accounting. IFRS 9 comes into effect on 1 January 2018.

Nobia's preliminary assessment is as follows: the amendments of recognition and measurement will not impact the consolidated financial statements; impairment of financial assets affects the recognition of bad debt losses, but since bad debt losses have been and are expected to be very small, the potential effect is expected to be immaterial; and that the new rules for hedge accounting are not expected to have any material effect on the recognition that currently takes place in the primary financial statements.

IFRS 15 Revenue from Contracts with Customers entails that IFRS will contain a single, principles based model for all industries, which is to replace existing standards and statements on revenue. IFRS 15 comes into effect in 2018.

Nobia's preliminary assessment is that IFRS 15 will not have material effects on the financial statements. An investigation is under way, primarily into the extent to which project sales, including the installation of kitchens, may be affected. Such sales comprise only a small percentage of the Group's sales, meaning that the potential total effect of the Group's recognised sales is not deemed to be material. The possible effect regarding the recognition of variable income and other changes in policies in IFRS 15 are also preliminarily deemed to be immaterial.

IFRS 16 Leases will replace IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease and related rules with application from 2019. The new standard entails for lessees that all leases that meet the definition in the standard of a lease are to be recognised as an asset and liability in the balance sheet, with depreciation and interest expense recognised in profit or loss. Agreements for primarily the lease of premises, which currently comprise operating leases (see Note 11), are not recognised in the balance sheet as an asset and liability except for the interim items arising in connection with the annual accounts. Calculations of the effects, in terms of amounts, that capitalisation of these leases may give rise to have not yet been performed.

Other amendments to accounting policies with future application are not deemed to have any material effect on the consolidated financial statements.

### Classification, etc.

Fixed assets essentially comprise amounts that are expected to be recovered more than 12 months after the closing date. Current assets essentially comprise amounts that are expected to be recovered within the 12 months after the closing date. Long-term liabilities comprise amounts that Nobia intends, and has an unconditional right, to pay later than 12 after the closing date. Other liabilities comprise current liabilities.

### 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 or 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 or 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 or 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 presentation currency. This means that the earnings and financial position of all Group companies that have a functional currency that is different to the presentation currency are translated to the Group's presentation currency of SEK. Foreign subsidiaries' assets and liabilities are translated at the closing-date rate and all items recognised in profit or loss and other comprehensive income 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 rate | |
|---|---|---|---|---|
| Significant exchange rates | 31 Dec 2014 | 31 Dec 2015 | 2014 | 2015 |
| DKK | 1.28 | 1.22 | 1.22 | 1.25 |
| EUR | 9.52 | 9.14 | 9.10 | 9.36 |
| GBP | 12.14 | 12.38 | 11.29 | 12.9 |
| NOK | 1.05 | 0.96 | 1.09 | 1.05 |
| USD | 7.81 | 8.35 | 6.86 | 8.44 |

### 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 Central Europe regions. The division of the units per region is based on the geographic domicile of the units. Refer to Note 3 on pages 60–61 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 fixed-interest term 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.

### Tax

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

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

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

The tax effect attributable to tax loss carryforwards that could be utilised against future profits is capitalised as a deferred tax asset. This applies to both accumulated loss carryforwards at the acquisition date 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 any impairment. Cost includes expenses that can be directly attributed to the acquisition. The borrowing costs of the cost of any assets established that comprise qualifying assets are expensed. Costs for repairs, maintenance and any interest expenses are recognised as costs in profit or 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 |
| Machinery and other technical equipment | 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 or 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 or 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. 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 66.

Other intangible assets are recognised at cost less accumulated amortisation and any impairment. 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.

### Leases

Leases 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 leases are 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 leases 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 leases 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. Operating leases are recognised in profit or loss as an operating expense. Leasing of cars and computers is normally treated as operational leasing. The value of these leases 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. A receivable is recognised when the company has performed a service and a contractual payment obligation arises for the counterparty, even if an invoice has not been sent. 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.

*– Recognition and measurement*
Financial instruments that are not derivative instruments are initially recognised at cost corresponding to the instrument's fair value plus transaction costs. Transaction costs for derivative instruments are immediately expensed. 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*
The category of loans and accounts receivable comprises financial assets that are not derivative instruments, that have fixed or fixable payments and that are not listed on an active market. For Nobia, this category includes long-term loans receivable recognised as fixed assets and accounts receivable and other receivables recognised as current assets. 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 (except for derivative instruments with negative values) are measured 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 swaps can be used to hedge the uncertainty of highly probable forecasted interest-rate flows for borrowing at variable interest, whereby the company receives variable interest and pay fixed interest. Interest swaps are measured at fair value in the statement of financial position. The interest coupon portion is continuously recognised in profit or loss as a portion of interest expense. Unrealised changes in fair value of interest swaps are recognised in other comprehensive income and are included as a portion of the hedging reserve until the hedged item impacted net profit for the year and as long as the criteria for hedge accounting and effectiveness are fulfilled. The gain or loss attributable to the ineffective portion of unrealised changes in value of interest swaps is recognised in profit or loss.

### Impairment
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 amount of the asset is tested in accordance with IAS 36 (see below). For goodwill, the recoverable amount 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 amount. Impairment losses are charged against profit or 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 amount 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 amount 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 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 publicly 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 bought back, 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 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 share rights). 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*

The Group has both defined-contribution and defined-benefit pension plans. In Sweden, 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 plans. Effective 2010, all new vesting in the UK comes under defined-contribution plans. As previously, all new vesting in Germany comes under defined-contribution plans. The defined-benefit pension plan in Norway was discontinued in 2014 and replaced by a defined-contribution pension plan.

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 plans are recognised as a cost in earnings at the rate at which they are vested by the employees performing services on behalf of the company for a period of time.

The Group's defined-benefit pension plans state the amount of pension benefit that an employee, or a former employee, will receive after retirement based upon their salary and the number of years of service. Pension liabilities 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 pension 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 the UK and Germany, the rate is based on corporate bonds.

Actuarial gains and losses may arise when the present value of commitments is established and a difference arises when the actual return on plan assets is established compared with the return calculated at the beginning of the period, based on the discount rate of the commitments. These actuarial gains and losses and this different in the return on plan assets are entitled remeasurements. These remeasurement effects arise either because the fair value differs from the previously made assumption or because the assumptions have changed. The remeasurement effects are recognised in other comprehensive income.

For funded plans, the Group recognises pension commitments 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 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.

The special employer's contribution comprises a portion of the actuarial assumptions and thus is recognised as a portion of the net commitment/asset. The portion of the special employer's contribution that is calculated based on the Swedish Pension Obligations Vesting Act in legal entities is recognised, for simplicity, as accrued expenses instead of as a portion of net commitment/asset.

Tax on returns is recognised continuously in profit or loss for the period to which the tax pertains and thus is not included in the liability calculation. For funded plans, the tax is charged to the return on plan assets and recognised in other comprehensive income. For unfunded or partly unfunded plans, tax is charged to profit or loss.

*– Other long-term remuneration*

The Group operates schemes for remuneration to employees for long service.

Actuarial gains and losses may arise when the present value of commitments and the fair value of plan assets are established, which are recognised in operating profit.

The discount rate is established on the basis of high-quality corporate 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 remuneration 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 Plans that were initiated in 2012 and 2015. 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 (IFRS 2). 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 share rights 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*

Changes to accounting policies applied from 2015 did not have any effect on the Parent Company's financial statements.

*– 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 or loss when they arise.

Contingent consideration is 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 or 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 or loss immediately. The portion that does not exceed the fair value of acquired, identifiable non-monetary assets is recognised in profit or 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 or loss.

*– Leased assets*

All leases 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 or loss when they arise.

The Parent Company recognises the fair value of employee share options and performance share plan 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. 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 2015, expressed in SEK and after offsetting counteracting flows, amounted to SEK 2,504 million (2,251), of which SEK 1,485 million (1,356) was hedged. At year-end 2015, the hedged volume amounted to SEK 865 million (774). 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.

**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 on 31 December 2015 would entail a decrease in shareholders' equity of SEK 450 million (decrease: 433) and a decrease in profit of SEK 60 million (increase: 3). The sensitivity analysis is based on the assumption that all other factors (for example, interest) are unchanged. The same conditions were applied to 2014.

**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 are to 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 2,163 million (1,715). 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 12 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.

| | 2014 | | 2015 | |
|---|---|---|---|---|
| SEK m | Capital employed per currency | Interest-bearing loans and lease liabilities | Capital employed per currency | Interest-bearing loans and lease liabilities |
| SEK | -495 | 914 | 107 | 914 |
| EUR | 1,288 | 69 | 1,111 | 109 |
| GBP | 2,317 | 698 | 2,954 | 521 |
| DKK | 1,272 | 3 | 777 | 3 |
| USD | 144 | 0 | 78 | 0 |
| NOK | 339 | 0 | 308 | 0 |
| Other | 15 | 0 | 34 | 0 |
| **Total** | **4,880** | **1,684** | **5,369** | **1,547** |

**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. The company has had an interest swap of SEK 400 million since 2011 which expires in November 2016. The fixed-interest term for remaining loans was 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. In 2014, the company also raised a syndicated loan facility of SEK 1,000 million with three 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 access to local cash advances.

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

| Year of maturity, | 2014 | | | 2015 | | |
|---|---|---|---|---|---|---|
| SEK m | 2015 | 2017 | 2019 | 2016 | 2017 | 2019 |
| Loans and lines of credit | – | 800 | 1,000 | – | 800 | 1,000 |
| Of which, utilised | – | 800 | – | – | 800 | – |

**Capital management**
The debt/equity ratio is not to exceed 100 per cent. A temporary elevation of the debt/equity ratio is acceptable. Dividends are, on average, to be within the interval of 40-60 per cent of net profit after tax. The debt/ equity ratio at year-end amounted to 20 per cent (38). Nobia considers recognised shareholders' equity of SEK 3,822 million (3,196) 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. Available liquidity including unutilised overdraft facilities comprised SEK 2,164 million on 31 December 2015.

| **Fixed-interest terms – borrowing** | 2014 | | | 2015 | | |
|---|---|---|---|---|---|---|
| Group, SEK m | 0–3 months | two years | three years | 0–3 months | two years | three years |
| SEK | 400 | – | 400 | 400 | 400 | – |
| EUR | – | 4 | – | – | 2 | – |

| | 2014 | | | | | | | 2015 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Commercial exposure** | USD | EUR | NOK | CHF | GBP | SEK | DKK | USD | EUR | NOK | CHF | GBP | SEK | DKK |
| **Currency contracts on closing date** | | | | | | | | | | | | | | |
| Local currency | -1 | 40 | -248 | -1 | -2 | -52 | – | 0 | 49 | -278 | -1 | -1 | -82 | – |
| Total, SEK m[1] | -4 | 376 | -260 | -10 | -20 | -52 | – | -3 | 444 | -265 | -8 | -16 | -82 | – |
| Fair value, SEK m | -1 | -3 | 14 | 0 | -1 | 1 | – | 0 | 1 | 13 | 0 | 0 | -1 | – |
| **Net flow calendar year** | | | | | | | | | | | | | | |
| Net flow, local currency | -10 | -85[3] | 635 | 3 | 2 | 200 | -37 | -2 | -98[4] | 685 | 2 | 4 | 336 | -28 |
| Net flow, SEK m[2] | -68 | -776[3] | 691 | 21 | 28 | 200 | -45 | -17 | -919[4] | 717 | 14 | 55 | 336 | -35 |
| Hedged volume, SEK m[2] | 4 | -567 | 550 | 21 | 28 | 111 | – | 4 | -711 | 501 | 17 | 36 | 111 | – |

1) Flows restated at closing-date rate, SEK.
2) Restated at average rate in 2014, 2015.
3) In addition, EUR 33 million pertains to flows against DKK, corresponding to SEK 300 million.
4) In addition, EUR 35 million pertains to flows against DKK, corresponding to SEK 325 million.

| **Sensitivity analysis** | 2014 | | | 2015 | | |
|---|---|---|---|---|---|---|
| Currencies[1] and interest rates[2] | Change | Impact on profit before tax, SEK m | Impact on shareholders' equity[3], SEK m | Change | Impact on profit before tax, SEK m | Impact on shareholders' equity[3], SEK m |
| EUR/SEK | 5% | 8.9 | 6.9 | 5% | 10.6 | 8.2 |
| NOK/SEK | 5% | 7.9 | 6.2 | 5% | 7.5 | 5.9 |
| EUR/GBP | 5% | 15.2 | 12.2 | 5% | 19.9 | 15.9 |
| NOK/DKK | 5% | 12.3 | 9.4 | 5% | 11.8 | 9.2 |
| SEK/DKK | 5% | 4.2 | 3.2 | 5% | 6.1 | 4.7 |
| Interest-rate level | 100 points | 4.0 | 3.1 | 100 points | 4.3 | 3.4 |

1) Transaction effects after hedges. 2) After interest-rate hedging. 3) Corresponds to profit after tax

**Analysis of maturity for financial liabilities including accounts payable**

| | | 2014 | | | | | | | 2015 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 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 | 800 | 867 | 2 | 4 | 15 | 846 | – | 800 | 820 | 1 | 3 | 13 | 803 | – |
| Bank loans | EUR | 0 | 4 | 0 | 0 | 2 | 2 | – | 0 | 2 | 0 | 0 | 2 | – | – |
| **Other liabilities** | | | | | | | | | | | | | | | |
| Forward agreements[1] | SEK | | 0 | 0 | 0 | 0 | – | – | | 1 | 0 | 0 | 1 | – | – |
| Forward agreements[1] | EUR | | 7 | 2 | 2 | 3 | – | – | | 3 | 1 | 0 | 2 | – | – |
| Forward agreements[1] | GBP | | 1 | 0 | 0 | 1 | – | – | | 0 | 0 | 0 | 0 | – | – |
| Forward agreements[1] | NOK | | 0 | 0 | 0 | 0 | – | – | | 0 | 0 | 0 | 0 | – | – |
| Forward agreements[1] | CHF | | 0 | 0 | 0 | 0 | – | – | | 0 | 0 | 0 | 0 | – | – |
| Forward agreements[1] | USD | | 2 | 0 | 1 | 1 | – | – | | 1 | 0 | 0 | 1 | – | – |
| Current account credit (IB) | SEK | | 0 | – | – | – | – | – | | – | – | – | – | – | – |
| Financial lease liabilities (IB) | DKK | 2 | 3 | – | – | – | 3 | – | 2 | 3 | – | – | 2 | 1 | – |
| Financial lease liabilities (IB) | GBP | 1 | 6 | 0 | 1 | 1 | 4 | – | 1 | 10 | 0 | 0 | 5 | 5 | – |
| Other liabilities (IB) | SEK | | 2 | – | 2 | – | – | – | 0 | 0 | – | – | – | – | – |
| Other liabilities (IB) | EUR | | – | – | – | – | – | – | 0 | 1 | – | 1 | – | – | – |
| Other liabilities (IB) | GBP | | – | – | – | – | – | – | 0 | 1 | – | 1 | – | – | – |
| Accounts payable and other liabilities | SEK | | 1,418 | 1,083 | 243 | 89 | 3 | – | | 1,454 | 1,081 | 223 | 142 | 8 | – |
| **Total** | | | **2,310** | **1,087** | **253** | **112** | **858** | **–** | | **2,296** | **1,083** | **228** | **168** | **817** | **–** |
| Interest-bearing liabilities (IB) | | | 815 | | | | | | | 815 | | | | | |

1) The value of forward agreements is included in the item "Derivative instruments" in the balance sheet.

**Age analysis, accounts receivable and other receivables**

| | 2014 | | 2015 | |
|---|---|---|---|---|
| SEK m | Gross | Of which, impairment | Gross | Of which, impairment |
| Non-due accounts receivable | 930 | – | 1,053 | – |
| Past due accounts receivable 0–30 days | 211 | 1 | 238 | 2 |
| Past due accounts receivable >30 days–90 days | 52 | 4 | 47 | 3 |
| Past due accounts receivable >90 days–180 days | 22 | 6 | 17 | 5 |
| Past due accounts receivable >180 days–360 days | 13 | 8 | 30 | 24 |
| Past due accounts receivable >360 days | 24 | 24 | 20 | 15 |
| **Total receivables** | **1,252** | **43** | **1,405** | **49** |

**Deposit account for impairment of accounts receivable and other receivables**

| SEK m | 2014 | 2015 |
|---|---|---|
| Opening balance | 71 | 43 |
| Reversal of previously recognised impairment losses | -26 | -5 |
| Impairment for the year | 8 | 14 |
| Confirmed losses | -1 | -3 |
| Translation differences | 4 | -1 |
| Acquisition of operations | – | 1 |
| Impairment reclassified to assets held for sale | -13 | – |
| **Closing balance** | **43** | **49** |

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. Collective impairment losses are recognised for a group of receivables with similar credit properties and characteristics.

**Offsetting of financial instruments**

Nobia has binding framework agreements for derivatives trading, which entails that financial liabilities can be offset – or "netted" – in the event of insolvency or similar situation. The tables below show the amounts encompassed by netting agreements at 31 December 2015 and 31 December 2014.

**Offset agreements**

| 2015<br>SEK m | Financial assets | Financial liabilities |
|---|---|---|
| Recognised amounts in statement of financial position | 18 | 14 |
| Amounts encompassed by netting | -14 | -14 |
| **Amounts after netting** | **4** | **0** |

| 2014<br>SEK m | Financial assets | Financial liabilities |
|---|---|---|
| Recognised amounts in statement of financial position | 20 | 24 |
| Amounts encompassed by netting | -20 | -20 |
| **Amounts after netting** | **0** | **4** |

## 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 Central 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 by region**

| | Nordic region | | UK region | | Central Europe region | | Group-wide and eliminations | | Group | |
|---|---|---|---|---|---|---|---|---|---|---|
| SEK m | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 |
| Net sales from external customers | 5,213 | 5,651 | 4,707 | 6,099 | 1,491 | 1,586 | – | – | 11,411 | 13,336 |
| Net sales from other regions | 2 | 1 | – | – | 2 | 2 | -4 | -3 | – | – |
| **Total net sales** | **5,215** | **5,652** | **4,707** | **6,099** | **1,493** | **1,588** | **-4** | **-3** | **11,411** | **13,336** |
| Depreciation/amortisation | -118 | -127 | -131 | -146 | -42 | -46 | -19 | -22 | -310 | -341 |
| **Operating profit/loss** | **660** | **749** | **270** | **567** | **117** | **-15** | **-169** | **-156** | **878** | **1,145** |
| Financial income | | | | | | | | | 12 | 34 |
| Financial expenses | | | | | | | | | -90 | -92 |
| **Profit before tax and discontinued operations** | | | | | | | | | **800** | **1,087** |
| Impairment | 0 | -1 | -16 | 6 | 0 | -10 | 0 | 0 | -16 | -5 |
| Items affecting comparability in EBIT | -6 | – | -83 | – | – | -96 | -8 | – | -97 | -96 |

### Total liabilities and assets per region

| SEK m | Region Nordic 2014 | Region Nordic 2015 | Region UK 2014 | Region UK 2015 | Central Europe region 2014 | Central Europe region 2015 | Group-wide and eliminations 2014 | Group-wide and eliminations 2015 | Group 2014 | Group 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Total operating assets** | **1,685** | **1,752** | **1,844** | **2,727** | **1,234** | **775** | **2,614** | **2,041** [1] | **7,377** | **7,295** |
| Total operating assets include: | | | | | | | | | | |
| Investments in fixed assets | 133 | 159 | 86 | 168 | 85 | 59 | 12 | 24 | 316 | 410 |
| **Total operating liabilities** | **1 045** | **1,085** | **992** | **1,091** | **661** | **351** | **277** | **172** [2] | **2,975** | **2,699** |

1) Primarily comprises goodwill of SEK 1,605 million (2,021) and consolidated surplus values on fixed assets of SEK 228 million (233). Elimination of internal receivables amounted to negative SEK 21 million (neg. 24).
2) Elimination of internal liabilities amounted to negative SEK 21 million (neg. 24).

### Geographic areas, Group

| SEK m | Income from external customers[1] 2014 | Income from external customers[1] 2015 | Fixed assets[2] 2014 | Fixed assets[2] 2015 |
|---|---|---|---|---|
| Sweden | 1,153 | 1,422 | 279 | 305 |
| Denmark | 1,868 | 2,012 | 689 | 670 |
| Norway | 1,486 | 1,449 | 132 | 123 |
| Finland | 775 | 775 | 179 | 165 |
| UK | 4,757 | 6,207 | 2,178 | 2,531 |
| France | 135 | 114 | – | – |
| Germany | 132 | 132 | 238 | 216 |
| Austria | 457 | 432 | 335 | 329 |
| Netherlands | 15 | 22 | 1 | 1 |
| USA | 181 | 341 | 68 | 66 |
| Other countries | 452 | 426 | 9 | 13 |
| **Total** | **11,411** | **13,332** | **4,108** | **4,419** |

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

## NOTE 4 COSTS FOR EMPLOYEE BENEFITS AND REMUNERATION TO SENIOR EXECUTIVES

| SEK m | 2014 Salaries and other remuneration | 2014 Social security costs | 2014 Total | 2015 Salaries and other remuneration | 2015 Social security costs | 2015 Total |
|---|---|---|---|---|---|---|
| **Total subsidiaries**[1] | 2,319 | 582 | **2,901** | 2,582 | 558 | **3,140** |
| – of which pension costs | | 190 | **190** | | 221 | **221** |
| **Parent Company**[1] | 57 | 34 | **91** | 56 | 31 | **87** |
| – of which pension costs | | 15 | **15** | | 16 | **16** |
| **Group**[1] | 2,376 | 616 | **2,992** | 2,638 | 589 | **3,227** |
| – of which pension costs | | 205 | **205** | | 237 | **237** |

1) Excludes costs for share-based remuneration.

### Total costs for employee benefits

| SEK m | 2014 | 2015 |
|---|---|---|
| Salaries and other remuneration | 2,376 | 2,638 |
| Social security costs | 411 | 352 |
| Pension costs – defined-contribution plans | 161 | 179 |
| Pension costs – defined-benefit plans | 35 | 51 |
| Costs for special employer's contributions and tax on returns from pension | 9 | 7 |
| **Costs for allotted employee share options** | | |
| 2011–2015 | 1 | 3 |
| **Costs for the Performance Share Plan** | | |
| 2012–2015 | 2 | 1 |
| 2013–2016 | 4 | 5 |
| 2014–2017 | 2 | 4 |
| 2015–2018 | – | 2 |
| **Total costs for employees** | **3,001** | **3,242** |

### Salaries and other remuneration for the Parent Company

| SEK m | 2014 | 2015 |
|---|---|---|
| Senior executives[1] | 23 | 17 |
| Other employees | 34 | 39 |
| **Total Parent Company**[2] | **57** | **56** |

1) In 2015, the number of individuals was 5 (5).
2) Excludes costs for share-based remuneration.

### Salaries and other remuneration for subsidiaries

| SEK m | 2014 | 2015 |
|---|---|---|
| Presidents of subsidiaries[1] | 37 | 39 |
| Other employees of subsidiaries | 2,282 | 2,543 |
| **Total subsidiaries**[2] | **2,319** | **2,582** |

1) In 2015, the number of individuals was 16 (15).
2) Excludes costs for share-based remuneration.

| Remuneration and other benefits, 2015 SEK m | Basic salary, Directors' fees | Variable remu-neration | Other benefits | Pension costs | Share-based remu-neration | Other remu-neration | Total | Pension com-mitments | Number of individuals |
|---|---|---|---|---|---|---|---|---|---|
| **Chairman of the Board** | | | | | | | | | |
| Tomas Billing (from 14 April 2015) | 0.75 | – | – | – | – | – | 0.75 | – | 0.75 |
| Johan Molin (until 14 April 2015) | 0.23 | – | – | – | – | – | 0.23 | – | 0.25 |
| **Board members** | | | | | | | | | |
| Nora Førisdal Larssen | 0.37 | – | – | – | – | – | 0.37 | – | 1.00 |
| Lilian Fossum Biner | 0.37 | – | – | – | – | – | 0.37 | – | 1.00 |
| Stefan Jacobsson | 0.37 | – | – | – | – | – | 0.37 | – | 1.00 |
| Fredrik Palmstierna | 0.37 | – | – | – | – | – | 0.37 | – | 1.00 |
| Thore Ohlsson | 0.37 | – | – | – | – | – | 0.37 | – | 1.00 |
| Ricard Wennerklint | 0.37 | – | – | – | – | – | 0.37 | – | 1.00 |
| Christina Ståhl | 0.28 | – | – | – | – | – | 0.28 | – | 0.75 |
| **President** | | | | | | | | | |
| Morten Falkenberg | 7.73 | 2.13 | 0.21 | 2.37 | 1.18 | – | 13.62 | – | 1.00 |
| **Other members of Group management** | 27.54 | 4.69 | 1.09 | 4.39 | 3.10 | – | 40.81 | 0.57 | 14.00 |
| – of whom, from subsidiaries | 19.18 | 3.05 | 0.87 | 2.42 | 1.84 | – | 27.36 | – | 10.00 |
| **Total** | **38.75** | **6.82** | **1.30** | **6.76** | **4.28** | **–** | **57.91** | **0.57** | **22.75** |

| Remuneration and other benefits, 2014 SEK m | Basic salary, Directors' fees | Variable remu-neration | Other benefits | Pension costs | Share-based remu-neration | Other remu-neration | Total | Pension com-mitments | Number of individuals |
|---|---|---|---|---|---|---|---|---|---|
| **Chairman of the Board** | | | | | | | | | |
| Johan Molin | 0.93 | – | – | – | – | – | 0.93 | – | 1.0 |
| **Board members** | | | | | | | | | |
| Nora Førisdal Larssen | 0.35 | – | – | – | – | – | 0.35 | – | 1.0 |
| Lilian Fossum Biner | 0.35 | – | – | – | – | – | 0.35 | – | 1.0 |
| Stefan Jacobsson | 0.26 | – | – | – | – | – | 0.26 | – | 0.8 |
| Fredrik Palmstierna | 0.35 | – | – | – | – | – | 0.35 | – | 1.0 |
| Thore Ohlsson | 0.35 | – | – | – | – | – | 0.35 | – | 1.0 |
| Ricard Wennerklint | 0.26 | – | – | – | – | – | 0.26 | – | 0.8 |
| **President** | | | | | | | | | |
| Morten Falkenberg | 7.38 | 3.48 | 0.19 | 2.29 | 1.28 | – | 14.62 | – | 1.0 |
| **Other members of Group management** | 22.14 | 4.39 | 0.75 | 4.16 | 1.61 | – | 33.05 | 0.25 | 10.0 |
| – of whom, from subsidiaries | 13.36 | 2.39 | 0.60 | 1.47 | 0.58 | – | 18.40 | – | 6.0 |
| **Total** | **32.37** | **7.87** | **0.94** | **6.45** | **2.89** | **–** | **50.52** | **0.25** | **17.6** |

The average number of employees and number of men and women among Board members and senior executives are described in Note 5, see page 64.

**Remuneration to senior executives**

***– 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 375,000 per member and the Chairman received SEK 1,000,000. The Board received a total of SEK 3,480,000. Employee representatives receive a study and preparation fee of SEK 26,000 per person per year.

***– President***

In the 2015 fiscal year, the President received SEK 7,942,864 in salary and benefits, plus a variable salary portion related to results for 2015 of SEK 2,130,445. 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 2015, the premium cost was SEK 2,353,740 The age of retirement 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 12 individuals (eight) in 2015, of whom four (three) are employed in the Parent Company, received salaries and benefits during the fiscal year amounting to SEK 27,543,859 plus variable salary portions based on results for 2015 of SEK 4,690,542. Group management has the right to ITP pensions or an equivalent scheme. The age of retirement is 65. In addition, management in Sweden 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 executives following a decision by the Board. The variable portion is based on an earning period of one year. The outcome depends on the extent to which predetermined targets are met. The targets for the President are set by the Board of Directors. The President sets the targets for other senior managers following recommendations from the Board Remuneration Committee.

***– Remuneration Committee***

The Board of Directors appoints a Remuneration Committee from within its ranks. The Committee's tasks include preparing proposals with respect to remuneration for the President, and to reach decisions on remuneration proposals for managers that report directly to the President. For information about the Committee and its members, see page 84.

***– 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 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 were allotted a total of 1,640,000 employee share options. Each employee share option carried 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 an exercise price of SEK 54.10. The right to utilise these employee share options required that on the exercise date the holder was an employee of the Nobia Group and that, during the 2011–2013 fiscal years, the Nobia Group increased its earnings per share compared with the average for the 2009 and 2010 fiscal years, adjusted for items affecting comparability, such that the total increase in earnings per share corresponded 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 influenced the number of options that could be exercised. Group management received SEK 11,809,472 in benefits during the 2015 fiscal year in connection with the exercise of the options in the share option scheme 2011, of which SEK 2,645,300 was a benefit for the President.

***– Performance Share Plans 2012–2018***

At the 2012, 2013, 2014 and 2015 Annual General Meetings, resolutions were made in accordance with the Board's proposal to introduce remuneration schemes in the form of Performance Share Plans. The Performance Share Plans encompass about 100 individuals, consisting of senior executives and managers, as appointed by Nobia senior management. Participation in the plans requires an investment in Nobia shares corresponding to 50, 75 or 100 per cent of the employee's monthly salary (gross) for the 2012 Plan, and an investment corresponding to 25, 50, 75 or 100 per cent of the employee's monthly salary (gross) for the 2013, 2014 and 2015 Plans. 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, and that entire investment in Nobia shares has remained during the same period. Matching takes place at a ratio of 1:1. Allotment of shares based on performance share rights also requires fulfilment of a financial performance target linked to accumulated earnings per share for current and future fiscal years, adjusted for items affecting comparability during the same period. Participants are not compensated for dividends paid during the vesting period.

The maximum number of shares that can be allocated under the four plans amounts to 1,500,000.

The President is entitled to a maximum of four performance shares for every saving share. Other members of Group management are entitled to three performance shares. For the 2013-2016 and the 2014-2017 Plans, an additional five to six individuals subordinate to the President are entitled to two performance shares. Other plan participants are entitled to one performance share. Group management received SEK 5,543,140 in benefits during the 2015 fiscal year in connection with the matching of shares under the framework of the Performance Share Plan 2012, of which SEK 2,159,924 was a benefit for the President.

| | Performance Share Plan | | | |
|---|---|---|---|---|
| Plan | 2012–2015 | 2013–2016 | 2014–2017 | 2015–2018 |
| Vesting period | May 2012 – May 2015 | May 2013 – April/May 2016 | May 2014 – April/May 2017 | May 2015 – April/May 2018 |
| Performance targets | Accumulated earnings per share 2012-2013 | Accumulated earnings per share 2013–2014 | Accumulated earnings per share 2014–2015 | Accumulated earnings per share 2015–2016 |
| Fair value per share right | SEK 19.76 | SEK 33.30 | SEK 53.50 | SEK 82.60 |

The fair value is calculated as the share price on the plan's date of the allotment, in May at the start of the vesting period, reduced by the present value of expected dividends during the vesting period.

The costs of the share option scheme and the Performance Share Plans are presented in the table below:

| | Accumulated costs | | | 2014[1] | | | 2015[2] | | |
|---|---|---|---|---|---|---|---|---|---|
| Plan | IFRS 2[3] cost | Social security contributions | Total cost | IFRS 2[3] cost | Social security contributions | Total cost | IFRS 2[3] cost | Social security contributions | Total cost |
| 2011–2015 | 9 | 5 | 14 | 1 | 0 | 1 | – | 3 | 3 |
| 2012–2015 | 3 | 3 | 6 | 1 | 1 | 2 | 0 | 1 | 1 |
| 2013–2016 | 6 | 5 | 11 | 2 | 2 | 4 | 2 | 3 | 5 |
| 2014–2017 | 4 | 2 | 6 | 2 | 0 | 2 | 3 | 1 | 4 |
| 2015–2018 | 2 | 0 | 2 | – | – | – | 2 | 0 | 2 |
| | **24** | **15** | **39** | **6** | **3** | **9** | **7** | **8** | **15** |

1) Price on 31 December 2014 = SEK 69.75 per share
2) Price on 31 December 2015 = SEK 106.00 per share
3) See Note 1 on page 57.

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

| | 2014 | | 2015 | |
|---|---|---|---|---|
| | Average exercise price, SEK per share | Number of options | Average exercise price, SEK per share | Number of options |
| As per 1 January | 54.10 | 1,075,000 | 54.10 | 640,000 |
| Allotted | – | 0 | – | 0 |
| Expired | – | 0 | – | 0 |
| Forfeited | 54.10 | -40,000 | 54.10 | -20,000 |
| Exercised | 54.10[1] | -395,000 | 54.10[1] | -620,000 |
| **As per 31 December** | **54.10** | **640,000** | **54.10** | **0** |

1) Average share price on exercise was SEK 87.34 per share (57.16).

| No. of share rights | 2014 | 2015 |
|---|---|---|
| As per 1 January | 508,724 | 544,454 |
| Allotted | 185,765 | 143,901 |
| Exercised | 0 | -135,147[1] |
| Forfeited | -150,035 | -37,856 |
| **As per 31 December** | **544,454** | **515,352** |

1) Share price on exercise was SEK 89.75 per share.

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

| | No. of share rights | |
|---|---|---|
| Expiry date | 2014 | 2015 |
| April/May 2015 | 140,356 | 0 |
| April/May 2016 | 238,951 | 214,780 |
| April/May 2017 | 165,147 | 160,261 |
| April/May 2018 | 0 | 140,311 |
| | **544,454** | **515,352** |

Of the outstanding share rights, 203,003 are matching shares and 312,349 are performance shares.

## NOTE 5 AVERAGE NUMBER OF EMPLOYEES

| | 2014 | | 2015 | |
|---|---|---|---|---|
| Subsidiaries in: | Average number of employees | Of whom, men | Average number of employees | Of whom, men |
| Sweden | 711 | 510 | 716 | 509 |
| Denmark | 1,244 | 882 | 1,275 | 909 |
| Norway | 311 | 118 | 301 | 113 |
| Finland | 395 | 278 | 368 | 259 |
| Germany | 337 | 237 | 337 | 237 |
| Austria | 397 | 314 | 367 | 293 |
| UK | 2,408 | 1,794 | 2,914 | 2,180 |
| France | 713 | 337 | 71 | 34 |
| USA | 50 | 16 | 51 | 22 |
| Switzerland | 27 | 18 | 29 | 19 |
| Poland | 1 | 0 | 1 | 0 |
| Netherlands | 2 | 2 | 2 | 2 |
| Japan | 3 | 1 | 3 | 1 |
| **Total subsidiaries** | **6,599** | **4,507** | **6,435** | **4,578** |
| Parent Company | 37 | 16 | 38 | 13 |
| **Group** | **6,636** | **4,523** | **6,473** | **4,591** |

| | 2014 | | 2015 | |
|---|---|---|---|---|
| | Number on closing date | Of whom, men, % | Number on closing date | Of whom, men, % |
| Board members | 60 | 95 | 68 | 84 |
| President and other senior executives | 84 | 83 | 92 | 87 |
| **Group** | **144** | **84** | **160** | **86** |

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

| | 2014 | | 2015 | |
|---|---|---|---|---|
| | Number on closing date | Of whom, men, % | Number on closing date | Of whom, men, % |
| Board members | 10 | 70 | 11 | 64 |
| President and other senior executives | 9 | 89 | 13 | 85 |
| **Parent Company** | **19** | **79** | **24** | **75** |

## NOTE 6 REMUNERATION TO AUDITORS

**Specification by type of costs**

| | Group | | Parent Company | |
|---|---|---|---|---|
| SEK m | 2014 | 2015 | 2014 | 2015 |
| **KPMG** | | | | |
| Audit assignment | 9 | 9 | 3 | 2 |
| Audit activities other than audit assignment | 1 | 0 | 0 | 0 |
| Tax advice | 1 | 1 | 0 | 0 |
| Other assignments | 2 | 4 | 1 | 3 |
| **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 BY ACTIVITY

| | Depreciation/ amortisation | | Impairment | |
|---|---|---|---|---|
| Group, SEK m | 2014 | 2015 | 2014 | 2015 |
| Cost of goods sold | -154 | -164 | – | – |
| Selling expenses | -130 | -142 | -14 | 5 |
| Administrative expenses | -26 | -35 | -2 | -10 |
| **Total depreciation/ amortisation and impairment** | **-310** | **-341** | **-16** | **-5** |

## NOTE 8 OTHER OPERATING INCOME

| | Group | | Parent Company | |
|---|---|---|---|---|
| Group, SEK m | 2014 | 2015 | 2014 | 2015 |
| Gains attributable to sale of fixed assets | 0 | 17 | – | – |
| Exchange-rate gains from operating receivables/liabilities | 33 | 50 | – | – |
| Other | 18 | 19 | – | – |
| **Total other operating income** | **51** | **86** | **–** | **–** |

## NOTE 9 OTHER OPERATING EXPENSES

| | Group | | Parent Company | |
|---|---|---|---|---|
| SEK m | 2014 | 2015 | 2014 | 2015 |
| Exchange-rate losses from operating receivables/liabilities | -40 | -39 | – | – |
| Capital loss attributable to divestment of subsidiaries | – | – | – | – |
| Loss attributable to sale of fixed assets | 0 | 0 | – | – |
| Other | -7 | -23 | – | – |
| **Total other operating expenses** | **-47** | **-62** | **–** | **–** |

## NOTE 10 SPECIFICATION BY TYPE OF COST

| SEK m | 2014 | 2015 |
|---|---|---|
| Costs for goods and materials | -4,552 | -5,400 |
| Costs for remuneration to employees | -2,654 | -3,139 |
| Depreciation and impairment (Note 7) | -326 | -346 |
| Freight costs | -537 | -592 |
| Operational leasing costs, primarily stores (Note 11) | -548 | -543 |
| Other operating expenses | -1,967 | -2,253 |
| **Total operating expenses** | **-10,584** | **-12,273** |

## NOTE 11 OPERATING LEASES

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 | 2014 | 2015 | 2014 | 2015 |
| Expensed during the year | 548 | 543 | 1 | 1 |
| | | | | |
| Falling due for payment within one year | 499 | 509 | 0 | 0 |
| Falling due for payment between one and five years | 1,240 | 1,335 | 0 | 0 |
| Falling due for payment later | 847 | 798 | 0 | 0 |
| **Total** | **2,586** | **2,642** | **0** | **0** |

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 | 2014 | 2015 | 2014 | 2015 |
| Falling due for payment within one year | 48 | 48 | – | – |
| Falling due for payment between one and five years | 84 | 78 | – | – |
| Falling due for payment later | 3 | 3 | – | – |
| **Total** | **135** | **129** | **–** | **–** |

## NOTE 12 FINANCIAL INCOME AND EXPENSES

| | Group | | Parent Company | |
|---|---|---|---|---|
| SEK m | 2014 | 2015 | 2014 | 2015 |
| **Profit from participations in Group companies** | | | | |
| Dividends | – | – | 161 | 200 |
| Group contributions received | – | – | 151 | 216 |
| **Financial income** | | | | |
| Interest income, current | 7 | 6 | 29 | 3 |
| Exchange-rate differences | 5 | 28 | – | – |
| **Financial expenses** | | | | |
| Interest expense | -44 | -25 | -64 | -28 |
| Interest expense pertaining to pension liabilities | -41 | -43 | – | – |
| Exchange-rate differences | -5 | -24 | -4 | -24 |
| **Total** | **-78** | **-58** | **273** | **367** |

## NOTE 13 TAX ON NET PROFIT FOR THE YEAR

| | Group | | Parent Company | |
|---|---|---|---|---|
| SEK m | 2014 | 2015 | 2014 | 2015 |
| Current tax expenses for the period | -187 | -239 | – | – |
| Deferred tax | -18 | -23 | 1 | 0 |
| **Tax on net profit for the year** | **-205** | **-262** | **1** | **0** |

**Reconciliation of effective tax**

| Parent Company, % | 2014 | 2015 |
|---|---|---|
| Tax rate in the Parent Company | 22.0 | 22.0 |
| Taxes attributable to earlier periods | – | – |
| Non-tax deductible income | – | 0.0 |
| Non-deductible costs | 0.5 | 1.0 |
| Non-tax deductible dividend | -23.1 | -14.3 |
| Non-capitalised loss carryforwards | 0.4 | – |
| Utilisation of non-capitalised loss carryforwards | – | -8.8 |
| Other | -0.4 | 0.0 |
| **Recognised effective tax** | **-0.6** | **-0.1** |

The difference between the nominal and effective tax rates for the Parent Company primarily pertains to dividends from subsidiaries and utilisation of non-capitalised loss carryforward.

Tax expense on net profit for the year for the Group comprised 24.0 per cent of profit before tax. In 2014, tax expense accounted for 25.7 per cent of profit before tax. On 1 January 2016, corporation tax in Denmark was lowered from 23.5 per cent to 22.0 per cent, and in Norway from 27.0 per cent to 25.0 per cent. Nobia's deferred tax liabilities and assets from these countries are thus recognised at these new tax rates as per 31 December 2015, with a marginal effect in the income statement and the balance sheet. The difference between recognised tax (24.0 per cent) and anticipated tax in consolidated profit before tax calculated using the local tax rate for Sweden (22.0 per cent) is explained in the table below.

**Reconciliation of effective tax**

| Group, % | 2014 | 2015 |
|---|---|---|
| Local tax rate in Sweden | 22.0 | 22.0 |
| Different local tax rates | 2.0 | 0.3 |
| Taxes attributable to earlier periods | 0.2 | -0.2 |
| Non-tax deductible income | -1.0 | -0.9 |
| Non-deductible costs | 2.3 | 1.9 |
| Changed tax rate | -0.2 | -0.1 |
| Non-capitalised loss carryforwards | 0.4 | 1.0 |
| Other | 0 | 0 |
| **Recognised effective tax** | **25.7** | **24.0** |

Note 26 on page 74 explains the calculation of deferred tax assets and liabilities.

## NOTE 14 INTANGIBLE ASSETS

| Goodwill, SEK m | 2014 | 2015 |
|---|---|---|
| Opening carrying amount | 2,153 | 2,278 |
| Acquisition of operations | 260 | 297 |
| Impairment of discontinued operations | -328 | – |
| Translation differences | 193 | -24 |
| **Closing carrying amount** | **2,278** | **2,551** |

**Impairment testing of goodwill**

At the end of 2015, recognised goodwill amounted to SEK 2,551 million (2,278). The carrying amount of goodwill is specified by cash-generating units as follows:

| SEK m | 2014 | 2015 |
|---|---|---|
| Nobia UK | 1,455 | 1,762 |
| Nobia DK | 327 | 313 |
| Nobia SweNo | 147 | 139 |
| Other | 349 | 337 |
| **Total** | **2,278** | **2,551** |

Goodwill has been allocated to cash-generating units (CGU) when these units were acquired. Nobia has six CGUs, which in organisational terms correspond to the company's business units. Goodwill is subject to an annual impairment test by calculating the expected recoverable amount of each CGU. The recoverable amount is calculated as the expected cash flow discounted by a weighted average cost of capital (WACC) after tax for each CGU. 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, which reflects previous experience.

When calculating the expected cash flow, significant assumptions applied include expected demand, growth in net sales, operating margin and working capital requirements. Various economic indicators are used to analyse the business climate, as well as external and internal analyses of these. 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 2015, the Group's weighted cost of capital before tax amounted to 10.0 per cent (10.8) and after tax to 8.1 per cent (8.6). In total, the utilised cost of capital after tax for 2015 is in the interval 7.4-8.6 per cent (7.9-9.2).

Testing of goodwill did not lead to any impairment in 2015.

Assumptions for calculating recoverable amounts:

**Discount rate before tax, %**

| % | 2014 | 2015 |
|---|---|---|
| Nobia UK | 11.1 | 10.4 |
| Nobia DK | 10.4 | 9.7 |
| Nobia SweNo | 11.7 | 10.0 |
| Other | 9.5–10.8 | 9.2–9.9 |

**Other intangible assets**

| SEK m | 2014 | 2015 |
|---|---|---|
| Opening cost | 494 | 411 |
| Investments for the year | 59 | 50 |
| Sales and scrapping | -3 | 0 |
| Acquisition of operations | 2 | – |
| Reclassification | -173 | 14 |
| Translation differences | 32 | -7 |
| **Closing accumulated cost** | **411** | **468** |
| Opening amortisation | 318 | 253 |
| Sales and scrapping | -2 | 0 |
| Amortisation for the year | 0 | 74 |
| Reclassification | -84 | 5 |
| Impairment | 2 | – |
| Translation differences | 19 | -10 |
| **Closing accumulated amortisation** | **253** | **322** |
| **Closing carrying amount** | **158** | **146** |
| Of which: | | |
| Software | 123 | 115 |
| Brands | 23 | 22 |
| Other | 12 | 9 |
| **Closing carrying amount** | **158** | **146** |

## NOTE 15 TANGIBLE FIXED ASSETS

| | Group | |
|---|---|---|
| **Buildings,** SEK m | 2014 | 2015 |
| Opening cost | 1,810 | 1,920 |
| Investments for the year | 25 | 52 |
| Sales and scrapping | -29 | -247 |
| Acquisition of operations | 75 | – |
| Reclassification | -101 | 3 |
| Translation differences | 140 | -18 |
| **Closing cost including written-up amount** | **1,920** | **1,710** |
| Opening depreciation and impairment | 1,184 | 1,261 |
| Sale and scrapping | -20 | -247 |
| Reclassification | -66 | -1 |
| Depreciation for the year | 74 | 81 |
| Depreciation for the year, discontinued operations | 4 | – |
| Impairment | -7 | 1 |
| Translation differences | 92 | -10 |
| **Closing depreciation and impairment** | **1,261** | **1,085** |
| **Closing carrying amount** | **659** | **625** |
| **Closing accumulated depreciation** | **1,257** | **1,080** |

| | Group | |
|---|---|---|
| **Land and land improvements,** SEK m | 2014 | 2015 |
| Opening cost | 183 | 184 |
| Investments for the year | 1 | 1 |
| Sales and scrapping | -2 | – |
| Acquisition of operations | 11 | – |
| Reclassification | -20 | – |
| Translation differences | 11 | -3 |
| **Closing cost including written-up amount** | **184** | **182** |
| Opening depreciation and impairment | 25 | 27 |
| Reclassification | 0 | – |
| Depreciation for the year | 1 | 1 |
| Translation differences | 1 | 0 |
| **Closing depreciation and impairment** | **27** | **28** |
| **Closing carrying amount** | **157** | **154** |
| **Closing accumulated depreciation** | **25** | **26** |

| | Group | |
|---|---|---|
| **Investments in progress,** SEK m | 2014 | 2015 |
| Opening balance | 13 | 34 |
| Investments initiated during the year | 34 | 33 |
| Investments completed during the year[1)] | -15 | -28 |
| Translation differences | 2 | -1 |
| **Closing carrying amount** | **34** | **38** |

1) Assets reclassified as other tangible fixed assets.

| | Group | |
|---|---|---|
| **Machinery and other technical equipment,** SEK m | 2014 | 2015 |
| Opening cost | 2,494 | 2,213 |
| Investments for the year | 61 | 124 |
| Sales and scrapping | -37 | -411 |
| Acquisition of operations | 14 | 5 |
| Reclassification | -474 | 15 |
| Translation differences | 155 | -20 |
| **Closing cost including written-up amount** | **2,213** | **1,926** |
| Opening depreciation and impairment | 1,769 | 1,670 |
| Sales and scrapping | -35 | -409 |
| Reclassification | -325 | 0 |
| Depreciation for the year | 108 | 114 |
| Depreciation for the year, discontinued operations | 39 | – |
| Impairment | 0 | 1 |
| Translation differences | 114 | -15 |
| **Closing depreciation and impairment** | **1,670** | **1,361** |
| **Closing carrying amount** | **543** | **565** |
| **Closing accumulated depreciation** | **1,654** | **1,352** |

| | Group | |
|---|---|---|
| **Equipment, tools, fixtures and fittings,** SEK m | 2014 | 2015 |
| Opening cost | 1,408 | 1,395 |
| Investments for the year | 123 | 139 |
| Sales and scrapping | -165 | -384 |
| Acquisition of operations | 12 | 4 |
| Reclassification | -107 | -6 |
| Translation differences | 124 | -1 |
| **Closing cost** | **1,395** | **1,147** |
| Opening depreciation and impairment | 1,054 | 1,116 |
| Sales and scrapping | -135 | -371 |
| Reclassification | -57 | -6 |
| Depreciation for the year | 127 | 71 |
| Depreciation for the year, discontinued operations | 11 | – |
| Impairment | 21 | 3 |
| Translation differences | 95 | 2 |
| **Closing depreciation and impairment** | **1,116** | **815** |
| **Closing carrying amount** | **279** | **332** |
| **Closing accumulated depreciation** | **1,061** | **764** |

| | Group | |
|---|---|---|
| **Advance payments for tangible fixed assets,** SEK m | 2014 | 2015 |
| Opening balance | 0 | 0 |
| Expenses during the year | 0 | 8 |
| Reclassification | 0 | – |
| **Closing carrying amount** | **0** | **8** |

Reclassifications for the year amounted to a negative SEK 9 million and pertained to reclassifications to Other intangible assets. Impairment of tangible fixed assets for the year amounted to SEK 12 million (14) and reversals of previous impairment amounted to negative SEK 7 million. Of this amount, negative net SEK 6 million (pos: 14) was charged to the UK region and pertained to machinery and kitchen displays. SEK 1 million (0) was charged to the Nordic region and pertained to buildings. SEK 10 million (0) was charged to the Central Europe region and pertained to kitchen displays. No impairment was charged to Group-wide and eliminations (–). Impairment was recognised at fair value less selling expenses.

## NOTE 16 FINANCIAL FIXED ASSETS

| | Group | |
|---|---|---|
| **Other long-term receivables,** SEK m | 2014 | 2015 |
| Deposits | 27 | 32 |
| Long-term loans to retailers | 1 | 1 |
| Other interest-bearing receivables | 6 | 3 |
| Other | 1 | 1 |
| **Total** | **35** | **37** |

| | Parent Company | |
|---|---|---|
| **Shares and participations in Group companies,** SEK m | 2014 | 2015 |
| Opening cost | 2,231 | 2,234 |
| Intra-Group sale | – | -154 |
| Other changes | 3 | 4 |
| **Closing cost** | **2,234** | **2,084** |

## NOTE 17 SHARES AND PARTICIPATIONS IN SUBSIDIARIES

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

| | Corp. Reg. No. | Domicile | Share of equity, % | No. of shares | Carrying amount 2014 | Carrying amount 2015 |
|---|---|---|---|---|---|---|
| Nobia Sverige AB | 556060-1006 | Stockholm | 100 | 100 | 1,256 | 1,256 |
| Sigdal Kjøkken AS | | Kolbotn | 100 | | | |
| Nobia Production Sweden AB | 556038-0072 | Tidaholm | 100 | | | |
| Marbodal OY[1] | | Helsinki | 100 | | | |
| Nobia Denmark A/S | | Ølgod | 100 | | | |
| HTH Kök Svenska AB | 556187-3190 | Helsingborg | 100 | | | |
| Nobia Denmark Retail A/S | | Ølgod | 100 | | | |
| Novart OY | | Nastola | 100 | | | |
| Nobia Holding (UK) Limited | | Darlington | 100 | | | |
| Magnet Ltd | | Darlington | 100 | | | |
| Larkflame Ltd | | Darlington | 100 | | | |
| Magnet (Isle of Man) Limited | | Isle of 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 | | | |
| Rollfold Holdings Ltd | | Dewsbury | 100 | | | |
| Rollfold Group Ltd | | Dewsbury | 100 | | | |
| Rollfold Trustee Ltd | | Dewsbury | 100 | | | |
| Rollfold Ltd | | Dewsbury | 100 | | | |
| Rixonway Kitchens Ltd | | Dewsbury | 100 | | | |
| Halvanto Kitchens Ltd | | Dewsbury | 100 | | | |
| Commodore Kitchens Ltd | | Grays | 100 | | | |
| CIE PLC | | Grays | 100 | | | |
| Lovene Dörr AB[1] | 556038-1724 | Stockholm | 100 | | | |
| Star Möbelwerk GmbH[1] | | Herford | 100 | | | |

| | Corp. Reg. No. | Domicile | Share of equity, % | No. of shares | Carrying amount 2014 | Carrying amount 2015 |
|---|---|---|---|---|---|---|
| Swedoor Bauelementevertrieb Gmbh[1)] | | Herford | 100 | | | |
| Nobia Svenska Kök AB | 556048-3256 | Tidaholm | 100 | 30,000 | 92 | 92 |
| Poggenpohl Möbelwerke GmbH | | Herford | 98.57 | | 713 | 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 | | Vienna | 100 | | | |
| Poggenpohl France SARL | | Paris | 100 | | | |
| Poggenpohl Nederland BV | | Veldhoven | 100 | | | |
| SA Poggenpohl Belgium NV[1)] | | Ghent | 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[1)] | | Herford | 100 | | | |
| Poggenpohl Forum Gmbh | | Herford | 100 | | | |
| Goldreif Küchen GmbH | | Herford | 100 | | | |
| WKF Wehdemer Komponentfertigung Gmbh[1)] | | Herford | 100 | | | |
| OP Vermögensförwaltungsgesellschaft mbH[1)] | | Herford | 100 | | | |
| MB Vermögensförwaltungsgesellschaft mbH[1)] | | Herford | 100 | | | |
| Norema ASA[3)] | | Jevnaker | 100 | 20,000 | 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 | | | | | 16 | 20 |
| **Total** | | | | | **2,234** | **2,084** |

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.
3) The holding was sold to the subsidiary Nobia Sverige AB in 2015.

## NOTE 18 DERIVATIVE INSTRUMENTS

| | Group | | Parent Company | |
|---|---|---|---|---|
| SEK m | Carrying amount 2015 | Fair value 2015 | Carrying amount 2015 | Fair value 2015 |
| Forward agreements, transaction exposure – assets | 18 | 18 | – | – |
| Forward agreements, transaction exposure – liabilities | -5 | -5 | – | – |
| Interest swaps | -9 | -9 | – | – |
| **Total** | **4** | **4** | **–** | **–** |

Unrealised gains and losses totalling a net gain of SEK 2 million in shareholders' equity as per 31 December 2015 will be recognised in profit or loss at different times within 24 months of the closing date. For information about forward agreements and interest swaps, see Note 2 Financial risks on page 58. The preceding year's unrealised gains and losses totalling a net loss of SEK 1 million were reversed in profit or loss in their entirety in 2015.

## NOTE 19 PREPAID EXPENSES AND ACCRUED INCOME

| | Group | | Parent Company | |
|---|---|---|---|---|
| SEK m | 2014 | 2015 | 2014 | 2015 |
| Prepaid rent | 72 | 57 | – | – |
| Bonus from suppliers | 91 | 84 | 45 | 50 |
| Prepaid bank charges | 4 | 3 | – | – |
| Insurance policies | 8 | 10 | 1 | 1 |
| Other | 72 | 104 | 8 | 8 |
| **Total** | **247** | **258** | **54** | **59** |

## NOTE 20 CASH AND CASH EQUIVALENTS

| | Group | | Parent Company | |
|---|---|---|---|---|
| SEK m | 2014 | 2015 | 2014 | 2015 |
| Cash and bank balances | 470 | 765 | 184 | 472 |

Unutilised overdraft facilities, which are not included in cash and cash equivalents, totalled SEK 399 million (401) in the Group, and SEK 349 million (351) in the Parent Company at year-end. In addition to the overdraft facilities, the company has unutilised credit commitments of SEK 1,000 million (1,000).

## NOTE 21 SHARE CAPITAL

| | No. of registered shares | No. of shares outstanding |
|---|---|---|
| As per 1 January 2014 | 175,293,458 | 167,131,158 |
| As per 31 December 2014 | 175,293,458 | 167,526,158 |
| As per 31 December 2015 | 175,293,458 | 168,281,305 |

Share capital amounted to SEK 58,430,237. The share's quotient value is SEK 0.33. All of the registered shares are fully paid. All shares are ordinary shares of the same type. Nobia owned 7,012,153 treasury shares (7,767,300) on 31 December 2015. 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 48 and 51.

| SEK m | Translation reserve | Hedging | Total |
|---|---|---|---|
| **Opening balance, 1 January 2014** | **-361** | **3** | **-358** |
| Exchange-rate differences attributable to translation of foreign operations | 369 | – | 369 |
| Cash-flow hedges, before tax | – | -5 | -5 |
| Tax attributable to change in hedging reserve for the year | – | 1 | 1 |
| **Closing balance, 31 December 2014** | **8** | **-1** | **7** |
| | | | |
| **Opening balance, 1 January 2015** | **8** | **-1** | **7** |
| Exchange-rate differences attributable to translation of foreign operations | -89 | – | -89 |
| Cash-flow hedges, before tax | – | 4 | 4 |
| Tax attributable to change in hedging reserve for the year | – | -1 | -1 |
| **Closing balance, 31 December 2015** | **-81** | **2** | **-79** |

### 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 and interest-rate 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 shareholders by the weighted average number of outstanding ordinary shares during the period.

| | 2014 | 2015 |
|---|---|---|
| Profit/loss attributable to Parent Company's shareholders, SEK m | -28 | 829 |
| Profit from continuing operations, SEK m | 594 | 826 |
| Profit/loss from discontinued operations, SEK m | -622 | 3 |
| Weighted average number of outstanding ordinary shares before dilution | 167,334,491 | 168,059,727 |
| Earnings/loss per share before dilution, SEK | -0.17 | 4.93 |
| Earnings per share before dilution, from continuing operations, SEK | 3.55 | 4.91 |
| Earnings/loss per share before dilution, for discontinued operations, SEK | -3.72 | 0.02 |

### 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 to potential ordinary shares attributable to the Performance Share Plans that were introduced in 2012, 2013, 2014 and 2015. Refer to Notes 4 and 21, on pages 61 and 71.

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.

| | 2014 | 2015 |
|---|---|---|
| Weighted average number of outstanding ordinary shares | 167,334,491 | 168,059,727 |
| Employee share option scheme 2011[1)] | 56,519 | 64,546 |
| Performance Share Plan 2012[1)] | 135,166 | 33,787 |
| Performance Share Plan 2013 | 174,846 | 206,201 |
| Performance Share Plan 2014 | 32,807 | 119,324 |
| Performance Share Plan 2015 | – | 33,235 |
| Weighted average number of outstanding ordinary shares after dilution | 167,733,829 | 168,516,820 |
| Earnings/loss per share, after dilution, SEK | -0.17 | 4.92 |
| Earnings per share after dilution from continuing operations, SEK | 3.54 | 4.90 |
| Earnings/loss per share after dilution from discontinued operations, SEK | -3.71 | 0.02 |

1) Pertains to dilution until redemption.

## NOTE 24 DIVIDEND

A dividend of SEK 2.50 per share for the 2015 fiscal year will be proposed at the Annual General Meeting on 11 April 2016. Based on the number of shares outstanding at the end of 2015, the proposed dividend totals SEK 421 million. This amount has not been recognised as a liability, but will be recognised as an appropriation of profits under shareholders' equity for the 2016 fiscal year.

In 2015, dividends totalling SEK 294 million were paid for the 2014 fiscal year. Dividends to non-controlling interests in subsidiaries amounted to SEK 0.1 million.

In 2014, dividends totalling SEK 167 million were paid for the 2013 fiscal year. Dividends to non-controlling interests in subsidiaries amounted to SEK 0.5 million.

## NOTE 25 PROVISIONS FOR PENSIONS

**Defined-benefit pension plans, Group**

| | Group | |
|---|---|---|
| **Provisions for pensions,** SEK m | 2014 | 2015 |
| Defined-benefit pension plans | 869 | 732 |

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 and Germany. The plans in the UK and Germany have already been concluded and no new benefits can be earned. These pension plans have been replaced by defined-contribution plans.

Commitments for old-age pensions and family pensions for salaried employees in Sweden are secured on the basis of the FPG/PRI system and insurance, primarily with Alecta. According to statement UFR 3 from the Swedish Financial Reporting Board, the insurance with Alecta is a multi-employer defined-benefit plan. Since the Group did not have access to information in the 2015 fiscal year that would make it possible to recognise this plan as a defined-benefit plan, ITP pension plans secured on the basis of insurance with Alecta have been recognised as defined-contribution plans. Fees for pension insurance with Alecta for the year amounted to SEK 2.7 million (2.7). On 31 December 2015, 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 153 per cent (143 per cent on 31 December 2014). 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 | 2014 | 2015 |
| Present value of funded obligations | 2,965 | 2,806 |
| Fair value of plan assets | -2,275 | -2,295 |
| | **690** | **511** |
| Present value of unfunded obligations | 179 | 221 |
| **Net debt in balance sheet** | **869** | **732** |

The net debt for defined-benefit plans amounting to SEK 732 million (869) is recognised in its entirety in the "Provisions for pensions" item in the consolidated balance sheet. Net debt at year-end in the UK amounted to 70 per cent of total debt.

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

| | Defined-benefit obligation | | Plan assets | | Net debt | |
|---|---|---|---|---|---|---|
| | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 |
| **At beginning of the year** | **2,475** | **3,144** | **-1,821** | **-2,275** | **654** | **869** |
| **Recognised in the income statement** | | | | | | |
| Costs for service during current year | -6 | 8 | – | – | -6 | 8 |
| Interest expense(+)/income (-) | 113 | 120 | -72 | -77 | 41 | 43 |
| | **107** | **128** | **-72** | **-77** | **35** | **51** |
| **Recognised in other comprehensive income** | | | | | | |
| Remeasurements | | | | | | |
| *Actuarial gains/loss due to:* | | | | | | |
| – demographic assumptions | -50 | -19 | – | – | -50 | -19 |
| – financial assumptions | 417 | -162 | – | – | 417 | -162 |
| – experience-based adjustments | 2 | -51 | – | – | 2 | -51 |
| *Return on plan assets excluding interest income* | – | – | -167 | 62 | -167 | 62 |
| Exchange-rate differences | 333 | 61 | -252 | -46 | 81 | 15 |
| | **702** | **-171** | **-419** | **16** | **283** | **-155** |
| **Other** | | | | | | |
| Employer contributions | – | – | -95 | -74 | -95 | -74 |
| Benefits paid | -140 | -125 | 132 | 115 | -8 | -10 |
| Reclassification from other long-term remuneration | – | 51 | – | – | – | 51 |
| | **-140** | **-74** | **37** | **41** | **-103** | **-33** |
| **At year-end** | **3,144** | **3,027** | **-2,275** | **-2,295** | **869** | **732** |

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

| | Group | |
|---|---|---|
| SEK m | 2014 | 2015 |
| Cost of goods sold | 0 | 1 |
| Selling expenses | 1 | 1 |
| Administrative expenses | -7 | 6 |
| Net financial items | 41 | 43 |
| **Total pension costs** | **35** | **51** |

**The actual return on the plan assets of the pension plans amounted to:**

| SEK m | 2014 | 2015 |
|---|---|---|
| Interest income | 72 | 77 |
| Return on pension assets excluding interest income | 167 | -62 |
| **Total actual return on plan assets** | **239** | **15** |

**Principal actuarial assumptions:**

| | Group | |
|---|---|---|
| % | 2014 | 2015 |
| Discount rate | 1.95–3.7 | 2.0–3.9 |
| Future annual salary increases | 2.0–2.5 | 2.0–2.3 |
| Future annual pension increases | 1.0–3.1 | 1.0–3.15 |

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

| | Group | |
|---|---|---|
| | 2014 | 2015 |
| **On closing date** | | |
| Men | 22.0–23.0 | 20.9–23.0 |
| Women | 25.0–25.3 | 24.5–25.0 |
| **20 years after closing date** | | |
| Men | 23.0–25.1 | 23.0–25.0 |
| Women | 25.0–28.5 | 25.0–28.1 |

**Plan assets comprise the following:**

| | 2014 | | 2015 | |
|---|---|---|---|---|
| Group, SEK m | Listed price on an active market | Unlisted prices | Listed price on an active market | Unlisted prices |
| Cash and cash equivalents | 39 | – | 15 | – |
| High-quality corporate bonds | 120 | – | 125 | – |
| Mutual funds, Western Europe | 131 | – | 142 | – |
| Mutual funds, growth markets | 27 | – | 24 | – |
| Mutual funds, global | 412 | – | 428 | – |
| Hedge funds | 200 | – | 218 | – |
| Fixed-income funds, term 7–20 years | 1,342 | – | 730 | – |
| Property funds | 4 | – | 613 | – |
| **Total** | **2,275** | **–** | **2,295** | |

Contributions to post-employment remuneration plans are expected to amount to SEK 82 million (71) for the 2016 fiscal year.

**Sensitivity analysis:**
The table below presents the possible changes in actuarial assumptions at year-end, all other assumptions being unchanged, and how they would affect the defined-benefit commitments.

| | Group | |
|---|---|---|
| SEK m | Increase | Decrease |
| Discount rate (1% change) | -504 | 609 |
| Expected mortality (1-year change) | 68 | -67 |
| Future salary increase (1% change) | 14 | -11 |
| Future increase in pension (1% change) | 338 | -264 |

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

| | Group | |
|---|---|---|
| **Pension costs,** SEK m | 2014 | 2015 |
| Total costs for defined-benefit plans | 35 | 51 |
| Total costs for defined-contribution plans | 161 | 179 |
| Costs for special employer's contributions and tax on returns from pension | 9 | 7 |
| **Total pension costs** | **205** | **237** |

**Defined-benefit pension plans, Parent Company:**

| | Parent Company | |
|---|---|---|
| **Provisions for pensions,** SEK m | 2014 | 2015 |
| Provisions in accordance with Pension Obligations Vesting Act, FPG/PRI pensions | 24 | 24 |

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

| | Parent Company | |
|---|---|---|
| **Defined-benefit plans,** SEK m | 2014 | 2015 |
| Administrative expenses | 2 | 3 |

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

| | Parent Company | |
|---|---|---|
| **Pension costs,** SEK m | 2014 | 2015 |
| Total costs for defined-benefit plans | 2 | 3 |
| Total costs for defined-contribution plans | 11 | 11 |
| Costs for special employer's contributions and tax on returns from pension | 2 | 2 |
| **Total pension costs** | **15** | **16** |

Parent Company pension liabilities are calculated at a discount rate of 3.3 per cent (3.0).

The assumptions are calculated on the basis of the salary levels applicable on the closing date. SEK 335,000, pertaining to defined-benefit pension plans in the Parent Company, is expected to be paid in 2016.

## NOTE 26 DEFERRED TAX

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

| | 2014 | | | 2015 | | |
|---|---|---|---|---|---|---|
| SEK m | Deferred tax assets | Deferred tax liabilities | Net | Deferred tax assets | Deferred tax liabilities | Net |
| Opening balance | 410 | 162 | 248 | 303 | 143 | 160 |
| Recognised in net profit/loss for the year | -30 | -12 | -18 | -30 | -7 | -23 |
| Recognised in discontinued operations, cost before reclassification to discontinued operations | -140 | -1 | -139 | – | – | – |
| Remeasurements of defined-benefit pension plans | 41 | – | 41 | -34 | – | -34 |
| Changes in forward agreements | 3 | 2 | 1 | -1 | 0 | -1 |
| Other changes | 2 | – | 2 | 0 | – | 0 |
| Offset/Reclassification | 0 | 0 | 0 | – | – | – |
| Acquisitions | 0 | 1 | -1 | – | 0 | 0 |
| Reclassification of assets held for sale | -11 | -19 | 8 | – | – | – |
| Translation differences | 28 | 10 | 18 | 3 | -3 | 6 |
| **Closing balance** | **303** | **143** | **160** | **241** | **133** | **108** |

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

| **Deferred tax assets** | Defined-benefit pension plans | Other temporary differences | Loss carry-forwards, etc. | Total |
|---|---|---|---|---|
| **As per 1 January 2014** | **115** | **57** | **238** | **410** |
| Recognised in net profit/loss for the year | -15 | -4 | -11 | -30 |
| Recognised in discontinued operations, cost before reclassification to discontinued operations | – | 2 | -142 | -140 |
| Recognised in other comprehensive income | 41 | 3 | – | 44 |
| Recognised directly against shareholders' equity | – | 2 | – | 2 |
| Offset/Reclassification | – | 0 | – | 0 |
| Acquisitions | – | 0 | – | 0 |
| Reclassification of assets held for sale | – | -11 | – | -11 |
| Translation differences | 16 | 3 | 9 | 28 |
| **As per 31 December 2014** | **157** | **52** | **94** | **303** |
| **As per 1 January 2015** | **157** | **52** | **94** | **303** |
| Recognised in net profit/loss for the year | -8 | -1 | -21 | -30 |
| Recognised in other comprehensive income | -34 | -1 | – | -35 |
| Recognised directly against shareholders' equity | – | 0 | – | 0 |
| Acquisitions | – | – | – | – |
| Translation differences | 3 | -1 | 1 | 3 |
| **As per 31 December 2015** | **118** | **49** | **74** | **241** |

| **Deferred tax liabilities** | Temporary differences in fixed assets | Other | Total |
|---|---|---|---|
| **As per 1 January 2014** | **133** | **29** | **162** |
| Recognised in net profit/loss for the year | -15 | 3 | -12 |
| Recognised in discontinued operations, cost before reclassification to discontinued operations | -1 | – | -1 |
| Recognised in other comprehensive income | – | 2 | 2 |
| Offset/Reclassification | -2 | 2 | 0 |
| Acquisitions | 1 | – | 1 |
| Reclassification of liabilities attributable to assets held for sale | -10 | -9 | -19 |
| Translation differences | 8 | 2 | 10 |
| **As per 31 December 2014** | **114** | **29** | **143** |
| **As per 1 January 2015** | **114** | **29** | **143** |
| Recognised in net profit/loss for the year | -12 | 5 | -7 |
| Recognised in other comprehensive income | – | 0 | 0 |
| Acquisitions | 0 | 0 | 0 |
| Translation differences | -2 | -1 | -3 |
| **As per 31 December 2015** | **100** | **33** | **133** |

On 1 January 2016, corporation tax in Denmark was lowered from 23.5 per cent to 22.0 per cent, in Norway from 27.0 per cent to 25.0 per cent. Nobia's deferred tax liabilities and receivables from these countries are recognised at this new tax rate from 31 December 2015, with a marginal effect on profit or loss and the balance sheet. The change in loss carryforwards for the year pertained primarily the utilisation of capitalised losses in Sweden and Germany and the capitalisation of losses in the US. Deferred tax assets at year-end were attributable to Germany, Sweden and the US. The loss carryforwards attributable to the US will expire in 2029 or later. The value of the loss carryforward for which a deferred tax asset has not been recognised amounted to SEK 64 million (292) and was primarily attributable to Germany and the US. Of the loss carryforwards that have not been recognised, approximately SEK 26 million will expire in 2018 or later, and SEK 38 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 | Items affecting comparability[1] | Other | Total |
|---|---|---|---|---|---|---|
| **As per 1 January 2015** | **15** | **32** | **54** | **9** | **37** | **147** |
| Reclassification to pension liabilities | – | – | -51 | – | – | -51 |
| **Expensed in consolidated income statement** | | | | | | |
| – Additional provisions | 2 | 15 | 1 | – | 57 | 75 |
| – Reversed unutilised amounts | -3 | -2 | – | -1 | -34 | -40 |
| Utilised during the year | -3 | -15 | 0 | -4 | -2 | -24 |
| Translation differences | 1 | 1 | 0 | 0 | 1 | 3 |
| **As per 31 December 2015** | **12** | **31** | **4** | **4** | **59** | **110** |

1) Closing provisions for items affecting comparability comprise expenses for lease of premises.

## NOTE 28 LIABILITIES TO CREDIT INSTITUTIONS

| | Group | | Parent Company | |
|---|---|---|---|---|
| **Maturity structure,** SEK m | 2014 | 2015 | 2014 | 2015 |
| Within 1 year | 1 | 3 | – | – |
| Between 1 and 5 years | 804 | 800 | 800 | 800 |
| Longer than 5 years | – | – | – | – |
| **Total** | **805** | **803** | **800** | **800** |

## NOTE 29 ACCRUED EXPENSES AND DEFERRED INCOME

| | Group | | Parent Company | |
|---|---|---|---|---|
| SEK m | 2014 | 2015 | 2014 | 2015 |
| Bonus to customers | 112 | 98 | – | – |
| Accrued salary-related costs | 223 | 238 | 32 | 26 |
| Accrued interest | 2 | 2 | 2 | 2 |
| Rents | 26 | 18 | – | – |
| Other | 244 | 245 | 3 | 1 |
| **Total** | **607** | **601** | **37** | **29** |

## NOTE 30 FINANCIAL ASSETS AND LIABILITIES

| Group 2015, SEK m | Derivatives used in hedge accounting | Financial instruments initially identified at fair value | Accounts and loans receivable | Other liabilities | Total carrying amount[1)] |
|---|---|---|---|---|---|
| Long-term interest-bearing receivables | – | – | 3 | – | 3 |
| Other long-term receivables | – | – | 34 | – | 34 |
| Accounts receivable | – | – | 1,269 | – | 1,269 |
| Current interest-bearing receivables | – | – | 5 | – | 5 |
| Other receivables | 18 | – | 87 | – | 105 |
| **Total** | **18** | **–** | **1,398** | **–** | **1,416** |
| Additional purchase consideration (other provisions) | – | 50 | – | – | 50 |
| Long-term interest-bearing liabilities | – | – | – | 811 | 811 |
| Current interest-bearing liabilities | – | – | – | 4 | 4 |
| Accounts payable | – | – | – | 1,089 | 1,089 |
| Other liabilities | 14 | – | – | 365 | 379 |
| **Total** | **14** | **50** | **–** | **2,269** | **2,333** |

1) The carrying amount is considered to essentially correspond to the fair value.

| Group 2014, SEK m | Derivatives used in hedge accounting | Financial instruments initially identified at fair value | Accounts and loans receivable | Other liabilities | Total carrying amount[1)] |
|---|---|---|---|---|---|
| Long-term interest-bearing receivables | – | – | 7 | – | 7 |
| Other long-term receivables | – | – | 28 | – | 28 |
| Accounts receivable | – | – | 1,091 | – | 1,091 |
| Current interest-bearing receivables | – | – | 1 | – | 1 |
| Other receivables | 20 | – | 118 | – | 138 |
| **Total** | **20** | **–** | **1,245** | **–** | **1,265** |
| Additional purchase consideration (other provisions) | – | 36 | – | – | 36 |
| Long-term interest-bearing liabilities | – | – | – | 811 | 811 |
| Current interest-bearing liabilities | – | – | – | 4 | 4 |
| Accounts payable | – | – | – | 1,053 | 1,053 |
| Other liabilities | 24 | – | – | 365 | 389 |
| **Total** | **24** | **36** | **–** | **2,233** | **2,293** |

1) The carrying amount is considered to essentially correspond to the fair value.

Exchange-rate gains and losses pertaining to the operations were recognised in other operating income and operating expenses in the net amount of SEK 11 million (loss: 7).

Financial exchange-rate gains and losses were recognised in net financial items in the amount of SEK 4 million (0).

| Parent Company 2015, SEK m | Accounts and loans receivable | Other liabilities | Total carrying amount[1)] |
|---|---|---|---|
| Accounts receivable | 1 | – | 1 |
| Other receivables | 2,876 | – | 2,876 |
| **Total** | **2,877** | **–** | **2,877** |
| Long-term interest-bearing liabilities | – | 800 | 800 |
| Current liabilities to Group companies | – | 864 | 864 |
| Accounts payable | – | 18 | 18 |
| Other liabilities | – | 11 | 11 |
| **Total** | **–** | **1,693** | **1,693** |

| Parent Company 2014, SEK m | Accounts and loans receivable | Other liabilities | Total carrying amount[1)] |
|---|---|---|---|
| Accounts receivable | 8 | – | 8 |
| Other receivables | 3,207 | – | 3,207 |
| **Total** | **3,215** | **–** | **3,215** |
| Long-term interest-bearing liabilities | – | 800 | 800 |
| Current liabilities to Group companies | – | 1,110 | 1,110 |
| Accounts payable | – | 22 | 22 |
| Other liabilities | – | 2 | 2 |
| **Total** | **–** | **1,934** | **1,934** |

1) The carrying amount is considered to essentially correspond to the fair value.

**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.

The measurement of derivative instruments is included in Level 2 and based on market listings or the counterparty's measurement. Derivative instruments amounted to SEK 18 million (20) in assets and SEK 14 million (24) in liabilities. For disclosures regarding liabilities for additional purchase considerations for business combinations, which are measured under Level 3, refer to Note 34 on page 78. In an estimate of fair value, the company's long-term loans are not deemed to significantly deviate from their carrying amounts.

## 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 material effect on the company's results or financial position.

| | Group | | Parent Company | |
|---|---|---|---|---|
| SEK m | 2014 | 2015 | 2014 | 2015 |
| Floating charges | – | – | – | – |
| Endowment insurance | – | – | – | – |
| Property mortgage | – | – | – | – |
| Other assets | 12 | 12 | – | – |
| **Total pledged assets** | **12** | **12** | **–** | **–** |

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

| | Group | | Parent Company | |
|---|---|---|---|---|
| SEK m | 2014 | 2015 | 2014 | 2015 |
| Securities for pension commitments | 1 | 1 | 17 | 19 |
| Other contingent liabilities | 144 | 143 | 162 | 158 |
| **Total** | **145** | **144** | **179** | **177** |

## NOTE 32 DISCONTINUED OPERATIONS

Hygena's operations are recognised as discontinued operations from 1 January 2015 and figures for 2014 have been restated accordingly. On 23 February 2015, the French competition authority approved the divestment of Hygena to Fournier Group. The transaction took place on 2 March 2015 and, in connection with this, Nobia received the purchase consideration.

Nobia holds a number of stores that were acquired from franchisees, with the intention of subsequently selling on. At year-end 2014, Nobia had four stores in Denmark and three stores in Sweden, a total of seven stores. During the third quarter of 2015, two stores in Sweden were divested. At year-end 2015, Nobia had four stores in Denmark and one in Sweden, which are recognised in the Nordic region as Discontinued operations and a disposal group held for sale in accordance with IFRS 5.

**Profit/loss from discontinued operations**

| | Group | |
|---|---|---|
| SEK m | 2014 | 2015 |
| **Profit/loss from business activities of discontinued operations** | | |
| Income | 1,264 | 240 |
| Expenses | -1,746 | -295 |
| Loss before tax | -482 | -55 |
| Tax | -138 | -1 |
| Loss after tax | -620 | -56 |
| **Profit/loss from remeasurement to fair value after deductions for selling expenses** | | |
| Profit/loss from remeasurement to fair value after deductions for selling expenses attributable to discontinued operations before tax | -1 | – |
| Tax attributable to aforementioned remeasurement | 0 | – |
| Loss from remeasurement after tax | -1 | – |
| **Profit/loss in conjunction with divestment of discontinued operations** | | |
| Capital gains/losses in conjunction with divestment of discontinued operations | -1 | 59 |
| Tax attributable to aforementioned capital gains/losses | 0 | 0 |
| Profit/loss from divestment after tax | -1 | 59 |
| Total gain/loss from discontinued operations after tax | **-622** | **3** |
| Earnings/loss per share from discontinued operations | | |
| before dilution (SEK) | -3.72 | 0.02 |
| after dilution (SEK) | -3.71 | 0.02 |

The gain from discontinued operations of SEK 3 million (loss: 622) was attributable to the Parent Company's owners.

Of the profit of SEK 825 million (595) from continuing operations, SEK 826 million (594) was attributable to the Parent Company's owners.

| **Net cash flow from discontinued operations** | 2014 | 2015 |
|---|---|---|
| Cash flow from operating activities | -95 | -22 |
| Cash flow from investing activities | -12 | 236 |
| Cash flow from financing activities[1] | 182 | -52 |
| Net cash flow from discontinued operations | 75 | 162 |

1) Cash flow from financing activities primarily pertains to intra-Group transactions.

## NOTE 33 ASSETS HELD FOR SALE

On 30 October 2014, Nobia signed an agreement for the sale of Hygena Cuisine SAS to French kitchen company Fournier Group. For this reason, the net assets of Hygena Cuisine SAS and Nobia Holding France have been reclassified to Assets held for sale in accordance with IFRS 5. The sale took place during the first quarter of 2015.

Assets and liabilities for the five stores acquired by Nobia with the intention of selling on are recognised as Assets held for sale; refer also to Note 32 on page 77.

| | Group | |
|---|---|---|
| SEK m | 2014 | 2015 |
| **Assets held for sale** | | |
| Disposal group for sale: | | |
| Tangible fixed assets | 380 | 4 |
| Inventories | 48 | 0 |
| Accounts receivable and other receivables | 164 | 4 |
| **Total** | **592** | **8** |
| **Liabilities attributable to assets held for sale** | | |
| Disposal group for sale: | | |
| Accounts payable and other liabilities | 341 | 3 |
| Deferred tax liabilities | 19 | – |
| **Total** | **360** | **3** |

## NOTE 34 COMPANY ACQUISITIONS

On 12 November 2015, Nobia acquired 100 per cent of the share capital of the UK kitchen companies Commodore and CIE via Nobia Holding UK. The acquisition of Commodore and CIE strengthens Nobia's position in the UK private developer market and enables synergy effects, primarily in sourcing and production. Transaction costs for the year for the acquisition amounted to SEK 9 million and are recognised under the Group's other operating expenses The additional purchase consideration of a maximum of SEK 53 million is conditional on the performance of the operations over the next two years and is measured according to Level 3 of the fair value hierarchy. The closing liability measured at the closing day rate on 31 December 2015 amounted to SEK 50 million. Commodore and CIE were consolidated from 1 November 2015 and generated sales of SEK 68 million during the last two months of 2015. Sales for the full-year 2015 amounted to about SEK 516 million.

The acquisition analysis below is preliminary since the acquisition amounts of fair value have not been finally determined.

The acquisition amounts for Rixonway, which was acquired on 9 December 2014, have been finally determined. Additional purchase consideration of SEK 3 million was paid to the owners in 2015. The remaining portion of the recognised liability of SEK 35 million (a total of SEK 38 million including exchange-rate differences) was dissolved in profit or loss and recognised among the Group's administrative expenses.

| Acquired net assets and goodwill, SEK m | 2014 | 2015 |
|---|---|---|
| Purchase consideration | 252 | 369 |
| Additional purchase consideration | 35 | 53 |
| Fair value of acquired net assets | -27 | -125 |
| **Goodwill** | **260** | **297** |

Goodwill is attributable to synergies that are expected to be achieved through additional co-ordination of sourcing, production, distribution and administration.

| | 2014 | | 2015 | |
|---|---|---|---|---|
| Assets and liabilities included in the acquisition, SEK m | Fair value | Acquired carrying amount | Fair value | Acquired carrying amount |
| Cash and cash equivalents | 2 | 2 | 21 | 21 |
| Tangible fixed assets | 112 | 112 | 9 | 9 |
| Intangible fixed assets | 2 | 2 | – | – |
| Inventories | 23 | 23 | 46 | 46 |
| Accounts receivable and other receivables | 90 | 90 | 102 | 102 |
| Accounts payable and other operating liabilities | -86 | -86 | -46 | -46 |
| Interest-bearing liabilities | -112 | -112 | -5 | -5 |
| Taxes, net | -3 | -3 | -2 | -2 |
| Deferred taxes, net | -1 | -1 | 0 | 0 |
| **Acquired net assets** | **27** | **27** | **125** | **125** |

| SEK m | 2014 | 2015 |
|---|---|---|
| Purchase consideration paid in cash | 252 | 369 |
| Cash and cash equivalents in acquired subsidiaries | 2 | 21 |
| **Reduction in the Group's cash and cash equivalents in conjunction with acquisition** | **250** | **348** |

## NOTE 35 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 69.

Remuneration was paid to senior executives during the year, refer to Note 4 on page 61.

**Summary of related-party transactions**

| Parent Company, SEK m | 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 | 2015 | – | 75 | 199 | 416 | 2,863 | 864 |
| Subsidiaries | 2014 | – | 35 | 118 | 312 | 3,195 | 1,110 |

## NOTE 36 EVENTS AFTER THE CLOSING DATE

Lars Bay-Smidt, Executive Vice President, EVP Nordic Region and Head of Commercial Denmark, left Nobia on 18 January 2016.

Rune Stephansen took office as Executive Vice President and Head of Commercial Denmark on 1 February 2016. Rune Stephansen previously served as Executive Vice President, Head of Commercial Sweden. Annica Hagen took office as Executive Vice President and Head of Commercial Sweden on 1 March 2016. Annica Hagen was previously the Executive Vice President, Brand Portfolio and Innovation. Kim Lindqvist took office as Executive Vice President, Chief Marketing Officer on 1 March 2016. Kim Lindqvist previously served as the Executive Vice President, Digital and Media Strategy.

# 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 financial statements have been prepared in accordance with accounting standards referred to in Regulation (EC) 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 financial statements 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 2016.

Stockholm, 21 March 2016

Tomas Billing
Chairman

Nora Førisdal Larssen

Lilian Fossum Biner

Thore Ohlsson

Christina Ståhl

Stefan Jacobsson

Ricard Wennerklint

Fredrik Palmstierna

Morten Falkenberg
President

Per Bergström
Employee representative

Marie Ströberg
Employee representative

Our audit report was submitted on 21 March 2016

KPMG AB

George Pettersson
Authorised Public Accountant

# AUDITOR'S REPORT

**To the Annual Meeting of the shareholders of Nobia AB (publ), corporate registration number 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 2015. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 32–80.

### *Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts*

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the 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 Managing Director 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 Managing Director, 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 2015 and of their financial performance and cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

## Report on other legal and regulatory requirements

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 Managing Director of Nobia AB (publ) for the year 2015.

### *Responsibilities of the Board of Directors and the Managing Director*

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 Managing Director 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 Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director 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 Managing Director be discharged from liability for the financial year.

Stockholm 21 March 2016
KPMG AB

George Pettersson
Authorized Public Accountant

# 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 Nasdaq Stockholm.

Nobia has applied the Swedish Corporate Governance Code (the Code) since 1 July 2005 and in 2015, 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.

**2015 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 2015 Annual General Meeting was held on 14 April at Lundqvist & Lindqvist Klara Strand Konferens, Klarabergsviadukten 90 in Stockholm. 169 shareholders participated in the 2015 Annual General Meeting, representing 70 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's proposal , the Annual General Meeting resolved on a dividend of SEK 1.75 per share to shareholders. The Meeting also resolved that the number of Board members should be nine without any deputy members until the conclusion of the next Annual General Meeting, and resolved on fees to the Board and Board Chairman and elected Board members and auditors. Johan Molin, who has served as a Board member since 2010 and Chairman since 2011, declined re-election. Tomas Billing was elected the new Board Chairman. Christina Ståhl was elected as a new Board member. All other members of the Board were re-elected. The Annual General Meeting re-elected KPMG as the company's auditor, with George Pettersson as Auditor-in-Charge. In accordance with the Board's proposal, the Annual General Meeting also resolved on guidelines and other employment conditions for the senior executives, the adoption of a Performance Share Plan and authorisation for the Board of Directors to make decisions regarding acquisitions and transfers of treasury shares for the period until the 2016 Annual General Meeting.

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

Individual shareholders wishing to have a specific matter addressed by the Annual General Meeting can do so by submitting 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 on Nobia's website.

On 31 December 2015, the share capital in Nobia AB amounted to SEK 58,430,237 divided between 175,293,458 shares (of which, Nobia held 7,012,153 treasury 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**

According to the instruction for Nobia's Nomination Committee adopted at the 2015 Annual General Meeting, the members and Chairman of the Committee are to be elected at the Annual General Meeting for the period until the conclusion of the following Annual General Meeting. The Nomination Committee shall comprise at least three members representing the largest shareholders of the Company. The Chairman of the Nomination Committee shall convene the first meeting of the Nomination Committee. The Nomination Committee is entitled to appoint an additional two co-opted members. Co-opted members shall assist the Nomination Committee in performing its duties but have no voting rights. The Chairman of the Board may be a member of the Nomination Committee only as a co-opted member. In accordance with the Code, the Nomination Committee should be chaired by an owner representative. The instruction for the Nomination Committee adopted by the Annual General Meeting also states that the Nomination Committee's tasks are to submit proposals on the election of the Board Chairman and other members of the Board of Directors, Directors' fees and any remuneration for committee work, election and remuneration of the auditor, election of the Chairman of the Annual General Meeting and election of members of the Nomination Committee. The Codes states that in its proposals on Board members, the Nomination Committee is to pay particular attention to the requirement of diversity and breadth on the Board and the requirement of an even gender distribution. In performing its other duties, the Nomination Committee shall fulfil the requirements encumbent on the Committee in accordance with the Code.

In accordance with the resolution adopted at the 2015 Annual General Meeting, the Nomination Committee comprised the following members prior to the 2016 Annual General Meeting: Viveca Ax:son Johnson (Chairman) representing Nordstjernan, Fredrik Palmstierna representing Latour, Torbjörn Magnusson representing If Skadeförsäkring, Evert Carlsson representing Swedbank Robur funds and Lars Bergkvist representing Lannebo funds. The members of the Nomination Committee represent approximately 44 per cent of the shares and votes in the company. No remuneration is paid to the Committee members.

The Nomination Committee held three minuted meetings prior to the 2016 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 composition and the election of an auditor.

The Nomination Committee's proposals prior to the 2016 Annual General Meeting are incorporated in the notice of the Annual General Meeting, which was published on Nobia's website on 10 March.

Shareholders are welcome to contact the Nomination Committee and submit proposals by post to 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 2015 Annual General Meeting resolved that the Board was to comprise nine 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. The Board is to have an appropriate composition with respect to the company's operations, stage of development, strategy and other circumstances, and be characterised by diversity and breadth in terms of the competencies, experience and background of the Board members elected by the Annual General Meeting. Efforts are made to achieve an even gender distribution. The number of women on the Board amounts to three of the nine members elected at the Annual General Meeting, including the President, corresponding to 33 per cent. The gender-distribution requirements of the Swedish Corporate Governance Code are thus deemed to be satisfied.

No deputies of Board members elected by the Annual General Meeting are appointed. A maximum of one Board member elected by the Annual General Meeting may work in company management or in the management of the company's subsidiaries. Furthermore, a majority of the Board members elected by the Annual General Meeting are to be independent in relation to the company and company management. At least two of these Board members must also to 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 that is proposed to the 2016 Annual General Meeting. This has been the case in earlier years, except for 2010 when the then 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 meetings during the 2015 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 regulated by the rules of procedure adopted annually by the Board and by the instruction regarding the distribution of duties between the Board and the President. In 2015, the strategy of achieving the Group's operating margin target of 10 per cent continued to receive a great deal of attention in the Board of Directors' work. Issues relating to brands, innovation, range and supply chain were key components of these efforts. The focus remained targeted to efficiency and growth. In parallel with offensive investments, potential acquisitions for generating profitable growth were evaluated during the year. In the summer of 2015, the Board visited Nobia Svenska Kök and Nobia Production Sweden AB in Tidaholm, Sweden. The Board members are presented on pages 86–87. Attendance at Board meetings is shown in the table on page 84.

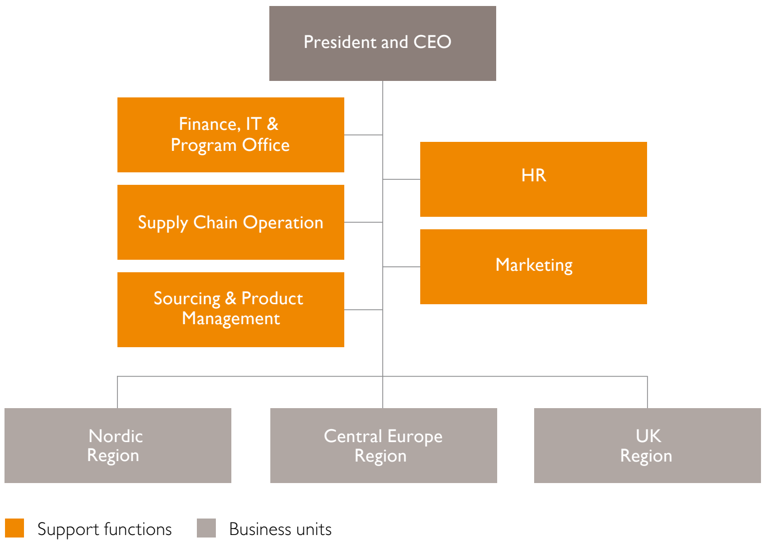
A new method for evaluating the work and composition of the Board was applied in 2015. After having used an evaluation questionnaire for many years, the Board Chairman this year sent out a number of questions as a basis for a round table discussion. In addition, the Chairman held private discussions with the Board members. 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 2015, 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 results of the audit of internal control, which analysed the results of the self-

### Nobia's organisation



assessment of the internal control that the Group's business units perform every year, and reported on the IT audit performed. Also at this meeting, the auditors presented their observations from the hard-close audit. The examination of the annual accounts for 2015 was presented at the Board meeting in February 2016. In 2015, the Group's CFO served as the Board of Directors' secretary.

**Remuneration Committee**

The Board appoints a Remuneration Committee from within its ranks, which for the period from the 2015 Annual General Meeting until the 2016 Annual General Meeting comprised Tomas Billing (Chairman), Fredrik Palmstierna and Ricard Wennerklint. 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 schemes for variable remuneration to senior executives, and the schemes concluded during the year, and the implementation of the Annual General Meeting's decision on guidelines for remuneration to senior executives. The Committee held six meetings during the year.

**Remuneration to senior executives**

The members of Group management receive both fixed and variable remuneration. 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 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 determined by the Board. The targets for the other senior executives are established by the President following recommendations by the Board's Remuneration Committee.

Nobia has implemented annual remuneration schemes based on matching and performance shares since 2012, following decisions by each year's Annual General Meeting. These Performance Share Plans, which include the requirement that the participant acquire shares in Nobia, are described in more detail in the Financial overview of the Board of Directors' Report on pages 32–36. The remuneration and benefits of senior executives are described in Note 4 on pages 61–64.

**Group management**

The President and Group management, see pages 88–89, hold regular Group management meetings. In addition, the President and the CFO meet the management team of each commercial business unit three times per year at local management meetings.

**Auditors**

KPMG AB was elected as the company's auditor at the 2015 Annual General Meeting for a mandate period of one year until the conclusion of the 2016 Annual General Meeting. Nobia's Auditor-in-Charge, George Pettersson, was re-elected. The Nomination Committee's proposals for auditing firm and Auditor-in-Charge prior to the 2016 Annual General Meeting were presented in the notice of the Annual General Meeting, which was published on Nobia's website on 10 March. The interaction of the auditors with the Board is described above. Nobia's purchases of services from KMPG, in addition to audit assignments, are described in Note 6 on page 65.

**The Board's description of internal control and risk management systems regarding the financial reporting for the 2015 fiscal year**

The Board of Directors is responsible maintaining a high level of internal control at 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 governing 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 operating units is to capitalise on opportunities for economies of scale within each area. The commercial

**Board of Directors in 2015**

| | | Board meetings, 8 meetings in total | Remuneration Committee, 6 meetings in total | Born | Board member since | Nationality | Independent |
|---|---|---|---|---|---|---|---|
| Johan Molin[1)] | Chairman | 1 | | 1959 | 2010 | Swedish | Not independent[2)] |
| Tomas Billing[3)] | Chairman | 7 | 6 | 1963 | 2015 | Swedish | Not independent[2)] |
| Morten Falkenberg | President and CEO | 8 | | 1958 | 2011 | Danish | Not independent[4)] |
| Lilian Fossum Biner | Board member | 7 | | 1962 | 2012 | Swedish | Independent |
| Nora Førisdal Larssen | Board member | 8 | | 1965 | 2011 | Norwegian | Not independent[2)] |
| Stefan Jacobsson | Board member | 8 | | 1952 | 2014 | Swedish | Independent |
| Thore Olsson | Board member | 8 | | 1943 | 2007 | Swedish | Independent |
| Fredrik Palmstierna | Board member | 7 | 6 | 1946 | 2006 | Swedish | Not independent[2)] |
| Ricard Wennerklint | Board member | 8 | 6 | 1969 | 2014 | Swedish | Not independent[2)] |
| Christina Ståhl[5)] | Board member | 5 | | 1970 | 2015 | Swedish | Independent |
| Per Bergström | Employee representative | 8 | | 1960 | 2000 | Swedish | |
| Marie Ströberg | Employee representative | 8 | | 1973 | 2007 | Swedish | |
| Patrik Falck[6)] | Employee representative | 6 | | 1965 | 2011 | Swedish | |
| Terese Asthede[6)] | Employee representative | 8 | | 1971 | 2013 | Swedish | |

1) Chairman until 14 April 2015
2) In relation to major shareholders
3) Chairman from 14 April 2015
4) President
5) New Board member from 14 April 2015
6) Deputy

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 governing documents such as internal policies, guidelines, manuals and codes. Examples include the division of responsibility between the Board on one hand and the President and other bodies established by the Board on the other, instructions for authorisation, and instructions for accounting and reporting.

Documentation concerning the principles and forms for reporting, internal governance, control and monitoring is compiled in Nobia's Financial & Accounting Manual, which is available to all relevant employees on Nobia's intranet.

This Manual is available to all relevant employees on Nobia's intranet. Each unit manager is responsible for ensuring effective internal control, and the financial manager of each unit is responsible for monitoring and ensuring compliance with Nobia's accounting procedures and principles. These are documented in the aforementioned manual. All financial managers from the various units meet once a year to discuss various topics relevant to financial reporting.

**Risk management**
The Group has 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 continuously monitored and assessed. One of the tools for this purpose is self-assessments, which are conducted annually by local management teams and evaluated according to established procedures. Risk assessments are described in more detail on pages 37–39.

**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 governing documents in the form of internal policies, guidelines, manuals and codes regarding the financial reporting applied by relevant personnel.

The Group monitors compliance with these governing 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.

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.

**Auditors' report of the Corporate Governance Statement**

**To the annual meeting of the shareholders in Nobia AB (publ), Corp. Reg. No. 556528-2752**

It is the Board of Directors who is responsible for the Corporate Governance Statement for the year 2015 and that it has been prepared in accordance with the Annual Accounts Act.

As a basis for our opinion that the Corporate Governance Statement has been prepared and is consistent with the annual accounts and the consolidated accounts, we have read the Corporate Governance Statement and assessed its statutory content based on our knowledge of the company. This means that our statutory examination of the Corporate Governance Statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted audit standards in Sweden.

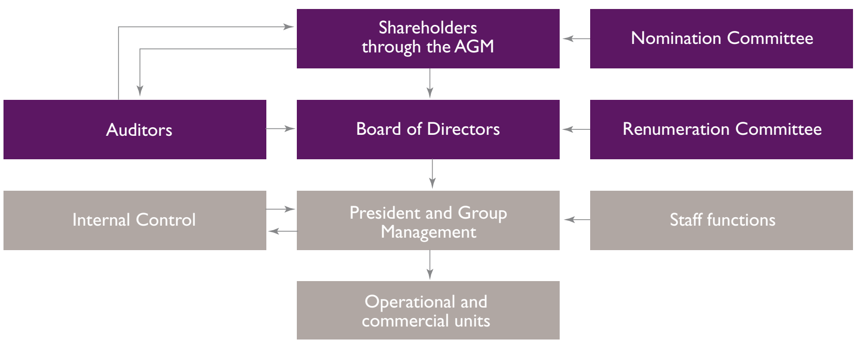
In our opinion, the Corporate Governance Statement has been prepared and its statutory content is con-sistent with the annual accounts and the consolidated accounts.

Stockholm, 21 March 2016
KPMG AB
George Pettersson, Authorised Public Accountant

**Key external regulatory frameworks:**
- Swedish Companies Act
- IFRS and Swedish Annual Accounts Act
- Nasdaq Stockholm's Rule book for Issuers
- 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's Financial & Accounting Manual
- Risk Management Process

**Overview of governance at Nobia**



# BOARD OF DIRECTORS


**1 Tomas Billing**
Born 1963. B.Sc. Business Administration. CEO of Nordstjernan. Chairman of the Board since 2015. Dependent in relation to major shareholders.
**Board assignments:** Chairman of NCC. Board member of BilJaKa and Parkinson Research Foundation.
**Previous employment:** President of Hufvudstaden and Monark Bodyguard.
**Holding in Nobia:** 185,779 shares.

**4 Nora Førisdal Larssen**
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 at McKinsey & Co.
**Holding in Nobia:** 5,000 shares.

**2 Morten Falkenberg**
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 at Electrolux and Head of Floor Care and Small Appliances, senior positions at TDC Mobile and the Coca-Cola Company.
**Holding in Nobia:** 523,303 shares (private and occupational pension)
**Holding in related companies:** –

**5 Stefan Jacobsson**
Born 1952. Board member since 2014. Independent.
**Board assignments:** Chairman of Thule Group, Woody Bygghandel and HBG. Board member of Etac.
**Previous employment:** CEO of Puma AG, NFI Corp., ABU/Garcia and Tretorn.
**Holding in Nobia:** 10,000 shares in endowment insurance.

**3 Lilian Fossum Biner**
Born 1962. Board member since 2012. B.Sc. Business Administration. Independent.
**Board assignments:** Board member of Oriflame, Thule, Givaudan, LE Lundbergföretagen and a-connect AG.
**Previous employment:** Vice President and CFO of Axel Johnsson, Senior Vice President and HR Director of at Electrolux.
**Holding in Nobia:** 6,000 shares.

**6 Thore Ohlsson**
Born 1943. President of Elimexo. Board member since 2007. Independent.
**Board assignments:** Chairman of Friskvårdscenter, Thomas Frick, and VLPN Holding. Board member of Puma SE, Cobra Puma, Elite Hotels, Bastec and Josefsson Invest.
**Previous employment:** President and CEO of Aritmos with wholly owned companies ABU-Garcia, Etonic, Monark-Crescent, Stiga, Tretorn and Puma AG (84%). President of Trianon, Etonic and Tretorn. CEO of Tretorn.
**Holding in Nobia:** 70,000 shares.








**7 Christina Ståhl**
Born 1970. B.Sc. Business Administration and M.Sc. Business and Economics. CEO of MQ. Board member since 2015. Independent.
**Previous employment:** President of furniture chain Mio.
**Holding in Nobia:** –

**11 Marie Ströberg**
Born 1973. Employee representative since 2007. Employed at Nobia Svenska Kök since 2007.
**Holding in Nobia:** –

**8 Fredrik Palmstierna**
Born 1946. B.Sc. Business Economics, MBA. Board member since 2006. Dependent in relation to major shareholders.
**Board assignments:** Chairman of Latour. Board member of Securitas, Hultafors, Fagerhult and the Viktor Rydberg Schools Foundation.
**Holding in Nobia:** 371,000 shares, through related parties and companies.

**12 Patrik Falck**
Born 1965. Deputy Board member Employee representative since 2011. Employed at Nobia Production Sweden since 1986.
**Holding in Nobia:** –

**9 Ricard Wennerklint**
Born 1969. Deputy CEO of If Skadeförsäkring and member of Sampo Group Executive Committee. Board member since 2014. Dependent in relation to major shareholders.
**Previous employment:** CFO of If Skadeförsäkring.
**Holding in Nobia:** 10,000 shares.

**13 Terese Asthede**
Born 1971. Deputy Board member Employee representative since 2013. Employed at Nobia Svenska Kök since 2006.
**Board assignments:** Board member of Nobia Svenska Kök.
**Holding in Nobia:**–

**10 Per Bergström**
Born 1960. Employee representative since 2000. Employed at Nobia Production Sweden since 1976.
**Board assignments:** Board member of of Tidaholms Energi, Elnät and Bredband Östra Skaraborg.
**Holding in Nobia**: –

**Auditors**

KPMG AB

Auditor-in-Charge, Authorised Public Accountant

**George Pettersson**

Other audit assignments: Addtech, Sandvik, Skanska and Lagercrantz Group.

# GROUP MANAGEMENT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**1 Morten Falkenberg**
Born 1958. B.Sc. Business Administration. President and CEO. Employed at Nobia since 2010.
**Board assignments:** Board member of Velux Group.
**Previous employment:** Executive Vice President at Electrolux and Head of Floor Care and Small Appliances, senior positions at TDC Mobile and the Coca-Cola Company.
**Holding in Nobia:** 523,303 shares (private and occupational pension).
**Holding in related companies:** –

**4 Christian Rösler**
Born 1967. Executive Vice President, Central Europe region and Head of Ewe/FM. Employed at Nobia sedan 2007.
**Previous employment:** Leading positions at IKEA Austria.
**Holding in Nobia:** 864 shares.

**2 Mikael Norman**
Born 1958. CFO. Employed at Nobia since 2010.
**Board assignments:** Board member of Cloetta AB.
**Previous employment:** Group controller at Electrolux.
**Holding in Nobia:** 46,205 shares.

**5 Rune Stephansen**
Born 1965. Executive Vice President and Head of Commercial Denmark. Employed at Nobia since 2009.
**Previous employment:** Leading positions at Marbodal, Kvik, Sportex, Rusta, IKEA and Jysk.
**Holding in Nobia:** 10,697 shares.

**3 Peter Kane**
Born 1965. Executive Vice President, UK Region and Head of Magnet. Employed at Magnet since 1984.
**Previous employment:** Management positions at Magnet.
**Holding in Nobia:** 39,402 shares.

**6 Ole Dalsbø**
Born 1966. Executive Vice President and Head of Commercial Norway. Employed at Nobia since 2004.
**Previous employment:** Leading positions at Nobia Norway, Norema and Sigdal Kjøkken.
**Holding in Nobia:** 10,297 shares.






**7 Erkka Lumme**
Born 1974. Executive Vice President and Head of Commercial Finland. Employed at Nobia since 2012.
**Previous employment:** Senior positions in sales and marketing at IDO Badrum and Pukkila.
**Holding in Nobia:** –

**8 Nick Corlett**
Born 1965. Executive Vice President, Sourcing and Product Management. Employed at Nobia since 2012.
**Previous employment:** Leading positions at Howdens Joinery and MFI Group.
**Holding in Nobia:** 7,692 shares.

**9 Annica Hagen**
Born 1977. Executive Vice President and Head of Commercial Sweden. Employed at Nobia since 2014.
**Previous employment:** Senior positions in innovation and marketing at Electrolux and Pernod Ricard.
**Holding in Nobia:** 1,522 shares.

**10 Patrick Heinen**
Born 1968. Executive Vice President and Head of Poggenpohl. Employed at Nobia since 2015.
**Previous employment:** Senior position at König+Neurath AG.
**Holding in Nobia:** –

**11 Kim Lindqvist**
Born 1974. Executive Vice President, Chief Marketing Officer. Employed at Nobia since 2012.
**Previous employment:** Senior positions in marketing and innovation at Electrolux.
**Holding in Nobia:** 6,272 shares.

**12 Thomas Myringer**
Born 1960. Executive Vice President, HR Director. Employed at Nobia since 2003.
**Previous employment:** Senior HR positions at the Skanska Group.
**Holding in Nobia:** 15,924 shares.

# The Nobia share and shareholders

In 2015, the closing price of the Nobia share on the Nasdaq Stockholm was SEK 106.00 (69.75), corresponding to a market capitalisation of approximately SEK 18.6 billion (12.2).

**Facts in brief**

- The Nobia share is listed on the Nasdaq Stockholm under the short name NOBI.
- The share is traded on the Large Cap list, Consumer Goods sector.
- Nobia is the only kitchen company on the Nasdaq Stockholm.
- About 70 per cent of the shareholdings are Swedish.

**Analysts that follow Nobia**

| COMPANY | ANALYST |
|---|---|
| ABG Sundal Collier | Mattias Montgomery |
| Carnegie Investment Bank | Agnieszka Vilela |
| Danske Markets Equities | Anders Hansson |
| Den norske Bank | Simon Sigvardsson |
| Handelsbanken | Rasmus Engberg |
| Nordea Bank | Predrag Savinovic |
| Skandinaviska Enskilda Banken | Stefan Cederberg |

**Share trading and share-price trend**

The Nobia share has been listed on the Nasdaq Stockholm since 2002. The share has been traded on the Large Cap list, which is the stock exchange's segment for companies with a market capitalisation of more than EUR 1 billion, since January 2015. The Nobia share is in the Consumer Goods sector.

In 2015, the Nobia share price rose 52 per cent, while the entire stock exchange increased 7 per cent during the same period. During the same period, the OMX Stockholm Consumer Goods PI index increased 24 per cent.

During the year, a total of 77.8 million (64.9) Nobia shares were traded at a value of SEK 7.3 billion (3.7). The average turnover per day was approximately 310,000 shares (260,000), corresponding to a value of SEK 29.0 million (14.9). In 2015, the turnover rate, or the share's liquidity, amounted to 45 per cent (37), which can be compared with the average on the Nasdaq Stockholm of 73 per cent (67).

The highest closing price for the Nobia share during 2015 was SEK 110.40 on 3 December. The lowest closing price during the year was SEK 67.50 on 16 January.

**Ownership structure**

On 31 December 2015, the number of shareholders was 6,234 (4,412). At year-end, the five largest shareholders held 47.4 per cent (57.1) of all shares and the ten largest shareholders held 59.8 per cent (68.8). The proportion of registered shares held by foreign owners during the year amounted to 30.6 per cent (22.1) of the total number of shares.

On the date of publication of this Annual Report, Nobia's Board of Directors, excluding the President, owned directly and indirectly a total of 657,779 shares in the company (740,051). On the same date, members of Nobia's Group management, directly and indirectly, had combined holdings of 662,178 shares (571,486).

**Share capital and treasury shares**

On 31 December 2015, Nobia's share capital amounted to SEK 58,430,237, divided between 175,293,458 shares with a quotient value of SEK 0.33. Each share, with the exception of bought-back treasury shares, entitles the holder to one vote, and carries the same entitlement to the company's capital and profits.

At the start of the year, Nobia held 7,767,300 treasury shares. The aim of the holding is that the treasury shares 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.

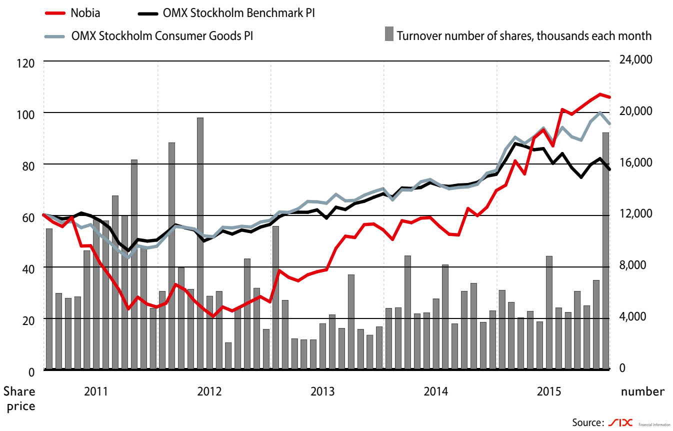
In 2015, the Board decided to sell 755,147 treasury shares, utilising the authorisation from the 2015 Annual General Meeting. The purpose of the sale was to deliver shares under an employee share option scheme resolved by the 2011 Annual General Meeting, and to deliver shares under a Performance Share Plan resolved by the 2012 Annual General Meeting. The employee share option scheme and Performance Share Plan are described in more detail on page 63.

On 31 December 2015, Nobia had 7,012,153 treasury shares, corresponding to 4.0 per cent of the total number of shares issued.

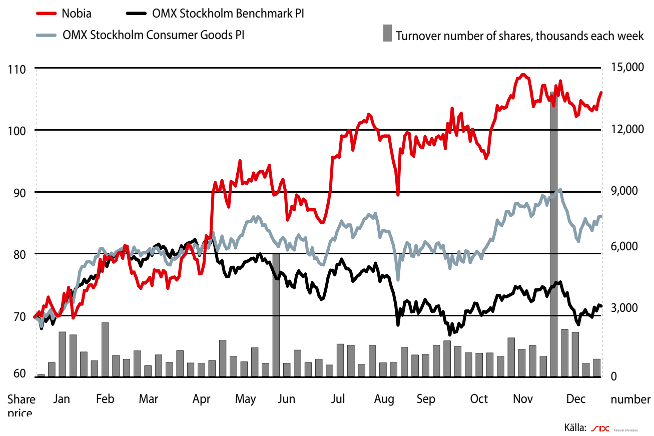
**Dividend policy and proposed dividend**

Nobia's objective is that the average dividend should comprise 40–60 per cent of net profit after tax. Investment require-

## Share price diagram 2011-2015




## Share price diagram 2015




ments, acquisition opportunities, liquidity and the financial position of the company are taken into consideration when preparing dividend proposals.

The Board of Directors proposes to the Annual General Meeting a dividend of SEK 2.50 per share for 2015, corresponding to 51 per cent of net profit after tax for the year. The proposal entails a total dividend of approximately SEK 421 million.

### Information and contact person

Nobia's objective is to facilitate the valuation of the company by the stock market through clear information. The provision of information is based mainly on quarterly financial reporting, press releases, information on the website, company presentations and meetings with shareholders, analysts and investors.

The contact person for information is Lena Schattauer, Head of Communication and Investor Relations, telephone: +46 8 440 16 07 or e-mail: lena.schattauer@nobia.com.

### Financial calendar 2016

| | |
|---|---|
| 11 April | Annual General Meeting |
| 27 April | Interim report Jan–Mar 2016 |
| 20 July | Interim report Jan–Jun 2016 |
| 28 October | Interim report Jan–Sep 2016 |

### Ownership structure, 31 December 2015

| | Number of shareholders | Percentage of shareholders, % | No. of shares | Percentage of capital, % |
|---|---|---|---|---|
| 1–500 | 3,106 | 49.8 | 591,367 | 0.3 |
| 501–1 000 | 1,278 | 20.5 | 1,033,263 | 0.6 |
| 1 001–5 000 | 1,334 | 21.4 | 2,867,366 | 1.6 |
| 5 001–10 000 | 167 | 2.7 | 1,207,781 | 0.7 |
| 10 001–15 000 | 60 | 1.0 | 753,309 | 0.4 |
| 15 001–20 000 | 33 | 0.5 | 582,274 | 0.3 |
| 20 001– | 256 | 4.1 | 168,258,098 | 96.0 |
| **Total** | **6,234** | **100** | **175,293,458** | **100** |

### Nobia's largest owners, 31 December 2015

| Shareholder | No. of shares | Share of capital, % |
|---|---|---|
| Nordstjernan | 35,147,843 | 20.0 |
| If Skadeförsäkring | 17,700,000 | 10.1 |
| Lannebo funds | 14,477,666 | 8.3 |
| Fourth Swedish National Pension fund | 9,151,457 | 5.2 |
| Handelsbanken funds | 6,695,133 | 3.8 |
| AMF Insurance and funds | 5,335,912 | 3.0 |
| Swedbank Robur funds | 5,280,731 | 3.0 |
| Investmentaktiebolaget Latour | 5,136,325 | 2.9 |
| Norges Bank | 3,113,639 | 1.8 |
| Catella Fund management | 2,884,000 | 1.7 |

Source: Euroclear Sweden.

At year-end, Nobia held 7,012,153 treasury shares corresponding to 4.0 per cent of the total number of shares issued.

### Data per share

| | 2013 | 2014 | 2015 |
|---|---|---|---|
| Earnings/loss per share, SEK | 2.10 | -0.17 | 4.92 |
| Dividend per share, SEK | 1.00 | 1.75 | 2.50[1] |
| Shareholders' equity per share, SEK | 19 | 19 | 23 |
| Number of shares at end of the period | 175,293,458 | 175,293,458 | 175,293,458 |
| Shareholders at year-end | 4,221 | 4,421 | 6,234 |
| Share price at year-end | 54.50 | 69.75 | 106.00 |

1) The Board's proposal.

# FIVE-YEAR OVERVIEW

| SEK m | 2011 | 2012 | 2013 | 2014[1] | 2015 |
|---|---|---|---|---|---|
| **Income statement** | | | | | |
| Net sales | 13,114 | 12,343 | 11,773 | 11,411 | 13,332 |
| Change in per cent | -7 | -6 | -5 | 7 | 17 |
| Gross profit | 5,048 | 4,791 | 4,824 | 4,617 | 5,358 |
| Operating profit/loss | 184 | -274 | 654 | 878 | 1,145 |
| Financial income | 9 | 11 | 13 | 12 | 34 |
| Financial expenses | -92 | -107 | -107 | -90 | -92 |
| **Profit/loss after financial items** | **101** | **-370** | **560** | **800** | **1,087** |
| Tax on net profit for the year | -16 | -155 | -195 | -205 | -262 |
| Profit/loss for continuing operations | 85 | -525 | 365 | 595 | 825 |
| Profit/loss from discontinued operations, net after tax | -16 | -20 | -15 | -622 | 3 |
| **Net profit/loss for the year** | **69** | **-545** | **350** | **-27** | **828** |
| Net profit/loss for the year attributable to: | | | | | |
| Parent Company shareholders | 70 | -546 | 351 | -28 | 829 |
| Non-controlling interests | -1 | 1 | -1 | 1 | -1 |
| **Net profit/loss for the year** | **-69** | **-545** | **350** | **-27** | **828** |
| Balance sheet | | | | | |
| Fixed assets | 5,556 | 4,782 | 4,670 | 4,446 | 4,697 |
| Inventories | 1,005 | 929 | 849 | 853 | 934 |
| Current receivables | 1,632 | 1,325 | 1,373 | 1,494 | 1,665 |
| Cash and cash equivalents | 152 | 171 | 278 | 470 | 765 |
| Assets held for sale | 71 | 71 | 15 | 592 | 8 |
| **Total assets** | **8,416** | **7,278** | **7,185** | **7,855** | **8,069** |
| Shareholders' equity | 3,521 | 2,657 | 3,154 | 3,191 | 3,818 |
| Non-controlling interests | 4 | 5 | 4 | 5 | 4 |
| Non-interest-bearing liabilities | 3,145 | 2,624 | 2,563 | 2,615 | 2,697 |
| Interest-bearing liabilities | 1,744 | 1,883 | 1,462 | 1,684 | 1,547 |
| Liabilities attributable to assets held for sale | 2 | 109 | 2 | 360 | 3 |
| **Total shareholders' equity and liabilities** | **8,416** | **7,278** | **7,185** | **7,855** | **8,069** |
| Net debt including pensions | 1,586 | 1,707 | 1,176 | 1,206 | 774 |
| Capital employed | 5,269 | 4,546 | 4,620 | 4,880 | 5,369 |
| Operating capital | – | – | 4,334 | 4,402 | 4,596 |
| **Key figures** | | | | | |
| Gross margin, % | 38.5 | 38.8 | 41.0 | 40.5 | 40.2 |
| Operating margin, % | 1.4 | -2.2 | 5.6 | 7.7 | 8.6 |
| Operating profit before depreciation/amortisation and impairment (EBITDA) | 632 | 739 | 950 | 1,204 | 1,491 |
| Operating margin before depreciation/amortisation and impairment, % | 4.8 | 6.0 | 8.1 | 10.6 | 11.2 |
| Profit/loss after financial items as a percentage of net sales | 0.8 | -3.0 | 4.8 | 7.0 | 8.2 |
| Turnover rate of capital employed, multiple | 2.5 | 2.7 | 2.5 | 2.5 | 2.5 |
| Return on capital employed, % | 3.6 | -5.3 | 14.6 | – | – |
| Return on operating capital, % | – | – | 15.1 | 23.2 | 26.9 |
| Return on shareholders' equity, % | 2.0 | -17.7 | 12.0 | -0.9 | 24.1 |
| Debt/equity ratio, % | 45 | 64 | 37 | 38 | 20 |
| Equity/assets ratio, % | 42 | 37 | 44 | 41 | 47 |
| Cash flow from operating activities | 413 | 560 | 831 | 1,033 | 1,145 |
| Investments | 471 | 393 | 251 | 316 | 410 |
| Earnings per share after dilution effects | 0.42 | -3.27 | 2.10 | -0.17 | 4.92 |
| Dividend per share, SEK | 0 | 0.50 | 1.00 | 1.75 | 2.50[2] |
| **Personnel** | | | | | |
| Average number of employees | 7,475 | 7,355 | 6,690 | 6,636 | 6,473 |
| Net sales per employees, SEK 000s | 1,765 | 1,780 | 1,799 | 1,829 | 2,039 |
| Personnel expenses | 3,103 | 2,955 | 2,822 | 3,001 | 3,246 |

1) After reclassification of Hygena to discontinued operations.
2) The Board's proposal.

## 2016 ANNUAL GENERAL MEETING

The shareholders of Nobia AB (publ) are invited to the Annual General Meeting on Monday, 11 April at 3:00 p.m. at Lundqvist & Lindqvist Klara Strand Konferens, Klarabergsviadukten 90, Stockholm, Sweden.

**Right to participate at 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 Tuesday, 5 April 2016, and,
- secondly notify Nobia of their participation in the Annual General Meeting not later than Tuesday, 5 April 2016.

**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 shareholders' name
- personal identity number/Corporate Registration Number
- address and daytime telephone number
- shareholding
- information about any advisors (not more than two assistants) and information on any proxies who may accompany the shareholder to the Meeting

When applicable, complete authorisation documents, such as registration certificates or the equivalent, 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 Nobia's website 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, through the bank or securities broker administering the shares, must 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 Tuesday, 5 April 2016. 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 2.50 per share be paid for the 2015 fiscal year. The record date to be entitled to receive dividend is proposed as Wednesday, 13 April 2016.

**Annual Report**
The Nobia Annual Report is published in Swedish and English, and both versions are available for download from the Group's website. Printed versions of the Annual Report are sent to shareholders and other individuals who have requested such a version.

## DEFINITIONS

**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.

**RETURN ON OPERATING CAPITAL**
Operating profit as a percentage of average operating capital excluding net assets attributable to discontinued operations. The calculation of average operating capital has been adjusted for acquisitions and divestments.

**GROSS MARGIN**
Gross profit as a percentage of net sales.

**EBITDA**
Earnings before depreciation/amortisation and impairment.

**NET DEBT**
Interest-bearing liabilities less interest-bearing assets. Interest-bearing liabilities include pension liabilities.

**OPERATING CAPITAL**
Capital employed excluding interest-bearing assets.

**OPERATING CASH FLOW**
Cash flow from operating activities including cash flow from investing activities, excluding cash flow from acquisitions/divestments of operations, interest received, increase/decrease in interest-bearing assets.

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

**EARNINGS PER SHARE**
Net profit for the year divided by a weighted average number of outstanding shares during the year.

**OPERATING MARGIN**
Operating profit as a percentage of net sales.

**DEBT/EQUITY RATIO**
Net debt as a percentage of shareholders' equity including non-controlling interests.

**EQUITY/ASSETS RATIO**
Shareholders' equity including non-controlling interests as a percentage of balance-sheet total.

**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 arising when purchases or sales are made in currency other than the currency of the producing country (functional currency).

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