ANNUAL REPORT 2016

nobia

Nobia develops and sells kitchen solutions through 16 strong brands in Europe, including Magnet in the UK, HTH, Marbodal, Sigdal, Norema, Petra and A la Carte in the Nordic region, and ewe, Intuo and FM in Austria. Nobia creates profitability by selling attractive kitchen solutions and capitalising on economies of scale throughout the entire value chain. The Group has approximately 6,000 employees and net sales of about SEK 13 billion.

Norema Kvadrat

Contents

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 2016 fiscal year. The audited Annual Report, signed by the Board of Directors and reviewed by the auditors, can be found on pages 32–91.

The kitchen on the front cover is Malevik mörk and is sold through Marbodal.

2016

On 19 December 2016, Nobia signed an agreement for the sale of Poggenpohl to the German group Adcuram, and in connection with this Poggenpohl was reclassified as a discontinued operation. Following approval from the competition authorities in Germany and Austria, the divestment of Poggenpohl was completed on 31 January 2017. Net sales, organic growth, operating profit and return on operating capital as presented below refer to operations excluding Poggenpohl.

Net sales, SEK m	12,648
Organic growth, %	4
Operating profit, SEK m	1,298
Profit after tax, SEK m	455
Operating cash flow, SEK m	1,031
Return on operating capital, %	32.5
Debt/equity ratio, %	14

Brands

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

Sigdal Line

In 2016 we succeeded in achieving our margin target, despite considerable negative currency effects. Moving forward, we will continue to focus on profitable growth, both organic and acquired.

MORTEN FALKENBERG, PRESIDENT AND CEO

Nobia develops, manufactures and sells kitchen solutions

13 production facilities in six European countries

260

Around 260 own stores and a network of retailers

Operations are organised into three regions

The leading kitchen specialist in Europe

Nobia manufactures and sells kitchens, and customers recognise us under the kitchen brands of Magnet, HTH, Marbodal, Sigdal, Petra, ewe and uno form. Thanks to our specialisation and size, we are able to take advantage of shared skills and economies of scale, which in turn enables us to be the leader in the European kitchen industry.

Nobia sells kitchen solutions under its own brands as well as under private labels. The operation covers the entire value chain, from product development and manufacturing to sales and distribution to end customers. The Group is organised into three regions: the Nordic region, the UK and Central Europe. The former two are the dominant regions, jointly representing 95 per cent of total sales.

Nobia's sales to consumers are conducted via own stores for some brands. Other brands have a sales organisation consisting of franchise stores or retailers, which may include furniture stores, DIY stores and independent kitchen specialists. E-commerce is offered in some countries. We meet around 60,000 consumers in our stores each week, while on our websites we receive close to 200,000 visitors.

Nobia sells kitchen solutions in all regions to companies or project customers, such as construction companies, property owners and property developers, who, in turn, sell the kitchens to their end consumers.

Nobia has its own production and in most cases the kitchens are assembled in the country in which the customer is located. The production facilities vary in size and have differing levels of specialisation. In 2016, Nobia manufactured over 140,000 cabinets per week.

Business concept

Nobia offers attractive kitchen solutions to consumers and corporate customers under strong, local brands. We generate value for customers by offering high-quality function and appealing design in both complete kitchen solutions and individual kitchen products, and through services such as advice, customer-adapted design, delivery and installation. Behind the scenes, efficient processes capitalise on economies of scale.

Vision

Our vision is inspiring kitchens made easy. Nobia is to be the leading and most successful kitchen specialist that inspires people to realise their kitchen dreams. Our customers' experience is at our core. We help customers throughout the process of buying a functional and aesthetically pleasing kitchen they feel happy in. With our sound kitchen expertise, consumer insight and technical tools, we are able to provide customers with innovative kitchen solutions and a positive purchasing experience.

Focus on kitchens

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

10 per cent target achieved – the journey continues

In 2016, we succeeded in achieving an operating margin of more than 10 per cent. Our focus is on Europe and the mid-price segment, and we are now entering a new strategic period of profitable growth.

When an important milestone is achieved, it can be a good opportunity to reflect over the important decisions taken along the way, and as Nobia is a result of many acquisitions, it was important to review the portfolio companies based on their ability to create shareholder value. The decisions to sell the underperforming operations Optifit and Hygena and to divest Poggenpohl, which did not fit into Nobia's strategy, were taken with the aim of creating a solid core operation and platform to use as a basis for growth. We are not planning any more sales of operations and Nobia is currently a consolidated kitchen Group with fantastic opportunities to generate profitable growth.

> The next phase of Nobia's development is now beginning. Our new vision, "Inspiring kitchens made easy" involves us ensuring we become the leader in the kitchen industry in terms of purchasing experience and inspiring kitchen solutions.

Organic and acquisition-based growth
All regions reported organic growth in 2016. In the Nordic region, organic growth was 6 per cent, primarily driven by increased deliveries to project customers. Housing construction has truly gathered pace in Sweden, Norway and Finland and the high level looks set to continue. This benefits us as we hold a strong position in the Nordic project market.

However, growth was also a result of the acquisition of Commodore and CIE Kitchens, which took place in late 2015. I am pleased about this acquisition as it has not only added to the top line of our income statement, but has also improved Nobia's operating margin and reinforced our presence in the UK project segment, which represents one of our priority markets.

Effects of Brexit
The most dramatic event of the past year in our external environment was the UK referendum on EU membership. The Brexit result had an immediate and dramatic effect on our share price, and we noted during the initial period after the referendum that it took longer for British customers in the higher price segments to complete a sale. More than six months later, however, we now note that even if uncertainty in the UK economy has increased, no dramatic fall in demand for kitchens has occurred in UK, and we are following the market trend very closely.

We did, however, feel the full effect of the weaker GBP. Negative currency effects impacted operating profit for the year by a full SEK 180 million. The negative currency situation has continued into early 2017, but we are working to counteract its effects and are prepared to take measures to strengthen profitability should it prove necessary.

Divestment of Poggenpohl
The synergies between the luxury brand Poggenpohl and Nobia's other operations were extremely limited. We therefore started the process of looking for an investor in Poggenpohl, and were able to announce in December that we had reached an agreement to sell Poggenpohl to the German group Adcuram. The sale was completed on 31 January following approval from the relevant competition authorities.

We received a lower price than expected for Poggenpohl, but over the past ten years Poggenpohl has merely proved to be neutral in terms of cash flow, and as the operations generated a low margin, the divestment actually entails an improved operating margin for Nobia. We can now focus on the mid-price segment where our strengths lie and we have size on our side. At the same time, Poggenpohl is gaining an owner who is willing to make the required investments to succeed in the luxury market.

Margin target achieved

The operating margin for the year improved to 10.3 per cent, primarily as a result of increased sales and lower prices of materials. Without the negative currency effects, the operating margin would have been almost an entire percentage point higher, which shows how solid our core business is and the potential it has if the exchange rates swing in our favour.

All of this meant that we were able to achieve the target that Nobia has had for many years – an operating margin of 10 per cent. Our purposeful approach has yielded results. Today, Nobia is a strong kitchen company and one of the leading companies in Europe, with an extremely strong financial position. The Board of Directors proposes a dividend of SEK 3.00 per share, compared with SEK 2.50 in the preceding year.

A new phase of determined growth

The next phase of Nobia's development is now beginning. Our new vision – "Inspiring kitchens made easy" – involves us ensuring we become the leader in the kitchen industry in terms of the purchasing experience and inspiring kitchen solutions. The Board of Directors has also adopted new financial targets and a strategic three-year plan that sets out our direction until 2020.

The strategy is based on our strengths that have led us to where we are today – strong brands and economies of scale throughout the entire value chain. Moving forward, we will continue to focus on profitable growth, both organic and acquired. Our ambition is for Nobia to become a considerably larger company, with average annual growth above 5 per cent and an operating margin that exceeds 10 per cent, and to distribute a dividend equivalent to 40–60 per cent of net profit.

Our strong balance sheet enables us to make acquisitions. We have made two acquisitions in the UK in recent years, and in the future I hope to be able to present more exciting acquisitions that are compatible with our business model. When the opportunity arises, we will expand in areas in which we can generate benefits by leveraging our current structure. Our acquisition strategy is still focused on profitable European kitchen companies that operate in attractive, neighbouring markets and have strong brands and sales channels. We should also grow organically through our own operations, however.

Initiatives for organic growth

Our most exciting growth initiative is our entry into the growing low-price segment in the Nordic region. Thanks to our economies of scale, we are able to introduce good-value, ready-to-assemble kitchens under strong brands. We have done exactly that in the UK, and we are now seeing the continued success of the Simply Magnet range there. Ahead of the coming year I have high hopes for the HTH GO kitchen concept that was launched in our Danish stores in the spring. We have also entered into a collaboration with the Nordic electronics chain, Expert. Their stores, which sell our products as a complement to their appliances, represent an attractive channel for us. We are also investing in digital solutions and an increase in the number of stores.

Continued efficiency enhancements

Parallel to our efforts to stimulate growth, we will also improve efficiency. The complexity of the range has definitely decreased in recent years, but there is no doubt that it needs to be harmonised further. We are just over halfway in this regard, with increased overlap in the brands' ranges representing one way to make major savings. We will also review the production structure. There is consequently much left to do to realise the company's full potential.

Safety first

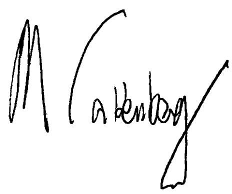
Our vision is to have zero workplace-related accidents, which means that we do not accept the occurrence of a single accident. Unfortunately, it can happen that our employees injure themselves at work, and this is something I take very seriously. Safety is always at the top of the agenda in the factory management teams' daily follow-up meetings, and we are now strengthening our focus on safety issues and intensifying preventive measures.

Sustainability issues are increasingly important to our customers and other stakeholders, which is why we have reinforced our sustainability initiatives by creating a central sustainability function and producing products via our product development that help customers live a more sustainable life in the kitchen.

A strong team

At the end of October, Mikael Norman, CFO and my closest colleague, left Nobia. Mikael was a major part of Nobia's strong performance, and our new CFO as of 1 November is Kristoffer Ljungfelt. The transition was smooth as Kristoffer had previously been financial manager for the Nordic region and thus has a thorough knowledge of the operations. The same applied to the internal recruitments last spring of Rune Stephansen and Annica Hagen as Heads of Commercial in Denmark and Sweden, respectively. In connection with this, Kim Lindqvist was appointed Chief Marketing Officer and later in the year, David Thorne, CIO, and Niek Visarius, Executive Vice President Supply Chain Operations, took up positions in Group management.

Nobia has both a strong management team and highly skilled employees in every area. The performance and commitment of our employees are vital to the success of the company. To conclude, I would to thank all of Nobia's employees for their impressive work. I am incredibly proud of what we have achieved together so far, and now it is time for us enter a new phase of profitable growth.



Morten Falkenberg
President and CEO

Financial targets

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

>5%

Growth

Sales are to grow organically and through acquisitions by an average of over 5 per cent per year.

>10%

Profitability

The operating margin is to amount to more than 10 per cent over a business cycle.

<100%

Financing

The debt/equity ratio is to less than 100 per cent. A temporary elevation of the debt/equity ratio is acceptable in conjunction with acquisitions.

40–60%

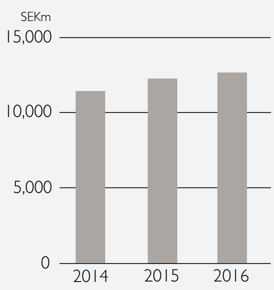
Dividend

Dividends 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.

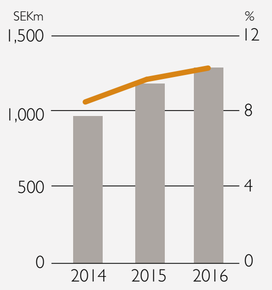
10.3%

The operating margin continued to improve. In 2016 the target of an operating margin of more than 10 per cent was achieved.

Net sales

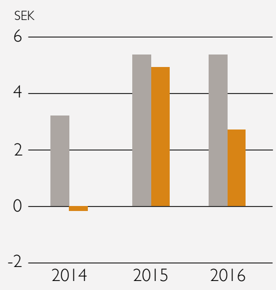


Operating profit and operating margin*



*) Excluding items affecting comparability

Earnings per share



Earnings per share excluding items affecting comparability, SEK

Earnings per share including items affecting comparability, SEK

Target fulfillment in 2016

Growth

Net sales in 2016 increased 3 per cent to SEK 12,648 million. Negative currency effects impacted sales in the amount of SEK 611 million. Commodore and CIE, which were acquired at the end of 2015, added sales of SEK 712 million. Organic sales growth was 4 per cent. Organic and acquisition-based growth amounted to 9 per cent in 2016. Since 2011, average growth per year has amounted to negative 1 per cent.

Sales growth, %

	2012	2013	2014	2015	**2016**
Organic change	-5	0	2	6	**4**
Acquisitions and divestments	–	-2	-1	4	**4**
Currency	0	-3	6	7	**-5**
Total growth	**-6**	**-5**	**7**	**17**	**3**
Average annual growth*	-6	-5	-2	-2	**-1**

* Based on the base year of 2011.
Sales growth for 2016 and 2015 refers to operations excluding Poggenpohl.

Operating margin

The operating margin has improved every year since 2009. In 2016, operating profit amounted to SEK 1,298 million and was negatively impacted by currency effects totalling some SEK 180 million. The operating margin for 2016 improved to 10.3 per cent, primarily as a result of increased sales, lower prices of materials and the acquisition of Commodore and CIE. The Nordic region reported the highest margin. Profitability has been improving in the UK region since 2012. Divestments and unprofitable operations have contributed to a higher operating margin over the past few years in both the Central Europe region and the Group as a whole.

Operating margin excluding items affecting comparability, %

	2012	2013	2014	2015	**2016**
Nordic region	10.5	12.6	12.8	13.3	**14.3**
UK region	4.5	6.0	7.5	9.3	**8.9**
Central Europe region	-0.3	-1.7	7.8	3.7	**6.8**
Group total	**4.6**	**5.9**	**8.5**	**9.7**	**10.3**

The operating margin for 2015 and 2016 refers to operations excluding Poggenpohl.

Financial position

Nobia's net debt, defined as interest-bearing liabilities less interest-bearing assets, amounted to SEK 493 million at 31 December 2016. Nobia's pension liabilities, which are included in interest-bearing liabilities, amounted to SEK 955 million at the end of the year. During the same period, the debt/equity ratio was 14 per cent and the equity/assets ratio 43 per cent. Operating cash flow increased primarily as a result of lower investment and a positive change in working capital.

Indebtedness and cash flow, SEK m

	2012	2013	2014	2015	**2016**
Net debt, SEK m	1,707	1,176	1,206	774	**493**
Operating cash flow, SEK m	237	601	779	770	**1,031**
Equity/assets ratio, %	37	44	41	47	**43**
Debt/equity ratio, %	64	37	38	20	**14**

Dividend to shareholders

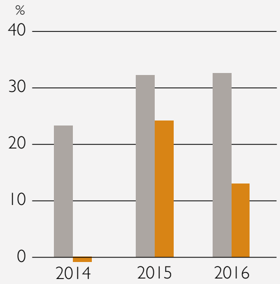
The Board of Directors proposes a dividend of SEK 3.00 per share to the Annual General Meeting, corresponding to 56 per cent of net profit for the year per share after tax excluding items affecting comparability and 111 per cent of net profit for the year including items affecting comparability. The proposal entails a total dividend of approximately SEK 505 million. For the 2015 fiscal year, the dividend amounted to SEK 2.50, while the dividend for 2014 was SEK 1.75.

Dividend to shareholders

	2012	2013	2014	2015	**2016**
Earnings/loss per share, SEK	-3.27	2.10	-0.17	4.92	**2.70**
Dividend per share, SEK	0.50	1.00	1.75	2.50	**3.00***
Dividend as a percentage of net profit after tax	n/a	48	n/a	51	**111**

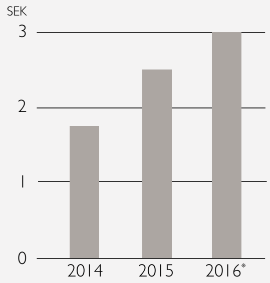
* Board's proposal.

Profitability trend



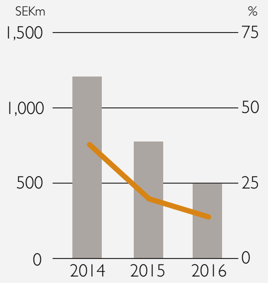
Return on operating capital, %
Return on equity, %

Dividend per share



* Board's proposal

Net debt and debt/equity ratio



Net debt, SEK m
Debt/equity ratio, %

56%

The proposed dividend of SEK 3.00 per share corresponds to 56 per cent of net profit per share after tax excluding items affecting comparability.

Strategy for profitable growth

After a number of years of improved profitability, focus is now being placed on higher growth. Nobia is to grow independently by finding new ways of meeting its customers, but also by way of more acquisitions. At the same time, long-term efforts to achieve synergies remains.

A more customer-focused vision and a strategic plan for the period 2017-2020 have been drawn up. The "Inspiring kitchens made easy" vision was developed based on the insight that consumers generally consider purchasing a kitchen to be a laborious process. Nobia's long-term goal and aspiration is to give customers a positive purchasing experience along with inspiring kitchen solutions they are happy with.

The strategic three-year plan focuses on both growth and profitability. The target is for Nobia to grow by over 5 per cent, calculated on the basis of unchanged exchange rates, and to achieve an operating margin of more than 10 per cent.

The strategy lays out six interconnected themes and includes investments for growth, activities to improve processes and targeted initiatives to deliver in line with the plan and achieve targets. Economies of scale throughout the entire value chain form the basis of the strategy.

>5%

Growth is to amount to over 5 per cent, calculated on the basis of unchanged exchange rates

>10%

The operating margin is to exceed 10 per cent

Strategic themes

Omnichannel

Today's consumers want to be involved in every stage of their kitchen investment, while also wanting the process of having a kitchen fitted to run smoothly. Nobia wants to capitalise on this high level of customer involvement, offer useful digital tools and help customers progress smoothly through the purchasing process. With regard to sales, Nobia invests in omnichannel, which means that the customer experience is to be identical regardless of whether the customer visits a website or a store. Websites and stores should be connected.

Nobia is continuing to invest in the Group-wide online platform and is developing both content and functionality to offer an enhanced customer experience throughout the entire purchasing process. The HTH brand has online stores in Sweden, Norway and Denmark and this e-commerce solution is being continuously developed. E-commerce will be introduced for Magnet Trade in 2017.

As consumers become more involved and do more online, the role of stores will change. In 2017, Nobia will test a concept whereby customers are given the opportunity to do more both online and in stores, which will improve the purchasing experience and make sales more efficient. This will entail a new store concept with smaller retail spaces and new digital tools in the stores and online.

KIM LINDQVIST, EVP, CHIEF MARKETING OFFICER

> To achieve our vision, we are combining the experience in stores with the digital experience. Purchasing our kitchens should be inspiring and easy.

Strategic themes

PETER KANE, EVP, UK REGION AND HEAD OF MAGNET

> The highest level of growth is found in the low-price segment. We are approaching price-sensitive customers in the UK in various ways, including through Simply Magnet.

The economy segment

Historically, Nobia has principally focused on the mid-price segment, but is now also focusing on the low-price segment via a couple of brands, since this is a major and growing part of many kitchen markets. Nobia has production economies of scale that enable particularly affordable offerings for limited and lower-spec kitchen ranges.

At the end of 2014, Magnet launched a range of ready-to-assemble kitchens. The introduction of this range, Simply Magnet, has proved highly successful and has resulted in increased sales in the UK with sustained profitability. The offering is being developed further and the number of Simply Magnet kitchen displays is increasing.

RUNE STEPHANSEN, EVP AND HEAD OF COMMERCIAL DENMARK

> HTH GO is an investment aimed at increasing consumer sales in the Nordic region. We make it easy to purchase a recognised brand-name kitchen at a reasonable price.

Nobia has equally strong conditions in the Nordic region to increase sales in the low-price segment. In 2016, Nobia entered into a partnership with the electronics chain Expert to sell ready-to-assemble kitchens from Norema in 20 Norwegian Expert stores. Nobia also developed a range of popular HTH kitchens that are to be sold in ready-to-assemble format to consumers. The HTH GO kitchen concept was launched in Denmark in March 2017 before being introduced at a later date in Norway and Sweden. This investment will involve efficient production and distribution flows and new digital tools that make it easier for customers to plan and install kitchens themselves. Read more on page 10.

NICK CORLETT, EVP, SOURCING AND PRODUCT MANAGEMENT

> An optimised product portfolio is crucial for ensuring increased efficiency. We have seen that this works, but much remains to be done.

Product development

Successful central product-range development is an important aspect of both growth and profitability. Nobia will continually present new products that differentiate the brands and satisfy customer needs. At the same time, work will continue in terms of harmonising the Group's overall range and reducing the number of product items. Most of the kitchen cabinets manufactured by Nobia currently adhere to the same standard dimension and in most markets Nobia has a Group-wide core range. The plan for the future is to further reduce the complexity of the range in order to achieve economies of scale in sourcing and production.

NIEK VISARIUS, EVP, SUPPLY CHAIN OPERATIONS

> Large-scale manufacturing enables efficient use of fixed costs and continued investment in first-rate equipment.

Production structure

Nobia has adopted a structured Lean approach and implements continuous improvements to ensure optimised flows and greater efficiency at the Group's plants. The long-term trend is towards large-scale and brand-independent production. At the same time, kitchens are a relatively bulky product and so larger scale needs to be weighed up against transport efficiency.

Poggenpohl's plant in Germany was divested in early 2017, and Nobia had also previously discontinued or divested five production units between 2008 and 2013. Since 2014, two plants in the UK have been added via acquisitions. Looking ahead, major investments will be concentrated on fewer production facilities. The Group's production structure will be reviewed and consolidated further.

Strategic themes

THOMAS MYRINGER, EVP, HR DIRECTOR

> Having the right employees provides an important competitive advantage as motivated employees lead to greater profitability.

People
Our ability to recruit, retain and develop our employees is vital if Nobia is to have the opportunity to implement its strategic plan. This strategic plan is highly ambitious in terms of growth and improved processes. In order to succeed in delivering it, Nobia needs to invest in career and skills development and reinforce the attractiveness of the company as an employer. A specific leadership profile has been developed and future leadership at Nobia will be based on a greater customer focus, in line with the company's vision.

Acquisitions
Acquisitions represent an important part of Nobia's strategy. Since 2014, Nobia has acquired and consolidated the UK kitchen businesses Rixonway Kitchens, Commodore and CIE Kitchens.

These additions have led to higher sales and both strengthened market positions and economies of scale. The acquisition strategy still focuses on profitable companies that operate in attractive markets and with strong market positions and that complement Nobia's current structure.

High-quality kitchens from HTH at reasonable prices

HTH is introducing a new kitchen concept for those who are willing to do some of the work themselves. HTH GO offers personalised, high-quality kitchens with a great design that are ready for installation.

A lot for your money
HTH's most popular kitchen models are now available in ready-to-assemble versions at reasonable prices. We help our customers design their dream kitchens and choose from our range of modern and smart solutions with great designs and integrated technology. The kitchens are easy to install and they are delivered direct to customers' doors with fast delivery times.

Tips and purchasing advice
A range of services are available to make it easy for our customers to design, purchase and install the kitchens. HTH GO has its own online platform with inspirational images, tips and advice, a purchasing guide, product information, drawing tools and a complete online store. Our salespeople are ready and waiting to provide customers with the best possible service and purchasing experience.

Launch
HTH GO will be launched in Denmark in March 2017 before being introduced at a later date in Norway and Sweden. The launch will be supported by a televised advertising campaign, among other initiatives. HTH GO will also be given a dedicated space in our stores. In connection with the launch, the stores will therefore be equipped with a new reception and partially updated floorplans and displays.

Marbodal Signatur Sandell

The kitchen market in Europe

The number of people and households is increasing in Europe and housing shortages are prevalent in Nobia's core markets. The major urban areas are expanding and becoming more densely populated, which is leading to demand for more, and smaller, kitchens. This indicates that there will be an increase in housing construction and increased demand for 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 either during renovation or new construction.

Kitchens a vital part of every home

Kitchens are infrequently purchased products associated with a high level of commitment, as they represent an important room in many consumers' lives. Seen from a longer-term perspective, the kitchen has gone from being principally a place for preparing food to the heart of the home. We spend a lot of time in our kitchens, which now have more functions than before. Open-plan solutions between the kitchen, dining room and living room have now become common. New functionalities and designs, both in terms of kitchen solutions and via new technology, reflect the greater significance of the kitchen in our homes and encourage consumers to update existing kitchen fittings.

Digitisation leading to greater demands

Digitisation is creating new types of customer behaviour. People preparing to renovate their kitchen want to be involved in the process and are prepared to spend a lot of time in front of their computer screens to gain inspiration and obtain purchasing advice and product information. It is important for the kitchen brands to be able to respond to customers' needs by using the latest digital aids. Constantly connected consumers place great demands on accessibility and service, regardless of the place or channel. The share of kitchen sales conducted without a physical meeting in stores and with salespeople is still relatively small, but the trend is moving towards increased digital involvement throughout the purchasing process and an increase in e-commerce.

The kitchen as an investment

A kitchen renovation is often preceded by a person feeling that the current furnishings are tired and outdated or no longer match their personal taste. New requirements may also have arisen as a result of a change in life circumstances. For households, a new kitchen is a relatively complex and major investment in which design and function play a key role. On average, European consumers purchase new kitchens every 15–20 years and the main reason for investment in a new kitchen is due to a move.

When renovating a kitchen, in addition to buying the kitchen products, consumers have to pay labour costs for installation, electricity, plumbing and flooring. Tax deductions for home improvements are therefore deemed to have a positive impact on the kitchen renovation market. As of 2016, the Swedish tax deduction for labour costs has been reduced to 30 per cent, with a maximum amount of SEK 50,000 per person. The tax deduction is smaller in Finland, while such tax deductions are not available in Nobia's other markets.

The project market

Construction companies that renovate housing need to be in a position to offer their customers kitchens with an attractive design and many optional extras. For Nobia's corporate customers working within property development and new construction, appealing kitchen solutions are part of the marketing process for new items. In recent years, sustainability issues have also become increasingly important for Nobia's project 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 competition

The European kitchen market is fragmented and customers principally recognise local brands. There are small local players in every country alongside major kitchen producers and international furniture companies. Many kitchen companies have a complete value chain covering everything from production to sales, but there are also players who focus on a specific part of the value chain or a certain distribution channel. A mere ten or so companies are deemed to have market shares amounting to more than around two per cent of the European kitchen market.

There is, however, a slow trend towards greater market consolidation. Nobia is playing a part in this development. As a leading kitchen specialist, Nobia is striving to consolidate the European kitchen market by making acquisitions and capitalising on economies of scale.

Selected competitors

MARKET	COMPANIES
UK	B&Q, Howdens, IKEA, Wren
Sweden	Ballingslöv, IKEA, Vedum
Norway	Drømmekjøkkenet, IKEA, Kvik, Strai
Denmark	IKEA, Kvik, Svane, Vordingborg Køkkenet
Finland	IKEA, Puustelli, Topi Keittiöt
Austria	DAN Küchen, Nobilia, Schüller, Alno

Brand strategy

Nobia's brand portfolio primarily consists of strong, local kitchen brands in the mid-price segment. The brands enjoy a high level of recognition and appeal in their respective local markets. As an example, consumers' awareness of Magnet in the UK, HTH in Denmark, Marbodal in Sweden, Sigdal in Norway and ewe in Austria has now risen above 75 per cent.

The brand strategy is based on a segmentation of the kitchen market by consumer attitudes and needs. Four main segments have been identified based on extensive consumer analyses and market surveys, and Nobia's brands target two of these customer segments. Nobia is working to clarify the brands' positioning and differentiate them from competitors in terms of range and target group, while behind the scenes there are in fact joint processes.

Europe's kitchen market in figures

The estimated value of the European market for kitchen products is about EUR 12 billion. The four largest European markets are Germany, the UK, Italy and France, which jointly account for 74 per cent of kitchen production and 66 per cent of kitchen consumption.

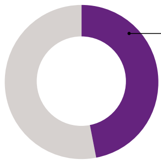
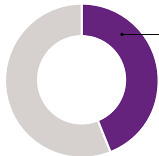
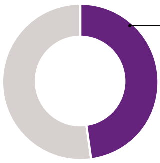
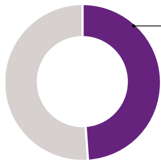
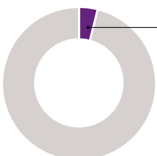
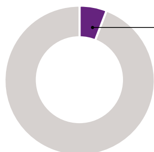
The German market is deemed to account for approximately 25 per cent of Europe's kitchen market. The UK is estimated to account for approximately 17 per cent of Europe's kitchen market. The markets in Sweden, Norway, Denmark, Finland and Austria jointly account for about 14 per cent of kitchen consumption. Of these countries, Sweden is the largest kitchen market, while Finland is the smallest.

Source: Centre for Industrial Studies (CSIL): The European market for kitchen furniture, 2016.

3.9

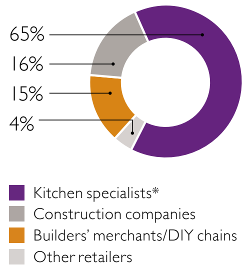
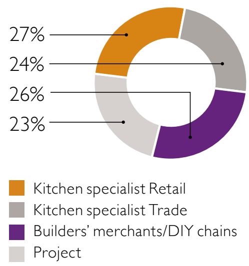
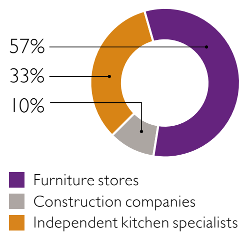
Kitchen consumption in the countries where Nobia operates is estimated to amount to around EUR 3.9 billion.

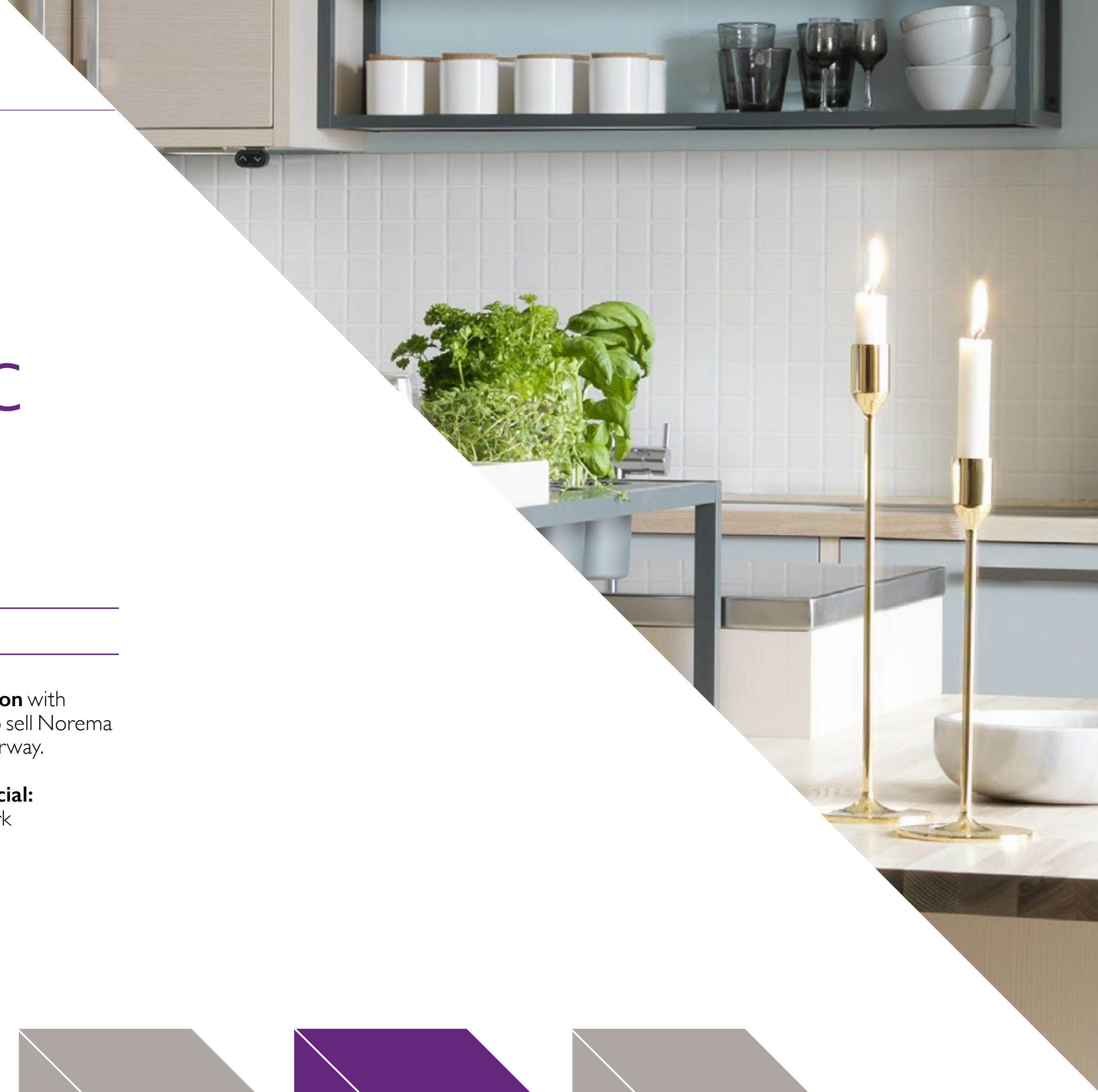
Business overview

	Net sales	Operating profit	Number of employees
Nordic region 	 47.3% SEK 5,987 m	SEK 856 m	 44% 2,633 employees
UK region 	 48.4% SEK 6,122 m	SEK 545 m	 49% 2,915 employees
Central Europe region 	 4.3% SEK 539 m	SEK 37 m	 6% 358 employees
Group total	SEK 12,648 m	SEK 1,298 m	5,964

Explanation of overview

Al figures in the business overview exclude Poggenpohl, which was divested on 31 January 2017. Net sales for the regions do not include sales to other regions. 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 include employees in the Parent Company.

Production units	Own stores	Operational description	Sales channels
6	51	In the Nordic region, Nobia sells kitchens to consumers and professional customers under several brands, of which a number can be found in 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 and also manufactures laminated worktops. In Finland, Nobia sells kitchens under the A la Carte, Petra and HTH brands.	
5	212	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 UK consumers, builders, DIY and construction chains, property developers, construction companies and social housing administrators. Magnet is the largest operation in terms of sales, with stores across the UK.	
2	–	The Central Europe region comprises Nobia's Austrian operations. In Austria, Nobia manufactures kitchens under the brands ewe, FM and Intuo, which are mainly sold to Austrian furniture chains, purchasing organisations and independent kitchen specialists. The Austrian operations also include minor export activities and manufacture a small amount of kitchens under private labels for Poggenpohl. Nobia does not have its own stores in the region.	
13	263		



Nordic
region

2016

- **Entered into collaboration** with electronics chain Expert to sell Norema kitchens in 20 stores in Norway.
- **New Heads of Commercial:**
  Rune Stephansen, Denmark
  Annica Hagen, Sweden

Net sales, SEK m
5,988

Operating profit, SEK m
856

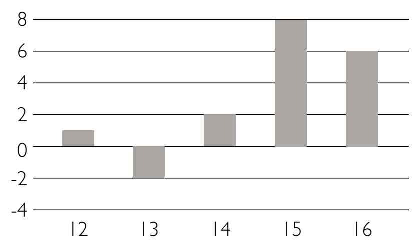
Organic growth, %
6

Operating margin, %
14.3

Key figures

	2015	2016	Change, %
Net sales, SEK m	5,652	5,988	6
Gross profit, SEK m	2,254	2,402	7
Gross margin, %	39.9	40.1	–
Operating profit, SEK m	749	856	14
Operating margin, %	13.3	14.3	–
Operating capital, SEK m	666	681	2
Return on operating capital, %	112	127	–
Investments, SEK m	159	116	-27
Average number of employees	2,639	2,696	2
Number of employees at year-end	2,596	2,633	1

Organic sales growth, %



Position and market trend

Nobia is a leading kitchen supplier in the Nordic region with sales to both consumers and project customers. Nobia has a strong position as a supplier of kitchens to construction companies 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 and the electronics chain Expert, while Sigdal kitchens are sold via franchise stores and independent retailers. Marbodal is principally sold through a retailer organisation. Nobia does not have its own stores in Finland.

The Nordic kitchen market grew during the course of 2016, mainly driven by increased new construction. The consumer segment deteriorated somewhat compared with the preceding year, particularly in the Swedish market.

Brands and operations

HTH offers complete kitchen solutions in the mid-price segment to both consumers and professional customers. HTH kitchens are mainly rigid, but there is also a range of ready-to-assemble kitchens under the HTH GO concept. Sales are conducted in some 101 stores throughout Denmark, Sweden, Norway and Finland, more than half of which are run as franchises, as well as 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 upper-mid-price segment and are sold via franchise stores.

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

Marbodal is a kitchen brand in 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.

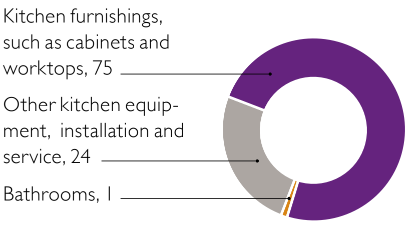
Sigdal offers rigid kitchens in the mid-price segment to both professional customers in the Norwegian market and Norwegian consumers via franchise stores and independent retailers.

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 ready-to-assemble kitchens in the lower price segment.

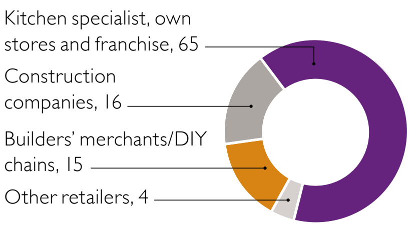
A la Carte offers rigid kitchen solutions in the upper-mid-price segment that are primarily sold via Nobia's Finnish franchise chain Keittiömaailma ("kitchen world").

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.

Sales per product, %



Sales channels, %



Own kitchens stores

51 Two new stores were opened during the year and six were closed or divested to franchisees.

Kitchens stores by country

Denmark	Norway	Sweden	Finland
34	12	3	2

UK
region

2016

- **Commodore and CIE Kitchens,** which were acquired in 2015, were integrated into Nobia's UK operations.
- **Sales** of the flat-pack range Simply Magnet continued to increase.

Net sales, SEK m
6,122

Operating profit, SEK m
545

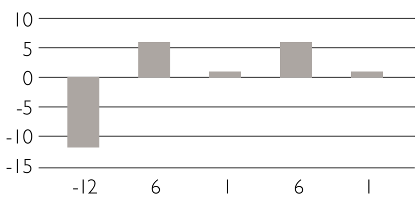
Organic growth, %
1

Operating margin, %
8.9

Key figures

	2015	2016	Change, %
Net sales, SEK m	6,099	6,122	0
Gross profit, SEK m	2,463	2,323	-6
Gross margin, %	40.4	37.9	–
Operating profit, SEK m	567	545	-4
Operating margin, %	9.3	8.9	–
Operating capital, SEK m	1,636	1,623	-1
Return on operating capital, %	34.7	33.4	–
Investments, SEK m	168	109	-35
Average number of employees	2,868	2,990	4
Number of employees at year-end	3,042	2,915	-4

Organic sales growth, %



Position and market trend

Nobia is a leading player in the UK kitchen market, operating in several market segments. The kitchen chain Magnet consists of own stores, 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 Kitchens 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.

There is a highly level of competition in the UK kitchen market. Macroeconomic uncertainty increased in 2016 following the referendum on EU membership. Consumer confidence deteriorated, resulting in a weaker market trend during the second half of the year.


Magnet Somerton Fern

Brands and operations

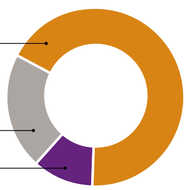
Magnet is a nationwide British kitchen chain with 210 stores for consumers and professional builders. Magnet is the UK's largest kitchen brand. Its kitchen solutions are in the mid-price segment and are delivered with a high level of service commitment. At the end of 2014, Magnet's core range of rigid kitchens was expanded to include a range of ready-to-assemble kitchens, Simply Magnet. A complete 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 offered "category management," which entails service with store displays, product development and staff training.

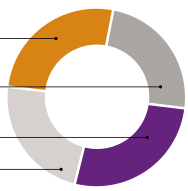
Rixonway is a leading supplier of kitchen solutions to social housing projects in the UK. The kitchens are in the economy segment and are primarily sold to construction companies and purchasing organisations, but also via a large number of builders' merchant stores.

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.

Sales per product, %



Sales channels, %



Own kitchens stores

212

15 new stores opened during the year and nine stores closed.

Central Europe
region

2016

- **Nobia agreed on the divestment** of Poggenpohl on 19 December 2016. The transaction was completed on 31 January 2017.

Net sales, SEK m
541

Operating profit, SEK m
37

Organic growth, %
3

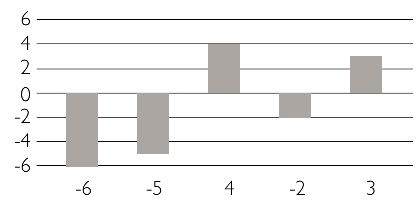
Operating margin, %
6.8

Key figures

	2015	2016	Change, %
Net sales, SEK m	518	541	4
Gross profit, SEK m	161	172	7
Gross margin, %	31.1	31.8	–
Operating profit/loss, SEK m	19	37	-95
Operating margin, %	3.7	6.8	–
Operating capital, SEK m	424	75*	-82
Return on operating capital, %	27	39	–
Investments, SEK m	59	54*	-9
Average number of employees	431	355	-18
Number of employees at year-end	356	358	1

* Includes Poggenpohl operations

Organic sales growth, %



Position and market trend

Nobia has a very small share of the total kitchen market in Central Europe. Following the divestments of the French kitchen chain Hygena in March 2015 and the German kitchen company Poggenpohl in January 2017, the region now only comprises Nobia's Austrian operations.

Nobia has three brands in the mid-price and premium segments in Austria, with sales to furniture chains, purchasing organisations and kitchen specialists. Nobia is one of the leading kitchen players in the Austrian market. Nobia in Austria also has minor exports to neighbouring countries and supplies kitchens under the Goldreif brand to Poggenpohl.

Nobia's market in Central Europe is deemed to have grown slightly in 2016, while competition remained fierce.

ewe Vida Arktic

Brands and operations

ewe is an Austrian kitchen brand that represents modern design in the mid-price and premium segments. The rigid ewe kitchens 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.

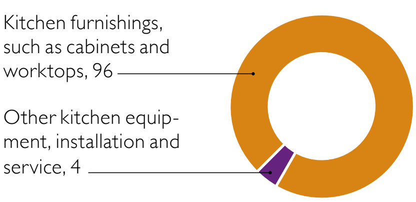
ewe Vida Truffle oak

FM Hammerleiten

Intuo Centro

ewe FM INTUO

Sales per product, %



Sales channels, %

A more sustainable life in the kitchen

Nobia's sustainability initiatives are based on the Group's economic, environmental and social impact. These initiatives are integrated into all units, but a central sustainability function has been created and the focus areas are defined at Group level.

Responsibility and governance

Nobia has a fundamental responsibility to all of its stakeholders to maintain and develop a sustainable business. The impact of its operations varies across the value chain.

In 2016, Nobia decided to establish a central function for sustainability to reinforce and structure the company's sustainability initiatives. Key figures and focus areas are defined at Group level, with work on social environmental and business ethical issues integrated into all units and functions. Activities depending on the type and scope of the impact are initiated to minimise negative consequences and increase the positive effects, thereby developing a sustainable business.

Governing documents

Nobia's Code of Conduct forms the basis of how operations are to be managed and applies to all employees, partners and suppliers. A revised Code of Conduct and a separate Code of Conduct for suppliers with more detailed requirements regarding labour conditions, human rights, the environment and business ethics will be introduced during the course of 2017. The Board of Directors will also adopt a new policy concerning compliance with the UK Modern Slavery Act.

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 to ensure a more efficient use of resources.

Nobia also has other governing documents for specific areas of sustainability, such as a forest management policy for wood suppliers.

About the report

Nobia has prepared 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. Data relating to sustainability, measurements and key figures are collected from the production units and Group management receives reports on trends in these indicators.

The Sustainability Report for 2016 is based on a materiality analysis conducted during the year. The report includes environmental data and social indicators from Poggenpohl – divested on 31 January 2017 – since those operations were included in the Nobia Group in 2016. Environmental data from the supplier chain is not included in the report. Nobia's assessment is that the information included in the Annual Report and on the company's website meets 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.

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

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. In 2015 and 2016, interview with representatives were also carried out for major customers, shareholders and suppliers along with relevant stakeholder organisations. The selection was made based on size and on which groups had not been interviewed before. All Nobia employees have been given the opportunity to provide their view about which sustainability aspects are significant in surveys on the Group's intranet.

Based on this stakeholder dialogue, Nobia's material sustainability issues have been identified as:

SUSTAINABLE CHOICE OF MATERIALS	Materials from sources that have a limited impact on people and the environment.
PRODUCT RESPONSIBILITY	Product safety and product development that take people and the environment into consideration and transparent product specifications.
RESPONSIBLE SOURCING	Selection, monitoring and reviews of suppliers whose activities are based on respect for human rights, the environment and business ethics.
LABOUR CONDITIONS	Health and safety – safe workplaces with fair conditions where respect for human rights, individuals and diversity is promoted.
REDUCED CLIMATE IMPACT AND SUSTAINABLE USE OF RESOURCES	Reduced climate impact throughout the life cycle, efficient use of resources, recycling and waste management.
BUSINESS ETHICS AND ANTI-CORRUPTION	Working methods and approaches to ensure legislative compliance, promote transparency and safeguard strong business ethics along the value chain.

Nobia's value chain

	Product development	Sourcing	Production	Transportation	Sales	Use
Nobia's value creation	Nobia develops attractive kitchen solutions with a minimal environmental impact.	Sourcing is coordinated, which provides economies of scale and the opportunity to work in a structured way in terms of setting requirements, monitoring and developing suppliers with regard to social responsibility, the environment and business ethics.	Nobia manufactures attractive kitchen solutions in a safe work environment, creates value for its customers by way of efficient function and design and works to reduce its utilisation of resources and environmental impact.	The kitchen solutions are delivered to customers directly, primarily using lorries.	Nobia's employees and partners sell kitchen solutions. Information supplied to customers is clear and accurate.	Nobia's kitchen solutions have a long lifespan and low environmental impact.
Significant sustainability aspects	Sustainable choice of materials Product responsibility Reduced climate impact Sustainable use of resources Business ethics and anti-corruption	Reduced climate impact Responsible sourcing Business ethics and anti-corruption Labour conditions, health and safety	Labour conditions, health and safety Reduced climate impact Sustainable use of resources Business ethics and anti-corruption	Reduced climate impact Business ethics and anti-corruption Labour conditions, health and safety	Business ethics and anti-corruption Product responsibility	Reduced climate impact Sustainable use of resources Product responsibility
Nobia's working methods	Sustainability is a central theme in Nobia's product development and ecolabelled products are included in the range.	Systematic supplier audit activities are conducted to prevent social, ecological and business ethical risks as part of the sourcing process and to influence suppliers to improve their sustainability efforts.	Production adopts a goal-driven lean approach along with systematic health and safety activities to prevent accidents in the workplace and reduce energy consumption and the use of raw materials.	Nobia optimises its transport flows and loading with the aim of minimising the amount of transportation and collaborates with established shipping companies.	Business methods comply with generally accepted business practices. Employees and partners are obliged to follow the principles contained in the Code of Conduct. There is a channel for reporting regulatory violations.	Nobia conducts relevant tests, both independently and through external partners and in line with recognised standards. Sustainability is a focus area in product development.

Three questions to Amanda Jackson, Head of Sustainability

What issues are you working on?
I am in the process of producing a Group-wide sustainability strategy with clear metrics and I am working to develop a sustainability function. In addition to this, I am reviewing how we can work even more on our products to inspire and enable our customers to live in a more sustainable way.

Why is sustainability important to Nobia as a business?
By reinforcing, structuring and developing our sustainability initiatives, we are able to offer products that take sustainability into account during production and that have been developed to enable customers to live a more sustainable life in the kitchen. I believe that is both profitable and in line with our customers' expectations.

What is on the agenda for 2017?
During the course of this year I will be focusing on sourcing and the selection of materials, monitoring of suppliers and product development. This means that I will be working closely with the sourcing organisation and on product development. I will also dedicate time to creating a common understanding of what our sustainability entails and how it affects our business.

Care of employees

The commitment and efforts of employees are a vital part of Nobia's success. Safety at the workplace is our highest priority. We are able to recruit and retain our employees by ensuring that we are an attractive employer that offers opportunities for development.

Nobia supports and respects international conventions governing human rights as well as local legislation. At the end of the year Nobia had 6,445 employees, of which 481 were working at Poggenpohl, which was divested on 31 January 2017.

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. Following the divestment of Poggenpohl, Nobia principally has employees in six European countries, with all employees covered by collective agreements in each of these countries except the UK.

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 some 100 senior executives and senior managers, 21 per cent are women (20), compared with 28 per cent (28) 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, employees are encouraged to report any conduct that breaches the Code. An anonymous communication channel has been set up for this purpose, but employees can report any cases outside this channel too. 25 cases were reported in 2016, of which five were reported via the anonymous communication channel. The reported cases and other issues relating to the principles in the Code of Conduct have been handled and reported to the Board's Audit Committee.

In 2016, workshops concerning the Code of Conduct were conducted in the company's Danish, Norwegian and Swedish operations for around 50-80 participants on each occasion. The Code has also been highlighted through local information campaigns. An online training course was held for Norwegian employees in early 2017, and this will also be used at a later date in other countries.

Safe and secure work environment
The safety of employees is our highest priority, and Nobia has a vision of zero accidents in the workplace and no 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.

Safety-related activities in production were stepped up during 2016. The production management teams at the facilities have daily follow-up meetings at which safety is the first item on the agenda. Near-accidents and accidents are reported to management on a daily basis. Managers and employees are trained in procedures and safe conduct, while preventive measures are taken in terms of technical shortcomings and behaviours.

102 (101) workplace-related accidents resulting in at least one day of sickness absence occurred during the year. This corresponded to 17.0 workplace accident per million hours worked (16.8). The most common accidents were trips, slips, strains

Employees per country, 31 December 2016, number

UK	2,960
Denmark	1,300
Sweden	662
Finland	395
Austria	360
Germany	343
Norway	292
Other countries	88
Employees of subsidiaries	**6,400**
Employees of Parent Company (Sweden)	45
Employees of the Group	**6,445**

Production facilities

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

PRODUCTION FACILITY	ISO 14001
Halifax, UK	Yes
Morley, UK	Yes
Dewsbury, UK	Yes
Grays, UK	–
Wels, Austria	Yes
Freistadt, Austria	Yes

and cuts. All accidents are analysed and measures are taken to prevent the same accident from happening again.

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 salaried employees and employees in production and logistics. In production, there is a programme for operational and employee development referred to as Nobia Lean System. The programme is based on the employees and leadership and contains tools to enhance efficiency and reduce resource-related waste. The aim is to strengthen, engage and motivate employees to improve processes and reduce the risk of accidents in operations. Around 30 projects are under way as part of this operation, and around 250 people will be trained in the system by 2020.

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.

Business development

Nobia's employee survey is called My Voice and involves all employees in the Group. The results of the survey conducted in 2016 form the basis for around 1,500 improvement activities within areas such as information, conduct, roll distribution and training.

In 2016, work was carried out to define Nobia's leadership and the employee survey represented an important source of information in this regard. A leadership model was introduced in 2017 and this will form the basis for the Group's recruitment, development, evaluation and training.

Talent and talent management

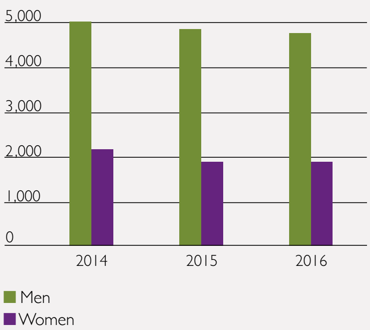
To ensure that Nobia's growth strategy and more customer-focused vision can be delivered, Nobia will invest more in its employees' skills and career development and focus on strengthening the attractiveness of the company as an employer.

Wherever possible, Nobia applies internal recruitment and internal promotion. 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.

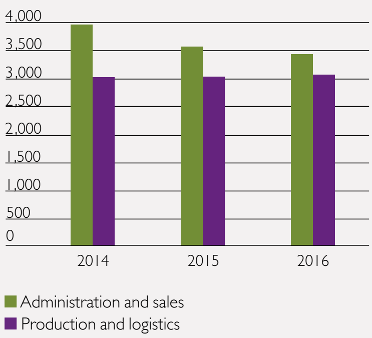
Leadership development

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 important element of 2016's programme was project work surrounding a number of real challenges facing the company, as defined by Group management.

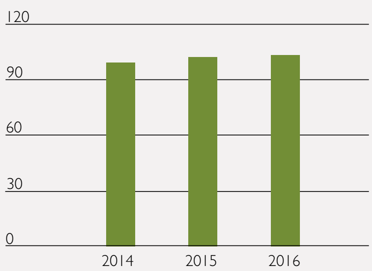
Employees by gender, number



Employees by function, number



Workplace-related accidents, number



Reduced climate impact and sustainable use of resources

Nobia's overall environmental impact is relatively minor, both in terms of products and manufacturing processes. Wood, which represents the main material used for Nobia's products, has many positive environmental effects since it is a renewable raw material. Nevertheless, Nobia strives to reduce its environmental impact.

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

Goals and priorities are set at regional level using the Group-wide direction as a basis. Environmental activities are integrated into the operations of each region and production unit.

CO2 emissions

Climate impact mainly occurs through emissions of CO2. Nobia strives to reduce CO2 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.

CO2 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 CO2 emissions.

Nobia's CO2 emissions per produced cabinet declined 13 per cent (6) in 2016, mainly as a result of a new electricity contract for the Swedish production unit. New targets for energy consumption and fill rates for 2017 have been adopted to reduce costs and CO2 emissions.

Nobia has been reporting to CDP since 2007 – an independent organisation promoting transparency in terms of companies' CO2 emissions and climate strategies. 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 in the production facilities, electricity consumption, transportation of kitchen products to customers and, to a limited extent, employees' business trips. A new point system was used in CDP's 2016 report that awarded Nobia a rating of "C", which is equal to the preceding year's "89D".

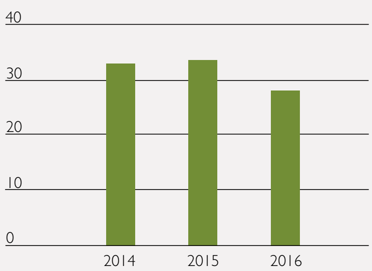
Efficient use of resources

Continuous efforts are made in production to optimise the flows using a Lean-based programme referred to as Nobia Lean System. More efficient resource utilisation is achieved through such optimised processes, meaning energy, emissions and costs can all 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 98 per cent (97) in 2016.

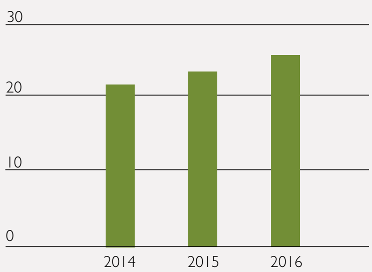
Energy consumption

Energy consumption is a prioritised area within Nobia's environmental initiatives.

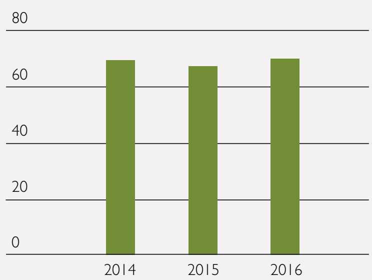
Greenhouse gas emissions, heating and manufacturing, thousands of tonnes CO_2



Greenhouse gas emissions, transportation, thousands of tonnes CO_2



Energy consumption, electricity, GWh



Energy is mainly used to operate production equipment, ventilation, fans, lighting, and to heat and cool buildings. Energy costs account for less than 1 per cent (1) of Nobia's total expenses. One method to reduce energy consumption includes training employees in conserving resources. Other measures include replacing old equipment with energy-efficient alternatives and equipping fans with frequency converters and heat recovery units. Energy-saving measures are also being implemented, such as replacing classic bulbs with sensor-driven LED lighting, which was introduced to the UK region in 2016.

Materials

Wood and wood products in the form of chipboard and MDF are main components in Nobia's products. Wood is a renewable raw material. During the year, the amount of wood, chipboard and MDF amounted to some 241 thousands of tonnes (245).

Nobia's suppliers of wood and wood products are mainly based in Europe. All wood suppliers are informed about the Nobia's sustainable forest management policy and must sign a timber declaration. 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 that are certified.

Nobia endeavours to increase the proportion of wood materials certified by FSC® (the Forest Stewardship Council), which amounted to 36 per cent (40) in 2016. The Forest Stewardship Council is an international member organisation that works to ensure the world's forests are managed in an environmentally adapted, socially responsible and financially robust manner.

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.

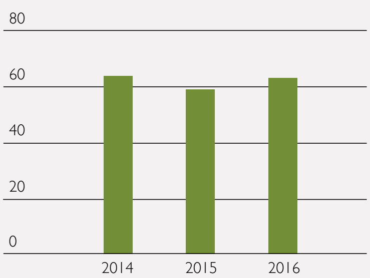
In 2016, the percentage of water-based and UV-tempered surface coatings totalled about 58 per cent (53). Cleaning equipment was installed in the facility at Tidaholm during the year, while the cleaning agent at the production facility in Ølgod was replaced with a solvent-free detergent.

Waste

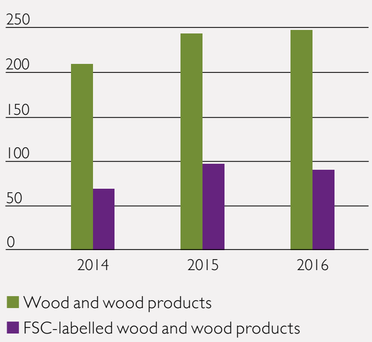
Timber pallets, corrugated board, shrinkwrap and plastic tape are the main components of the packaging materials used by Nobia. About 85 per cent (79) of this packaging materials is recyclable. A certain amount of waste is produced from the manufacture of products, primarily in the form of timber pallets, 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 (29). The amount of waste – excluding wood waste – was about 8 thousands of tonnes (8), of which some 29 per cent (29) went to external recycling, about 63 per cent (63) to landfill or incineration and about 8 per cent (8) comprised hazardous waste.

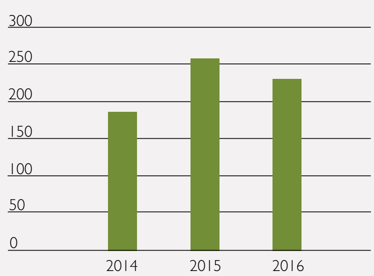
Energy consumption, heating, GWh



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 customers' needs and satisfy applicable safety and environmental regulations. Purchased materials and components are carefully specified and suppliers are audited in terms of work environment, human rights and environmental issues.

Product safety
Nobia never comprises the safety of its customers. Relevant product tests are carried out both in-house and by accredited testing institutions in line with EU standards.

In 2016, Nobia discovered that extremely heavily laden wall-hung kitchen cabinets from HTH and uno form with a specific suspension device had detached from the wall in a number of isolated cases since 2002. Once this had been discovered, the sale of these products was immediately halted and customers who had purchased this type of cabinets were informed and offered free installation of a fitting that remedies the problem.

Environmentally friendly products
Sustainability aspects are becoming increasingly important for Nobia's customers. The construction of eco-friendly buildings is increasing, which in turn is increasing demand for ecolabelled kitchens and products that live up to eco-building standards.

Sustainability is a focus area within Nobia's product development, and Nobia currently has 16 (18) Nordic Ecolabelled kitchen platforms in different colours that are sold by Marbodal, Norema and Sigdal. The range also 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.

Nobia is represented in the technical committees of the Swedish Federation of Wood and Furniture Industry (TMF). 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 715 (725) suppliers in its supply chain, of which most are based in Europe. 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 for different customer segments and its ambition is 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 risk assessed, inspected and evaluated 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.

There is a department responsible for supplier evaluations within Nobia's sourcing organisation. The suppliers selected for evaluation and the scope of the audits is determined based on a risk assessment. Suppliers considered high-risk are prioritised in this process.

The evaluation 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 evaluation template with an internal rating system is used, which provides a risk assessment and a rating. 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.

In 2016, Nobia expanded its supplier audits to also include subcontractors. 79 supplier audits were carried out in total, of which 32 (45) were in-depth audits that included visits.

79

Nobia audited 79 suppliers during the year. Suppliers considered high-risk are prioritised in this process.

Marbodal Arkitekt Plus Plus

Nordic Ecolabelled kitchens

20 years ago, Marbodal became the first kitchen company to begin offering Nordic Ecolabelled kitchen products. This decision required changes in production and major investments in surface treatment machines as well as development resources. Today, several Nobia brands offer Nordic Ecolabelled kitchen series, and demand for ecolabelled kitchens is increasing.

The Nordic Ecolabel is an integrated part of Nobia's product development, with decisions on ecolabelling taken at an early stage. Materials for products destined for ecolabelling are selected carefully based on an analysis of their environmental impact. Documentation, certification and tests are sent to Ecolabelling Sweden for auditing and approval.

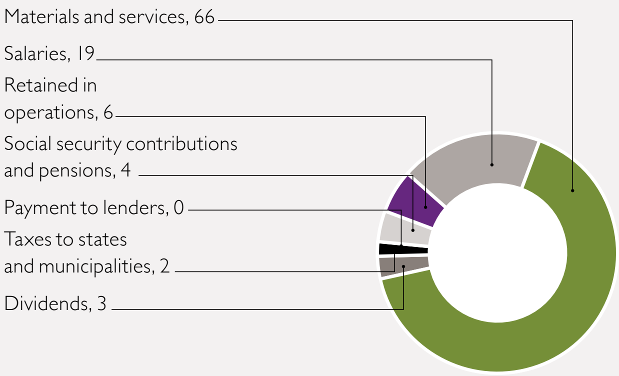
Depending on the materials that comprise the product, the components are audited in relation to established requirements.

- Chemicals added should contain minimal hazardous 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 hazardous 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.

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



Value generated

Nobia generates value for its stakeholders. Employees share in this value through their salaries and other benefits, suppliers are paid for the purchases they make, customers receive sustainable kitchen products, countries and municipalities receive tax revenue, while 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 2016, Nobia's total value added, or net sales less costs for materials and services, amounted to SEK 4,333 million (4,343).

Summary – sustainability indicators

GRI indicators	**Economic Performance Indicators**[1]	2014	2015	2016
G4-EC1	Net sales	11,411	12,266	12,648
G4-EC1	Operating expenses	7,448	7,923	8,315
G4-EC1	Payroll expenses	2,385	2,394	2,381
G4-EC1	Social security contributions and pensions	616	538	528
G4-EC1	State and municipal taxes	194	216	230
G4-EC1	Payment to lenders	37	15	17
G4-EC1	Dividends to shareholders	167	294	421
G4-EC1	Retained in operations	564	886	756
	Environmental Performance Indicators			
G4-EN1	Materials used: Wood, thousands of tonnes	207	241	245
G4-EN1	Materials used: Packaging materials, kg/cabinets	1.4	1.3	1.3
G4-EN1	Materials used: Recyclable packaging materials, %	84	79	85
G4-EN5	Energy intensity: Electricity consumption, kWh/cabinet	9.9	8.6	8.3
G4-EN5	Energy intensity: Heating, kWh/cabinet	9.1	7.5	7.5
G4-EN15	Direct greenhouse gas emissions (Scope 1), thousands of tonnes CO^2	21.0	22.1	22.5
G4-EN16	Indirect greenhouse gas emissions (Scope 2), thousands of tonnes CO^2	18.1	19.3	14.3
G4-EN18[2]	Greenhouse-gas emissions: Transportation, kg/cabinet	3.1	3.0	3.0
G4-EN18[2]	Greenhouse-gas emissions: Heating and manufacturing, kg/cabinet	4.6	4.3	3.3
G4-EN21[3]	Air emissions: Volatile organic compounds, kg VOC/100 lacquered details	3.6	4.4	3.9
G4-EN23	Waste (excluding wood waste), kg/cabinet	1.3	1.0	0.9
G4-EN23	Wood waste: thousands of tonnes	21	29	29
	Social Performance Indicators including Society Indicators			
G4-LA6[4]	Work-related accidents in production facilities, number	98	101	102
G4-EN32, LA14, HR10	Audited suppliers and subcontractors, number	42	45	79

1) Economic performance indicators exclude Poggenpohl both for 2016 and 2015.
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 in which the organisation operates	pp. 24, 61
G4-7	Nature of ownership and legal form	pp. 34, 96
G4-8	Markets served	pp. 12–21
G4-9	Scale of the organisation	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
G4-19	Material aspects	pp. 22–23
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. 22
G4-25	Identification and selection of stakeholders	pp. 22
G4-26	The organisation's approach to stakeholder engagement	pp. 22
G4-27	Key topics raised through stakeholder engagement and how the organisation has responded to these topics	pp. 22
G4-28	Reporting period	2016 fiscal year
G4-29	Date of most recent previous report	21 March 2016
G4-30	Reporting cycle	Annually
G4-31	Contact point for questions regarding the report	pp. 97
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. 86–91
G4-56	The organisation's values, principles, standards and norms of behaviour	pp. 22, 24

Specific standard disclosures

	Description	Reference
G4-DMA	Economic performance	pp. 6–7
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)	pp. 30
G4-EN16	Indirect greenhouse gas emissions (Scope 2)	pp. 30
G4-EN18	Greenhouse-gas emissions intensity	pp. 30
G4-EN21[1)]	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[2)]	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

1) Only VOC is reported.
2) Only accident intensity is reported.

Financial overview

Operations

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.

Growth: Sales are to grow organically and through acquisitions by an average of more than 5 per cent per year.

Profitability: The Nobia Group's operating margin (EBIT margin) is to exceed 10 per cent over a business cycle.

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.

2016

Nobia was further consolidated and profitability improved. Organic sales growth amounted to 4 per cent (7) and the operating margin continued to strengthen, reaching 10.3 per cent. Operating profit for the year improved primarily as a result of increased sales volumes, lower prices of materials and the acquisition of Commodore and CIE.

Significant events

Lars Bay-Smidt, Executive Vice President, 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.

Tomas Billing was re-elected Chairman of the Board at the Annual General Meeting on 11 April. All other members of the Board were re-elected. 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, Torbjörn Magnusson representing If Skadeförsäkring, Lars Bergqvist representing Lannebo funds and Arne Lööw representing the Fourth Swedish National Pension Fund, 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 Performance Share Plan 2013 resolved at the 2013 Annual General Meeting, based on the authorisation granted by the 2016 Annual General Meeting.

Nobia initiated a process in May to find a partner in global luxury products that can contribute to the development of German

Nobia Group summary

Poggenpohl's operations are recognised from 2016 as discontinued operations in accordance with IFRS 5 and comparative figures for 2015 have been restated according to the same accounting policy.

	2015	2016	Change, %
Net sales, SEK m	12,266	12,648	3
Gross margin, %	40.0	39.0	–
Operating margin before depreciation/amortisation and impairment, %	12.1	12.5	–
Operating profit (EBIT), SEK m	1,189	1,298	9
Operating margin (EBIT margin), %	9.7	10.3	–
Profit after financial items, SEK m	1,132	1,247	10
Profit/loss after tax, SEK m	828	455	-45
Earnings/loss per share, after dilution, SEK	4.92	2.70	-45
Earnings per share after dilution, excl. items affecting comparability, SEK	5.36	5.36	0
Operating cash flow, SEK m	770	1,031	34
Return on operating capital, %	32.2	32.5	–
Return on equity, %	24.1	13.0	–
Number of employees at year-end	6,539	6,445	-1

kitchen company Poggenpohl.

Niek Visarius, Executive Vice President Supply Chain Operations, became a member of Nobia Group management on 1 July 2016.

David Thorne, CIO, joined Nobia Group management on 1 October 2016.

Mikael Norman, CFO, left Nobia on 31 October and Kristoffer Ljungfelt took office as the new CFO on 1 November 2016. Kristoffer Ljungfelt previously served as the Business Area Director for Sigdal and Finance Director for Nobia Norway and the Nordic region.

Nobia announced on 19 December that it had signed an agreement with the German group Adcuram regarding the divestment of Poggenpohl. At the same time, Poggenpohl was reclassified to Discontinued operations in accordance with IFRS 5. Comparative figures were restated in this Annual Report. The transaction was completed on 31 January 2017 following approval from the competition authorities in Germany and Austria.

Consolidated net sales

Net sales amounted to SEK 12,648 million (12,266) and were distributed as follows: Nordic region, SEK 5,988 million (5,652); UK region, SEK 6,122 million (6,099); and Central Europe region, SEK 541 million (518). 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 4 per cent (7). Organic growth in the Nordic region was 6 per cent (8), while organic growth was 1 per cent (6) in the UK region and 3 per cent (neg: 6) in the Central Europe region.

The Group's earnings

The Group's operating profit for continuing operations amounted to SEK 1,298 million (1,189). The operating margin was 10.3 per cent (9.7). Operating profit improved, mainly as the result of increased sales, lower prices of materials and the acquisition of Commodore and CIE. Commodore and CIE reported sales of SEK 712 million for the year (68). Currency effects had a negative impact of SEK 180 million (pos: 95) on operating profit.

In the Nordic region, operating profit rose to SEK 856 million (749). The improvement was mainly due to higher sales volumes to the project market. Currency effects had a negative impact of SEK 65 million (neg: 25) on operating profit.

In the UK region, operating profit decline to SEK 545 million (567). The lower earnings were primarily a result of negative currency effects. Currency effects had a negative impact of SEK 115 million (pos: 120) on operating profit.

Operating profit in the Central Europe region improved to SEK 37 million (19). The earnings improvement was mainly due to lower costs. Currency effects had a impact of SEK 0 million (0) on operating profit.

Group-wide items and eliminations amounted to an operating loss of SEK 140 million (loss: 146). Financial items amounted to an expense of SEK 51 million (expense: 57). Net financial items included the net of return on pension assets and interest expense for pension liabilities corresponding to an expense of SEK 34 million (expense: 42). Net interest expense totalled SEK 17 million (expense: 15). Profit after financial items improved to SEK 1,247 million (1,132).

Tax expense amounted to SEK 269 million (263). Loss after tax from discontinued operations amounted to SEK 523 million (loss: 41), of which a loss of SEK 448 million pertained to the divestment of Poggenpohl, a loss of SEK 73 million to Poggenpohl's current earnings and costs related to the sale of Poggenpohl, a gain of SEK 5 million to the dissolution of a provision related to the sale of Hygena and a loss of SEK 7 million to the stores Nobia acquired from franchisees with the intention of subsequently selling on. Profit after tax declined to SEK 455 million (828).

Earnings per share for the year after dilution amounted to SEK 2.70 (4.92). Earnings per share for the year after dilution and excluding items affecting comparability amounted to SEK 5.36 (5.36).

Earnings from discontinued operations

From the fourth quarter of 2016, Poggenpohl's operations are reported as discontinued operations in accordance with IFRS 5. The full-year 2015 and the period January-September 2016 have been restated in this Annual Report with regard to the income statement, organic growth, specification of items affecting comparability, cash-flow statement, comparative data per region and applicable notes. These restatements are presented as an appendix to this report available on the Nobia website under Investor Relations and Reports and presentations

Loss after tax from discontinued operations amounted to SEK 523 million (loss: 41), of which a loss of SEK 448 million pertained to impairment of assets attributable to Poggenpohl, a loss of SEK 73 million to Poggenpohl's current earnings and costs related to the sale of Poggenpohl, a gain of SEK 5 million to the dissolution of a provision related to the sale of Hygena and a loss of SEK 7 million to the stores Nobia acquired from franchisees with the intention of subsequently selling on.

Items affecting comparability

Nobia recognises items affecting comparability separately to distinguish the performance of the underlying operations. Items affecting comparability refer to items that affect comparisons insofar as they do not recur with the same regularity as other items.

No items affecting comparability impacted operating profit (–) in 2016. Profit from discontinued operations was affected by negative items affecting comparability of SEK 448 million (neg: 75), which do not affect cash flow.

Approved and implemented restructuring measures of SEK 1 million (23) from previous years were charged to cash flow in 2016.

Investments, cash flow and financial position

Investments in fixed assets amounted to SEK 290 million (410), of which SEK 69 million (93) pertained to investments in the store network.

Operating cash flow amounted to SEK 1,031 million (770), positively affected by a change in working capital and lower investments.

The Group's capital employed amounted to SEK 5,182 million (5,369) at the end of the period. At year-end, net debt totalled SEK 493 million (774). Provisions for pensions, which are included in net debt, amounted to SEK 955 million at the end of the period, including Poggenpohl (732), while net borrowing amounted to SEK 0 million (42). At year-end, the debt/equity ratio was 14 per cent (20). Shareholders' equity at year-end amounted to SEK 3,419 million (3,822). The equity/assets ratio at year-end was 43 per cent (47).

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 is due in May 2017. In 2014, Nobia agreed on a syndicated loan of SEK 1 billion, valid until 2019, with a small group of banks. At the end of December 2016, the entire credit frameworks had been unutilised.

Acquisitions
No acquisitions were made in 2016.

Significant events after the end of the year
The sale of Poggenpohl to Adcuram was completed on 31 January 2017 following approval from the competition authorities in Germany and Austria.

Nobia's auditor George Pettersson passed away on 10 January. Henrik Lind, Authorised Public Accountant at KPMG, was appointed to succeed George Pettersson until the 2017 Annual General Meeting.

Future outlook
Demand for kitchens normally follows the same business cycle as other consumer discretionary products. Given Brexit and the divided economic climate in Europe, market conditions and demand trends for 2017 are deemed to remain challenging. Demand in the project segment in the Nordic region is expected to remain strong in 2017. 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 2016, the average number of employees was 6,573 (6,473). The number of employees at year-end was 6,445 (6,539). Poggenpohl had 481 employees at year-end.

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 2016, 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 13 production units, located in six European countries, satisfy the environmental requirements determined by each country and 11 of these have been awarded ISO 14001 certification.

Nobia works consistently to reduce the Group's CO_2 emissions. In 2016, the Group's CO_2 emissions per produced cabinet declined approximately 13 per cent (6). The Group's CO_2 emissions fell a total of approximately 6 per cent. CO_2 emissions increased 5 per cent in 2015. 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 22–31.

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 loss after net financial items amounted to SEK 159 million (profit: 305) and mainly comprised impairment of shares attributable to Poggenpohl, Group contributions received and dividends from subsidiaries.

The share and ownership structure
The Nobia share has been listed on 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 2016 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 2016 Annual General Meeting also authorised the Board, for the period until the 2017 Annual General Meeting, to decide on the transfer of bought-back shares for the purpose of delivering shares under the Performance Share Plan resolved in 2013. In 2016, Nobia's Board decided to transfer 192,163 bought-back shares, comprising 0.11 per cent of the Parent Company' share capital, based on this authorisation. At the end of 2016, the number of treasury shares after sales amounted to 6,819,990, corresponding to 3.9 per cent of the total number of shares. These shares were acquired in 2007 and 2008 for a total amount of SEK 391,027,401.

At the end of 2016, the ten largest owners held about 66 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 9.2 per cent and the Fourth Swedish National Pension Fund 6.4 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 96–97.

Remuneration guidelines and other employment conditions for Group management 2016
The guidelines for 2016 essentially correspond with the proposed guidelines for 2017.

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 2016 conformed to the remuneration guidelines resolved at the 2016 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.

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). 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 2017

The Board of Directors of Nobia AB proposes that the 2017 Annual General Meeting decide on the following guidelines for determining remuneration and employment conditions for the President and other members of Group management. Group management, including the President, currently comprises 13 individuals.

Basing its opinion on, for example, the follow-up and 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 conforms to those guidelines adopted by the 2016 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 40 per cent of fixed annual salary. The exception to this principle is the President whose variable salary portion may amount to a maximum of 65 per cent of fixed annual salary. Exceptions may also be made for senior executives following decisions 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 and Group management for 2017 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 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.

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 15,100,000 (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 scheme based on matching and performance shares rather than employee share options. The schemes, which encompass some 100 individuals comprising senior executives and senior managers, 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 2015 was accumulated earnings per share excluding items affecting comparability of SEK 10.25. Since the accumulated earnings per share including items affecting comparability for the 2015 fiscal year and excluding items affecting comparability for the 2016 fiscal year amounted to SEK 10.30, 100 per cent of the Board's target figure was achieved and thus performance share rights under the Performance Share Plan 2015 will be allotted after the interim report for the first quarter of 2018. 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 2014 after the interim report for the first quarter of 2017.

The 2016 Annual General Meeting resolved to introduce a new long-term remuneration scheme directed to the same target group and with largely the same structure as the preceding year's programme. The Board has again proposed a long-term performance share plan – the same as the preceding year's programme – to the 2017 Annual General Meeting. Performance Share Plan 2017 comprises approximately 100 employees consisting of senior executives and senior 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 2017–2018 fiscal years is achieved.

Participation in the Performance Share Plan 2017 entails that the maximum variable remuneration for participants in 2017 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 2017) 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 2017. 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 2020.

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 for which the respective share right qualifies.

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 2017 and 2018 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 77.0. The estimate is based on generally accepted valuation models by applying the closing price of the Nobia share on 24 February 2017, with deductions for the present value of the estimated dividend for the 2017–2019 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 22.4 million. This value corresponds to approximately 0.1 per cent of Nobia's market capitalisation as per 24 February 2017.

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 2017 including social security contributions is estimated to amount to approximately SEK 28.7 million which, on an annual basis, is approximately 0.3 per cent of Nobia's total costs for employee benefits during the 2016 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	1,557,202,930
Net loss for the year	-178,981,283
Total SEK	**1,430,447,133**

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

Dividend of SEK 3.00 per share to be paid to shareholders	505,420,404
To be carried forward	925,026,729
Total SEK	**1,430,447,133**

The Board proposes a dividend of SEK 3.00 per share (2.50) for the 2016 fiscal year. The record date to be entitled to receive dividends is proposed as Monday, 10 April 2017. If the Annual General Meeting resolves in accordance with the proposal, the dividend is expected to be paid on Thursday, 13 April 2017.

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 89.

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, for example, competition increased and the weak economic trend in 2016 had a negative impact on demand. Macroeconomic uncertainty in the UK increased due to Brexit and in 2016 Nobia was impacted by negative currency effects and slightly weaker demand at the end of the year. Nobia's sales in the UK in 2016 amounted to about 50 per cent of the Group's total sales.

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 2016, overall demand in the Nordic countries showed an improvement in the project segment, while demand in the consumer segment was slightly weaker. 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 2016, 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 2015.

Customers
Kitchens to end customers are sold through 263 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 2016 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 2016, Nobia purchased materials and components valued at about SEK 5.7 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 to which the Group is primarily exposed 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. In 2016, Nobia reduced its materials costs by approximately 2.5 per cent mainly due to lower prices of chipboard. Compared with 2015, the cost of chipboard was about 2.8 per cent lower, of which about 4.3 per cent lower in the UK, about 2.2 percent lower in the Nordic region and about 0.7 per cent lower in the Central Europe region. Average market prices of other raw materials and components such as metals, oil and packaging materials rose slightly in 2016. The prices of wood-based products were unchanged. Demand for board material is expected to increase for reasons including 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 2016, the Group's brand portfolio, innovation, product-range development, production and sourcing continued to be co-ordinated. In 2016, Nobia continued to invested in digital aids, such as drawing tools and e-commerce services that allow customers to both draw and purchase their kitchen online. The strategic direction is described in more detail on pages 8–10. 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.

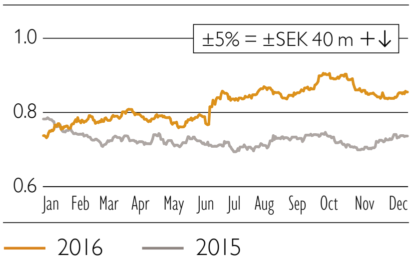
Sustainability-related challenges and opportunities
Nobia's products are encompassed by international and local regulations regarding environmental impact and other effects arising in the production and transportation of kitchens, for example, the release of exhaust fumes and emissions, noise, waste 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. In Sweden, the changes to the tax deduction on labour for home renovations in 2016 had a negative impact on demand.

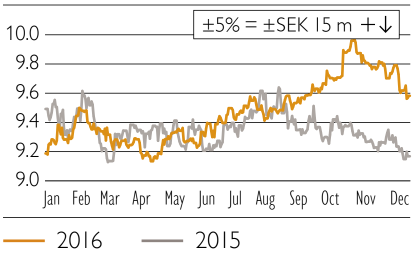
Financial risks
In addition to strategic and operating risks, Nobia is exposed to various financial risks. These are mainly attributable to currencies, interest rates, liquidity, borrowing and credit granting, financial instruments and pensions. All of these risks are managed in accordance with the finance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

Currency exposure
Nobia's manufacturing and sales presence in several countries balances currency

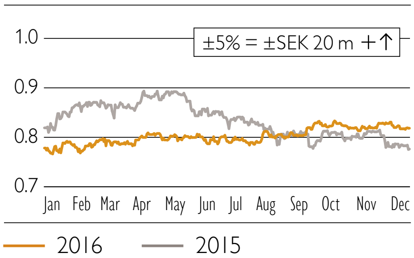
EUR/GBP



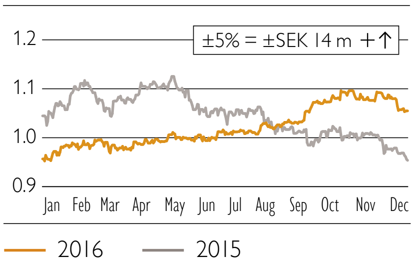
EUR/SEK



NOK/DKK



NOK/SEK



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.

Sensitivity analysis – transaction effects of currencies

The diagrams show the major currency pairs and the trend in 2016 compared with 2015. 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. The net effect of this currency pair means that a strong EUR against the GBP is negative 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 2,359 million (2,551). The value of this asset item is tested annually and more often if there is any indication of impairment requirement. In 2016, goodwill did not indicate any impairment requirement. For a more detailed description, refer to Note 1 Significant accounting policies on pages 52–57 and Note 14 Intangible assets on page 66.

Calculation of pension liabilities

Nobia's balance sheet includes pension liabilities of SEK 955 million (732) that pertain to defined-benefit pension plans in the UK, Austria, 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 52–57 and Note 25 Provisions for pensions on page 72.

Magnet Luna

Financial statements – Group and Parent Company

Consolidated income statement

SEK m	Note	2015	2016
Net sales	3	12,266	12,648
Cost of goods sold	4, 7, 10, 11, 25	-7,360	-7,715
Gross profit		**4,906**	**4,933**
Selling expenses	4, 7, 10, 11, 25	-3,108	-2,987
Administrative expenses	4, 6, 7, 10, 11, 25	-640	-695
Other operating income	8	70	156
Other operating expenses	9	-39	-109
Operating profit		**1,189**	**1,298**
Financial income	12	34	22
Financial expenses	12	-91	-73
Profit/loss after financial items		**1,132**	**1,247**
Tax on net profit for the year	13, 26	-263	-269
Net profit for the year from continuing operations		**869**	**978**
Profit/loss from discontinued operations, net after tax	32	-41	-523
Net profit for the year		**828**	**455**
Net profit for the year attributable to:			
Parent Company shareholders		829	456
Non-controlling interests		-1	-1
Net profit for the year		**828**	**455**
Earnings per share before dilution, SEK[1]	23	4.93	2.71
Earnings per share after dilution, SEK[1]	23	4.92	2.70
Earnings per share from continuing operations, before dilution, SEK	23	5.17	5.81
Earnings per share from continuing operations, after dilution, SEK	23	5.16	5.80
Number of shares before dilution[2]	23	168,281,305	168,473,468
Average number of shares before dilution[2]	23	168,059,727	168,425,427
Number of shares after dilution[2]	23	168,656,683	168,675,775
Average number of shares after dilution[2]	23	168,516,820	168,664,296

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	2015	2016
Net profit for the year		828	455
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange-rate differences attributable to translation of foreign operations	22	-89	-172
Cash-flow hedges before tax	22	4	-8
Tax attributable to hedging reserve for the period	22	-1	2
		-86	**-178**
Items that will not be reclassified to profit or loss			
Remeasurements of defined-benefit pension plans	25	170	-312
Tax attributable to remeasurements of defined-benefit pension plans		-34	49
		136	**-263**
Other comprehensive income for the year		**50**	**-441**
Total comprehensive income for the year		**878**	**14**
Total comprehensive income for the year attributable to:			
Parent Company shareholders		879	15
Non-controlling interests		-1	-1
Total comprehensive income for the year		**878**	**14**

Comments and analysis of income statement

Net sales rose 3 per cent to SEK 12,648 million (12,266). For comparable units and adjusted for currency effects, the change in net sales was 4 per cent. The relationship is shown in the table below.

	2016				2016	
Analysis of net sales, %	I	II	III	IV	%	SEK m
2015						12,266
Organic growth	3	4	3	5	4	434
– of which Nordic region[1]	4	4	9	9	6	334
– of which UK region[1]	2	3	-2	1	1	83
– of which Central Europe region[1]	5	11	-2	0	3	17
Currency effect	-3	-4	-8	-4	-5	-611
Sale to Hygena	-1	-1	-1	-1	-1	-86
Acquired operations	3	4	8	4	5	645
2016	**2**	**3**	**3**	**5**	**3**	**12,648**

1) Organic growth for each organisational region.

Net sales and profit by region

	Nordic region		UK region		Central Europe region		Group-wide and eliminations		Group	
SEK m	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Net sales from external customers	5,651	5,987	6,099	6,122	516	539	–	–	12,266	12,648
Net sales from other regions	1	1	–	–	2	2	-3	-3	–	–
Total net sales	**5,652**	**5,988**	**6,099**	**6,122**	**518**	**541**	**-3**	**-3**	**12,266**	**12,648**
Gross profit	2,254	2,402	2,463	2,323	161	172	28	36	4,906	4,933
Gross margin, %	39.9	40.1	40.4	37.9	31.1	31.8	–	–	40.0	39.0
Operating profit/loss	749	856	567	545	19	37	-146	-140	1,189	1,298
Operating margin, %	13.3	14.3	9.3	8.9	3.7	6.8	–	–	9.7	10.3

Depreciation/amortisation and impairment of fixed assets for the year recognised in operating profit amounted to SEK 287 million (297).

Impact of exchange rate (Operating profit)	Translation effect		Transaction effect		Total effect	
	2015	2016	2015	2016	2015	2016
Nordic region	5	0	-30	-65	-25	-65
UK region	70	-60	50	-55	120	-115
Central Europe region	0	0	0	0	0	0
Group	**75**	**-60**	**20**	**-120**	**95**	**-180**

Quarterly data per region	2015				2016			
	I	II	III	IV	I	II	III	IV
Net sales, SEK m								
Nordic	1,385	1,609	1,237	1,421	1,398	1,626	1,355	1,609
UK	1,522	1,571	1,535	1,471	1,578	1,633	1,495	1,416
Central Europe	113	129	151	125	117	144	150	130
Group-wide and eliminations	-1	-1	0	-1	-2	0	-1	0
Group	**3,019**	**3,308**	**2,923**	**3,016**	**3,091**	**3,403**	**2,999**	**3,155**
Gross profit, SEK m								
Nordic	550	659	491	554	548	673	537	644
UK	604	636	631	592	621	636	573	493
Central Europe	37	36	48	40	36	50	50	36
Group-wide and eliminations	8	6	9	5	10	6	10	10
Group	**1,199**	**1,337**	**1,179**	**1,191**	**1,215**	**1,365**	**1,170**	**1,183**
Gross margin, %								
Nordic	39.7	41.0	39.7	39.0	39.2	41.4	39.6	40.0
UK	39.7	40.5	41.1	40.2	39.4	38.9	38.3	34.8
Central Europe	32.7	27.9	31.8	32.0	30.8	34.7	33.3	27.7
Group	**39.7**	**40.4**	**40.3**	**39.5**	**39.3**	**40.1**	**39.0**	**37.5**
Operating profit, SEK m								
Nordic	151	254	172	172	163	271	185	237
UK	94	156	163	154	111	175	166	93
Central Europe	5	2	11	1	5	13	14	5
Group-wide and eliminations	-39	-34	-29	-44	-34	-39	-29	-38
Group	**211**	**378**	**317**	**283**	**245**	**420**	**336**	**297**
Operating margin, %								
Nordic	10.9	15.8	13.9	12.1	11.7	16.7	13.7	14.7
UK	6.2	9.9	10.6	10.5	7.0	10.7	11.1	6.6
Central Europe	4.4	1.6	7.3	0.8	4.3	9.0	9.3	3.8
Group	**7.0**	**11.4**	**10.8**	**9.4**	**7.9**	**12.3**	**11.2**	**9.4**

Consolidated balance sheet

SEK m	Note	31 Dec 2015	31 Dec 2016
ASSETS			
Intangible assets	14		
Goodwill		2,551	2,359
Other intangible assets		146	126
		2,697	**2,485**
Tangible fixed assets	15		
Land and buildings		779	586
Investments in progress and advance payments		46	151
Machinery and other technical equipment		565	441
Equipment, tools, fixtures and fittings		332	206
		1,722	**1,384**
Interest-bearing long-term receivables (IB)	16	3	3
Other long-term receivables	16	34	28
Deferred tax assets	26	241	176
Total fixed assets		**4,697**	**4,076**
Inventories			
Raw materials and consumables		302	231
Products in progress		78	71
Finished products		434	413
Goods for resale		120	142
		934	**857**
Current receivables			
Current tax assets		28	13
Accounts receivable	2	1,269	1,240
Derivative instruments	2.18	18	9
Interest-bearing current receivables (IB)		5	1
Other receivables	2	87	7
Prepaid expenses and accrued income	19	258	291
Assets held for sale	33	8	506
		1,673	**2,067**
Cash and cash equivalents (IB)	20	765	1,005
Total current assets		**3,372**	**3,929**
Total assets		**8,069**	**8,005**
Of which interest-bearing items (IB)		773	1,009

SEK m	Note	31 Dec 2015	31 Dec 2016
SHAREHOLDERS' EQUITY AND LIABILITIES			
Attributable to Parent Company shareholders			
Share capital	21	58	58
Other contributed capital		1,478	1,481
Reserves	22	-79	-257
Profit brought forward		2,361	2,133
		3,818	**3,415**
Non-controlling interests		4	4
Total shareholders' equity		**3,822**	**3,419**
Provisions for guarantees		12	9
Provisions for pensions (IB)	25	732	894
Deferred tax liabilities	26	133	84
Other provisions	27	110	70
Liabilities to credit institutions (IB)	2, 28	802	–
Other liabilities (IB)	2	9	6
Total long-term liabilities		**1,798**	**1,063**
Liabilities to credit institutions (IB)	2, 28	1	801
Overdraft facilities (IB)	2, 20	0	0
Other liabilities (IB)	2	3	0
Advance payments from customers		256	177
Accounts payable	2	1,089	1,162
Current tax liabilities		117	121
Derivative instruments	2, 18	14	12
Other liabilities	2	365	356
Accrued expenses and deferred income	29	601	565
Liabilities attributable to assets held for sale	33	3	329
Total current liabilities		**2,449**	**3,523**
Total shareholders' equity and liabilities		**8,069**	**8,005**
Of which interest-bearing items (IB)		1,547	1,701

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 493 million (774) at the end of the period. A positive operating cash flow of SEK 1,031 million and translation differences of SEK 31 million reduced net debt. Remeasurements of defined-benefit pension plans of SEK 312 million, a change in pension liabilities of SEK 28 million, interest paid of SEK 20 million and dividends of SEK 421 million increased net debt. The debt/equity ratio amounted to 14 per cent at the end of the year (20 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	2015	2016
Opening balance	1,206	774
Acquisition of operations	353	0
Divestment of operations	-230	–
Translation differences	24	-31
Operating cash flow	-770	-1,031
Interest	14	20
Remeasurements of defined-benefit pension plans	-170	312
Change in pension liabilities	87	28
Dividends	294	421
Sale of bought-back shares	-34	–
Closing balance	**774**	**493**

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

Components of net debt

	Group	
SEK m	2015	2016
Bank loans, etc.	804	801
Provisions for pensions	732	894
Leasing	11	6
Cash and cash equivalents	-765	-1,005
Other financial receivables	-8	-4
Interest-bearing assets recognised on the row Assets held for sale	–	-261
Interest-bearing liabilities recognised on the row Liabilities attributable to assets held for sale	–	62
Total	**774**	**493**

Change in consolidated shareholders' equity

SEK m	Share capital	Other contributed capital	Exchange-rate differences attributable to translation of foreign operations	Cash-flow hedges after tax	Profit brought forward	Total	Non-controlling interests	Total shareholders' equity
	Attributable to Parent Company shareholders							
Opening balance, 1 January 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**
Dividends[1]	–	–	–	–	-294	-294	0	-294
Allocation of employee share option schemes and performance share plans	–	8	–	–	–	8	–	8
Sale of bought-back shares[2]	–	–	–	–	34	34	–	34
Closing balance, 31 December 2015	**58**	**1,478**	**-81**	**2**	**2,361**	**3,818**	**4**	**3,822**
Opening balance, 1 January 2016	**58**	**1,478**	**-81**	**2**	**2,361**	**3,818**	**4**	**3,822**
Net profit/loss for the year	–	–	–	–	456	456	-1	455
Other comprehensive income for the year	–	–	-172	-6	-263	-441	0	-441
Total comprehensive income for the year	**–**	**–**	**-172**	**-6**	**193**	**15**	**-1**	**14**
Dividends[3]	–	–	–	–	-421	-421	0	-421
Share of Group contributions to non-controlling interests	–	–	–	–	–	–	1	1
Allocation of employee share option schemes and performance share plans	–	3	–	–	–	3	–	3
Closing balance, 31 December 2016	**58**	**1,481**	**-253**	**-4**	**2,133**	**3,415**	**4**	**3,419**

1) The 2015 Annual General Meeting resolved on dividends of SEK 294 million, corresponding to SEK 1.75 per share.
2) Attributable to the employee share option scheme 2011.
3) The 2016 Annual General Meeting resolved on dividends of SEK 421 million, corresponding to SEK 2.50 per share.

Consolidated cash-flow statement and comments

SEK m	Note	2015	2016
Operating activities			
Operating profit		1,189	1,298
Operating loss for discontinued operations		-41	-466
Depreciation/amortisation/impairment		346	657
Other adjustments for non-cash items		66	95
Income tax paid		-216	-230
Change in inventories		-99	-89
Change in operating receivables		-161	-172
Change in operating liabilities		61	188
Cash flow from operating activities		**1,145**	**1,281**
Investing activities			
Investments in tangible fixed assets		-360	-267
Investments in intangible assets		-50	-23
Sale of tangible fixed assets		36	28
Interest received		6	1
Increase/decrease in interest-bearing assets		-1	4
Other items in investing activities		-1	12
Acquisition of operations	34	-348	0
Divestment of operations		230	–
Cash flow from investing activities		**-488**	**-245**
Operating cash flow before acquisitions/divestments of subsidiaries, interest, increase/decrease in interest-bearing assets		**770**	**1,031**
Operating cash flow after acquisitions/divestments of subsidiaries, interest, increase/decrease in interest-bearing assets		**657**	**1,036**
Financing activities			
Interest paid		-20	-21
Decrease in interest-bearing liabilities[1)]		-30	-130
Sale of bought-back shares		34	–
Dividends		-294	-421
Cash flow from financing activities		**-310**	**-572**
Cash flow for the year excluding exchange-rate differences in cash and cash equivalents		**347**	**464**
Cash and cash equivalents at the beginning of the year		**470**	**765**
Cash flow for the year		347	464
Exchange-rate differences in cash and cash equivalents		-52	37
Cash and cash equivalents at year-end		**765**	**1,266**[2)]

1) Consists mainly of pension payments. No repayment or loans raised.
2) Of which SEK 261 million is recognised on the row Assets held for sale.

Comments on the cash-flow statement

The cash flow from operating activities amounted to SEK 1,281 million (1,145). Working capital reduced cash flow by SEK 73 million (reduction: 199) and was primarily attributable to higher current receivables. Adjustments for non-cash items amounted to SEK 95 million (66) as specified in the table below.

Adjustments for non-cash items

SEK m	2015	2016
Capital gains/losses on fixed assets	-16	-9
Provisions	85	99
Other	-3	5
Total	**66**	**95**

Investments in fixed assets amounted to SEK 290 million (410).

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 1,031 million (770).

Parent Company

Parent Company income statement

SEK m	Note	2015	2016
Net sales		200	219
Administrative expenses	4, 6, 11, 25	-262	-301
Other operating expenses	8.9	–	–
Operating loss		**-62**	**-82**
Profit/loss from participations in Group companies	12	416	-76
Financial income	12	3	21
Financial expenses	12	-52	-22
Profit/loss after financial items		**305**	**-159**
Tax on net profit for the year	13	0	-20
Net profit/loss for the year		**305**	**-179**

Parent Company statement of comprehensive income

SEK m	Note	2015	2016
Net profit/loss for the year		305	-179
Other comprehensive income for the year		–	–
Comprehensive income for the year		**305**	**-179**

Parent Company cash-flow statement

SEK m	Note	2015	2016
Operating activities			
Operating loss		-62	-82
Adjustments for non-cash items		4	-2
Dividends received	12	416	667
Interest received	12	3	21
Interest paid	12	-52	-22
Tax paid		0	-19
		309	**563**
Change in liabilities		-250	440
Change in receivables		487	-106
Cash flow from operating activities		**546**	**897**
Investing activities			
Provisions for pensions		2	1
Cash flow from investing activities		**2**	**1**
Financing activities			
Dividends		-294	-421
Decrease in item bought-back shares		34	0
Cash flow from financing activities		**-260**	**-421**
Cash flow for the year		**288**	**477**
Cash and cash equivalents at the beginning of the year		**184**	**472**
Cash flow for the year		288	477
Cash and cash equivalents at year-end		**472**	**949**

Parent Company balance sheet

SEK m	Note	31 Dec 2015	31 Dec 2016
ASSETS			
Fixed assets			
Financial fixed assets			
Shares and participations in Group companies	16.17	2,084	1,469
Other securities held as fixed assets		0	0
Total fixed assets		**2,084**	**1,469**
Current assets			
Current receivables			
Accounts receivable		1	1
Receivables from Group companies		2,863	2,868
Other receivables		13	3
Prepaid expenses and accrued income	19	59	47
Cash and cash equivalents	20	472	949
Total current assets		**3,408**	**3,868**
Total assets		**5,492**	**5,337**
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		-402	-391
Profit brought forward		2,071	1,948
Net profit/loss for the year		305	-179
		2,026	**1,430**
Total shareholders' equity		**3,755**	**3,159**
Provisions for pensions	25	15	16
Long-term liabilities			
Liabilities to credit institutions	28	800	–
Current liabilities			
Liabilities to credit institutions		–	800
Accounts payable		18	15
Liabilities to Group companies		864	1,276
Current tax liabilities		–	17
Other liabilities		11	10
Accrued expenses and deferred income	29	29	44
Total current liabilities		**922**	**2,162**
Total shareholders' equity, provisions and liabilities		**5,492**	**5,337**

1) The number of shares outstanding was 168,473,468 (168,281,305).

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 2015	**58**	**1,671**	**52**	**-447**	**2,369**	**3,703**
Net profit for the year	–	–	–	–	305	305
Comprehensive income for the year	**–**	**–**	**–**	**–**	**305**	**305**
Dividends[2]	–	–	–	–	-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**
Opening balance, 1 January 2016	**58**	**1,671**	**52**	**-402**	**2,376**	**3,755**
Net loss for the year	–	–	–	–	-179	-179
Comprehensive income for the year	**–**	**–**	**–**	**–**	**-179**	**-179**
Dividends[3]	–	–	–	–	-421	-421
Treasury shares, reissued	–	–	–	11	-11	0
Allocation of employee share option schemes and performance share plans	–	–	–	–	4	4
Shareholders' equity, 31 December 2016	**58**	**1,671**	**52**	**-391**	**1,769**	**3,159**

1) Of the Parent Company statutory reserve, SEK 1,390 million (1,390) comprises contributed shareholders' equity.
2) The 2015 Annual General Meeting resolved on dividends of SEK 294 million, corresponding to SEK 1.75 per share.
3) The 2016 Annual General Meeting resolved on dividends of SEK 421 million, corresponding to SEK 2.50 per share.

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 16 March 2017.

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 0 million (74). 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
Changes to IFRS applied from 2016 did not have any effect on the consolidated financial statements.

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 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 divestments/acquisitions 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. IFRS 9 entails 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 9 has also entailed consequential changes to the disclosure requirements of IFRS 7 Financial Instruments: Disclosures, which will impact the disclosures provided. The scope of these changes for Nobia is not yet know and has yet not been estimated.

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 recognition. IFRS 15 comes into effect on 1 January 2018.

Nobia's preliminary assessment is that IFRS 15 will not have material effects on the financial statements. Revenue recognition for kitchens not included in project sales is not expected to be changed by IFRS 15. An investigation is under way 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. Operating leases, which are not currently recognised in the balance sheet as an asset and liability other than any interim items in connection with the closing of the accounts, primarily comprise the lease of premises. Calculations of the effects, in terms of amounts, that capitalisation of these leases may give rise to have not yet been performed. An indication of the scope can be obtained from the disclosures on operating leases provided in Note 11.
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	
Significant exchange rates	31 Dec 2015	31 Dec 2016	2015	2016
DKK	1.22	1.29	1.25	1.27
EUR	9.14	9.57	9.36	9.47
GBP	12.38	11.18	12.9	11.57
NOK	0.96	1.05	1.05	1.02
USD	8.35	9.10	8.44	8.56

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 disposal 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 leases. 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 and Austria, 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 pension plans.

Plans for which the company's obligations are limited to the fees the company has undertaken to pay are classified as defined-contribution pension plans. The company's obligations for defined-contribution 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, Austria 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 Performance Share Plans that were initiated between 2012 and 2016. 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 Performance Share Plans 2012–2015 contain 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 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. Such an adjustment is not 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. No matching share rights were allotted in the Performance Share Plan 2016 and saving shares do not need to be purchased and retained. The vesting conditions are the same as the 2012–2016 Plans and, consequently, recognition takes place as described above.

When share rights are vested and shares allotted, 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 rights that are expected to be vested and the fair value of the share rights on each reporting date and finally, for the allotment of shares.

– 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 2016 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 Performance Share Plans 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.

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 2016, expressed in SEK and after offsetting counteracting flows, amounted to SEK 2,637 million (2,504), of which SEK 1,646 million (1,485) was hedged. At year-end 2016, the hedged volume amounted to SEK 754 million (865). 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 2016 would entail a decrease in shareholders' equity of SEK 432 million (decrease: 450) and a decrease in profit of SEK 48 million (decrease: 60). The sensitivity analysis is based on the assumption that all other factors (for example, interest) are unchanged. The same conditions were applied to 2015.

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 2,284 million (2,163). The credit quality of financial assets that have neither fallen due for payment nor 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 17 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 shareholders' equity.

	2015		2016	
SEK m	Capital employed per currency	Interest-bearing loans and lease liabilities	Capital employed per currency	Interest-bearing loans and lease liabilities
SEK	107	914	195	925
EUR	1,111	109	853	115
GBP	2,954	521	2,870	718
DKK	777	3	904	5
USD	78	0	-32	0
NOK	308	0	366	0
Other	34	0	26	0
Total	**5,369**	**1,547**	**5,182**	**1,763**[1)]

1) Including interest-bearing liabilities recognised on the row Liabilities attributable to assets held for sale.

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 expired 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 and falls due for payment in May 2017. 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:

	2015			2016	
Year of maturity, SEK m	2016	2017	2019	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 14 per cent (20). Nobia considers recognised shareholders' equity of SEK 3,419 million (3,822) 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 2,399 million (2,164).

Fixed-interest terms – borrowing	2015			2016		
Group, SEK m	0–3 months	two years	three years	0–3 months	two years	three years
SEK	400	400	–	800	–	–
EUR	–	2	–	–	–	–

	2015							2016						
Commercial exposure	USD	EUR	NOK	CHF	GBP	SEK	DKK	USD	EUR	NOK	CHF	GBP	SEK	DKK
Currency contracts on closing date														
Local currency	0	49	-278	-1	-1	-82	–	1	50	167	0	-1	14	26
Total, SEK m[1]	-3	444	-265	-8	-16	-82	–	5	479	175	0	-7	14	34
Fair value, SEK m	0	1	13	0	0	-1	–	0	1	-3	0	0	-1	0
Net flow calendar year														
Net flow, local currency	-2	-98[3]	685	2	4	336	-28	-3	-110[4]	706	2	7	323	-49
Net flow, SEK m[2]	-17	-919[3]	717	14	55	336	-35	-29	-1,041[4]	720	18	80	323	-62
Hedged volume, SEK m[2]	4	-711	501	17	36	111	–	10	-843	519	11	27	155	–

1) Flows restated at closing-date rate, SEK.
2) Restated at average rate in 2015, 2016.
3) In addition, EUR 35 million pertains to flows against DKK, corresponding to SEK 325 million.
4) In addition, EUR 32 million pertains to flows against DKK, corresponding to SEK 307 million.

Sensitivity analysis	2015			2016		
Currencies[1] and interest rates[2]	Change	Impact on profit before tax, SEK m	Impact on share-holders' equity[3], SEK m	Change	Impact on profit before tax, SEK m	Impact on share-holders' equity[3], SEK m
EUR/SEK	5%	10.6	8.2	5%	9.3	7.2
NOK/SEK	5%	7.5	5.9	–	–	–
SEK/NOK	–	–	–	5%	9.4	7.3
EUR/GBP	5%	19.9	15.9	5%	23.2	18.6
NOK/DKK	5%	11.8	9.2	5%	12.0	9.3
SEK/DKK	5%	6.1	4.7	5%	7.7	6.0
Interest-rate level	100 points	4.3	3.4	100 points	2.0	1.6

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

		2015							2016						
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	820	1	3	13	803	–	800	802	0	1	801	–	–
Bank loans	EUR	0	2	0	0	2	–	–	–	–	–	–	–	–	–
Other liabilities															
Forward agreements[1]	SEK		1	0	0	1	–	–		1	0	0	1	–	–
Forward agreements[1]	EUR		3	1	0	2	–	–		4	1	0	3	–	–
Forward agreements[1]	GBP		0	0	0	0	–	–		0	0	0	0	–	–
Forward agreements[1]	NOK		0	0	0	0	–	–		6	1	2	3	–	–
Forward agreements[1]	CHF		0	0	0	0	–	–		–	–	–	–	–	–
Forward agreements[1]	USD		1	0	0	1	–	–		1	0	0	1	–	–
Current account credit (IB)	SEK		–	–	–	–	–	–		–	–	–	–	–	–
Financial lease liabilities (IB)	DKK	2	3	–	–	2	1	–	4	5	–	–	3	2	–
Financial lease liabilities (IB)	GBP	1	10	0	0	5	5	–	0	3	0	0	2	1	–
Other liabilities (IB)	SEK	0	0	–	–	–	–	–	–	–	–	–	–	–	–
Other liabilities (IB)	EUR	0	1	–	1	–	–	–	–	–	–	–	–	–	–
Other liabilities (IB)	GBP	0	1	–	1	–	–	–	–	–	–	–	–	–	–
Accounts payable and other liabilities	SEK		1,454	1,081	223	142	8	–		1,518	1,155	255	82	26	–
Total			**2,296**	**1,083**	**228**	**168**	**817**	**–**		**2,340**	**1,157**	**258**	**896**	**29**	**–**
Interest-bearing liabilities (IB)			815							807					

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

Age analysis, accounts receivable and other receivables

SEK m	2015 Gross	2015 Of which, impairment	2016 Gross	2016 Of which, impairment
Non-due accounts receivable	1,053	–	1,013	–
Past due accounts receivable 0–30 days	238	2	192	9
Past due accounts receivable >30 days–90 days	47	3	43	1
Past due accounts receivable >90 days–180 days	17	5	10	4
Past due accounts receivable >180 days–360 days	30	24	7	4
Past due accounts receivable >360 days	20	15	8	8
Total receivables	**1,405**	**49**	**1,273**	**26**

Deposit account for impairment of accounts receivable and other receivables

SEK m	2015	2016
Opening balance	43	49
Reversal of previously recognised impairment losses	-5	-19
Impairment for the year	14	7
Confirmed losses	-3	0
Translation differences	-1	2
Acquisition of operations	1	–
Impairment reclassified to assets held for sale	–	-13
Closing balance	**49**	**26**

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 a similar situation. The tables below show the amounts encompassed by netting agreements at 31 December 2016 and 31 December 2015.

Offset agreements

2016 SEK m	Financial assets	Financial liabilities
Recognised amounts in statement of financial position	9	12
Amounts encompassed by netting	-9	-9
Amounts after netting	**0**	**3**

2015 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**

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[1)]

	Nordic region		UK region		Central Europe region		Group-wide and eliminations		Group	
SEK m	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Net sales from external customers	5,651	5,987	6,099	6,122	516	539	–	–	12,266	12,648
Net sales from other regions	1	1	–	–	2	2	-3	-3	–	–
Total net sales	**5,652**	**5,988**	**6,099**	**6,122**	**518**	**541**	**-3**	**-3**	**12,266**	**12,648**
Depreciation/amortisation	-127	-130	-146	-125	-16	-16	-13	-16	-302	-287
Operating profit/loss	**749**	**856**	**567**	**545**	**19**	**37**	**-146**	**-140**	**1,189**	**1,298**
Financial income									34	22
Financial expenses									-91	-73
Profit before tax and discontinued operations									**1,132**	**1,247**
Impairment	-1	–	6	0	0	–	0	–	5	0
Items affecting comparability in EBIT	–	–	–	–	–	–	–	–	–	–

1) Poggenpohl's operations are recognised from 2016 as discontinued operations in accordance with IFRS 5 and comparative figures for 2015 have been restated according to the same accounting policy.

Total liabilities and assets per region

SEK m	Nordic region 2015	Nordic region 2016	UK region 2015	UK region 2016	Central Europe region 2015	Central Europe region 2016	Group-wide and eliminations 2015	Group-wide and eliminations 2016	Group 2015	Group 2016
Total operating assets	**1,752**	**1,857**	**2,727**	**2,728**	**775**	**440**	**2,041**	**1,709[1]**	**7,295**	**6,734**
Total operating assets include:										
Investments in fixed assets	159	116	168	109	59	54	24	11	410	290
Total operating liabilities	**1,085**	**1,176**	**1,091**	**1,105**	**351**	**365**	**172**	**176[2]**	**2,699**	**2,822**

1) Primarily comprises goodwill of SEK 1,480 million (1,605) and consolidated surplus values on fixed assets of SEK 118 million (228). Elimination of internal receivables amounted to negative SEK 23 million (neg: 21).
2) Elimination of internal liabilities amounted to negative SEK 23 million (neg: 21).

Geographic areas, Group

SEK m	Income from external customers[1] 2015	Income from external customers[1] 2016	Fixed assets[2] 2015	Fixed assets[2] 2016
Sweden	1,408	1,517	305	304
Denmark	2,010	2,128	670	682
Norway	1,446	1,468	123	137
Finland	774	849	165	160
UK	5,996	6,106	2,531	2,233
France	96	9	–	–
Germany	49	61	216	–
Austria	422	426	329	353
Netherlands	0	0	1	–
USA	0	0	66	–
Other countries	65	84	13	–
Total	**12,266**	**12,648**	**4,419**	**3,869**

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

NOTE 4 COSTS FOR EMPLOYEE BENEFITS AND REMUNERATION TO SENIOR EXECUTIVES

SEK m	2015 Salaries and other remuneration	2015 Social security costs	2015 Total	2016 Salaries and other remuneration	2016 Social security costs	2016 Total
Total subsidiaries[1]	2,582	558	**3,140**	2,569	551	**3,120**
– of which pension costs		221	**221**		223	**223**
Parent Company[1]	56	31	**87**	69	30	**99**
– of which pension costs		16	**16**		13	**13**
Group[1]	2,638	589	**3,227**	2,638	581	**3,219**
– of which pension costs		237	**237**		236	**236**

1) Excludes costs for share-based remuneration.

Total costs for employee benefits

SEK m	2015	2016
Salaries and other remuneration	2,638	2,638
Social security costs	352	345
Pension costs – defined-contribution plans	179	184
Pension costs – defined-benefit plans	51	42
Costs for special employer's contributions and tax on returns from pension	7	10
Costs for allotted employee share options		
2011–2015	3	–
Costs for the Performance Share Plan		
2012–2015	1	–
2013–2016	5	0
2014–2017	4	1
2015–2018	2	3
2016–2019	–	2
Total costs for employees	**3,242**	**3,225**

Salaries and other remuneration for the Parent Company

SEK m	2015	2016
Senior executives[1]	17	19
Other employees	39	50
Total Parent Company[2]	**56**	**69**

1) In 2016, the number of individuals was 5 (5).
2) Excludes costs for share-based remuneration.

Salaries and other remuneration for subsidiaries

SEK m	2015	2016
Presidents of subsidiaries[1]	39	44
Other employees of subsidiaries	2,543	2,525
Total subsidiaries[2]	**2,582**	**2,569**

1) In 2016, the number of individuals was 16 (16).
2) Excludes costs for share-based remuneration.

Remuneration and other benefits, 2016 SEK m	Basic salary, Directors' fees	Variable remunera-tion	Other benefits	Pension costs	Share-based remunera-tion	Other remunera-tion	Total	Pension commit-ments	Number of individuals
Chairman of the Board									
Tomas Billing	1.07	–	–	–	–	–	1.07	–	1.00
Board members									
Nora Førisdal Larssen	0.39	–	–	–	–	–	0.39	–	1.00
Lilian Fossum Biner (Chairman of Audit Committee)	0.46	–	–	–	–	–	0.46	–	1.00
Stefan Jacobsson	0.39	–	–	–	–	–	0.39	–	1.00
Fredrik Palmstierna	0.39	–	–	–	–	–	0.39	–	1.00
Thore Ohlsson (member of Audit Committee)	0.44	–	–	–	–	–	0.44	–	1.00
Ricard Wennerklint	0.39	–	–	–	–	–	0.39	–	1.00
Christina Ståhl	0.39	–	–	–	–	–	0.39	–	1.00
President									
Morten Falkenberg	7.77	2.13	0.16	2.34	1.05	–	13.45	–	1.00
Other members of Group management	27.57	4.18	0.99	4.68	2.62	–	40.04	0.30	13.00
– of whom, from subsidiaries	19.07	2.67	0.80	2.54	1.95	–	27.03	–	10.00
Total	**39.26**	**6.31**	**1.15**	**7.02**	**3.67**	**–**	**57.41**	**0.30**	**22.00**

Remuneration and other benefits, 2015 SEK m	Basic salary, Directors' fees	Variable remunera-tion	Other benefits	Pension costs	Share-based remunera-tion	Other remunera-tion	Total	Pension commit-ments	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**

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. 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 390,000 per member and the Chairman received SEK 1,100,000. In addition, the Chairman of the Audit Committee received SEK 100,000 and Committee members SEK 80,000. The Board received a total of SEK 3,913,750. Employee representatives receive a study and preparation fee of SEK 26,000 per person per year.

– President

In the 2016 fiscal year, the President received SEK 7,932,841 in salary and benefits, plus a variable salary portion related to results for 2016 of SEK 2,128,142. 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 2016, the premium cost was SEK 2,334,234. 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 13 individuals (12) at the end of 2016, of whom four (four) are employed in the Parent Company, received salaries and benefits during the fiscal year amounting to SEK 28,563,383 plus variable salary portions based on the results for 2016 of SEK 4,177,667. 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 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 senior executives following decisions 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 88.

– 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.

– 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 senior 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 9,945,720 in benefits during the 2016 fiscal year in connection with the matching of shares under the framework of the Performance Share Plan 2013, of which SEK 5,661,360 was a benefit for the President.

– Performance Share Plans 2016–2019

A resolution was made at the 2016 Annual General Meeting in accordance with the Board's proposal to established a remuneration scheme in the form of a Performance Share Plan. The Performance Share Plans encompass about 100 individuals, consisting of senior executives and senior managers, as appointed by Nobia senior management. Participation in the Performance Share Plan 2016 entails that the maximum short-term 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). 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. Participants are not compensated for regular dividends paid during the vesting period.

The maximum number of shares that can be allocated under the plan is 1,500,000. 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, about 13 individuals, 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 corresponds to an average volume-weighted price paid measured during a specific time period.

	Performance Share Plan				
Plan	2012–2015	2013–2016	2014–2017	2015–2018	2016–2019
Vesting period	May 2012 – May 2015	May 2013 – April/May 2016	May 2014 – April/May 2017	May 2015 – April/May 2018	May 2016 – April/May 2019
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	Accumulated earnings per share 2016–2017
Fair value per share right	SEK 19.76	SEK 33.30	SEK 53.50	SEK 82.60	SEK 73.60

Accumulated earnings per share are adjusted for items affecting comparability. 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.

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			2015[1]			2016[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	–	3	3	–	–	–
2012–2015	3	3	6	0	1	1	–	–	–
2013–2016	6	5	11	2	3	5	0	0	0
2014–2017	5	1	6	3	1	4	1	0	1
2015–2018	5	1	6	2	0	2	3	0	3
2016–2019	2	0	2	–	–	–	2	0	2
	30	**15**	**45**	**7**	**8**	**15**	**6**	**0**	**6**

1) Price on 31 December 2015 = SEK 106.00 per share.
2) Price on 31 December 2016 = SEK 84.85 per share.
3) See Note 1 on page 57.

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

	2015		2016	
	Average exercise price, SEK per share	Number of options	Average exercise price, SEK per share	Number of options
As per 1 Jan	54.10	640,000	–	–
Allotted	–	0	–	–
Expired	–	0	–	–
Forfeited	54.10	-20,000	–	–
Exercised	54.10[1]	-620,000	–	–
As per 31 Dec	**54.10**	**0**	**–**	**–**

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

No. of share rights	2015	2016
As per 1 Jan	544,454	515,352
Allotted	143,901	279,170
Exercised	-135,147[1]	-192,163[1]
Forfeited	-37,856	-244,454
As per 31 Dec	**515,352**	**357,905**

1) Share price on exercise was SEK 90.00 per share (89.75 per share).

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

	No. of share rights	
Expiry date	2015	2016
April/May 2015	–	–
April/May 2016	214,780	–
April/May 2017	160,261	110,419
April/May 2018	140,311	117,549
April/May 2019	–	129,937
	515,352	**357,905**

Of the outstanding share rights, 90,378 are matching shares and 267,527 are performance shares.

NOTE 5 AVERAGE NUMBER OF EMPLOYEES

	2015		2016	
Subsidiaries in:	Average number of employees	Of whom, men	Average number of employees	Of whom, men
Sweden	716	509	736	520
Denmark	1,275	909	1,304	932
Norway	301	113	295	109
Finland	368	259	379	272
Germany	337	237	337	235
Austria	367	293	357	286
UK	2,914	2,180	3,036	2,257
France	71	34	5	4
USA	51	22	49	22
Switzerland	29	19	29	18
Poland	1	0	0	0
Netherlands	2	2	2	2
Japan	3	1	3	1
Total subsidiaries	**6,435**	**4,578**	**6,532**	**4,658**
Parent Company	38	13	41	18
Group	**6,473**	**4,591**	**6,573**	**4,676**

	2015		2016	
	Number on closing date	Of whom, men, %	Number on closing date	Of whom, men, %
Board members	68	84	63	84
President and other senior executives	92	87	103	86
Group	**160**	**86**	**166**	**86**

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

	2015		2016	
	Number on closing date	Of whom, men, %	Number on closing date	Of whom, men, %
Board members	11	64	11	64
President and other senior executives	13	85	13	85
Parent Company	**24**	**75**	**24**	**75**

NOTE 6 REMUNERATION TO AUDITORS

Specification by type of costs

	Group		Parent Company	
SEK m	2015	2016	2015	2016
KPMG				
Audit assignment	9	9	2	3
Audit activities other than audit assignment	0	1	0	1
Tax advice	1	1	0	0
Other assignments	4	5	3	5
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	2015	2016	2015	2016
Cost of goods sold	-148	-141	–	–
Selling expenses	-123	-108	5	0
Administrative expenses	-31	-38	–	–
Total depreciation/ amortisation and impairment	**-302**	**-287**	**5**	**0**

NOTE 8 OTHER OPERATING INCOME

	Group		Parent Company	
Group, SEK m	2015	2016	2015	2016
Gains attributable to sale of fixed assets	15	3	–	–
Exchange-rate gains from operating receivables/liabilities	37	119	–	–
Other	18	34	–	–
Total other operating income	**70**	**156**	**–**	**–**

NOTE 9 OTHER OPERATING EXPENSES

	Group		Parent Company	
SEK m	2015	2016	2015	2016
Exchange-rate losses from operating receivables/liabilities	-27	-102	–	–
Capital loss attributable to divestment of subsidiaries	–	–	–	–
Loss attributable to sale of fixed assets	0	0	–	–
Other	-12	-7	–	–
Total other operating expenses	**-39**	**-109**	**–**	**–**

NOTE 10 SPECIFICATION BY TYPE OF COST

SEK m	2015	2016
Costs for goods and materials	-5,005	-5,273
Costs for remuneration to employees	-2,890	-2,875
Depreciation/amortisation and impairment (Note 7)	-297	-287
Freight costs	-542	-562
Operational leasing costs, primarily stores (Note 11)	-543	-535
Other operating expenses	-1,870	-1,974
Total operating expenses	**-11,147**	**-11,506**

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	2015	2016	2015	2016
Expensed during the year	543	535	1	1
Falling due for payment within one year	509	481	0	0
Falling due for payment between one and five years	1,335	1,299	0	0
Falling due for payment later	798	610	0	0
Total	**2,642**	**2,390**	**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	2015	2016	2015	2016
Falling due for payment within one year	48	64	–	–
Falling due for payment between one and five years	78	104	–	–
Falling due for payment later	3	2	–	–
Total	**129**	**170**	**–**	**–**

NOTE 12 FINANCIAL INCOME AND EXPENSES

	Group		Parent Company	
SEK m	2015	2016	2015	2016
Profit from participations in Group companies				
Dividends	–	–	200	500
Group contributions received	–	–	216	167
Impairment of subsidiary shares	–	–	–	-743
Financial income				
Interest income, current	6	2	3	5
Exchange-rate differences	28	20	–	16
Financial expenses				
Interest expense	-25	-24	-28	-22
Interest expense pertaining to pension liabilities	-42	-34	0	0
Exchange-rate differences	-24	-15	-24	0
Total	**-57**	**-51**	**367**	**-77**

NOTE 13 TAX ON NET PROFIT FOR THE YEAR

	Group		Parent Company	
SEK m	2015	2016	2015	2016
Current tax expenses for the period	-228	-254	–	-19
Deferred tax	-35	-15	0	-1
Tax on net profit for the year	**-263**	**-269**	**0**	**-20**

Reconciliation of effective tax

Parent Company, %	2015	2016
Tax rate in the Parent Company	22.0	22.0
Taxes attributable to earlier periods	–	–
Non-tax deductible income	0.0	0.0
Non-deductible costs	1.0	-105.6
Non-tax deductible dividend	-14.3	69.2
Non-capitalised loss carryforwards	–	–
Utilisation of non-capitalised loss carryforwards	-8.8	1.8
Other	0.0	0.0
Recognised effective tax	**-0.1**	**-12.6**

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

Tax expense on net profit for the year for the Group comprised 21.6 per cent of profit before tax for continuing operations. In 2015, tax expense accounted for 23.2 per cent of profit before tax for continuing operations. On 1 January 2017, corporation tax in Norway was lowered from 25.0 per cent to 24.0 per cent. Nobia's deferred tax liabilities and assets from this country are thus recognised at the new tax rates as per 31 December 2016, with a marginal effect in the income statement and the balance sheet. The difference between recognised tax (21.6 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, %	2015	2016
Local tax rate in Sweden	22.0	22.0
Different local tax rates	0.6	-0.3
Taxes attributable to earlier periods	0.2	-1.0
Non-tax deductible income	-0.7	-0.1
Non-deductible costs	1.2	0.4
Changed tax rate	-0.1	0.6
Non-capitalised loss carryforwards	0.0	0.0
Other	0.0	0.0
Recognised effective tax	**23.2**	**21.6**

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

NOTE 14 INTANGIBLE ASSETS

Goodwill, SEK m	2015	2016
Opening carrying amount	2,278	2551
Acquisition of operations	297	–
Impairment of discontinued operations	–	-58
Translation differences	-24	-134
Closing carrying amount	**2,551**	**2359**

Impairment of goodwill for the year attributable to discontinued operations amounted to SEK 58 million (–) and comprised impairment to fair value less selling expenses based on the contracted sales price for Poggenpohl.

Impairment testing of goodwill

At the end of 2016, recognised goodwill amounted to SEK 2,359 million (2,551). The carrying amount of goodwill is specified by cash-generating units as follows:

SEK m	2015	2016
Nobia UK	1,762	1592
Nobia DK	313	329
Nobia SweNo	139	147
Other	337	291
Total	**2,551**	**2359**

Goodwill has been allocated to cash-generating units (CGU) when these units were acquired. Nobia has five 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, which forms the basis for deriving the discount rate before tax. The recoverable amount calculated in conjunction with this is compared with the carrying amount, including goodwill, for each CGU.

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

When calculating the expected cash flow, significant assumptions applied include expected sales growth, 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 (2) 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 2016, the Group's weighted cost of capital before tax amounted to 11.3 per cent (10.0) and after tax to 9.2 per cent (8.1). In total, the utilised cost of capital after tax for 2016 is in the interval 8.5–10.1 per cent (7.4–8.6).

Testing of goodwill did not lead to any impairment in 2016.

Assumptions for calculating recoverable amounts:

Discount rate before tax, %

%	2015	2016
Nobia UK	10.4	12.2
Nobia DK	9.7	10.4
Nobia SweNo	10.0	11.4
Other	9,2–9,9	10,4–11,1

Other intangible assets

SEK m	2015	2016
Opening cost	411	468
Investments for the year	50	23
Sales and scrapping	0	-3
Acquisition of operations	–	–
Reclassification	14	-82
Reclassification to assets held for sale	–	-67
Translation differences	-7	0
Closing accumulated cost	**468**	**339**
Opening amortisation	253	322
Sales and scrapping	0	-2
Amortisation for the year	73	52
Amortisation for the year, discontinued operations	1	1
Reclassification	5	-98
Reclassification to assets held for sale	–	-67
Impairment of discontinued operations	–	2
Translation differences	-10	3
Closing accumulated amortisation	**322**	**213**
Closing carrying amount	**146**	**126**
Of which:		
Software	115	97
Brands	22	20
Other	9	9
Closing carrying amount	**146**	**126**

NOTE 15 TANGIBLE FIXED ASSETS

	Group	
Buildings, SEK m	2015	2016
Opening cost	1,920	1,710
Investments for the year	52	26
Sales and scrapping	-247	-2
Reclassification	3	12
Reclassification to assets held for sale	–	-375
Translation differences	-18	-14
Closing cost including written-up amount	**1,710**	**1,357**
Opening depreciation and impairment	1,261	1,085
Sale and scrapping	-247	-1
Reclassification	-1	-5
Reclassification to assets held for sale	–	-375
Depreciation for the year	69	61
Depreciation for the year, discontinued operations	12	12
Impairment	1	–
Impairment of discontinued operations	–	110
Translation differences	-10	0
Closing depreciation and impairment	**1,085**	**887**
Closing carrying amount	**625**	**470**
Closing accumulated depreciation	**1,080**	**882**

	Group	
Land and land improvements, SEK m	2015	2016
Opening cost	184	182
Investments for the year	1	3
Reclassification to assets held for sale	–	-46
Translation differences	-3	2
Closing cost including written-up amount	**182**	**141**
Opening depreciation and impairment	27	28
Reclassification to assets held for sale	–	-46
Depreciation for the year	1	1
Impairment of discontinued operations	–	41
Translation differences	0	1
Closing depreciation and impairment	**28**	**25**
Closing carrying amount	**154**	**116**
Closing accumulated depreciation	**26**	**23**

	Group	
Investments in progress, SEK m	2015	2016
Opening balance	34	38
Investments initiated during the year	33	66
Investments completed during the year[1]	-28	33
Translation differences	-1	-4
Closing carrying amount	**38**	**133**

1) Assets reclassified as other tangible fixed assets.

Machinery and other technical equipment, SEK m	Group 2015	Group 2016
Opening cost	2,213	1,926
Investments for the year	124	64
Sales and scrapping	-411	-38
Acquisition of operations	5	–
Reclassification	15	36
Reclassification to assets held for sale	–	-177
Translation differences	-20	10
Closing cost including written-up amount	**1,926**	**1,821**
Opening depreciation and impairment	1,670	1,361
Sales and scrapping	-409	-35
Reclassification	0	71
Reclassification to assets held for sale	–	-177
Depreciation for the year	109	107
Depreciation for the year, discontinued operations	5	5
Impairment	1	0
Impairment of discontinued operations	–	28
Translation differences	-15	20
Closing depreciation and impairment	**1,361**	**1,380**
Closing carrying amount	**565**	**441**
Closing accumulated depreciation	**1,352**	**1,371**

Equipment, tools, fixtures and fittings, SEK m	Group 2015	Group 2016
Opening cost	1,395	1,147
Investments for the year	139	98
Sales and scrapping	-384	-45
Acquisition of operations	4	–
Reclassification	-6	68
Reclassification to assets held for sale	–	-348
Translation differences	-1	29
Closing cost	**1,147**	**949**
Opening depreciation and impairment	1,116	815
Sales and scrapping	-371	-31
Reclassification	-6	99
Reclassification to assets held for sale	–	-348
Depreciation for the year	50	66
Depreciation for the year, discontinued operations	21	20
Impairment	-7	–
Impairment of discontinued operations	10	93
Translation differences	2	29
Closing depreciation and impairment	**815**	**743**
Closing carrying amount	**332**	**206**
Closing accumulated depreciation	**764**	**715**

Advance payments for tangible fixed assets, SEK m	Group 2015	Group 2016
Opening balance	0	8
Expenses during the year	8	10
Closing carrying amount	**8**	**18**

Reclassifications of accumulated costs to assets held for sale amounted to a negative SEK 946 million and reclassifications of accumulated depreciation and impairment to assets held for sale amounted to a negative SEK 946 million, totalling a net SEK 0 million. Impairment for the year for tangible fixed assets amounted to SEK 0 million (12) and reversals of previous impairment amounted to SEK 0 million (neg: 7). Impairment of tangible fixed assets for the year attributable to discontinued operations amounted to SEK 272 million (10) and comprised impairment to fair value less selling expenses based on the contracted sales price for Poggenpohl (Level 2). Minor reclassifications, with a negative carrying amount of tangible fixed assets of SEK 16 million, were made during the year between classes of fixed assets and to other intangible assets in the UK region due to corrections in connection with the change of accounting system.

NOTE 16 FINANCIAL FIXED ASSETS

Other long-term receivables, SEK m	Group 2015	Group 2016
Deposits	32	27
Long-term loans to retailers	1	3
Other interest-bearing receivables	2	–
Other	2	1
Total	**37**	**31**

Shares and participations in Group companies, SEK m	Parent Company 2015	Parent Company 2016
Opening cost	2,234	2,084
Intra-Group sale	-154	0
Shareholders' contribution	–	123
Impairment of subsidiary shares	–	-743
Other changes	4	5
Closing cost	**2,084**	**1,469**

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 2015	Carrying amount 2016
Nobia Sverige AB	556060-1006	Stockholm	100	100	1,256	1,256
Nobia Norway AS		Trollås	100			
Nobia Production Sweden AB	556038-0072	Tidaholm	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			
Nobia UK Trustee's Ltd		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			
Rixonway Kitchens Ltd		Dewsbury	100			
Commodore Kitchens Ltd		Grays	100			
CIE UK (Holdings) Ltd		Ingatestone	100			
CIE PLC		Grays	100			
Essenza Interiors Ltd[1)]		Grays	100			
Lovene Dörr AB[1)]	556038-1724	Stockholm	100			
Star Möbelwerk GmbH[1)]		Herford	100			
Swedoor Bauelementevertrieb Gmbh[1)]		Herford	100			

	Corp. Reg. No.	Domicile	Share of equity, %	No. of shares	Carrying amount 2015	Carrying amount 2016
Nobia Svenska Kök AB	556048-3256	Tidaholm	100	30,000	92	92
Poggenpohl Möbelwerke GmbH 3)		Herford	98.57		713	93
Poggenpohl Group UK Ltd 3)		London	100			
Norman Glen Kitchens & Interiors Ltd1) 3)		London	100			
Wigmore Street Kitchens Ltd1) 3)		London	100			
Ultimate Kitchens (Pimlico) Ltd1) 3)		London	100			
Poggenpohl Austria Gmbh 3)		Vienna	100			
Poggenpohl France SARL 3)		Paris	100			
Poggenpohl Nederland BV 3)		Veldhoven	100			
SA Poggenpohl Belgium NV1) 3)		Ghent	100			
Poggenpohl US Inc. 3)		Fairfield NJ	100			
Poggenpohl Group Schweiz AG 3)		Littau	100			
Poggenpohl AB 3)	556323-2551	Stockholm	100			
Poggenpohl Japan Co Ltd 3)		Tokyo	100			
Poggenpohl Forum Gmbh 3)		Herford	100			
Goldreif Küchen GmbH 3)		Herford	100			
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					20	25
Total					**2,084**	**1,469**

1) The company is dormant.
2) The company is 1 per cent owned by Nobia AB and 99-per cent-owned by the subsidiary, Nobia Sverige AB. The details concern the 1 per cent holding.
3) After the divestment of Poggenpohl on 31 January 2017, the company no longer belongs to the Nobia Group.

NOTE 18 DERIVATIVE INSTRUMENTS

SEK m	Group: Carrying amount 2016	Group: Fair value 2016	Parent Company: Carrying amount 2016	Parent Company: Fair value 2016
Forward agreements, transaction exposure – assets	9	9	–	–
Forward agreements, transaction exposure – liabilities	-12	-12	–	–
Interest swaps	–	–	–	–
Total	**-3**	**-3**	**–**	**–**

Unrealised gains and losses totalling a net loss of SEK 4 million in shareholders' equity as per 31 December 2016 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 profit of SEK 2 million were reversed in profit or loss in their entirety in 2016.

NOTE 19 PREPAID EXPENSES AND ACCRUED INCOME

SEK m	Group 2015	Group 2016	Parent Company 2015	Parent Company 2016
Prepaid rent	57	71	–	–
Bonus from suppliers	84	91	50	37
Accrued customer income	22	42	–	–
Prepaid bank charges	3	1	–	–
Insurance policies	10	13	1	1
Other	82	73	8	9
Total	**258**	**291**	**59**	**47**

NOTE 20 CASH AND CASH EQUIVALENTS

	Group		Parent Company	
SEK m	2015	2016	2015	2016
Cash and bank balances	765	1,005	472	949

Unutilised overdraft facilities, which are not included in cash and cash equivalents, totalled SEK 394 million (399) in the Group, and SEK 344 million (349) 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 2015	175,293,458	167,526,158
As per 31 December 2015	175,293,458	168,281,305
As per 31 December 2016	175,293,458	168,473,468

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 6,819,990 treasury shares (7,012,153) on 31 December 2016. 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 reserve	Total
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**
Opening balance, 1 January 2016	**-81**	**2**	**-79**
Exchange-rate differences attributable to translation of foreign operations	-172	–	-172
Cash-flow hedges, before tax	–	-8	-8
Tax attributable to change in hedging reserve for the year	–	2	2
Closing balance, 31 December 2016	**-253**	**-4**	**-257**

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.

	2015	2016
Profit attributable to Parent Company shareholders, SEK m	829	456
Profit from continuing operations, SEK m[1]	869	978
Loss from discontinued operations, SEK m[1]	-40	-522
Weighted average number of outstanding ordinary shares before dilution	168,059,727	168,425,427
Earnings per share before dilution, SEK	4.93	2.71
Earnings per share before dilution from continuing operations, SEK	5.17	5.81
Loss per share before dilution from discontinued operations, SEK	-0.24	-3.10

[1] Attributable to Parent Company shareholders

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, 2015 and 2016. 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.

	2015	2016
Weighted average number of outstanding ordinary shares	168,059,727	168,425,427
Employee share option scheme 2011[1]	64,546	–
Performance Share Plan 2012[1]	33,787	–
Performance Share Plan 2013[1]	206,201	48,040
Performance Share Plan 2014	119,324	102,563
Performance Share Plan 2015	33,235	65,309
Performance Share Plan 2016	–	22,957
Weighted average number of outstanding ordinary shares after dilution	168,516,820	168,664,296
Earnings per share after dilution, SEK	4.92	2.70
Earnings per share after dilution from continuing operations, SEK	5.16	5.80
Loss per share after dilution from discontinued operations, SEK	-0.24	-3.10

1) Pertains to dilution until redemption.

NOTE 24 APPROPRIATION OF COMPANY'S PROFIT OR LOSS

Proposed appropriation of company's profit or loss

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	1,557,202,930
Net loss for the year	-178,981,283
Total SEK	**1,430,447,133**

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

Dividend of SEK 3.00 per share to be paid to shareholders	505,420,404
To be carried forward	925,026,729
Total SEK	**1,430,447,133**

NOTE 25 PROVISIONS FOR PENSIONS

Defined-benefit pension plans, Group

	Group	
Provisions for pensions, SEK m	2015	2016
Defined-benefit pension plans	732	894

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 found in the UK, Sweden and Austria. The plan in the UK has already been concluded and no new benefits can be earned. These pension plans have been replaced by defined-contribution plans. There is a defined-benefit pension plan in Germany that pertains to Poggenpohl and that is recognised as liabilities attributable to assets held for sale. Poggenpohl's pension plan has already been concluded and no new benefits can be earned.

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 2016 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 3.8 million (2.7). On 31 December 2016, 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 149 per cent (153 per cent on 31 December 2015). 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	2015	2016
Present value of funded obligations	2,806	3,115
Fair value of plan assets	-2,295	-2,400
	511	**715**
Present value of unfunded obligations	221	240
	732	**955**
Reclassification of liabilities attributable to assets held for sale	–	-61
Net debt in provisions for pensions	**732**	**894**

The net debt for defined-benefit plans amounting to SEK 894 million (732) is recognised in the "Provisions for pensions" item in the consolidated balance sheet. The net debt at year-end was as follows: UK 80 per cent, Sweden 14 per cent and Austria 6 per cent. SEK 61 million (-) is recognised on the row "Liabilities attributable to assets held for sale" and pertains to Poggenpohl in Germany.

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

	Defined-benefit committments		Plan assets		Net debt	
	2015	2016	2015	2016	2015	2016
At beginning of the year	**3,144**	**3,027**	**-2,275**	**-2,295**	**869**	**732**
Recognised in profit or loss						
Costs for service during current year	8	6	–	–	8	6
Interest expense (+)/income (-)	119	105	-77	-71	42	34
Costs for the year for discontinued operations	1	2	–	–	1	2
	128	**113**	**-77**	**-71**	**51**	**42**
Recognised in other comprehensive income						
Remeasurements						
Actuarial gains/losses due to:						
– demographic assumptions	-19	-27	–	–	-19	-27
– financial assumptions	-162	685	–	–	-162	685
– experience-based adjustments	-51	-50	–	–	-51	-50
Return on plan assets excluding interest income	–	–	62	-296	62	-296
Exchange-rate differences	61	-287	-46	234	15	-53
	-171	**321**	**16**	**-62**	**-155**	**259**
Other						
Employer contributions	–	–	-74	-69	-74	-69
Benefits paid	-125	-106	115	97	-10	-9
Reclassification from other long-term remuneration	51	–	–	–	51	–
	-74	**-106**	**41**	**28**	**-33**	**-78**
Reclassification of liabilities attributable to assets held for sale	–	-61	–	–	–	-61
At year-end	**3,027**	**3,294**	**-2,295**	**-2,400**	**732**	**894**

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

	Group	
SEK m	2015	2016
Cost of goods sold	1	1
Selling expenses	1	1
Administrative expenses	6	4
Net financial items	42	34
Costs for the year for discontinued operations	1	2
Total pension costs	**51**	**42**

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

SEK m	2015	2016
Interest income	77	71
Return on pension assets excluding interest income	-62	296
Total actual return on plan assets	**15**	**367**

Principal actuarial assumptions:

	Group	
%	2015	2016
Discount rate:		
UK	3.9	2.7
Austria	2	1.6
Germany	2.2	1.8
Sweden	3.3	3.2
Future annual salary increases:		
UK	–	–
Austria	2.3	2.3
Germany	–	–
Sweden	2.5	2.5
Future annual pension increases:		
UK	3.15	3.1
Austria	–	–
Germany	1	1
Sweden	3	2.5

Life expectancy

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

	Group	
	2015	2016
On closing date		
Men	20.9–23.0	20.7–23.0
Women	24.5–25.0	24.3–25.0
20 years after closing date		
Men	23.0–25.0	23.8–25.3
Women	25.0–28.1	25.0–28.4

Plan assets comprise the following:

	2015		2016	
Group, SEK m	Listed price on an active market	Un-listed price	Listed price on an active market	Un-listed price
Cash and cash equivalents	15	–	29	–
High-quality corporate bonds	125	–	812	–
Mutual funds, Western Europe	142	–	329	–
Mutual funds, growth markets	24	–	40	–
Mutual funds, global	428	–	286	–
Hedge funds	218	–	201	–
Fixed-income funds, term 7–20 years	730	–	703	–
Fixed-income funds, term 1–3 years	–	–	–	–
Property funds	613	–	–	–
Total	**2,295**	–	**2,400**	**–**

Contributions to post-employment remuneration plans are expected to amount to SEK 76 million (82) for the 2017 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)	-602	829
Expected mortality (1-year change)	87	-94
Future salary increase (1% change)	17	-13
Future increase in pension (1% change)	429	-363

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

	Group	
Pension costs, SEK m	2015	2016
Total costs for defined-benefit plans	51	42
Total costs for defined-contribution plans	179	184
Costs for special employer's contributions and tax on returns from pension	7	10
Total pension costs	**237**	**236**

Defined-benefit pension plans, Parent Company:

	Parent Company	
Provisions for pensions, SEK m	2015	2016
Provisions in accordance with Pension Obligations Vesting Act, FPG/PRI pensions	24	28

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

	Parent Company	
Defined-benefit plans, SEK m	2015	2016
Administrative expenses	3	2

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

	Parent Company	
Pension costs, SEK m	2015	2016
Total costs for defined-benefit plans	3	2
Total costs for defined-contribution plans	11	9
Costs for special employer's contributions and tax on returns from pension	2	2
Total pension costs	**16**	**13**

Parent Company pension liabilities are calculated at a discount rate of 3.2 per cent (3.3).

The assumptions are calculated on the basis of the salary levels applicable on the closing date. SEK 337,000, pertaining to defined-benefit pension plans in the Parent Company, is expected to be paid in 2017.

NOTE 26 DEFERRED TAX

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

	2015			2016		
SEK m	Deferred tax assets	Deferred tax liabilities	Net	Deferred tax assets	Deferred tax liabilities	Net
Opening balance	303	143	160	241	133	108
Recognised in profit or loss	-38	-3	-35	-22	-7	-15
Recognised in discontinued operations	8	-4	12	-77	-35	-42
Remeasurements of defined-benefit pension plans	-34	–	-34	49	–	49
Changes in forward agreements	-1	0	-1	0	-2	2
Other changes	0	–	0	-2	–	-2
Offset/Reclassification	–	–	–	0	0	0
Acquisitions	–	0	0	–	–	–
Reclassification of assets/liabilities held for sale	–	–	–	-8	-6	-2
Translation differences	3	-3	6	-5	1	-6
Closing balance	**241**	**133**	**108**	**176**	**84**	**92**

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 2015	**157**	**52**	**94**	**303**
Recognised in profit or loss	-7	-2	-29	-38
Recognised in discontinued operations	-1	1	8	8
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**
As per 1 January 2016	**118**	**49**	**74**	**241**
Recognised in profit or loss	-16	-3	-3	-22
Recognised in discontinued operations	0	-1	-76	-77
Recognised in other comprehensive income	49	0	–	49
Recognised directly against shareholders' equity	–	-2	–	-2
Acquisitions	–	–	–	–
Reclassification of assets/liabilities held for sale	-5	-3	–	-8
Translation differences	-10	0	5	-5
As per 31 December 2016	**136**	**40**	**0**	**176**

Deferred tax liabilities	Temporary differences in fixed assets	Other	Total
As per 1 January 2015	**114**	**29**	**143**
Recognised in profit or loss	-8	5	-3
Recognised in discontinued operations	-4	0	-4
Recognised in other comprehensive income	–	0	0
Acquisitions	0	0	0
Translation differences	-2	-1	-3
As per 31 December 2015	**100**	**33**	**133**
As per 1 January 2016	**100**	**33**	**133**
Recognised in profit or loss	-7	0	-7
Recognised in discontinued operations	-35	0	-35
Recognised in other comprehensive income	–	-2	-2
Acquisitions	–	–	–
Reclassification of assets/liabilities held for sale	-1	-5	-6
Translation differences	1	0	1
As per 31 December 2016	**58**	**26**	**84**

On 1 January 2017, corporation tax in Norway was lowered from 25.0 per cent to 24.0 per cent. Nobia's deferred taxes pertaining to Norway are recognised at the new tax rates as per 31 December 2016, with a marginal effect in the income statement and the balance sheet.

The change in loss carryforwards for the year pertained primarily to the utilisation of capitalised losses in Sweden and impairment of loss carryforwards in Germany and the US. Impairment of SEK 76 million was recognised on the row "Profit/loss from discontinued operations, net after tax." Deferred tax assets at year-end were attributable to Sweden.

The value of the loss carryforward for which a deferred tax asset has not been recognised amounted to SEK 173 million (64) and was primarily attributable to Germany and the US. Of the loss carryforwards that have not been recognised, approximately SEK 115 million will expire in 2018 or later, and SEK 58 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 2016	**12**	**31**	**4**	**4**	**59**	**110**
Expensed in consolidated income statement						
– Additional provisions	3	7	1	–	5	16
– Reversed unutilised amounts	–	–	–	0	-5	-5
Utilised during the year	-2	-12	-1	-2	-25	-42
Translation differences	-1	-3	0	0	-5	-9
As per 31 December 2016	**12**	**23**	**4**	**2**	**29**	**70**

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	2015	2016	2015	2016
Within 1 year	3	801	–	800
Between 1 and 5 years	800	–	800	–
Longer than 5 years	–	–	–	–
Total	**803**	**801**	**800**	**800**

NOTE 29 ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
SEK m	2015	2016	2015	2016
Bonus to customers	98	105	–	–
Accrued salary-related costs	238	225	26	42
Accrued interest	2	1	2	1
Rents	18	18	–	–
Other	245	216	1	1
Total	**601**	**565**	**29**	**44**

NOTE 30 FINANCIAL ASSETS AND LIABILITIES

Group 2016, 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	–	–	28	–	28
Accounts receivable	–	–	1,240	–	1,240
Current interest-bearing receivables	–	–	1	–	1
Other receivables	9	–	7	–	16
Total	**9**	**–**	**1,279**	**–**	**1,288**
Additional purchase consideration (other provisions)	–	22	–	–	22
Long-term interest-bearing liabilities	–	–	–	6	6
Current interest-bearing liabilities	–	–	–	801	801
Accounts payable	–	–	–	1,162	1,162
Other liabilities	12	–	–	356	368
Total	**12**	**22**	**–**	**2,325**	**2,359**

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

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.

Exchange-rate gains and losses pertaining to the operations were recognised in other operating income and operating expenses in the net amount of SEK 17 million (10).

Financial exchange-rate gains and losses were recognised in net financial items in the amount of SEK 5 million (4).

Parent Company 2016, SEK m	Accounts and loans receivable	Other liabilities	Total carrying amount[1)]
Accounts receivable	1	–	1
Other receivables	2,871	–	2,871
Total	**2,872**	**–**	**2,872**
Current interest-bearing liabilities	–	800	800
Current liabilities to Group companies	–	1,276	1,276
Accounts payable	–	15	15
Other liabilities	–	27	27
Total	**–**	**2,118**	**2,118**

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**

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 9 million (18) in assets and SEK 12 million (14) 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	2015	2016	2015	2016
Floating charges	–	–	–	–
Endowment insurance	–	–	–	–
Property mortgage	–	–	–	–
Other assets	12	1	–	–
Total pledged assets	**12**	**1**	**–**	**–**

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

	Group		Parent Company	
SEK m	2015	2016	2015	2016
Securities for pension commitments	1	2	19	20
Other contingent liabilities	143	166	158	163
Total	**144**	**168**	**177**	**183**

NOTE 32 DISCONTINUED OPERATIONS

Poggenpohl's operations are recognised as discontinued operations from the first quarter of 2016 and figures for 2015 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 2015, Nobia had four stores in Denmark and one store in Sweden, a total of five stores.

One store in Denmark was divested in the first quarter of 2016, one store in Denmark was closed in the second quarter and one store in Denmark was sold in the third. At year-end 2016, Nobia had one store 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	2015	2016
Profit/loss from business activities of discontinued operations		
Income	1,357	1,158
Expenses	-1,457	-1,625
Loss before tax	-100	-467
Tax	0	-56
Loss after tax	-100	-523
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	–	0
Tax attributable to aforementioned remeasurement	–	–
Profit/Loss from remeasurement after tax	–	0
Profit/loss in conjunction with divestment of discontinued operations		
Capital gain/loss attributable to divestment of discontinued operations	59	0
Tax attributable to aforementioned capital gains/losses	0	0
Profit from divestment after tax	59	0
Total loss from discontinued operations after tax	**-41**	**-523**
Loss per share from discontinued operations		
before dilution (SEK)	-0.24	-3.10
after dilution (SEK)	-0.24	-3.10

Of the loss from discontinued operations of SEK 523 million (loss: 41), SEK 522 million (loss: 40) was attributable to the Parent Company owners.

Of the profit of SEK 978 million (869) from continuing operations, SEK 978 million (869) was attributable to the Parent Company's owners.

Net cash flow from discontinued operations	2015	2016
Cash flow from operating activities	27	93
Cash flow from investing activities	196	-13
Cash flow from financing activities[1]	-25	-24
Net cash flow from discontinued operations	198	56

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

NOTE 33 ASSETS HELD FOR SALE

On 19 December 2016, Nobia signed an agreement for the sale of Poggenpohl to German group Adcuram. For this reason, the net assets of Poggenpohl are recognised as Assets held for sale in accordance with IFRS 5. The sale took place during the first quarter of 2017.

Assets and liabilities for the two 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	2015	2016
Assets held for sale		
Disposal group for sale:		
Tangible fixed assets	4	1
Inventories	0	68
Accounts receivable and other receivables	4	168
Deferred tax assets	–	8
Interest-bearing assets	–	261
Total	**8**	**506**
Liabilities attributable to assets held for sale		
Disposal group for sale:		
Accounts payable and other liabilities	3	261
Deferred tax liabilities	–	6
Interest-bearing liabilities	–	62
Total	**3**	**329**

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.The purchase consideration was adjusted by SEK 0.4 million in the first quarter of 2016. The additional purchase consideration of a maximum of SEK 53 million (GBP 4 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. In the fourth quarter of 2016, SEK 22 million (GBP 2 million) was paid. The remaining provision amounts to SEK 22 million restated at the applicable closing day rate.

The acquisition analysis below is final.

Acquired net assets and goodwill, SEK m	2015	2016
Purchase consideration including acquisition costs	369	0
Additional purchase consideration	53	–
Fair value of acquired net assets	-125	–
Goodwill	**297**	**0**

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

	2015		2016	
Assets and liabilities included in the acquisition, SEK m	Fair value	Acquired carrying amount	Fair value	Acquired carrying amount
Cash and cash equivalents	21	21	–	–
Tangible fixed assets	9	9	–	–
Intangible fixed assets	–	–	–	–
Inventories	46	46	–	–
Accounts receivable and other receivables	102	102	–	–
Accounts payable and other operating liabilities	-46	-46	–	–
Interest-bearing liabilities	-5	-5	–	–
Taxes, net	-2	-2	–	–
Deferred taxes, net	0	0	–	–
Acquired net assets	**125**	**125**	**–**	**–**

SEK m	2015	2016
Purchase consideration paid in cash	369	0
Cash and cash equivalents in acquired subsidiaries	21	–
Reduction in the Group's cash and cash equivalents in conjunction with acquisition	**348**	**0**

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	2016	–	76	217	667	2,868	1,276
Subsidiaries	2015	–	75	199	416	2,863	864

NOTE 36 EVENTS AFTER THE CLOSING DATE

The divestment of Poggenpohl was completed on 31 January 2017 following approval from the competition authorities in Germany and Austria.

RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES

Nobia presents certain financial performance measures in the Annual Report that are not defined according to IFRS, known as alternative performance measures. Nobia believes that these measures provide valuable complementary information to investors and the company's management since they facilitate assessments of trends and the company's performance. Because not all companies calculate performance measures in the same way, these are not always comparable with those measures used by other companies Consequently, the performance measures are not to be seen as replacements for measures defined according to IFRS For definitions of the performance measures that Nobia uses, see pages 99–100.

	Jan–Dec	
Analysis of net sales Nordic region	%	SEK m
2015		5,651
Organic growth	6	334
Currency effect	0	2
2016	**6**	**5,987**

	Jan–Dec	
Analysis of net sales UK region	%	SEK m
2015		6,099
Organic growth	1	83
Currency effect	10	-619
Sales to Hygena	-1	-86
Acquired operations	11	645
2016	**0**	**6,122**

	Jan–Dec	
Analysis of net sales Central Europe region	%	SEK m
2015		516
Organic growth	3	17
Currency effect	1	6
2016	**4**	**539**

	Jan–Dec				
Operating profit before depreciation and impairment, SEK m	2012	2013	2014	2015	2016
Operating profit/loss	-274	654	878	1,189	1,298
Depreciation/amortisation and impairment	1,013	390	326	297	287
Operating profit before depreciation/amortisation and impairment	**739**	**1,044**	**1,204**	**1,486**	**1,585**
Net sales	12,343	11,773	11,411	12,266	12,648
% of net sales	6.0%	8.9%	10.6%	12.1%	12.5%

	Jan–Dec				
Operating profit excluding items affecting comparability, SEK m	2012	2013	2014	2015	2016
Operating profit/loss	-274	654	878	1,189	1,298
Items affecting comparability	839	36	97	–	–
Operating profit excluding items affecting comparability	**565**	**690**	**975**	**1,189**	**1,298**
Net sales	12,343	11,773	11,411	12,266	12,648
% of net sales	4.6%	5.9%	8.5%	9.7%	10.3%

	Jan–Dec		
Profit/loss after tax excluding items affecting comparability	2014	2015	2016
Profit/loss after tax	-27	828	455
Items affecting comparability net after tax	563[1)]	75[2)]	448[3)]
Profit after tax excluding items affecting comparability	**536**	**903**	**903**

1) SEK 485 million was recognised on the row "Loss from discontinued operations, net after tax" and pertained to impairment and expenses attributable to Hygena.
SEK 78 million was recognised in operating profit and on the tax row and pertained to the change to the Group's common standard dimension in Magnet in the UK and in Finland.
2) Recognised on the row "Loss from discontinued operations, net after tax" and pertained to impairment of Poggenpohl in the US.
3) Recognised on the row "Loss from discontinued operations, net after tax" and pertained to impairment of Poggenpohl.

Net debt, SEK m	31 Dec 2015	31 Dec 2016
Provisions for pensions (IB)	732	894
Other long-term liabilities, interest-bearing (IB)	811	6
Current liabilities, interest-bearing (IB)	4	801
Interest-bearing liabilities recognised as liabilities attributable to assets held for sale (IB)	–	62
Interest-bearing liabilities	**1,547**	**1,763**
Long-term receivables, interest-bearing (IB)	-3	-3
Current receivables, interest-bearing (IB)	-5	-1
Interest-bearing assets recognised as assets held for sale (IB)	–	-261
Cash and cash equivalents (IB)	-765	-1005
Interest-bearing assets	**-773**	**-1270**
Net debt	**774**	**493**

Operating capital, SEK m	31 Dec 2015	31 Dec 2016
Total assets	**8,069**	**8,005**
Other provisions	-122	-79
Deferred tax liabilities	-133	-84
Current liabilities, non-interest-bearing	-2,442	-2,393
Liabilities attributable to assets held for sale, non-interest-bearing	-3	-267
Non-interest-bearing liabilities	**-2,700**	**-2,823**
Capital employed	**5,369**	**5,182**
Interest-bearing assets (IB)	-773	-1009
Interest-bearing assets recognised as assets held for sale (IB)	–	-261
Operating capital	**4,596**	**3,912**

Average operating capital, SEK m	31 Dec 2015	31 Dec 2016
OB Operating capital	4,402	4,596
OB Net operating assets discontinued operations	-838	-535
CB Operating capital	4,596	3,912
CB Net operating assets discontinued operations	-535	22
Average operating capital before adjustments of acquisitions and divestments	**3,813**	**3,998**
Adjustment for acquisitions and divestments not occurred in the middle of the period	-118	0
Average operating capital	**3,695**	**3,998**

Average shareholders' equity SEK m	31 Dec 2015	31 Dec 2016
OB Equity attributable to Parent Company shareholders	3,191	3,818
CB Equity attributable to Parent Company shareholders	3,818	3,415
Average equity before adjustment of increases and decreases in capital	**3,505**	**3,617**
Adjustment for increases and decreases in capital not occurred in the middle of the period	-67	-106
Average shareholders' equity	**3,438**	**3,511**

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 6 April 2017.

Stockholm, 16 March 2017

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 16 March 2017

KPMG AB

Henrik Lind
Authorised Public Accountant

Auditor's Report

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

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Nobia AB (publ) for the year 2016. The annual accounts and consolidated accounts of the company are included on pages 32-82 in this document.

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 2016 and its financial performance and cash flow 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 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Valuation of goodwill

See disclosure 14 and accounting principles on page 54 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

As of 31 December 2016 the group reported goodwill of SEK 2,359 million. The carrying amount is attributable to the group's five cash generating units and was subject to impairment tests at unit level, which include both complexity and significant elements of management judgments.

In performing the tests management must make judgments of the cash generating units' future internal and external developments and plans. Examples of such judgments include prediction of future cash flows, which among other things requires expectations concerning future development and market conditions.

Other important assumptions are the parameters and underlying assumptions for the determination of the discount rate to be used in order to reflect the time value of money and particular risks that each cash generating unit is exposed to.

There is a risk that the assessments made to form the basis of the estimated recoverable amount may have to be changed, which could directly affect the reported result for the period.

Response in the audit

We have assessed the impairment tests in order to conclude whether these were performed in accordance with the prescribed method.

We have assessed the reasonableness of management assumptions, which have been confirmed by the audit committee and the board of directors, concerning future cash flows and the discount rate used. We also interviewed management and evaluated previous year's estimates of future cash flows in relation to actual results.

In order to assess how changes in management assumptions may affect the recoverable amount we evaluated sensitivity analyses of the recoverable amounts for the cash generating units. We have involved an internal valuation specialist in the audit, primarily to assess assumptions concerning yield requirements linked to external markets.

We have also checked the completeness of the disclosures concerning the impairment tests in the annual accounts and consolidated accounts.

Pensions

See disclosure 25 and accounting principles on page 56 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

As of 31 December 2016 the group reported provisions for defined benefit pensions of SEK 955 million. The carrying amount is the net present value of funded and unfunded obligations of SEK 3,355 million and plan assets recognized at fair value of SEK 2,400 million. The group's most significant defined benefit plans relate to employees in the UK and represent 80 percent of the total provisions for pensions.

The group's pension liability is calculated using a special method based on forecasts of expected future disbursements which involves significant assessments, particularly as regards the discount rate, inflation assumptions, mortality assumptions and salary growth. Small changes in these assumptions could have significant effects on other comprehensive income and the group's financial position.

Response in the audit

We have reviewed whether the defined benefit pension plans in the UK have been calculated in accordance with applicable regulations. We have also tested the calculation model in relation to the input parameters.

We have involved an internal actuarial specialist in order to assess the appropriateness and to challenge the key assumptions made, such as the discount rate, inflation assumptions, mortality assumptions and salary growth. We have also assessed the competence, independence and integrity of the group's external actuary.

We have checked that the information in the annual accounts and consolidated accounts is complete and assessed whether it is compatible with the assumptions that the group has applied. We have also assessed whether the information is adequate for understanding management assumptions.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-31 and 92-101. The Board of Directors and the Managing Director] are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Nobia AB (publ) for the year 2016 and the proposed appropriations of the company's profit or loss.

We recommend to the general 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.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

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. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a 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.

Stockholm 16 March 2017
KPMG AB

Henrik Lind
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, the Swedish Annual Accounts Act and Nasdaq Stockholm's Rule Book for Issuers.

Nobia has applied the Swedish Corporate Governance Code (the Code) since 1 July 2005 and in 2016, 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. By way of information, it is noted that there were no violations of applicable stock-exchange rules or good practice on the stock market based on decisions by Nasdaq Stockholm's Disciplinary Committee or statements by the Swedish Securities Council.

2016 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 2016 Annual General Meeting was held on 11 April at Lundqvist & Lindqvist Klara Strand Konferens, Klarabergsviadukten 90 in Stockholm. Some 162 shareholders participated in the 2016 Annual General Meeting, representing 64 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, Tomas Billing, was elected Chairman of the Meeting. In accordance with the Board's proposal, the Annual General Meeting resolved on a dividend of SEK 2.50 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, the Chairman and members of the Audit Committee and elected Board members, the Nomination Committee and auditors. Tomas Billing was re-elected Board Chairman. All other members of the Board were re-elected. The Annual General Meeting re-elected KPMG AB 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 2017 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 Articles of Association do not contain any provisions that regulate the appointment or dismissal of Board members, except for a provision regarding the minimum and maximum number of Board members. There are no provisions in the Articles of Association regarding amendments to the Articles of Association. Notices of Extraordinary General Meetings that address amendments to the Articles of Association are, in accordance with the Companies Act, to be issued not earlier than six weeks and not later than four weeks prior to the Meeting. The full text of the Articles of Association is available on Nobia's website.

On 31 December 2016, the share capital in Nobia AB amounted to SEK 58,430,237 divided between 175,293,458 shares (of which, Nobia held 6,819,990 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 96–97.

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 incumbent on the Committee in accordance with the Code.

In accordance with the resolution adopted at the 2016 Annual General Meeting, the Nomination Committee comprised the following members prior to the 2017 Annual General Meeting: Viveca Ax:son Johnson (Chairman) representing Nordstjernan, Torbjörn Magnusson representing If Skadeförsäkring, Lars Bergqvist representing Lannebo funds and Arne Lööw representing the Fourth Swedish National Pension Fund. The members of the Nomination Committee represent approximately 46 per cent of the shares and votes in the company. No remuneration is paid to the Committee members.

The Nomination Committee held two minuted meetings prior to the 2017 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 2017 Annual General Meeting are incorporated in the notice of the Annual General Meeting, which was published on Nobia's website on 7 March.

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

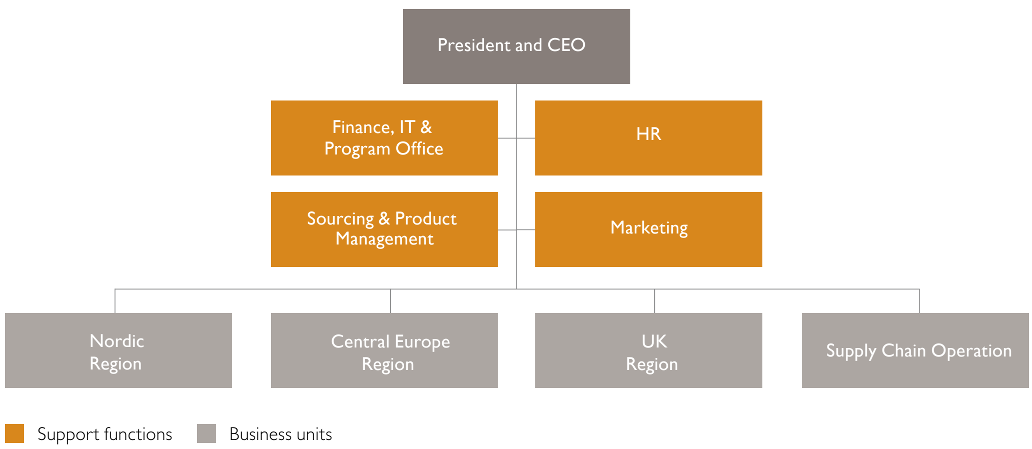
Work of the Board of Directors

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 2016 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 2017 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 nine scheduled meetings during the 2016 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. Much of the Board's work in 2016 was devoted to updating the strategy. Issues relating to consumer insight, digitisation, range, supply chain and staffing were key components of these efforts. The focus also remained targeted on efficiency and growth. In parallel with offensive investments, potential acquisitions for generating profitable growth were evaluated during the year. In the summer of 2016, the Board visited Magnet's operations in Darlington and Commodore/CIE in London. Important work conducted in the autumn was the evaluation and

Nobia's organisation



divestment of Poggenpohl. The Board members are presented on pages 92–93. Attendance at Board meetings is shown in the table below.

The work and composition of the Board were evaluated in 2016. One member of the Board submitted a number of questionnaires as the basis of an evaluation and discussion with the Chairman. The results of the evaluation were presented to the Nomination Committee. The Board also evaluates the President on an ongoing basis throughout the year. In 2016, the Group's CFO served as the Board of Directors' secretary.

Audit Committee

The Board decided in 2016 to establish an Audit Committee. Relevant control issues were previously handled by the Board. The main task of the Audit Committee is to assist the Board in monitoring processes related to Nobia's financial reporting and internal control to ensure the quality of the external reporting. The Audit Committee's duties also include studying internal audit reports compiled by the Group's internal audit function. The Audit Committee is also responsible for supporting the Nomination Committee in preparing proposals on the election of external auditors and auditor's fees.

The Audit Committee comprises two Board members: Lilian Fossum Biner (Chairman) and Thore Ohlsson. The external auditors report to the Committee at three scheduled meetings. At least four meetings are held per year and additional meetings are held as necessary.

In 2016, the Audit Committee held five meetings and the auditors attended two of these meetings. Important matters during the year included follow-ups of targeted internal examinations, regulatory compliance, reporting of suspected breaches of the Code of Conduct, Speak-up (Nobia's global whistle-blower system) and procurement of auditors in accordance with the new EU Regulation. The Audit Committee reports to the Board after every meeting. Minutes are taken at all Audit Committee meetings and these minutes are made available to all Board members and the auditors. The attendance of each Board member at meetings is shown in the table below.

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. In addition, targeted audits of three to five units are carried out every year on behalf of the Audit Committee.

The Group's CFO and the Head of Internal Control participated in the Audit Committee's meetings.

The Board's communication with the company's auditors

As described above, the company's external auditors attend three Audit Committee meetings. The Board meets with the auditors three times a year in accordance with its rules of procedure. The Board meets with the auditors at least once a year without any member of company management being present.

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 2016, 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-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

Board of Directors in 2016

		BOARD MEETINGS 9 MEETINGS IN TOTAL	AUDIT COMMITTEE 5 MEETINGS IN TOTAL	REMUNERATION COMMITTEE, 3 MEETINGS IN TOTAL	BORN	BOARD MEMBER SINCE	NATIONALITY	INDEPENDENT
Tomas Billing	Chairman	9		3	1963	2015	Swedish	Not independent[1)]
Morten Falkenberg	President and CEO	9			1958	2011	Danish	Not independent[2)]
Lilian Fossum Biner	Board member	9	5		1962	2012	Swedish	Independent
Nora Førisdal Larssen	Board member	8			1965	2011	Norwegian	Not independent[1)]
Stefan Jacobsson	Board member	9			1952	2014	Swedish	Independent
Thore Ohlsson	Board member	8	5		1943	2007	Swedish	Independent
Fredrik Palmstierna	Board member	9		3	1946	2006	Swedish	Not independent[1)]
Ricard Wennerklint	Board member	8		3	1969	2014	Swedish	Not independent[1)]
Christina Ståhl	Board member	9			1970	2015	Swedish	Independent
Per Bergström	Employee representative	8			1960	2000	Swedish	Independent
Marie Ströberg	Employee representative	9			1973	2007	Swedish	
Moa Haraldsson[3)]	Employee representative	3			1976	2011	Swedish	
Terese Asthede[3)]	Employee representative	8			1971	2013	Swedish	

1) In relation to major shareholders.
2) President.
3) Deputy.

2016 was presented at the Board meeting in February 2017.

Remuneration Committee
The Board appoints a Remuneration Committee from within its ranks, which for the period from the 2016 Annual General Meeting until the 2017 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 three 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 55 per cent of fixed annual salary. Exceptions may also be made for other senior executives following a resolution 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 portion is based on an earning 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 long-term share-based remuneration schemes since 2005, following decisions by each year's Annual General Meeting. The Performance Share Plans 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 94–95, 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 team meetings.

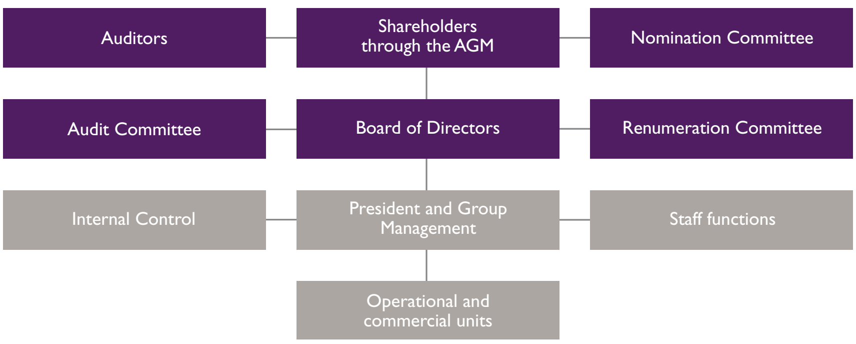
Auditors
KPMG AB was elected as the company's auditor at the 2016 Annual General Meeting for a mandate period of one year until the conclusion of the 2017 Annual General Meeting. Nobia's Auditor-in-Charge George Pettersson passed away in January 2017 and was replaced by Henrik Lind as Auditor-in-Charge. The Nomination Committee's proposals for auditing firm and Auditor-in-Charge prior to the 2017 Annual General Meeting were presented in the notice of the Annual General Meeting, which was published on Nobia's website on 7 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 2016 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.

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, rules of procedure for Audit Committee, internal policies, guidelines, manuals, codes and checklists
- Nobia's Financial & Accounting Manual
- Risk Management Process

Overview of governance at Nobia



HTH Straight

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 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 at least once every two years 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 Board also studies the internal audit reports of the Board's Audit Committee compiled by the Group's internal audit function. The internal audit reports include examining internal control and are available to the Board and auditors via the Board portal. Minutes are taken at all Audit Committee meetings and these minutes are made available to all Board members and the auditors.

Nobia does not currently have a dedicated 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.

Auditor's report on the corporate governance statement to the general meeting of the shareholders in Nobia AB (Publ), corporate identity number 556528-2752

Engagement and responsibility
It is the board of directors who is responsible for the corporate governance statement for the year 2016 on pages 86 - 91 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit
Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our 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 auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions
A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

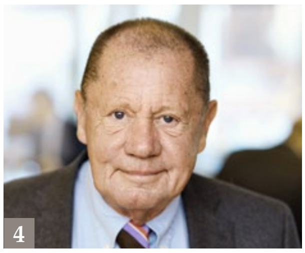
Stockholm, 16 March 2017
KPMG AB
Henrik Lind,
Authorised Public Accountant

Board of Directors


1


2


3


4


5


6


7


8

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 BiJaKa and Parkinson Research Foundation.
Previous employment: President of Hufvudstaden and Monark Bodyguard.
Holding in Nobia: 185,779 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: 536,016 shares (private and occupational pension).

3 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, Ekornes and Emma S.
Previous employment: Product Line manager at Electrolux and partner at McKinsey & Co.
Holding in Nobia: 5,000 shares.

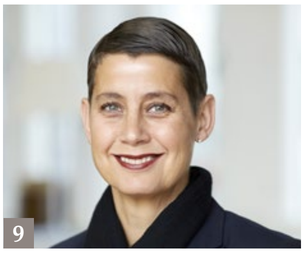
4 Thore Ohlsson
Born 1943. President of Elimexo. Board member since 2007. Independent.
Board assignments: Chairman of Friskvårdscenter, Thomas Frick, and VLPN Holding. Board member of Puma SE, Elite Hotels and Josefsson Invest.
Previous employment: President and CEO of Aritmos with wholly owned companies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

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

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

7 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: 15,000 shares.

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



9 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: –

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

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

12 Moa Haraldsson
Born 1976. Deputy Board member. Employee representative since 2016. Employed at Nobia Production Sweden since 2006.
Holding in Nobia: –

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: –

Auditors
KPMG AB

Auditor-in-Charge,
Authorised Public Accountant
Henrik Lind

Other audit assignments:
Sales Support Nordic Group AB and Reima Sweden AB.

Group management

1 Morten Falkenberg
Born 1958. B.Sc. Business Administration. President and CEO of Nobia. 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: 536,016 shares (private and occupational pension).

2 Kristoffer Ljungfelt
Born 1977. CFO. Employed at Nobia since 2013.
Previous employment: Finance Director for Nobia Norway and the Nordic region, and Business Area Director for Sigdal Kjøkken.
Holding in Nobia: 2,406 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: 47,998 shares.

4 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: 16,654 shares.

5 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: 14,360 shares.

6 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: 2,566 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 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: 2,073 shares.

9 Niek Visarius
Born 1961. Executive Vice President, Supply Chain Operations. Employed at Nobia since 2016.
Previous employment: Independent Consultant, Leading positions at Rockwell Automation, Cisco Systems and Gestetner Group.
Holding in Nobia: –

10 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: 9,642 shares.

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: 41,938 shares (private and through related parties).

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: 19,018 shares.

13 David Thorne
Born 1963. CIO. Employed at Nobia since 2015.
Previous employment: Leading IT positions at Howdens Joinery, MFI Group, Acco Brands, Technicolor, Epson and BBC.
Holding in Nobia: –

The Nobia share and shareholders

The 2016 closing price of the Nobia share on Nasdaq Stockholm was SEK 84.85 (106.00), corresponding to a market capitalisation of approximately SEK 14.9 billion (18.6).

Facts in brief

- The Nobia share is listed on Nasdaq Stockholm
- The share is traded on the Large Cap list, Consumer Goods sector.
- Nobia is the only kitchen company on Nasdaq Stockholm.
- More than 80 per cent of the shareholdings are Swedish.

Analysts that follow Nobia

COMPANY	ANALYST
ABG Sundal Collier	Mattias Montgomery
Carnegie	Agnieszka Vilela
Danske Bank	Gustav Sandström
Den norske Bank	Mattias Holmberg
Handelsbanken	Rasmus Engberg
Nordea	Predrag Savinovic
SEB	Johan Dahl

Share trading and share-price trend

The Nobia share has been listed on Nasdaq Stockholm since 2002. The Nobia share is in the Consumer Goods sector and has been traded on the Large Cap list since 2015.

In 2016, the Nobia share price fell 20 per cent, while the entire stock exchange increased 6 per cent during the same period. During the same period, the OMX Stockholm Consumer Goods PI index increased 7 per cent. The highest closing price for the Nobia share during 2016 was SEK 105.30 on 4 January. The lowest closing price during the year was SEK 69.15 on 27 June.

During the year, a total of 96.6 million (77.8) Nobia shares were traded at a value of SEK 7.9 billion (7.3). The average turnover per day was approximately 382,000 shares (310,000), corresponding to a value of SEK 31.1 million (29.0). In 2016, the turnover rate, or the share's liquidity, amounted to 54 per cent (45), which can be compared with the average on Nasdaq Stockholm of 69 per cent (73).

Ownership structure

On 31 December 2016, the number of shareholders was 7,562 (6,234). At year-end, the five largest shareholders held 51.2 per cent (47.4) of all shares and the ten largest shareholders held 65.8 per cent (59.8). The proportion of registered shares held by foreign owners during the year declined to 19.1 per cent (30.6) 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 662,779 shares in the company (657,779). On the same date, members of Nobia's Group management, directly and indirectly, had combined holdings of 692,671 shares (662,178).

Share capital and treasury shares

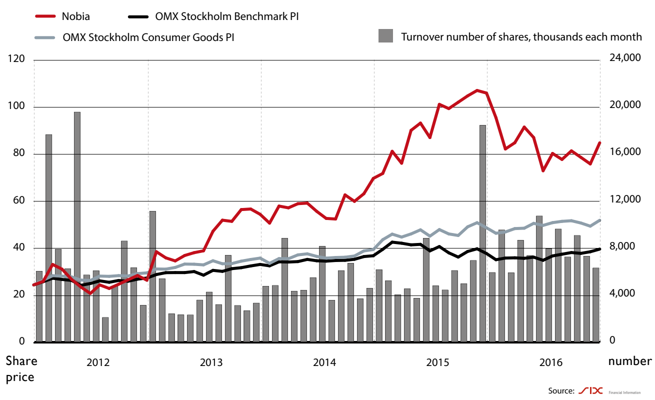
On 31 December 2016, Nobia's share capital amounted to SEK 58,430,237, divided between 175,293,458 shares with a quotient value of SEK 0.33. Each share, with the exception of bought-back treasury shares, entitles the holder to one vote, and carries the same entitlement to the company's capital and profits.

At the start of the year, Nobia had 7,012,153 treasury shares, corresponding to 4.0 per cent of the total number of shares issued. 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 2016, the Board decided to transfer 192,163 treasury shares, utilising the authorisation from the 2016 Annual General Meeting. The purpose of the transfer was to deliver shares under a Performance Share Plan resolved by the 2013 Annual General Meeting. The Performance Share Plan is described in more detail on page 63. On 31 December 2016, Nobia had 6,819,990 treasury shares, corresponding to 3.9 per cent of the total number of shares issued.

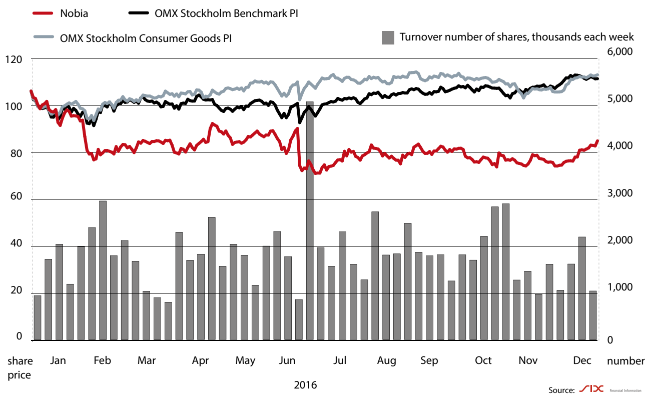
Dividend policy and proposed dividend

Nobia's objective is that the dividend should comprise 40–60 per cent of net profit after tax. Investment requirements, acquisition opportunities, liquidity and the financial position of the company are taken into consideration when preparing dividend proposals. The Board of Directors proposes to the Annual General Meeting a dividend of SEK 3.00 per share for 2016, corresponding to 56 per cent of earnings per share after tax for the year excluding items affecting comparability. The proposal entails a total dividend of approximately SEK 505 million.

Share price diagram 2012–2016



Share price diagram 2016



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 (0)8 440 16 07 or e-mail: lena.schattauer@nobia.com.

Financial calendar 2017

6 April	Annual General Meeting
28 April	Interim report Jan–Mar 2017
21 July	Interim report Jan–Jun 2017
27 October	Interim report Jan–Sep 2017

Ownership structure, 31 December 2016

	NUMBER OF SHAREHOLDERS	PERCENTAGE OF SHAREHOLDERS, %	NO. OF SHARES	PERCENTAGE OF CAPITAL, %
1–500	4,786	63.3	774,614	0.4
501–1,000	1,155	15.3	952,702	0.6
1,001–5,000	1,108	14.6	2,526,280	1.4
5,001–10,000	171	2.3	1,264,671	0.7
10,001–15,000	64	0.8	816,751	0.5
15,001–20,000	37	0.5	671,557	0.4
20,001–	241	3.2	168,286,883	96.0
Total	**7,562**	**100**	**175,293,458**	**100**

Nobia's largest owners, 31 December 2016

SHAREHOLDER	NO. OF SHARES	PERCENTAGE OF CAPITAL, %
Nordstjernan	35,147,843	20.0
If Skadeförsäkring	17,700,000	10.1
Lannebo funds	16,104,407	9.2
Fourth Swedish National Pension Fund	11,269,434	6.4
Swedbank Robur funds	9,503,486	5.4
Handelsbanken funds	8,729,100	5.0
AMF Insurance and funds	6,624,603	3.8
Investmentaktiebolaget Latour	4,649,894	2.6
Länsförsäkringar fund management	2,985,406	1.7
Catella fund management	2,735,792	1.6

Source: Euroclear Sweden.

At year-end, Nobia held 6,819,990 treasury shares, corresponding to 3.9 per cent of the total number of shares issued.

Data per share

	2014	2015	2016
Earnings/loss per share, SEK	-0.17	4.92	2.70
Dividend per share, SEK	1.75	2.50	3.00[1]
Shareholders' equity per share, SEK	19	23	20
Number of shares at end of the period	175,293,458	175,293,458	175,293,458
Shareholders at year-end	4,421	6,234	7,562
Share price at year-end	69.75	106.00	84.85

1) The Board's proposal.

Five-year overview

SEK M	2012	2013	2014[1]	2015[2]	2016
Income statement					
Net sales	12,343	11,773	11,411	12,266	12,648
Change in per cent	-6	-5	7	17	3
Gross profit	4,791	4,824	4,617	4,906	4,933
Operating profit/loss	-274	654	878	1,189	1,298
Financial income	11	13	12	34	22
Financial expenses	-107	-107	-90	-91	-73
Profit/loss after financial items	**-370**	**560**	**800**	**1,132**	**1,247**
Tax on net profit for the year	-155	-195	-205	-263	-269
Profit/loss for continuing operations	-525	365	595	869	978
Loss from discontinued operations, net after tax	-20	-15	-622	-41	-523
Net profit/loss for the year	**-545**	**350**	**-27**	**828**	**455**
Net profit for the year attributable to:					
Parent Company shareholders	-546	351	-28	829	456
Non-controlling interests	1	-1	1	-1	-1
Net profit/loss for the year	**-545**	**350**	**-27**	**828**	**455**
Balance sheet					
Fixed assets	4,782	4,670	4,446	4,697	4,076
Inventories	929	849	853	934	857
Current receivables	1,325	1,373	1,494	1,665	1,561
Cash and cash equivalents	171	278	470	765	1,005
Assets held for sale	71	15	592	8	506
Total assets	**7,278**	**7,185**	**7,855**	**8,069**	**8,005**
Shareholders' equity	2,657	3,154	3,191	3,818	3,415
Non-controlling interests	5	4	5	4	4
Non-interest-bearing liabilities	2,624	2,563	2,615	2,697	2,556
Interest-bearing liabilities	1,883	1,462	1,684	1,547	1,701
Liabilities attributable to assets held for sale	109	2	360	3	329
Total shareholders' equity and liabilities	**7,278**	**7,185**	**7,855**	**8,069**	**8,005**
Net debt including pensions	1,707	1,176	1,206	774	493
Capital employed	4,546	4,620	4,880	5,369	5,182
Operating capital	–	4,334	4,402	4,596	3,912
Performance measures					
Gross margin, %	38.8	41.0	40.5	40.0	39.0
Operating margin, %	-2.2	5.6	7.7	9.7	10.3
Operating profit before depreciation/amortisation and impairment (EBITDA), %	739	1,044	1,204	1,486	1,585
Operating margin before depreciation/amortisation and impairment, %	6.0	8.9	10.6	12.1	12.5
Profit/loss after financial items as a percentage of net sales	-3.0	4.8	7.0	9.2	9.9
Turnover rate of capital employed, multiple	2.7	2.5	2.5	3.0	3.2
Return on capital employed, %	-5.3	14.6	–	–	–
Return on operating capital, %	–	15.1	23.2	32.2	32.5
Return on shareholders' equity, %	-17.7	12.0	-0.9	24.1	13.0
Debt/equity ratio, %	64	37	38	20	14
Equity/assets ratio, %	37	44	41	47	43
Cash flow from operating activities	560	831	1,033	1,145	1,281
Investments	393	251	316	410	290
Earnings per share after dilution effects	-3.27	2.10	-0.17	4.92	2.7
Dividend per share, SEK	0.50	1.00	1.75	2.50	3.00[3]
Personnel					
Average number of employees	7,355	6,690	6,636	6,473	6,573
Net sales per employee, SEK 000s	1,780	1,799	1,829	2,027	2,121
Personnel expenses	2,955	2,822	3,001	3,242	3,225

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

Definitions – Performance measures

PERFORMANCE MEASURES	DEFINITION/CALCULATION	USE
Return on equity	Profit after tax as a percentage of average shareholders' equity attributable to Parent Company shareholders based on opening and closing balances for the period. The calculation of average shareholders' equity has been adjusted for increases and decreases in capital.	Return on equity shows the total return on shareholder's capital in accounting terms and reflects the effects on both the operational profitability and financial gearing. The measure is primarily used to analyse shareholder profitability over time.
Return on operating capital	Operating profit as a percentage of average operating capital based on opening and closing balances for the period excluding net assets attributable to discontinued operations. The calculation of average operating capital has been adjusted for acquisitions and divestments.	Return on operating capital shows how well the operation uses the net capital that is tied up in the company. It reflects how both cost and capital-efficiency net sales are generated, meaning the combined effect of the operating margin and the turnover rate of operating capital. The measure is used in comparisons of profitability between operations in the Group and to view the Group's profitability over time.
Gross margin	Gross profit as a percentage of net sales.	This measure reflects efficiency of the part of the operation that is primarily linked to production and logistics. It is used to monitor cost efficiency in this part of the operation.
EBITDA	Earnings before depreciation/amortisation and impairment.	To simplify, this measure shows the earnings-generating cash flow in the operation. It provides a view of the ability of the operation, in absolute terms, to generate resources for investment and payment to financiers and is used for comparisons over time.
Items affecting comparability	Items affecting comparability refer to items that affect comparisons in so far as they do not recur with the same regularity as other items.	Reporting items affecting comparability separately clearly shows the performance of the underlying operation.
Net debt	Interest-bearing liabilities less interest-bearing assets. Interest-bearing liabilities include pension liabilities.	Net debt is used to monitor the debt trend and see the level of the refinancing requirement. The measure is used as a component in the debt/equity ratio.
Operating capital	Capital employed excluding interest-bearing assets.	Operating capital shows the amount of capital required by the operation to conduct its core operation. This is the capital that generates operating profit. It is mainly used to calculate the return on operating capital.
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.	The measure comprises the cash flow generated by the underlying operation. The measure is used to show the amount of funds at the Group's disposal for paying financiers of loans and equity or for use in growth through acquisitions.
Organic growth	Change in net sales excluding acquisitions and divestments and changes in exchange rates.	Organic growth facilitates a comparison of sales over time by comparing the same operation and excluding currency effects.
Region	Region corresponds to an operating segment under IFRS 8.	

PERFORMANCE MEASURES	DEFINITION/CALCULATION	USE
Earnings per share	Net profit for the period divided by a weighted average number of outstanding shares during the year.	
Operating margin	Operating profit as a percentage of net sales.	The measure reflects the operating profitability of the operation. It is used to monitor the profitability and efficiency of the operation, before taking into account capital tied up. The performance measure is used both internally in governance and monitoring of the operation, and for benchmarking with other companies in the industry.
Debt/equity ratio	Net debt as a percentage of shareholders' equity including non-controlling interests.	A measure of the ratio between the Group's two forms of financing. The measure shows the percentage of the loan capital in relation to capital invested by the owners, and is thus a measure of the financial strength but also the gearing effect of lending. A higher debt/equity ratio means a higher financial risk and higher financial gearing.
Equity/assets ratio	Shareholders' equity including non-controlling interests as a percentage of balance-sheet total.	This measure reflects the company's financial position and thus its long-term solvency. A healthy equity/assets ratio / strong financial position provides preparedness for managing periods of economic downturns and financial preparedness for growth. It also provides a minor advantage in the form of financial gearing.
Capital employed	Balance-sheet total less non-interest-bearing provisions and liabilities.	The capital that shareholders and lenders have placed at the company's disposal. It shows the net capital invested in the operation, such as operating capital, with additions for financial assets.
Currency effects	"Translation differences" 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).	

2017 Annual General Meeting

The shareholders of Nobia AB (publ) are invited to the Annual General Meeting on Thursday, 6 April 2017 at 4:00 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 Friday, 31 March 2017, and,
- secondly notify Nobia of their participation in the Annual General Meeting not later than Friday, 31 March 2017.

Notification of attendance
Notification of attendance at the Annual General Meeting may be made:
- by e-mail: bolagsstamma@nobia.com
- by telephone: +46 8 440 16 00
- by fax: +46 8 503 826 49
- by post: Nobia AB, Box 70376, SE-107 24 Stockholm, Sweden

This notification shall state:
- the shareholder's name
- personal identity number/Corporate Registration Number
- address and daytime telephone number
- shareholding
- information about any assistants (not more than two assistants) and information on any 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 Friday, 31 March 2017. 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 3.00 per share be paid for the 2016 fiscal year. The record date to be entitled to receive dividend is proposed as Monday, 10 April 2017.

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.

Nobia AB

Street address: Klarabergsviadukten 70 A5
Postal address: Box 70376, SE-107 24 Stockholm, Sweden.
Tel: +46 8 440 16 00, info@nobia.com
nobia.com

NARVA PRINT: ELANDERS AB

Commodore Kitchens
Acorn House
Gumley Road
Grays, Essex
RM20 4XP
UK
Tel: +44 1375 382 323
commodorekitchens.co.uk

EWE Küchen GmbH
Dieselstraße 14
A-4600 Wels
Austria
Tel: +43 7242 237 0
ewe.at
intuo-kitchen.com

FM Küchen GmbH
Galgenau 30
A-4240 Freistadt
Austria
Tel: +43 7942 701 0
fm-kuechen.at

Gower Furniture Ltd
Holmfield Industrial Estate
Halifax, West Yorkshire
HX2 9TN
UK
Tel: +44 1422 232 200
gower-furniture.co.uk

Magnet Ltd
3 Allington Way
Yarm Road Business Park
Darlington, Co Durham
DL1 4XT
UK
Tel: +44 1325 469 441
magnet.co.uk
magnettrade.co.uk

Nobia Denmark A/S
Industrivej 6
DK-6870 Ølgod
Denmark
Tel: +45 75 24 47 77
hth.dk
hthgo.dk
invita.dk

Nobia Svenska Kök AB
Mossebogatan 6
Box 603
SE-522 81 Tidaholm
Sweden
Tel: +46 502 170 00
marbodal.se

Novart Oy
Kouvolantie 225
Box 10
FI-155 61 Nastola
Finland
Tel: +358 207 730 730
novart.fi
petrakeittiot.fi
alacartekeittiot.fi
keittiomaailma.fi

Sigdal Kjøkken AS och Norema AS
Trollåsveien 6
Postboks 633
NO-1411 Kolbotn
Norway
Tel: +47 66 82 23 00
sigdal.com
norema.no

Rixonway Kitchens Ltd
Churwell Vale
Shaw Cross Business Park
Dewsbury, West Yorkshire
WF12 7RD
UK
Tel: +44 1924 431 300
rixonway.co.uk

uno form
Fabriksvej 7
DK-9640 Farsø
Denmark
Tel: +45 98 63 29 44
unoform.dk

FSC
www.fsc.org
MIX
Papper från ansvarsfulla källor
FSC® C011209
MILJÖMÄRKT
341 123
TRYCKSAK