ANNUAL REPORT 2017

nobia

Contents

The audited annual report and consolidated financial statement can be found on pages 40–92. The Corporate Governance Report that has been audited by the auditors can be found on pages 96–101. The Sustainability Report that has been reviewed by the auditors can be found on pages 24–39.

The kitchen on the front cover is Marbodal Viken.

2017

Net sales

12,744

SEK million

Operating profit

1,286

SEK million

Operating cash flow

706

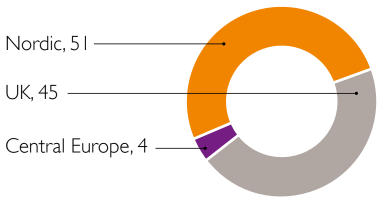
SEK million

Return on operating capital

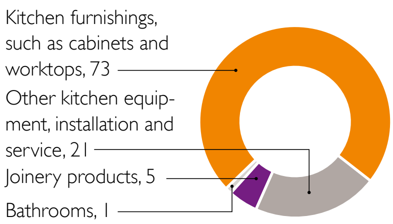
31.5

per cent

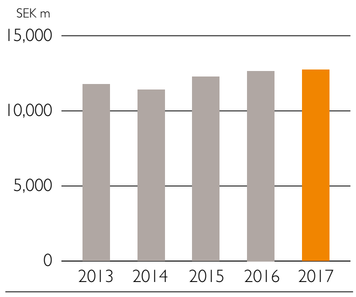
Sales per region, %



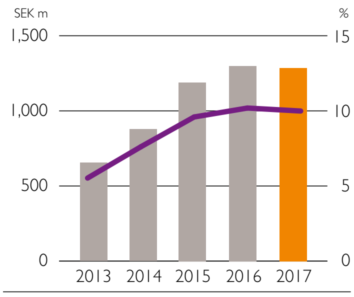
Sales per product, %



Net sales



Operating profit and operating margin



2017 in figures

- Net sales amounted to SEK 12,744 million (12,648).
- Organic growth was 2 per cent (4).
- Operating profit amounted to SEK 1,286 million (1,298).
- Profit after tax was SEK 1,015 million (455).
- Operating cash flow amounted to SEK 706 million (1,031).
- The Board of Directors proposes an ordinary dividend of SEK 3.50 per share (3.00) and an extra dividend of SEK 3.50 per share (–).


Sigdal

Highlights

- The German kitchen company Poggenpohl was divested to the Adcuram Group.
- Nobia entered into the low-price segment for consumers in the Nordic region with a ready-to-assemble product range.
- A new store concept for a more inspiring purchasing experience with more digital content was introduced at four new stores in three countries.
- A new organisation was created to accelerate range reductions and efficiency enhancements in production.
- A sustainability strategy was adopted with four focus areas in which Nobia can help make a positive change.


HTH

Key ratios – Five-year overview

	2013	2014[1]	2015[2]	2016	2017
Net sales, SEK m	11,773	11,411	12,266	12,648	12,744
Gross profit, SEK m	4,824	4,617	4,906	4,933	5,014
Gross margin, %	41.0	40.5	40.0	39.0	39.3
Operating profit, SEK m	654	878	1,189	1,298	1,286
Operating margin, %	5.6	7.7	9.7	10.3	10.1
Operating capital, SEK m	4,334	4,402	4,596	3,912	4,231
Return on operating capital, %	15.1	23.2	32.2	32.5	31.5
Investments, SEK m	251	316	410	290	319
Operating cash flow, SEK m	601	779	770	1,031	706
Earnings/loss per share after dilution, SEK	2.10	-0.17	4.92	2.70	6.02
Dividend per share, SEK	1.00	1.75	2.50	3.00	7.00[3]
Average number of employees	6,690	6,636	6,473	6,573	6,178
Number of employees at year-end	6,544	6,925	6,539	6,445	6,087

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

We are the leading kitchen specialist

Nobia is a European kitchen Group. Our customers recognise us under the kitchen brands of Magnet, HTH, Marbodal, Sigdal, Petra, ewe and uno form among others, all of which are known for their excellent design, functionality and service. Thanks to our specialisation and size, we are able to take advantage of shared skills and lead development in our industry.

Focus on kitchens

Since the company's founding in 1996, Nobia has focused on kitchens. We have expanded based on our own strengths and through acquisitions, but always by focusing 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, we are taking the lead in our industry both in terms of developing the range and purchasing experience and through our ambition to participate in the industry's consolidation.

Vision

Our visions is "Inspiring kitchens made easy." This means that we make it easy for our customers to have an inspiring kitchen in their home. We nurture kitchen dreams and put the customer experience at the forefront. We endeavour to make the purchasing process as simple as possible. With our sound know-how and long experience, we create and realise fantastic kitchen solutions together with our customers. We provide support in the entire process, from inspiration and concept to a finished, functional and attractive kitchen.

Business concept

Our business concept is to offer consumers and companies attractive kitchens under our own strong brands and private labels. Sales take place through our own stores, franchise stores or retailers, which include kitchen specialists, furniture stores, DIY stores and builders' merchants. We deliver both complete kitchen solutions and stand-alone kitchen products, as well as such services as advice, customised design and installation. Behind the scenes, we have efficient processes that capitalise on economies of scale.

Regions

Nobia is one of the largest kitchen companies in Europe. We conduct both manufacturing and sales in six countries: the UK, Denmark, Sweden, Norway, Finland and Austria. We are organised into three regions: the Nordic region, the UK and Central Europe. The former two are the dominant regions. Our production facilities vary in size and have differing levels of specialisation. We manufacture a total of about 135,000 cabinets or around 10,000 kitchens every week.

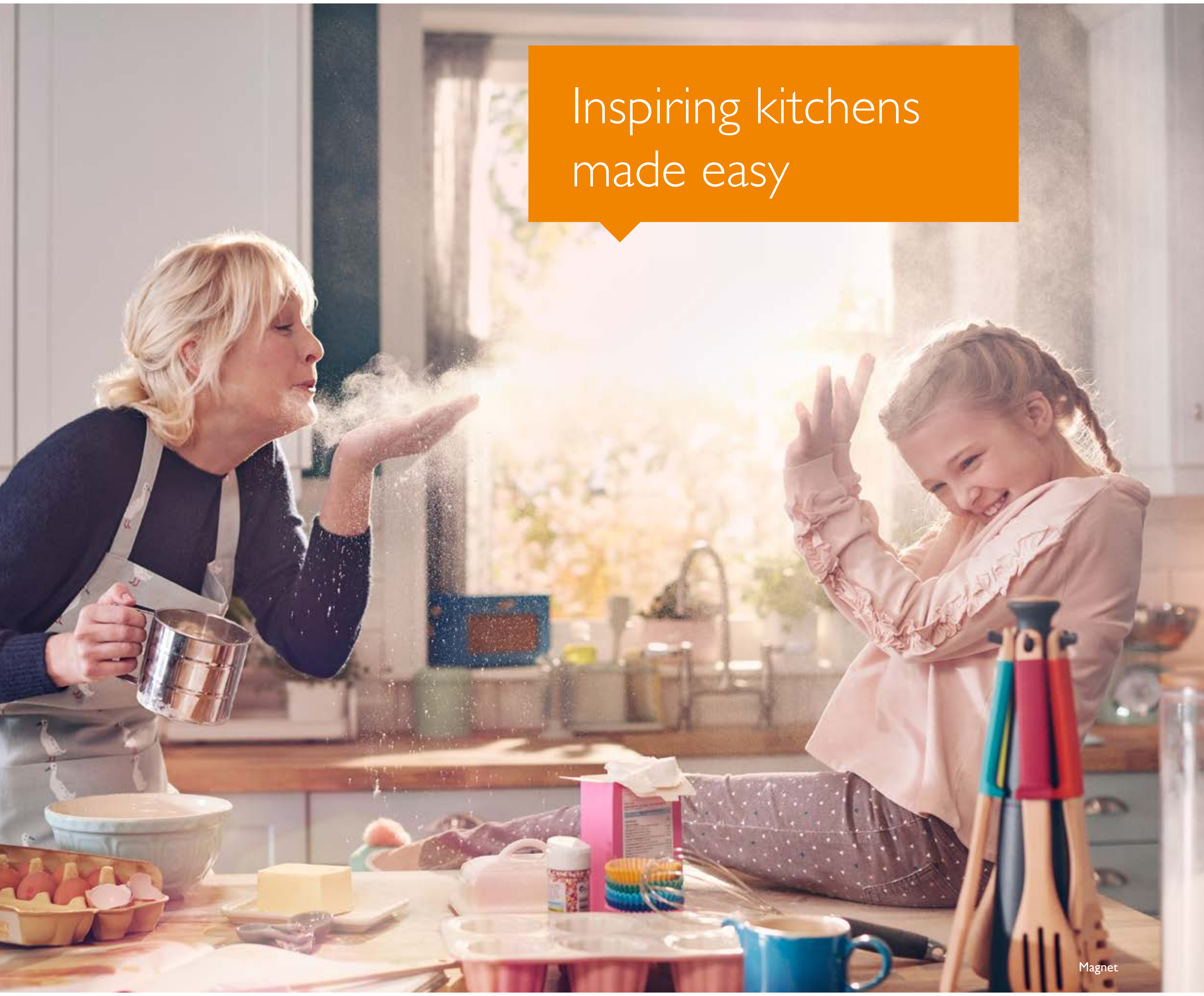
Nobia develops, manufactures and sells kitchen solutions

13 production facilities in six European countries

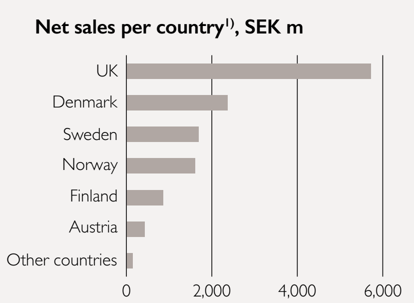
260

Around 260 own stores and a network of retailers

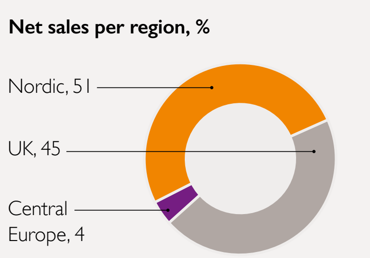
About 6,100 employees

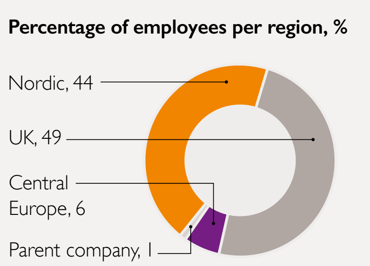


Net sales and employees per region



1) Net sales from external customers based on customers' geographic domicile.





A good year for Nobia

Our sales grew organically by 2 per cent, primarily driven by higher sales in the Nordic region. Despite persistently strong currency headwinds and a challenging UK market, we delivered an operating margin of more than 10 per cent. Given the company's satisfactory net profit and strong balance sheet, the Board proposes a dividend totalling SEK 7 per share.

The operating margin for the Group amounted to 10.1 percent and would it not have been for negative currency effects of SEK 105 million the operating margin would have been closer to 11 per cent. Our Nordic region reported an operating margin of almost 15 per cent – the highest level achieved by this segment. Considering the fierce UK kitchen market, I am also relatively pleased with the earnings presented by the UK region. However, the earnings contribution from Central Europe, comprising only 4 per cent of the Group, disappointed. In Austria, we experienced production disruptions during the year, but action was taken and the disruptions were eliminated.

Our financial position is very solid. The company has no debts apart from pension liabilities and the debt/equity ratio is as low as 2 per cent. For this reason, the Board has proposed an ordinary dividend of SEK 3.50 per share as well as an extra dividend of SEK 3.50 per share. This proposal entails a total dividend corresponding to 116 per cent of earnings per share after tax for the year – clear confirmation of Nobia's strong performance.

Focus on topline

The healthy profit generation and our strong financial position mean that we can invest to create growth. The aim is for the company to grow – organically and through acquisitions – with continuously improving profitability. The target is to increase sales by an average of five per cent per year.

2017 was the year in which we entered the low-price segment in the Nordic region with a ready-to-assemble product range. I believe that the venture in good-value kitchens will be crucial to capturing market shares in the Nordic region over the next years. An increasing number of customers are willing to do much of the work themselves and our ready-to-assemble, high-quality kitchens are a smart choice for these customers. The products are delivered direct to the customer's home from our logistics hub in Tidaholm.

We are also making significant investments to develop sales in all markets. We are creating new, digital solutions for a more inspiring purchasing experience. During the year, we opened four new omnistores, which have more digital options and are smaller than traditional kitchen stores, allowing them to be located in city centres or shopping centres. The concept has proven to be successful and we are learning from this experience and are continuing to roll out more omnistores and develop existing stores.

The offering and positioning of the Magnet kitchen chain was reviewed during the year, which resulted in a simplified purchasing process and a better defined offering focusing on value across the range. Magnet's new positioning was manifested in a new website and the "Magnet – Part of the family" campaign launched at the end of the year. Magnet will celebrate its 100th anniversary in 2018 and we plan to open a number of new Magnet stores throughout the UK.

Acquisitions are an important component of our growth strategy. Our most recent addition of the UK kitchen suppliers Commodore and CIE has been successful. We want to expand by adding more profitable and geographically close kitchen operations with strong market positions or strong brands. Over the next few years, I hope to present one or two exciting acquisitions that are compatible with our structure.

Supply chain potential

A large part of the future value creation at Nobia will derive from efficiency gains in the supply chain. We have only come to the halfway mark in terms of improvements to the supply chain during my seven years at Nobia. Reducing the range has not been as quick as I had hoped and our work has not been focused enough in order for us to capitalise on existing synergy opportunities. Our processes can be simplified and specialised. With a new organisation, we are now gearing up to enhance the efficiency of sourcing and production.

Sustainability is strategically important for Nobia. Our major customers are setting demands for us and we want to be involved in working towards a more sustainable development. We can inspire and help people to live more sustainably in their kitchens through the products that we sell. We adopted a Group-wide sustainability strategy in 2017 and we have a sustainability function and a targeted work method. Some of the key targets we are to achieve are transitioning to renewable energy in our production and to reduce CO_2 emissions from transportation.

Market view

The kitchen market in Europe is slowly being consolidated and like all other retail sectors the kitchen industry it is being impacted by digitisation. Today's consumers want to take an active role in kitchen planning and naturally we want to make it easy

> The aim is for the company to grow – organically and through acquisitions – with continuously improving profitability. The target is to increase sales by an average of five per cent per year.

for customers to do some of the work themselves, but renovating a kitchen can require up to around 300 decisions and that is why I am convinced that customers will still want to have meetings with kitchen designers in the future, and offering sound advice will remain important. As a leading kitchen specialist, we have an important role to play both for customers and in the structural change for the industry.

At the time of writing, the development of our kitchen markets is deemed to remain unchanged compared with last year. Macroeconomic uncertainty resulting from Brexit will continue to prevail in our single most important market, the UK, in the medium-term. But I would like to be clear in saying that the UK is a well-functioning kitchen market that we believe in for the long term.

Market conditions for the Nordic countries and Austria are favourable. In the Nordics, Denmark and Finland could take over the role that Sweden has held as the growth engine of the region. The order intake in our Nordic project business provides an insight into sales for about nine months ahead. It means that we can plan efficiently and adjust our cost level to market trends if necessary.

In conclusion

Nobia has been consolidated in recent years by divesting parts that have been unprofitable or where there has been limited scope for synergies. We have created the conditions for more large-scale production with by implementing the K20 Group-wide cabinet standard. And we have strengthened our market positions, particularly digitally. I am proud of our performance but can also conclude that much remains to be done and we are constantly facing new challenges.

In my work, it is a privilege to work alongside the many highly skilled employees that we have at Nobia. Many thanks to all our employees, and to our customers and shareholders, for your support.

Morten Falkenberg
President and CEO

How Nobia creates value

Our operations cover the entire value chain, from the development and manufacturing of kitchen products to sales and distribution of complete kitchen solutions to end customers. We create value for our customers and other stakeholders, and strive to develop sustainable operations.

Our resources

Financial capital
SEK 4,231 million in operating capital, comprising SEK 4,154 million in shareholders' equity and SEK 573 million in interest-bearing liabilities, less SEK 496 million in interest-bearing assets.

Manufactured capital
- Production facilities
- Office buildings
- Machinery and equipment
- Inventories
- Stores
- Kitchen displays
- Vehicles

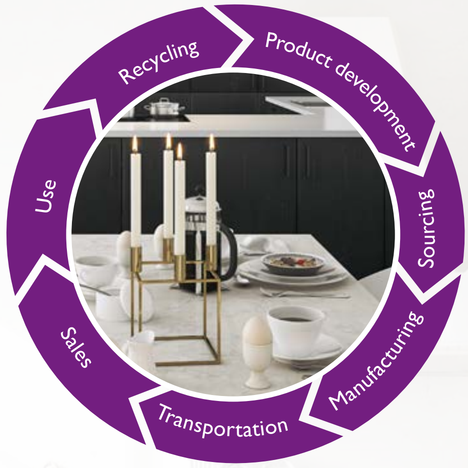
Intellectual capital
- Brands
- Patents
- Master data for production and logistics management
- Programme for operational and employee development (Nobia Lean System)
- Management and business systems
- Product development and go-to-market process
- Integration of environmental activities in operations
- Internal training programmes

Human capital
Employees possessing expertise and experience in:
- Furniture production, surface treatment and assembly
- Production control and production planning
- Logistics and transportation flows
- Product and range development
- Sourcing, quality, environment and sustainability
- Kitchen design and sales
- Marketing and digital development
- Control, accounting and M&A
- Leadership and HR

Social capital
- Network of franchisees
- Relationships with retailers
- Customer relationships
- Supplier relationships
- Relationships with local communities

Natural capital
- Wood
- Air
- Rock
- Metals
- Water
- Minerals
- Fossil fuels
- Sun

Operations



Business model
Nobia sells kitchens to consumers and companies primarily in six European countries under its own brands and as contract manufacturer. The operation covers the entire value chain, from product development and sourcing to sales, distribution and, in certain cases, installation. Sales to consumers are conducted through own and franchise stores and through retailers. Sales to professional customers, which, in turn, sell the kitchens to their end customers, take place directly or via the store network.

Nobia creates value for its customers by producing and delivering complete and attractive kitchen solutions and kitchen furnishings based on customer needs with high functionality and excellent design. The company's strategy is based on its existing strengths and capital, and economies of scale across the value chain. To create growth and improved processes Nobia focuses on six strategic themes:

- Omnichannel
- Economy segment
- Product development
- Production structure
- People
- Acquisitions

Social and economic value for our stakeholders

Customers
- Realised kitchen dreams
- Functional, attractive and sustainable kitchens
- Positive purchasing experiences
- Satisfied customers

Employees
- Salaries, pension and benefits
- Personal and professional development
- Health and safety
- Committment

Owners and lenders
- Share-price development
- Dividends
- Interest payment

Suppliers
- Paid goods and services
- Jobs
- Evaluation according to Nobia guidelines

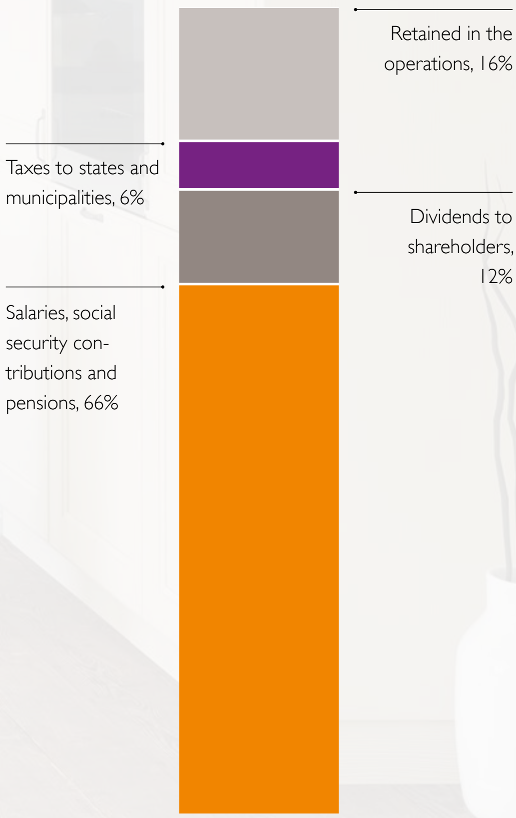
Society
- Jobs
- Tax revenue
- Infrastructure
- Sponsoring and charity

Marbodal

Distribution of value generated

The value added by Nobia during 2017 amounted to **SEK 4,382 million**. This value added comprises the Group's sales less expenses for purchased materials and services, which totalled SEK 8,362 million and are Nobia's largest cost type. The level of value added amounted to 34 per cent.

Nobia's stakeholders gained a share in the generated value added; employees received salaries and other benefits, shareholders received dividends and states and municipalities received tax revenue. Some of the generated value remained within the company and was used for investment and depreciation, for example.



Trends affecting our kitchens

Kitchen demand is impacted by such factors as population growth, consumer confidence, disposable income, the property market trend and the construction of new housing. Kitchen design and how we purchase kitchens are influenced by demographic, consumption and lifestyle trends.

The heart of the home
The kitchen is growing in importance in our homes. The kitchen is not only the centre of the home and the natural place for many different activities. We are spending an increasing amount of our time in our kitchens, and consequently costs for furnishing and equipment are constantly rising. Open-plan solutions between the kitchen, dining room and living room are more or less standard nowadays. New design and functionality reflect the growing importance of the kitchen and inspire consumers to renovate and invest in their kitchens.

Important investments
For households, a new kitchen is a relatively major and complex investment that include the important factors of function, style and materials. Kitchens are infrequently purchased products associated with a high level of customer involvement. On average, consumers purchase new kitchens every 15–20 years and often when they move into a new home. Consumers usually invest a great deal of time and energy on seeking out information and comparing various options before choosing a design and supplier and ordering a new kitchen.

Kitchen renovations result in labour costs for installation, plumbing and electricity, which is why tax deductions on labour, offered in some countries, could have a positive effect on kitchen sales. Some consumers prefer to do some of the work themselves. The low-price segment featuring ready-to-assemble products is a large and growing segment of many kitchen markets.

The project market
Professional customers that renovate housing need to be in a position to offer their customers kitchens with an attractive design and many optional extras. Sustainability aspects have become important to construction companies' choices of kitchen suppliers. For property developers, attractive kitchens are part of the marketing of new properties. In the UK and the Nordic region, kitchens are considered building accessories and included in the sale of an apartment or a house. Lead times for a property project from construction start to kitchen delivery are about eight to ten months.

Demographics

1

Urbanisation

Urbanisation has been a trend for many years and since 2017 the majority of the world's population live in cities. Many people tend to prioritise prime locations rather than large amounts of space. As homes become smaller so does the need for kitchen solutions that optimise the available space, are flexible and are multifunctional.

2

New ageing

The number of people in the world who are over 60 years old will double by 2050, which will present both challenges and opportunities. Future pensioners will be a large and affluent customer group, who are generally more active and live longer than previous generations of pensions. It is likely that this trend will affect the physical design of homes and kitchens.

Lifestyle

3

The value of time

Despite the efficiency gains of digitisation, we consider our time to be increasingly limited. As we strive to find quality time, demands are rising for services and goods that save time and make everyday life easier, such as food delivery services. That means that kitchens of the future need to both make everyday life smoother and be easier to buy.

4

Everything online

More and more products in the home are connected and in the Internet of Things smart objects communicate with each other without human involvement. Technology can now be integrated with materials, for example, surfaces that charge mobile phones and tablets. Kitchen trends are also moving towards a higher technology component whereby connected products make cooking and food storage easier and smarter.

5

Health and well-being

Good health is a status symbol and today's consumers not only take care of their physical but also their mental well-being. What we eat and drink, and also how and where we eat and drink, have become ways of expressing our identity. Outdoor activities have enjoyed a renaissance, which has boosted the popularity of outdoor kitchens even in more northerly countries.

6

Sustainability

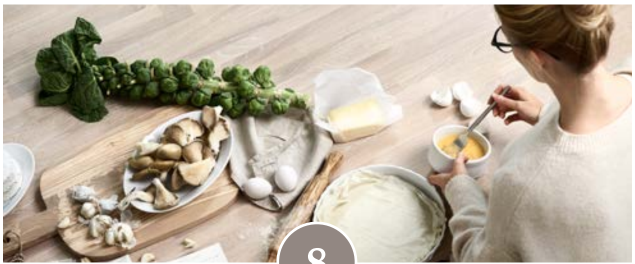
Awareness of environmental issues is rising and the young especially expect companies to assume their responsibility and contribute to a more sustainable society. Products that make it easier to live more sustainably are in demand. Conscious kitchen consumers not only want sustainable production but also sustainable solutions for waste management, food storage and energy consumption, for example.

Consumption

7

The active consumer

With greater access to online information, consumers have more power and have become more active and critical. Recommendations in social media, price comparison sites and reviews mean that consumers are well-informed and influence the choice of product and brand. A positive experience is increasingly important for both attracting and retaining customers. Many consumers also want to be involved in the creative process to design personal kitchen fittings and do some of the work themselves.



8

Focus on experience

The consumption of services is on the rise with experiences featuring more and more in everything from the restaurant and hotel industry to the retail sector. The importance of the purchasing experience to consumers' choices of brand, satisfaction and loyalty is also increasing. Today's consumers want an efficient, pleasant and enjoyable experience in all channels and expect stores, both physical and online, to do more than simply display the products. Kitchen consumers' expectations are often based on experiences from other product categories.

Marbodal

Strategy for profitable growth

We focus on profitable growth by selling inspiring kitchens and by introducing new concepts and new ways of interacting with our customers. But we also want to grow through acquisitions of kitchen businesses that are compatible with the Group's existing structure and where synergies can be found. Realising efficiency opportunities is an important part of the strategy.

Strategic focus areas

Omnichannel

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 are interlinked and the same level of service should be provided in the various channels. With a higher degree of digital tools, we can capitalise on high customer involvement and help them progress smoothly through the purchasing process. Some of our brands offer e-commerce, and we are continuing to develop digital solutions and new store concepts and are thus at the forefront of omnichannel in our industry.

Product development

As a leading kitchen specialist, Nobia's ambition is to be the first to market with new products. Our centrally controlled product development continuously introduces new kitchen solutions that differentiate our brands from our competitors. The strategy going forward is to continue developing new products according to the latest consumer needs, and also to optimise the Group's total range by reducing the number of components. This allows us to realise additional economies of scale.

People

The ability to recruit employees and retain and develop skilled colleagues is vital to delivering results. Accordingly, Nobia invests in raising commitment among employees, developing leadership skills, increasing the company's attractiveness as an employer and strengthening the internal talent supply. A leadership profile was introduced to the organisation in 2017 and a company-wide career website will be launched in 2018.

Economy segment

The economy segment is a growing area of the consumer kitchen market where Nobia is focusing on expanding its market share. Simply Magnet – Magnet's range of ready-to-assemble kitchens – has been highly successful in recent years and the HTH GO ready-to-assemble range was launched in Denmark in 2017. In the Nordic region, we also sell ready-to-assemble kitchens via the electronics chain Power's store network. Buying our high-quality, flat-pack kitchens should be easy and offer good value.

Production structure

The vast majority of Nobia's production volumes follow the same standard dimension. The long-term trend is towards more large-scale and brand-independent production, which means larger investments are concentrated to fewer production facilities. In 2018, the existing production structure of five plants in the UK, six in the Nordic region and two in Austria will be reviewed. Moving ahead, measures are being planned to have a system in place with fewer and more specialised plants.

Acquisitions

The strong financial position creates many opportunities for growth through acquisitions. Nobia's aim since it was founded has been to contribute to the consolidation of the European kitchen industry. Since 2014, three acquisitions of UK kitchen companies have helped increase sales and resulted in a stronger position in the UK kitchen market. The acquisition strategy targets profitable kitchen companies operating in attractive markets and that supplement the Group's existing structure.

New digital solutions and concept stores

More digital tools in our stores means that customers can do more themselves at the same time as they have access to the expertise of kitchen designers and sales assistants. The in-store and online customer journey is interlinked, providing a seamless customer experience. A new store concept is a key part of our omnichannel strategy.

New store concept

Nobia has established and introduced a new store concept with a high element of digitisation. These stores are far smaller in size than normal kitchen stores and are found in prime locations. Some of them are in large shopping centres. The concept is based on consumer insight and makes it easy for customers to initiate a kitchen project and choose a floor plan, products and furnishings. Customers become more involved, the customer experience is more inspiring and sales are more efficient.

More inspiration in less space

The concept stores offer a creative studio feeling and invite customers to become involved in and experience the products in new and inspiring ways. The physical kitchen displays are fewer in number and smaller in size, but digital tools and touchscreens give customers access to our wide range of kitchen furnishings and accessories, such as appliances, sinks and taps. The stores have plenty of space for customers and sales assistants to work together and discuss kitchens.

Industry-leading digital tools

Nobia has created a number of digital tools that offer a unique in-store experience by making use of high customer engagement and helping customers to visualise and plan their kitchens. Planning a dream kitchen is both fun and simple, since customers can be involved in designing the construction of their kitchen using blocks of cabinet combinations. 3D glasses allow customers to see alternative floorplans and designs from different perspectives, making it easier to decide on the optimal floorplan.

Positive customer experience

A kitchen configurator allows consumers in stores and online to try out and visualise different combinations of fronts, worktops and handles and gain an idea about price. Certain stores also have an entire display of fronts comprising screens and a projected worktop that customers can use to experiment with different doors, colours and materials. Not only can we display more kitchen series and combinations, but we can also offer an innovative customer experience.

Smart solutions

Some areas of the concept stores are dedicated to choices of materials, design and colours, but smart storage solutions and functional accessories are equally as important to ensure that customers are happy with their kitchen for a long time to come. The solutions are exhibited in a special display called a "tech lab" which focuses on function, quality and innovation. Here, customers can test, for example, different types of drawers, the corner solution that suits them best and how technology can be integrated into the kitchen.

Positive results

Four test stores with this concept were opened in 2017 under the Sigdal brand in Molde and Trondheim in Norway, under Magnet in London and under HTH GO in Copenhagen. The test was a resounding success, with a positive response from customers and the stores generating widespread interest in the local area. These stores also proved to be very effective with a higher degree of efficiency and conversion rates from offer to order than comparable stores during the same period.

Roll-out continues

Nobia plans to open more stores designed with this concept for more brands and at locations where we can find suitable store premises and managers. The separate digital solutions are being introduced on a broad front in our existing store network in parallel with the opening of new stores. Nobia is also continuing to develop concepts and digital solutions, with the aim of linking the in-store customer experience with the digital experience and making its easier for customers to plan and realise amazing kitchens.


Dit nye
venter
Design Studio
Showroom
Mere
dig.
Mindre
pris.
1 time


Farger


CabinetPlus


Swap
Doors
for
Drawers

Targets and outcome

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

Financial targets

>5%

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

Target fulfilment
The growth target was not reached in 2017. The organic growth was 2 per cent and no acquisitions were made. Organic growth was 8 per cent in the Nordic region, -2 per cent in the UK and -5 per cent in Central Europe. Currency losses impacted total net sales, which amounted to SEK 12,744 million. In total, net sales grew by 1 per cent year-on-year.

Sales growth, %

	2013	2014	2015	2016	**2017**
Organic growth	0	2	6	4	**2**
Acquisitions	-2	-1	4	4	**–**
Currency effect	-3	6	7	-5	**-1**
Total growth	**-5**	**7**	**17**	**3**	**1**

>10%

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

Target fulfilment
The target of an operating margin of more than 10 per cent was achieved during the year. Operating profit for 2017 amounted to SEK 1,286 million and was negatively impacted by currency losses totalling some SEK 105 million. Profitability in the Nordic region improved, while the UK and Central Europe reported a lower operating margin year-on-year.

Operating margin, %

	2013	2014	2015	2016	**2017**
Nordic	12.6	12.8	13.3	14.3	**14.8**
UK	6.0	7.5	9.3	8.9	**8.0**
Central Europe	-1.7	7.8	3.7	6.8	**2.3**
Group	5.9	8.5	9.7	10.3	**10.1**

<100%

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

Target fulfilment
Nobia has a very strong financial position. The debt/equity ratio was 2 per cent and the equity/asset ratio was 58 per cent at year end. The Group's net debt, defined as interest-bearing liabilities less interest-bearing assets, amounted to SEK 77 million at 31 December 2017. Pension liabilities were down on the preceding year due to changed auctuarian assumptions.

Net debt and net debt/equity ratio, SEK m

	2013	2014	2015	2016	**2017**
Net debt	1,176	1,206	774	493	**77**
Pension liabilities	654	869	732	955[1]	**567**
Debt/equity ratio, %	37	38	20	14	**2**
Equity/asset ratio, %	44	41	47	43	**58**

1) Including Poggenpohl.

40–60%

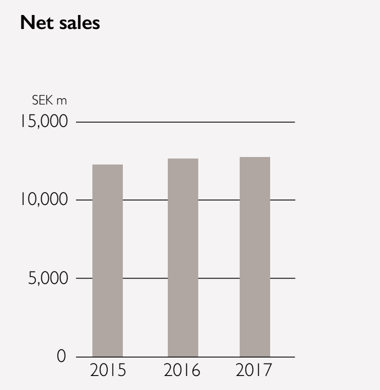
Dividend
Dividends to shareholders are, on average, to comprise 40–60 per cent of net profit after tax.

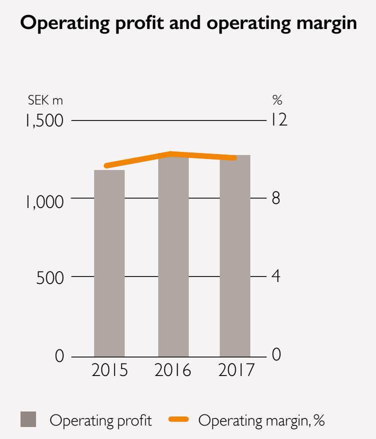
Target fulfilment
The Board proposes to the Annual General Meeting an ordinary dividend of SEK 3.50 per share as well as an extra dividend of SEK 3.50 per share. The ordinary dividend corresponds to 58 per cent of net profit for the year and is thus in line with the dividend target. The proposal entails a total dividend of approximately SEK 1,180 million or 116 per cent of net profit after tax. The dividend for the 2016 fiscal year was SEK 3.00 per share.

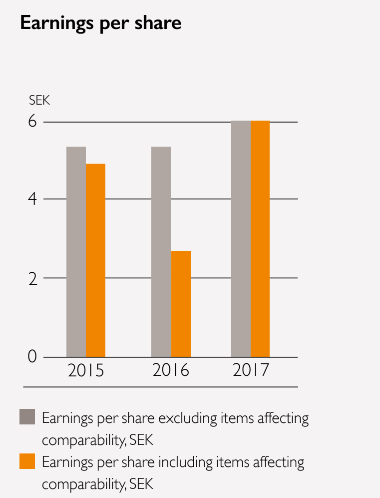
Dividends to shareholders, SEK

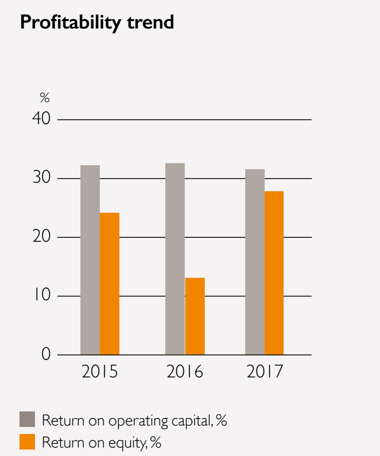
	2013	2014	2015	2016	**2017**
Earnings per share	2.10	-0.17	4.92	2.70	**6.02**
Dividend per share	1.00	1.75	2.50	3.00	**7.00[1]**
Dividend of net profit after tax, %	48	n/a	51	111	**116**

1) Board's proposal.

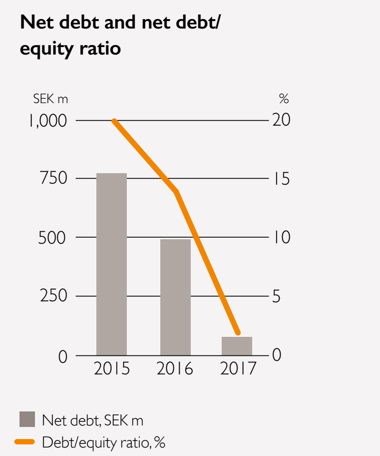






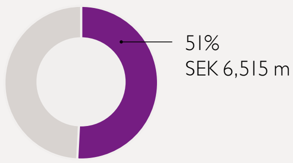


1) The Board proposal entails an ordinary dividend of SEK 3.50 and an extra dividend of SEK 3.50.

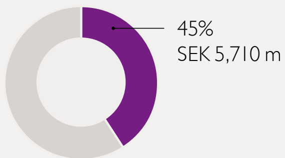


Business overview

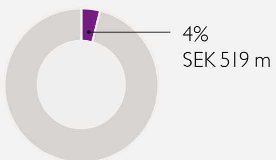
Net sales | **Operating profit**



SEK 963 m



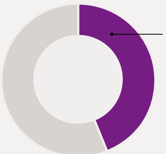
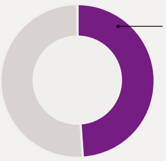
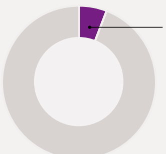
SEK 454 m



SEK 12 m

Group total SEK 12,744 m SEK 1,286 m

Explanation of overview
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 also include employees in the Parent Company.

Number of employees	Production units	Own stores	Operational description
 44% 2,710 employees	6	46	In the Nordic region, Nobia sells kitchens to consumers and professional customers under eight brands, some of which can be found in several markets. In Sweden, Nobia sells kitchens from Marbodal, HTH and uno form, and in Norway from Sigdal, Norema, HTH, Marbodal and uno form. 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. Distribution channels vary between brands, but sales mainly take place directly and via franchise stores and retailers.
 49% 2,955 employees	5	218	Nobia's operations in the UK include the Magnet kitchen chain and kitchen suppliers Gower, Rixonway Kitchens, Commodore and CIE Kitchens. Magnet is the largest operations in terms of sales, and through its nationwide store network it sells kitchens primarily to consumers and builders, but also to property developers and housing associations. Gower supplies kitchens under private label to DIY and builders' merchants chains in the UK. Rixonway Kitchens is specialised in kitchen products for social housing, whereas Commodore and CIE Kitchens supply kitchens to private property developers and construction companies.
 6% 363 employees	2	–	The Central Europe region comprises Nobia's Austrian operations. In Austria, Nobia sell kitchens under the brands ewe, FM and Intuo. Customers mainly comprise Austrian furniture chains or independent retailers, some of which are organised via purchasing organisations. There is also an export business to nearby countries. Nobia does not have its own stores in the region.
6,087	13	264	

Nordic region

The past year

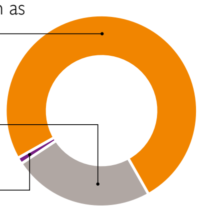
- **Organic growth** of 8 per cent was primarily driven by increased project sales in all of the Nordic countries.
- **The good-value HTH GO range** was introduced in Denmark for customers who want to do some of the work themselves.
- **The partnership with Power,** the electronics chain, was expanded. The ready-to-assemble range is sold by more than 50 Power stores in Norway, Denmark and Finland.

Percentage of net sales

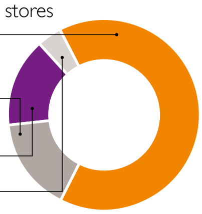
51

PER CENT

Sales per product, %



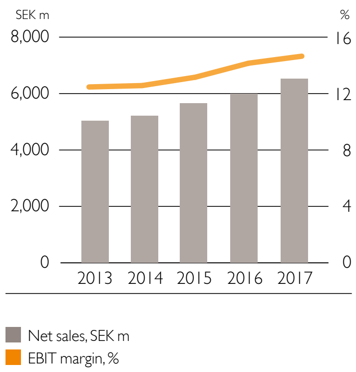
Sales channels, %



Key figures

	2016	2017	Change, %
Net sales, SEK m	5,988	6,516	9
Gross profit, SEK m	2,402	2,638	10
Gross margin, %	40.1	40.5	–
Operating profit, SEK m	856	963	13
Operating margin, %	14.3	14.8	–
Operating capital, SEK m	681	713	5
Return on operating capital, %	127	138	–
Investments, SEK m	116	135	16
Average number of employees	2,696	2,767	3
Number of employees at year-end	2,633	2,710	3

Sales and EBIT margin



Position and market trend

Nobia is a leading kitchen supplier in the Nordic region with sales to consumers and project customers. Our kitchen brands are some of the most well-known in their respective markets. We compete with both local players and large kitchen producers and international furniture companies in all of the Nordic countries.

Distribution varies between the brands. In Norway, for example, Norema is sold in own stores and via the electronics chain Power, while Sigdal is sold via franchise stores and independent retailers. HTH has both its own stores and franchise stores, whereas Marbodal is primarily a retailer organisation. We do not have any own kitchens stores in Finland but a franchise chain called Keittiömaailma (Kitchen World).

Project sales in all of the Nordic countries take place directly and via franchise stores and retailers.

The total number of franchise stores in the region is 152 and the number of own stores is 46, most of which are located in Denmark and Norway. We have a strong position as a supplier to construction companies and private property developers.

The Nordic kitchen market continued to grow in 2017, mainly driven by increased new construction in all countries. The completion of new housing and commencement of construction project were at historically high levels in both Sweden and Norway. Also the Nordic consumer segment grew, albeit with lower growth of a couple of percentage points.


A la Carte

Brands and operations

HTH offers complete kitchen solutions to both consumers and professional customers. HTH kitchens are often rigid, but there is also a range of ready-to-assemble kitchens, HTH GO. HTH kitchens are sold in a total of 99 stores throughout Denmark, Sweden, Norway and Finland, two-thirds of which are run as franchises. HTH's products can also be purchased online.

Invita mainly operates in Denmark and sells kitchens with a high design content and a high level of service. Kitchens from Invita are in the upper-mid-price segment and are primarily sold via franchise stores.

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

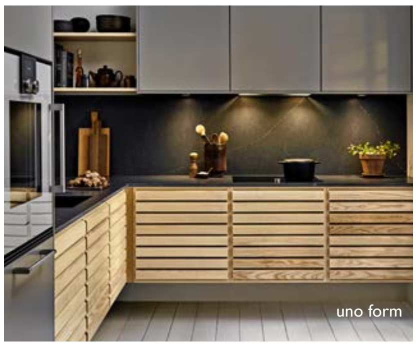
Marbodal is a Swedish kitchen brand that offers rigid and complete kitchen solutions. Marbodal products are sold to consumers and professional customers mainly in Sweden but also in Norway. The stores are franchise-run and Marbodal also has a large number of retailers.

Norema operates in Norway. Norema kitchens are mainly rigid and sold to consumers and professional customers. Consumers are offered a range of ready-to-assemble kitchens in the lower price segment.

uno form offers kitchens with a timeless design that are exclusive and expertly handcrafted. The kitchens are in the luxury segment and are sold via own stores and franchise-run stores in Denmark, Sweden and Norway.

Sigdal is a Norwegian kitchen brand that offers rigid and complete kitchen solutions. Kitchens from Sigdal are sold to professional customers and consumers. Sigdal stores are franchise-run, along with a large number of independent retailers.

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


uno form

UK region

The past year

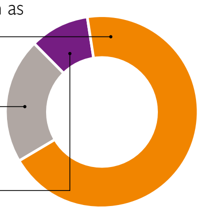
- **The UK kitchen market** weakened due to Brexit and elevated macroeconomic uncertainty.
- **Project sales increased,** mainly as a result of large project deliveries via Commodore and CIE Kitchens.
- **Deliveries of kitchens** to the B2B customer Homebase were gradually phased out and the Interior Solutions operations were ceased at the end of the year.

Percentage of net sales

45

PER CENT

Sales per product, %

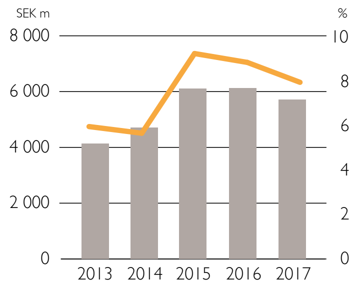


Sales channels, %

Key figures

	2016	2017	Change, %
Net sales, SEK m	6,122	5,710	-7
Gross profit, SEK m	2,323	2,172	-7
Gross margin, %	37.9	38.0	–
Operating profit, SEK m	545	454	-17
Operating margin, %	8.9	8.0	–
Operating capital, SEK m	1.623	1,824	12
Return on operating capital, %	33	26	–
Investments, SEK m	109	116	6
Average number of employees	2,990	2,941	-2
Number of employees at year-end	2,915	2,955	1

Sales and EBIT margin



Position and market trend

Generally speaking, Nobia is a leading player in the UK kitchen market, with operations in several market segments. We target consumers and builders via the Magnet kitchen chain – the largest and oldest kitchen specialist in the UK. We also sell kitchens to companies within property development and residential construction in the UK, mainly via Commodore and CIE Kitchens but also Magnet, and suppy kitchens to social housing via Rixonway Kitchens. We also supply kitchens to UK DIY and construction chains via Gower.

The Magnet brand was repositioned during the year. This work resulted in a simplified purchasing process and a clearer offering. A new website and the "Magnet – Part of the family" campaign were launched at the end of the year.

The UK kitchen market in 2017 is deemed to have weakened due to Brexit and elevated macroeconomic uncertainty. However, there is still a great need for new housing in the UK. The lower price segment in the consumer sector continued to grow at the expense of the higher price segment. Sales to local builders are generally more resistant to economic declines than sales to consumers. Competition remained fierce during the year, with some of Nobia's competitors being kitchen companies Howdens and Wren, and DIY chain B&Q.

Brands and operations

Magnet is a nationwide British kitchen chain with 216 stores for consumers and professional builders. Magnet is one of the UK's strongest kitchen brands. Its kitchen solutions are in the mid-price segment and are delivered with a high level of service commitment. Magnet's core range of rigid kitchens was supplemented with a range of ready-to-assemble kitchens, Simply Magnet, a few years ago. A range of kitchen products is kept in stock for builders, while a range of doors, windows and joinery products is also offered. Builders have been offered Click & Collect since 2017, which allows them to see prices and stock status and place orders online. Magnet was repositioned at the end of the year, which resulted in a simplified purchasing process, a clearer offering and a new campaign.

Gower manufactures and supplies ready-to-assemble kitchens to retailers operating in the UK building materials trade and to DIY chains.

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

Rixonway is a leading supplier of kitchen solutions to social housing projects in the UK. The kitchen solutions 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.

Central Europe region

The past year

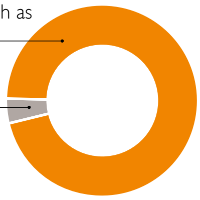
- **Nobia divested Poggenpohl** in the first quarter. The region subsequently comprises Nobia's Austrian operations.
- **A modernised production line** was installed in the Wels plant, which led to production disruptions. Action was taken and productivity improved in the second half of the year.
- **The ewe brand celebrated** its 50th anniversary and with this the "ewe50" kitchen concept was launched.

Percentage of net sales

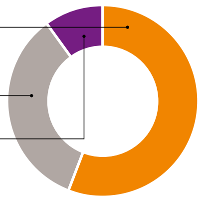
4

PER CENT

Sales per product, %



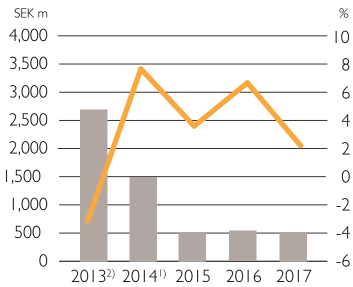
Sales channels, %



Key figures

	2016	2017	Change, %
Net sales, SEK m	541	521	-4
Gross profit, SEK m	172	152	-12
Gross margin, %	31.8	29.2	–
Operating profit, SEK m	37	12	-68
Operating margin, %	6.8	2.3	–
Operating capital, SEK m	75[1]	117	56
Return on operating capital, %	39	11	–
Investments, SEK m	54[1]	20	-63
Average number of employees	355	409	15
Number of employees at year-end	358	363	1

Sales and EBIT margin



Net sales, SEK m
EBIT margin, %

1) Including the operation in Poggenpohl.
2) Inkcluding the operations in Poggenpohl and Hygena.

Position and market trend

Nobia has a very small share of the kitchen market in Central Europe, but is one of the leading kitchen companies in Austria. We have three brands in the mid-price and premium segments and our customers comprise Austrian furniture chains, purchasing organisations and independent kitchen specialists. Some export sales also take place with nearby countries.

The Austrian kitchen market is deemed to have grown in 2017, primarily as a result of increased housing construction, but also the renovation market is deemed to have grown. The German kitchen Group Alno, with distribution operations in Austria, went bankrupt during the year. However, competition from among others Austrian company DAN Küchen and several German kitchen companies remained intense.

Intuo

Brands and operations

ewe

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

FM

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

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

ewe

A more sustainable life in the kitchen

2017 has been an eventful year, and Nobia have taken many important steps in continuing to integrate social, economic, and environmental sustainability in its value chain.

Some of the most significant events were our formalising of a Group function for sustainability, consisting of a Head of Sustainability and a central sustainability team, and establishing a network of sustainability ambassadors in all markets. We also adopted our first Group-wide sustainability strategy, and initiated work on product development and sourcing with a focus on sustainability.

2017
An active year

Norema

Sustainable progress

- Group-wide sustainability strategy adopted
- Group-wide environmental and climate policy adopted
- Group sustainability function established
- Transition to renewable electricity in Nobia's production facilities
- 20 per cent reduction in carbon emissions per produced cabinet
- 5 per cent reduction in emissions of volatile organic compounds (VOC)
- Nobia's Darlington production facility received the RoSPS Gold Award for first-class health and safety work
- Nobia's production facilities in Darlington, Dewsbury, Halifax and Morley received five out of five stars in the OHSAS 18001 review
- Nobia joined the UN Global Compact initiative
- Nobia identified strategic areas to contribute to the UN Sustainable Development Goals
- Nobia appointed "prime company" in sustainability in the oekom Corporate Rating

Our sustainability initiatives are based on the understanding that every link in the chain is important, from supplier to employee to customer.

"We want to be the leading and most successful kitchen specialist that inspires people to realise their kitchen dreams, at the same time as we contribute to sustainable development. This requires not only sound kitchen expertise but also an understanding of current and future needs in the kitchen, which in turn requires active sustainability initiatives.

Sustainability is a strategically important issue for us. Our sustainability initiatives are based on the understanding that every link in the chain is important, from supplier to employee to customer. This is why we have adopted our first Group-wide sustainability strategy whose purpose is to contribute to sustainable growth through our value chain. The strategy is built on four long-term focus areas where we see that we can make a difference and contribute to creating value both for society and for our shareholders."

Morten Falkenberg, President and CEO

As Europe's leading kitchen specialist, we can inspire thousands of people to be more sustainable in the kitchen, every day.

"Global warming, deforestation, and overconsumption of natural resources are a few of the great challenges of our time. These challenges can have serious consequences for our lifestyle, our economies, and the environment we depend on. If we are to be able to solve these global challenges effectively, major changes are required in society. Our industry can have a significant effect on people and the environment through our value chain, especially on issues concerning timber from sustainable forestry, responsible sourcing and product development.

Our impact on people and the environment varies across the value chain. As a major player in the kitchen industry, we can contribute to promoting more sustainable forestry, respect for people and the environment, and more sustainable use of resources even outside our home markets through our choice of materials, supplier relationships, and product development.

As Europe's leading kitchen specialist, we can inspire thousands of people to be more sustainable in the kitchen, every day. The kitchen is a place where we spend a great deal of time, and where there are major opportunities to live more sustainably. This applies to everything from solutions that reduce water, energy, and food waste, to exciting solutions for urban agriculture.

An increasing number of our customers in the construction industry are building homes where the environment is in focus, from the first draft to the completed building. This presents many opportunities for us to contribute to more sustainable development over the long and short term."

Amanda Jackson, Head of Group Sustainability

Strategy that looks to the future

We are aware of the global challenges society faces. Global warming, deforestation, overconsumption of natural resources and inadequate labour conditions present challenges for large parts of the business sector. These are challenges that require responsible leadership, as well as active and systematic work. Therefore, we have developed a sustainability strategy for 2017–2020.

The strategy is built on four long-term focus areas and goals for the next three years. A sustainability strategy is our medium- to long-term itinerary, linking together our core operations with our ambitions to contribute to the UN's Sustainable Development Goals. Based on our materiality analysis and analysis of the UN Sustainable Development Goals, we have identified the following strategic areas to contribute to the goals and to develop our operations.

Sustainable innovations

Vision
We develop kitchen solutions that support people, the planet, and our operations through continuously improving the environmental and social performance for our products, and we enable our customers to live more sustainably in their kitchens.

Goal 2020
We have implemented a sustainability scorecard to develop the sustainability performance of our new kitchen products as regards materials, design, and functionality.

Reduced carbon emissions

Vision
We promote a value chain with low carbon emissions by reducing the carbon emissions from our products. Through a twofold energy strategy, we focus on energy efficiency and the transition to renewable sources of energy.

Goal 2020
100 per cent renewable electricity in all our production sites on all markets. We strive to reduce carbon emissions from transport and operations.

Safeguard and protect forests

Vision
We contribute to the elimination of deforestation, reducing greenhouse gas emissions, and protecting biodiversity and people's livelihoods by promoting sustainable forestry and the provision of timber from sustainable sources.

Goal 2020
100 per cent of timber from sustainable sources such as wood from forests certified by the FSC or PEFC, recycled wood or wood from our preferred suppliers.

Responsible sourcing

Vision
We build relationships with suppliers that are best in class at sustainability. By promoting responsibility and transparency in our supply chain, we are contributing to a more sustainable future.

Goal 2020
We have guaranteed a new programme for suppliers that includes risk assessment, an audit programme, and a channel for reporting breaches of our Code of Conduct for Suppliers. We strive to work further down the supply chain.


Magnet

Our sustainability initiatives

Our responsibility runs through the value chain, and our sustainability initiatives are based on the Group's economic, environmental and social impact. A central strategy containing Group-wide policies and principles has been developed.

Materiality analysis and stakeholder dialogue
Understanding the expectations of key stakeholders is crucial for being able to meet current and future customer needs. Nobia meets with stakeholders in various forums during the year. A systematic stakeholder dialogue is also conducted annually to jointly identify essential sustainability aspects that create the basis for a materiality analysis. In 2017, all our employees, 11 corporate customers, our six largest shareholders, six suppliers, employee representatives and professional associations were invited to participate in a stakeholder dialogue survey. The stakeholders were identified based on the groups that our operations affect, and the groups that affect our operations. Based on the stakeholder dialogue, impact analysis, and internal workshops, the following material sustainability issues have been identified and prioritised:

- Developing kitchen solutions for current and future needs
- Sustainable choice of materials
- Reduced climate impact and economising resources
- Responsible sourcing
- Secure work environment
- Business ethics and transparency

The following important sustainability topics were raised in the dialogue:

Stakeholder	Material issues	How we are working
Employees	Economising resources and secure work environment.	Page 34–35, 37–38
Corporate customers	Responsible sourcing and reduced climate impact.	Page 34–36
Shareholders and investors	Reduced climate impact and business ethics.	Page 34–35, 39
Suppliers	Secure work environment and economising resources.	Page 34–35, 37–38
Employee representatives	Secure work environment and sustainable choice of materials.	Page 33, 37–38
Civil society and professional associations	Sustainable materials and economising resources.	Page 33–35


Petra

Responsibility in the value chain

Our commitment to a sustainable development is both long-term and business-oriented and comprises all operations in our value chain. Our main impact on people and the environment relates to how the products we sell are manufactured, and how they enable a more sustainable living.

By continually analysing the trends and drivers that affect our industry, our customers' industries and our operating environment – as well as in dialogue with our stakeholders – we identify sustainability-related risks and opportunities. Some of the significant sustainability risks for us are:

Significant sustainability issues	Sustainability risks	How we are working
Developing kitchen solutions for future and current needs	Nobia's customers either require or will require sustainable production processes and materials from sustainable sources. This could entail business-related risks for Nobia of not working to meet existing and anticipated customer requirements.	Page 32
Sustainable choice of materials	Wood is the main component of our products. Rapid changes to our environment, and increasingly intensive forestry, place new demands on how nature should be conserved. The use of wood from sources that are involved in forest-related conflicts, or wood that comes from illegal felling, would entail major risks for people, the environment, and our credibility.	Page 33
Reduced climate impact and economising resources	Global warming is a threat to the health of forests in many areas of the world. The risks of damage to forests increases with a warmer climate, which also involves risks for more severe storms and more forest fires that could devastate large areas of forest. Since wood is the main component of our products, this result in long-term risks regarding materials supply.	Page 34–35
Responsible sourcing	Our supply chain extends across different markets, and entails numerous relationships. This brings the risk of deficient supervision of, for example, working conditions at our subcontractors.	Page 36
Secure work environment	Work accidents or serious environmental incidents at Nobia's work sites could have a significant impact on our employees, the local environment, and our brand.	Page 37–38
Business ethics and transparency	Nobia is active in many markets, and has a broad employee base. This entails a risk of employees in Nobia not acting in accordance with the Code of Conduct.	Page 39

uno form

Our value chain

Product development
We wish to contribute to a more sustainable development by helping our customers lead more sustainable lives in the kitchen. Sustainability is thus a key focus within innovation and product development.

Purchasing
Our suppliers operate on different markets and can impact both people and the environment where they operate. We assess and monitor our suppliers on social, environmental and ethical issues. Wood is the main component in our products. Our suppliers of wood are mainly in Europe and all must comply with our policies on sustainable forestry.

Waste and recycling
We strive to minimise all waste from our manufacturing. At the same time, we endeavour to help our customers to reduce their environmental impact by assuring smart solutions for food storage and recycling.

Manufacturing
We have 13 production facilities in six European countries. In our manufacturing we follow a Lean-based process which includes, among other things, a systematic work on health, safety and environmental issues to prevent work related accidents, reduce energy consumptions, material use and reduce emissions and waste. We also work actively to create a culture where our vision of zero work related accidents can be realised.

Use
Our kitchen solutions can enable our customers to live more sustainable lives in the kitchen. To safeguard that our products are safe to use and for the environment we carry out tests, both internally and by external experts. We have Eco-labelled products in our assortment. Eco-labelled products have been assessed based on how they impact the environment from source to end of life.

Sales
We have extensive experience of designing kitchens and helping our customers on the journey from inspiration to installation with the aim of ensuring a safe and sustainable kitchen solution for current and future customer needs.

Transport
Effective distribution in the product flow from supplier to customer is important to minimise the environmental impact from transportation. Studies and analysis of distribution are carried out in close collaboration with carriers and with help from external experts to optimise and find new solutions.

Environment | Social | Economy

Governance

Sustainability is an integrated part of our business and all our employees have a responsibility to contribute to our sustainability agenda, which extends beyond our direct business. Our commitment has been implemented in our policy framework and working methods. At Group level, we have a central sustainability function and in each market where we produce our products we have people working with sustainability related issues.

Sustainability is an integrated part of our operations and is pursued at various levels, from the Board's approval of Group-wide policy and principles to operational reviews and goal-oriented work in business units and countries. The Group-wide sustainability strategy and our policy framework govern and guide the work.

We monitor compliance with and results of our sustainability framework both annually and on a continual basis. Through our annual reporting, we follow up on and communicate the results of our commitments in social, economic, and ecological sustainability. We also continuously monitor compliance through our management system and reporting of rules violations.

The UN Sustainable Development Goals and Agenda 2030

In September 2015, Agenda 2030 was adopted and the global Sustainable Development Goals were adopted. The Sustainable Development Goals and Agenda 2030 aim at eliminating poverty and hunger, realising human rights for all, achieving gender equality and empowerment for all women and girls, and ensuring lasting protection for the planet and its natural resources. The goals are integrated and indivisible and balance the three dimensions of sustainable development: economic, social, and environment.

Marbodal

Our policy framework and external commitments

Framework
- Environment and climate policy
- Policy for sustainable forestry
- Code of Conduct
- Supplier Code of Conduct
- Sustainability strategy

External commitments
- CDP Forestry
- CDP Climate change
- Modern Slavery Statement
- The UN initiative Global Compact
- The UN Sustainable Development Goals
- Sustainability reporting in accordance with the Global Reporting Initiative (GRI)
- The Global Forest and Trade Network, UK (GFTN, UK)

8 DECENT WORK AND ECONOMIC GROWTH

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Solutions for current and future needs

Sustainability is a focus area for Nobia's product development. This means that the issue of sustainability is important both in our innovation processes and in our product development. Sustainability aspects are also becoming increasingly important for Nobia's customers. The construction of eco-friendly buildings is increasing, which in turn is increasing demand for eco-labelled kitchens and products that meet eco-building standards.

We offer Nordic Eco-labelled products and products that meet eco-building standards such as BREEAM and Nordic Eco-labelled single-family houses, apartment blocks and preschool buildings. Nobia currently has 21 (16) Nordic Eco-labelled kitchen platforms in different colours that are sold by Marbodal, Norema and Sigdal.

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 participating 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, life of products and low environmental impact.

Nobia's products should be safe to use throughout their entire useful life. Ergonomics are taken into consideration in all our product development, and relevant tests are carried out both in-house and by accredited testing institutions in line with EU standards before a new product enters the production phase. Common tests include stress and durability tests to minimise the risk of accidents and guarantee a high level of safety and quality. All cabinets and frontals in the UK have been approved in accordance with the Furniture Industry Research Association's (FIRA) furniture requirements for safety. FIRA is the largest furniture association in the UK. It is a non-profit membership organisation run by the furniture industry.

As a part of the work on implementing our sustainability strategy, a project to develop a sustainability scorecard was initiated in 2017. The purpose of the work is to be able to measure, monitor, and develop the social and environmental sustainability criteria of our products through the development and implementation of a sustainability scorecard.

> Consumers are increasingly aware of their impact on the planet and expect companies to take responsibility throughout the value chain. We want our customers to feel proud not only of our products' design, function, and quality, but also of how it impacts people and the environment.

Amanda Jackson,
Head of Group Sustainability

Case

Amanda Jackson

Product sustainability scorecard

In 2017, closer collaboration between the functions for product development, sourcing and sustainability was initiated to strengthen the sustainability perspective in everything from product innovation and product development to supplier relationships and choice of materials. The development of a sustainability scorecard was an important part of this collaboration.

The sustainability scorecard, which was developed in 2017, is an internal tool that will enable evaluation of our products based on several different criteria regarding material, design, and function. In 2018, the implementation of the sustainability scorecard will be initiated.

Sustainable choice of materials

Wood and wood products are the main components of our products. Wood is durable, renewable, and recyclable. It is an environmentally smart material, provided that it comes from sustainable forestry or other sustainable sources such as recycled wood. During the year, the amount of wood material used in our production amounted to some 256 thousands of tonnes (245).

Our suppliers of wood and wood products are mainly based in Europe. All our suppliers of wood and wood products must follow Nobia's policy regarding sustainable forestry and sign our declaration on wood. 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 is a member of the Global Forest and Trade Network (GFTN) 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 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.

Nobia strives to increase the share of wood certified by FSC (Forest Stewardship Council), and in 2017 the share of certified wood was approximately 42 per cent (36).

In our endeavours to find new sustainable material, we maintain close dialogue with our suppliers regarding new innovative materials. In 2017, Nobia began a partnership project with Swerea-IVF concerning sustainable material, to pursuing innovation regarding how textiles can be used as future materials for furniture and kitchens. The project focuses on recycling textiles in the furniture industry, where they can be used as raw materials for production of new textiles, plastic, composites and unwoven material.

> We want to be part of the future and develop our business relations in a long-term, sustainable direction that benefits our business and our stakeholders. We can do this in many ways. For example, by using our opportunity to influence the promotion of using wood and raw wood products from forests that are responsibly and sustainably cultivated. This way, we can create change far beyond our own operations.

Kevin Gilbert, Acting Director of Sourcing

Case

Timber from sustainable forestry

In 2017, we initiated a collaboration project between our Sourcing unit and the Sustainability function to further strengthening our sourcing routines towards purchasing timber that comes from more responsible and sustainable forestry. With this, we want to contribute to balancing the production of renewable raw forestry material with the protection of biological diversity, land and water, cultural environments, and other ecosystem services we, as a society, need.

13 CLIMATE ACTION

Reduced climate impact and economising resources

At every step of the value chain, we strive to find resource- and energy-efficient solutions that help us, our business partners, and our customers to reduce our climate and environmental impact, and to act in a more sustainable manner.

Our 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 sustainability strategy as a basis. Environmental activities are integrated into the operations of each region and production unit. 11 of 13 production facilities are certified in accordance with the ISO 14001 standard for environmental management.

Production units	ISO 14001
Tidaholm, Sweden	Yes
Ølgod, Denmark	Yes
Bjerringbo, Denmark	Yes
Farsø, Denmark	Yes
Eggedal, Norway	In progress
Nastola, Finland	Yes
Darlington, UK	Yes
Halifax, UK	Yes
Morley, UK	Yes
Dewsbury, UK	Yes
Grays, UK	No
Freistadt, Austria	Yes
Wels, Austria	Yes

Efficient use of resources

Continuous efforts are being 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. In 2017, we ran 95 improvement projects (30) under our Lean system and 64 employees (57) in production were trained in our Nobia Lean System.

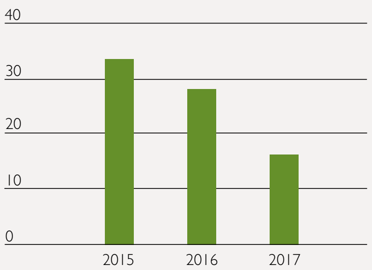
Energy and climate

We strive to find new solutions to reduce the climate impact of our operations. For example, we are working to reduce our direct greenhouse gas emissions, caused chiefly by heating, cooling, electricity in connection with manufacturing, and transportation. To reduce our environmental impact, Nobia continuously introduces modern systems for cooling, heat recovery and ventilation into production.

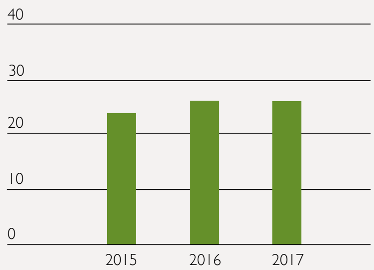
During the year we have transitioned all our production sites to renewable electricity. As a result, Nobia reduced its carbon emissions per produced cabinet by 20 per cent (13) in 2017.

About 5 per cent (5) of Nobia's total expenses are attributable to transportation from factory to customer, making this a key focus for resource optimisation to reduce both environmental impact and costs. Surveys and analyses of transport flows are implemented in close cooperation with logistics companies but also with the assistance of external experts,

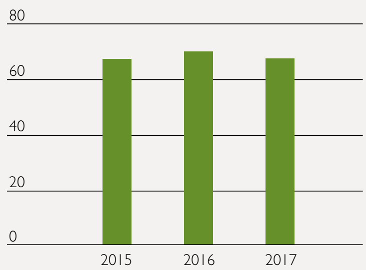
Greenhouse gas emissions, heating and manufacturing, thousands of tonnes, CO_2



Greenhouse gas emissions, transportation, thousands of tonnes, CO_2



Energy consumption, electricity, GWh



to identify economic and environmental benefits. Freight load optimisation can help reduce both costs and carbon emissions. During the year we have initiated dialogue with carriers regarding carbon emission reduction plans and further optimizations throughout the transportation flow.

Nobia has been reporting to CDP since 2007 – an independent organisation promoting transparency in terms of companies' carbon emissions and climate strategies. 2017 Nobia was awarded a rating of "C", the same as in 2016.

Emissions of solvents

The reduction of solvents is a key issue in Nobia's environmental work. Emissions of volatile organic compounds were reduced by 5 per cent (11) in 2017. 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 both reduces the amount of cleaning required and raises productivity. In 2017, the percentage of water-based and UV-tempered surface coatings totalled about 60 per cent (58).

Packaging and waste

Timber pallets, corrugated board, shrink-wrap and plastic tape are the main components of the packaging materials used by Nobia.

During the year, wood waste amounted to about 31 thousands of tonnes (29). The amount of waste – excluding wood waste – was about 5 thousands of tonnes (8), of which some 38 per cent (29) went to external recycling, about 51 per cent (63) to landfill or incineration and about 11 per cent (8) comprised hazardous waste.

> Köksvägen is a new road built into the production facility in Tidaholm that now re-directs lorry traffic from the town centre and reduces transportation through our community.

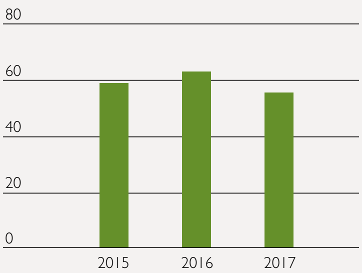
Yamina Helenius Head of Quality and Environment at Nobia Production Sweden AB

Case

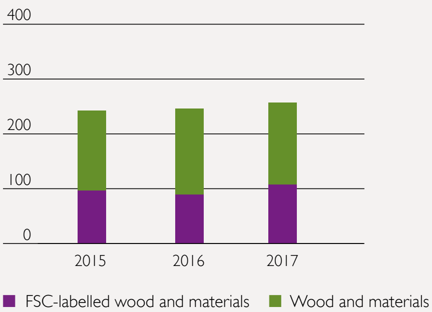
Köksvägen – a project to reduce traffic in Tidaholm

In a joint effort with Tidaholm Municipality we have built Köksvägen (Kitchen Road), into our Swedish production facility in Tidaholm. The new road re-directs lorry traffic from the town centre and reduces transportation through the community. The road reduces noise from transportation and improves air quality for residents near the facility. The road was inaugurated at the beginning of the year.

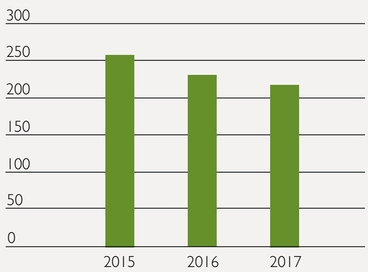
Energy consumption, heating, GWh



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



Emissions of solvents, tonnes



Responsible sourcing

A sustainable supply chain and good relations with our suppliers are crucial for offering attractive products to our customers. That is why we are continually working on creating open, effective partnerships with responsible suppliers.

Supply chain

Nobia has around 560 suppliers (715) in its supply chain, of which the great majority 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 descriptions that include EU requirements and local regulations.

Supplier audits

Centralised sourcing provides Nobia with the opportunity to apply a structured work method in terms of setting requirements, and monitoring and developing suppliers' work. Purchased materials and components are carefully specified and suppliers are risk assessed, inspected and evaluated in accordance with the company's guidelines on the environment, work environment, human rights and business ethics. There is a department responsible for supplier evaluations within Nobia's sourcing organisation. The suppliers selected for evaluation and the scope of the audits are determined based on a risk assessment. Suppliers considered high-risk are prioritised in this process.

Our supply chain extends across different markets, and entails numerous relationships. To govern this complex environment, our policy framework and processes guide us in our business and operations and help our suppliers develop in the field of sustainability, and thereby support our ambition to promote business ethics, respect for human rights, and the environment.

A new tool for assessment and risk classification of suppliers based on a number of parameters regarding human rights, work environment, anti-corruption and the environment was developed, and the implementation process was started in 2017. 48 supplier audits (79) were carried out in total, of which 20 were in-depth audits (32). The number of supplier audits was lower in 2017 than 2016 due to the intensive work on developing the new tool for supplier assessment. The implementation will be performed in 2018.

> Our new risk assessment tool provides us with an excellent opportunity to identify suppliers with higher sustainability risks in new and existing supply chains so that we can better direct our energies towards necessary audits and streamlining our work, which will lead to greater sustainability.

Tony Brocklehurst, Senior Quality Engineer, head of Nobia's supplier audit programme

Case


Tony Brocklehurst

New supplier audit programme

One important success factor for us is a sustainable supply chain. It is especially important for offering our customers attractive and sustainable products, but it is also an opportunity for us to contribute to more sustainable development.

We have a team based in the UK and in Asia working on supplier evaluations. It works in close collaboration with our purchasers and our sustainability function. Its activities include everything from risk assessments and evaluations to physical supplier audits covering topic such as human rights, health and safety, labour conditions, the environment, business ethics and quality.

To reach further down the supply chain, a new tool was developed for assessing and risk classifying suppliers' and subcontractors' sustainability performance in 2017. The tool gives us the possibility of influencing the supply chain, and over the long term contributing to a positive effect on people working with and for us as well as for the environment.

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

Our employees should have a safe, secure workplace

Nobia's employees are our main asset. Attracting, engaging, and developing our employees is a crucial success factor for our operations. That is why we work purposefully towards creating a safe, secure work environment where our employees' engagement is utilised and creates, together with good management, a company which you can be proud to work for.

Nobia mainly has permanent employees; only approximately one per cent of our employees are limited-term. The workforce can be divided up into employees working in production and logistics, and those working in administration and sales. Nobia principally has employees in six European countries; all our employees are covered by collective agreements in each of these countries except the UK. Our employees are represented in a European Work Council (EWC). The EWC is a European information and consultation council.

Safe and secure work environment

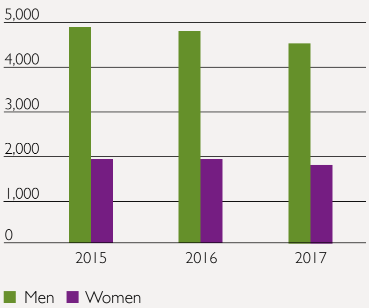
Employee safety is our top priority, and Nobia has a vision of zero accidents in the workplace and no work-related injuries. Preventive measures are taken to minimise the risk of accidents, injuries and sickness absence. 7 of our 13 plants also have OHSAS 18001-certified management systems for work environments. OSHA 18001 is an internationally acknowledged standard for detecting and preventing risks, and improving the work environment in other ways. Nobia's Darlington, Dewsbury, Halifax and Morley production facilities received five stars in the 2017 OHSAS 18001 review.

Safety initiatives in production have been further intensified, and the production management teams at the facilities have daily follow-up meetings at which safety is at the top of the agenda.

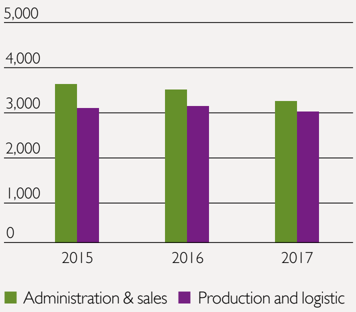
Near-accidents and accidents are reported to management daily. Managers and employees are continually trained in health and safety. 75 operational site related accidents (91), resulting in at least eight hours of absence occurred during the year. This corresponded to 13.04 workplace accidents per million hours worked (16,37). The most common accidents were trips, strains and cuts. All accidents are analysed, and measures are taken to prevent all similar accidents from happening again. Nobia defined a Production Site Safety measure in 2016, to report on work-related accidents. From 2017 this measure is used in the sustainability report.

Employees per country in 2017	Number
UK	2,955
Denmark	1,333
Sweden	705
Finland	391
Austria	363
Norway	293
Employees in subsidiaries	6,040
Employees of Parent Company (Sweden)	47
Employees in the Group	6,087

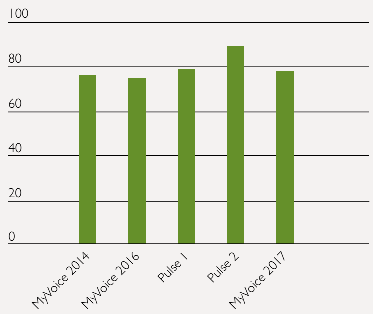
Employees by gender, number



Employees by function, number



Nobia Engagement index



Employee engagement

Employee engagement is a mainstay of successful operations. Previously, we measured employee engagement once a year, in the annual MyVoice employee survey. In 2017, we began measuring engagement more regularly, through quarterly 'pulse checks'.

The pulse check survey was conducted for the first time in March 2017, with a response frequency of 78 per cent; during the second round in June 2017, 88 per cent of our employees responded to the survey. In the larger MyVoice survey conducted in September, questions were also asked regarding leadership, team effectiveness, health, and discrimination. The engagement index in this year's MyVoice survey is 77 (75).

Employees are informed of the results on various occasions, in group meetings or at larger information meetings. Managers discuss an action plan jointly with their employees to continue work on the team's areas of improvement over the next year.

Practice makes perfect

Over the year, local initiatives were taken to find and help talented students and involved employees develop at Nobia, and thereby meet the company's future challenges. The Magnet apprenticeship programme is a part of the effort, and the programme was one of the winners of the North East Regional finals of the 2017 National Apprenticeship Award in the UK.

Leadership

Leadership is an important cornerstone in our business strategy; its purpose is to motivate and involve all employees to work towards joint visions and goals that are set high. In many cases, employee engagement is a reflection of involved and competent managers. Over the year, several different initiatives were thus taken to develop managers at Nobia, thereby further increasing engagement in the company. Among those initiatives was the Nobia Excellent Leader model, in which 40 workshops with 715 participants were arranged in 2017.

Equality and diversity

Nobia promotes equality, diversity and equal treatment and endeavours to have an even gender balance among employees in senior positions. 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.

Discrimination issues are a part of our Code of Conduct training. Equality and diversity are also an integral part of our recruitment process, succession planning and leadership development. We aim to work on creating an inclusive business culture in all parts of our operations, where people can make use of their full potential.

The Board of Directors consists of nine elected members, including the CEO, and four employee representatives. Of the elected members of the Board of Directors, 44 per cent are women and 56 per cent are men. In Group management, the division between women and men is 17 per cent and 83 per cent, respectively. In 2017, 23 per cent (21) of the top 100 senior executives in the Group were women, and 77 per cent (79) men.

Case

Good leadership generates the power to grow

Over the last few years, we have worked intensively on leadership to create a strong foundation for Nobia, and thereby grow as a company and achieve our vision.

With the help of viewpoints from managers from all of Nobia in combination with analyses of strategy and challenges, we have developed a competence model for leadership: "Excellent Leader." The model provides a structure and a common language to describe, in a specific and useful manner, what leadership Nobia needs.

The first part of implementing the model was carried out by introducing it to all the senior managers at Nobia. Questions such as leadership at Nobia, what it means for us as a company, and why it is important were studied during a half day group session.

The next step was that all the managers in Nobia participated in local workshops for the purpose of understanding the importance of leadership, what it means for every person in their daily work, and what they as individual leaders need to work on. In total, 40 workshops with 715 participants in all were conducted in 2017.

"Leadership means something to everyone. Perhaps not always the same thing, or to the same extent. We often have views on what good leadership is, and what bad leadership is, but most agree that leadership is needed, leadership is important. Now, we have defined together what leadership means for us at Nobia, and it is time to make the journey together to become as good a leader as each of us can be."

Lotta Höjman, Director of Talent Management

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Business ethics and transparency

For Nobia business ethics and transparency are a matter of respecting laws and regulations – as well as human rights – where we operate, paying taxes under applicable rules, and taking a clear stance against all forms of corruption. It is also a matter of ensuring internal governance and monitoring of business ethics issues, and ensuring that sourcing and sales are managed with integrity.

Anti-corruption throughout the value chain

The Anti-Corruption Code is a mainstay of our Code of Conduct. 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 as well. 59 cases (25) were reported in 2017, of which 14 (5) were reported via the anonymous communication channel. The increase in reported issues may be a result of increased awareness from the Code of Conduct implementation and related training. 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.

We wish to advocate business ethics, assuming responsibility, and transparency throughout our entire supply chain. That is why in 2017 we implemented an anonymous communications tool for reporting behaviour that violates our Supplier Code of Conduct. Our Code of Conduct for suppliers regulates and governs Nobia's requirements for suppliers about working conditions, human rights, business ethics, environmental performance, and so on. Our suppliers in turn should pass on these expectations to their suppliers, to ensure observance throughout the entire supply chain. Through the new communications tool, suppliers can report any irregularities, completely anonymously, and there are internal structures for managing all cases.

Human rights

Respect for human rights, with a starting point in the UN's guidelines for companies and human rights as well as local labour legislation, is an important part of our work and is reflected in both our internal guidelines and processes as well as in our requirements for and monitoring of suppliers.

Every person who works for Nobia, directly or indirectly, is entitled to have their fundamental human rights met in accordance with the UN Universal Declaration of Human Rights.

- Read more about our work on the Code of Conduct for Suppliers, risk classification and monitoring of our suppliers on page 36.
- Read more about our work on creating a safe, secure work environment on page 37.
- Read more about our work on equality and diversity on page 38.

Our Code of Conduct

The Code of Conduct was developed in 2013, and was adopted by Nobia's Board of Directors in February 2014. The Code is implemented through repeated workshops and e-learning, as well as in daily work. It is available on the company's intranet and website, in English, Swedish, Danish, Norwegian, Finnish, and German. The Code is reviewed annually.

The Code is based on the UN Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work and the OECD guidelines for multinational enterprises. It indicates the minimum level of acceptable behaviour for all employees and collaborating partners. The Code is based on the following principles.

- **Fair competition**
- **Anti-corruption**
- **Impartiality**
- **Human rights**
- **Respect for the individual**
- **Fair labour conditions**
- **Respect for the environment**

To ensure compliance with the Code of Conduct, employees are encouraged to report any conduct that breaches the Code via an anonymous communication channel called "SpeakUp."

Auditor´s report on the statutory sustainability report

To the general meeting of the shareholders in Nobia AB (publ), corporate identity number 556528-2752.

It is the board of directors who is responsible for the statutory sustainability report for the financial year 2017-01-01–2017-12-31 on pages 24–39 and that it has been prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and 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 opinion.

A statutory sustainability report has been prepared.

Stockholm, March 20, 2018

Deloitte AB, Daniel de Paula, Authorized Public Accountant

Financial overview

Operations
Nobia AB (Corporate Registration Number 556528-2752) is Europe's leading kitchen specialist. 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.

2017
Nobia was further consolidated and profit after tax improved. Organic sales growth amounted to 2 per cent (4) and the operating margin reached 10.1 per cent (10.3). Operating profit for the year declined slightly, negatively affected by currency effects and higher costs, and positively affected by higher sales values and lower prices of materials.

Significant events
On 31 January, the transaction with the German group Adcuram regarding the divestment of Poggenpohl was concluded.

In March 2017, HTH in Denmark launched the new HTH GO product range, with kitchen models delivered ready-to-assemble.

Tomas Billing was re-elected Chairman of the Board at the Annual General Meeting on 6 April. Jill Little and George Adams were elected new members of the Board. Fredrik Palmstierna and Thore Ohlsson declined re-election. All other Board members were re-elected. The AGM elected Deloitte AB as the company's new auditor, with Daniel de Paula as Auditor-in-Charge. KPMG had served as auditor for ten years. 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 2014 resolved at the 2014 Annual General Meeting, based on the authorisation granted by the 2017 Annual General Meeting.

Nobia Group summary

	2016	2017	Change, %
Net sales, SEK m	12,648	12,744	1
Gross margin, %	39.0	39.3	–
Operating margin before depreciation/amortisation and impairment, %	12.5	12.3	–
Operating profit (EBIT), SEK m	1,298	1,286	-1
Operating margin (EBIT margin), %	10.3	10.1	–
Profit after financial items, SEK m	1,247	1,250	0
Profit/loss after tax, SEK m	455	1,015	–
Earnings/loss per share, after dilution, SEK	2.70	6.02	–
Earnings per share after dilution, excl. items affecting comparability, SEK	5.36	6.02	12
Operating cash flow, SEK m	1,031	706	-32
Return on operating capital, %	32.5	31.5	–
Return on equity, %	13.0	27.8	–
Number of employees at year-end	6,445	6,087	-6

In May, Nobia repaid a bond loan of SEK 800 million from AB SEK Securities (Swedish Export Credit Corporation).

In July, Nobia announced the creation of a new organisation in which a Chief Product Supply Officer will be given complete responsibility for manufacturing and logistics, sourcing and product development, and sustainability. At the same time, it was announced that Ola Carlsson had been appointed Executive Vice President and Chief Product Supply Officer, to take office during the fourth quarter of 2017.

In July, it was announced that during the second quarter of 2017, Nobia had opened the first two test stores under a new store concept that would make customers become more involved using digital aids.

In October, Nick Corlett, Executive Vice President, Sourcing and Project Management, and Niek Visarius, Executive Vice President, Supply Chain Operations, left Nobia following changes to the organisation.

During the year, Nobia's deliveries to the smaller B2B customer Homebase in the UK were phased out; as a result, Interior Solutions operations in Magnet were closed down.

Consolidated net sales

Net sales amounted to SEK 12,744 million (12,648) and were distributed as follows: Nordic region, SEK 6,516 million (5,988); UK region, SEK 5,710 million (6,122); and Central Europe region, SEK 521 million (541). 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 2 per cent (4). Organic growth in the Nordic region was 8 per cent (6), while organic growth was negative 2 per cent (1) in the UK region and negative 5 per cent (pos: 3) in the Central Europe region.

The Group's earnings

The Group's operating profit for Continuing operations amounted to SEK 1,286 million (1,298). The operating margin was 10.1 per cent (10.3). Operating profit declined slightly, negatively affected by higher sales and administrative expenses, and positively affected by lower prices of materials and higher sales values. Currency effects had a negative impact of SEK 105 million (neg: 180) on operating profit.

In the Nordic region, operating profit rose to SEK 963 million (856). The improvement was mainly due to higher sales volumes to the project market. Currency effects had an impact of SEK 0 million (neg: 65) on operating profit.

In the UK region, operating profit declined to SEK 454 million (545). The lower earnings were mainly due to lower volumes. Currency effects had a negative impact of SEK 105 million (neg: 115) on operating profit.

Operating profit in the Central Europe region declined to SEK 12 million (37). The lower earnings were mainly due to a lower gross margin and higher costs. Currency effects had an impact of SEK 0 million (0) on operating profit.

Group-wide items and eliminations amounted to an operating loss of SEK 143 million (loss: 140). Financial items amounted to an expense of SEK 36 million (expense: 51). 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: 34). Net interest expense totalled SEK 2 million (expense: 17). Profit after financial items improved to SEK 1,250 million (1,247).

Tax expense amounted to SEK 256 million (269). Loss after tax from discontinued operations amounted to SEK 21 million (loss: 523). Profit after tax increased to SEK 1,015 million (455).

Earnings per share for the year after dilution amounted to SEK 6.02 (2.70). Earnings per share for the previous year after dilution and excluding items affecting comparability amounted to SEK 5.36. No items affecting comparability were recognised during 2017.

Earnings from discontinued operations

In the third quarter of 2017, Nobia reclassified the two stores the company had acquired from franchisees with the intent of selling them on, and which were recognised in Discontinued operations and disposal groups held for sale in the interim report for the second quarter of 2017 in accordance with IFRS 5. These stores were recognised in Continuing operations after the reclassification, since Nobia deems they will not be sold within the next 12 months. The reclassification impacted Nobia's operating profit for 2017 by a total of SEK 0 million, pertaining to the stores' earnings and accumulated amortisations.

From the fourth quarter of 2016, Poggenpohl's operations are reported as discontinued operations in accordance with IFRS 5. The period from January to September 2016 has been recalculated as regards income statement, organic growth, specification of items affecting comparability, cash-flow analysis and comparative data per region, and the recalculations are presented in an appendix that can be found on Nobia's website under Investors/Reports and presentations.

Profit after tax from discontinued operations for 2017 amounted to SEK 21 million and pertained to Poggenpohl. During the third quarter, a provision of SEK 20 million related to the sale of Poggenpohl was dissolved.

Loss after tax from discontinued operations in 2016 amounted to SEK 523 million, 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, 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 in so far as they do not recur with the same regularity as other items.

No items affecting comparability impacted operating profit in 2017. Profit from discontinued operations in 2016 was affected by negative items affecting comparability of SEK 448 million pertained to impairment in Poggenpohl, which did not affect cash flow.

Approved and implemented restructuring measures of SEK 0 million (1) from previous years were charged to cash flow in 2017.

Investments, cash flow and financial position

Investments in fixed assets amounted to SEK 319 million (290), of which SEK 75 million (69) pertained to investments in the store network.

Operating cash flow amounted to SEK 706 million (1,031), negatively affected by a change in working capital.

The Group's capital employed amounted to SEK 4,727 million (5,182) at the end of the period. At year-end, net debt totalled SEK 77 million (493). Provisions for pensions, which are included in net debt, amounted to SEK 567 million (955 including Poggenpohl) at the end of the period. At year-end, the debt/equity ratio was 2 per cent (14). Shareholders' equity at year-end amounted to SEK 4,154 million (3,419). The equity/assets ratio at year-end was 58 per cent (43).

Nobia's credit frameworks, which are valid until 2019, amounted to SEK 1.0 billion, excluding overdraft facilities, at year-end. In 2017, Nobia repaid a bond loan of SEK 800 million from the Swedish Export Credit Corporation. 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 2017, the entire credit frameworks had been unutilised.

Divestments and acquisitions

In December 2016, Nobia signed an agreement for the sale of Poggenpohl to the German group Adcuram. The transaction was concluded in January 2017.

No acquisitions were made in 2017.

Significant events after the end of the year

In January 2018, Nobia's Nomination Committee announced that the Chairman of the Board, Tomas Billing, had declined re-election. The Nomination Committee proposes that Hans Eckerström be elected the new Chairman of the Board. His current Board memberships include Nordstjernan AB and Thule Group AB.

In February 2018 it was communicated that Erkka Lumme, Executive Vice President and Head of Commercial Finland, would leave Nobia in May 2018, and that Ralph Kobsik would take office as Executive Vice President and Head of Central Europe Region by June 2018 at the latest.

Future outlook

Demand for kitchens normally follows the same business cycle as other consumer discretionary products. Given the improved economic climate in Central Europe against the macroeconomic uncertainty as a result of Brexit in the UK, market conditions and demand trends for 2018 are deemed to remain challenging. Demand in the project segment in the Nordic region is expected to remain strong in 2018 and it is estimated that the consumer market will increase slightly but be on the decrease. 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 2017, the average number of employees was 6,178 (6,573). The number of employees at year-end was 6,087 (6,445). The decrease in the number of employees was mainly due to the divestment of Poggenpohl, which had 481 employees at year-end 2016.

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 2017, 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 2017, the Group's CO_2 emissions per produced cabinet declined approximately 20 per cent. In 2016, the Group's CO_2 emissions per produced cabinet declined by 13 per cent. The Group's CO_2 emissions fell a total of approximately 22 per cent. CO_2 emissions decreased 6 per cent in 2016. Other key sustainability-related performance indicators for Nobia, such as the number of workplace-related accidents and number of supplier audits, are presented on page 111. Nobia's statutory Sustainability Report can be found on pages 24-39.

Product development

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

Parent Company

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

The Parent Company's profit after net financial items amounted to SEK 920 million (loss: 159) and mainly consisted of 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 2017 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 2017 Annual General Meeting also authorised the Board, for the period until the 2018 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 2014. In 2017, Nobia's Board decided to transfer 110,419 bought-back shares, comprising 0.06 per cent of the Parent

Company' share capital, based on this authorisation. At the end of 2017, the number of treasury shares after sales amounted to 6,709,571, corresponding to 3.8 per cent of the total number of shares. These shares were acquired in 2007 and 2008 for a total amount of SEK 384,696,475.

At the end of 2017, the ten largest owners held about 61.6 per cent of the shares. The single largest shareholder, Nordstjernan, represented 21.5 per cent of the shares. If Skadeförsäkring held 10.1 per cent of the shares, the Fourth Swedish National Pension Fund 6.7 per cent and Lannebo funds 5.8 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 106–107.

Remuneration guidelines and other employment conditions for Group management 2017

The guidelines for 2017 essentially correspond with the proposed guidelines for 2018.

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 2017 conformed to the remuneration guidelines resolved at the 2017 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 2018

The Board of Directors of Nobia AB proposes that the 2018 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 12 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 2017 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 for 2018 will remain unchanged as compared with the preceding year. The variable salary portion is normally divided between several targets, such as the Group's earnings, earnings in the business unit for which the manager is responsible and individual/ quantitative targets. The variable salary portion is based on a period of service of one year. The targets for the President are determined by the Board. The targets for the other senior executives are established by the President following recommendations by the Board's Remuneration Committee.

In the event of a maximum outcome, which presupposes that all bonus-related targets are fulfilled, the variable salary costs for Group management are estimated to amount to approximately SEK 15,200,000 (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. The schemes, which encompassed some 100 individuals comprising senior executives and senior managers, were based on the participants investing in Nobia shares that were "locked into" the plan. Each Nobia share invested in under the framework of the plan entitled the participant, following a vesting period of about three years and provided that certain conditions were 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 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, though without a requirement for investment of own shares and without the possibility of receiving "matching shares." The minimum level adopted by the Board for allotment of shares under the Performance Share Plan 2016 was accumulated earnings per share, excluding items affecting comparability for the 2016 and 2017 fiscal years, of SEK 11.75. The maximum level was set to SEK 13.75. Since the accumulated earnings per share excluding items affecting comparability for the period amounted to SEK 11.69, the Board's minimum target figure for allotment was not achieved and no allotment of shares under the Performance Share Plan 2016 will take place.

At the 2017 Annual General Meeting, a decision was taken on a long-term remuneration scheme with the same structure as the remuneration scheme adopted at the 2016 Annual General Meeting. One of the requirements for allotment of shares under the program is meeting a financial performance target linked to accumulated earnings per share for Nobia during the 2017–2018 fiscal years.

The Board has again proposed a long-term performance share plan – the same as the preceding year's programme – to the 2018 Annual General Meeting. Performance Share Plan 2018 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 2018–2019 fiscal years is achieved.

Participation in the Performance Share Plan 2018 entails that the maximum variable remuneration for participants in 2018 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 2018) 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 2018. 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 2021.

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 2018 and 2019 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 60.4. The estimate is based on generally accepted valuation models by applying the closing price of the Nobia share on 23 February 2018, with deductions for the present value of the estimated dividend for the 2018–2020 fiscal years. On the assumption that all individuals who were offered participation in the Plan actually participate, 100 per cent fulfilment of the financial performance target and estimates regarding personnel turnover, the total estimated value of the share rights is approximately SEK 20.6 million. This value corresponds to approximately 0.2 per cent of Nobia's market capitalisation as per 23 February 2018.

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 2018 including social security contributions is estimated to amount to approximately SEK 26.7 million which, on an annual basis, is approximately 0.3 per cent of Nobia's total costs for employee benefits during the 2017 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	877,686,872
Net profit for the year	889,324,386
Total SEK	**1,819,236,744**

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

Standard dividend of SEK 3.50 per share to be paid to shareholders	590,043,604.50
Extra dividend of SEK 3.50 per share to be paid to shareholders	590,043,604.50
To be carried forward	639,149,535
Total SEK	**1,819,236,744**

The Board proposes a dividend of SEK 7.00 per share (3.00) for the 2017 fiscal year. The record date to be entitled to receive dividend is proposed as Thursday, 12 April 2018. If the Annual General Meeting resolves in accordance with the proposal, the dividend is expected to be paid on Tuesday, 17 April 2018.

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 the Group's 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 99.

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. In the UK, uncertainty resulting from Brexit had a negative impact on demand in 2017. In addition to the uncertain macro-economy, price competition continued to increase. Nobia's sales in the UK in 2017 amounted to about 45 per cent of the Group's total sales.

In Austria, the kitchen market is deemed to have grown slightly in 2017. Competition remained intense.

In the Nordic region in 2017, completion in the new-build sector further strengthened Nobia's project segment. Demand in the consumer segment was also positive in 2017.

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 2017, Nobia continued to increase its average order values, which had a positive impact on net sales and profitability compared with 2016.

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.

Customers

Kitchens to end customers are sold through 264 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 2017 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 2017, Nobia purchased materials and components valued at about SEK 5.5 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 2017, market prices increased for board material and components, as well as other raw materials, such as metals, oil, wood products and packaging materials. Demand for board material is expected to increase for reasons including higher demand from the housing construction industry, and weak competition and limited manufacturing capacity 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 2017, the Group's brand portfolio, innovation, product-range development, production and sourcing continued to be co-ordinated. In 2017, Nobia continued to invest in digital aids, such as drawing tools and e-commerce services that allow customers to both draw and purchase their kitchen online. In 2017, Nobia launched a new store concept aimed at increasing customer participation, improving the customer experience and enhancing sales efficiency. During the year, four new stores were opened using this concept for three brands in Norway, the UK and Denmark. The strategic direction is described in more detail on page 11. 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 24–39 and sustainability risks page 29.

Political and legal risks

Changes in local tax legislation in the countries in which Nobia conducts operations may affect demand for the company's products. Subsidies for new builds and/or renovation or changes to the taxation of residential properties may influence demand. Tax deductions on labour for home renovations, for example, have had a positive effect on demand in several Nordic countries.

Financial risks

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

Currency exposure

Transaction flows have the greatest impact on currency – when costs for sourcing or production are 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 diagram shows the major currency pairs and the trend since 2010. The impact of a weak EUR and DKK, and a strong NOK and GBP, on Nobia's earnings is generally favourable.

A significant portion of the UK operation's components are purchased in EUR, while finished products are subsequently sold in GBP. 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 pages 67–68.

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

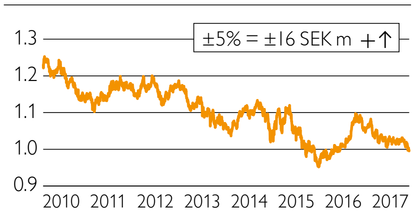
Nobia's balance sheet includes acquisition goodwill totalling SEK 2,361 million (2,359). The value of this asset item is tested annually and more often if there is any indication of impairment requirement. In 2017, the testing did not indicate any impairment requirement. For a more detailed description, refer to Note 1 Significant accounting policies on pages 60–66 and Note 14 Intangible assets on pages 76–77.

Calculation of pension liabilities

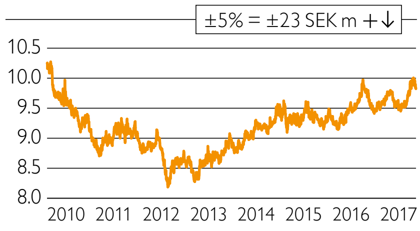
Nobia's balance sheet includes pension liabilities of SEK 567 million (955 including Poggenpohl) that pertain to defined-benefit pension plans in the UK, Austria and Sweden. All pension plans are calculated every year by actuaries in accordance with IAS 19.

For a more detailed description, refer to Note 1 Significant accounting policies on pages 60–66 and Note 25 Provisions for pensions on pages 82–83.

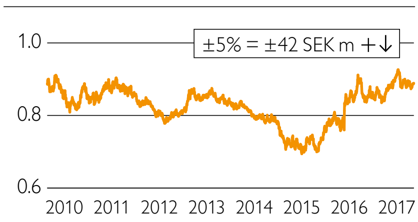
NOK/SEK



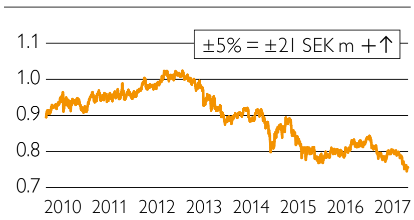
EUR/SEK



EUR/GBP



NOK/DKK



Financial statements – Group and Parent Company

Consolidated income statement

SEK m	Note	2016	2017
Net sales	3	12,648	12,744
Cost of goods sold	4, 7, 10, 11, 25	-7,715	-7,730
Gross profit		**4,933**	**5,014**
Selling expenses	4, 7, 10, 11, 25	-2,987	-3,022
Administrative expenses	4, 6, 7, 10, 11, 25	-695	-729
Other operating income	8	156	129
Other operating expenses	9	-109	-106
Operating profit		**1,298**	**1,286**
Financial income	12	22	9
Financial expenses	12	-73	-45
Profit after financial items		**1,247**	**1,250**
Tax on net profit for the year	13, 26	-269	-256
Net profit for the year from continuing operations		**978**	**994**
Profit/loss from discontinued operations, net after tax	32	-523	21
Net profit for the year		**455**	**1,015**
Net profit for the year attributable to:			
Parent Company shareholders		456	1,015
Non-controlling interests		-1	0
Net profit for the year		**455**	**1,015**
Earnings per share before dilution, SEK[1]	23	2.71	6.02
Earnings per share after dilution, SEK[1]	23	2.70	6.02
Earnings per share from continuing operations, before dilution, SEK	23	5.81	5.89
Earnings per share from continuing operations, after dilution, SEK	23	5.80	5.89
Number of shares before dilution[2]	23	168,473,468	168,583,887
Average number of shares before dilution[2]	23	168,425,427	168,547,081
Number of shares after dilution[2]	23	168,675,775	168,712,248
Average number of shares after dilution[2]	23	168,664,296	168,702,097

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	2016	2017
Net profit for the year		455	1,015
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange-rate differences attributable to translation of foreign operations	22	-172	-18[1]
Cash-flow hedges before tax[2]	22	-8	14
Tax attributable to hedging reserve for the period[3]	22	2	-3
		-178	**-7**
Items that will not be reclassified to profit or loss			
Remeasurements of defined-benefit pension plans	25	-312	277
Tax attributable to remeasurements of defined-benefit pension plans		49	-46
		-263	**231**
Other comprehensive income for the year		**-441**	**224**
Total comprehensive income for the year		**14**	**1,239**
Total comprehensive income for the year attributable to:			
Parent Company shareholders		15	1,239
Non-controlling interests		-1	0
Total comprehensive income for the year		**14**	**1,239**

1) Of which a negative SEK 44 million refers to accumulated exchange-rate differences for the Poggenpohl operations.
2) Reversal recognised in profit or loss of SEK 5 million (neg: 3). New provision amounts to SEK 9 million (neg: 5).
3) Reversal recognised in profit or loss of a negative SEK 1 million (pos: 1). New provision amounts to a negative SEK 2 million (pos: 1).

Comments and analysis of income statement

Net sales rose 1 per cent to SEK 12,744 million (12,648). For comparable units and adjusted for currency effects, the change in net sales was 2 per cent. The relationship is shown in the table below.

Analysis of net sales, %	I	II	III	IV	%	SEK m
2016						**12,648**
Organic growth	10	1	-1	0	2	308
– of which Nordic region[1]	16	5	3	6	8	451
– of which UK region[1]	6	-2	-4	-8	-2	-115
– of which Central Europe region[1]	-2	-12	-12	7	-5	-28
Currency effect	-3	0	-2	-1	-1	-203
Sales to Hygena	0	0	0	0	0	-9
2017	**7**	**0**	**-3**	**-1**	**1**	**12,744**

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	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
Net sales from external customers	5,987	6,515	6,122	5,710	539	519	–	–	12,648	12,744
Net sales from other regions	1	1	–	–	2	2	-3	-3	–	–
Total net sales	**5,988**	**6,516**	**6,122**	**5,710**	**541**	**521**	**-3**	**-3**	**12,648**	**12,744**
Gross profit	2,402	2,638	2,323	2,172	172	152	36	52	4,933	5,014
Gross margin, %	40.1	40.5	37.9	38.0	31.8	29.2	–	–	39.0	39.3
Operating profit/loss	856	963	545	454	37	12	-140	-143	1,298	1,286
Operating margin, %	14.3	14.8	8.9	8.0	6.8	2.3	–	–	10.3	10.1

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

Impact of exchange rate (Operating profit)	Translation effect		Transaction effect		Total effect	
	2016	2017	2016	2017	2016	2017
Nordic region	0	15	-65	-15	-65	0
UK region	-60	-25	-55	-80	-115	-105
Central Europe region	0	0	0	0	0	0
Group	**-60**	**-10**	**-120**	**-95**	**-180**	**-105**

Quarterly data per region	2016				2017			
	I	II	III	IV	I	II	III	IV
Net sales, SEK m								
Nordic	1,398	1,626	1,355	1,609	1,672	1,756	1,398	1,690
UK	1,578	1,633	1,495	1,416	1,527	1,520	1,377	1,286
Central Europe	117	144	150	130	116	133	131	141
Group-wide and eliminations	-2	0	-1	0	0	-1	-1	-1
Group	**3,091**	**3,403**	**2,999**	**3,155**	**3,315**	**3,408**	**2,905**	**3,116**
Gross profit, SEK m								
Nordic	548	673	537	644	671	721	565	681
UK	621	636	573	493	570	588	518	496
Central Europe	36	50	50	36	36	42	41	33
Group-wide and eliminations	10	6	10	10	14	10	17	11
Group	**1,215**	**1,365**	**1,170**	**1,183**	**1,291**	**1,361**	**1,141**	**1,221**
Gross margin, %								
Nordic	39.2	41.4	39.6	40.0	40.1	41.1	40.4	40.3
UK	39.4	38.9	38.3	34.8	37.3	38.7	37.6	38.6
Central Europe	30.8	34.7	33.3	27.7	31.0	31.6	31.3	23.4
Group	**39.3**	**40.1**	**39.0**	**37.5**	**38.9**	**39.9**	**39.3**	**39.2**
Operating profit, SEK m								
Nordic	163	271	185	237	212	297	208	246
UK	111	175	166	93	96	154	137	67
Central Europe	5	13	14	5	4	5	7	-4
Group-wide and eliminations	-34	-39	-29	-38	-39	-43	-34	-27
Group	**245**	**420**	**336**	**297**	**273**	**413**	**318**	**282**
Operating margin, %								
Nordic	11.7	16.7	13.7	14.7	12.7	16.9	14.9	14.6
UK	7.0	10.7	11.1	6.6	6.3	10.1	9.9	5.2
Central Europe	4.3	9.0	9.3	3.8	3.4	3.8	5.3	-2.8
Group	**7.9**	**12.3**	**11.2**	**9.4**	**8.2**	**12.1**	**10.9**	**9.1**

Consolidated balance sheet

SEK m	Note	31 Dec 2016	31 Dec 2017
ASSETS			
Intangible assets	14		
Goodwill		2,359	2,361
Other intangible assets		126	149
		2,485	**2,510**
Tangible fixed assets	15		
Land and buildings		586	585
Investments in progress and advance payments		151	110
Machinery and other technical equipment		441	440
Equipment, tools, fixtures and fittings		206	232
		1,384	**1,367**
Interest-bearing long-term receivables (IB)	16	3	5
Other long-term receivables	16	28	34
Deferred tax assets	26	176	118
Total fixed assets		**4,076**	**4,034**
Inventories			
Raw materials and consumables		231	258
Products in progress		71	59
Finished products		413	475
Goods for resale		142	116
		857	**908**
Current receivables			
Current tax assets		13	5
Accounts receivable	2	1,240	1,282
Derivative instruments	2.18	9	39
Interest-bearing current receivables (IB)		1	18
Other receivables	2	7	48
Prepaid expenses and accrued income	19	291	373
Assets held for sale	33	506	–
		2,067	**1,765**
Cash and cash equivalents (IB)	20	1,005	473
Total current assets		**3,929**	**3,146**
Total assets		**8,005**	**7,180**
Of which interest-bearing items (IB)		1,009	496

SEK m	Note	31 Dec 2016	31 Dec 2017
SHAREHOLDERS' EQUITY AND LIABILITIES			
Attributable to Parent Company shareholders			
Share capital	21	58	58
Other contributed capital		1,481	1,486
Reserves	22	-257	-264
Profit brought forward		2,133	2,874
		3,415	**4,154**
Non-controlling interests		4	–
Total shareholders' equity		**3,419**	**4,154**
Provisions for guarantees		9	8
Provisions for pensions (IB)	25	894	567
Deferred tax liabilities	26	84	89
Other provisions	27	70	32
Liabilities to credit institutions (IB)	2, 28	–	–
Other liabilities (IB)	2	6	5
Total long-term liabilities		**1,063**	**701**
Liabilities to credit institutions (IB)	2, 28	801	1
Overdraft facilities (IB)	2, 20	–	–
Other liabilities (IB)	2	0	0
Advance payments from customers		177	132
Accounts payable	2	1,162	1,106
Current tax liabilities		121	109
Derivative instruments	2, 18	12	26
Other liabilities	2	356	378
Accrued expenses and deferred income	29	565	573
Liabilities attributable to assets held for sale	33	329	–
Total current liabilities		**3,523**	**2,325**
Total shareholders' equity and liabilities		**8,005**	**7,180**
Of which interest-bearing items (IB)		1,701	573

Information on consolidated pledged assets and contingent liabilities is provided in Note 31 on page 87.

Comments and analysis of balance sheet

Goodwill

Information on goodwill, including comments, is provided in Note 14 on pages 76–77.

Financing

Net debt declined to SEK 77 million (493) at the end of the period. A positive operating cash flow of SEK 706 million and remeasurements of defined-benefit pension plans of SEK 277 million reduced net debt. The increase in net debt derived from divestment of operations, with a total effect of SEK 30 million, change in pension liabilities of SEK 28 million, interest paid of SEK 7 million and dividends of SEK 505 million. The debt/equity ratio amounted to 2 per cent at the end of the year (14 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	2016	2017
Opening balance	774	493
Acquisition of operations	0	–
Divestment of operations	–	30
Translation differences	-31	-3
Operating cash flow	-1,031	-706
Interest	20	7
Remeasurements of defined-benefit pension plans	312	-277
Change in pension liabilities	28	28
Dividends	421	505
Closing balance	**493**	**77**

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

Components of net debt

	Group	
SEK m	2016	2017
Bank loans, etc.	801	1
Provisions for pensions	894	567
Leasing	6	5
Cash and cash equivalents	-1,005	-473
Other financial receivables	-4	-23
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	**493**	**77**

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 2016	**58**	**1,478**	**-81**	**2**	**2,361**	**3,818**	**4**	**3,822**
Net profit 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[1]	–	–	–	–	-421	-421	0	-421
Share of Group contributions to non-controlling interests	–	–	–	–	–	–	1	1
Allocation of performance share plan	–	3	–	–	–	3	–	3
Closing balance, 31 December 2016	**58**	**1,481**	**-253**	**-4**	**2,133**	**3,415**	**4**	**3,419**
Opening balance, 1 January 2017	**58**	**1,481**	**-253**	**-4**	**2,133**	**3,415**	**4**	**3,419**
Net profit for the year	–	–	–	–	1,015	1,015	0	1,015
Other comprehensive income for the year	–	–	-18	11	231	224	0	224
Total comprehensive income for the year	**–**	**–**	**-18**	**11**	**1,246**	**1,239**	**0**	**1,239**
Dividends[2]	–	–	–	–	-505	-505	–	-505
Change in non-controlling interests	–	–	–	–	–	–	-4	-4
Allocation of performance share plan	–	5	–	–	–	5	–	5
Closing balance, 31 December 2017	**58**	**1,486**	**-271**	**7**	**2,874**	**4,154**	**–**	**4,154**

1) The 2016 Annual General Meeting resolved on dividends of SEK 421 million, corresponding to SEK 2.50 per share.
2) The 2017 Annual General Meeting resolved on dividends of SEK 505 million, corresponding to SEK 3 per share.

Consolidated cash-flow statement and comments

SEK m	Note	2016	2017
	36		
Operating activities			
Operating profit		1,298	1,286
Operating profit/loss for discontinued operations		-466	20
Depreciation/amortisation/impairment		657	287
Other adjustments for non-cash items		95	-30
Income tax paid		-230	-248
Change in inventories		-89	-68
Change in operating receivables		-172	-160
Change in operating liabilities		188	-100
Cash flow from operating activities		**1,281**	**987**
Investing activities			
Investments in tangible fixed assets		-267	-262
Investments in intangible assets		-23	-57
Sale of tangible fixed assets		28	43
Interest received		1	3
Increase/decrease in interest-bearing assets		4	-19
Other items in investing activities		12	-5
Acquisition of operations	34	0	–
Divestment of operations		–	-93
Cash flow from investing activities		**-245**	**-390**
Operating cash flow before acquisitions/divestments of subsidiaries, interest, increase/decrease in interest-bearing assets		**1,031**	**706**
Operating cash flow after acquisitions/divestments of subsidiaries, interest, increase/decrease in interest-bearing assets		**1,036**	**597**
Financing activities			
Interest paid		-21	-10
Decrease in interest-bearing liabilities[1) 2)]		-71	-872
Sale of bought-back shares		–	–
Dividends		-421	-505
Cash flow from financing activities		**-513**	**-1,387**
Cash flow for the year excluding exchange-rate differences in cash and cash equivalents		**523**	**-790**
Cash and cash equivalents at the beginning of the year		**765**	**1,266**
Cash flow for the year		523	-790
Exchange-rate differences in cash and cash equivalents[2)]		-22	-3
Cash and cash equivalents at year-end		**1,266[3)]**	**473**

1) Repayment of loans comprising SEK 800 million (–). The remaining amount mainly consists of pension payments.
2) See Note 1 on page 60.
3) 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 987 million (1,281). Working capital reduced cash flow by SEK 328 million (neg: 73) and was primarily attributable to higher current receivables and lower current liabilities. Adjustments for non-cash items amounted to a negative SEK 30 million (pos: 95) as specified in the table below.

Adjustments for non-cash items

SEK m	2016	2017
Capital gains/losses on fixed assets	-9	-6
Provisions	99	-27
Other	5	3
Total	**95**	**-30**

Investments in fixed assets amounted to SEK 319 million (290).

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 706 million (1,031).

Parent Company

Parent Company income statement

SEK m	Note	2016	2017
Net sales		219	224
Administrative expenses	4, 6, 11, 25	-301	-267
Other operating income	8	4	5
Other operating expenses	9	-4	-9
Operating profit/loss		**-82**	**-47**
Profit/loss from participations in Group companies	12	-76	969
Financial income	12	21	7
Financial expenses	12	-22	-9
Profit/loss after financial items		**-159**	**920**
Tax on net profit for the year	13	-20	-31
Net profit/loss for the year		**-179**	**889**

Parent Company statement of comprehensive income

SEK m	Note	2016	2017
Net profit/loss for the year		-179	889
Other comprehensive income for the year		–	–
Comprehensive income for the year		**-179**	**889**

Parent Company cash-flow statement

SEK m	Note	2016	2017
Operating activities			
Operating profit/loss		-82	-47
Adjustments for non-cash items		-2	1
Dividends received	12	667	978
Interest received	12	21	7
Interest paid	12	-22	-9
Tax paid		-19	-4
Cash flow from operating activities before changes in working capital		**563**	**926**
Change in liabilities		440	-304
Change in receivables		-106	-17
Cash flow from operating activities		**897**	**605**
Investing activities			
Divestment of subsidiaries		–	84
Provisions for pensions		1	1
Cash flow from investing activities		**1**	**85**
Financing activities			
Dividends		-421	-505
Repayment of loan		–	-800
Cash flow from financing activities		**-421**	**-1,305**
Cash flow for the year		**477**	**-615**
Cash and cash equivalents at the beginning of the year		472	949
Cash flow for the year		**477**	**-615**
Cash and cash equivalents at year-end		**949**	**334**

Parent Company balance sheet

SEK m	Note	31 Dec 2016	31 Dec 2017
ASSETS			
Fixed assets			
Financial fixed assets			
Shares and participations in Group companies	16, 17	1,469	1,379
Deferred tax assets		0	5
Total fixed assets		**1,469**	**1,384**
Current assets			
Current receivables			
Accounts receivable		1	1
Receivables from Group companies		2,868	2,839
Other receivables	18	3	44
Prepaid expenses and accrued income	19	47	52
Cash and cash equivalents	20	949	334
Total current assets		**3,868**	**3,270**
Total assets		**5,337**	**4,654**
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		-391	-385
Profit brought forward		1,948	1,262
Net profit/loss for the year		-179	889
		1,430	**1,818**
Total shareholders' equity		**3,159**	**3,547**
Provisions			
Provisions for pensions	25	16	17
Deferred tax liabilities		0	5
Total provisions		**16**	**22**
Current liabilities			
Liabilities to credit institutions	28	800	–
Accounts payable		15	23
Liabilities to Group companies		1,276	956
Current tax liabilities		17	44
Other liabilities	18	10	42
Accrued expenses and deferred income	29	44	20
Total current liabilities		**2,162**	**1,085**
Total shareholders' equity, provisions and liabilities		**5,337**	**4,654**

1) The number of shares outstanding was 168,583,887 (168,473,468).

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 2016	**58**	**1,671**	**52**	**-402**	**2,376**	**3,755**
Net profit/loss for the year	–	–	–	–	-179	-179
Comprehensive income for the year	**–**	**–**	**–**	**–**	**-179**	**-179**
Dividend	–	–	–	–	-421	-421
Treasury shares, reissued	–	–	–	11	-11	–
Allocation of performance share plan	–	–	–	–	4	4
Shareholders' equity, 31 December 2016	**58**	**1,671**	**52**	**-391**	**1,769**	**3,159**
Opening balance, 1 January 2017	**58**	**1,671**	**52**	**-391**	**1,769**	**3,159**
Net profit/loss for the year	–	–	–	–	889	889
Comprehensive income for the year	**–**	**–**	**–**	**–**	**889**	**889**
Dividend	–	–	–	–	-505	-505
Treasury shares, reissued	–	–	–	6	-6	–
Allocation of performance share plan	–	–	–	–	4	4
Shareholders' equity, 31 December 2017	**58**	**1,671**	**52**	**-385**	**2,151**	**3,547**

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

Note 1 Significant accounting policies

Compliance with standards and legislation

Nobia's consolidated financial statements are prepared in accordance with International Financial reporting Standards, IFRS, as published 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 20 March 2018.

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 (at least once a year) performs impairment tests of goodwill in accordance with the accounting policies described under Note 14 Intangible assets on pages 76–77. 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. The carrying amount of goodwill amounted to SEK 2,361 million (2,359) on 31 December 2017.

– Deferred tax assets

The Group's loss carryforwards for which deferred tax assets have been capitalised have a carrying amount of SEK 0 million (0). 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. The Group's deferred tax assets amounted to SEK 118 million (176) on 31 December 2017.

– Defined-benefit pensions

The Group's defined-benefit pension plans are recognised according to common principles and calculation methods and are calculated by assessing future salary increases and inflation. The Group's pension liabilities amounted to SEK 567 million (955 including Poggenpohl) on 31 December 2017.

Consolidated cash-flow statement – correction of error

The January-December 2016 period has been restated to reflect the discovery of an error in the classification of translation effects of cash and cash equivalents in the cash-flow statement. These translation effects were historically recognised in financing activities on the line "Change in interest-bearing liabilities" but have been corrected and are now recognised as "Exchange-rate differences in cash and cash equivalents". Corrections for the January-December 2016 period on the line "Exchange-rate differences in cash and cash equivalents" amount to:

Before adjustment	After adjustment	Corrections
SEK 37 million	SEK -22 million	SEK -59 million

Changed accounting policies

The changed accounting policies applied by the Group from 1 January 2017 are described below. Other IFRS changes applied from 1 January 2017 did not have any material effect on the consolidated financial statements.

Amended IAS 7 Statement of Cash Flows was applied from 2017. Disclosures have been added to Note 36 whereby change in liabilities attributable to financing activities are reconciled with a specification including new loans, amortisation, changes associated with divestments/acquisitions of subsidiaries and currency effects. Disclosures are provided for both changes that affect cash flow and changes that do not affect cash flow. The amendment is applied prospectively, which is why no disclosures are presented for the comparative year.

New IFRSs that have not yet been applied

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

IFRS 9 Financial instruments

IFRS 9 is intended to replace IAS 39 Financial Instruments: Recognition and Measurement and contain rules on accounting, recognition and measurement, impairment, derecognition and general rules on hedge accounting.

Recognition and measurement: Financial assets classified at fair value through profit or loss, amortised cost or fair value through other comprehensive income on initial recognition.

Assessments of the classification of liability instruments are based on two criteria: (a) the company's business model for holding the financial asset and (b) the instrument's contractual cash flow characteristics.

Equity instruments are classified at fair value through profit or loss, except for when the company has decided to present the instruments at fair value through other comprehensive income.

The rules on the recognition and measurement of financial liabilities are largely unchanged compared with IAS 39.

Impairment: the requirement of identifying an occurred loss event has been removed and an expected loss impairment model has been introduced. For financial assets for which there is no significant increase in credit risk, a credit loss is to be reserved for the loss that is expected to

Note 1 continued

occur within 12 months ("loss allowance").

Hedge accounting: The rule permit companies to better reflect the company's risk-management activities in the financial statements and introduce less detailed rules for assessing the efficiency of hedges.

Transition

Nobia will begin to apply IFRS 9 from 1 January 2018 and during the current year performed a Group-wide review of Nobia's financial instruments and attributable business models to determine the effects of IFRS 9. Nobia believes that IFRS 9 will only entail an increase regarding expected credit losses on accounts receivable amounting to approximately SEK 5 million. In calculating expected credit losses, Nobia has taken into consideration historical bad debt losses and analysis of the respective customer segments, and observed the macroeconomic effects on customers' conditions such as the impact of Brexit on the local market.

As the transition method, Nobia has chosen to utilise the exception to not restate comparable information for previous periods regarding classification and measurement (including impairment). Differences in carrying amount attributable to financial assets and liabilities in connection with the introduction of IFRS 9 will be recognised in profit brought forward at 1 January 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 is a comprehensive standard for determining the amount of revenue to be recognised and when this revenue is to be recognised. It replaces IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

The new standard entails a new five-step model for recognising revenue that is based on when control of a good or service is passed to the customer. The core principle is that companies recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 introduces a five-step mode:

- Step 1 Identify the contract(s) with a customer
- Step 2 Identify the performance obligations in the contract
- Step 3 Determine the transaction price
- Step 4 Allocate the transaction price to the performance obligations in the contract
- Step 5 Recognise revenue when (or as) the entity satisfies a performance obligation

IFRS 15 also contains more guidance and extensive disclosure requirements.

Transition

Nobia will begin to apply IFRS 15 from 1 January 2018 and apply the introduction retrospectively. During the current year, it conducted a Group-wide review of Nobia's revenue streams according to the five-step model described above to assess the effects of IFRS 15. The primary conclusions from this review are described below.

Sale of goods

Under IAS 18, revenue on the sale of kitchens is currently recognised after the goods have been delivered to the customer, which is the date that the customer accepts the goods and the risks and rewards are passed to the customer. Revenue is recognised at this point given the income and expenses can be reliably calculated, it is probable that the financial benefits associated with the transaction will accrue to the company and that no commitment associated with the goods is retained.

Under IFRS 15, revenue is recognised at the point in time that control of the goods passes to the customer. Revenue recognition for certain project sales that include installations of kitchens will be affected by the new standard. In a few of Nobia's units, the revenue for goods was previously recognised when the installation was completed. From 2018, revenue for kitchen products will be recognised under IFRS 15 upon delivery and when control of the goods passes to the customer, and revenue for the installation will be recognised separately when it is completed. Altogether, this will result in revenue attributable to goods of this type of project sales being recognised slightly earlier in the future. The time between delivery and installation is very brief, however, since the deliveries are governed by customer orders. Additionally, this type of project sales occurs only by way of exception in the markets where Nobia is active; the effects of the transition will therefore be negligible.

Nobia plans to implement IFRS 15 retrospectively using what is known as the full retrospective method. The aggregate effect of the transition on revenue in the Group for 2017 has been estimated at approximately negative SEK 5 million, and on closing equity at approximately negative SEK 2 million, which is not deemed to be material in relation to the Group's total revenue of SEK 12,744 million for 2017. The reason for the reduced sales in 2017 is due to the revenue recognised in the first quarter of 2017, which should have been reported in 2016 according to IFRS 15, being greater than the revenue that will be recognised in the first quarter of 2018 but should have been recognised in 2017. The revenue for the 2017 fiscal year will not be restated for comparison with 2018, since the true and fair view, and thus the assessment of our investors, of Nobia's historical or future financial performance is not deemed to be impacted.

IFRS 16 Leases

IFRS 16 Leases will replace existing IFRSs related to recognising leases such as IAS 17 *Leases* and IFRIC 4 *Determining Whether an Arrangement Contains a Lease.* The Group plans to apply the standard from 1 January 2019.

IFRS 16 primarily affects lessees and the central effect is that all leases that are currently recognised as operating lease are to be recognised in a manner that resembles the current recognition of finance leases. This means that assets and liabilities also need to be recognised for operating leases, with the associated recognition of expenses for depreciation and interest – as opposed to today whereby leased assets and the related liabilities are not recognised and leasing fees are allocated as an expenses on a straight-line basis. There are exemptions for recognising right-of-use assets and lease liabilities for leases of a low value or a term of 12 months or less.

The Group has started to assess the potential effects of the standard but has not yet performed a more detailed analysis. The final effect of the introduction of IFRS 16 on the financial statements will depend on future financial circumstances, including the composition of the Group's lease portfolio at that time, the Group's most recent assessment of whether it will make use of any options to extend leases and the extent to which the Group will decide to use relaxation rules and exemptions from recognition in the balance sheet/statement of financial position.

The most significant effects identified to date are that the Group will need to recognise new assets and liabilities for its operating leases regarding stores, plants and warehouse premises. An indication of the scope under the current circumstances can be obtained from the disclosures on operating leases provided in Note 11. There is not expected to be any material effect on the Group's financial leases. The choice of transition method has not been made yet.

The Group does not expect the introduction of IFRS 16 to impact its ability to meet the loan agreements that the Group has.

Other new or amended IFRSs and interpretations

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.

Note 1 continued

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.

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. Transaction costs attributable to business combinations are expensed.

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 of subsidiaries 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, the previously acquired participations are remeasured according to the most recent acquisition and the arising gains or losses are recognised in profit or loss.

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.

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.

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 2016**	**31 Dec 2017**	**2016**	**2017**
DKK	1.29	1.32	1.27	1.29
EUR	9.57	9.85	9.47	9.63
GBP	1.18	11.10	11.57	10.99
NOK	1.05	1.00	1.02	1.03
USD	9.10	8.23	8.56	8.54

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 page 70 for a more detailed description of this divisions and a presentation of the operating segments.

Revenue recognition

Revenue for sales of goods is recognised in profit or loss when the materials risks and rewards associated with ownership of the goods have been transferred to the buyer, meaning in connection with delivery. In cases where installation services are provided, revenue for goods and installation is recognised when the service has been completed. Sales are recognised net after VAT, discounts and returns.

Revenue for various sales channel such as own stores, retailers, franchisees, construction companies and prefab home manufacturers is recognised according to the same principles.

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

Income tax for the year comprises current tax and deferred tax. Income tax is 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.

Note 1 continued

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 including changes in value 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.

In the third quarter of 2017, Nobia reclassified the two stores that were previously recognised as Discontinued operations and disposal groups held for sale in accordance with IFRS 5. At that time, Nobia made the assessment that the stores would not be sold within the next 12 months. Earnings for the January – December 2017 period are included in continuing operations and the balance-sheet items were recognised on the respective lines of the balance sheet from 30 September 2017.

Since Nobia has assessed the amounts as insignificant from the reader's perspective and given that earnings per share and cash flow were not impacted by the reclassification, the operations were not restated for the first to fourth quarters of 2016 and for the first to third quarters of 2017. Restatement would not generate a different understanding of the historical and future performance of the operations.

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 pages 76-77.

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 is essentially exposed to the risks and rewards of the asset, is classified as operating leases. 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 operating leases. 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

Note 1 continued

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. Changes in value of derivatives that are held for hedging internal balances are recognised as financial income and expenses.

– 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 operating profit for the year.

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.

Note 1 continued

– 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 share rights (matching and performance share rights). 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. The exercise price for the share rights corresponds to the value of future services calculated as remaining cost to recognise in accordance with IFRS 2.

Employee benefits

– Pensions

The Group has both defined-contribution and defined-benefit pension plans. In Sweden, the UK 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.

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

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

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

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

The rate in Sweden is determined based on mortgage bonds, while in the UK and Austria, 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 of 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 2017. 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

Note 1 continued

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 2017 and saving shares do not need to be purchased and retained. The vesting conditions are the same as the 2012–2015 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 of 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 2017 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 operating leases 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 DKK and EUR against the SEK. Total exposure in 2017, expressed in SEK and after offsetting counteracting flows, amounted to SEK 2,497 million (2,637), of which SEK 1,351 million (1,646) was hedged. At year-end 2017, the hedged volume amounted to SEK 746 million (754). 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 2017 would entail a decrease in shareholders' equity of SEK 461 million (decrease: 432) and a decrease in profit of SEK 87 million (decrease: 48). The sensitivity analysis is based on the assumption that all other factors (for example, interest) are unchanged. The same conditions were applied to 2016.

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 1,904 million (2,284). The credit quality of financial assets that have neither fallen due for payment nor are subject to impairment is high.

Financial exposure

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 9 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.

	2016		2017	
SEK m	Capital employed per currency	Interest-bearing loans and lease liabilities	Capital employed per currency	Interest-bearing loans and lease liabilities
SEK	195	925	-164	146
EUR	853	115	659	58
GBP	2,870	718	2,826	365
DKK	904	5	1,024	4
USD	-32	0	0	0
NOK	366	0	382	0
Other	26	0	0	0
Total	**5,182**	**1,763**[1]	**4,727**	**573**

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. Following the repayment of the loan from SEK Securities (Swedish Export Credit Corporation) of SEK 800 million, the company no longer has any loan liabilities.

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. The loan of SEK 800 million from AB SEK Securities (Swedish Export Credit Corporation), repaid when it fell due in May 2017. The company also had a syndicated loan facility of SEK 1,000 million with three banks since 2014. 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:

	2016		2017
Year of maturity, SEK m	**2017**	**2019**	**2019**
Loans and lines of credit	800	1,000	1,000
Of which, utilised	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 2 per cent (14). Nobia considers recognised shareholders' equity of SEK 4,154 million (3,419) 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 1,772 million (2,399).

Fixed-interest terms – borrowing	2016			2017		
Group, SEK m	0–3 months	two years	three years	0–3 months	two years	three years
SEK	800	–	–	–	–	–

Note 2 continued

Commercial exposure	2016 USD	2016 EUR	2016 NOK	2016 CHF	2016 GBP	2016 SEK	2016 DKK	2017 USD	2017 EUR	2017 NOK	2017 SEK	2017 DKK
Currency contracts on closing date												
Local currency	1	50	-167	0	-1	14	26	2	50	-175	20	35
Total, SEK m[1]	5	479	-175	0	-7	14	34	13	491	-176	20	46
Fair value, SEK m	0	1	-3	0	0	-1	0	0	4	5	4	0
Net flow calendar year												
Net flow, local currency	-3	-110[3]	706	2	7	323	-49	-7	-138[4]	392	-16	-142
Net flow, SEK m[2]	-29	-1,041[3]	720	18	80	323	-62	-68	-1331[4]	405	-16	-184
Hedged volume, SEK m[2]	10	-843	519	11	27	155	–	32	-905	328	-15	-72

1) Flows restated at closing-date rate, SEK.
2) Restated at average rate in 2016, 2017.
3) In addition, EUR 32 million pertains to flows against DKK, corresponding to SEK 307 million.
4) In addition, EUR 48 million pertains to flows against DKK, corresponding to SEK 467 million.

Sensitivity analysis Currencies[1] and interest rates[2]	2016 Change	2016 Impact on profit before tax, SEK m	2016 Impact on shareholders' equity[3], SEK m	2017 Change	2017 Impact on profit before tax, SEK m	2017 Impact on shareholders' equity[3], SEK m
EUR/SEK	5%	9.3	7.2	5%	14.2	11.1
SEK/NOK	5%	9.4	7.3	5%	8.9	7.0
EUR/GBP	5%	23.2	18.6	5%	24.5	19.6
NOK/DKK	5%	12.0	9.3	5%	12.0	9.4
SEK/DKK	5%	7.7	6.0	5%	11.3	8.8
Interest-rate level	100 points	2.0	1.6	100 points	–	–

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

Group, SEK m	Currency	2016 Nominal amount, original currency	2016 Total	2016 Within 1 month	2016 1–3 months	2016 3 months–1 year	2016 1–5 years	2016 5 years or longer	2017 Nominal amount, original currency	2017 Total	2017 Within 1 month	2017 1–3 months	2017 3 months–1 year	2017 1–5 years	2017 5 years or longer
Bank loans (IB)															
Bank loans	SEK	800	802	0	1	801	–	–	–	–	–	–	–	–	–
Other liabilities															
Forward agreements[1]	SEK		1	0	0	1	–	–		5	1	1	3	–	–
Forward agreements[1]	EUR		4	1	0	3	–	–		13	2	4	7	–	–
Forward agreements[1]	GBP		0	0	0	0	–	–		–	–	–	–	–	–
Forward agreements[1]	NOK		6	1	2	3	–	–		7	1	2	4	–	–
Forward agreements[1]	DKK		–	–	–	–	–	–		1	0	0	1	–	–
Forward agreements[1]	USD		1	0	0	1	–	–		0	0	0	0	–	–
Currency swaps[2]			9	9	–	–	–	–		17	17	–	–	–	–
Current account credit (IB)	SEK		–	–	–	–	–	–		–	–	–	–	–	–
Financial lease liabilities (IB)	DKK	4	5	–	–	3	2	–	3	4	–	–	3	1	–
Financial lease liabilities (IB)	GBP	0	3	0	0	2	1	–	0	1	0	0	0	1	–
Other liabilities (IB)	GBP	–	–	–	–	–	–	–	–	1	–	1	–	–	–
Accounts payable and other liabilities	SEK		1,509	1,146	255	82	26	–		1,467	1,089	243	105	30	–
Total			**2,340**	**1,157**	**258**	**896**	**29**	**–**		**1,516**	**1,110**	**251**	**123**	**32**	–
Interest-bearing liabilities (IB)			807							6					

1) The value of forward agreements is included in the item "Derivative instruments" in the balance sheet.
2) Recognised under other liabilities.

Note 2 continued

Age analysis, accounts receivable and other receivables

SEK m	2016 Gross	2016 Of which, impairment	2017 Gross	2017 Of which, impairment
Non-due accounts receivable	1,013	–	1,018	–
Past due accounts receivable 0–30 days	192	9	129	0
Past due accounts receivable >30 days–90 days	43	1	146	1
Past due accounts receivable >90 days–180 days	10	4	32	2
Past due accounts receivable >180 days–360 days	7	4	11	5
Past due accounts receivable >360 days	8	8	12	10
Total receivables	**1,273**	**26**	**1,348**	**18**

Deposit account for impairment of accounts receivable and other receivables

SEK m	2016	2017
Opening balance	49	26
Reversal of previously recognised impairment losses	-19	-7
Impairment for the year	7	15
Confirmed losses	0	-16
Translation differences	2	0
Acquisition of operations	–	–
Impairment reclassified to assets held for sale	-13	–
Closing balance	**26**	**18**

Based on historical data, the Group has made the assessment that no impairment of accounts receivable that have not fallen due is necessary as per the closing date. Credit quality is essentially deemed to be high for outstanding accounts receivable. There was no significant concentration of credit exposure on the closing date. The maximum exposure for credit risk is seen in the carrying amount in the statement of financial position for each financial asset. 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 2017 and 31 December 2016.

Offset agreements

2017 SEK m	Financial assets	Financial liabilities
Recognised amounts in statement of financial position	50	43
Amounts encompassed by netting	-43	-43
Amounts after netting	**7**	**0**

2016 SEK m	Financial assets	Financial liabilities
Recognised amounts in statement of financial position	13	21
Amounts encompassed by netting	-13	-13
Amounts after netting	**0**	**8**

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: Nordic region, UK region and Central Europe region.

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

Net sales and profit by region

	Nordic region		UK region		Central Europe region		Group-wide and eliminations		Group	
SEK m	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**
Net sales from external customers	5,987	6,515	6,122	5,710	539	519	–	–	12,648	12,744
Net sales from other regions	1	1	–	–	2	2	-3	-3	–	–
Total net sales	**5,988**	**6,516**	**6,122**	**5,710**	**541**	**521**	**-3**	**-3**	**12,648**	**12,744**
Depreciation/amortisation	-130	-131	-125	-119	-16	-17	-16	-18	-287	-285
Operating profit	**856**	**963**	**545**	**454**	**37**	**12**	**-140**	**-143**	**1,298**	**1,286**
Financial income									22	9
Financial expenses									-73	-45
Profit before tax and discontinued operations									**1,247**	**1,250**
Impairment	–	-2	0	–	–	–	–	–	0	-2

Total liabilities and assets per region

	Nordic region		UK region		Central Europe region		Group-wide and eliminations		Group	
SEK m	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**
Total operating assets	**1,857**	**1,919**	**2,728**	**2,769**	**440**	**226**	**1,709**	**1,769**[1]	**6,734**	**6,683**
Total operating assets include:										
Investments in fixed assets	116	135	109	116	54	20	11	48	290	319
Total operating liabilities	**1,176**	**1,206**	**1,105**	**945**	**365**	**109**	**176**	**192**[2]	**2,822**	**2,452**

1) Primarily comprises goodwill of SEK 1,480 million (1,480), consolidated surplus values on fixed assets of SEK 74 million (79) and fixed assets in the Parent Company of SEK 75 million (39). Elimination of internal receivables amounted to a negative SEK 21 million (neg: 23).
2) Elimination of internal liabilities amounted to a negative SEK -21 million (neg: 23).

Geographic areas, Group

	Income from external customers[1]		Fixed assets[2]	
SEK m	**2016**	**2017**	**2016**	**2017**
Sweden	1,517	1,678	304	325
Denmark	2,128	2,358	682	688
Norway	1,468	1,600	137	134
Finland	849	851	160	157
UK	6,106	5,714	2,233	2,208
France	9	0	–	–
Germany	61	51	–	–
Austria	426	411	353	365
Other countries	84	81	–	–
Total	**12,648**	**12,744**	**3,869**	**3,877**

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 of senior executives

	2016			2017		
SEK m	Salaries and other remuneration	Social security costs	Total	Salaries and other remuneration	Social security costs	Total
Total subsidiaries	2,569	551	**3,120**	2,345	505	**2,850**
– of which pension costs		223	**223**		220	**220**
Parent Company	69	30	**99**	54	30	**84**
– of which pension costs		13	**13**		13	**13**
Group[1]	2,638	581	**3,219**	2,399	535	**2,934**
– of which pension costs		236	**236**		233	**233**

1) Excludes costs for share-based remuneration.

Total costs for employee benefits

SEK m	2016	2017
Salaries and other remuneration	2,638	2,399
Social security costs	345	302
Pension costs – defined-contribution plans	184	184
Pension costs – defined-benefit plans	42	41
Costs for special employer's contributions and tax on returns from pension	10	8
Costs for the Performance Share Plan		
2013–2016	0	–
2014–2017	1	1
2015–2018	3	3
2016–2019	2	-2
2017–2020	–	3
Total costs for employees	**3,225**	**2,939**

Salaries and other remuneration for the Parent Company

SEK m	2016	2017
Senior executives[1]	19	18
Other employees	50	36
Total Parent Company[2]	**69**	**54**

1) In 2017, the number of individuals was 5 (5).
2) Excludes costs for share-based remuneration.

Salaries and other remuneration for subsidiaries

SEK m	2016	2017
Presidents of subsidiaries[1]	44	31
Other employees of subsidiaries	2,525	2,314
Total subsidiaries[2]	**2,569**	**2,345**

1) In 2017, the number of individuals was 16 (16).
2) Excludes costs for share-based remuneration.

Note 4 continued

Remuneration and other benefits, 2017 SEK m	Basic salary, Directors' fees	Variable remunera-tion	Other benefits	Pension costs	Share-based remunera-tion	Other remunera-tion	Total	Pension commitments
Chairman of the Board								
Tomas Billing	1.10	–	–	–	–	–	1.10	–
Board members								
Nora Førisdal Larssen (member of Audit Committee)	0.46	–	–	–	–	–	0.46	–
Lilian Fossum Biner (Chairman of Audit Committee)	0.51	–	–	–	–	–	0.51	–
Stefan Jacobsson	0.39	–	–	–	–	–	0.39	–
Fredrik Palmstierna until 6 April 2017	0.10	–	–	–	–	–	0.10	–
Thore Ohlsson (member of Audit Committee) until 6 April 2017	0.12	–	–	–	–	–	0.12	–
Ricard Wennerklint	0.39	–	–	–	–	–	0.39	–
Christina Ståhl	0.39	–	–	–	–	–	0.39	–
Jill Little from 6 April 2017	0.29	–	–	–	–	–	0.29	–
George Adams from 6 April 2017	0.29	–	–	–	–	–	0.29	–
President								
Morten Falkenberg	7.77	1.52	0.08	2.40	0.57	–	12.34	–
Other members of Group management1)	27.47	2.82	0.97	4.15	2.04	–	38.60	0.37
– of whom, from subsidiaries2)	17.58	2.00	0.79	2.09	1.48	–	24.85	–
Total	**39.28**	**4.34**	**1.05**	**6.55**	**2.61**	**–**	**54.98**	**0.37**

1) Number of individuals 12. 2) Number of individuals 8.

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 commitments
Chairman of the Board								
Tomas Billing	1.07	–	–	–	–	–	1.07	–
Board members								
Nora Førisdal Larssen	0.39	–	–	–	–	–	0.39	–
Lilian Fossum Biner (Chairman of Audit Committee)	0.46	–	–	–	–	–	0.46	–
Stefan Jacobsson	0.39	–	–	–	–	–	0.39	–
Fredrik Palmstierna	0.39	–	–	–	–	–	0.39	–
Thore Ohlsson (member of Audit Committee)	0.44	–	–	–	–	–	0.44	–
Ricard Wennerklint	0.39	–	–	–	–	–	0.39	–
Christina Ståhl	0.39	–	–	–	–	–	0.39	–
President								
Morten Falkenberg	7.77	2.13	0.16	2.34	1.05	–	13.45	–
Other members of Group management1)	27.57	4.18	0.99	4.68	2.62	–	40.04	0.30
– of whom, from subsidiaries2)	19.07	2.67	0.80	2.54	1.95	–	27.03	–
Total	**39.26**	**6.31**	**1.15**	**7.02**	**3.67**	**–**	**57.41**	**0.30**

1) Number of individuals 13. 2) Number of individuals 10.

The average number of employees and number of men and women among Board members and senior executives are described in Note 5, see page 74.

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 receive a fixed fee of SEK 390,000 per member and the Chairman receives SEK 1,100,000. In addition, the Chairman of the Audit Committee received SEK 125,000 and Committee members SEK 100,000. The Board received a total of SEK 4,043,750. Employee representatives receive a study and preparation fee of SEK 26,000 per person per year.

– President

In the 2017 fiscal year, the President received SEK 7,847,731 in salary and benefits, plus a variable salary portion related to results for 2017 of SEK 1,519,005. 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

Note 4 continued

salary means fixed annual salary. For 2017, the premium cost was SEK 2,384,040. 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 11 individuals (13) at the end of 2017, of whom four (four) are employed in the Parent Company, received salaries and benefits during the fiscal year amounting to SEK 28,440,714 plus variable salary portions based on the results for 2017 of SEK 2,815,472. 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 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 other senior executives following a resolution 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 98.

– 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.

– Performance Share Plans 2013–2018
At the 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 plan required an investment in Nobia shares corresponding to 25, 50, 75 or 100 per cent of the employee's monthly salary (gross). 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 three 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 4,315,707 in benefits during the 2017 fiscal year in connection with the matching of shares under the framework of the Performance Share Plan 2014, of which SEK 1,191,908 was a benefit for the President.

– Performance Share Plans 2016–2020
A resolution was made at the 2016 and 2017 Annual General Meetings 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 Plans entail that the maximum short-term variable remuneration for participants in 2016 and 2017 respectively 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 present and future 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 plans 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 11 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 Plans				
Plan	2013–2016	2014–2017	2015–2018	2016–2019	2017–2020
Vesting period	May 2013– April/May 2016	May 2014– April/May 2017	May 2015– April/May 2018	May 2016– April/May 2019	May 2017– April/May 2020
Performance targets	Accumulated earnings per share 2013–2014	Accumulated earnings per share 2014–2015	Accumulated earnings per share 2015–2016	Accumulated earnings per share 2016–2017	Accumulated earnings per share 2017–2018
Fair value per share right	SEK 33.30	SEK 53.50	SEK 82.60	SEK 73.60	SEK 84.60

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.

Note 4 continued

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

	Accumulated costs			2016[1]			2017[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
2013–2016	6	5	11	0	0	0	–	–	–
2014–2017	6	2	8	1	0	1	1	0	1
2015–2018	8	1	9	3	0	3	3	0	3
2016–2019	0	0	0	2	0	2	-2	0	-2
2017–2020	3	0	3	–	–	–	3	0	3
	23	**8**	**31**	**6**	**0**	**6**	**5**	**0**	**5**

1) Price on 31 December 2016 = SEK 84.85 per share
2) Price on 31 December 2017 = SEK 69.40 per share
3) See Note 1 on pages 60–66.

Changes in the number of outstanding share rights are as follows:

No. of share rights	2016	2017
As per 1 January	515,352	357,905
Allotted	279,170	276,879
Exercised	-192,163[1]	-110,419[1]
Forfeited	-244,454	-212,611
As per 31 December	**357,905**	**311,754**

1) Share price on exercise was SEK 91.65 per share (90.00 per share).

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

	No. of share rights	
Expiry date	2016	2017
April/May 2017	110,419	–
April/May 2018	117,549	110,219
April/May 2019	129,937	–
April/May 2020	–	201,535
	357,905	**311,754**

Of the outstanding share rights, 42,151 are matching shares and 269,603 are performance shares.

Note 5 Average number of employees

	2016		2017	
Subsidiaries in:	Average number of employees	Of whom, men	Average number of employees	Of whom, men
Sweden	736	520	769	538
Denmark	1,304	932	1,321	944
Norway	295	109	291	113
Finland	379	272	400	293
Germany	337	235	31	22
Austria	357	286	365	287
UK	3,036	2,257	2,945	2,198
France	5	4	0	0
USA	49	22	5	2
Switzerland	29	18	3	2
Netherlands	2	2	0	0
Japan	3	1	0	0
Total subsidiaries	**6,532**	**4,658**	**6,130**	**4,399**
Parent Company	41	18	48	18
Group	**6,573**	**4,676**	**6,178**	**4,417**

	2016		2017	
	Number on closing date	Of whom, men, %	Number on closing date	Of whom, men, %
Board members	63	84	63	81
President and other senior executives	103	86	94	83
Group	**166**	**86**	**157**	**82**

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

	2016		2017	
	Number on closing date	Of whom, men, %	Number on closing date	Of whom, men, %
Board members	11	64	11	55
President and other senior executives	13	85	11	82
Parent Company	**24**	**75**	**22**	**68**

Note 6 Remuneration to auditors

	Group		Parent Company	
SEK m	2016	2017	2016	2017
Deloitte AB				
Audit assignment	–	5	–	2
Audit activities other than audit assignment	–	0	–	0
Tax advice	–	0	–	0
Other assignments	–	0	–	0
KPMG				
Audit assignment	9	2	3	0
Audit activities other than audit assignment	1	1	1	1
Tax advice	1	1	0	0
Other assignments	5	1	5	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	2016	2017	2016	2017
Cost of goods sold	-141	-140	–	–
Selling expenses	-108	-102	0	-2
Administrative expenses	-38	-43	–	–
Total depreciation/ amortisation and impairment	**-287**	**-285**	**0**	**-2**

Note 8 Other operating income

	Group		Parent Company	
Group, SEK m	2016	2017	2016	2017
Gains attributable to sale of fixed assets	3	7	–	–
Exchange-rate gains from operating receivables/liabilities	119	103	4	5
Other	34	19	–	–
Total other operating income	**156**	**129**	**4**	**5**

Note 9 Other operating expenses

	Group		Parent Company	
SEK m	2016	2017	2016	2017
Exchange-rate losses from operating receivables/liabilities	-102	-104	-4	-9
Capital loss attributable to divestment of subsidiaries	–	–	–	–
Loss attributable to sale of fixed assets	0	-1	–	–
Other	-7	-1	–	–
Total other operating expenses	**-109**	**-106**	**-4**	**-9**

Note 10 Specification by type of costs

SEK m	2016	2017
Costs for goods and materials	-5,273	-5,141
Costs for remuneration of employees	-2,875	-2,878
Depreciation/amortisation and impairment (Note 7)	-287	-287
Freight costs	-562	-604
Operating lease costs, primarily stores	-535	-490
Other operating expenses	-1,974	-2,187
Total operating expenses	**-11,506**	**-11,587**

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	2016	2017	2016	2017
Expensed during the year	535	490	1	3
Falling due for payment within one year	481	432	0	1
Falling due for payment between one and five years	1,299	1,313	0	1
Falling due for payment later	610	57	0	0
Total	**2,390**	**1,802**	**0**	**2**

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	2016	2017	2016	2017
Falling due for payment within one year	64	49	–	–
Falling due for payment between one and five years	104	92	–	–
Falling due for payment later	2	3	–	–
Total	**170**	**144**	**–**	**–**

Note 12 Financial income and expenses

	Group		Parent Company	
SEK m	2016	2017	2016	2017
Profit from participations in Group companies				
Dividends	–	–	500	800
Group contributions received	–	–	167	178
Impairment of subsidiary shares	–	–	-743	-9
Financial income				
Interest income, current	2	3	5	6
Exchange-rate differences	20	6	16	1
Financial expenses				
Interest expense	-24	-9	-22	-9
Interest expense pertaining to pension liabilities	-34	-34	0	0
Exchange-rate differences	-15	-2	0	0
Total	**-51**	**-36**	**-77**	**967**

Note 13 Tax on net profit for the year

	Group		Parent Company	
SEK m	2016	2017	2016	2017
Current tax expenses for the period	-254	-246	-19	-31
Deferred tax	-15	-10	-1	0
Tax on net profit for the year	**-269**	**-256**	**-20**	**-31**

Reconciliation of effective tax

Parent Company, %	2016	2017
Tax rate in the Parent Company	22.0	22.0
Taxes attributable to earlier periods	–	0.0
Non-tax deductible income	0.0	–
Non-deductible costs	-105.6	0.5
Non-tax deductible dividend	69.2	-19.1
Utilisation of non-capitalised loss carryforwards	1.8	–
Other	0.0	–
Recognised effective tax	**-12.6**	**3.4**

The difference between the nominal and effective tax rates for the Parent Company primarily pertains to dividends.

Tax expense on net profit for the year for the Group comprised 20.5 per cent of profit before tax for continuing operations. In 2016, tax expense accounted for 21.6 per cent of profit before tax for continuing operations. On 1 January 2018, corporation tax in Norway was lowered from 24.0 per cent to 23.0 per cent. Nobia's deferred tax liabilities and assets from this country are thus recognised at the new tax rates as per 31 December 2017, with a marginal effect in the income statement and the balance sheet. The difference between recognised tax (20.5 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, %	2016	2017
Local tax rate in Sweden	22.0	22.0
Different local tax rates	-0.3	-0.7
Taxes attributable to earlier periods	-1.0	-1.4
Non-tax deductible income	-0.1	-0.2
Non-deductible costs	0.4	0.9
Changed tax rate	0.6	-0.1
Recognised effective tax	**21.6**	**20.5**

Note 26 on pages 84–85 explains the calculation of deferred tax assets and liabilities.

Note 14 Intangible assets

Goodwill, SEK m	2016	2017
Opening carrying amount	2,551	2,359
Impairment of discontinued operations	-58	–
Translation differences	-134	2
Closing carrying amount	**2,359**	**2,361**

Impairment of goodwill for the preceding 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 2017, recognised goodwill amounted to SEK 2,361 million (2,359). The carrying amount of goodwill is specified by cash-generating units as follows:

SEK m	2016	2017
Nobia UK	1,592	1,581
Nobia DK	329	339
Nobia SweNo	147	143
Other	291	298
Total	**2,359**	**2,361**

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 2017, the Group's weighted cost of capital before tax amounted to 10.6 per cent (11.3) and after tax to 8.7 per cent (9.2). In total, the utilised cost of capital after tax for 2017 is in the interval 8.1–9.5 per cent (8.5–10.1).

Testing of goodwill did not lead to any impairment in 2017.

Note 14 continued

Company management has made the assessment that reasonable changes in important assumptions/key variables will not lead to the calculated total recoverable amount of the units being lower than their total carrying amount.

Assumptions for calculating recoverable amounts:

Discount rate before tax, %

%	2016	2017
Nobia UK	12.2	11.4
Nobia DK	10.4	9.9
Nobia SweNo	11.4	10.7
Other	10.4–11.1	10.0–10.4

Other intangible assets

SEK m	2016	2017
Opening cost	468	339
Investments for the year	23	57
Sales and scrapping	-3	0
Reclassification	-82	6
Reclassification to assets held for sale	-67	–
Translation differences	0	4
Closing accumulated cost	**339**	**406**
Opening amortisation	322	213
Sales and scrapping	-2	0
Amortisation for the year	52	41
Amortisation for the year, discontinued operations	1	–
Reclassification	-98	–
Reclassification to assets held for sale	-67	–
Impairment of discontinued operations	2	–
Translation differences	3	3
Closing accumulated amortisation	**213**	**257**
Closing carrying amount	**126**	**149**
Of which:		
Software	97	117
Brands	20	15
Licences	6	15
Other	3	2
Closing carrying amount	**126**	**149**

Note 15 Tangible fixed assets

	Group	
Buildings, SEK m	**2016**	**2017**
Opening cost	1,710	1,357
Investments for the year	26	71
Sales and scrapping	-2	-76
Reclassification	12	6
Reclassification to assets held for sale	-375	–
Translation differences	-14	11
Closing cost including written-up amount	**1,357**	**1,369**
Opening depreciation and impairment	1,085	887
Sale and scrapping	-1	-61
Reclassification	-5	0
Reclassification to assets held for sale	-375	–
Depreciation for the year	61	66
Depreciation for the year, discontinued operations	12	–
Impairment of discontinued operations	110	–
Translation differences	0	8
Closing depreciation and impairment	**887**	**900**
Closing carrying amount	**470**	**469**
Closing accumulated depreciation	**882**	**898**

	Group	
Land and land improvements, SEK m	**2016**	**2017**
Opening cost	182	141
Investments for the year	3	3
Sales and scrapping	–	-9
Reclassification to assets held for sale	-46	–
Translation differences	2	2
Closing cost including written-up amount	**141**	**137**
Opening depreciation and impairment	28	25
Sales and scrapping	–	-6
Reclassification to assets held for sale	-46	–
Depreciation for the year	1	1
Impairment of discontinued operations	41	–
Translation differences	1	1
Closing depreciation and impairment	**25**	**21**
Closing carrying amount	**116**	**116**
Closing accumulated depreciation	**23**	**21**

	Group	
Investments in progress, SEK m	**2016**	**2017**
Opening balance	38	133
Investments initiated during the year	66	14
Investments completed during the year[1]	33	-37
Translation differences	-4	0
Closing carrying amount	**133**	**110**

1) Assets reclassified as other tangible fixed assets.

Note 15 continued

	Group	
Machinery and other technical equipment, SEK m	**2016**	**2017**
Opening cost	1,926	1,821
Investments for the year	64	61
Sales and scrapping	-38	-99
Reclassification	36	36
Reclassification to assets held for sale	-177	–
Translation differences	10	18
Closing cost including	**1,821**	**1,837**
Opening depreciation and impairment	1,361	1,380
Sales and scrapping	-35	-96
Reclassification	71	–
Reclassification to assets held for sale	-177	–
Depreciation for the year	107	97
Depreciation for the year, discontinued operations	5	–
Impairment	0	–
Impairment of discontinued operations	28	–
Translation differences	20	16
Closing depreciation and impairment	**1,380**	**1,397**
Closing carrying amount	**441**	**440**
Closing accumulated depreciation	**1,371**	**1390**

	Group	
Equipment, tools, fixtures and fittings, SEK m	**2016**	**2017**
Opening cost	1,147	949
Investments for the year	98	109
Sales and scrapping	-45	-54
Reclassification	68	13
Reclassification to assets held for sale	-348	–
Translation differences	29	8
Closing cost	**949**	**1,025**
Opening depreciation and impairment	815	743
Sales and scrapping	-31	-39
Reclassification	99	1
Reclassification to assets held for sale	-348	–
Depreciation for the year	66	80
Depreciation for the year, discontinued operations	20	–
Impairment	–	2
Impairment of discontinued operations	93	–
Translation differences	29	6
Closing depreciation and impairment	**743**	**793**
Closing carrying amount	**206**	**232**
Closing accumulated depreciation	**715**	**768**

	Group	
Advance payments for tangible fixed assets, SEK m	**2016**	**2017**
Opening balance	8	18
Expenses during the year	10	4
Reclassification	–	-22
Closing carrying amount	**18**	**0**

Impairment for the year for tangible fixed assets amounted to SEK 2 million (0) and no reversals of previous impairment took place during the year (0). Minor reclassifications were made during the year between classes of fixed assets and to other intangible assets.

Note 16 Financial fixed assets

	Group	
Other long-term receivables, SEK m	**2016**	**2017**
Deposits	27	28
Long-term loans to retailers	3	5
Other interest-bearing receivables	–	–
Other	1	6
Total	**31**	**39**

	Parent Company	
Shares and participations in Group companies, SEK m	**2016**	**2017**
Opening cost	2,084	1,469
Divestment	–	-93
Shareholders' contributions	123	–
Impairment of subsidiary shares	-743	–
Other changes	5	3
Closing cost	**1,469**	**1,379**

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 2016	Carrying amount 2017
Nobia Sverige AB	556060-1006	Stockholm	100	100	1,256	1,256
Nobia Norway AS		Trollåsen	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			
Invita 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		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			

Note 17 continued

	Corp. Reg. No.	Domicile	Share of equity, %	No. of shares	Carrying amount 2016	Carrying amount 2017
Lovene Dörr AB[1]	556038-1724	Stockholm	100			
Star Möbelwerk GmbH[1]		Herford	100			
Swedoor Bauelementevertrieb GmbH[1]		Herford	100			
Nobia Svenska Kök AB	556048-3256	Tidaholm	100	30,000	92	92
Poggenpohl Möbelwerke GmbH[3]		Herford	98.57		93	–
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					25	28
Total					**1,469**	**1379**

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) The company was divested in 2017.

Note 18 Derivative instruments

SEK m	Group Carrying amount 2017	Group Fair value 2017	Parent Company Carrying amount 2017	Parent Company Fair value 2017
Forward agreements, transaction exposure – assets	39	39	22	22
Forward agreements, transaction exposure – liabilities	-26	-26	-22	-22
Total	**13**	**13**	**0**	**0**

In addition to the forward agreements above, the company also has currency swaps at a carrying amount and fair value for assets of SEK 11 million (4) and liabilities of SEK 17 million (9), which are recognised under other assets and liabilities. Unrealised gains and losses totalling a net gain of SEK 7 million in shareholders' equity as per 31 December 2017 will be recognised in profit or loss at different times within 12 months of the closing date. For information about forward agreements, see Note 2 Financial risks on pages 67–69. The preceding year's unrealised gains and losses totalling a net profit of SEK 4 million were reversed in profit or loss in their entirety in 2017.

Note 19 Prepaid expenses and accrued income

SEK m	Group 2016	Group 2017	Parent Company 2016	Parent Company 2017
Prepaid rent	71	66	–	–
Bonus from suppliers	91	110	37	39
Accrued customer income	42	73	–	–
Prepaid bank charges	1	1	–	–
Insurance policies	13	38	1	1
Other	73	85	9	12
Total	**291**	**373**	**47**	**52**

Note 20 Cash and cash equivalents

SEK m	Group 2016	Group 2017	Parent Company 2016	Parent Company 2017
Cash and bank balances	1,005	473	949	334

Unutilised overdraft facilities, which are not included in cash and cash equivalents, totalled SEK 299 million (394) in the Group, and SEK 249 million (344) 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 2016	175,293,458	168,281,305
As per 31 December 2016	175,293,458	168,473,468
As per 31 December 2017	175,293,458	168,583,887

Bought-back own shares	2016	2017
Opening balance	7,012,153	6,819,990
Divestments for the year	-192,163	-110,419
Closing balance	**6,819,990**	**6,709,571**

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 6,709,571 treasury shares (6,819,990) on 31 December 2017. Divestments for the year pertained to allotment of shares for the Performance Share Plans 2014 (2013). 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 56 and 59.

SEK m	Translation reserve	Hedging reserve	Total
Opening balance, 1 January 2016	**-81**	**2**	**-79**
Exchange-rate differences attributable to translation of foreign operations	-172	–	-172
Cash-flow hedges before tax[1]	–	-8	-8
Tax attributable to change in hedging reserve for the year[2]	–	2	2
Closing balance, 31 December 2016	**-253**	**-4**	**-257**
Opening balance, 1 January 2017	**-253**	**-4**	**-257**
Exchange-rate differences attributable to translation of foreign operations	-18	–	-18
Cash-flow hedges before tax[1]	–	14	14
Tax attributable to change in hedging reserve for the year[2]	–	-3	-3
Closing balance, 31 December 2017	**-271**	**7**	**-264**

1) Reversal recognised in profit or loss of SEK 5 million (neg: 3). New provision amounts to SEK 9 million (neg: 5).
2) Reversal recognised in profit or loss of a negative SEK 1 million (pos: 1). New provision amounts to a negative SEK 2 million (pos: 1).

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.

	2016	2017
Profit attributable to Parent Company shareholders, SEK m	456	1,015
Profit from continuing operations, SEK m[1]	978	994
Loss from discontinued operations, SEK m[1]	-522	21
Weighted average number of outstanding ordinary shares before dilution	168,425,427	168,547,081
Earnings per share before dilution, SEK	2.71	6.02
Earnings per share before dilution from continuing operations, SEK	5.81	5.89
Loss per share before dilution from discontinued operations, SEK	-3.10	0.13

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 Performance Share Plans that were introduced in 2013, 2014, 2015, 2016 and 2017. Refer to Notes 4 and 21, on pages 71 and 80. Various circumstances may entail that the share rights do not lead to any dilution. If net profit for the year from continuing operations is negative, the share rights are not considered dilutive. Share rights are also 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.

Furthermore, the 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.

	2016	2017
Weighted average number of outstanding ordinary shares	168,425,427	168,547,081
Performance Share Plan 2013[1]	48,040	–
Performance Share Plan 2014[1]	102,563	36,806
Performance Share Plan 2015	65,309	97,906
Performance Share Plan 2016	22,957	–
Performance Share Plan 2017	–	20,304
Weighted average number of outstanding ordinary shares after dilution	168,664,296	168,702,097
Earnings per share after dilution, SEK	2.70	6.02
Earnings per share after dilution from continuing operations, SEK	5.80	5.89
Loss per share after dilution from discontinued operations, SEK	-3.10	0.13

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	877,686,872
Net profit for the year	889,324,386
Total SEK	**1,819,236,744**

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

Standard dividend of SEK 3.50 per share to be paid to shareholders	590,043,604.50
Extra dividend of SEK 3.50 per share to be paid to shareholders	590,043,604.50
To be carried forward	639,149,535
Total SEK	**1,819,236,744**

Note 25 Provisions for pensions

Defined-benefit pension plans, Group

	Group	
Provisions for pensions, SEK m	**2016**	**2017**
Defined-benefit pension plans	894	567

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.

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 2017 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 4.2 million (3.8). On 31 December 2017, 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 154 per cent (149 per cent on 31 December 2016). 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	**2016**	**2017**
Present value of funded obligations	3,115	2,894
Fair value of plan assets	-2,400	-2,531
	715	**363**
Present value of unfunded obligations	240	204
	955	**567**
Reclassification of liabilities attributable to assets held for sale	-61	–
Net debt in provisions for pensions	**894**	**567**

The net debt for defined-benefit plans amounting to SEK 567 million (894) is recognised in the "Provisions for pensions" item in the consolidated balance sheet. The net debt at year-end was as follows: UK 64 per cent, Sweden 26 per cent and Austria 10 per cent. In the preceding year, SEK 61 million was recognised on the row "Liabilities attributable to assets held for sale" for Poggenpohl in Germany.

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

	Defined-benefit commitments		Plan assets		Net debt	
	2016	**2017**	**2016**	**2017**	**2016**	**2017**
At beginning of the year	**3,027**	**3294**	**-2,295**	**-2,400**	**732**	**894**
Recognised in profit or loss						
Costs for service during current year	6	7	–	–	6	7
Interest expense (+)/income (-)	105	86	-71	-52	34	34
Costs for the year for discontinued operations	2	–	–		2	–
	113	**93**	**-71**	**-52**	**42**	**41**
Recognised in other comprehensive income						
Remeasurements						
Actuarial gains/losses due to						
– demographic assumptions	-27	-168	–	–	-27	-168
– financial assumptions	685	7	–	–	685	7
– experience-based adjustments	-50	9	–	–	-50	9
Return on plan assets excluding interest income	–	–	-296	-125	-296	-125
Exchange-rate differences	-287	-23	234	14	-53	-9
	321	**-175**	**-62**	**-111**	**259**	**-286**
Other						
Employer contributions	–	–	-69	-78	-69	-78
Benefits paid	-106	-114	97	110	-9	-4
	-106	**-114**	**28**	**32**	**-78**	**-82**
Reclassification of liabilities attributable to assets held for sale	-61	–	–	–	-61	–
At year-end	**3,294**	**3,098**	**-2,400**	**-2,531**	**894**	**567**

Note 25 continued

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

	Group	
SEK m	2016	2017
Cost of goods sold	1	1
Selling expenses	1	1
Administrative expenses	4	5
Net financial items	34	34
Costs for the year for discontinued operations	2	–
Total pension costs	**42**	**41**

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

SEK m	2016	2017
Interest income	71	52
Return on pension assets excluding interest income	296	125
Total actual return on plan assets	**367**	**177**

Plan assets comprise the following:

	2016		2017	
Group, SEK m	Listed price on an active market	Unlisted price	Listed price on an active market	Unlisted price
Cash and cash equivalents	29	–	33	–
High-quality corporate bonds	812	–	826	–
Mutual funds, Western Europe	329	–	169	–
Mutual funds, growth markets	40	–	34	–
Mutual funds, global	286	–	505	–
Hedge funds	201	–	203	–
Fixed-income funds, term 7–20 years	703	–	761	–
Total	**2,400**	**–**	**2,531**	**–**

Contributions to post-employment remuneration plans are expected to amount to SEK 70 million (76) for the 2018 fiscal year.

Principal actuarial assumptions:

	Group	
%	2016	2017
Discount rate:		
UK	2.7	2.6
Austria	1.6	1.6
Germany	1.8	–
Sweden	3.2	2.6
Future annual salary increases:		
UK	–	–
Austria	2.3	2.3
Germany	–	–
Sweden	2.5	2.5
Future annual pension increases:		
UK	3.1	2.9
Austria	–	–
Germany	1	–
Sweden	2.5	2.5

Life expectancy

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

	Group	
	2016	2017
On closing date		
Men	20,7–23,0	21,0–23,0
Women	24,3–25,0	23,7–25,0
20 years after closing date		
Men	23,8–25,3	22,8–24,2
Women	25,0–28,4	25,6–27,3

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)	-539	673
Expected mortality (1-year change)	82	-81
Future salary increase (1% change)	19	-14
Future increase in pension (1% change)	334	-285

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

	Group	
Pension costs, SEK m	2016	2017
Total costs for defined-benefit plans	42	41
Total costs for defined-contribution plans	184	184
Costs for special employer's contributions and tax on returns from pension	10	8
Total pension costs	**236**	**233**

Defined-benefit pension plans, Parent Company:

	Parent Company	
Provisions for pensions, SEK m	2016	2017
Provisions in accordance with Pension Obligations Vesting Act, FPG/PRI pensions[1]	28	33

1) According to IAS 19.

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

	Parent Company	
Defined-benefit plans, SEK m	2016	2017
Administrative expenses	2	2

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

	Parent Company	
Pension costs, SEK m	2016	2017
Total costs for defined-benefit plans	2	2
Total costs for defined-contribution plans	9	9
Costs for special employer's contributions and tax on returns from pension	2	2
Total pension costs	**13**	**13**

Parent Company pension liabilities are calculated at a discount rate of 2.6 per cent (3.2).

The assumptions are calculated on the basis of the salary levels applicable on the closing date. SEK 328,000, pertaining to defined-benefit pension plans in the Parent Company, is expected to be paid in 2018.

Note 26 Deferred tax

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

	2016			2017		
SEK m	Deferred tax assets	Deferred tax liabilities	Net	Deferred tax assets	Deferred tax liabilities	Net
Opening balance	241	133	108	176	84	92
Recognised in profit or loss	-22	-7	-15	-7	3	-10
Recognised in discontinued operations	-77	-35	-42	–	–	–
Remeasurements of defined-benefit pension plans	49	–	49	-46	–	-46
Changes in forward agreements	0	-2	2	1	4	-3
Recognised directly against shareholders' equity	-2	–	-2	-1	–	-1
Offset/Reclassification	0	0	0	-4	-4	0
Reclassification of assets/liabilities held for sale	-8	-6	-2	–	–	–
Translation differences	-5	1	-6	-1	2	-3
Closing balance	**176**	**84**	**92**	**118**	**89**	**29**

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 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
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
As per 1 January 2017	136	40	0	176
Recognised in profit or loss	-8	1	–	-7
Recognised in other comprehensive income	-46	1	–	-45
Recognised directly against shareholders' equity	–	-1	–	-1
Reclassification	1	-1	–	0
Offset	–	-4	–	-4
Translation differences	-1	0	–	-1
As per 31 December 2017	82	36	0	118

Deferred tax liabilities	Temporary differences in fixed assets	Other	Total
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
Reclassification of assets/liabilities held for sale	-1	-5	-6
Translation differences	1	0	1
As per 31 December 2016	58	26	84
As per 1 January 2017	58	26	84
Recognised in profit or loss	-3	6	3
Recognised in other comprehensive income	–	4	4
Offset	-4	–	-4
Translation differences	1	1	2
As per 31 December 2017	52	37	89

Note 26 continued

On 1 January 2018, corporation tax in Norway was lowered from 24.0 per cent to 23.0 per cent. Nobia's deferred taxes pertaining to Norway are recognised at the new tax rates as per 31 December 2017, with a marginal effect in the income statement and the balance sheet.

Deferred tax assets on loss carryforwards at year-end of SEK 0 million were attributable to Sweden.

The value of the loss carryforwards for which deferred tax assets have not been recognised does not arise (173) . 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 2017	**12**	**23**	**4**	**2**	**29**	**70**
Expensed in consolidated income statement						
– Additional provisions	3	3	0	–	4	10
– Reversed unutilised amounts	-2	–	–	-1	0	-3
Utilised during the year	-7	-10	0	0	-27	-44
Translation differences	0	0	0	0	-1	-1
As per 31 December 2017	**6**	**16**	**4**	**1**	**5**	**32**

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	**2016**	**2017**	**2016**	**2017**
Within 1 year	801	1	800	–
Between 1 and 5 years	–	–	–	–
Longer than 5 years	–	–	–	–
Total	**801**	**1**	**800**	**–**

Note 29 Accrued expenses and deferred income

	Group		Parent Company	
SEK m	**2016**	**2017**	**2016**	**2017**
Bonus to customers	105	134	–	–
Accrued salary-related costs	225	198	42	17
Accrued interest	1	–	1	–
Insurance policies	17	21	–	–
Rents	18	4	–	–
Other	199	216	1	3
Total	**565**	**573**	**44**	**20**

Note 30 Financial assets and liabilities

Group 2017, SEK m	Derivatives used in hedge accounting	Non-hedge-accounting derivative instruments	Financial instruments initially identified at fair value	Accounts and loans receivable	Interim items	Other liabilities	Total carrying amount[1]
Long-term interest-bearing receivables	–	–	–	5	–	–	5
Other long-term receivables	–	–	–	34	–	–	34
Accounts receivable	–	–	–	1,282	–	–	1,282
Current interest-bearing receivables	–	–	–	18	–	–	18
Other receivables	39	11	–	37	183	–	270
Total	**39**	**11**	**–**	**1,376**	**183**	**–**	**1,609**
Long-term interest-bearing liabilities	–		–	–	–	5	5
Current interest-bearing liabilities	–		–	–	–	1	1
Accounts payable	–		–	–	–	1,106	1,106
Other liabilities	26	17	–	–	353	361	757
Total	**26**	**17**	**–**	**–**	**353**	**1,473**	**1,869**

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

Note 30 continued

Group 2016, SEK m	Derivatives used in hedge accounting	Non-hedge-accounting derivative instruments	Financial instruments initially identified at fair value	Accounts and loans receivable	Interim items	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	4	–	3	133	–	149
Total	**9**	**4**	**–**	**1,275**	**133**	**–**	**1,421**
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	9	–	–	348	347	716
Total	**12**	**9**	**22**	**–**	**348**	**2,316**	**2,707**

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 negative SEK 1 million (pos: 17).

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

Parent Company 2017, SEK m	Derivatives used in hedge accounting	Non-hedge-accounting derivative instruments	Accounts and loans receivable	Other liabilities	Interim items	Total carrying amount[1)]
Accounts receivable	–	–	1	–	–	1
Other receivables	22	–	2,861	–	39	2,922
Total	**22**	**–**	**2,862**	**–**	**39**	**2,923**
Current interest-bearing liabilities	–	–	–	–	–	–
Current liabilities to Group companies	–	–	–	956	–	956
Accounts payable	–	–	–	23	–	23
Other liabilities	22	17	–	47	20	106
Total	**22**	**17**	**–**	**1,026**	**20**	**1,085**

Parent Company 2016, SEK m	Accounts and loans receivable	Non-hedge-accounting derivative instruments	Other liabilities	Interim items	Total carrying amount[1)]
Accounts receivable	1	–	–	–	1
Other receivables	2,871	–	–	37	2,908
Total	**2,872**	**–**	**–**	**37**	**2,909**
Long-term interest-bearing liabilities	–	–	800	–	800
Current liabilities to Group companies	–	–	1,276	–	1,276
Accounts payable	–	–	15	–	15
Other liabilities	–	9	18	44	71
Total	**–**	**9**	**2,109**	**44**	**2,162**

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 39 million (9) in assets and SEK 26 million (12) 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 88. 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	**2016**	**2017**	**2016**	**2017**
Floating charges	–	–	–	–
Endowment insurance	–	–	–	–
Property mortgage	–	–	–	–
Other assets	1	–	–	–
Total pledged assets	**1**	**–**	**–**	**–**

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

	Group		Parent Company	
SEK m	**2016**	**2017**	**2016**	**2017**
Securities for pension commitments	2	2	20	21
Other contingent liabilities	166	182	163	164
Total	**168**	**184**	**183**	**185**

Note 32 Discontinued operations

Poggenpohl's operations that were reported as discontinued operations in accordance with IFRS 5 from the fourth quarter of 2016 were sold in the first quarter of 2017.

At the start of 2017, Nobia held two stores that were acquired from franchisees, with the intention of subsequently selling them on, one store in Denmark and one store in Sweden. In the third quarter 2017, these stores were reclassified and are now recognised in continuing operations since Nobia deems they will not be sold within the next 12 months. The entire amount of net profit for the year is recognised in continuing operations, meaning that no profit for 2017 is recognised as discontinued operations for these two stores. Figures for 2016 have not been restated since the stores' sales and earnings have been deemed to be immaterial from the reader's perspective. Restatement would not generate a different understanding of the historical and future performance of the operations. For further information, refer to Note 1 on pages 60–66.

Profit/loss from discontinued operations

	Group	
SEK m	**2016**	**2017**
Profit/loss from business activities of discontinued operations		
Income	1,158	47
Expenses	-1,625	-81
Loss before tax	-467	-34
Tax	-56	1
Loss after tax	-523	-33
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	–	–
Loss from remeasurement after tax	0	–

	Group	
SEK m	**2016**	**2017**
Profit/loss in conjunction with divestment of discontinued operations		
Capital gain/loss attributable to divestment of discontinued operations	0	54
Tax attributable to aforementioned capital gains/losses	0	0
Profit from divestment after tax	0	54
Total profit/loss from discontinued operations after tax	**-523**	**21**
Earnings/loss per share from discontinued operations		
before dilution (SEK)	-3.10	0.13
after dilution (SEK)	-3.10	0.13

The gain from discontinued operations of SEK 21 million (loss: 523) was attributable to the Parent Company's owners.

Of the profit of SEK 994 million (978) from continuing operations, SEK 994 million (978) was attributable to the Parent Company's owners.

Net cash flow from discontinued operations	**2016**	**2017**
Cash flow from operating activities	93	-18
Cash flow from investing activities	-13	-90
Cash flow from financing activities[1]	-24	0
Net cash flow from discontinued operations	56	-108

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 the German group Adcuram. In connection with this, the net assets for Poggenpohl were 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 were previously recognised as Assets held for sale. In the third quarter of 2017, these stores were reclassified as continuing operations, refer also to Note 32 on page 87.

	Group	
SEK m	**2016**	**2017**
Assets held for sale		
Disposal group for sale:		
Tangible fixed assets	1	–
Inventories	68	–
Accounts receivable and other receivables	168	–
Deferred tax assets	8	–
Interest-bearing assets	261	–
Total	**506**	**–**
Liabilities attributable to assets held for sale		
Disposal group for sale:		
Accounts payable and other liabilities	261	–
Deferred tax liabilities	6	–
Interest-bearing liabilities	62	–
Total	**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. In the fourth quarter of 2017, SEK 22 million (GBP 2 million) was paid. The additional purchase consideration has been fully settled and no outstanding provisions remain.

Acquired net assets and goodwill, SEK m	2016	2017
Purchase consideration including acquisition costs	0	–
Additional purchase consideration	–	–
Fair value of acquired net assets	–	–
Goodwill	**0**	**–**

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

SEK m	2016	2017
Purchase consideration paid in cash	0	–
Cash and cash equivalents in acquired subsidiaries	–	–
Reduction in the Group's cash and cash equivalents in conjunction with acquisition	**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 pages 79–80. Remuneration was paid to senior executives during the year, refer to Note 4 on pages 71–74.

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	2017	–	51	216	978	2,839	956
Subsidiaries	2016	–	76	217	667	2,868	1,276

Note 36 Specifications for statement of cash flows

Cash and cash equivalents

SEK m	Group 2016	Group 2017	Parent Company 2016	Parent Company 2017
Cash and bank balances	1,005	473	949	334
Balance of Group account with the Parent Company	–	–	–	–
Short-term investments, equivalent to cash and cash equivalents	–	–	–	–
Total according to balance sheet	**1,005**	**473**	**949**	**334**
Less liabilities for overdraft facilities that can be immediately cancelled	–	–	–	–
Cash and bank balances included in assets held for sale	261	–	–	–
Total according to statement of cash flows	**1,266**	**473**	**949**	**334**

Short-term investments have been classified as cash and cash equivalents based on the following:

- They have an insignificant risk of fluctuations in value.
- They can be easily converted to cash funds.
- They have a term of a maximum of three months from the acquisition date.

Interest paid and dividends received

SEK m	Group 2016	Group 2017	Parent Company 2016	Parent Company 2017
Dividends received	–	–	667	978
Interest received	1	3	21	7
Interest paid	-21	-10	-22	-9

Divestment of subsidiaries and other business units

SEK m	Group 2016	Group 2017	Parent Company 2016	Parent Company 2017
Divested assets and liabilities				
Intangible fixed assets	–	–	–	–
Tangible fixed assets	–	–	–	–
Financial fixed assets	–	–	–	-172
Inventories	–	-71	–	–
Operating receivables	–	-167	–	–
Cash and cash equivalents	–	-251	–	–
Total assets	**–**	**-489**	**–**	**-172**
Long-term provisions	–	-61	–	–
Long-term interest-bearing liabilities	–	-2	–	–
Deferred tax liabilities	–	2	–	–
Short-term provisions	–	-1	–	–
Short-term operating liabilities including tax liabilities	–	-282	–	–
Total, provisions and liabilities	**–**	**-344**	**–**	**–**
Sales price:	–			
Purchase consideration received	–	165		165
Other transaction costs	–	-7		-7
Less: Cash and cash equivalents in divested operations	–	-251	–	–
Impact on cash and cash equivalents	–	-93	–	158

Reconciliation of liabilities deriving from financing activities

Group, SEK m	Closing balance 2016	Cash flows	Changes that do not impact cash flow: Acquisition of operations	Divestment of operations	New leases	Exchange-rate differences	Closing balance 2017
Overdraft facilities	–	–	–	–	–	–	–
Interest-bearing liabilities	807	-802	–	–	–	1	6
Lease liabilities	–	–	–	–	–	–	–
Total liabilities deriving from financing activities	807	-802	–	–	–	1	6

Reconciliation of liabilities deriving from financing activities

Parent Company, SEK m	Closing balance 2016	Cash flows	Changes that do not impact cash flow: Acquisition of operations	Divestment of operations	New leases	Exchange-rate differences	Closing balance 2017
Overdraft facilities	–	–	–	–	–	–	–
Interest-bearing liabilities	800	-800	–	–	–	–	–
Lease liabilities	–	–	–	–	–	–	–
Total liabilities deriving from financing activities	800	-800	–	–	–	–	–

Note 37 Events after the closing date

In January 2018, Nobia's Nomination Committee announced that the Chairman of the Board, Tomas Billing, had declined re-election. The Nomination Committee proposes that Hans Eckerström be elected the new Chairman of the Board. His current Board memberships include Nordstjernan and Thule Group.

In February 2018, Nobia announced that Erkka Lumme, Executive Vice President and Head of Commercial Finland, would leave Nobia in May 2018, and that Ralph Kobsik would take office as Executive Vice President and Head of Central Europe Region by June 2018 at the latest.

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 109–110.

	Jan–Dec	
Analysis of net sales Nordic region	**%**	**SEK m**
2016		5,987
Organic growth	8	451
Currency effect	1	77
2017	**9**	**6,515**

	Jan–Dec	
Analysis of net sales UK region	**%**	**SEK m**
2016		6,122
Organic growth	-2	-115
Currency effect	-5	-288
Sales to Hygena	0	-9
2017	**-6**	**5,710**

	Jan–Dec	
Analysis of net sales Central Europe region	**%**	**SEK m**
2016		539
Organic growth	-5	-28
Currency effect	2	8
2017	**-4**	**519**

	Jan–Dec				
Operating profit before depreciation and impairment, SEK m	**2013**	**2014**	**2015**	**2016**	**2017**
Operating profit	654	878	1,189	1,298	1,286
Depreciation/amortisation and impairment	390	326	297	287	287
Operating profit before depreciation/amortisation and impairment	**1,044**	**1,204**	**1,486**	**1,585**	**1,573**
Net sales	11,773	11,411	12,266	12,648	12,744
% of net sales	8.9%	10.6%	12.1%	12.5%	12.3%

	Jan–Dec				
Operating profit excluding items affecting comparability, SEK m	**2013**	**2014**	**2015**	**2016**	**2017**
Operating profit	654	878	1,189	1,298	1,286
Items affecting comparability	36	97	–	–	–
Operating profit excluding items affecting comparability	**690**	**975**	**1,189**	**1,298**	**1,286**
Net sales	11,773	11,411	12,266	12,648	12,744
% of net sales	5.9%	8.5%	9.7%	10.3%	10.1%

	Jan–Dec		
Profit after tax excluding items affecting comparability	**2015**	**2016**	**2017**
Loss after tax	828	455	1,015
Items affecting comparability net after tax	75[1)]	448[2)]	–
Profit after tax excluding items affecting comparability	**903**	**903**	**1,015**

1) Recognised on the row "Loss from discontinued operations, net after tax" and pertained to impairment of Poggenpohl in the US.
2) Recognised on the row "Loss from discontinued operations, net after tax" and pertained to impairment of Poggenpohl.

	31 Dec	
Net debt, SEK m	**2016**	**2017**
Provisions for pensions (IB)	894	567
Other long-term liabilities, interest-bearing (IB)	6	5
Current liabilities, interest-bearing (IB)	801	1
Interest-bearing liabilities recognised as liabilities attributable to assets held for sale (IB)	62	–
Interest-bearing liabilities	**1,763**	**573**
Long-term receivables, interest-bearing (IB)	-3	-5
Current receivables, interest-bearing (IB)	-1	-18
Interest-bearing assets recognised as assets held for sale (IB)	-261	–
Cash and cash equivalents (IB)	-1005	-473
Interest-bearing assets	**-1270**	**-496**
Net debt	**493**	**77**

	31 Dec	
Operating capital, SEK m	**2016**	**2017**
Total assets	**8,005**	**7,180**
Other provisions	-79	-40
Deferred tax liabilities	-84	-89
Current liabilities, non-interest-bearing	-2,393	-2,324
Liabilities attributable to assets held for sale, non-interest-bearing	-267	–
Non-interest-bearing liabilities	**-2,823**	**-2,453**
Capital employed	**5,182**	**4,727**
Interest-bearing assets	-1,009	-496
Interest-bearing assets recognised as assets held for sale (IB)	-261	–
Operating capital	**3,912**	**4,231**

	31 Dec	
Average operating capital, SEK m	**2016**	**2017**
OB Operating capital	4,596	3,912
OB Net operating assets discontinued operations	-535	22
CB Operating capital	3,912	4,231
CB Net operating assets discontinued operations	22	–
Average operating capital before adjustments of acquisitions and divestments	**3,998**	**4,083**
Adjustment for acquisitions and divestments not occurred in the middle of the period	0	–
Average operating capital	**3,998**	**4,083**

	31 Dec	
Average shareholders' equity SEK m	**2016**	**2017**
OB Equity attributable to Parent Company shareholders	3,818	3,415
CB Equity attributable to Parent Company shareholders	3,415	4,154
Average equity before adjustment of increases and decreases in capital	**3,617**	**3,785**
Adjustment for acquisitions and divestments not occurred in the middle of the period	-106	-127
Average shareholders' equity	**3,511**	**3,658**

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 10 April 2018.

Stockholm, 20 March 2018

Tomas Billing
Chairman

Nora Førisdal Larssen

Lilian Fossum Biner

Jill Little

Christina Ståhl

Stefan Jacobsson

Ricard Wennerklint

George Adams

Morten Falkenberg
President

Per Bergström
Employee representative

Marie Ströberg
Employee representative

Our audit report was submitted on 20 March 2018

Deloitte AB

Daniel de Paula
Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of Nobia AB (publ) corporate identity number 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 financial year 2017-01-01–2017-12-31. The annual accounts and consolidated accounts of the company are included on pages 40–92 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 2017 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 2017 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.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

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. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Other Disclosures

The audit of the report for the financial year 2016-01-01–2016-12-31 has been performed by another auditor, who has issued an auditor´s report dated 16 March 2017, with unqualified opinions in the "Report of annual accounts and consolidated accounts".

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.

Revenue Recognition

The group reported revenue of SEK 12,744 million as of 31 December 2017 which mainly consists of sales related to kitchens and kitchen equipment, and for some sales also installation services. Within the group revenue related to kitchens and pertaining products is recognized upon delivery of the goods to the customer, which is the point in time when the customer accepts the delivery, and risks and benefits are transferred to the customer. When installation services are included, normally for project sales, revenue related to goods is on some occasions recognized when the installation is completed.

We have identified this as a key audit matter since revenue has a significant impact on the financial reporting and consists of a large amount of transactions as well as are dependent on customer specific agreements, delivery terms and installation which affect the completeness and timing of recognized revenue.

For the groups principles on revenue recognition, refer to note 1 and note 3 regarding accounting of operating segments.

Our Audit Procedures

Our audit procedures included but where not limited to:

- evaluation of the company's accounting principles regarding revenue
- gained an understanding of the company's routines and evaluating internal controls regarding revenue recognition including IT-systems used
- review of a selection of transactions to ensure accurate revenue recognition in accordance with agreements and in the correct period
- review of marginal analysis' as well as analysis of revenue against previous years and budget
- review of the adoption of appropriate accounting principles and that the required disclosures are included in the annual report and consolidated accounts

Impairment Tests of Goodwill

As of 31 December 2017, the group reported goodwill of SEK 2,361 million. On a yearly basis, and when there is an indication of impairment, Nobia tests that the carrying value of assets does not exceed the calculated recoverable amounts for these assets. The recoverable amounts are determined using present value computation of future cash flows per cash generating unit based on the expected outcome of a number of assumptions based on management's business plan and forecasts.

We have identified this as a key audit matter as the company's goodwill is a material item in the balance sheet and the impairment test have considerable elements of management judgements which among others comprise of estimating future cash flows and calculate weighted average capital cost ("WACC").

For the group´s principles on impairment tests of intangible and tangible fixed assets refer to note 1 and for material assumptions used in this year's impairment tests refer to note 14.

Our Audit Procedures

Our audit procedures included but where not limited to:

- evaluation of the group's processes and principles for the preparation of impairment tests in accordance with IFRS
- evaluation of material assumptions as well as the sensitivity to change in these assumptions
- involving internal valuation expert, mostly related to assumptions on required return in relation to external markets
- review of the discounted future cash flow model for arithmetic accuracy
- examination of the completeness of the disclosures for impairment tests in the annual report and group consolidation.

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 1–39 and 102–113. 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 intends 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.

An additional description of our responsibility for the audit of the annual accounts and the consolidated accounts is on the Swedish Inspectorate of Auditors web page: www.revisorsinspektionen.se/revisornsansvar. This description is a part of the auditor's report.

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 financial year 2017-01-01 - 2017-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to 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.

An additional description of our responsibility for the audit of the annual accounts and the consolidated accounts is on the Swedish Inspectorate of Auditors web page: www.revisorsinspektionen.se/revisornsansvar. This description is a part of the auditor's report.

Deloitte AB, was appointed auditors of Nobia AB by the general meeting of the shareholders on the 2017-04-06 and has been the company's auditor since 2017-04-06.

Stockholm, 20 March 2018
Deloitte AB

Daniel de Paula
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 July 2005 and in 2017, 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 breaches 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.

2017 Annual General Meeting

The right of shareholders to make decisions concerning the affairs of Nobia is exercised at the Annual General Meeting (AGM). A notice convening the AGM is issued pursuant to the Swedish Companies Act and the company's Articles of Association. The 2017 AGM was held on 6 April at Lundqvist & Lindqvist Klara Strand Konferens, Klarabergsviadukten 90 in Stockholm. 144 shareholders participated at the 2017 AGM, representing 67 per cent of the capital and votes in Nobia. The Board of Directors, members of Group management and auditors were present at the Meeting. Board Chairman, Tomas Billing, was elected Chairman of the Meeting. In accordance with the Board's proposal, the AGM resolved on a dividend of SEK 3.00 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 AGM, and resolved on fees to the Board, Board Chairman, and the Chairman and members of the Audit Committee, and the Meeting also elected Board members, the Nomination Committee and auditors. Tomas Billing was re-elected Board Chairman. Jill Little and George Adams were elected new members of the Board. Fredrik Palmstierna and Thore Ohlsson declined re-election. All other Board members were re-elected. The AGM elected Deloitte AB as the company's new auditor, with Daniel de Paula as Auditor-in-Charge. KPMG had served as auditor for ten years. In accordance with the Board's proposal, the AGM 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 2018 AGM.

The complete minutes from the AGM are available on Nobia's website.

Individual shareholders wishing to have a specific matter addressed by the AGM can do so by submitting a request to Nobia's 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 AGM 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 2017, the share capital in Nobia AB amounted to SEK 58,430,237 divided between 175,293,458 shares (of which, Nobia held 6,709,571 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 106–107.

Nomination Committee

According to the instruction for Nobia's Nomination Committee adopted at the 2015 AGM, the members and Chairman of the Committee are to be elected at the AGM for the period until the conclusion of the following AGM. 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 AGM 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 AGM 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. The number of women on the Board amounts to four of the nine members elected at the AGM. 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 2017 AGM, the Nomination Committee comprised the following members prior to the 2018 AGM: Viveca Ax:son Johnson (Chairman) representing Nordstjernan, Torbjörn Magnusson representing If Skadeförsäkring, Lars Bergkvist representing Lannebo funds and Arne Lööw representing the Fourth Swedish National Pension Fund. The members of the Nomination Committee represent approximately 44 per cent of the shares and votes in the company. No remuneration is paid to the Committee members.

The Nomination Committee held three minuted meetings prior to the 2018 AGM. 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 2018 AGM are incorporated in the notice of the AGM, which was published on Nobia's website on 9 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.

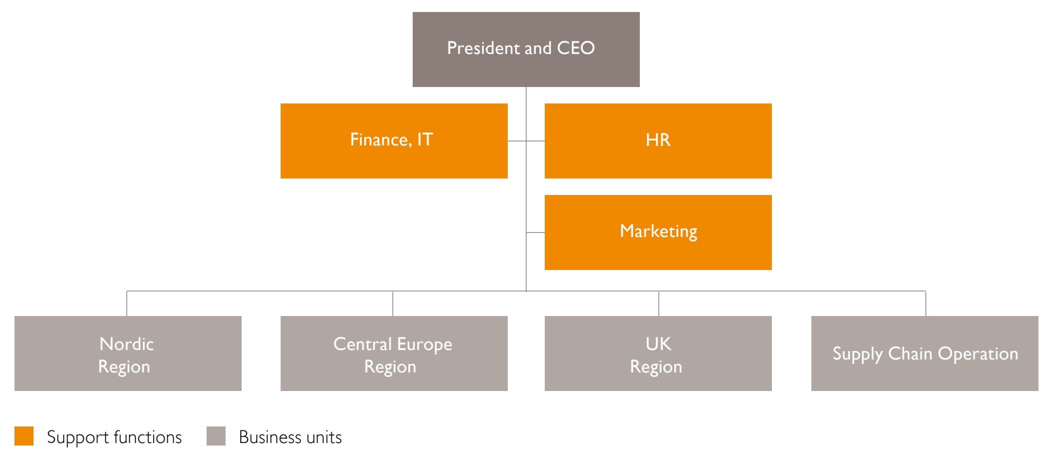
Work of the Board of Directors

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 2017 AGM 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 is 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 competence, experience and background of the Board members elected by the AGM. Efforts are made to achieve an even gender distribution. The number of women on the Board amounts to four of the nine members elected at the AGM, including the President, corresponding to 44 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 AGM are appointed. A maximum of one Board member elected by the AGM may work in company management or in the management of the company's subsidiaries. Furthermore, a majority of the Board members elected by the AGM 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 2018 AGM. This has been the case in earlier years, except for 2010 when the then President decided to retire. Other executives in the company participate at Board meetings to make presentations and to serve as secretary. The Board held eight scheduled meetings during the 2017 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 2017 was devoted to the new flat-pack kitchen concept in the Nordic region, omnichannel and digitisation and range and supply chain. The focus also remained targeted on organisational development, efficiency and growth. In parallel with aggressive investments, potential acquisitions

Nobia's organisation



for generating profitable growth were evaluated during the year. In the summer of 2017, the Board visited two Magnet kitchens stores in London and HTH's new omnichannel store in Copenhagen. The Board members are presented on pages 102–103. Attendance at Board meetings is shown in the table on page 98.

The work and composition of the Board were evaluated in 2017. One member of the Board submitted a number of questions 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. The Board also evaluated the Audit Committee. In 2017, the Group's CFO served as the Board of Directors' secretary.

Audit Committee

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 Committee is also to inform the Board of the results of the external audit and the manner in which the audit contributed to the reliability of the financial 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 Nora Førisdal Larssen. Former member Thore Ohlsson stepped down from the Audit Committee at the 2017 AGM since he declined re-election to the Board. 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 2017, the Audit Committee held four meetings and the auditors attended three of these meetings. Important matters during the year included follow-ups of targeted internal examinations, regulatory compliance, evaluations of financial reporting to the market including evaluation of the application of accounting policies and assessments in the accounts, 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 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 (in preparation for the audit of the annual accounts) 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 other assignments that have been performed by the audit firm.

In April 2017, 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 2017 was presented at the Board meeting in February 2018.

Board of Directors in 2017

		Board meetings, 8 meetings in total	Audit Committee, 4 meetings in total	Remuneration Committee, 3 meetings in total	Born	Board member since	Nationality	Independent
Tomas Billing	Chairman	7		3	1963	2015	Swedish	Not independent[1)]
Morten Falkenberg	President and CEO	8			1958	2011	Danish	Not independent[2)]
Lilian Fossum Biner	Board member	8	4		1962	2012	Swedish	Independent
Nora Førisdal Larssen	Board member	8	3		1965	2011	Norwegian	Not independent[1)]
Stefan Jacobsson	Board member	8			1952	2014	Swedish	Independent
Thore Ohlsson[3)]	Board member	1	1		1943	2007	Swedish	Independent
Fredrik Palmstierna[3)]	Board member	1			1946	2006	Swedish	Not independent[1)]
Ricard Wennerklint	Board member	8		3	1969	2014	Swedish	Not independent[1)]
Christina Ståhl	Board member	8			1970	2015	Swedish	Independent
Jill Little[4)]	Board member	7			1953	2017	British	Independent
George Adams[4)]	Board member	6			1956	2017	British	Independent
Per Bergström	Employee rep.	7			1960	2000	Swedish	
Marie Ströberg	Employee rep.	7			1973	2007	Swedish	
Moa Haraldsson[5,6)]	Employee rep.	0			1976	2011	Swedish	
Terese Asthede[5)]	Employee rep.	8			1971	2013	Swedish	
Susanna Levinsson[5,7)]	Employee rep.	1			1973	2017	Swedish	

1) In relation to major shareholders.
2) President.
3) Left the Board on 6 April 2017.
4) New Board member from 6 April 2017.
5) Deputy.
6) Left the Board on 4 October 2017.
7) New deputy from 4 October 2017.

Remuneration Committee
The Board appoints a Remuneration Committee from within its ranks, which for the period from the 2017 AGM until the 2018 AGM comprised Tomas Billing (Board Chairman), and Ricard Wennerklint. Former member Fredrik Palmstierna stepped down from the Remuneration Committee at the 2017 AGM since he declined re-election to the Board. 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 AGM 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 AGM'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 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. The variable salary portion is normally divided between several targets, for example, the Group's earnings, earnings in the business unit for which the manager is responsible and individual/quantitative targets. The variable salary portion is based on an earnings period of one year. The targets for the President are determined by the Board. The targets for the other senior executives are established by the President following recommendations by the Board's Remuneration Committee. Nobia has implemented long-term share-based remuneration schemes since 2005, following decisions by each year's AGM. The Performance Share Plans are described in more detail in the Financial overview of the Board of Directors' Report on pages 43–45. The remuneration and benefits of senior executives are described in Note 4 on pages 71–74.

Group management
The President and Group management, see pages 104–105, 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.

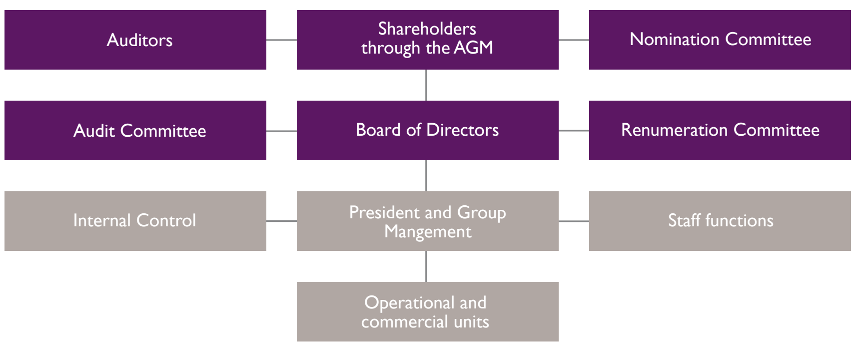
Auditors
Deloitte AB was elected as the company's auditor at the 2017 AGM for a mandate period of one year until the conclusion of the 2018 AGM. The Auditor-in-Charge is Authorised Public Accountant Daniel de Paula. Deloitte AB took over after KPMG AB who had served as Nobia's auditor since 2007. The Nomination Committee's proposals for auditing firm and Auditor-in-Charge prior to the 2018 AGM were presented in the notice of the AGM, which was published on Nobia's website on 9 March. The interaction of the auditors with the Board is described above. Nobia's purchases of services from Deloitte, in addition to audit assignments, are described in Note 6 on page 75.

The Board's description of internal control and risk management systems regarding the financial reporting for the 2017 fiscal year
The Board of Directors is responsible for 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 the Audit Committee, internal policies, guidelines, manuals, codes and checklists
- Nobia's Financial & Accounting Manual
- Risk Management Process

Overview of governance at Nobia



Control environments and governing documents
The structure of Nobia is organised so that the first stage of the value chain, purchasing, production and logistics have a Group-wide management function. 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, authorities and responsibilities, 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.

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, policies 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 46–48.

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.

Framework for financial reporting
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. Audits were conducted in Magnet, Gower, Rixonway and Commodore/CIE during 2017.

Monitoring by the Board
The outcomes of the Group's risk assessment and risk management processes are 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 online 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 annual meeting of shareholders of Nobia AB, Corp. Reg. No. 556528-2752

Assignment and responsibilities
The Board of Directors is responsible for ensuring that the corporate governance statement for 2017 on pages 96–101 has been prepared in accordance with the Annual Accounts Act.

Focus and scope of examination
Our examination of the corporate governance statement is 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 a sufficient basis for our opinions.

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

Stockholm, 20 March 2018

Deloitte AB

Daniel de Paula
Authorised Public Accountant

Board of Directors








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

2 Morten Falkenberg
Born 1958. B.Sc. Business Administration. CEO and President of Nobia. Board member since 2011.
Board assignments: Board member of Velux Group and Fagerhult.
Previous positions: Executive Vice President and Head of floor care and small appliances at Electrolux, senior positions in TDC Mobile and the Coca-Cola Company.
Holding in Nobia: 602,335 shares, private and in occupational pension.

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

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

5 Ricard Wennerklint
Born 1969. Deputy CEO of IF P&C Insurance, Group Executive Vice President Sampo Group. Board member since 2014. Dependent in relation to major shareholder.
Board assignments: Board member of Topdanmark.
Previous positions: CFO If Skadeförsäkring.
Holding in Nobia: 15,000 shares.

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

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

8 Jill Little
Born 1953. GMP Cranfield Business School and AMP Insead. Board member since 2017. Independent.
Board assignments: Board member in Shaftesbury, Joules, National Trust Enterprises and National Trust Renewable Energy.
Previous positions: Senior positions at John Lewis and advisor to El Corte Inglés.
Holding in Nobia: –

9 **George Adams**
Born 1956. BA (Hons): Politics, Philosophy & Economics, Oxford University. Director of Stiga. Board member since 2017. Independent.
Board assignments: Chairman in FFX Tools. Board member in ScS.
Previous positions: Senior positions in Kingfisher. President of the European DIY Retailers Association.
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 **Susanna Levinsson**
Born 1973. Deputy Board member. Employee representative since 2017. Employed at Nobia Production Sweden since 2004.
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
Deloitte AB

Auditor-in-charge
Daniel de Paula
Authorised Public Accountant

Other audit assignments:
Permobil and Poolia

Group management

1 Morten Falkenberg
President and CEO
Born 1958.
B.Sc. Business Administration.
Employed at Nobia since 2010.
Previous positions: Executive Vice President and Head of floor care and small appliances at Electrolux, senior positions in TDC Mobile and the Coca-Cola Company.
Holding in Nobia: 602,335 shares, private and in occupational pension.

2 Kristoffer Ljungfelt
CFO
Born 1977.
Employed at Nobia since 2013.
Previous positions: CFO Nordic region in Nobia. Finance Director in Nobia Norway and Business area Director in Sigdal Kjøkken. Experience from senior finance positions at Electrolux.
Holding in Nobia: 7,634 shares.

3 Ola Carlsson
Executive Vice President, Chief Product Supply Officer
Born 1965.
Employed at Nobia since 2017.
Previous positions: Group Vice President Global Operations at Munters and Chief Operations Officer at Electrolux Small Appliances.
Holding in Nobia: 28,300 shares.

4 Peter Kane
Executive Vice President, UK Region and Head of Magnet
Born 1965.
Employed at Magnet since 1984.
Previous positions: Management positions at Magnet.
Holding in Nobia: 55,718 shares.

5 Rune Stephansen
Executive Vice President and Head of Commercial Denmark
Born 1965.
Employed at Nobia since 2009.
Previous positions: Leading positions at Marbodal, Kvik, Sportex, Rusta, Ikea and Jysk.
Holding in Nobia: 18,112 shares.

6 Annica Hagen
Executive Vice President, Head of Commercial Sweden
Born 1977.
Employed at Nobia since 2014.
Previous positions: Senior positions in innovation and marketing at Electrolux and Pernod Ricard.
Holding in Nobia: 5,610 shares.

7 Ole Dalsbø
Executive Vice President and Head of Commercial Norway
Born 1966.
Employed at Nobia since 2004.
Previous positions: Leading positions in Nobia Norway, Norema and Sigdal Kjøkken.
Holding in Nobia: 17,442 shares.

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

9

10

11

12

9 Christian Rösler
Executive Vice President, Central Europe Region and Head of Ewe/FM
Born 1967.
Employed at Nobia since 2007.
Previous positions: Management positions at Ikea Austria.
Holding in Nobia: 1,209 shares.

10 Kim Lindqvist
Executive Vice President, Chief Marketing Officer
Born 1974.
Employed at Nobia since 2012.
Previous positions: Senior positions in marketing and innovation at Electrolux.
Holding in Nobia: 14,752 shares.

11 Thomas Myringer
Executive Vice President, HR Director
Born 1960.
Employed at Nobia since 2003.
Previous positions: Senior HR positions in the Skanska Group.
Holding in Nobia: 24,058 shares.

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

The Nobia share and shareholders

The Nobia share is listed on Nasdaq Stockholm, is assigned to the Consumer Goods sector and traded on the Large Cap list. In 2017, the share noted a decline of 18 per cent. Market capitalisation at the end of the year amounted to approximately SEK 12 billion.

Share data
Listing: Nasdaq Stockholm, Large Cap
Ticker: NOBI
Sector: Consumer Goods
ISIN code: SE0000949331

Analysts that follow Nobia

Company	Analyst
ABG Sundal Collier	Ludvig Kapanen
Carnegie	Kenneth Toll Johansson
DNB Markets	Mattias Holmberg
Handelsbanken	Marcela Klang, Rasmus Engberg
Nordea	Predrag Savinovic
SEB	Johan Dahl

Listing and turnover
The Nobia share has been listed on Nasdaq Stockholm since 2002, where the share is included in the Consumer Goods Sector. The majority of trading in the share occurs on Nasdaq Stockholm, although the share is also traded in other market places, including Cboe CXE and Cboe BXE.

During 2017, a total of 85.9 million (96.6) Nobia shares were traded on Nasdaq Stockholm at a value of SEK 7.0 million (7.9). The average turnover per day was approximately 342,000 shares (382,000), corresponding to a value of SEK 28.0 million (31.1). The Nobia share's liquidity, measured as rate of turnover, totalled 48 per cent (54). The average rate of turnover on the Stockholm exchange was also 48 per cent (69).

Share performance
The share had a weaker performance than the stock exchange as a whole in 2017. The share price declined 18 per cent, compared with the Stockholm exchange in total, which rose 6 per cent in the same period. During the year, the OMX Stockholm Consumer Goods PI index increased 11 per cent.

Closing price for the Nobia share in 2017 was SEK 69.40, corresponding to market capitalisation of approximately SEK 12.2 billion. The highest closing price for the Nobia share in 2017 was SEK 99.45 on 28 April. The lowest closing price during the year was SEK 66.05 on 23 November.

Share capital
On 31 December 2017, 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.

Dividend policy
Nobia's dividend policy 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.

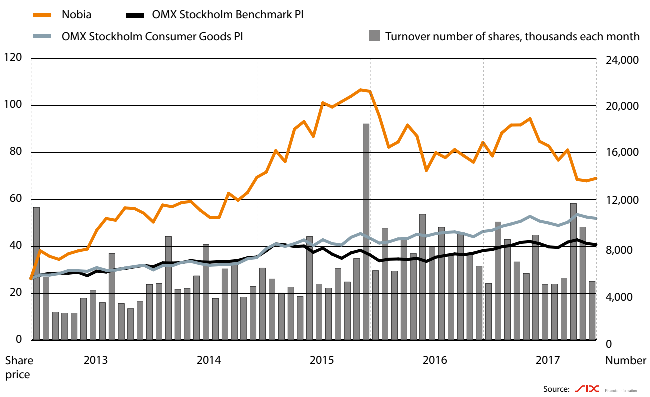
Proposed dividend
For 2017, the Board of Directors proposes an ordinary dividend of SEK 3.50 per share (3.00), and an extra dividend of SEK 3.50 per share (–). In total, the proposed dividend corresponds to 116 per cent of net profit for the year after tax. The Board's proposal entails a total dividend of approximately SEK 1,180 million.

Treasury shares
In 2017, Nobia transferred 110,419 shares. The purpose of the transfer was to deliver shares under a Performance Share Plan resolved on by the 2014 Annual General Meeting, as described on page 73. At the end of the year, Nobia had 6,709,571 treasury shares, corresponding to 3.8 per cent of the total number of shares issued.

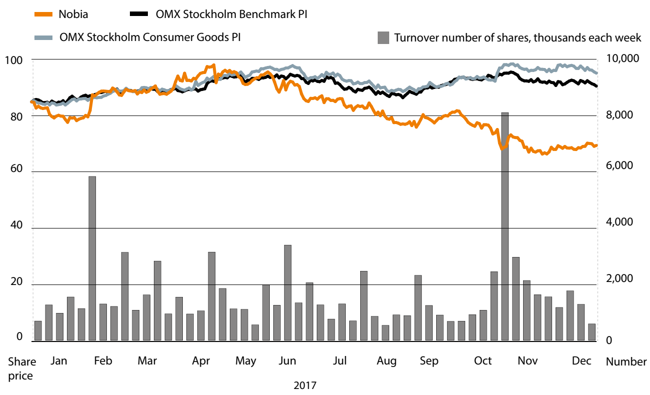
Proposal to cancel treasury shares
The Board proposes that authorisation is obtained to cancel 5,000,000 treasury shares, corresponding to the number of shares that are not required to fulfil the 2015-2018 Performance Share Plans. If the proposal is approved and implemented, the total number of shares will be reduced to 170,293,458.

Ownership structure
At year-end, Nobia had 8,182 shareholders (7,562). At the same time, Swedish legal entities owned 71 per cent (78) of the share capital. Swedish ownership was 75 per cent (81), while foreign ownership amounted to 25 per cent (19). The largest

Share price diagram 2013–2017



Share price diagram 2017



foreign shareholdings were in the US and the UK.

Nobia's five largest shareholders at year-end – Nordstjernan, If Skadeförsäkring, the Fourth Swedish National Pension Fund, Lannebo funds and Swedbank Robur funds – owned a total of 49.5 per cent (51.2) of all of the shares. The ten largest shareholders owned 61.6 per cent (65.8) of the shares.

Shareholdings among persons in senior positions

At the time of the publication of this Annual Report, Group management owned, directly and indirectly, 775,170 shares in Nobia (692,671). On the same date, Nobia's Board members excluding the President, had total direct and indirect holdings of 221,779 shares (662,779).

Financial information

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 +44 8-440 16 07 or e-mail: lena.schattauer@nobia.com.

Financial calendar 2018

10 April	Annual General Meeting
27 April	Interim report Jan–Mar 2018
20 July	Interim report Jan–Jun 2018
26 October	Interim report Jan–Sep 2018

Ownership structure, 31 December 2017

	Number of shareholders	Percentage of shareholders, %	No. of shares	Percentage of capital, %
1–500	5,391	65.9	826,715	0.5
501–1 000	1,161	14.2	966,524	0.6
1,001–5,000	1,109	13.6	2,547,822	1.4
5,001–10,000	176	2.1	1,306,355	0.7
10,001–15,000	51	0.6	653,662	0.4
15,001–20,000	44	0.5	760,309	0.4
20,001–	250	3.1	168,232,071	96.0
Total	**8,182**	**100**	**175,293,458**	**100**

Ten largest owners, 31 December 2017

Shareholder	No. of shares	Percentage of capital, %
Nordstjernan	37,652,843	21.5
If Skadeförsäkring	17,700,000	10.1
Fourth Swedish National Pension Fund	11,735,434	6.7
Lannebo funds	10,152,431	5.8
Swedbank Robur funds	9,514,852	5.4
Handelsbanken funds	6,734,591	3.8
Investmentaktiebolaget Latour	4,649,894	2.6
Norges Bank	3,989,563	2.3
AMF Insurance and funds	3,485,227	2.0
Didner & Gerge funds	2,490,000	1.4

Source: Euroclear Sweden.

At year-end, Nobia held 6,709,571 treasury shares, corresponding to 3.8 per cent of the total number of shares issued.

Data per share

	2013	2014	2015	2016	2017
No. of shares at year-end (millions)	175.3	175.3	175.3	175.3	175.3
No. of shares at year-end, excluding treasury shares after dilution (millions)	167.3	167.5	168.7	168.7	168.7
Average no. of shares at year-end, excluding treasury shares after dilution (millions)	167.3	167.3	168.5	168.7	168.7
Share price at year-end, SEK	54.50	69.75	106.00	84.85	69.40
Earnings/loss per share after dilution, SEK	2.10	-0.17	4.92	2.70	6.02
Shareholders' equity per share, SEK	19	19	23	20	25
Dividend per share, SEK	1.00	1.75	2.50	3.00	7.00[1]
P/E ratio, multiple	26	–	22	31	12
Direct yield, %	1.8	2.5	2.4	3.5	10.0
Share of dividend, %	48	–	51	111	116

1) Proposed dividend.

Five year overview

MSEK	2013	2014[1]	2015[2]	2016	2017
Income statement					
Net sales	11,773	11,411	12,266	12,648	12,744
Change in per cent	-5	7	17	3	1
Gross profit	4,824	4,617	4,906	4,933	5,014
Operating profit/loss	654	878	1,189	1,298	1,286
Financial income	13	12	34	22	9
Financial expenses	-107	-90	-91	-73	-45
Profit/loss after financial items	**560**	**800**	**1,132**	**1,247**	**1,250**
Tax on net profit for the year	-195	-205	-263	-269	-256
Profit/loss for continuing operations	365	595	869	978	994
Profit/loss from discontinued operations, net after tax	-15	-622	-41	-523	21
Net profit/loss for the year	**350**	**-27**	**828**	**455**	**1 015**
Net profit for the year attributable to:					
Parent Company shareholders	351	-28	829	456	1 015
Non-controlling interests	-1	1	-1	-1	0
Net profit/loss for the year	**350**	**-27**	**828**	**455**	**1 015**
Balance sheet					
Fixed assets	4,670	4,446	4,697	4,076	4,034
Inventories	849	853	934	857	908
Current receivables	1,373	1,494	1,665	1,561	1,765
Cash and cash equivalents	278	470	765	1,005	473
Assets held for sale	15	592	8	506	–
Total assets	**7,185**	**7,855**	**8,069**	**8,005**	**7,180**
Shareholders' equity	3,154	3,191	3,818	3,415	4,154
Non-controlling interests	4	5	4	4	–
Non-interest-bearing liabilities	2,563	2,615	2,697	2,556	2,453
Interest-bearing liabilities	1,462	1,684	1,547	1,701	573
Liabilities attributable to assets held for sale	2	360	3	329	–
Total shareholders' equity and liabilities	**7,185**	**7,855**	**8,069**	**8,005**	**7,180**
Net debt including pensions	1,176	1,206	774	493	77
Capital employed	4,620	4,880	5,369	5,182	4,727
Operating capital	4,334	4,402	4,596	3,912	4,231
Performance measures					
Gross margin, %	41.0	40.5	40.0	39.0	39.3
Operating margin, %	5.6	7.7	9.7	10.3	10.1
Operating profit before depreciation/amortisation and impairment (EBITDA)	1,044	1,204	1,486	1,585	1,573
Operating margin before depreciation/amortisation and impairment, %	8.9	10.6	12.1	12.5	12.3
Profit/loss after financial items as a percentage of net sales	4.8	7.0	9.2	9.9	9.8
Turnover rate of capital employed, multiple	2.5	2.5	3.0	3.2	3.0
Return on capital employed, %	14.6	–	–	–	–
Return on operating capital, %	15.1	23.2	32.2	32.5	31.5
Return on shareholders' equity, %	12.0	-0.9	24.1	13.0	27.8
Debt/equity ratio, %	37	38	20	14	2
Equity/assets ratio, %	44	41	47	43	58
Cash flow from operating activities	831	1,033	1,145	1,281	987
Investments	251	316	410	290	319
Earnings per share after dilution effects	2.10	-0.17	4.92	2.70	6.02
Dividend per share, SEK	1.00	1.75	2.50	3.00	7.00[3]
Personnel					
Average number of employees	6,690	6,636	6,473	6,573	6,178
Net sales per employee, SEK 000s	1,799	1,829	2,027	2,121	2,094
Personnel expenses	2,822	3,001	3,242	3,225	2,939

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).	

Summary sustainability indicators

About the Sustainability Report
Nobia has prepared a Sustainability Report in accordance with the Global Reporting Initiative (GRI) since 2012. The last report was published in March 2016. This Sustainability Report refers to the 2017 calendar year. Nobia believes 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. The GRI index can be found on page 112.

The contents of the Sustainability Report and the sustainability aspects presented summarise the sustainability initiatives of the last few years and are based on an internal stakeholder dialogue and materiality analysis. The environmental data is related to operations in our 13 production units and transportation. Calculations on carbon emissions from energy and transport are based upon the Greenhouse Gas Protocol. Sustainability data from our supply chain/ our supplier's operation is not included in the report. The following changes in boundaries and definitions have been made since the last report:

- Environmental data and social indicators for Poggenpohl (with the production site Herford) that was divested January 31, 2017 is not included in the data for 2017.
- Nobia defined a Production Site Safety measure in 2016, to report on work-related serious accidents that led to absence of 8 or more hours. The Production Site Safety measure will enable improved the data quality. Poggenpohl is excluded from the data for 2016 to enable comparison. This Performance Indicator enables two years of historical data. All our production sites are included in this Performance Indicator.
- Due to a correction of the reporting of data, the amount of waste excluding wood waste has changed. In previous years, data for wood waste for own incineration was included in the reporting of waste instead of heating for two production units. This has been corrected in this report.
- A deviation has been identified in the data for total wood for 2015 and 2016. No retroactive correction of data for total wood has been made in this report.

Contact person regarding the Sustainability Report: Amanda Jackson, Head of Group Sustainability, e-mail: amanda.jackson@nobia.com

GRI indicators[1)]

GRI indicators	Economic Performance Indicators (SEK m)	2015	2016	2017
G4-EC1	Revenues	12,266	12,648	12,744
G4-EC1	Operating costs	7,923	8,315	8,362
G4-EC1	Employee wages and benefits	2,394	2,381	2,382
G4-EC1	Payments to government	538	528	530
G4-EC1	Community investments	216	230	248
G4-EC1	Payments to lenders	15	17	7
G4-EC1	Payments to providers of capital	294	421	505
G4-EC1	Economic value retained	886	756	710
	Environmental Performance Indicators			
G4-EN1	Materials used: Wood, thousands of tonnes	241	245	256
G4-EN1	Materials used: Packaging materials, kg/ cabinet	1.3	1.3	1.2
G4-EN5	Energy intensity, Electricity consumption, kWh/ cabinet	8.6	8.3	8.2
G4-EN5	Energy intensity Heating, kWh/ cabinet	7.5	7.5	6.9
G4-EN15	Direct greenhouse gas emissions (Scope 1), thousands of tonnes CO_2	22.1	22.5	21.4
G4-EN16	Indirect greenhouse gas emissions (Scope 2), thousands of tonnes CO_2	19.3	14.3	2.9
G4-EN17[2)]	Other indirect greenhouse gas emissions (Scope 3), thousands of tonnes CO_2	15.0	16.5	17.2
G4-EN18[3)]	Greenhouse gas emissions intensity: Transports, kg/ cabinet	3.0	3.0	3.1
G4-EN18[3)]	Greenhouse gas emissions intensity: Heating and manufacturing, kg/ cabinet	4.3	3.3	2.0
G4-EN21[4)]	NOx, SOx, and other significant air emissions: Volatile organic compounds, kg VOC/ 100 lacquered details	4.4	3.9	3.4
G4-EN23	Waste (excluding wood waste), kg/ cabinet	1.0	0.9	0.6
G4-EN23	Wood waste, thousands of tonnes	29	29	31
	Social Performance Indicators including Society Indicators			
G4-LA6[5)]	Operational site related accidents resulting in at least 8 hours of absence, number		91	75
G4-EN32, LA14, HR10	Supplier audits, number	45	79	48

1) New sustainability indicator 2017.
2) Includes transport emissions from factory to store and air travel emissions.
3) Includes Scope 1, 2 and 3 emissions.
4) Only VOC is reported.
5) Revised key figure. Data for 2015 is not available.

GRI index

Standard disclosures

GRI	Description	Reference
G4-1	CEO's comments	p. 4, 25
G4-3	Name of the organisation	p. 40
G4-4	Primary brands, products, and services	p. 19, 21, 23
G4-5	Location of organisation's headquarters	p. 42
G4-6	Countries where the organisation operates	p. 34, 70
G4-7	Nature of ownership, and legal form	p. 42, 106, 107
G4-8	Markets served	p. 18-23
G4-9	Scale of the organisation	p. 16-17
G4-10	Number of employees	p. 37, 74
G4-11	Percentage of employees covered by collective bargaining agreements	p. 37
G4-12	Organisation's supply chain	p. 36
G4-13	Significant changes during the reporting period	p. 111
G4-14	The precautionary approach	p. 31, 39
G4-15	Externally developed initiatives subscribed to by the organisation	p. 31
G4-16	Memberships of associations held by the organisation	p. 31-33
G4-17	Entities included in the report	p. 34, 111
G4-18	Process for defining the report's content	p. 28-29
G4-19	Material aspects	p. 28
G4-20	Aspect boundaries for each material aspect within the organisation	p. 111
G4-21	Aspect boundaries for each material aspect outside the organisation	p. 111
G4-22	Effects of any restatements of information in previous reports	p. 111
G4-23	Significant changes from previous reporting periods	p. 111
G4-24	Stakeholder groups engaged by the organisation	p. 28
G4-25	Identification and selection of stakeholders	p. 28
G4-26	Approaches to stakeholder engagement	p. 28
G4-27	Key topics and concerns raised through stakeholder engagement; how organisation responded	p. 28
G4-28	Reporting period	p. 111
G4-29	Date of most recent previous report	p. 111
G4-30	Reporting cycle	p. 111
G4-31	Contact point for questions regarding the report	p. 111
G4-32	The "in accordance" option and GRI index	p. 111
G4-33	External assurance	p. 39, 111
G4-34	Reporting for governance structure of organisation	p. 96-101
G4-56	The organisation's values, principles, standards and norms of behaviour	p. 31, 39

Specific standard disclosures

GRI	Description	Reference
G4-DMA	Economic performance	p. 14
G4-EC1	Value generated and distributed	p. 111
G4-DMA	Materials	p. 33-35, 111
G4-EN1	Materials used	p. 33-35, 111
G4-DMA	Energy	p. 34-35, 111
G4-EN3	Energy consumption	p. 34-35, 111
G4-EN5	Energy intensity	p. 111
G4-DMA	Emissions	p. 34-35, 111
G4-EN15	Direct greenhouse gas emissions (Scope 1)	p. 34-35, 111
G4-EN16	Indirect greenhouse gas emissions (Scope 2)	p. 34-35, 111
G4-EN17	Other indirect greenhouse gas emissions (Scope 3)	p. 35, 111
G4-EN18	Greenhouse-gas emissions intensity	p. 24, 34, 111
G4-EN21	Significant air emissions	p. 35, 111
G4-EN23	Waste	p. 35, 111
G4-DMA	Supplier environmental assessments	p. 36, 39
G4-EN32	Percentage of new suppliers screened using environmental criteria	p. 36, 111
DMA	Health and safety	p. 37
G4-LA6	Type of injury and rates of injury	p. 37, 111
G4-DMA	Supplier environmental assessment using labour practices criteria	p. 36, 39
G4-LA14	Percentage of new suppliers screened using labour practices criteria	p. 36, 111
G4-DMA	Supplier human rights assessment	p. 36, 39
G4-HR10	Percentage of new suppliers screened using human rights criteria	p. 36, 111
G4-DMA	Anti-corruption	p. 39
G4-SO5	Total number of confirmed incidents of corruption and actions taken	p. 39

2018 Annual General Meeting

The shareholders of Nobia AB (publ) are invited to the Annual General Meeting on Tuesday, 10 April 2018 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 Wednesday, 4 April 2018, and.
- secondly notify Nobia of their participation in the Annual General Meeting not later than Wednesday, 4 April 2018.

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 Wednesday, 4 April 2018. 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 7.00 per share be paid for the 2017 fiscal year. The record date for the right to receive a dividend is 12 April 2018. The final day for trading in Nobia shares including the right to a dividend is 10 April 2018.

Annual Report

The Nobia Annual Report is published in Swedish and English. 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

Commodore Kitchens
Acom 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

Nobia Norway A/S
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.com

MIX Paper from responsible sources FSC® C011209
3041 0242 PRINTED MATTERS
Print: Elanders, Mölnlycke, 2018