nobia

Interim report January-March 2018

January-March 2018

- Net sales for the first quarter amounted to SEK 3,173 million (3,315).
- Organic growth was a negative 6 per cent (pos: 10).
- Operating profit amounted to SEK 255 million (273), corresponding to an operating margin of 8.0 per cent (8.2).
- Currency losses had an impact of approximately SEK 15 million on the Group's operating profit, of which a positive SEK 5 million in translation effects and a negative SEK 20 million in transaction effects.
- Profit after tax amounted to SEK 193 million (205), corresponding to earnings per share after dilution of SEK 1.14 (1.22).
- Operating cash flow amounted to SEK 64 million (101).

Nobia Group summary

	Jan-Mar			Jan-Dec	Apr-Mar	
	2017	2018	Change, %	2017	2017/2018	Change, %
Net sales, SEK m	3,315	3,173	-4	12,744	12,602	-1
Gross margin, %	38.9	39.7	–	39.3	39.5	–
Operating margin before depreciation and impairment, %	10.4	10.4	–	12.3	12.4	–
Operating profit (EBIT), SEK m	273	255	-7	1,286	1,268	-1
Operating margin, %	8.2	8.0	–	10.1	10.1	–
Profit after financial items, SEK m	263	247	-6	1,250	1,234	-1
Profit/loss after tax , SEK m	205	193	–	1,015	1,003	-1
Earnings/loss per share, after dilution, SEK	1.22	1.14	–	6.02	5.95	-1
Operating cash flow, SEK m	101	64	-37	706	669	-5

Nobia develops and sells kitchens through some twenty strong brands in Europe, including Magnet in the UK; HTH, Norema, Sigdal, Invita, Marbodal in Scandinavia; Petra and A la Carte in Finland and Ewe, FM and Intuo in Austria. Nobia generates profitability by combining economies of scale with attractive kitchen offerings. The Group has approximately 6,100 employees and net sales of about SEK 13 billion. The Nobia share is listed on Nasdaq Stockholm under the ticker NOBI. Website: www.nobia.com

Comments from the President and CEO

Solid performance in the first quarter, impacted by seasonality and one-time effects in sales.

The sales trend for the quarter was partly affected by fewer delivery days compared with the preceding year, driven by the calendar effect of Easter. In addition, our project sales were adversely affected by the cold winter, while comparative figures were impacted by our ceased business with Homebase and last year's large project deliveries to Battersea Power Station in the UK. Adjusted for these factors, currency-adjusted growth was unchanged.

Conditions in the Nordic region remain favourable and our position is strong. Ahead, we believe that the Danish and Finnish markets will take over the role that Sweden has had as the growth engine of the region. For example, in the first quarter we were chosen by the construction company SRV as the kitchen and cabinet supplier to Majakka, which will be the tallest tower in Finland with 283 apartments, located in Kalasatama, Helsinki and scheduled for completion in spring 2019. This is our largest ever order in Finland.

The market in the UK remains characterised by macroeconomic uncertainty. However, our UK operations are well-diversified since our kitchens are sold in several channels. The repositioning of Magnet has been successful and we deem that Magnet captured market shares during the important winter campaign in the UK, when almost half of annual consumer sales take place.

Our Austrian operations have during the quarter undergone a review, that has resulted in adjustments to the customer offering. The operations are now performing in the right direction, although it may take time before the measures get a full effect on earnings. In May, Ralph Kobsik will take office as EVP and Head of Central Europe.

Despite the sales decline and weak currency, we maintained an operating margin of more than 10 per cent for the past 12 months. There is continued potential to drive margin improvements. For example, we are now reviewing our production structure, which we assess can be further streamlined, and we continue with our initiative to reduce the complexity of our product portfolio.

Many of our brands updated their websites during the quarter and the roll-out of our omnichannel store concept is continuing. Marbodal's renovated store in central Gothenburg is the latest in a series of stores that have been designed following this concept.

Dividends totalling SEK 1,180 million were paid on 17 April. Even after this transaction the company has a very strong financial position that enables acquisitions and investments for growth. The targets are clear: sales are to grow by an average of 5 per cent per year and we will deliver continually improved profitability.

Morten Falkenberg
President and CEO

First quarter, consolidated

Market overview

The overall Nordic kitchen market is deemed to have strengthened compared with the first quarter of 2017, driven by higher completion of new housing construction.

The UK kitchen market is deemed to have weakened due to increased macroeconomic uncertainty. The market for new housing construction in the UK remained strong, although poor weather conditions caused project delays in the first quarter.

The kitchen market in Central Europe is deemed to have grown slightly compared with the year-earlier period.

Net sales, earnings and cash flow

The Group's net sales amounted to SEK 3,173 million (3,315). Currency gains of SEK 62 million impacted sales. Organic sales growth was a negative 6 per cent (pos: 10), primarily due to lower sales in the UK and fewer delivery days compared with the preceding year.

The gross margin strengthened to 39.7 per cent (38.9), mainly driven by higher sales values and an improved sales mix.

Operating profit declined due to lower sales volumes and currency losses, which were only partly offset by higher sales values and lower costs compared with during the first quarter 2017 when cabinets with the K21 suspension system were recalled and the HTH GO concept was launched.

The return on operating capital was 29.5 per cent in the past twelve-month period (Jan-Dec 2017: 31.5). The return on equity was 26.1 per cent in the past twelve-month period (Jan-Dec 2017: 27.8).

Operating cash flow declined, primarily as a result of a negative change in working capital and increased investments compared with the first quarter of 2017.

Investments in fixed assets amounted to SEK 74 million (56), of which SEK 18 million (19) pertained to store investments.

Analysis of net sales

	Jan-Mar	
	%	SEK m
2017		**3,315**
Organic growth	-6	-204
– of which Nordic region	-1	-18
– of which UK region	-12	-187
– of which CE region	1	1
Currency effect	2	62
2018	**-4**	**3,173**

Currency effect on operating results

	Jan-Mar		
SEK m	Trans-lation effect	Trans-action effect	Total effect
Nordic region	5	-15	-10
UK region	0	-5	-5
CE region	0	0	0
Group	**5**	**-20**	**-15**

Store trend, Jan-Mar 2018

Renovated or relocated	–
Newly opened/closed, net	-3
Number of own kitchen stores	261

Net sales and profit by region

	Nordic Jan-Mar		UK Jan-Mar		Central Europe Jan-Mar		Group-wide and eliminations Jan-Mar		Group Jan-Mar		
SEK m	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	Change, %
Net sales from external customers	**1,672**	**1,682**	**1,527**	**1,367**	**116**	**124**	**–**	**–**	**3,315**	**3,173**	**-4**
Net sales from other regions	0	0	–	–	0	0	0	0	–	–	–
Net sales	**1,672**	**1,682**	**1,527**	**1,367**	**116**	**124**	**0**	**0**	**3,315**	**3,173**	**-4**
Gross profit	671	669	570	543	36	35	14	13	1,291	1,260	-2
Gross margin, %	40.1	39.8	37.3	39.7	31.0	28.2	–	–	38.9	39.7	–
Operating profit/loss	**212**	**213**	**96**	**79**	**4**	**2**	**-39**	**-39**	**273**	**255**	**-7**
Operating margin, %	12.7	12.7	6.3	5.8	3.4	1.6	–	–	8.2	8.0	–

First quarter, the regions

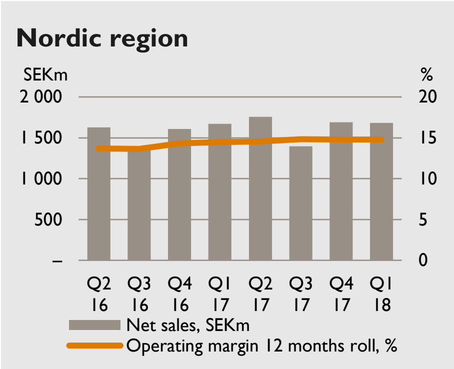
Nordic region

Net sales in the Nordic region increased 1 per cent to SEK 1,682 million (1,672). Organic growth was a negative 1 per cent (16).

Sales were negatively impacted by fewer delivery days compared with the preceding year. Both project sales and consumer sales declined in Denmark and Norway, and increased in Sweden and Finland.

The gross margin declined to 39.8 per cent (40.1) as a result of currency losses and higher material prices, which were partly offset by higher sales values.

Operating profit amounted to SEK 213 million (212), positively impacted by higher sales values and lower costs, and negatively affected by currency losses, higher material prices and lower volumes.



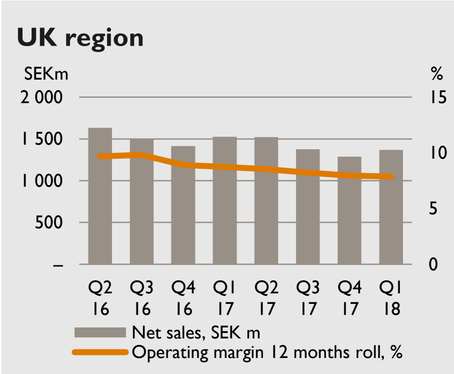
UK region

Net sales in the UK declined 10 per cent to SEK 1,367 million (1,527). Organic growth was a negative 12 per cent (pos: 6).

The decline in sales was primarily attributable to lower B2B sales, driven by the ceased business with Homebase that had sales of about SEK 60 million in the first quarter of 2017. The reduction in sales was also attributable to lower project deliveries than in the year-earlier quarter and slightly lower sales via Magnet's stores.

Gross margin improved to 39.7 per cent (37.3) as a result of a more favourable sales mix and higher sales values, which were partly offset by higher material prices.

Operating profit declined to SEK 79 million (96), primarily due to reduced sales volumes, which could not be compensated by the improved gross margin.



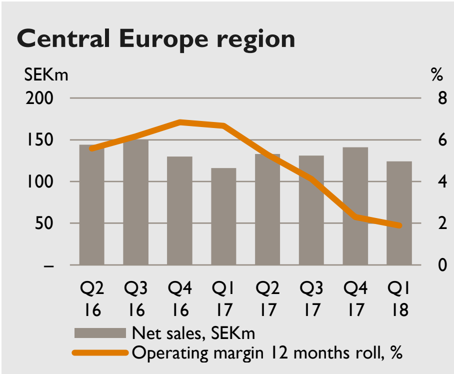
Central Europe region

Net sales in the Central Europe region increased 7 per cent to SEK 124 million (116). Organic growth was 1 per cent (neg: 2).

Sales growth was the result of both increased sales in Austria and increased export sales.

The gross margin weakened to 28.2 per cent (31.0) due to a changed sales mix.

Operating profit amounted to SEK 2 million (4), negatively affected by a changed sales mix and positively impacted by increased volumes and higher sales values.



Other information

Financing

Existing loan facilities comprise a syndicated bank loan of SEK 1,000 million expiring in July 2019. The bank loan was unutilised as at the end of the first quarter, but was utilised in the amount of about SEK 650 million in April 2018.

Net debt including pension provisions amounted to a negative SEK 19 million (pos: 396) at the end of the first quarter. The debt/equity ratio was 0 per cent (11).

Net financial items amounted to an expense of SEK 8 million (expense: 10). Net financial items include the net of returns on pension assets and interest expense on pension liabilities corresponding to an expense of SEK 4 million (expense: 6). The net interest expense amounted to SEK 4 million (expense: 4).

Corporate acquisitions and divestments

No acquisitions or divestments took place during the period.

Earnings from discontinued operations

No earnings from discontinued operations are recognised for the first quarter of 2018. Earnings from discontinued operations after tax for the first quarter of 2017 amounted to SEK 0 million, of which SEK 0 million pertained to Poggenpohl, which was divested on 31 January 2017, and SEK 0 million was related to the stores that had been acquired from franchisees with the intention of subsequently selling on.

For more information about the about Nobia's discontinued operations see page 41 in the 2017 Annual Report.

Items affecting comparability

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

No items affecting comparability (–) were recognised for the first quarter of 2018.

Personnel

The number of employees on 31 March 2018 was 6,126 (6,106).

Changes in management

Fredrik Nyström will take office as Executive Vice president and Head of Commercial Sweden on 1 May 2018. Fredrik Nyström has held key positions at Nobia for more than ten years, most recently as Head of Strategy.

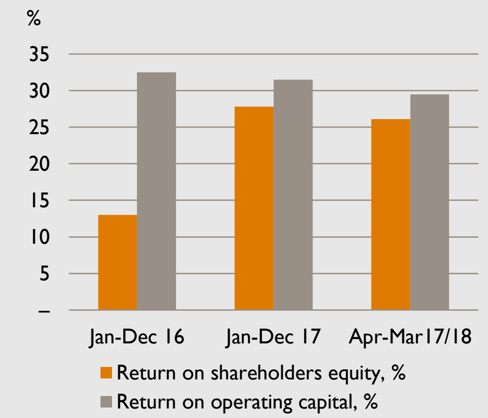
Annica Hagen, Executive Vice president and Head of Commercial Sweden, will go on maternity leave and return to Nobia in a different position.

Ralph Kobisk will take office as Executive Vice President and Head of Central Europe on 1 May 2018. Ralph Kobisk has previously served as Head of International Markets at appliances company V-Zug and has also held senior positions at BSH Bosch and Siemens Home Appliances.

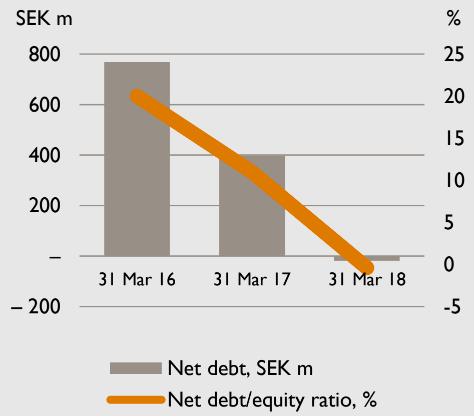
Erkka Lumme, Executive Vice President and Head of Commercial Finland, will leave Nobia on 20 May 2018. The recruitment process for his replacement is under way.

The Chief Marketing Officer role has been removed and as a consequence Kim Lindqvist, Executive Vice President and Chief Marketing Officer left Nobia on 1 April 2018.

Return ons shareholders equity and on operating capital



Net debt and net debt/equity ratio



Annual General Meeting

The Annual General Meeting of Nobia was held on 10 April 2018 in Stockholm, Sweden. The Annual General Meeting approved the proposed dividend to shareholders for 2017 of SEK 3.50 per share, and an extra dividend of SEK 3.50 per share, totalling approximately SEK 1,108 million. The dividend was paid on 17 April.

The Annual General Meeting resolved on the number of Board members as nine and re-elected the Board members Morten Falkenberg, Lilian Fossum Biner, Nora Førisdal Larssen, Stefan Jacobsson, Ricard Wennerklint, Christina Ståhl, Jill Little and George Adams. Hans Eckerström was elected as a new Board member and Chairman of the Board. Tomas Billing had declined re-election.

Deloitte AB was re-elected as auditors until the next Annual General Meeting, with Daniel de Paula as auditor-in-charge.

The Annual General Meeting appointed a Nomination Committee comprising Tomas Billing (Chairman), representing Nordstjernan; Torbjörn Magnusson, representing If Skadeförsäkring; Mats Gustafsson, representing Lannebo fonder; and Arne Lööw, representing the Fourth Swedish National Pension Fund, for the period until the close of the next Annual General Meeting in 2019.

The Annual General Meeting resolved on the introduction of a Performance Share Plan in accordance with the Board's proposal. The plan includes approximately 100 people, comprising senior executives and people in senior management positions. Participation in the plan involves, for example, a downward adjustment of the participant's maximum variable remuneration. Participants are allocated performance-based share rights which, after a three-year vesting period, provide entitlement to shares, given that certain conditions are met, including a financial performance target. In view of the Performance Share Plan, the Annual General Meeting resolved on the transfer of not more than 1,500,000 treasury shares to the plan participants.

The Annual General Meeting authorised the Board of Directors, during the period prior to the next Annual General Meeting, to decide on the acquisition and transfer of treasury shares.

The Annual General Meeting resolved to reduce Nobia's share capital by a maximum of SEK 1,666,641 by withdrawing a maximum of 5,000,000 treasury shares for transfer to non-restricted shareholders' equity. The treasury shares that Nobia will hold after the withdrawal will be used to safeguard Nobia's commitments under the Group's share-based remuneration plans.

A detailed description of the resolutions passed at the Annual General Meeting is available on the Nobia website.

Transfer of treasury shares

Based on the resolution of Nobia's Annual General Meeting, Nobia will transfer 104,367 shares to the participants of the 2015 Performance Share Plan after the publication of the interim report for the first quarter of 2018.

The 2015 Performance Share Plan encompasses approximately 100 senior executives and is based on participants investing in Nobia shares that were locked into the plan. Each Nobia share invested in under the framework of the plan entitled participants, following a vesting period of approximately three years and provided that certain conditions were fulfilled, to allotment of matching and performance shares in Nobia. Since the established target for the 2015 Plan was achieved, both matching and performance shares will be allotted. This transfer will be made free-of-charge.

At 31 March 2018, Nobia's holding of treasury shares amounted to 6,709,571 shares. Following the transfer of shares under the 2015 Performance Share Plan, Nobia's holding of treasury shares will amount to 6,605,204.

Significant risks

Nobia is exposed to strategic, operating and financial risks, which are described on pages 46-48 of the 2017 Annual Report.

During the first quarter of 2018, demand in the Nordic region and Central Europe is deemed to have improved compared with the preceding year. In the UK, macro-economic uncertainty as a result of Brexit had a slightly negative impact on the kitchen market. Nobia is continuing to capitalise on synergies and economies of scale by harmonising the product range, co-ordinating production and enhancing purchasing efficiency.

Nobia's balance sheet as at 31 March 2018 contained goodwill of SEK 2,488 million (2,349). The value of this asset item is tested if there are any indications of a decline in value and at least once annually.

Stockholm, 27 April 2018

Morten Falkenberg
President and CEO

Nobia AB, Corporate Registration Number 556528-2752

This interim report is unaudited.

Condensed consolidated income statement

SEK m	Jan-Mar 2017	Jan-Mar 2018	Jan-Dec 2017	Apr-Mar 2017/2018
Net sales	3,315	3,173	12,744	12,602
Cost of goods sold	-2,024	-1,913	-7,730	-7,619
Gross profit	**1,291**	**1,260**	**5,014**	**4,983**
Selling and administrative expenses	-1,019	-1,015	-3,751	-3,747
Other income/expenses	1	10	23	32
Operating profit	**273**	**255**	**1,286**	**1,268**
Net financial items	-10	-8	-36	-34
Profit/loss after financial items	**263**	**247**	**1,250**	**1,234**
Tax	-58	-54	-256	-252
Profit/loss after tax from continuing operations	**205**	**193**	**994**	**982**
Profit/loss from discontinued operations, net after tax	0	–	21	21
Profit/loss after tax	**205**	**193**	**1,015**	**1,003**
Total profit attributable to:				
Parent Company shareholders	205	193	1,015	1,003
Non-controlling interests	0	–	0	–
Total profit/loss	**205**	**193**	**1,015**	**1,003**
Total depreciation[1]	71	74	285	288
Total impairment[1]	–	–	2	2
Gross margin, %	38.9	39.7	39.3	39.5
Operating margin, %	8.2	8.0	10.1	10.1
Return on operating capital, %	–	–	31.5	29.5
Return on shareholders equity, %	–	–	27.8	26.1
Earnings per share before dilution, SEK[2]	1.22	1.14	6.02	5.95
Earnings per share after dilution, SEK[2]	1.22	1.14	6.02	5.95
Number of shares at period end before dilution, 000s[3]	168,473	168,584	168,584	168,584
Average number of shares before dilution, 000s[3]	168,473	168,584	168,547	168,565
Number of shares after dilution at period end, 000s[3]	168,710	168,703	168,712	168,713
Average number of shares after dilution, 000s[3]	168,710	168,703	168,702	168,702

1 Excluding depreciation and impairment recognised on the line Profit/loss from discontinued operations, net after tax.
2 Earnings per share attributable to Parent Company shareholders.
3 Excluding treasury shares.

Consolidated statement of comprehensive income

	Jan-Mar		Jan-Dec	Apr-Mar
SEK m	2017	2,018	2017	2017/2018
Profit/loss after tax	205	193	1,015	1,003
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Exchange-rate differences attributable to translation of foreign operations	-54	234	-18	270
Cash flow hedges before tax	5 [1]	-5 [2]	14 [3]	4
Tax attributable to change in hedging reserve for the period	-1 [4]	1 [5]	-3 [6]	-1
	-50	**230**	**-7**	**273**
Items that will not be reclassified to profit or loss				
Remeasurements of defined benefit pension plans	34	36	277	279
Tax relating to remeasurements of defined benefit pension plans	-6	-6	-46	-46
	28	**30**	**231**	**233**
Other comprehensive income/loss	**-22**	**260**	**224**	**506**
Total comprehensive income/loss	**183**	**453**	**1,239**	**1,509**
Total comprehensive income/loss attributable to:				
Parent Company shareholders	183	453	1,239	1,509
Non-controlling interests	0	–	0	–
Total comprehensive income/loss	**183**	**453**	**1,239**	**1,509**

1 Reversal recognised in profit and loss amounts to SEK 5 million. New provision amounts to SEK 0 million.

2 Reversal recognised in profit and loss amounts to a negative SEK 10 million. New provision amounts to SEK 5 million.

3 Reversal recognised in profit and loss amounts to SEK 5 million. New provision amounts to SEK 9 million.

4 Reversal recognised in profit and loss amounts to a negative SEK 1 million. New provision amounts to SEK 0 million.

5 Reversal recognised in profit and loss amounts to SEK 2 million. New provision amounts to a negative SEK 1 million.

6 Reversal recognised in profit and loss amounts to a negative SEK 1 million. New provision amounts to a negative SEK 2 million.

Condensed consolidated balance sheet

	31 Mar		31 Dec
SEK m	2017	2018	2017
ASSETS			
Goodwill	2,349	2,488	2,361
Other intangible fixed assets	118	141	149
Tangible fixed assets	1,367	1,438	1,367
Long-term receivables, interest-bearing (IB)	3	4	5
Long-term receivables	28	35	34
Deferred tax assets	166	112	118
Total fixed assets	**4,031**	**4,218**	**4,034**
Inventories	894	985	908
Accounts receivable	1,529	1,506	1,282
Current receivables, interest-bearing (IB)	2	31	18
Other receivables	371	507	465
Total current receivables	*1,902*	*2,044*	*1,765*
Cash and cash equivalents (IB)	1,243	536	473
Assets held for sale	5	–	–
Total current assets	**4,044**	**3,565**	**3,146**
Total assets	**8,075**	**7,783**	**7,180**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital	58	58	58
Other capital contributions	1,483	1,488	1,486
Reserves	-307	-34	-264
Profit brought forward	2,366	3,093	2,874
Total shareholders' equity attributable to Parent Company shareholders	*3,600*	*4,605*	*4,154*
Total shareholders' equity	**3,600**	**4,605**	**4,154**
Provisions for pensions (IB)	835	545	567
Other provisions	109	36	40
Deferred tax liabilities	100	88	89
Other long-term liabilities, interest-bearing (IB)	8	7	5
Total long-term liabilities	**1,052**	**676**	**701**
Current liabilities, interest-bearing (IB)	801	0	1
Current liabilities	2,621	2,502	2,324
Liabilities attributable to assets held for sale	1	–	–
Total current liabilities	**3,423**	**2,502**	**2,325**
Total shareholders' equity and liabilities	**8,075**	**7,783**	**7,180**
BALANCE-SHEET RELATED KEY RATIOS			
Equity/assets ratio, %	45	59	58
Debt/equity ratio, %	11	0	2
Net debt, closing balance, SEK m	396	-19	77
Operating capital, closing balance, SEK m	3,996	4,586	4,231
Capital employed, closing balance, SEK m	5,244	5,157	4,727

Statement of changes in consolidated shareholders' equity

SEK m	Share capital	Other capital contributions	Exchange-rate differences attributable to translation of foreign operations	Cash-flow hedges after tax	Profit brought forward	Total	Non-controlling interests	Total share-holders equity
	Attributable to Parent Company shareholders							
Opening balance, 1 January 2017	58	1,481	-253	-4	2,133	3,415	4	3,419
Profit/loss for the period	–	–	–	–	205	205	0	205
Other comprehensive income/loss for the period	–	–	-54	4	28	-22	0	-22
Total comprehensive income for the period	**–**	**–**	**-54**	**4**	**233**	**183**	**0**	**183**
Change in non-controlling interests	–	–	–	–	–	–	-4	-4
Allocation of share saving schemes	–	2	–	–	–	2	–	2
Closing balance, 31 March 2017	**58**	**1,483**	**-307**	**0**	**2,366**	**3,600**	**–**	**3,600**
Opening balance, 1 January 2018	58	1,486	-271	7	2,874	4,154	–	4,154
New accounting principles, financial instruments [1]	–	–	–	–	-4	-4	–	-4
Restated opening balance, 1 January 2018	58	1,486	-271	7	2,870	4,150	–	4,150
Profit/loss for the period	–	–	–	–	193	193	–	193
Other comprehensive income/loss for the period	–	–	234	-4	30	260	–	260
Total comprenhensive income/loss for the period	**–**	**–**	**234**	**-4**	**223**	**453**	–	**453**
Allocation of share saving schemes	–	2	–	–	–	2	–	2
Closing balance, 31 March 2018	**58**	**1,488**	**-37**	**3**	**3,093**	**4,605**	–	**4,605**

1 See IFRS 9 Financial instruments on pages 13-14.

Condensed consolidated cash-flow statement

	Jan-Mar		Jan-Dec	Apr-Mar
SEK m	2017	2018	2017	2017/18
Operating activities				
Operating profit	273	255	1,286	1,268
Operating profit/loss for discontinued operations	-1	–	20	21
Depreciation/Impairment	71 [1]	74 [2]	287 [3]	290
Adjustments for non-cash items	-24	7	-30	1
Tax paid	-49	-77	-248	-276
Change in working capital	-117	-127	-328	-338
Cash flow from operating activities	**153**	**132**	**987**	**966**
Investing activities				
Investments in fixed assets	-56	-74	-319	-337
Other items in investing activities	4	6	38	40
Interest received	1	0	3	2
Change in interest-bearing assets	-1	-12	-19	-30
Divestment of operations	-79	–	-93	-14
Cash flow from investing activities	**-131**	**-80**	**-390**	**-339**
Operating cash flow before acquisition/divestment of operations interest, increase/decrease of interest-bearing assets	101	64	706	669
Total cashflow from operating and investing activities	22	52	597	627
Financing activities				
Interest paid	-5	-3	-10	-8
Change in interest-bearing liabilities	-26 [4]	-9 [5]	-872 [6]	-855
Dividend	–	–	-505	-505
Cash flow from financing activities	**-31**	**-12**	**-1,387**	**-1,368**
Cash flow for the period excluding exchange-rate differences in cash and cash equivalents	-9	40	-790	-741
Cash and cash equivalents at beginning of the period	1,266	473	1,266	1,243
Cash flow for the period	-9	40	-790	-741
Exchange-rate differences in cash and cash equivalents	-14	23	-3	34
Cash and cash equivalents at period-end	**1,243**	**536**	**473**	**536**

1 No impairment took place during the period.

2 No impairment took place during the period

3 Impairment amounted to SEK 2 million and pertained to kitchen displays.

4 No repayment or raising of loans took place during the period.

5 No repayment or raising of loans took place during the period

6 Repayment of loans totalling SEK 800 million.

Analysis of net debt

	Jan-Mar		Jan-Dec	Apr-Mar
SEK m	2017	2018	2017	2017/18
Opening balance	**493**	**77**	**493**	**396**
Divestment of operations	17	–	30	13
Translation differences	10	-1	-3	-14
Operating cash flow	-101	-64	-706	-669
Interest paid, net	4	3	7	6
Remeasurements of defined benefit pension plans	-34	-36	-277	-279
Other change in pension liabilities	7	2	28	23
Dividend	–	–	505	505
Closing balance	**396**	**-19**	**77**	**-19**

Note 1 – Accounting policies

This interim report has been prepared in accordance with IFRS, with the application of IAS 34 Interim Financial Reporting. For the Parent Company, accounting policies are applied in accordance with Chapter 9, Interim Reports, of the Swedish Annual Accounts Act. Nobia has applied the same accounting policies in this interim report as were applied in the 2017 Annual Report, except for the recognition of revenue from contracts with customers (IFRS 15) and financial instruments (IFRS 9). A description of the new accounting policies is provided in the 2017 Annual Report.

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.

Transition

Nobia applies IFRS 15 from 1 January 2018 and applied the introduction retrospectively. In 2017, it conducted a Group-wide review of Nobia's revenue streams to assess the effects of IFRS 15. The primary conclusions from this review are described below.

Sale of goods

Under IFRS 15, the revenue is recognised at the point in time control over 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 over 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 applies 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 revenue for the 2017 fiscal year was not 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. Sales for the first quarter of 2017 would have been SEK 6 million lower if the Group had restated 2017 and sales for the first quarter of 2018 would have been SEK 1 million lower.

Nobia recognises revenue for kitchen products and other products at a certain point in time, while installation services are recognised over time in line with the installation being performed. Installation services comprise about 5-6 per cent of Nobia's total sales. For more information, refer to page 18.

IFRS 9 Financial instruments

IFRS 9, which replaces IAS 39 Financial instruments: Recognition and Measurement, contains rules for recognition, classification and measurement, impairment, derecognition and general hedge accounting.

Transition

Nobia applies IFRS 9 from 1 January 2018 and in 2017 it conducted a Group-wide review of Nobia's financial instruments and related business models to assess the effects of IFRS 9. Nobia's assessment is that IFRS 9 will only entail an increase regarding expected credit losses on accounts receivable. From 2018, Nobia bases any impairment requirements on an expected credit losses model and no longer bases impairment on loss events occurred. The effect for 2017 is expected to amount 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 amounts 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 totalling a negative SEK 5 million before tax and a negative SEK 4 million net after tax. See table on next page.

31 Dec 2017 (SEK m)	Before adjustment	Adjustment	After adjustment
Accounts receivable	1,282	-5	1,277
Deferred tax assets	118	1	119
Profit brought forward	2,874	-4	2,870

For other disclosures regarding financial instrument, refer to Note 3 and the 2017 Annual Report.

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.

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 in the 2017 Annual Report.

Note 2 – References

Segment information, pages 3 and 4.
Loan and shareholder's equity transactions, pages 5 and 6.
Divestment of operations, page 5.
Items affecting comparability, page 5.
Net sales by product group, page 18.

Note 3 – Financial instruments – fair value

Nobia's financial assets essentially comprise non-interest-bearing and interest-bearing receivables whereby cash flows only represent payment for the initial investment and, where applicable, for the time value and interest. These are intended to be held to maturity and are recognised at amortised cost, which is a reasonable approximation of fair value. Financial liabilities are primarily recognised at amortised cost.

Financial instruments measured at fair value in the balance sheet are currency forward contracts comprised of assets at a value of SEK 39 million (31 Dec 2017: 50) and liabilities at a value of SEK 31 million (31 Dec 2017: 43). These items are measured according to level 2 of the fair value hierarchy, meaning based on indirect observable market data. Nobia's financial instruments are measured at fair value and included in the balance sheet on the rows "Other receivables" and "Current liabilities".

Note 4 – Related-party transactions

There is no sale and manufacturing of kitchens in the Parent Company. The Parent Company invoiced Group-wide services to subsidiaries in an amount of SEK 62 million (54) during the first quarter of 2018. The Parent Company's reported dividends from participations in Group companies totalled SEK 0 million (neg: 1).

Parent Company

Condensed Parent Company income statement

	Jan-Mar		Jan-Dec
SEK m	2017	2018	2017
Net sales	58	63	224
Administrative expenses	-69	-73	-267
Other income	0	1	5
Other expenses	-4	-1	-9
Operating profit/loss	**-15**	**-10**	**-47**
Profit from shares in Group companies	-1	0	969
Other financial income and expenses	-6	89	-2
Profit/loss after financial items	**-22**	**79**	**920**
Tax	0	0	-31
Profit/loss after tax	**-22**	**79**	**889**

Parent Company balance sheet

	31 Mar		31 Dec
SEK m	2017	2018	2017
ASSETS			
Fixed assets			
Shares and participations in Group companies	1,377	1,381	1,379
Deferred tax assetts	3	6	5
Total fixed assets	**1,380**	**1,387**	**1,384**
Current assets			
Current receivables			
Accounts receivable	18	2	1
Receivables from Group companies	2,910	2,946	2,839
Other receivables	17	83	44
Prepaid expenses and accrued income	40	47	52
Cash and cash equivalents	897	355	334
Total current assets	**3,882**	**3,433**	**3,270**
Total assets	**5,262**	**4,820**	**4,654**
SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES			
Shareholders' equity			
Restricted shareholders' equity			
Share capital	58	58	58
Statutory reserve	1,671	1,671	1,671
	1,729	**1,729**	**1,729**
Non-restricted shareholders' equity			
Share premium reserve	52	52	52
Buy-back of shares	-391	-385	-385
Profit brought forward	1,772	2,153	1,262
Profit/loss for the period	-22	79	889
	1,411	**1,899**	**1,818**
Total shareholders' equity	**3,140**	**3,628**	**3,547**
Long term liabilities			
Provisions for pensions	16	18	17
Deferred tax liabilities	3	6	5
Total long-term liabilities	**19**	**24**	**22**
Current liabilities			
Liabilities to credit institutes	800	–	–
Accounts payable	13	18	23
Liabilities to Group companies	1,240	1,074	956
Current tax liabilities	16	24	44
Other liabilities	14	31	42
Accrued expenses and deferred income	20	21	20
Total current liabilities	**2,103**	**1,168**	**1,085**
Total shareholders' equity, provisions and liabilities	**5,262**	**4,820**	**4,654**

Comparative data per region

	Jan-Mar		Jan-Dec	Apr-Mar
Net sales, SEK m	2017	2018	2017	2017/18
Nordic	1,672	1,682	6,516	6,526
UK	1,527	1,367	5,710	5,550
Central Europe	116	124	521	529
Group-wide and eliminations	0	0	-3	-3
Group	**3,315**	**3,173**	**12,744**	**12,602**

	Jan-Mar		Jan-Dec	Apr-Mar
Gross profit, SEK m	2017	2018	2017	2017/18
Nordic	671	669	2,638	2,636
UK	570	543	2,172	2,145
Central Europe	36	35	152	151
Group-wide and eliminations	14	13	52	51
Group	**1,291**	**1,260**	**5,014**	**4,983**

	Jan-Mar		Jan-Dec	Apr-Mar
Gross margin, %	2017	2018	2017	2017/18
Nordic	40.1	39.8	40.5	40.4
UK	37.3	39.7	38.0	38.6
Central Europe	31.0	28.2	29.2	28.5
Group	**38.9**	**39.7**	**39.3**	**39.5**

	Jan-Mar		Jan-Dec	Apr-Mar
Operating profit, SEK m	2017	2018	2017	2017/18
Nordic	212	213	963	964
UK	96	79	454	437
Central Europe	4	2	12	10
Group-wide and eliminations	-39	-39	-143	-143
Group	**273**	**255**	**1,286**	**1,268**

	Jan-Mar		Jan-Dec	Apr-Mar
Operating margin, %	2017	2018	2017	2017/18
Nordic	12.7	12.7	14.8	14.8
UK	6.3	5.8	8.0	7.9
Central Europe	3.4	1.6	2.3	1.9
Group	**8.2**	**8.0**	**10.1**	**10.1**

Quarterly data per region

	2017				2018
Net sales, SEK m	I	II	III	IV	I
Nordic	1,672	1,756	1,398	1,690	1,682
UK	1,527	1,520	1,377	1,286	1,367
Central Europe	116	133	131	141	124
Group-wide and eliminations	0	-1	-1	-1	0
Group	**3,315**	**3,408**	**2,905**	**3,116**	**3,173**

	2017				2018
Gross profit, SEK m	I	II	III	IV	I
Nordic	671	721	565	681	669
UK	570	588	518	496	543
Central Europe	36	42	41	33	35
Group-wide and eliminations	14	10	17	11	13
Group	**1,291**	**1,361**	**1,141**	**1,221**	**1,260**

	2017				2018
Gross margin, %	I	II	III	IV	I
Nordic	40.1	41.1	40.4	40.3	39.8
UK	37.3	38.7	37.6	38.6	39.7
Central Europe	31.0	31.6	31.3	23.4	28.2
Group	**38.9**	**39.9**	**39.3**	**39.2**	**39.7**

	2017				2018
Operating profit, SEK m	I	II	III	IV	I
Nordic	212	297	208	246	213
UK	96	154	137	67	79
Central Europe	4	5	7	-4	2
Group-wide and eliminations	-39	-43	-34	-27	-39
Group	**273**	**413**	**318**	**282**	**255**

	2017				2018
Operating margin, %	I	II	III	IV	I
Nordic	12.7	16.9	14.9	14.6	12.7
UK	6.3	10.1	9.9	5.2	5.8
Central Europe	3.4	3.8	5.3	-2.8	1.6
Group	**8.2**	**12.1**	**10.9**	**9.1**	**8.0**

Comparative data by product group

Net sales Nordic by product group, %	Jan-Mar 2017	Jan-Mar 2018	Jan-Dec 2017	Apr-Mar 2017/18
Kitchen furnitures	66	67	65	66
Installation services	6	5	6	6
Other products	28	28	29	28
Total	**100**	**100**	**100**	**100**

Net sales UK by product group, %	Jan-Mar 2017	Jan-Mar 2018	Jan-Dec 2017	Apr-Mar 2017/18
Kitchen furnitures	61	63	60	60
Installation services	5	5	7	7
Other products	34	32	33	33
Total	**100**	**100**	**100**	**100**

Net sales Central Europe by product group, %	Jan-Mar 2017	Jan-Mar 2018	Jan-Dec 2017	Apr-Mar 2017/18
Kitchen furnitures	90	93	91	92
Installation services	0	0	0	0
Other products	10	7	9	8
Total	**100**	**100**	**100**	**100**

Net sales Group by product group, %	Jan-Mar 2017	Jan-Mar 2018	Jan-Dec 2017	Apr-Mar 2017/18
Kitchen furnitures	65	67	64	65
Installation services	5	5	6	6
Other products	30	28	30	29
Total	**100**	**100**	**100**	**100**

Reconciliation of alternative performance measures

Nobia presents certain financial performance measures in the interim 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 21-22.

	Jan-Mar	
Analysis of external net sales Nordic Region	%	SEK m
2017		1,672
Organic growth	-1	-18
Currency effecs	2	28
2018	1	1,682

	Jan-Mar	
Analysis of external net sales UK Region	%	SEK m
2017		1,527
Organic growth	-12	-187
Currency effecs	2	27
2018	-11	1,367

	Jan-Mar	
Analysis of external net sales Central Europe Region	%	SEK m
2017		116
Organic growth	1	1
Currency effecs	5	7
2018	6	124

	Jan-Mar		Jan-Dec	Apr-Mar
Operating profit before depreciation and impairment, SEK m	2017	2018	2017	2017/18
Operating profit	273	255	1,286	1,268
Depreciation and impairment	71	74	287	290
Operating profit before depreciation and impairment	**344**	**329**	**1,573**	**1,558**
Net Sales	3,315	3,173	12,744	12,602
% of sales	**10.4%**	**10.4%**	**12.3%**	**12.4%**

	Jan-Mar		Jan-Dec	Apr-Mar
Profit/loss after tax excluding IAC, SEK m	2017	2018	2017	2017/18
Profit/loss after tax	205	193	1,015	1,003
Items affecting comparability net after tax	–	–	–	–
Profit/loss after tax excluding IAC	**205**	**193**	**1,015**	**1,003**

Reconciliation of alternative performance measures, cont.

Net debt SEK m	31 Mar 2017	31 Mar 2018	31 Dec 2017
Provisions for pensions (IB)	835	545	567
Other long-term liabilities, interest-bearing (IB)	8	7	5
Current liabilities, interest-bearing (IB)	801	0	1
Interest-bearing liabilities	**1,644**	**552**	**573**
Long-term receivables, interest -bearing (IB)	-3	-4	-5
Current receivables, interest-bearing (IB)	-2	-31	-18
Cash and cash equivalents (IB)	-1,243	-536	-473
Interest-bearing assets	**-1,248**	**-571**	**-496**
Net debt	**396**	**-19**	**77**

Operating capital SEK m	31 Mar 2017	31 Mar 2018	31 Dec 2017
Total assets	**8,075**	**7,783**	**7,180**
Other provisions	-109	-36	-40
Deferred tax liabilities	-100	-88	-89
Current liabilities, non interest-bearing	-2,621	-2,502	-2,324
Liabilities attributable to assets held for sale, non interest-bearing	-1	–	–
Non-interest-bearing liabilities	**-2,831**	**-2,626**	**-2,453**
Capital employed	**5,244**	**5,157**	**4,727**
Interest-bearing assets	-1,248	-571	-496
Operating capital	**3,996**	**4,586**	**4,231**

Average operating capital SEK m	Jan-Dec 2017	Apr-Mar 2017/18
OB Operating capital	3,912	3,996
OB Net operating assets discontinued operations	22	4
CB Operating capital	4,231	4,586
Average operating capital before adjustments of acquistion and divestments	**4,083**	**4,293**
Adjustment for acquisitions and divestments not occurred in the middle of the period	–	–
Average operating capital	**4,083**	**4,293**

Average equity SEK m	Jan-Dec 2017	Apr-Mar 2017/18
OB Equity attributable to Parent Company shareholders	3,415	3,600
CB Equity attributable to Parent Company shareholders	4,154	4,605
Average equity before adjustment of increases and decreases in capital	**3,785**	**4,103**
Adjustment for increases and decreases in capital not occured in the middle of the period	–127	-253
Average equity	**3,658**	**3,850**

Definitions

Performance measure	Calculation	Purpose
Return on shareholders' equity	Net profit for the period 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 shareholders' equity shows the total return on shareholders' capital in accounting terms and reflects the effects of 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 operations use net capital that is tied up in the company. It reflects how both cost and capital-efficient net sales are generated, meaning the combined effect of the operating margin and the turnover rate of operating capital. The measure is used in profitability comparisons between operations in the Group and to assess the Group's profitability over time.
Gross margin	Gross profit as a percentage of sales.	This measure reflects the efficiency of the part of the operations that is primarily linked to production and logistics. It is used to measure cost efficiency in this part of the operations.
EBITDA	Earnings before depreciation/amortisation and impairment.	To simplify, the measure shows the earnings-generating cash flow in the operations. It provides a view of the ability of the operations, in absolute terms, to generate resources for investment and payment to financers and is used for comparisons over time.
Items affecting comparability	Items that affect comparability in so far as they do not reoccur with the same regularity as other items.	Reporting items affecting comparability separately clearly shows the performance of the underlying operations.
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 operations to conduct its core operations. 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, and increase/decrease in interest-bearing assets.	This measure comprises the cash flow generated by the underlying operations. The measure is used to show the amount of funds at the company's disposal for paying financers of loans and equity or for use in growth through acquisitions.
Organic growth	Change in net sales, excluding acquisitions, divestments and changes in exchange rates.	Organic growth facilitates a comparison of sales over time by comparing the same operations and excluding currency effects.
Region	Region corresponds to an operating segment under IFRS 8.	
Earnings per share	Net profit for the period divided by a weighted average number of outstanding shares during the period.	
Operating margin	Operating profit as a percentage of net sales.	This measure reflects the operating profitability of the operations. It is used to monitor the flexibility and efficiency of the operations 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.

Definitions, cont.

Performance measure	Calculation	Purpose
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 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	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 ratio/strong financial position provides preparedness for managing periods of economic downturn 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 operations, such as operating capital, with additions for financial assets.
Currency effects	"Translation effects" refers to the currency effects arising when foreign results and balance sheets are translated to SEK. "Transaction effects" refers to the currency effects arising when purchases or sales are made in currency other than the currency of the producing country (functional currency).	

Information to shareholders

For further information

Contact any of the following on +46 (0)8 440 16 00 or
+46 (0)705 95 51 00:

- Morten Falkenberg, President and CEO
- Kristoffer Ljungfelt, CFO
- Lena Schattauer, Head of Communication and Investor Relations

Presentation

The interim report will be presented on Friday, 27 April at 15.00 CET in a webcast teleconference that can be followed on Nobia's website. To participate in the teleconference, call one of the following numbers:

- From Sweden: +46 (0)8 505 564 74
- From the UK: +44 (0)203 364 5374
- From the US: +1 855 753 22 30

Financial calendar

20 July 2018	Interim Report January-June 2018
26 October 2018	Interim Report January-September 2018

This interim report is information such that Nobia is obliged to make public pursuant to the EU's Market Abuse Regulation and the Swedish Securities Market Act. The information was submitted for publication, through the agency of the contact person set out above, on 27 April 2018 at 14.00 CET.

Box 70376 • 107 24 Stockholm, Sweden • Office address: Klarabergsviadukten 70 A5 • Tel +46 8 440 16 00 • Fax +46 8 503 826 49 • www.nobia.se. Corporate Registration Number: 556528–2752 • Board domicile: Stockholm, Sweden