2018

ANNUAL AND SUSTAINABILITY REPORT

nobia

CONTENTS

The audited Annual Report and consolidated financial statements can be found on pages 41–89. The Corporate Governance Report can be found on pages 92–99 and the statutory Sustainability Report can be found on pages 30–40 and 104–107.

The kitchen shown on the front cover is the Marbodal Arkitekt Plus.

This annual report has been prepared in Swedish and translated into English. In the event of any discrepancies between the Swedish and the translation, the former shall have precedence.

NOBIA IN BRIEF

Nobia is a kitchen specialist with operations along the entire value chain. We manufacture and sell kitchens in seven European countries through own stores, franchise stores and retailers. Over the years, the Group has developed and strengthened through acquisitions. Our specialisation and size means that we can leverage shared skills and capitalise on economies of scale.

EFFICIENT PRODUCTION

Nobia has 14 production facilities, of which 11 handle everything from furniture production to installation and assembly of complete kitchen orders. Other plants either specialise in manufacturing components or installation. Our production is large-scale and resource-efficient, and we maintain a high level of service for our customers.

STRONG BRANDS

Our brands enjoy a high level of recognition and appeal among customers, and have long served their respective markets. These brands are primarily in the mid-price and premium segments. In addition, we have tactical brands for specific sales channels and operations.

THE KITCHEN IS THE HEART OF THE HOME

The kitchen is a room that has increased in significance – it has gone from being a place for preparing food to becoming a natural place for many of our activities and should express our lifestyle. As a leading kitchen Group, Nobia is proud of its reputation for creating new products and kitchen concepts to meet the latest needs and help consumers live more sustainably. We want to make it simple for our customers to have inspiring kitchens in their homes.

PRODUCTION UNITS

Denmark: Bjerringbro, Farsø, Ølgod

Norway: Eggedal

Finland: Nastola

Sweden: Tidaholm

UK: Darlington, Dewsbury, Grays, Halifax, Morley

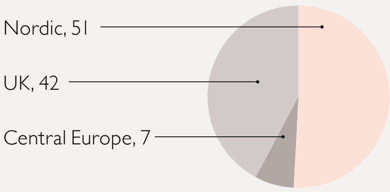
Netherlands: Dinxperlo

Austria: Freistadt, Wels

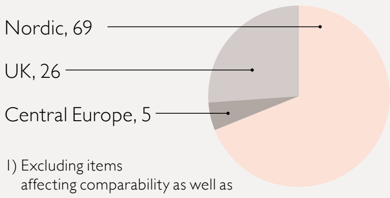
THREE REGIONS

Nobia operates in seven countries: UK, Denmark, Sweden, Norway, Finland, Netherlands and Austria. We are organised into three regions: Nordic, UK and Central Europe, of which the first two are the largest.

NET SALES PER REGION, %

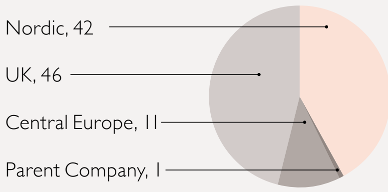


OPERATING PROFIT[1] PER REGION, %



1) Excluding items affecting comparability as well as Group-wide items and eliminations.

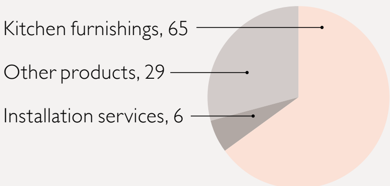
EMPLOYEES PER REGION, %



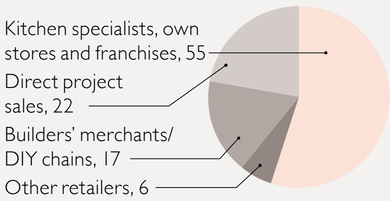
PRODUCTS AND CHANNELS

Kitchen furnishings and other kitchen products represent the majority of our sales, but in certain markets we also sell installation services and – to a limited extent – other joinery products. Kitchen furnishings are manufactured mainly from wood, and reach end customers through various sales channels.

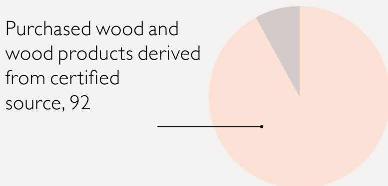
SALES PER PRODUCT, %



SALES CHANNELS, %



SHARE OF TIMBER FROM CERTIFIED SOURCES, %



14 production units with kitchen manufacturing

Approximately 11,000 kitchens delivered weekly

248 own stores and 156 franchise stores

6,081 employees in seven countries

2018

NET SALES
13,209
million SEK

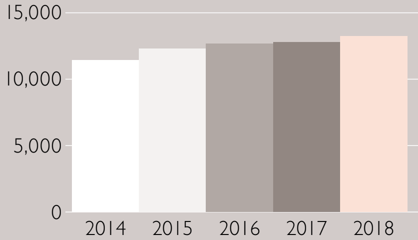
OPERATING PROFIT
1,018
million SEK

OPERATING CASH FLOW
599
million SEK

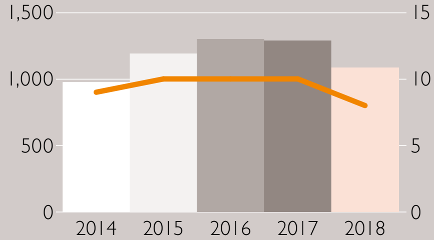
RETURN ON OPERATING CAPITAL
21.7%

DIVIDEND[2]
4.00
SEK per share

NET SALES, SEK M

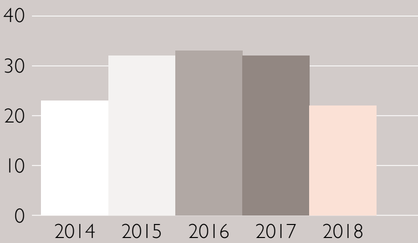


OPERATING PROFIT[1], SEK M
AND OPERATING MARGIN[1], %

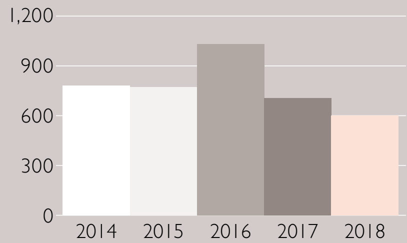


1) Excluding items affecting comparability.

RETURN ON OPERATING CAPITAL, SEK M



OPERATING CASH FLOW, SEK M



KEY RATIOS – FIVE-YEAR OVERVIEW	2014[3]	2015[4]	2016	2017	2018
Net sales, SEK m	11,411	12,266	12,648	12,744	13,209
Gross profit, SEK m	4,617	4,906	4,933	5,014	5,090
Gross margin, %	40.5	40.0	39.0	39.3	38.5
Operating profit, SEK m	878	1,189	1,298	1,286	1,018
Operating profit excl. items affecting comparability, SEK m	975	1,189	1,298	1,286	1,084
Operating margin, %	7.7	9.7	10.3	10.1	7.7
Operating margin excl. items affecting comparability, %	8.5	9.7	10.3	10.1	8.2
Operating capital, SEK m	4,402	4,596	3,912	4,231	5,163
Return on operating capital, %	23.2	32.2	32.5	31.5	21.7
Investments, SEK m	316	410	290	319	414
Operating cash flow, SEK m	779	770	1,031	706	599
Earnings per share after dilution, SEK	-0.17	4.92	2.70	6.02	4.46
Dividend per share, SEK	1.75	2.50	3.00	7.00	4.00[2]
Average number of employees	6,636	6,473	6,573	6,178	6,178
Number of employees at year-end	6,925	6,539	6,445	6,087	6,081

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

HIGHLIGHTS

ACQUISITION OF BRIBUS

In July, Nobia acquired the Dutch kitchen company Bribus, a leading player in the Dutch kitchen project market that in addition to kitchen furnishings also offers installation and appliances. Its customers consist primarily of companies in social housing and major property investors. The kitchens are manufactured in a modern facility in Dinxperlo. Part of the product range is manufactured from layers of chipboard interspersed with corn, which means the products weigh less than its competitors'.

ROLL-OUT OF NEW STORE CONCEPT

Nobia's store concept, developed as part of the strategic omnichannel focus area, was rolled out. Especially in Norway there has been a great interest in the concept. Nobia had eight omnistores in early 2019, six of them in Norway. An assessment has shown that these stores are highly efficient in sales. The stores' special "tech lab" display – which spotlights function, quality and innovation – has been particularly popular with customers.

MAGNET SMART KITCHEN

Magnet launched a new kitchen concept in collaboration with Samsung. Magnet Smart Kitchen contains smart appliances with WiFi connections that will help save consumers time and energy, organise their kitchens and entertain guests. The smart kitchen was presented in stores with traditional kitchen furnishings. New solutions from Magnet include a USB charging dock, integrated speakers and innovative cabinet solutions that make use of otherwise unused space.

MARBODAL WINS DESIGN AWARD

At the beginning of the year, Marbodal's Signatur Sandell kitchen series won Kitchen of the Year at the ELLE Decoration Swedish Design Awards. The kitchen series was the result of collaboration between Marbodal and furniture designer Thomas Sandell, and the citation for the award was: "A functional, flexible kitchen that breathes interior decorating rather than kitchen fittings." The components of the kitchen are free-standing, which makes it possible for anyone interested in decorating to put their own stamp on their kitchen.

2018
ROSPA
Gold Award

AWARD FOR SAFE WORK ENVIRONMENT

Magnet was awarded for its safety initiatives by the UK's Royal Society for the Prevention of Accidents (RoSPA). It brought home the gold in 2018, after a silver medal the year before. RoSPA's awards strive to create engagement in workplace environment issues and calls attention to organisations that prioritise the work on preventing accidents.

50 YEARS OF UNO FORM

In 2018, uno form's Reflect Kitchen series was nominated for Design of the Year in Denmark's most prestigious design awards. Uno form has kept its original design since its beginnings in 1968, and even though Arne Munch's basic idea remains, new designs and craft manufactured design elements are constantly being developed. In connection with its 50th anniversary, the new Copenhagen Collection kitchen series was presented and introduced in stores in the first quarter of 2019.

An eventful year with great uncertainty in the business environment

Looking back at 2018, it was a year impacted by a weaker macroeconomic outlook. Brexit uncertainty coupled with the softening of the Nordic housing market and material price inflation negatively affected our growth and margins. However, much has been done to mitigate these impacts, and with Nobia's strong organisation and finances, we are well prepared to drive profitable growth going forward.

2018 was a year in which a great deal happened. We made another acquisition – this time in the Netherlands, which is a new market for Nobia. Our project operations in the UK reaped major sales successes, which resulted in a sharp increase in the value of the British project portfolio, and we continued to roll out our new store concept with more digital content. But perhaps most important for the years ahead was that we prepared plans to tap into the major potential for improved efficiency inherent in the Group's production and logistics structures.

NO GROWTH IN THE MAIN MARKETS

Our UK operations reported negative growth during the year, even though Magnet grew and captured shares in a consumer segment subject to fierce competition. The background to Magnet's sales growth was the successful repositioning of the consumer offering at the beginning of the year. Uncertainty surrounding Brexit led however to lower consumer confidence and a certain level of turbulence in the UK kitchen market, in which several players reformulated their offerings and business models. Our sales to small, local construction companies and DIY chains decreased, and growth was also negatively impacted by the concluded collaboration with B2B customer Homebase, a weak social housing market and postponed housing projects.

In the Nordic region, the project market was initially very strong, but unfortunately during the summer we were compelled to state that our Swedish factory could not manage to deliver high volumes without disruptions to production. Procedures were reviewed by our new central and local supply chain teams, and the disruptions were rectified following maintenance work in the summer. At the end of the year, the rate of growth in project deliveries had slackened. Consumer sales also decreased, largely as a consequence of the decision to convert own stores in Norway to franchise stores. The background to the store conversion was primarily that the franchise model proved to work well in the Norwegian market, but also that it lowers our fixed costs.

WE ARE SAFEGUARDING PROFITABILITY

In light of the increased uncertainty in our markets, and to safeguard our profitability, a cost savings programme was initiated in the fourth quarter. These measures include staff reductions in all regions and the closure of 16 stores, primarily in the UK. The measures will generate annual savings of SEK 80 million. Depending on the demand trends, we may initiate further measures, and we will continue to focus mainly on continually bringing down cost levels.

Cash flow from operating activities increased during the year, and the company's financial position remains strong. The Board of Directors proposes a dividend of SEK 4 per share.

NEW FAMILY MEMBER

In July, we welcomed Bribus to the Nobia family. Bribus is a leader in the Dutch kitchen project market, and we see strong opportunities for continued growth in the Netherlands as well as for expansion into other channels and countries. The integration of Bribus into the Nobia Group went well, and as a result of the acquisition our Central European region has expanded. Bribus's income in the second half of the year totalled SEK 350 million.

MAJOR PROJECTS IN LONDON

Through CIE Kitchens, which designs and installs premium kitchens for private developer projects, we successfully bid on several prestigious projects in London, including Southbank Place, Battersea Power Station, Lillie Square, South Quay Plaza and Marble Arch Tower. Many attractive apartment buildings in London will be built and furnished with kitchens over the coming years. All together, our UK project operations via Commodore and CIE Kitchens have a very strong orderbook, with a high proportion of planned deliveries in 2019.

PROGRAMME FOR ENHANCED EFFICIENCY

Restructuring in production and logistics will be a large part of future value creation at Nobia. We have overhauled the production structure and built a highly competent organisation. Beginning in 2019, we will implement measures to enhance the efficiency of the structure in the Nordic region, where we currently have six production facilities, and in the UK, where no structural changes have been implemented since the plants were acquired. Over the next few years, this will mean fewer full-scale production facilities and more specialised divisions in both regions. In addition to improving the production structure, we will implement efficiency enhancements in our product range and sourcing as well as make general cost savings.

VALUE CREATION STRATEGY

Focus on profitable growth and efficiency enhancements is a central part of our strategy. Other important parts of the strategy are investments in omnichannel, growth in the economy segment and new solutions for the modern, sustainable kitchen. As a leading kitchen specialist, we need to continually invest in our brands, channels and product range. In 2019 there will be a comprehensive review of both the production and logistics structures, as well as choice of channels, and strategic initiatives to further strengthen our market position and create value. We have also identified good opportunities for profitable organic and acquired growth going forward, which include strengthening the UK contract business and revamping the Nordic B2C business.

The most important facilitator for achieving what we want is our employees. To attract and retain talent, we are investing in our corporate culture, in which the safety of our employees is the highest priority. Other central parts are a healthy working environment and good management. We are keen to ensure that Nobia is hallmarked by diversity, and are making efforts to recruit more women to executive positions.

Sustainability is a strategically important issue that helps us remain relevant and strengthens our relationships with important stakeholders. Today's consumers want attractive kitchens, and at the same time want to take responsibility for the planet. We have a great deal of experience in manufacturing and selling kitchens with high environmental standards, and regard sustainability from two perspectives: how we inspire people to more sustainable lives through our kitchens; and how we can be more sustainable in our own operations and business relationships.

Nobia has signed the UN Global Compact and supports the ten principles on human rights, labour, the environment, and anti-corruption; we work actively to integrate these principles into our operations and our business relationships. Our sustainability strategy is intended to create value through linking our operations to our ambitions to promote the UN Sustainable Development Goals. We have defined our own sustainability goals, and have already achieved the goal of 100 per cent renewable electricity in production.

LOOKING FORWARD

With a strong marketposition and many initiatives for growth following the value creation plan, I am convinced we can gain shares in our core markets. However, macro economic uncertainty will most likely entail softer market conditions. In the UK, political uncertainty concerning Brexit continues to hamper demand, and the risk of a "no deal" UK exit from the EU increased early in the year. Nobia is well prepared for such a situation; measures we have taken include building up a safety stock of components and fronts in order to keep our customers supplied with complete kitchens even if imports are disrupted. At the same time, an increasing number of indications are emerging from the Nordic and Central Europe regions that markets are becoming softer.

We are taking these warning signs extremely seriously, and I would like to be clear that there is much left to be done to realise the Group's full potential. But it should also be remembered that, in many respects, Nobia today is a different company than it was ten years ago after the financial crisis. Nobia was not profitable then, and the company was deeply indebted; today, the Group's earnings are healthy, with lower fixed costs and strong finances. We also have relatively strong insight into project businesses, since lead times from construction start to delivery are long. These insights, as well as our plans, give me confidence in the assurance that we have excellent conditions for managing well even in a tougher market situation, and that we will realise major efficiency enhancements in the coming years.

I would like to extend my warmest thanks to all my colleagues and partners for excellent collaboration. We are heading towards eventful times, and I am looking forward to them.

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.

RESOURCES WE ARE DEVELOPING

MANUFACTURED CAPITAL
14 production facilities
248 own stores
SEK 338 million of investments in tangible fixed assets

BUSINESS RELATIONSHIPS
156 franchise stores
Approximately 1,500 retail stores
Approximately 650 suppliers of direct materials

INTANGIBLE RESOURCES
A portfolio of strong kitchen brands
SEK 76 million of investments in intangible assets
Systems and master data for products and supplier management
Operating systems and programmes for employee development

HUMAN CAPITAL
6,081 employees

FINANCIAL RESOURCES
SEK 5,163 million operating capital
SEK 599 million operating cash flow

NATURAL RESOURCES
417,000 m^3 wood and wood products
178 GWh energy

OUR OPERATIONS

FOCUS ON KITCHENS
Nobia's business model is manufacturing and selling kitchens to consumers and companies under its own kitchen brands and under private labels. Operations cover the entire value chain from product development and sourcing to sales and distribution, as well as installation services in certain markets.

We sell primarily complete kitchen solutions: everything needed in a kitchen – cabinets, drawers, fronts, panels, bases, cabinet fixtures, worktops, sinks, mixer taps, appliances, kitchen fans, handles and so on. The furnishings are primarily manufactured from wood products in our facilities. Sales take place via own stores, franchise stores and retailers. In addition, we have direct sales to certain professional customers.

Nobia creates value by delivering complete and attractive kitchen solutions, with excellent function and design, based on our customers' needs. Our strategy starts from our resources and economies of scale throughout the entire value chain. Read more about the strategy on pages 14-17.

VALUE CREATED, 2018

PER STAKEHOLDER GROUP

Customers

- Delivery of nearly a half million new kitchens both in new homes and for renovation
- New kitchen concepts and products that make consumers' daily lives easier
- Approximately 12 million visits to our website, where over 42,000 consultations were booked

Employees

- Commitment index increased to 78
- Over 4,500 performance evaluations conducted
- 280 managers took our leadership course

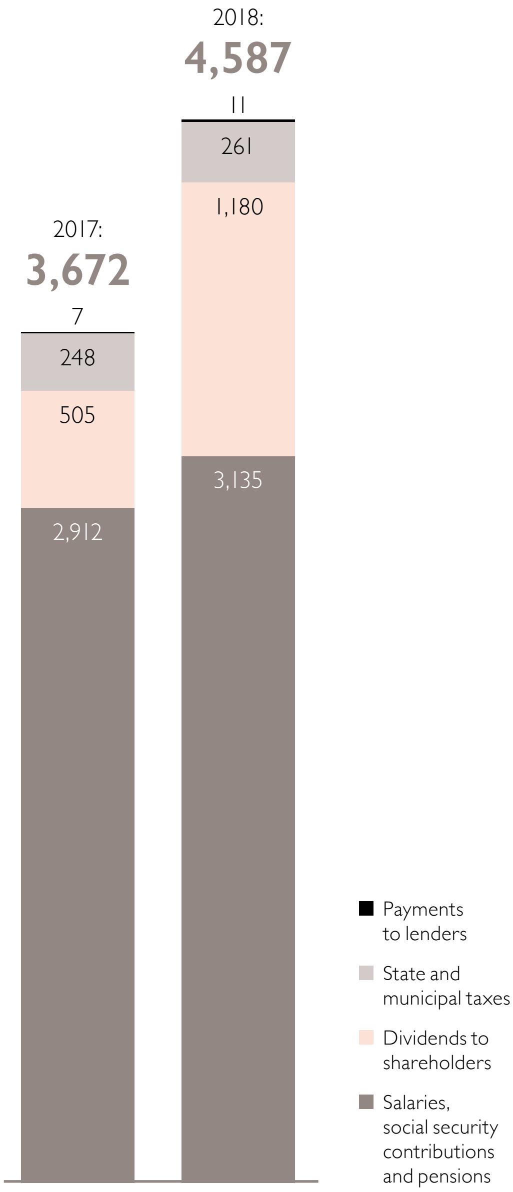
Owners and lenders

- Dividend SEK 1,180 million
- Interest paid, net SEK 11 million

Community and suppliers

- SEK 261 million in income tax paid
- Approximately 6,000 job vacancies, primarily in smaller towns
- Innovative solutions for a more sustainable life in the kitchen
- 100 per cent renewable electricity in production
- Slightly more than 300 suppliers in the supplier audit programme

DISTRIBUTED VALUE, SEK M



MAGNET TATTON

Business environment and strategy

Kitchens are a lifestyle product affected by prevailing consumer trends, but as a leading kitchen specialist we interact with our customers in various ways. We focus on profitable growth through continuous efficiency enhancements and by selling inspiring kitchens in new ways.

TRENDS THAT IMPACT OUR KITCHENS

Urbanisation, digitisation and an increased interest in sustainability and experiences are examples of megatrends that impact how our kitchens look and how we buy them. Here, we present five specific trends with an impact on our product development and on how we interact with our customers.

REDUCED WASTE

Around one third of all food produced is estimated to go to waste before it is consumed by people. Consumers are beginning to increasingly question waste in food – the food itself, as well as packaging materials and energy. In this light, we are seeing increased demand for storage solutions that extend the sustainability of food, solutions that make in easier to sort and recycle waste, products that are manufactured from fully or partially recycled materials, and energy-efficient appliances.

URBAN AND KITCHEN GARDENS

Over the last few years, megatrends such as stability, a focus on health and urbanisation have rapidly driven the urban garden trend forward. More and more companies and consumers are using smaller spaces in, under and above cities to grow vegetables, plants and herbs. Gardening has also moved into the kitchen; today, there are solutions that make indoor gardening possible without manual irrigation or access to direct sunlight. Using these solutions, the kitchen is becoming a room that can also produce foodstuffs.

STORE EXPERIENCE

In the consumer trades, e-commerce is gaining ground at the expense of shopping in physical stores. At the same time, consumption of services and experiences is increasing, as is the demand for a positive purchasing experience. Many stores go from being a location for transactions, with products in store, to focusing on an inspiring presentation of the product range and offering more social, emotional and personal experiences, often using design, digital solutions and human interactions that enhance the store experience. Simply put, the store experience increases in importance for the consumers' choice of channel, brands, satisfaction and loyalty.

VOICE FIRST

Technological development has made great strides since Apple launched its voice-controlled assistant, Siri. Today's voice-controlled, connected assistants such as Google Home and Amazon Echo have been gifted with artificial intelligence and can be used for everything from answering factual questions and giving the weather forecast for the week to controlling lighting, burglar alarms and sound systems. There are already several products and functions that make life in the kitchen simpler and more efficient. In the next few years, these will very likely make themselves broadly felt. For example, in the form of voice-controlled mixer taps, ovens and refrigerators.

PERSONALISATION

For many consumers, mass-produced and standardised goods are starting to become increasingly uninteresting. They want to have their needs met to a greater extent through personally designed products and services. Nobia's consumer studies also show that many have an emotional need to create a home and a kitchen that feels personal – adapted to their preferences, lifestyle and use. There is also an increasing need for inspiration both online and in stores, easy-to-use design programs, and professional advice and planning help when buying kitchens.

THE EUROPEAN KITCHEN MARKET

The kitchen market can be divided according to whether the kitchens are sold to consumers or to professional customers. These customer segments are sized differently in different European countries, and can in turn be divided into renovation and new construction. It is estimated that 80 per cent of the European kitchen market is made up of purchases for renovation, and the remainder of purchases for new production.

THE CONSUMER MARKET

As a room, the kitchen is becoming increasingly important in our homes. It is no longer just a room where people cook and eat food, but also the natural room both for socialising with family and friends and for work, study and creative activities. In addition, interest in food and cooking is increasing. Many also have a need to create a home and a kitchen that expresses their personality and reflects their lifestyle. Furnishings, appliances and kitchen equipment can consequently cost more. New design and functionality reflect the growing importance of the kitchen and inspire consumers to renovate and invest in their kitchens.

For households, a new kitchen is a relatively major and complex investment that includes the important factors of function, layout, 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 or have major renovations done. The general economic climate and consumers' faith in the future on questions of private economy affect demand.

Consumers usually invest a great deal of time and energy on gathering inspiration and information. In addition to research in such places as websites, social media and home décor magazines, they visit an average of two to three stores to compare different alternatives and to get design and cost proposals before they choose a supplier and place an order. This is why a strong, well-known brand is important, as is professional and inspiring service in the stores.

European consumers can purchase their kitchens through various channels, for example, specialised kitchen stores, furniture stores and builders' merchants, as well as directly on the Internet to a certain extent. Nobia reaches customers through both own stores and franchise stores, and a large number of retailers who often specialise in kitchens or who are active as builders' merchants.

Customers often seek inspiration and help in their planning, which is why trained kitchen designers and sellers are important in order to offer the right service and support our consumers through the purchasing process. The goal is to plan and design a kitchen adapted according to every customer's needs, preferences and lifestyle. One important aspect for functionality is planning based on the kitchen's 'triangle' – the sink, oven and refrigerator are located relatively close to each other so as to create an efficient work flow.

Kitchen renovations often result in labour costs for installation, plumbing and electricity, which is why some countries offer tax deductions on labour that could have a positive effect on kitchen sales.

Ready-to-assemble kitchen products are a large and growing segment of many kitchen markets in Europe. Nobia provides a product range under several brands that are a good value for someone who wants to do all the work – measuring, assembling and installing the kitchen – by themselves.

THE PROFESSIONAL MARKET

The professional market contains corporate customers – major construction companies and property companies, house factories and property developers, for example – and also private and municipal landlords as well as small construction companies and builders. In large countries such as the UK, kitchen suppliers focus to a large extent on a specific segment of the professional market, for example, customers in property development, social housing, or small local construction companies. Nobia has operations in all these segments through various channels, and has a particularly strong position in the professional market in the Nordic countries.

Professional customers are important partners for Nobia, and while they have product requirements that are similar to consumers', their service needs are somewhat different. The most important competitive advantages for major projects are successfully delivering large orders on time, and products that are easy to install. The services being demanded could be knowledge of trends, maximising surface area and the work flow in the kitchen and dedicated project management. Physical stores that allow the end customer to see and feel the kitchens are also an advantage. Sustainability issues are also important for professional customers, and demand for sustainability cer-


HTH NEW YORK

tifications and product labels and solutions that enable the end consumer to live more sustainably have increased. There is, for example, a growing demand for smart waste sorting and composting solutions.

Contracts for kitchen deliveries are signed on a project-by-project basis, but it is common for business relationships between kitchen suppliers and professional customers to be long-term, especially among the major construction companies in the Nordic region.

House builders and construction companies

House builders and construction companies need to offer their customers kitchens with good design and numerous options, and an attractive kitchen is seen as part of marketing new objects. New housing construction is an industry that is relatively sensitive to the business cycle; construction moves in cycles but does not necessarily follow the same trend in all European countries. Macroeconomic events and megatrends such as urbanisation impact the demand for new housing, as do consumers' future expectations for salary trends, housing prices and interest rates as well as opportunities for borrowing money.

In the UK and the Nordic region, kitchens are considered building accessories and included in the sale of an apartment or a house. This is less common, however, in countries such as Austria or Germany, which means significantly smaller project markets in these countries.

Nobia has a strong position in new housing construction among construction companies – especially in the Nordic region – but is also active in the UK, primarily through Commodore and CIE.

Social housing

One part of the professional kitchen market is sales to tenancy apartments or the public housing sector, who in the form of municipal housing authorities and tenant associations provide housing. Investments in social housing are often dependent on state subsidies and political decisions. Most of the kitchens in this segment are sold for renovation, normally as part of a planned maintenance programme, even thought there is some new construction in this sector.

Competitive prices and product durability are important aspects for customers in this segment. Other important competitive advantages are simplicity in ordering and installation, reliability of deliveries and short delivery times.

Kitchens for the rental market and social housing are a significant part of Nobia's operations, primarily in the UK and the Netherlands, which have a relatively large stock of rental apartments.

Builders and small local construction companies

Builders and small local construction companies are another important customer group in the professional market. Small companies with a small number of employees normally purchase and install one kitchen at a time for the end consumer. A number of these focus only on kitchen installation, but the majority also perform extensive renovation work for private households.

These smaller construction companies are important customers for Nobia, above all through Magnet in the UK. But even our brands in the Nordic market and Bribus sell to smaller construction companies and builders, through both franchise stores and retailers in the building trade.

STRATEGY FOR PROFITABLE GROWTH

We are governed by our vision and a strategy built on economies of scale throughout the entire value chain. We focus on profitable growth by offering inspiring kitchen solutions and new ways of interacting with our customers.

VISION

"Inspiring kitchens made easy"

We will make it easy for our customers to have inspiring kitchens in their homes. We focus on the customer experience and 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.

OVERALL GOAL

Profitable growth

FINANCIAL TARGETS

>5%	>10%	<100%	40–60%
Growth	Operating margin	Debt/equity ratio	Dividend

STRATEGY

with economies of scale throughout the value chain

EFFICIENCY

- Product development
- Production structure

GROWTH

- Omni-channel
- Economy segment

FACILITATORS

- Employees
- Acquisitions

BUSINESS CONCEPT

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

SUSTAINABILITY

Our commitment to and responsibility for sustainable development permeates out work throughout the value chain. Our primary opportunities to have a positive impact on people and the environment concern choice of materials, how kitchens are manufactured and distributed, and how our kitchen solutions can promote a more sustainable lifestyle.

EFFICIENCY

Nobia is one of the largest kitchen producers in Europe, and an important part of our strategy is to realise advantages of large-scale production and opportunities for efficiency enhancement. We are continually developing new products while we optimise our total product range. Another important part of our strategy is our work on rationalising our production structure.

Product development

For most of Nobia's brands and markets, there is a Group-wide core range. The goal is to be on the leading edge as regards new products while reducing the complexity of the Group's total product range by increasing the overlaps of best-selling products and reducing the number of components with small volumes. This allows us to realise additional economies of scale in both sourcing and production.

Our central product development brings out new kitchen concepts and innovative solutions that meet the latest customer needs, distinguishing our brands from our competitors. As a leading kitchen specialist, Nobia's ambition is to be the first to market with new products and to improve environmental performance in our kitchens in order to help our customers promote sustainable development.

COMPLETED IN 2018

- Two new kitchen concepts with smart solutions were introduced in the market.
  - Our Waste-Free Kitchen helps customers live more responsibly and sustainably. This kitchen concept contains cabinet fronts made of recycled material, solutions that make recycling more convenient, and better storage of food.
  - Magnet Smart Kitchen is a kitchen with a large amount of technological content. This smart kitchen from Magnet contains solutions such as a USB charging dock, integrated speakers and innovative cabinet solutions, as well as Samsung's range of connected smart appliances.
- The total number of fronts was reduced, primarily as a result of harmonising the product range in the UK.

	2016	2017	2018
Fronts, UK	530	320	197
Fronts, Nordic	256	246	214

FORWARD FOCUS

The direction of our product development is determined based on an analysis of prevailing trends and consumer insights. New solutions will be worked out for trends such as small kitchens and indoor gardening. We are also developing concepts that will increase comfort and simplify life in the kitchen, and we will also focus on introducing products that help consumers live more sustainably. Cost-efficient solutions for sustainable kitchens in rental apartments are being developed in partnership with our customers from construction companies.

Savings in purchasing will be achieved through in-depth collaboration and cross-functional improvement initiatives with our most important suppliers. We will also reduce the number of suppliers. We will place great important on optimising transports and on total cost, where we are working with value engineering to optimise the product range.

Production structure

The efficiency of Nobia's structure, with 14 production facilities (of which 11 manage the entire process from manufacturing of components to painting, installation and packaging of complete kitchen orders) can be enhanced through increased specialisation and a clearer division into high-volume and low-volume production.

The long-term strategy is to centralise component manufacture. Production on a larger scale means lower fixed costs, making concentrated investments in first-class equipment possible. The main components in our kitchens will be produced under own management, even though contract manufacture may be advantageous for smaller product categories or for managing volume fluctuations.

Assembly and customisation should take place in local markets so that we can maintain a high level of service for our customers. Transport efficiency should also be taken into account, since rigid kitchens are relatively bulky products. Assembly facilities and logistics centres need to be conveniently located for optimal transportation.

COMPLETED IN 2018

- A comprehensive review was conducted of the production structures for the Nordic and UK regions.
- A logistics centre for the Nordic economy price product range was developed at Tidaholm. Kitchen orders sold via Power's stores – and, beginning in the spring of 2019, also HTH's range of flat packs – are put together and packaged from here.
- A transport system that allows better control over deliveries and costs in the entire transport process began to be implemented.

FORWARD FOCUS

The priorities moving forward are implementing structural changes, investing in new equipment, minimising the risk of disruptions to production and maintaining a high delivery capacity. The changes will mean fewer full-scale plants and more specialised facilities with a greater degree of automation. In 2019, these restructuring plans will be made more specific.

GROWTH

Our focus is on developing digital services and new store concepts to meet new customer behaviours and technological possibilities. We will offer inspiring kitchens in a simple fashion, both in physical stores and digitally. We also endeavour to develop new offers for the economy segment, which is a growing part of the consumer market.

Omnichannel

Nobia is well in the lead in omnichannel for the kitchen industry, and we will continue to develop new digital tools and new store concepts. Our customers will have the same inspiring experience regardless of whether they visit our website or come in to a store.

With inspiring and relevant content in social media and on our websites, we will utilise customers' involvement and help them through the purchasing process. When our customers have the opportunity to do more work by themselves, they will come more prepared to the meetings with our kitchen designers and the purchasing process will be more efficient.

With the customer experience in focus, a store concept was introduced in 2017 with a great deal of digital elements and smaller surface areas than normal kitchen stores. These omnistores invite customers to become involved in and experience the products in new and inspiring ways. The physical kitchen displays are fewer, and the broad offering is presented using digital tools instead. The stores have a special display about function, quality and innovation where the customers can test smart storage solutions and accessories.

COMPLETED IN 2018

- Focus for our online development was on increasing users' activity levels. One important part of this was the roll-out of the Get Started module, which helps visitors start on their kitchen journey.
- Four new omnistores, and three stores with parts of this concept, were opened during the year. In total we have eight omnistores and six stores with parts of the concept.
- An evaluation of the omnistores showed that they have higher sales per store seller, and a higher rate of conversion, than traditional stores.

	2016	2017	2018
Activations online	6.0%	6.2%	6.5%

FORWARD FOCUS

Nobia plans to continue the roll-out of the omnistore concept in both own stores and in franchisees. The long-term trend is moving toward smaller stores in more central locations, and with more digital content. We will continue to invest in being on the leading edge, digitally, focusing on creating a positive customer experience through tools that make it simpler for our customers to plan and make their kitchen dreams a reality.

The economy segment

More and more consumers want to do a part of the work of installing kitchens themselves, which is why the market for lower priced kitchens will continue to grow. With our strong brands, broad distribution and healthy production economy, Nobia has excellent conditions to create growth for kitchens for consumers in the economy segment.

Nobia has a few sales channels primarily aimed at the economy segment, for example, Gower in the UK and the electronics chain Power in the Nordic region. In addition, our largest brands have separate ranges that are sold ready-to-assemble. Approximately 30 per cent of the Group's sales in the UK come from ready-to-assemble kitchens, while the same share in the Nordic region is approximately 10 per cent. In Central Europe, we only sell rigid kitchens.

Over the last few years, we have focused on growth in the Nordic economy segment. Buying and assembling our kitchens should be easy and offer good value, and the products should be delivered directly to the customer's door.

COMPLETED IN 2018

- After having marketed HTH's ready-to-assemble kitchens for a period under its own brand, HTH returned to the strategy of a brand under which the ready-to-assemble range was sold as a DIY alternative to the regular range.
- Nobia introduced a simplified installation for its kitchen range, delivered in flat packs and sold via the Power electronics chain in the Nordic region. With pre-installed components in the cabinet sides, customers avoid dealing with packets of screws and matching the right screw to the right hole – both of which often try people's patience. A manual with QR codes to user-friendly instructions accompanies the delivery. Compared to earlier, it takes half as long to install the cabinets with the simplified system, which will also be introduced into HTH's ready-to-assemble range in the spring of 2019.

FORWARD FOCUS

Our brands develop offerings with good value for consumers, and we will continue to improve our production economy and our range of ready-to-assemble kitchens. In parallel with this, we are looking for more sales partnerships regarding ready-to-assemble kitchens that we can deliver with short lead times direct to the end customer's home.

ENABLERS

The commitment among our employees is what makes development possible. By offering a safe, attractive workplace, we can recruit and retain employees who help deliver kitchen dreams to our customers. Our acquisitions make it possible for us to grow and consolidate the kitchen market.

Employees

Nobia has 6,081 employees in seven countries, with many different positions, backgrounds and skills, all of whom enable the success of the organisation. The ability to recruit skilled employees and to retain and develop existing staff is crucial for a successful, sustainable company. That is why we continually work to increase the company's attractiveness as an employer, create commitment and pride among our employees, and to develop leadership abilities and the right skills.

COMPLETED IN 2018

- To emphasize Nobia's position on the labour market as an international kitchen group with many well-known and attractive brands, we have pooled job vacancy announcements from all our operations into a Group-wide career website. The website was launched in May, and together with increased visibility in social media enables recruitment and increases pride among our current employees.
- A Group-wide leadership programme, customised for the company's business and management challenges, is being implemented in all the countries where we operate. In 2018, 280 managers began the programme, which consists of six modules. The first module takes place in a classroom environment, while the other modules make use of technological solutions that make virtual classrooms possible.

Two measurements of all employees' commitment has been carried out. The result is used as the basis for working further on activities both locally and centrally.

	2016	2017	2018
Employee commitment index	75	77	78

FORWARD FOCUS

Nobia will continue to invest in employee's commitment and participation. The ambition is to strengthen collaboration and unity among employees, divisions and functions and to develop a shared corporate culture. One important part of the work will be implementing a new intranet that will promote communication and collaboration.

Acquisitions

Acquisitions represent an important part of Nobia's strategy, and the Group still has the ambition of growing on Europe's kitchen market and enabling its consolidation. The acquisition strategy targets profitable kitchen companies operating in attractive markets and that supplement the Group's existing structure. Both add-on acquisitions in countries where we already operate and expansion into new markets in Europe may be of interest.

The acquisitions of the past few years – Rixonway Kitchens in 2014, Commodore Kitchens and CIE in 2015, and Bribus in 2018 – have not only meant increased sales and larger production volumes but also synergy effects and increased diversification through expansion into new segments and markets.

COMPLETED IN 2018

- In July, Nobia acquired the kitchen supplier Bribus, a leader in the Dutch kitchen project market. Bribus manufactures and installs approximately 45,000 kitchens a year; its customers are primarily companies operating in social housing and major property investors in the Netherlands. The kitchens are delivered complete, including appliances, from the modern production facility in Dinxperlo. Some of Bribus's kitchen cabinets are manufactured from chipboard interspersed with corn, which means the products weigh less and are better for the environment.

FORWARD FOCUS

Acquisitions remain high on our agenda. We have excellent financial conditions for acquiring profitable kitchen operations, when the opportunity presents itself. Our acquisition market is relatively limited, however, and most of the attractive European kitchen companies are privately owned. It may therefore take a while to reach agreements on company transactions.


MAGNET

MAGNET'S REPOSITIONING

For Magnet's 100th anniversary as an acknowledged kitchen specialist, a repositioning was carried out with a focus on Magnet's core target group: families in the UK. This work led to a simplified purchasing process and a clearer offering, focused on customer value.

The repositioning manifested in the "Part of the Family" advertising campaign, which emphasized the central place of the kitchen in the family and which highlighted Magnet's strengths as the oldest kitchen specialist in the UK. A new version of Magnet's website was launched at the same time, with tools that help customers understand the kitchen process and make informed choices before they visit a store. Many inspiring customer activities were also arranged in the stores throughout the entire anniversary year.

The adjusted offering and repositioning were positively received by customers early in the year, which is the period that has the highest level of kitchen sales to UK consumers. Magnet displayed double-digit growth in consumer sales over the following two quarters, which shows that the new offering stood strong in the stiff competition on the UK kitchen market.

After the successful repositioning toward consumers, and with this new experience under its belt, work in the same spirit was initiated at the end of the year to customise and simplify Magnet's offering to the target groups of builders and small, local construction companies.

TARGETS AND TARGET FULFILMENT

Nobia has four financial targets linked to the overall goal of profitable 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

Sales grew by 4 per cent; the growth target was therefore not met. The growth in sales was the result of positive currency effects and the acquisition of Bribus, while the organic sales trend was negative for the first time in five years. By region, organic growth was negative 1 per cent in Nordic, negative 7 per cent in UK and 1 per cent in Central Europe.

Sales growth, %

	2014	2015	2016	2017	2018
Organic growth	2	6	4	2	-4
Acquisitions/divestments	-1	4	4	–	3
Currency effect	6	7	-5	-1	5
Total growth	**7**	**17**	**3**	**1**	**4**

>10%

OPERATING MARGIN

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

Target fulfilment

The target for operating margin was not met in 2018. Operating profit, excluding items affecting comparability of SEK 66 million, totalled SEK 1,084 million and was impacted by non-recurring costs of SEK 88 million. The impaired operating margin was mainly the result of decreased sales, higher prices of materials, lower productivity and non-recurring costs primarily regarding a cost savings programme in the fourth quarter.

Operating margin excluding items affecting comparability, %

	2014	2015	2016	2017	2018
Nordic	12.8	13.3	14.3	14.8	12.5
UK	7.5	9.3	8.9	8.0	5.8
Central Europe	7.8	3.7	6.8	2.3	6.4
Group	**8.5**	**9.7**	**10.3**	**10.1**	**8.2**

<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 strong financial position. At year-end, the debt/equity ratio was 32 per cent. Net debt, defined as interest-bearing liabilities less interest-bearing assets, totalled SEK 1,266 million at 31 December 2018; the increase over the previous year is due to the acquisition of Bribus and the extra dividend for the 2017 financial year. Pension liabilities decreased as the result of changed working life assumptions and an increased discount rate.

Net debt and net debt/equity ratio, SEK m

	2014	2015	2016	2017	2018
Net debt	1,206	774	493	77	1,266
Pension liabilities	869	732	955[1]	567	505
Debt/equity ratio, %	38	20	14	2	32
Equity/assets ratio, %	41	47	43	58	50

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 of Directors proposes to the Annual General Meeting a dividend of SEK 4 per share for 2018, corresponding to 90 per cent of net profit after tax for the year, thereby exceeding the target interval. The proposal entails a total dividend of approximately SEK 675 million. For 2017, a regular dividend of SEK 3.50 per share was paid out as well as an extra dividend of SEK 3.50 per share, for a total of SEK 7.00 per share.

Dividends to shareholders, SEK

	2014	2015	2016	2017	2018
Earnings per share after dilution, SEK	-0.17	4.92	2.70	6.02	4.46
Dividend per share, SEK	1.75	2.50	3.00	7.00	4.00[1]
Dividend as a percentage of net profit after tax, %	N/A	51	111	116	90

1) The Board's proposal.

INTUO FINISO

Operations

We have organised our operations based on three geographic regions: Nordic, the UK and Central Europe. How we interact with the market differs among the various regions and also among our different brands.

Nordic

REGION

2018

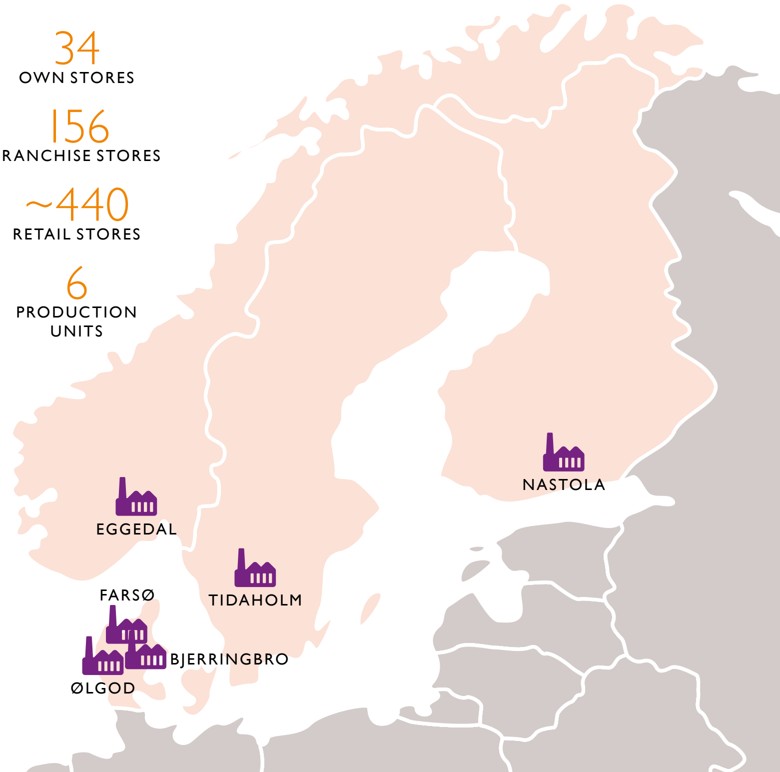
- **Organic growth totalled negative 1 per cent** and was driven by decreased consumer sales.
- **Disruptions to production** at the Swedish plant in Tidaholm had a negative impact on both sales and operating profit. Maintenance work was performed and the problem was resolved.
- **Nine own stores** that sell kitchens under the Norema brand were converted to franchise stores. The reason for this was primarily that the franchise model has proven to be successful in the Norwegian kitchen market.

34
OWN STORES

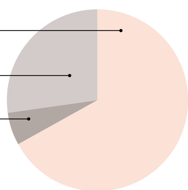
156
FRANCHISE STORES

~440
RETAIL STORES

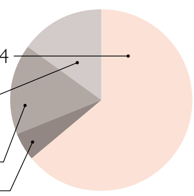
6
PRODUCTION UNITS



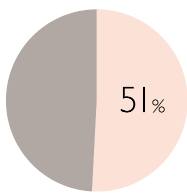
SALES PER PRODUCT, %



SALES CHANNELS, %

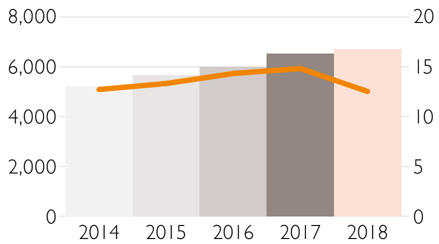


PERCENTAGE OF NET SALES, %



KEY FIGURES	2017	2018	Change, %
Net sales, SEK m	6,516	6,705	3
Gross profit, SEK m	2,638	2,590	-2
Gross margin, %	40.5	38.6	–
Operating profit, SEK m	963	841	-13
Operating margin, %	14.8	12.5	–
Operating capital, SEK m	712	786	10
Return on operating capital, %	138	112	–
Investments, SEK m	135	182	35
Average number of employees	2,767	2,715	-2
Number of employees at year-end	2,710	2,581	-5

NET SALES, SEK M
AND OPERATING MARGIN, %



POSITION AND MARKET TREND

Nobia is a leading kitchen supplier in the Nordic region with manufacturing and distribution in all Nordic countries.

Our kitchen brands are some of the most well-known in their respective markets, and are sold to both consumers and professional customers. We have a strong position as a supplier to construction companies and private property developers. We compete with both local players and kitchen producers and international furniture companies in all of the Nordic countries.

Distribution varies among the brands and takes place through dedicated kitchen stores, operated under own management or as a franchise, and through roughly 440 retailer stores found in such sectors as the building trades. Project sales in all of the Nordic countries to house builders and construction companies take place directly and via own stores, franchise stores and retailers.

The Nordic kitchen market continued to grow in early 2018, driven primarily by a strong project market with increased new construction in all countries. At the end of the year, the rate of growth on the project market had decreased, primarily in Sweden and Norway. The consumer market is deemed to have decreased during the year, also driven by Sweden and Norway.

Brand	Products	Customer segment	Sales channels	Markets
HTH	Complete kitchen solutions in the mid-price segment, often rigid. There is also a range of ready-to-assemble kitchens.	Consumers and professional customers.	Sales primarily through 30 own stores in Denmark and 60 franchise stores in Denmark, Sweden and Norway.	Denmark, Norway, Sweden, Finland
MARBODAL	Rigid and complete kitchen solutions in the mid-price segment.	Consumers and professional customers.	Marbodal kitchens are sold via 15 franchise stores and via retailers, for example the Optimera, Beijer and XL Bygg construction chains. Kitchens to professional players are sold directly.	Sweden, Norway
sigdal	Rigid and complete kitchen solutions in the mid-price segment.	Consumers and professional customers.	Sigdal is sold via 16 franchise stores and in addition has retailers, including the Byggmakker hardware chain.	Norway
PETRA	Primarily rigid kitchens in the mid-price segment.	Consumers and professional customers.	Through Nobia's Keittiömaailma (Kitchen World) franchise chain with 32 stores, and also via retailers in the building materials trade. Kitchens to professional players are sold direct.	Finland
INVITA	Rigid kitchens with high design content in the upper mid-price segment.	Consumers and professional customers.	Invitas kitchens are sold primarily through 21 franchise stores.	Denmark
NOREMA	Primarily rigid kitchens. There is also a ready-to-assemble range in a lower price segment for consumers.	Consumers and professional customers.	Norema is sold through nine franchise stores. Sales also take place through the Power electronics chain and retailers in the building trade.	Norway
uno form	Exclusive, expertly handcrafted kitchens in the luxury segment.	Consumers and professional customers.	Uno form is sold through two own stores and three franchise stores, as well as through a selection of HTH's franchise stores.	Denmark, Norway, Sweden
A la Carte Keittiöt	A la Carte offers rigid kitchen solutions in the upper mid-price segment.	Consumers and professional customers.	Sold via Nobia's Keittiömaailma (Kitchen World) franchise chain.	Finland

SELECTION OF COMPETITORS

Sweden: IKEA, Ballingslöv, Epoq **Norway:** IKEA, Drømmekjøkkenet, Kvik
Denmark: Svane, IKEA, Kvik **Finland:** Puustelli, Topi-Keittiöt, IKEA

UK
REGION

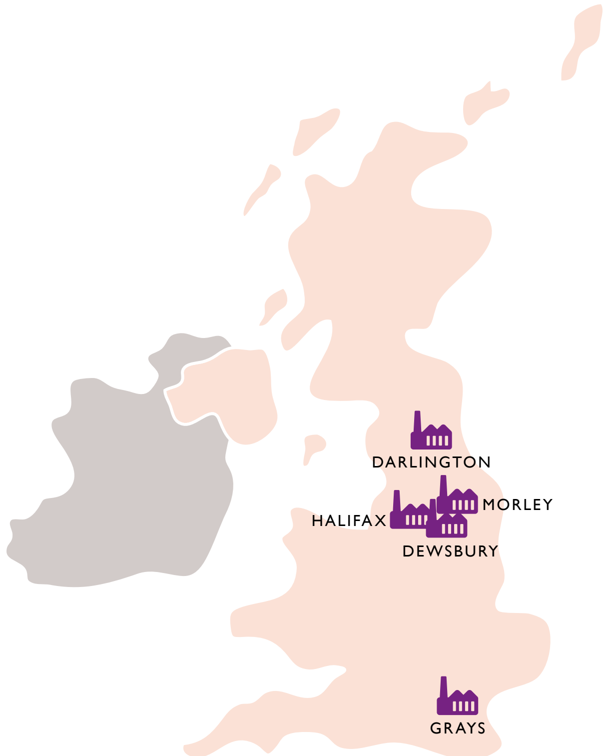
2018

- **Organic growth totalled negative 7 per cent,** driven primarily by decreased B2B sales owing to the terminated partnership with Homebase and decreased project deliveries.
- **Magnet's sales grew** more than the market after a successful repositioning of its offering for consumers early in the year.
- **Commodore Kitchens and CIE** won several major orders during the year for kitchens for new housing construction in the London region.

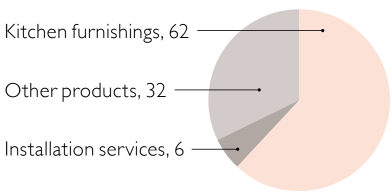
214
OWN STORES

~510
RETAIL STORES

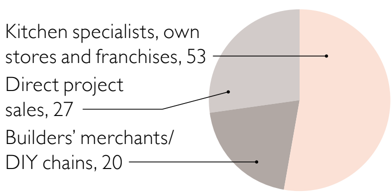
5
PRODUCTION UNITS



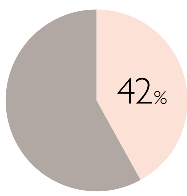
SALES PER PRODUCT, %



SALES CHANNELS, %

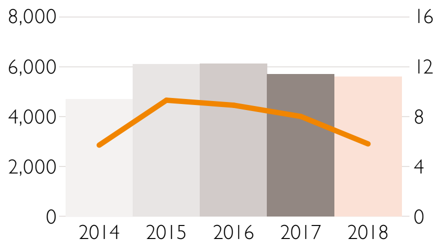


PERCENTAGE OF NET SALES, %



KEY FIGURES	2017	2018	Change, %
Net sales, SEK m	5,710	5,597	-2
Gross profit, SEK m	2,172	2,190	1
Gross margin, %	38.0	39.1	–
Operating profit, SEK m	454	257	-43
Operating profit excl. items affecting comparability, SEK m	454	323	-29
Operating margin, %	8.0	4.6	–
Operating margin excl. items affecting comparability, %	8.0	5.8	–
Operating capital, SEK m	1,824	1,969	8
Return on operating capital, %	26	14	–
Investments, SEK m	116	149	28
Average number of employees	2,941	2,879	-2
Number of employees at year-end	2,955	2,768	-6

NET SALES, SEK M AND OPERATING MARGIN[1], %



1) Excluding items affecting comparability.

POSITION AND MARKET TREND

Generally speaking, Nobia is a leading player in the UK kitchen market, with diversified operations spanning across all market segments. We reach consumers and builders directly through the Magnet kitchen chain, the UK's oldest and largest kitchen specialist. In terms of sales, the UK is Nobia's single largest market.

Through our operations in Gower, we deliver kitchens primarily under private labels to the Wickes DIY chain and the Benchmarx hardware chain. We also sell kitchens to companies within property development and residential construction in the UK mainly via Commodore Kitchens and CIE. Our Rixonway operations deliver kitchens primarily to social housing, but also to builders' merchants.

The UK kitchen market is deemed to have decreased during the year, in part owing to the increased political and economic uncertainty around the planned Brexit. Prices in the UK housing market held up relatively well, but the increased uncertainty has led to higher demand for rentals, particularly in the London region. There is still a great need for new housing in the UK, but the project market may be impacted by short-term fluctuations in the business cycle. Sales to builders are generally more resilient to economic declines compared to sales to consumers. Competition remained fierce during the year.

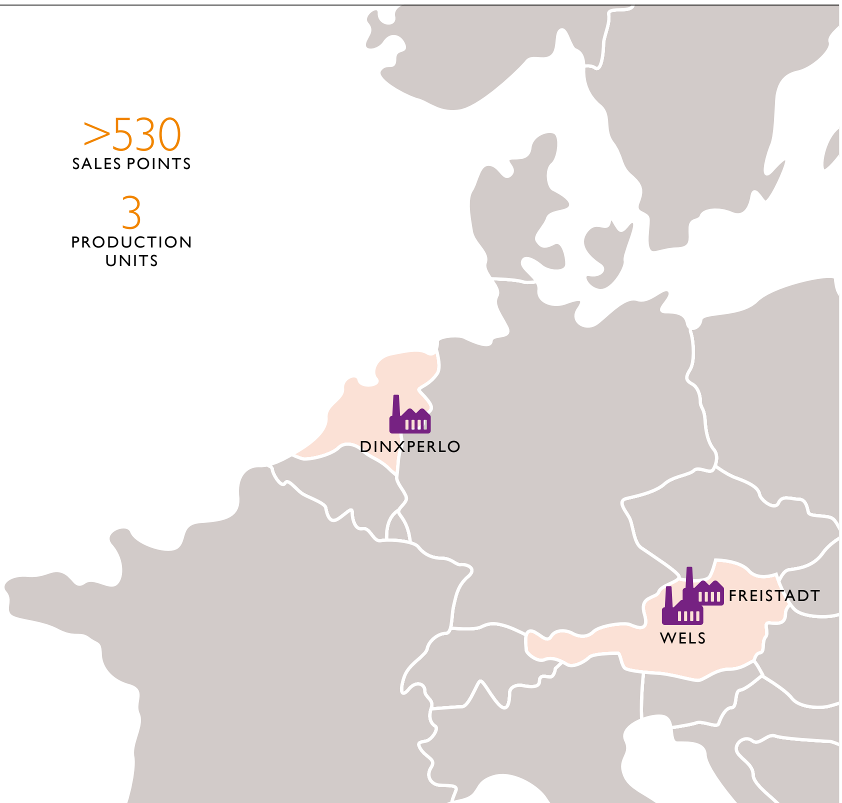
Brand	Products	Customer segment	Sales channels	Markets
Magnet	Rigid kitchens in the mid-price segment, delivered with a high level of service commitment. There is also a range of ready-to-assemble kitchens. A range of kitchen products is kept in stock for builders, while a range of doors and other joinery products is also offered.	Consumers and professional customers.	212 own stores, of which some concentrate primarily on consumers while other stores serve both consumers and professional customers such as small local construction companies and minor private property developers.	UK
Gower	Ready-to-assemble kitchens and bathrooms, primarily under private labels but also under its own brand, Rapide.	Professional customers.	The kitchens are sold via the building materials trade and DIY chains.	UK
ck commodore kitchens	Commodore Kitchens sells rigid kitchens in the mid-price segment that by and large they manufacture themselves. The kitchens are normally sold installation included and with worktops and appliances. Imported complete kitchen solutions in the luxury segment sold through the sister company CIE, which also offers installation.	Professional customers.	Commodore and CIE sell kitchens to companies in property development and residential construction, primarily in London and southeast England.	UK
rixonway kitchens	Rigid kitchen solutions in the economy price segment, offered together with installation services.	Consumers and professional customers.	Direct sales to construction companies and purchasing organisations that service the public housing sector and the building materials trade, and a few own stores.	UK

SELECTION OF COMPETITORS

Howdens, B&Q, Wren, IKEA

Central Europe

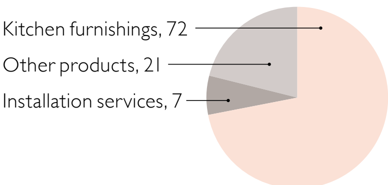
REGION



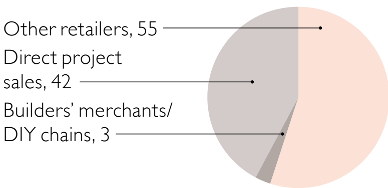
2018

- **The Dutch kitchen supplier Bribus** was acquired in July. In the second half of the year, Bribus has sales of SEK 350 million.
- **Organic growth totalled 1 per cent** and was the result of both increased sales in Austria and increased export sales.
- **Operations in Austria** came under new management and underwent an overhaul that resulted in an adjusted customer offering.

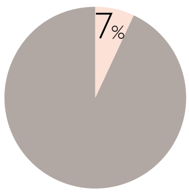
SALES PER PRODUCT, %



SALES CHANNELS, %

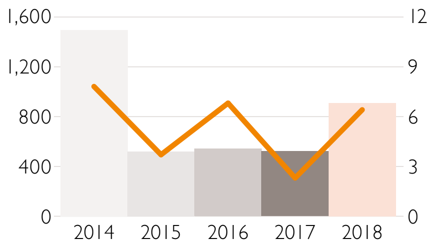


PERCENTAGE OF NET SALES, %



KEY FIGURES	2017	2018	Change, %
Net sales, SEK m	521	909	74
Gross profit, SEK m	152	256	68
Gross margin, %	29.2	28.2	–
Operating profit, SEK m	12	58	383
Operating margin, %	2.3	6.4	–
Operating capital, SEK m	117	292	150
Return on operating capital, %	11	28	–
Investments, SEK m	20	16	-20
Average number of employees	409	524	28
Number of employees at year-end	363	665	83

NET SALES, SEK M
AND OPERATING MARGIN, %



POSITION AND MARKET TREND

Nobia has a small share of the kitchen market in Central Europe, but has a strong position in Austria – and after the acquisition of Bribus, in the Netherlands as well.

Our Austrian operations sell kitchens under the ewe, FM and Intuo brands. The customers are primarily a large number of independent retailers, of which a few are organised via purchasing organisations, but also major Austrian furniture chains such as Leiner and XXXLutz. Our kitchens are found in some 430 sales points in Austria, and our operations also have a certain amount of exports to neighbouring countries.

Bribus concentrates primarily on customers in the rental market in the form of the public housing sector and large-scale commercial property owners. The kitchens are installed in newly constructed apartments or during renovation projects, and Bribus also provides project management and installation. Bribus also has a number of retailers, including the Bouwmaat builders' merchants chain with 46 sales points that sell kitchens to smaller construction companies and builders.

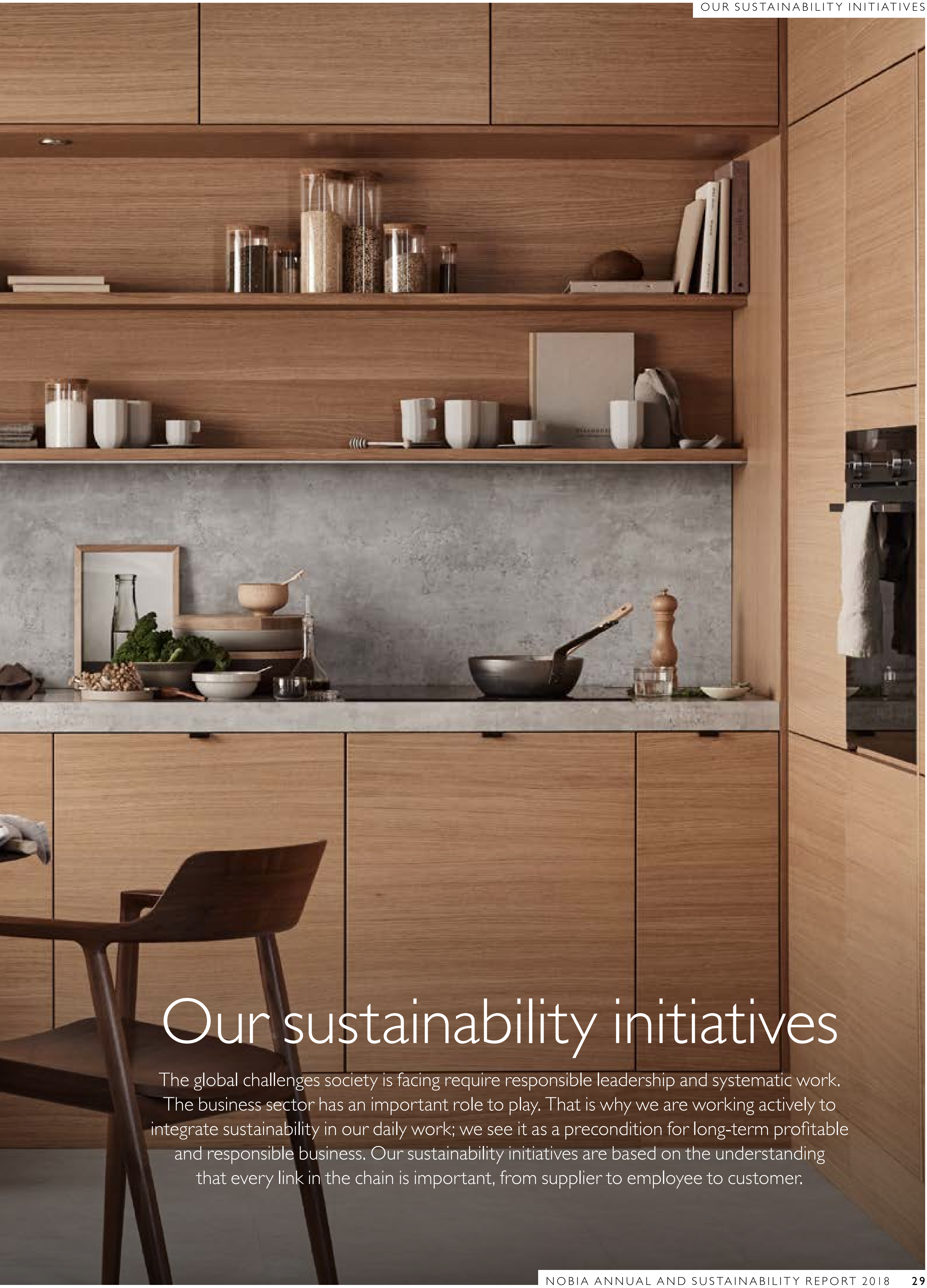
The Austrian kitchen market is deemed to have grown in 2018 as a result of increased housing construction but also as a consequence of healthy macroeconomic conditions as well as growth in the renovation market. Intense competition continued to prevail from companies such as DAN Küchen in Austria and several German kitchen companies. The Dutch kitchen market is also deemed to have grown, especially in the professional segment where there is a great need for new housing.

Brand	Products	Customer segment	Sales channels	Markets
ewe	Rigid kitchens with modern designs in the mid-price and premium segments.	Professional customers.	Sold through Austrian furniture chains and some 440 independent kitchen specialists.	Austria, Germany, Switzerland, Italy
bribus	Rigid kitchens in the low and mid-price segment. The kitchens are most often sold together with installation and appliances. Overall responsibility for the projects is provided.	Professional customers.	Sold directly to construction companies, where they take overall responsibility for the projects, and to retailers in the building materials trade.	Netherlands
FM	Rigid kitchens in the mid-price and premium segments with traditional designs and a high level of functionality, such as solid wood counters and cabinets that can be raised and lowered.	Professional customers.	Sold through Austrian furniture chains and some 190 independent kitchen specialists.	Austria
INTUO	Rigid and complete kitchen solutions for quality and design-conscious consumers in the premium segment.	Professional customers.	Sold through some 110 independent kitchen specialists.	Austria, Germany, Switzerland, UK

SELECTION OF COMPETITORS

Austria: DAN Küchen, Nobilia, IKEA
Netherlands: Bruynzeel Keukens, Keller, Mandemakers

MARBODAL ARKITEKT PLUS



Our sustainability initiatives

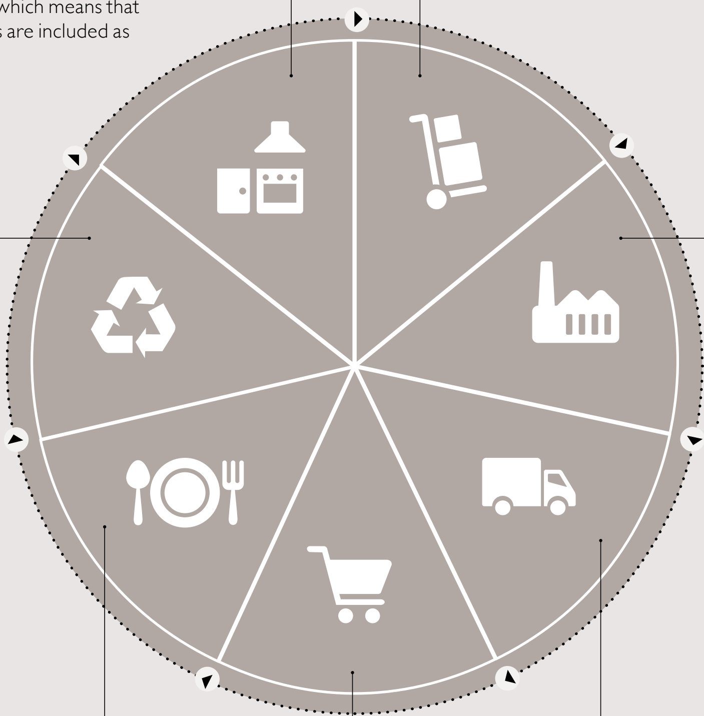
The global challenges society is facing require responsible leadership and systematic work. The business sector has an important role to play. That is why we are working actively to integrate sustainability in our daily work; we see it as a precondition for long-term profitable and responsible business. Our sustainability initiatives are based on the understanding that every link in the chain is important, from supplier to employee to customer.

VALUE CHAIN

Nobia's operations include everything from product development and production to sales to the end consumer. By implementing our sustainability strategy, we are aiming to have sustainability issues permeate innovation and design as well as choice of materials and manufacturing.

Product development
Choice of materials, design and functionality can create solutions that have a far-reaching, positive impact on people and the environment, for example, by extending the service life of a product, increasing resource efficiency, preventing waste and facilitating a more sustainable lifestyle. This is why sustainability is a focus area in product development, which means that environmental and social issues are included as early as in the design phase.

Sourcing
Our suppliers are found in various markets, and can impact both people and the environment where they operate. We monitor and audit the work of our suppliers on social, environmental and ethical issues for the purpose of reducing risk and promoting a more sustainable supply chain.



Waste and recycling
Waste, for example in the form of waste wood and packaging, occurs both in our own manufacturing and at the customer. We endeavour to minimise waste and to find recycling solutions. Waste wood from production is used as an energy source or for new material.

Manufacturing
The health and safety of our employees is our highest priority. There are procedures and routines in place for continually improving our results in these areas. In our manufacturing we follow goal-driven Lean initiatives, which includes systematic health, safety and environmental initiatives to prevent workplace accidents, reduce energy consumption and use of raw materials, and reduce emissions and waste. Of our 14 production facilities, 11 have an environmental management system that is third-party certified.

Use
With our kitchen solutions, we can enable our customers to live more sustainably. In-house and third-party testing ensures that our products are safe for people and the environment. Our range includes Nordic Swan eco-labelled products, which are assessed according to how they impact the environment throughout their service life from raw materials to waste.

Sales
We have a great deal of experience in designing kitchens, and we help the customer the entire way from inspiration to installation in order to provide a sustainable kitchen solution for both future and immediate needs. To ensure best practices, Nobia's employees are trained in our Code of Conduct.

Transportation
Goods transports make up the largest part of our CO_2 emissions. Efficient distribution along the entire goods flow, from supplier to customer, is important for minimising environmental impact from transport. Studies and analyses of the transport flow are being carried out in close collaboration with our carriers in order to find new and optimal solutions.

SUSTAINABLE ADVANCES IN 2018

During the year, we continued to integrate important sustainability issues into our value chain and made important advances in concept and product development as well as in production and the supply chain. We have also focused on skills development to increase and broaden knowledge about sustainability. Some of the most important activities, results and awards from the year are listed below.

ACTIVITIES

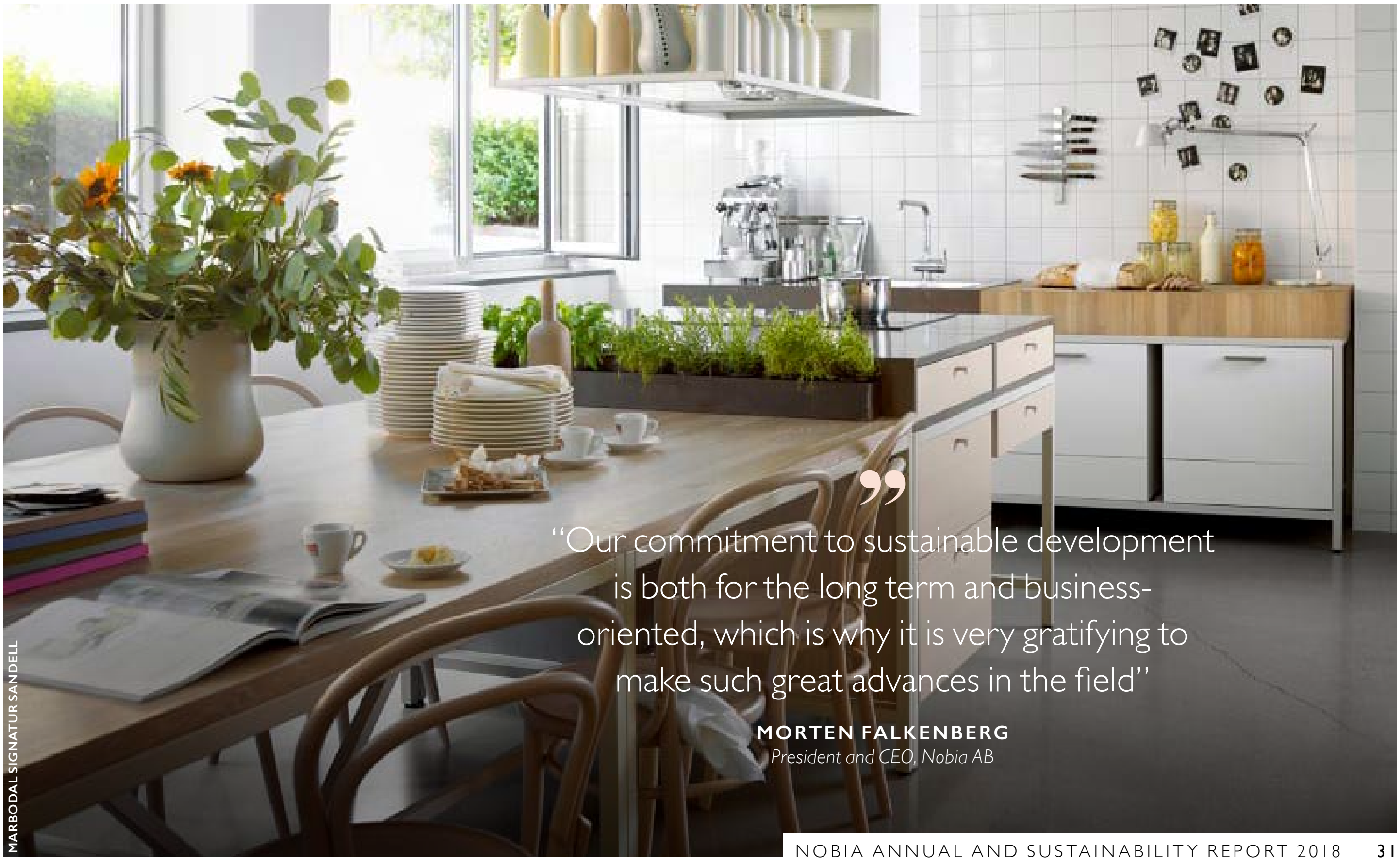
- Switching from energy recovery to material recycling of waste wood in several facilities
- Group-wide projects to reduce waste wood in production
- Two concept kitchens with a focus on minimising waste, and circular flows
- Switching one of our largest supplier's transport flow from vehicles to trains
- Internal sustainability training initiatives

RESULTS

- 92 per cent of Nobia's total wood and wood materials originated from a certified source
- 70 per cent of the UK's wood and wood materials originated from FSC© (Forest Stewardship Council© FSC©-C100100) or PEFC™ (Programme for the Endorsement of Forest Certification™) certified wood, with full chain of custody through to the end consumer
- 45 per cent of sales in Sweden and Norway consisted of Nordic Swan eco-labelled products
- 50 per cent of all our wood waste went to manufacturing new products
- Slightly more than 300 suppliers in the supplier review programme

AWARDS

- Nobia ranked among the top five in the Consumer Goods category of the 2018 Hållbar bolag (Sustainable Businesses) survey
- Nobia was graded C+, Prime in sustainability in the ISS-oekom corporate rating
- Nobia's score in CDP Forest increased from D to -B
- Our production facilities in the UK received the British Safety Council's Sword of Honour award
- Our production units in Darlington, Halifax, Morley and Dewsbury were granted entry into the Furniture Industry Sustainability Programme (FISP)



"Our commitment to sustainable development is both for the long term and business-oriented, which is why it is very gratifying to make such great advances in the field"

MORTEN FALKENBERG
President and CEO, Nobia AB

MARBODAL SIGNATUR SANDELL

STRATEGIC FOCUS AREAS

Our sustainability strategy is our medium- to long-term itinerary, constituting a support for our business plan and vision. It links our core operations with our ambitions to promote the UN Sustainable Development Goals.

The strategy is built on four long-term focus areas that reflect the impact of our operations and constitute the areas with opportunities for improvement. The focus areas also work together with our other strategic initiatives concerning resource efficiency and employee well-being.

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 processes. In addition, we enable our customers to live more sustainably in the kitchen.

GOAL 2020: We have implemented a sustainability scorecard to evaluate the sustainability performance of our new kitchen products as regards choice of materials, design, and functionality.

RESULTS 2018: According to plan.

COMMENTS: The development of the sustainability scorecard has taken longer than estimated but was finished at the end of 2018. Everyone concerned has been trained and implementation has been initiated.

UN GLOBAL COMPACT PRINCIPLES: 1, 7, 8, 9

UN SUSTAINABLE DEVELOPMENT GOALS

8 ANSTÄNDIGA ARBETSVILLKOR OCH EKONOMISK TILLVÄXT

12 HÅLLBAR KONSUMTION OCH PRODUKTION

REDUCE CO_2 EMISSIONS

VISION: We promote a value chain with low CO_2 emissions by reducing CO_2 emissions from our products and processes. 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 facilities in all markets.

RESULTS 2018: Achieved.

COMMENTS: Now that we have already reached our goal for 2020 of 100 per cent renewable electricity, we will produce new climate goals, focusing on transport and heating.

UN GLOBAL COMPACT PRINCIPLES: 7, 8, 9

UN SUSTAINABLE DEVELOPMENT GOALS

13 BEKÄMPA KLIMATFÖRÄNDRINGARNA

UN GLOBAL COMPACT PRINCIPLES

The UN's Global Compact initiative is based on commitments by businesses to work on sustainability issues by introducing the ten principles of the Global Compact: human rights (principles 1, 2), labour (principles 3, 4, 5, 6), environment (principles 7, 8, 9) and anti-corruption (principle 10). Read more at www.unglobalcompact.org

THE SUSTAINABLE DEVELOPMENT GOALS

The 17 Sustainable Development Goals aim at eliminating extreme poverty, reducing inequality and injustice in the world, promoting peace and justice and solving the climate crisis by 2030. Read more at www.un.org

TIMBER FROM SUSTAINABLE SOURCES

VISION: We contribute to the elimination of deforestation, reducing greenhouse gas emissions as well as protecting biodiversity and people's livelihood by promoting sustainable and responsible forestry and the provision of timber from sustainable sources.

GOAL 2020: 100 per cent wood from sustainable sources such as forests certified under acknowledged forest standards, recycled wood or wood from our suppliers who have been audited and approved for sustainability.

RESULTS 2018: According to plan.

COMMENTS: 92 per cent of Nobia's total wood and wood materials originate from a certified source. In addition, 70 per cent of all the UK's purchased wood and wood materials originate from FSC© or PEFC™ responsible sources, with full traceability all the way to the customer.

UN GLOBAL COMPACT PRINCIPLES: 2, 7, 8, 9

UN SUSTAINABLE DEVELOPMENT GOALS

8 ANSTÄNDIGA ARBETSVILLKOR OCH EKONOMISK TILLVÄXT
12 HÅLLBAR KONSUMTION OCH PRODUKTION
13 BEKÄMPA KLIMATFÖRÄNDRINGARNA
15 EKOSYSTEM OCH BIOLOGISK MÅNGFALD

RESOURCE EFFICIENCY

VISION: Efficiency is one of the linchpins of Nobia's business strategy. We endeavour to promote enduring, sustainable growth by economising on resources and continually searching for new circular cycles that promote more efficient use of resources and minimising the amount of byproducts that cannot be re-used.

TREND IN 2018: During the year, we initiated a Group-wide Lean project to reduce waste wood from sawing. The project will continue in 2019. In addition, through a local improvement project, we were able to recycle approximately 300 litres of water and UV paint per day, which is estimated to equal a savings of 15–20 per cent.

UN GLOBAL COMPACT PRINCIPLES: 7, 8, 9

UN SUSTAINABLE DEVELOPMENT GOALS

13 BEKÄMPA KLIMATFÖRÄNDRINGARNA
15 EKOSYSTEM OCH BIOLOGISK MÅNGFALD

RESPONSIBLE SOURCING

VISION: We build relationships with suppliers who are working successfully on 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 analysis, an audit programme, and a channel for reporting violations of our Code of Conduct for Suppliers. We aim to work further down the supplier chain.

RESULTS 2018: According to plan.

COMMENTS: During the year, we implemented a new programme for supplier reviews which includes over 300 suppliers.

UN GLOBAL COMPACT PRINCIPLES: 1, 2, 4, 5, 7, 8, 10

UN SUSTAINABLE DEVELOPMENT GOALS

8 ANSTÄNDIGA ARBETSVILLKOR OCH EKONOMISK TILLVÄXT
13 BEKÄMPA KLIMATFÖRÄNDRINGARNA
15 EKOSYSTEM OCH BIOLOGISK MÅNGFALD

EMPLOYEE WELL-BEING

VISION: The safety of our employees is our highest priority. The company is able to retain and recruit competent employees by offering a safe and secure workplace that offers opportunities for career and skills development. Nobia's vision is zero workplace accidents and zero work-related injuries.

TREND IN 2018: Despite a positive trend in several production facilities, the total number of accidents increased during the year. The increase was equivalent to 15.19 workplace accidents per million hours worked. Most of the accidents occurred while lifting or because of slipping, but resulted in no permanent injuries. We are further developing our safety programme, and expect to reverse this development in 2019.

UN GLOBAL COMPACT PRINCIPLES: 1, 2, 3, 6, 7, 10

UN SUSTAINABLE DEVELOPMENT GOALS

5 JÄMSTÄLLDHET
8 ANSTÄNDIGA ARBETSVILLKOR OCH EKONOMISK TILLVÄXT

SUSTAINABLE INNOVATIONS

Under our brands, we offer kitchens that last for many years. This long-term perspective requires remaining on the leading edge, developing products that meet both today's and tomorrow's needs. Sustainability is thus a central theme in our product development, in everything from concept development and innovation to tests and quality requirements.

DEVELOPMENT OF SUSTAINABLE CONCEPT KITCHENS

During the year, we developed two concept kitchens with a focus on minimising waste and on circularity: the Waste-Free Kitchen and the Circular Kitchen. The Waste-Free Kitchen concept was launched during the year, and products from the concept will be available under several of our brands. The Circular Kitchen is a concept developed in partnership with our Bribus brand and institutions such as the Delft University of Technology. The concept focuses on aspects such as long service life, as well as repairable and replaceable parts.

SUSTAINABILITY EVALUATION SCORECARD FOR PRODUCTS

In 2017, we initiated a partnership among the functions for product development, sourcing and sustainability for the purpose of developing and implementing a sustainability scorecard for our new products. The scorecard makes it possible to evaluate products based on several different criteria as regards materials, design, supplier and function. Every area is graded separately using a points system; all together, they provide a total assessment of the product's sustainability performance. In materials, both core and surface materials are assessed; in design, the product is assessed based on both use and possibility of recycling. Development of the scorecard is completed, and everyone concerned has been trained in using the tool. The implementation phase will continue in 2019.

INCREASED INTEREST IN CERTIFICATION AND PRODUCT LABELLING

Nobia has extensive experience in working with eco-labelled products. Under our Marbodal brand, we were the first kitchen brand in Sweden with a Nordic Swan eco-labelled range – in 1996. Today, we offer Nordic Swan eco-labelled products, as well as products that meet eco-building standards such as BREEAM (BRE Environmental Assessment Method) and Nordic Swan eco-labelled buildings. We are seeing tremendous – and increasing – market interest in sustainability certification and product labelling. In Sweden and Norway, 45 per cent of sales came from Nordic Swan eco-labelled products in 2018. As a response to market demand, we will additionally introduce Nordic Swan eco-labelled laminated worktops into the Nordic market during 2019.

Furthermore, we offer products that meet local labelling standards in our various markets: the M1 classification in Finland, Dansk inomhusklimat in Denmark, and Byggvarubedömda produkter in Sweden. In the UK, all our cabinets and doors are approved under the Furniture Industry Research Association (FIRA) requirements for safety, ergonomics and sustainability.

To further reinforce our work on sustainability-related certifications and product labelling, we developed a new procedure during the year for certifications and product labelling in our product development process.

CONTINUED FOCUS ON PRODUCT SAFETY

Product safety is a linchpin in our work, and ergonomics is taken into consideration in all our product development. Before a new product enters the production phase, relevant tests are carried out both in-house and by accredited testing institutions in line with EU standards. In our product development process, we conduct systematic product risk assessments, known as Failure Mode and Effect Analysis (FMEA), for all new internally developed products. Under FMEA, risks related to product safety are classified and analysed. Our products also meet several different requirements for standards and labelling in our various markets.

During the year, Nobia had no product safety incidents that led to insurance cases or legal proceedings.

UN SUSTAINABLE DEVELOPMENT GOALS

> The kitchen includes a cabinet door manufactured from 100 per cent recycled PET foil and recycled wood.

Sustainability is a focus area in our product development. The Waste-Free Kitchen is one of our latest concept kitchens, with a focus on using less material and using greater amounts of recycled material, and to facilitate waste recycling for kitchen users. The kitchen includes a cabinet door manufactured from 100 per cent recycled PET foil and recycled wood, smart storage of food for longer sustainability, and 'cradle-to-cradle' certified handles designed and manufactured to be part of a cycle, to be re-used and not generate waste.

KRISTIAN RIDEFELT
Head of Product Management & Innovation

TIMBER FROM SUSTAINABLE SOURCES

Wood is the main component of our products. Wood is renewable, recyclable and strong. Being a sustainable choice, however, requires that it comes from responsible forestry so that we can preserve long-lasting forests.

TIMBER FROM SUSTAINABLE SOURCES

For us, timber from sustainable forestry means wood from forests that are certified for sustainable forestry, recycled wood or wood from suppliers audited and approved for sustainability. Wood and trade in wood are strictly regulated through the EU Timber Regulation. To ensure compliance, we gather information on traceability for the wood and wood materials we purchase.

Our suppliers of wood and wood products are mainly based in Europe. Only a small amount of wood is purchased from countries such as Indonesia and Brazil. All our suppliers of wood and wood products must comply with Nobia's policies and requirements regarding sustainable forestry. There must, for example, be information on the source; that it is not wood from intact natural forests, high conservation value forests, or plantations in tropical and sub-tropical regions; and that it is not wood from tropical trees except those that are certified.

In addition, we endeavour to increase the share of wood from responsible sources. In 2018, we worked actively with our suppliers of wood and wood materials to increase the share of wood from sustainable forestry through proactive dialogues and by integrating certification requirements into our procurements. 92 per cent of Nobia's wood and wood products purchased in 2018 came from certified sustainable sources. Additionally, 70 per cent of the wood purchased in the UK was FSC© or PEFC™ certified, with full traceability certification all the way to the customer.

CIRCULAR FLOWS AND MORE SUSTAINABLE CHOICE OF MATERIALS

The largest part of our incoming wood is board material and MDF. Approximately 30 per cent of this material consists of recycled wood such as waste wood from manufacturing, but also recycled furniture, pallets and packaging materials that meet the requirements in applicable directives and systems for inspection. Similarly, we want our waste wood from production to be recycled into new products. At the production facility in Ølgod, Denmark, we converted from internal energy recovery of waste wood to material recycling. Some of our facilities in the UK changed to send wood to recycling instead of incineration. These conversions have resulted in 50 percent material recycling of byproducts from production.

In 2017, we began a project in partnership with Swerea-IVF concerning how used textiles can be reused as future materials in kitchens. This project intensified during the year, and we are now working on reviewing the possibility of developing parts for our kitchens with the new, innovative material.

Another example of new, more sustainable choices of materials comes from our Bribus brand, which offers kitchen products consisting of Balanceboard, an FSC© certified chipboard with compressed granules from annual crops such as grass, linseed or remnants of cornstalks. Moreover, the products are lighter, which yields climate advantages during transport.

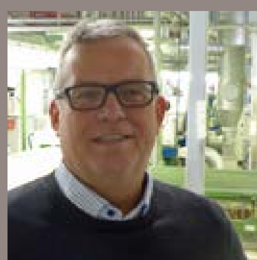
NOBIA COLLABORATES ON RESPONSIBLE FORESTRY

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 an association of companies and organisations that have committed to pursuing or supporting responsible forest management. GFTN works to coordinate national and regional initiatives in order to increase responsible forest management and its members undertake to increase sourcing of wood and wood products from sustainable sources and to disassociate themselves from forest products that are illegal or originate from controversial sources.

Nobia reports to CDP Forest and raised its results markedly during the year, from D to B-.

UN SUSTAINABLE DEVELOPMENT GOALS

> Material recycling is a crucial part of the switch to a more sustainable society. During the year, we switched from burning our own waste wood to recycling it. This means that 100 per cent of our waste wood from the plant in Ølgod now goes back to our suppliers for production of new chipboard.



MICHAEL ROSENDAHL JENSEN
Head of Production, Nobia Denmark

REDUCE CO_2 EMISSIONS

We are working steadily to reduce our direct emissions from production and transport; at the same time, we want our products to make it possible for our customers to live more climate-smart at home.

RENEWABLE ENERGY AND EFFICIENT ENERGY USE

Based on our sustainability strategy we have worked on reducing climate impact from our production by transitioning to renewable electricity in all our production units. As a next step in our carbon footprint work we improved our processes during the year to measure and follow up our transport-related emissions in order to develop new climate reduction targets.

In production, we are working on both enhancing energy efficiency and reducing CO_2 intensity by choosing optimised energy sources for every production facility. Today, we use renewable energy at all our facilities in all our markets. During the year, we optimised energy consumption at the production facility in Ølgod, Denmark by switching from in-house heating from waste wood to purchasing renewable district heating. Waste wood from production will now instead be recycled into new material.

SHARE OF RENEWABLE ENERGY:

100% **Electricity**

84% **Heating**

ENERGY MANAGEMENT SYSTEMS

In the UK, three of our five production facilities are certified under ISO 50001, Energy management, which means that energy consumption is systematically measured and monitored to reduce energy, costs and CO_2 emissions. Certification of the remaining two facilities is planned for 2019.

During the year, a new boiler for biomass was installed at the production facility in Halifax. The capacity of the boiler in the Darlington facility was further improved. These measures have led to the use of internally renewable waste wood as a source of energy, instead of fossil energy.

Moreover, three of the five facilities have switched to LED lighting, which has reduced energy consumption by approximately 60 per cent. At the same time, lighting intensity and quality have markedly improved, which has benefited the work environment. The ambition is to attain 100 per cent LED lighting by 2020.

OPTIMISATION OF TRANSPORTATION

Approximately 80 per cent of our total CO_2 emissions comes from transportation. The climate impact from transportation is therefore one of our greatest challenges in sustainability, but this also contains major opportunities. During the year we had a slight decrease of CO_2 emissions from purchased transport. Restructuring in production and logistics will be a large part of future value creation in Nobia, where we are also endeavouring to reduce our climate footprint from transportation.

Transportation from our production facilities to customers takes place through distributors, or alternately with our own fleet depending on the market. Distribution to customers is a complex operation requiring balance between customers' wishes, costs and the environmental impact that producing efficient transport solutions entails.

As a step in improving control over our flow of incoming materials, we took over transportation to our production facilities in the UK from one of our high-volume suppliers. At the same time, we switched from pure road freight to intermodal transport by train from Italy to the Netherlands, which has been calculated to save approximately 230 tonnes of CO_2 per year. Emissions from incoming transportation are not included in our CO_2 emissions as currently reported but constitute a considerable portion of our indirect CO_2 emissions. The current switch will therefore be evaluated with the possibility of similarly switching more incoming transportation, from vehicles to intermodal solutions.

Nobia reports to CDP Climate and received a grade of C in the 2018 report, which is the same as the preceding year.

UN SUSTAINABLE DEVELOPMENT GOALS

> Through improved oversight and control over our outgoing transports, we increase the possibility of co-ordination, efficiency enhancement and optimising routes, and also for better fuel and modes of transport.

We are reviewing how we can reduce both costs and the environmental impact from transportation. Through ongoing improvement projects, we are investigating the possibility of optimising our transport planning system by implementing new shared software and improving transport planning procedures and skills. Through improved oversight and control over our outgoing transportation, we increase the possibility of co-ordination, efficiency enhancement and optimising routes, and also for better fuel and modes of transport."

JASON PALMER
Director of Transport Sourcing

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 transparent and efficient partnerships with responsible suppliers. Our Supplier Code of Conduct regulates and governs Nobia's requirements for suppliers as regards working conditions, human rights, business ethics, environmental performance, and so on.

SUPPLY CHAIN

We have about 650 suppliers (560) in our supply chain, the majority of which 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. More than 90 per cent of the wood, which is the primary material in our products, is also purchased from European suppliers. 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. These products are purchased principally via European wholesalers based on detailed product specifications that include EU requirements and local regulations.

PROGRAMME FOR RESPONSIBLE SOURCING

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 our guidelines on the environment, work environment, human rights, business ethics and quality. 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.

In 2018 we took a big step forward in our work to include all relevant suppliers in the new responsible sourcing programme. The programme is built on our Supplier Code of Conduct and includes risk analysis, review, audit and an anonymous channel for reporting violations of the Supplier Code of Conduct. Our new programme, which covers approximately 300 suppliers, is equivalent to 99 per cent of total supplier costs. Using a digital platform, suppliers of direct material are audited as regards human rights, working conditions, the environment, quality and anti-corruption. Nobia's risk analysis and supplier audit contains an extensive screening of the supplier's accreditations and certificates, as well as compliance with legal requirements and Nobia's requirements. The tool is built on an algorithm, so as to make the assessment more objective. Decisions on audits are taken based on the review and prioritisation. Deviations during the audit are assigned points and monitored. The work on monitoring is governed by the degree of severity of the deviations.

Our primary risk in sourcing can be linked to any such deviations from our Code of Conduct, especially in countries with weaker implementations of legislation. In order to promote the reduction of sustainability risks even further down the supply chain – among our suppliers' suppliers – we impose requirements on our suppliers that are also to be communicated to their relevant subcontractors. Information gathering at this level is sometimes difficult, as not all suppliers wish to share information about the underlying links. We see this as a valuable step, however, since this way we can go further in our risk analysis to where it has the most effect.

Of 309 (48) suppliers reviewed, 88 per cent had undergone a complete initial review during the year. Based on our stringent assessment criteria, 27 per cent of these suppliers were judged to be in need of further assessment. This could for example be a supplier operating in a country with higher risks, with none or few sustainability certificates or accreditations. Since a great deal of work was put in during the year on all suppliers undergoing the initial review, only a small number of in-depth audits – 13 (20) – were conducted. All new suppliers covered by the program were included in the initial review.

The team working on supplier evaluations is collaborating with purchasers and the sustainability function. The work includes risk assessments, evaluations and physical supplier audits covering topics such as human rights, health and safety, labour conditions, the environment, business ethics and quality.

UN SUSTAINABLE DEVELOPMENT GOALS

> As the risks are sometimes greater further along the supplier chain, we also want to reach out to our subcontractors.

Implementing our digital supplier programme was an extensive amount of work in which all first-tier suppliers were reviewed first-hand. As the risks are sometimes greater further along the supplier chain, we also want to reach out to our subcontractors, that is why we chose to also demand similar information about our suppliers' suppliers.

TONY BROCKLEHURST
Senior Quality Assurance Manager, responsible for Nobia's supplier audit programme

RESOURCE EFFICIENCY

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 Group-wide environmental and climate policy governs our environmental and climate initiatives, and is supplemented with local environmental management systems and environmental targets.

FROM CENTRAL TO LOCAL WORK

Starting from our Group-wide sustainability strategy as well as our environmental and climate policy, goals and priorities are set at the central and local levels. Our environmental initiatives are integrated into the operations of the respective production facilities; in total, 11 of 14 production facilities are certified under the ISO 14001 standard for environmental management. Our environmental responsibility means always complying with environmental legislation in the markets where we operate, and striving to reduce the environmental impact in our operations through increasing resource efficiency, optimising transport and limiting the use of hazardous chemicals. Furthermore, we endeavour to develop products that meet strict requirements for low environmental and climate impact and, through our products, inspiring people to a more resource-efficient, healthier, and more sustainable life in the kitchen. No business unit in Nobia was sentenced or paid fines for environmental crimes in 2018.

WASTE WOOD TO MATERIAL RECYCLING:

50%

RESOURCE-SMART MANAGEMENT

We endeavour to optimise the use of materials, increase the share of waste that can be reused or recycled, and reduce the amount of waste to landfill. During the year, the transition from energy recovery to material recovery took place in several production facilities. This resulted in 50 percent of waste wood to material recycling in 2018. Read more about our work on a circular economy on page 35. One of the most significant waste streams in our production are sawing waste. Continuous efforts are being made in production to optimise the flows and reduce waste using a Lean-based programme called the Nobia Lean System (NLS). Resources can be used more efficiently through optimised processes, and energy, emissions and costs can thus be reduced. In 2018, nearly 200 improvement projects (95) were in progress as part of our NLS initiatives. The projects initiated include projects involving all production units so as to measure material efficiency and reduce wood waste from our sawing. The project will continue in 2019.

EMISSIONS OF SOLVENTS

Emissions from solvents are a key issue in Nobia's environmental work. Solvents are mainly used in surface treatment and when cleaning painting facilities. From having decreased over several years in a row, total emissions of volatile organic compounds from solvents increased by 21 per cent (-1) in 2018. The increase is due to such factors as increased sales of painted cabinet doors; an increase in sales of darker colours, which requires an extra step in the painting process; and reworking of products at one of our 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 one project at our production facility in Nastola, Finland, the opportunity of increasing the share of water-based paints is being evaluated, which would reduce solvent emissions considerably. The total share of water-based and UV-tempered paints in the group in 2018 was 51 per cent (54).

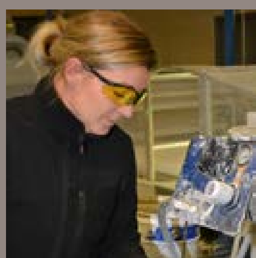
UN SUSTAINABLE DEVELOPMENT GOALS

13 BEKÄMPA KLIMATFÖRÄNDRINGARNA

15 EKOSYSTEM OCH BIOLOGISK MÅNGFALD

> In total, the switch is estimated to yield an annual paint conservation of 15–20 per cent.

During the year, we began a paint recycling project in Tidaholm after a Lean course. The paints are used in surface treatments of objects such as cabinet doors. The improvement, which was implemented in the autumn, made it possible to recycle approximately 300 litres of water and UV paint per day, resulting in paint consumption decreased by 7 per cent over the year. In total, the switch is estimated to yield an annual paint conservation of 15–20 per cent. Our project has resulted in both reduced environmental impact in the form of decreased paint consumption and waste, and in reduced costs.



ANNA KELLETT,
Surface treatment operator

EMPLOYEE WELL-BEING

Employees are Nobia's chief 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 to be proud of.

SAFE AND SECURE WORK ENVIRONMENT

The safety of our employees is our highest priority. All units have systematic health and safety work in which every workplace accident is analysed, and measures are taken to prevent a similar accident from happening again. Safety is always highest on the agenda through daily monitoring of incidents and accidents. Both managers and employees are continually trained in health and safety. Moreover, seven of our 14 production facilities are OHSAS 18001 certified.

Despite a positive trend in several production units, the number of total working accidents increased in 2018. During the year, 92 (75) workplace-related accidents occurred that resulted in at least eight hours of sickness absence. This corresponded to 15.19 workplace accidents (13.04) per million hours worked. Most of the accidents occurred while lifting or because of slipping in production operations, but resulted in no permanent injuries. The trend in the total number of accidents is not satisfactory. During the year, we had a high level of capacity utilzation. We are further developing our safety programme, and expect to reverse this development in 2019.

During 2018, we implemented a new scorecard for production. This scorecard is an internal tool that covers several strategically important questions, including workplace accidents. Workplace accidents and activities to prevent them are monitored by senior management on a monthly basis using the scorecard. In our Nordic operations, new routines and processes have also been introduced for both monitoring and escalating workplace accidents.

A PERMANENT LABOUR FORCE

Nobia's employees are primarily permanent. Only approximately two per cent of our employees are temporary; they are located in Sweden, the Netherlands and the UK. 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 seven European countries; all of our employees are covered by collective agreements in each of these countries except the UK. Our employees are represented on the European Work Council (EWC), a European information and consultation council.

EMPLOYEE COMMITMENT IS CRUCIAL

Our employees getting on well in the work, displaying commitment and all working towards the same goals and vision are crucial for our success. MyVoice is Nobia's annual employee survey with questions concerning management, team efficiency, stress and discrimination. During the year, a Pulse survey – a less comprehensive version of the employee survey – is also conducted to more frequently measure and monitor trends around commitment. The surveys form the basis for creating active work around commitment; based on their results, local action plans supporting our shared goals are worked out. The year's commitment index from MyVoice stood at 78 (77), with a response rate of 81 per cent (85).

PROGRAMME FOR STRONGER LEADERSHIP

Leadership is an important cornerstone in our business strategy; its purpose is to lead our operations and to motivate and involve all employees to work towards shared visions and goals that are set high. In many cases, employee engagement is a reflection of involved and competent managers, something that was also noted in our employee survey. That is why, in the previous year, we launched the Excellent Leadership programme to provide all managers in the organisation the opportunity to develop and strengthen their leadership qualities. The programme has been implemented in all countries and to date covers 280 managers; a total of 550 managers are planned to go through the programme as part of the current initiative. The programme provides managers with the knowledge and tools to develop, and is run in part through virtual workshops.

SUSTAINABILITY SKILLS INITIATIVES

During the year, we continued to invest in sustainability courses. A custom course for Nobia in sustainable development was held for the product development and sourcing divisions, and for our sustainability ambassadors and Group management. The entire

90%
of employees to date have undergone training in the Code of Conduct.

78
The year's commitment index increased to 78 (77).

550
managers will conduct the Excellent Leadership programme.

product development organisation has also been trained in assessing products for sustainability.

DEVELOPING ON THE JOB

In our routine skills development, we are investing a greater amount in e-learning as a tool for producing customised courses more efficiently, for example products and markets, that can be adapted to a service or region.

Internship programmes are being run in several of our countries to attract and develop promising students. Every year, students are brought in to an internship programme for woodworkers at our production facility in Austria. The three-year programme interweaves school with practical work in production. The practical work entails different jobs, and the students switch divisions every six months. After completing the programme, the students are guaranteed employment; the programme is thus an important recruitment channel for our operations in Austria.

Nobia's production facility in Tidaholm took part in a project together with Tidaholm Municipality whose purpose was to provide jobs for newly arrived refugees, thereby easing the path into working life. Over the last year, Nobia has employed several newly arrived refugees at its facility in Tidaholm.

EQUALITY AND DIVERSITY

We are convinced that the different perspectives that arise through focusing on equality and diversity promotes the ability to understand and act on both customers' and employees' needs. Diversity and equality can also strengthen Nobia's competitive advantages and support our objective of being a good citizen and an attractive employer.

Nobia's Code of Conduct maintains that no employee should be discriminated against due to age, ethnicity, social or national origin, skin colour, gender, sexual orientation, gender identity or expression, religion, political views or disability.

Discrimination issues are also an important focus area in our Code of Conduct training. Equality and diversity are 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 members, including the CEO. Of the regular members of the Board, 44 per cent are women and 56 per cent men. In the management group, the division between women and men is 9 per cent and 91 per cent, respectively. Out of some 100 senior executives and senior managers, 24 per cent (23) are women and 76 per cent (77) men.

THE CODE OF CONDUCT

Nobia's Code of Conduct is based on principles of environmental, social and economic sustainability. It indicates the minimum level of acceptable behaviour for all employees and collaborating partners. To ensure compliance with the Code of Conduct, employees are encouraged to report any conduct that breaches the Code via internal channels or alternately SpeakUp, the anonymous communication channel.

The Code is implemented through repeated workshops and e-learning, as well as in daily work. All management groups have held workshops on the Code; to date, approximately 90 per cent of all employees have undergone the training. 32 cases (59) were reported in 2018, of which 14 (14) were via SpeakUp. 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.

Anti-corruption and bribes are strictly controlled through the Code of Conduct. Nobia conducts annual self-evaluations, reviewed by external auditors, in all its business units. The evaluations include a large number of questions dealing with internal control. Some of these questions concern risks of corruption in the sales and sourcing organisations, for example, the giving and taking of bribes. In reviewing of the evaluations for 2018, nothing emerged that indicated any corruption. See also page 93-94 and 105.

UN SUSTAINABLE DEVELOPMENT GOALS

> It is the culmination of nine years of hard work, and is a real team effort.

Region UK received the prestigious Sword of Honour award during the year. The award demonstrates excellence in the management of health and safety risks at work, from the shop-floor to the boardroom. It is the culmination of nine years of hard work, and is a real team effort. Everyone in Production & Logistics, together with all support staff, were involved. While I am very proud of our performance, I see we still have work to do.

JOANNE BROOKES-WRIGHT,
Head of Health, Safety and Environment at Region UK

FINANCIAL OVERVIEW

The Board of Directors and the President of Nobia AB (publ) Corporate Registration Number 556528-2752, hereby submit the annual report and corporate accounts for the fiscal year 2018. The Board of Directors' report can be found on pages 41–48, the financial statements on pages 50–89, the corporate governance report on pages 92–99 and the sustainability report on pages 30–40 and 104–107.

OPERATIONS

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

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

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

FINANCIAL TARGETS

Nobia's operations are steered towards four 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 platform of Efficiency, Growth and Facilitators and has six focus areas: Product Development, Production Structure, Omnichannel, Economy Segment, Employees and Acquisitions.

2018

Nobia's sales grew 4 per cent, mainly as a result of positive currency effects and the acquisition of Dutch kitchen company Bribus, which has added income of SEK 350 million since the company was consolidated on 1 July 2018. Organic sales growth was a negative 4 per cent (pos: 2). The gross margin was 38.5 per cent (39.3). Operating profit for the year amounted to SEK 1,018 million (1,286), corresponding to an operating margin of 7.7 per cent (10.1).

NOBIA GROUP SUMMARY

	2017	2018	Change, %
Net sales, SEK m	12,744	13,209	4
Gross margin, %	39.3	38.5	–
Operating margin before depreciation/ amortisation and impairment, %	12.3	10.2	–
Operating profit (EBIT), SEK m	1,286	1,018	-21
Operating profit (EBIT) excl. items affecting comparability, SEK m	1,286	1,084	-16
Operating margin, %	10.1	7.7	–
Operating margin excl. items affecting comparability, %	10.1	8.2	–
Profit after financial items, SEK m	1,250	986	-21
Profit after tax, SEK m	1,015	753	-26
Profit after tax excl. items affecting comparability, SEK m	1,015	808	-20
Earnings per share before dilution, SEK	6.02	4.46	-26
Earnings per share before dilution excl. items affecting comparability, SEK	6.02	4.79	-20
Earnings per share after dilution, SEK	6.02	4.46	-26
Earnings per share after dilution excl. items affecting comparability, SEK	6.02	4.79	-20
Operating cash flow, SEK m	706	599	-15

SIGNIFICANT EVENTS

Kim Lindqvist, Executive Vice President and Chief Marketing Officer, left Nobia on 1 April as a result of the removal of the role of Chief Marketing Officer.

Hans Eckerström was elected new member of the Board and Chairman at the Annual General Meeting on 10 April. Tomas Billing had declined re-election. All other Board members were re-elected. The Annual General Meeting appointed a Nomination Committee comprising Tomas Billing (Chairman) representing Nordstjernan, Torbjörn Magnusson representing If Skadeförsäkring, Mats Gustafsson representing Lannebo funds and Arne Lööw representing the Fourth Swedish National Pension Fund, and adopted the instructions for the Nomination Committee.

On 1 May, Fredrik Nyström took office as Executive Vice President and Head of Commercial Sweden and Ralph Kobsik took office as Executive Vice President and Head of Central Europe.

In early May, based on the authorisation granted by the 2018 Annual General Meeting, the Board of Nobia decided to transfer bought-back shares under the Performance Share Plan 2015, as resolved at the 2015 Annual General Meeting.

Erkka Lumme, Executive Vice President and Head of Commercial Finland, left Nobia on 20 May.

In early July, Nobia agreed on a new syndicated bank loan of SEK 2 billion, with a five-year term, with two banks.

On 9 July, 5,000,000 treasury shares were cancelled in accordance with the resolution of the 2018 Annual General Meeting to reduce the share capital by withdrawing treasury shares.

On 13 July, Nobia acquired 100 per cent of the shares in Bribus Holding B.V, a kitchen company with a leading position in the Dutch project market for kitchens. The purchase consideration consisted of a remuneration of EUR 60 million on a cash and debt-free basis, and a variable remuneration of a maximum of EUR 5 million, conditional upon the development of the operations until the end of 2020.

The Swedish and Norwegian operations were negatively impacted by production disruptions at the plant in Tidaholm in the second and third quarters. Maintenance was performed and the problems were resolved.

A cost saving programme was initiated in the fourth quarter in light of the increased uncertainty in our markets and to safeguard our profitability. These measures include staff reductions and the closure of 16 stores, primarily in the UK. The cost saving programme is expected to generate annual savings of about SEK 80 million.

Annika Vainio took office as Executive Vice President and Head of Commercial Finland on 1 December.

Nine own stores that sell kitchens under the Norema brand were converted to franchise stores during the year. The background is Nobia's assessment that Norema's kitchen chain is not large enough to generate synergies and that the franchise model has proven successful in the Norwegian kitchen market.

CONSOLIDATED NET SALES

Net sales amounted to SEK 13,209 million (12,744) and were distributed as follows: Nordic region, SEK 6,705 million (6,516); UK region, SEK 5,597 million (5,710); and Central Europe region, SEK 909 million (521). 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 a negative 4 per cent (pos: 2). Organic growth in the Nordic region was a negative 1 per cent (pos: 8). Organic growth in the UK region was a negative 7 per cent (neg: 2) and the Central Europe region's organic growth was 1 per cent (neg: 5).

THE GROUP'S EARNINGS

The Group's operating profit including items affecting comparability regarding an additional pension expense of SEK 66 million amounted to SEK 1,018 million (1,286). The operating margin including items affecting comparability was 7.7 per cent (10.1).

Operating profit excluding items affecting comparability amounted to SEK 1,084 million (1,286) and the corresponding operating margin excluding items affecting comparability was 8.2 per cent (10.1). The decline in operating profit was the result of decreased sales, higher prices of materials, lower productivity and non-recurring costs primarily attributable to the cost saving programme initiated in the fourth quarter. Currency effects had a negative impact of SEK 10 million (neg: 105) on operating profit excluding items affecting comparability.

In the Nordic region, operating profit excluding items affecting comparability amounted to SEK 841 million (963). The decline in earnings was primarily due to lower sales volumes, higher prices of materials, production disruptions and non-recurring costs. Currency effects had a negative impact of SEK 20 million (0) on operating profit excluding items affecting comparability.

In the UK region, operating profit excluding items affecting comparability amounted to SEK 323 million (454). The lower earnings were mainly due to lower volumes, higher prices of materials and non-recurring costs. Currency effects had a positive impact of SEK 10 million (neg: 105) on operating profit excluding items affecting comparability.

In the Central Europe region, operating profit excluding items affecting comparability amounted to SEK 58 million (12). The earnings improvement was mainly attributable to the acquisition of Bribus, but also the result of productivity. Currency effects had an impact of SEK 0 million (0) on operating profit excluding items affecting comparability.

Group-wide items and eliminations amounted to an operating loss excluding items affecting comparability of SEK 138 million (loss: 143). Financial items amounted to an expense of SEK 32 million (expense: 36). Net financial items included the net of return on pension assets and interest expense for pension liabilities corresponding to an expense of SEK 28 million (expense: 34). Net interest expense totalled SEK 4 million (expense: 2). Profit after financial items amounted to SEK 986 million (1,250).

Tax expense amounted to SEK 233 million (256). Profit after tax including items affecting comparability amounted to SEK 753 million (1,015) and profit after tax excluding items affecting comparability amounted to SEK 808 million (1,015).

Earnings per share for the year before and after dilution including items affecting comparability amounted to SEK 4.46 (6.02) and earnings per share for the year before and after dilution excluding items affecting comparability amounted to SEK 4.79 (6.02).

EARNINGS FROM DISCONTINUED OPERATIONS

No profit from discontinued operations was recognised in 2018. In 2017, profit after tax from discontinued operations amounted to SEK 21 million and pertained to Poggenpohl, which was divested on 31 January 2017.

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. Operating profit for 2018 was negatively impacted by a non-cash item affecting comparability of SEK 66 million attributable to an additional pension cost in the fourth quarter as a result of a court ruling in the UK regarding defined-benefit pension plans in the 1990s. No items affecting comparability were recognised for 2017.

INVESTMENTS, CASH FLOW AND FINANCIAL POSITION

Investments in fixed assets amounted to SEK 414 million (319), of which SEK 338 million (262) pertained to tangible fixed assets and SEK 76 million (57) to intangible assets.

Operating cash flow amounted to SEK 599 million (706), adversely affected by lower profit generation and higher investments compared with the preceding year, which were not offset by a positive change in working capital.

The Group's capital employed amounted to SEK 5,326 million (4,727) at the end of the period.

On 31 December 2018, net debt amounted to SEK 1,266 million (77) and the increase for the year was mainly due to the acquisition of Bribus. Provisions for pensions, which are included in net debt, amounted to SEK 505 million (567). The debt/equity ratio at year-end amounted to 32 per cent (2). Shareholders' equity on the same date amounted to SEK 3,897 million (4,154) and the equity/assets ratio was 50 per cent (58).

In early July 2018, Nobia agreed on a new syndicated bank loan of SEK 2,000 million, valid until 2023, with two banks.

About SEK 840 million of this bank loan had been utilised at year-end.

ACQUISITIONS AND DIVESTMENTS

On 13 July 2018, Nobia acquired 100 per cent of the shares in Bribus Holding B.V, a Dutch kitchen supplier with a leading position in the Dutch project market for kitchens. Bribus supplies kitchens to professional customers in the Netherlands, primarily to social housing providers and large-scale property investors. The kitchens are manufactured at a production facility in Dinxperlo, the Netherlands, and the offering also includes installation and appliances. In 2017, Brisus generated income of about EUR 65 million and had an operating margin in line with Nobia's financial targets.

The purchase consideration consisted of a remuneration of EUR 60 million on a cash and debt-free basis, and a variable remuneration of a maximum of EUR 5 million, conditional upon the development of the operations until the end of 2020. Bribus has been included in Nobia's accounts since 1 July 2018.

No divestments took place in 2018.

SIGNIFICANT EVENTS AFTER THE END OF THE YEAR

Nobia's Nomination Committee announced on 12 February 2019 that Lilian Fossum Biner, Christina Ståhl and Ricard Wennerklint had declined re-election and that the Nomination Committee proposes that the Board of Directors comprise seven members, entailing a reduction of two members. George Adams, Hans Eckerström, Morten Falkenberg, Nora Førisdal Larssen, Jill Little and Stefan Jacobson are proposed for re-election. Marlene Forsell is proposed as a new Board member. The Nomination Committee also proposes that Hans Eckerström be re-elected Chairman of the Board.

Dan Josefsberg took office as Executive Vice President and Chief Strategy, Marketing and Customer Experience Officer on 1 March 2019.

FUTURE OUTLOOK

Demand for kitchens normally follows the same business cycle as other consumer discretionary products.

The combination of macroeconomic uncertainty caused by Brexit and the slowdown in the Nordic new-build sector means that market conditions and demand in 2019 are considered challenging. However, the market outlook for our main markets in the Central Europe region is deemed slightly more stable.

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 2018, the average number of employees was 6,178 (6,178). The number of employees at year-end was 6,081 (6,087). Bribus, which was acquired in 2018, had 303 employees at year-end.

ENVIRONMENT AND SUSTAINABILITY

Nobia conducts activities that require a permit under the Swedish Environmental Code through Nobia Production Sweden AB, which includes Nobia's Swedish operations in production, logistics and sourcing. In 2018, the production facility in Tidaholm affected the external environment through mainly noise and emissions to air in conjunction with the surface treatment of wooden items. The County Administrative Board of Västra Götaland is the regulatory authority and decision-making body regarding permit applications. Nobia Production Sweden AB is certified to the ISO 14001 environmental management standard.

All of Nobia's 14 production units, located in seven European countries, satisfy the environmental requirements determined by each country and 11 of these have been awarded ISO14001 certification.

Nobia works conscientiously with sustainability through the implementation of a Group-wide sustainability strategy. Nobia's key sustainability-related performance indicators are presented on pages 104–107. Nobia's statutory sustainability report can be found on pages 30–40 and 104–107.

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 financial items amounted to SEK 829 million (742) and mainly consisted of dividends from subsidiaries.

THE SHARE AND OWNERSHIP STRUCTURE

The Nobia share has been listed on Nasdaq Stockholm since 2002. Nobia's share capital amounted to SEK 56,763,597 (58,430,237) on 31 December 2018, divided between 170,293,458 (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 2018 Annual General Meeting authorised the Board to decide on the buy-back of up to 10 per cent of the total treasury shareholding and, for the period until the 2019 Annual General Meeting, to decide on the transfer of treasury shares for the purpose of delivering shares under the Performance Share Plan resolved in 2015. The 2018 Annual General Meeting also resolved to reduce Nobia's share capital by withdrawing 5,000,000 treasury shares.

At the start of May, the Board decided to transfer 103,003 bought-back shares, comprising 0.06 per cent of the Parent Company' share capital, based on the authorisation from the Annual General Meeting. This decision to reduce share capital was then executed on 9 July 2018 when 5,000,000 treasury shares were withdrawn. Accordingly, the number of shares in Nobia declined from 175,293,458 to 170,293,458 and the share capital was reduced from SEK 58,430,237 to SEK 56,763,597.

No shares were bought back during the year. At the end of 2018, the number of treasury shares amounted to 1,606,568, corresponding to 0.9 per cent of the total number of shares. These shares were acquired in 2007 and 2008 for a total amount of SEK 92,112,918.

At year-end, the ten largest owners held about 65.9 per cent of the shares. The single largest shareholder, Nordstjernan, represented 22.7 per cent of the shares. If Skadeförsäkring held 10.7 per cent of the shares, the Fourth Swedish National Pension Fund 7.4 per cent and Swedbank Robur funds 6.2 per cent.

Nobia's lenders have the option of terminating all loans if the control of the company were to be significantly altered. If any one party, or jointly with other parties (under formal or informal forms) gains control of the company, the lenders are entitled to terminate all outstanding loans for payment. The term "control of the company" pertains to control of more than half of the total number of votes or capital, or the acquisition of direct and decisive influence over the appointment of the Board of Directors or members of Group management. Control of the company is also deemed to arise if a party, alone or jointly with other parties, can exercise direct and decisive influence over the company's financial and strategic position. If such a situation were to arise whereby the control of the company were to be significantly altered, the lender and Nobia shall begin negotiations that shall last for a maximum of 30 days.

The aim of these negotiations is to reach an agreement between the lenders and Nobia. If an agreement is not reached, the lender is entitled to terminate all outstanding loans for immediate payment.

More information on the share and shareholders is presented on pages 100–101.

REMUNERATION GUIDELINES AND OTHER EMPLOYMENT CONDITIONS FOR GROUP MANAGEMENT 2018

The guidelines for 2018 essentially correspond with the proposed guidelines for 2019, as presented below.

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 2018 conformed to the remuneration guidelines resolved at the 2018 Annual General Meeting. In the opinion of the Remuneration Committee, the guidelines were appropriate and the application of them was correct.

Nobia has implemented long-term performance-based remuneration plans, following a resolution at each Annual General Meeting since 2005 in order to link employee remuneration to the company's future earnings and value trend and thus reward both shareholders and the relevant employees. A long-term remuneration plan is also expected to assist the company in recruiting and retaining senior executives.

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.

PROPOSAL ON REMUNERATION GUIDELINES AND OTHER EMPLOYMENT CONDITIONS FOR GROUP MANAGEMENT 2019

The Board of Directors of Nobia AB proposes that the 2019 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 2018 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. 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 portion is based on an earning period of one year. The targets for the President are determined by the Board. The targets for the other senior executives are established by the President following recommendations by the Board's Remuneration Committee.

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 be approximately SEK 16,600,000 (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 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 financial years, of SEK 11.75. The maximum level was set at 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 and 2018 Annual General Meetings, decisions were made on long-term remuneration schemes 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 programs is meeting a financial performance target linked to accumulated earnings per share for Nobia during the 2017–2018 and 2018-2019 financial years. For the 2017 Plan, the Board adopted a minimum level for allotment of shares related to accumulated earnings per share, excluding items affecting comparability for the 2017 and 2018 financial years, of SEK 12.00. The maximum level was set at SEK 13.75. Since the accumulated earnings per share excluding items affecting comparability for the period amounted to SEK 11.11, the Board's minimum target figure for allotment was not achieved and no allotment of shares under the Performance Share Plan 2017 will take place.

The Board has again proposed a long-term performance share plan to the 2019 Annual General Meeting. The Performance Share Plan 2019 mostly has the same structure as the remuneration scheme adopted at the 2018 Annual General Meeting. Performance Share Plan 2019 comprises approximately 100 employees consisting of senior executives and senior managers within the Nobia Group. Participation in the plan requires an employee's private investment in Nobia shares. At the end of the vesting period, the participants will be allotted shares in Nobia free of charge, provided that certain conditions are fulfilled. The allotment of shares requires that the performance targets related to average operating profit (EBIT) and total shareholder return (TSR) on the company's shares have been achieved. However, if the EBIT performance target has been achieved but the TSR target on the Nobia share is negative, no allotment will take place.

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. 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. If Nobia issues a dividend to shareholders, the participants of the Performance Share Plan 2019 will be compensated by increasing the number of shares that each share right carries entitlement to. These share rights are divided into Series A and Series B according to the various performance targets under the Performance Share Plan 2019. Half of each participant's allotment of share rights refers to Series A, and half to Series B. The number of share rights carrying entitlement to allotment depends on fulfilment of the performance targets that apply for each series of share. The Board sets a minimum level and a maximum level for each performance target. The allotment of share rights for Series A requires that target levels are achieved for average operating profit in the 2019-2021 financial years. The allotment of share rights for Series B requires that target levels during the period are achieved for annual average total shareholder return (TSR) on the Nobia share.

For the President of the company, each Saving Share carries entitlement to a maximum of seven share rights. For other members of Group management, each Saving Share entitles the holder to a maximum of six share rights. For other senior executives and managers, each Saving Share entitles the holder to maximum of four share rights. Allotment of Nobia shares shall normally take place within two weeks of the announcement of Nobia's interim report for the first quarter of 2022.

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. For more information about the proposed performance share plan, including estimated total costs for the programme, refer to the Board's separate proposal to this effect.

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	586,241,165
Net profit for the year	817,302,342
Total SEK	**1,455,768,993**

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

Standard dividend of SEK 4.00 per share to be paid to shareholders	674,747,560
To be carried forward	781,021,433
Total SEK	**1,455,768,993**

The Board proposes a dividend of SEK 4.00 per share (7.00) for the 2018 financial year. The record date to be entitled to receive a dividend is proposed as Monday, 6 May 2019. If the Annual General Meeting resolves in accordance with the proposal, the dividend is expected to be paid on Thursday, 9 May 2019.

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, political and legal risks as well as information and IT 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 98.

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. 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. Nobia works continuously to transfer price increases on materials to consumers where possible.

Demand is deemed to have gradually slowed in the Nordic and Central Europe regions in 2018. The market outlook for the new-build segment in the Nordic market has weakened compared with the preceding year. In the UK, which accounts for about 42 per cent (45) of the Group's total sales, the macroeconomic uncertainty resulting from Brexit had a negative impact on the kitchen market. Nobia has made preparations in the event of a no-deal Brexit, including building up a safety stock of components and fronts. Nobia is continuing to capitalise on synergies and economies of scale through harmonisation of the range, co-ordination of production and more efficient sourcing.

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 248 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. A risk with franchises is that retailers are unable to fulfil their contractual commitments, which may have a negative effect on sales. However, the franchise solution involves lower fixed costs.

In 2018, nine Norema stores were converted to franchise stores and one Norema store was closed. All Norema stores were franchise stores at 31 December 2018. The background to the decision to convert own stores under the Norema brand to franchise stores is that this kitchen chain is not deemed large enough to generate synergies, and that the franchise model has proven successful in the Norwegian kitchen market.

Sales to professional customers are conducted 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 2018 comprised about 61 per cent variable costs (raw materials, components, accessories), about 29 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 2018, Nobia purchased materials and components valued at about SEK 5.4 billion, of which some 21 per cent pertained to raw materials (such as chipboard and packaging materials), about 53 per cent to components (such as handles, worktops and hinges) and about 26 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 2018, 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 2018, the Group's brand portfolio, innovation, product-range development, production and sourcing continued to be co-ordinated. In 2018, Nobia continued to invested in digital aids, such as drawing tools and e-commerce services that allow customers to both draw and purchase their kitchen online. In 2017, Nobia launched a new store concept aimed at increasing customer participation, improving the customer experience and enhancing sales efficiency. This venture continued in 2018. The strategic direction is described in more detail on pages 14–17.

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 needs to attract and retain skilled and motivated employees to conduct its business operations with high long-term profitability and endeavours to be an attractive employer. To ensure availability of and skills development for motivated employees, manager sourcing and managerial development is administered by a central unit at Nobia. For a more detailed description, refer to our sustainability report on pages 39-40.

SUSTAINABILITY-RELATED CHALLENGES AND OPPORTUNITIES

Sustainability risks are related to all four areas of the UN Global Compact: environment, human rights, labour and anti-corruption. Risks related to climate change and global warming, the risk of shortcoming in the controls of subcontractors and suppliers, work-related accidents or serious environmental incidents at Nobia's workplaces, and unforeseen increased customer demand for sustainable products and production processes are relevant risks for Nobia. Managing sustainability risks is an integrated part of existing central processes and a parameter in the central risk analysis. For a more detailed description, refer to our sustainability report on pages 30-40 and 104-105.

POLITICAL AND LEGAL RISKS

Nobia operates in seven countries and is thus affected by country-specific rules and regulations between countries. These include general regulations on trade barriers, taxes and financial reporting, but also more specific rules, such as 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. All Nobia units are responsible within their individual area to monitor and evaluate changes in the business world and changes to legislation.

INFORMATION AND IT RISKS

Nobia is dependent on IT systems in its daily operations. Disruptions or errors in critical systems may have a direct impact on production. Incorrect handling of financial systems could impact the reporting of the company's results. Risks linked to cyber security have generally increased in importance and could have a significant impact on our operations. The General Data Protection Regulation (GDPR) sets strict requirements on how companies process personal data. Non-compliance with the Regulation could result in high fines.

Nobia has established an IT model that includes governance, standardised IT processes and an information security organisation. Standardised processes are in place for implementing and changing systems and IT services, as well as the daily operations. Nobia's IT system landscape is based on well-known products, such as SAP.

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. For a more detailed description, refer to Note 2 Financial risks on pages 67-69.

Currency exposure

Transaction flows have the greatest impact on currency – when costs for sourcing or production are 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. For a more detailed description, refer to Note 2 Financial risks on pages 67-69.

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 67–69 .

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 2,887 million (2,361). The value of this asset item is tested annually and more often if there is any indication of impairment requirement. In 2018, the testing did not indicate any impairment requirement.

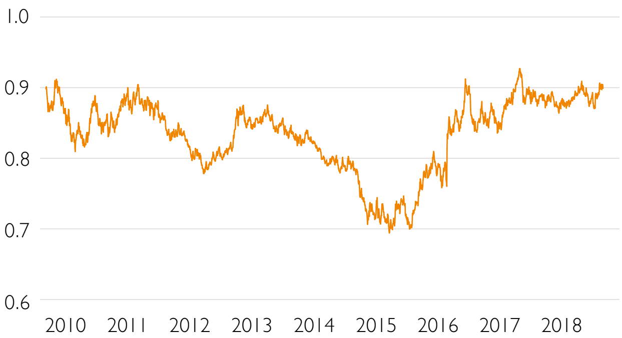
For a more detailed description, refer to Note 1 Significant accounting policies on pages 60–66 and Note 14 Intangible assets on page 75.

Calculation of pension liabilities

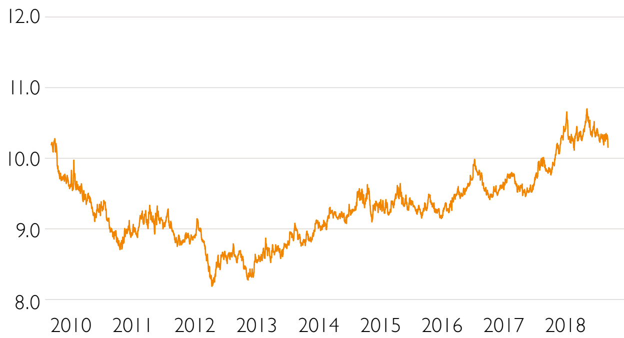
Nobia's balance sheet includes pension liabilities of SEK 505 million (567) that pertain to defined-benefit pension plans in the UK, Austria and Sweden. All pension plans are calculated every year by actuaries in accordance with IAS 19.

For a more detailed description, refer to Note 1 Significant accounting policies on pages 60–66 and Note 25 Provisions for pensions on pages 80–81 .

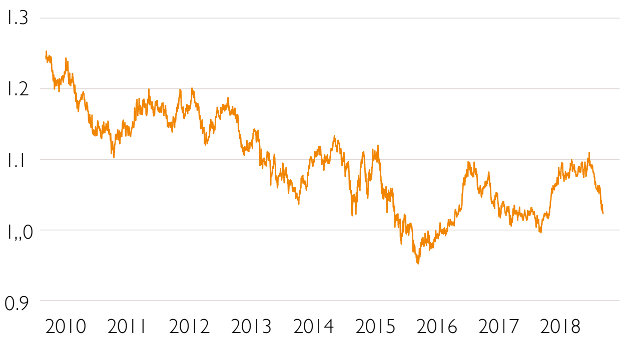
EUR/GBP/ ±5% = SEK ±55 m + ↓



EUR/SEK/ ±5% = SEK ±24 m + ↓



NOK/SEK/ ±5% = SEK ±16 m + ↓



NOK/DKK/ ±5% = SEK ±21 m + ↓

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

SEK m	Note	2017	2018
Net sales	3	12,744	13,209
Cost of goods sold	4, 7, 10, 11, 25	-7,730	-8,119
Gross profit		**5,014**	**5,090**
Selling expenses	4, 7, 10, 11, 25	-3,022	-3,255
Administrative expenses	4, 6, 7, 10, 11, 25	-729	-776
Other operating income	8	129	149
Other operating expenses	9	-106	-190
Operating profit		**1,286**	**1,018**
Financial income	12	9	10
Financial expenses	12	-45	-42
Profit after financial items		**1,250**	**986**
Tax on net profit for the year	13, 26	-256	-233
Net profit for the year from continuing operations		**994**	**753**
Profit from discontinued operations, net after tax	32	21	–
Net profit for the year		**1,015**	**753**
Net profit for the year attributable to:			
Parent Company shareholders		1,015	753
Non-controlling interests		0	–
Net profit for the year		**1,015**	**753**
Earnings per share before dilution, SEK[1]	23	6.02	4.46
Earnings per share after dilution, SEK[1]	23	6.02	4.46
Earnings per share from continuing operations, before dilution, SEK	23	5.89	4.46
Earnings per share from continuing operations, after dilution, SEK	23	5.89	4.46
Number of shares before dilution[2]	23	168,583,887	168,686,890
Average number of shares before dilution[2]	23	168,547,081	168,652,556
Number of shares after dilution[2]	23	168,712,248	168,686,890
Average number of shares after dilution[2]	23	168,702,097	168,686,890

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	2017	2018
Net profit for the year		1,015	753
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange-rate differences attributable to translation of foreign operations[1]	22	-18	98
Cash-flow hedges before tax[2)]	22	14	-7
Tax attributable to hedging reserve for the period[3)]	22	-3	2
		-7	**93**
Items that will not be reclassified to profit or loss			
Remeasurements of defined-benefit pension plans	25	277	100
Tax attributable to remeasurements of defined-benefit pension plans		-46	-17
		231	**83**
Other comprehensive income for the year		**224**	**176**
Total comprehensive income for the year		**1,239**	**929**
Total comprehensive income for the year attributable to:			
Parent Company shareholders		1,239	929
Non-controlling interests		0	–
Total comprehensive income for the year		**1,239**	**929**

1) Of which a negative SEK 44 million in 2017 refers to accumulated exchange-rate differences for the Poggenpohl operations.
2) Reversal recognised in profit or loss of a negative SEK 10 million (pos: 5). New provision amounts to SEK 3 million (9).
3) Reversal recognised in profit or loss of SEK 3 million (neg: 1). New provision amounts to a negative SEK 1 million (neg: 2).

COMMENTS AND ANALYSIS OF INCOME STATEMENT

Net sales rose 4 per cent to SEK 13,209 million (12,744). For comparable units and adjusted for currency effects, the change in net sales was a negative 4 per cent. The relationship is shown in the table below.

ANALYSIS OF NET SALES

	QUARTER				JAN-DEC	
%	I	II	III	IV		SEK m
2017						12,744
Organic growth	-6	-2	-5	-2	-4	-469
– of which Nordic region[1]	-1	1	-1	-3	-1	-69
– of which UK region[1]	-12	-6	-9	0	-7	-404
– of which Central Europe region[1]	1	10	3	-11	1	4
Currency effect	2	4	8	5	5	584
Acquired companies	–	–	5	7	3	350
2018	**-4**	**3**	**8**	**9**	**4**	**13,209**

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	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Net sales from external customers	6,515	6,705	5,710	5,597	519	907	–	–	12,744	13,209
Net sales from other regions	1	0	–	–	2	2	-3	-2	–	–
Total net sales	**6,516**	**6,705**	**5,710**	**5,597**	**521**	**909**	**-3**	**-2**	**12,744**	**13,209**
Gross profit	2,638	2,590	2,172	2,190	152	256	52	54	5,014	5,090
Gross margin, %	40.5	38.6	38.0	39.1	29.2	28.2	–	–	39.3	38.5
Operating profit/loss	963	841	454	257	12	58	-143	-138	1,286	1,018
Operating profit/loss excl. items affecting comparability	963	841	454	323	12	58	-143	-138	1,286	1,084
Operating margin, %	14.8	12.5	8.0	4.6	2.3	6.4	–	–	10.1	7.7
Operating margin excl. items affecting comparability, %	14.8	12.5	8.0	5.8	2.3	6.4	–	–	10.1	8.2

Depreciation/amortisation and impairment of fixed assets for the year recognised in operating profit amounted to SEK 326 million (287).

IMPACT OF EXCHANGE RATES (OPERATING PROFIT EXCLUDING ITEMS AFFECTING COMPARABILITY)

	Translation effect		Transaction effect		Total effect	
	2017	2018	2017	2018	2017	2018
Nordic region	15	35	-15	-55	0	-20
UK region	-25	15	-80	-5	-105	10
Central Europe region	0	5	0	-5	0	0
Group	**-10**	**55**	**-95**	**-65**	**-105**	**-10**

QUARTERLY DATA PER REGION

	2017				2018			
	I	II	III	IV	I	II	III	IV
Net sales, SEK m								
Nordic	1,672	1,756	1,398	1,690	1,682	1,851	1,474	1,698
UK	1,527	1,520	1,377	1,286	1,367	1,498	1,378	1,354
Central Europe	116	133	131	141	124	155	291	339
Group-wide and eliminations	0	-1	-1	-1	0	-1	0	-1
Group	**3,315**	**3,408**	**2,905**	**3,116**	**3,173**	**3,503**	**3,143**	**3,390**
Gross profit, SEK m								
Nordic	671	721	565	681	669	731	557	633
UK	570	588	518	496	543	599	543	505
Central Europe	36	42	41	33	35	50	70	101
Group-wide and eliminations	14	10	17	11	13	13	14	14
Group	**1,291**	**1,361**	**1,141**	**1,221**	**1,260**	**1,393**	**1,184**	**1,253**
Gross margin, %								
Nordic	40.1	41.1	40.4	40.3	39.8	39.5	37.8	37.3
UK	37.3	38.7	37.6	38.6	39.7	40.0	39.4	37.3
Central Europe	31.0	31.6	31.3	23.4	28.2	32.3	24.1	29.8
Group	**38.9**	**39.9**	**39.3**	**39.2**	**39.7**	**39.8**	**37.7**	**37.0**
Operating profit, SEK m								
Nordic	212	297	208	246	213	278	185	165
UK	96	154	137	67	79	134	105	-61
Central Europe	4	5	7	-4	2	9	10	37
Group-wide and eliminations	-39	-43	-34	-27	-39	-34	-33	-32
Group	**273**	**413**	**318**	**282**	**255**	**387**	**267**	**109**
Operating profit excl. items affecting comparability, SEK m								
Nordic	212	297	208	246	213	278	185	165
UK	96	154	137	67	79	134	105	5
Central Europe	4	5	7	-4	2	9	10	37
Group-wide and eliminations	-39	-43	-34	-27	-39	-34	-33	-32
Group	**273**	**413**	**318**	**282**	**255**	**387**	**267**	**175**
Operating margin, %								
Nordic	12.7	16.9	14.9	14.6	12.7	15.0	12.6	9.7
UK	6.3	10.1	9.9	5.2	5.8	8.9	7.6	-4.5
Central Europe	3.4	3.8	5.3	-2.8	1.6	5.8	3.4	10.9
Group	**8.2**	**12.1**	**10.9**	**9.1**	**8.0**	**11.0**	**8.5**	**3.2**
Operating margin excl. items affecting comparability, %								
Nordic	12.7	16.9	14.9	14.6	12.7	15.0	12.6	9.7
UK	6.3	10.1	9.9	5.2	5.8	8.9	7.6	0.4
Central Europe	3.4	3.8	5.3	-2.8	1.6	5.8	3.4	10.9
Group	**8.2**	**12.1**	**10.9**	**9.1**	**8.0**	**11.0**	**8.5**	**5.2**

CONSOLIDATED BALANCE SHEET

SEK m	Note	31 Dec 2017	31 Dec 2018
ASSETS			
Intangible assets	14		
Goodwill		2,361	2,887
Other intangible assets		149	184
		2,510	**3,071**
Tangible fixed assets	15		
Land and buildings		585	650
Investments in progress and advance payments		110	127
Machinery and other technical equipment		440	469
Equipment, tools, fixtures and fittings		232	301
		1,367	**1,547**
Interest-bearing long-term receivables (IB)	16	5	2
Other long-term receivables	16	34	42
Deferred tax assets	26	118	97
Total fixed assets		**4,034**	**4,759**
Inventories			
Raw materials and consumables		258	296
Products in progress		59	69
Finished products		475	506
Goods for resale		116	91
		908	**962**
Current receivables			
Current tax assets		5	7
Accounts receivable	2	1,282	1,426
Derivative instruments	2.18	39	13
Interest-bearing current receivables (IB)		18	33
Other receivables	2	48	45
Prepaid expenses and accrued income	19	373	393
		1,765	**1,917**
Cash and cash equivalents (IB)	20	473	128
Total current assets		**3,146**	**3,007**
Total assets		**7,180**	**7,766**
Of which interest-bearing items (IB)		496	163

SEK m	Note	31 Dec 2017	31 Dec 2018
SHAREHOLDERS' EQUITY AND LIABILITIES			
Attributable to Parent Company shareholders			
Share capital	21	58	57
Other contributed capital		1,486	1,484
Reserves	22	-264	-171
Profit brought forward		2,874	2,527
Total shareholders' equity		**4,154**	**3,897**
Provisions for guarantees		8	9
Provisions for pensions (IB)	25	567	505
Deferred tax liabilities	26	89	75
Other provisions	27	32	33
Liabilities to credit institutions (IB)	2, 28	–	842
Other liabilities (IB)	2	5	8
Other liabilities, non-interest-bearing	2	–	44
Total long-term liabilities		**701**	**1,516**
Liabilities to credit institutions (IB)	2, 28	1	–
Overdraft facilities (IB)	2, 20	–	74
Other liabilities (IB)	2	0	–
Advance payments from customers		132	201
Accounts payable	2	1,106	1,050
Provisions	27	–	36
Current tax liabilities		109	94
Derivative instruments	2, 18	26	9
Other liabilities	2	378	356
Accrued expenses and deferred income	29	573	533
Total current liabilities		**2,325**	**2,353**
Total shareholders' equity and liabilities		**7,180**	**7,766**
Of which interest-bearing items (IB)		573	1,429

Information on consolidated pledged assets and contingent liabilities is provided in Note 31 on page 85.

COMMENTS AND ANALYSIS OF BALANCE SHEET

GOODWILL

Information on goodwill, including comments, is provided in Note 14 on page 75.

FINANCING

Net debt increased to SEK 1,266 million (77) at the end of the period. A positive operating cash flow of SEK 599 million and remeasurements of defined-benefit pension plans of SEK 100 million reduced net debt. The increase in net debt derived from acquisition of operations with a total effect of SEK 618 million, change in pension liabilities of SEK 85 million, interest paid of SEK 11 million and dividends of SEK 1,180 million. The SEK 85 million change in pension liabilities was primarily due to an adjustment as a result of a court ruling in the UK regarding defined-benefit pension plans in the 1990s. The debt/equity ratio was 32 per cent at the end of the year (2 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	2017	2018
Opening balance	493	77
Acquisition of operations	–	618
Divestment of operations	30	–
Translation differences	-3	-6
Operating cash flow	-706	-599
Interest	7	11
Remeasurements of defined-benefit pension plans	-277	-100
Change in pension liabilities	28	85
Dividends	505	1,180
Closing balance	**77**	**1,266**

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

COMPONENTS OF NET DEBT

	Group	
SEK m	2017	2018
Bank loans, etc.	1	842
Overdraft facilities	–	74
Provisions for pensions	567	505
Leasing	5	8
Cash and cash equivalents	-473	-128
Other financial receivables	-23	-35
Total	**77**	**1,266**

CHANGE IN CONSOLIDATED SHAREHOLDERS' EQUITY

	Attributable to Parent Company shareholders							
SEK m	Share capital	Other contributed capital	Exchange-rate differences attributable to translation of foreign operations	Cash-flow hedges after tax	Profit brought forward	Total	Non-controlling interests	Total shareholders' equity
Opening balance, 1 January 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[1]	–	–	–	–	-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**
Opening balance, 1 January 2018	**58**	**1,486**	**-271**	**7**	**2,874**	**4,154**	**–**	**4,154**
New accounting policy, financial instruments[2]	–	–	–	–	-4	-4	–	-4
Restated opening balance, 1 January 2018	58	1,486	-271	7	2,870	4,150	–	4,150
Net profit for the year	–	–	–	–	753	753	–	753
Other comprehensive income for the year	–	–	98	-5	83	176	–	176
Total comprehensive income for the year	**–**	**–**	**98**	**-5**	**836**	**929**	**–**	**929**
Cancellation of treasury shares	-1	–	–	–	1	–	–	–
Dividends[3]	–	–	–	–	-1,180	-1,180	–	-1,180
Allocation of performance share plan	–	-2	–	–	–	-2	–	-2
Closing balance, 31 December 2018	**57**	**1,484**	**-173**	**2**	**2,527**	**3,897**	**–**	**3,897**

1) The 2017 Annual General Meeting resolved on dividends of SEK 505 million, corresponding to SEK 3 per share.
2) Refer to Note 1 and the section IFRS 9 Financial instruments on page 60.
3) The 2018 Annual General Meeting resolved on dividends of SEK 1,180 million, corresponding to SEK 7 per share (of which SEK 3.5 per share comprised an extra dividend).

CONSOLIDATED CASH-FLOW STATEMENT AND COMMENTS

SEK m	Note	2017	2018
Operating activities			
Operating profit		1,286	1,018
Operating profit for discontinued operations		20	–
Depreciation/amortisation/impairment	14, 15	287	326
Other adjustments for non-cash items		-30	126
Income tax paid		-248	-261
Change in inventories		-68	4
Change in operating receivables		-160	7
Change in operating liabilities		-100	-219
Cash flow from operating activities		**987**	**1,001**
Investing activities			
Investments in tangible fixed assets		-262	-338
Investments in intangible assets		-57	-76
Sale of tangible fixed assets		43	18
Interest received		3	2
Increase/decrease in interest-bearing assets		-19	-12
Other items in investing activities		-5	-6
Acquisition of operations	34	–	-558
Divestment of operations		-93	–
Cash flow from investing activities		**-390**	**-970**
Operating cash flow before acquisitions/divestments of subsidiaries, interest, increase/decrease in interest-bearing assets		**706**	**599**
Operating cash flow after acquisitions/divestments of subsidiaries, interest, increase/decrease in interest-bearing assets		**597**	**31**
Financing activities			
Interest paid		-10	-13
Change in interest-bearing liabilities		-872[1]	818[2]
Dividends		-505	-1,180
Cash flow from financing activities		**-1,387**	**-375**
Cash flow for the year excluding exchange-rate differences in cash and cash equivalents		**-790**	**-344**
Cash and cash equivalents at the beginning of the year		1,266	473
Cash flow for the year		**-790**	**-344**
Exchange-rate differences in cash and cash equivalents		-3	-1
Cash and cash equivalents at year-end		**473**	**128**

1) Repayment of loans comprising SEK 800 million. The remaining amount mainly consists of pension payments.
2) Raising and repayment of loans comprising a net SEK 802 million. The remaining change comprised pension payments and utilisation of overdraft facilities.

COMMENTS ON THE CASH-FLOW STATEMENT

Cash flow from operating activities amounted to SEK 1,001 million (987). Working capital reduced cash flow by SEK 208 million (neg. 328) and was primarily attributable to lower current liabilities. Adjustments for non-cash items amounted to SEK 126 million (neg: 30) as specified in the table below.

ADJUSTMENTS FOR NON-CASH ITEMS

SEK m	2017	2018
Capital gains/losses on fixed assets	-6	-6
Provisions	-27	131
Other	3	1
Total	**-30**	**126**

Investments in fixed assets amounted to SEK 414 million (319). 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 599 million (706).

PARENT COMPANY

PARENT COMPANY INCOME STATEMENT

SEK m	Note	2017	2018
Net sales		224	254
Administrative expenses	4, 6, 11, 25	-267	-265
Other operating income	8	5	3
Other operating expenses	9	-9	-3
Operating profit		**-47**	**-11**
Profit from participations in Group companies	12	791	800
Financial income	12	7	48
Financial expenses	12	-9	-8
Profit after financial items		**742**	**829**
Group contributions received		230	220
Group contributions paid		-52	-227
Tax on net profit for the year	13	-31	-5
Net profit for the year		**889**	**817**

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

SEK m	Note	2017	2018
Net profit for the year		889	817
Other comprehensive income for the year		–	–
Comprehensive income for the year		**889**	**817**

PARENT COMPANY CASH-FLOW STATEMENT

SEK m	Note	2017	2018
Operating activities			
Operating profit		-47	-11
Adjustments for non-cash items		1	0
Dividends received	12	800	800
Group contributions received		230	220
Group contributions paid		-52	-227
Interest received	12	7	48
Interest paid	12	-9	-8
Tax paid		-4	-38
Cash flow from operating activities before changes in working capital		**926**	**784**
Change in liabilities		-304	-236
Change in receivables		-17	309
Cash flow from operating activities		**605**	**857**
Investing activities			
Divestment of subsidiaries		84	0
Provisions for pensions		1	2
Cash flow from investing activities		**85**	**2**
Financing activities			
Increase in interest-bearing liabilities		0	25
Dividends		-505	-1,180
Repayment of loans		-800	0
Cash flow from financing activities		**-1,305**	**-1,155**
Cash flow for the year		**-615**	**-296**
Cash and cash equivalents at the beginning of the year		949	334
Cash flow for the year		**-615**	**-296**
Cash and cash equivalents at year-end		**334**	**38**

PARENT COMPANY BALANCE SHEET

SEK m	Note	31 Dec 2017	31 Dec 2018
ASSETS			
Fixed assets			
Financial fixed assets			
Shares and participations in Group companies	16, 17	1,379	1,378
Other securities held as fixed assets		5	4
Total fixed assets		**1,384**	**1,382**
Current assets			
Current receivables			
Accounts receivable		1	26
Receivables from Group companies		2,839	2,483
Other receivables	18	44	56
Prepaid expenses and accrued income	19	52	62
Cash and cash equivalents	20	334	38
Total current assets		**3,270**	**2,665**
TOTAL ASSETS		**4,654**	**4,047**
SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES			
Shareholders' equity			
Restricted shareholders' equity			
Share capital[1)]	21	58	57
Statutory reserve		1,671	1,671
		1,729	**1,728**
Non-restricted shareholders' equity			
Share premium reserve		52	52
Buy-back of shares		-385	-92
Profit brought forward		1,262	678
Net profit for the year		889	817
		1,818	**1,455**
Total shareholders' equity		**3,547**	**3,183**
Provisions			
Provisions for pensions	25	17	19
Deferred tax liabilities		5	5
Total provisions		**22**	**24**
Current liabilities			
Overdraft facilities	28	–	25
Accounts payable		23	24
Liabilities to Group companies		956	729
Current tax liabilities		44	11
Other liabilities		42	33
Accrued expenses and deferred income	18	20	18
Total current liabilities	**29**	**1,085**	**840**
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES		**4,654**	**4,047**

1) The number of shares outstanding was 168,686,890 (168,583,887).

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 2017	**58**	**1,671**	**52**	**-391**	**1,769**	**3,159**
Net profit for the year	–	–	–	–	889	889
Comprehensive income for the year	**–**	**–**	**–**	**–**	**889**	**889**
Dividends	–	–	–	–	-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**
Opening balance, 1 January 2018	**58**	**1,671**	**52**	**-385**	**2,151**	**3,547**
Net profit for the year					817	817
Comprehensive income for the year	**–**	**–**	**–**	**–**	**817**	**817**
Cancellation of treasury shares	-1	–	–	287	-286	0
Dividends	–	–	–	–	-1,180	-1,180
Treasury shares, reissued	–	–	–	6	-6	0
Allocation of performance share plan	–	–	–	–	-1	-1
Shareholders' equity, 31 December 2018	**57**	**1,671**	**52**	**-92**	**1,495**	**3,183**

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

NOTES

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

COMPLIANCE WITH STANDARDS AND LEGISLATION

Nobia's consolidated financial statements are prepared in accordance with International Financial reporting Standards, IFRS, as 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 5 April 2019.

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 financial 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, and when indicators of impairment exist, in accordance with the accounting policies described under Note 14 Intangible assets on page 75. 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. Recognised goodwill amounted to SEK 2,887 million (2,361) on 31 December 2018.

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 97 million (118) on 31 December 2018.

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 505 million (567) on 31 December 2018.

CHANGED ACCOUNTING POLICIES

The changed accounting policies applied by the Group from 1 January 2018 are described below. Other IFRS changes applied from 1 January 2018 did not have any material effect on the consolidated financial statements. The Group applies IFRS 9 and IFRS 15 for the first time from 1 January 2018. The transition methods that the Group has chosen to apply in the transition to IFRS 9 and 15 entail that comparative information in the financial statements has not been restated to reflect the requirements of the new standards.

The transition effects from initial application of these standard are primarily related to:

- earlier recognition of income relating to goods for project sales, the time between delivery and installation is very short which entails insignificant effects, about negative SEK 5 million. The revenue for the 2017 financial year has not been restated for comparison with 2018, since the true and fair view, and thus our stakeholders' assessment, of Nobia's historical or future financial performance is not deemed to be impacted.
- an increase in impairment of financial assets relating to credit losses on accounts receivable amounting to approximately SEK 5 million.

IFRS 9 FINANCIAL INSTRUMENTS

IFRS 9 establishes principles for the recognition and measurement of financial assets, financial liabilities and certain contracts for the purchase and sale of non-financial instruments. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 contains three principle classification categories for financial assets: Measured at fair value through profit or loss, amortised cost or fair value through other comprehensive income.

Assessments of the IFRS 9 classification of debt 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.

IFRS 9 replaces the "occurred loss model" from IAS 39 with an "expected credit loss model." Expected credit losses remove the requirement of identifying an occurred loss event and introduces an expected loss impairment model. This model establishes three step based on whether a significant increase in credit risk has occurred. 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 occur within 12 months ("loss allowance"). For financial assets for which a significant increase in credit risk has occurred and for those that are doubtful, a credit loss is to be recognised for the loss that is expected to occur for full lifetime of the asset.

From 2018, Nobia bases any impairment on expected credit losses and impairment is no longer based solely on past events. However, impairment of accounts receivable may continue if unforeseen events have occurred. Such impairment is initially recognised for each individual receivable, but may also be made collectively for a group of receivables of similar credit characteristics.

When calculating the expected credit losses, Nobia takes into consideration historical bad debt losses, performs an analysis of respective customer segments, and observes macroeconomic effects on customers' conditions such as the impact of Brexit on the local market.

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 effectiveness of hedges.

Not 1 continued

IFRS 9 largely retains the same requirements for the recognition and measurement of financial liabilities as IAS 39. The introduction of IFRS 9 did not have any material effect on the Group's accounting policies related to financial liabilities and derivative instruments.

Transition

The following table summarises the effect, net after tax, of the transition to IFRS 9 on opening balances, profit brought forward. As the transition method, Nobia chose to utilise the exception to not restate comparable information for previous years regarding recognition and measurement (including impairment). Differences in carrying amount attributable to financial assets and liabilities are recognised in profit brought forward at 1 January 2018 according to the table below.

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 instruments, refer to Note 30.

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 associated interpretations. Under IFRS 15, revenue is recognised when control of the goods or services is passed to the customer. Determining when control has passed to the customer, meaning a point in time or over time, requires assessments to be made.

Nobia applies IFRS 15 retrospectively with the total effect recognised in shareholders' equity on 1 January 2018, known as the cumulative approach. Accordingly, the information recognised in 2017 is not restated, meaning that it is recognised as previously in accordance with IAS 18, IAS 11 and associated interpretations. In addition, the disclosure requirements in IFRS 15 were not applied to comparative information.

Sale of goods

For sales of kitchen, revenue is recognised under IFRS 15 when control of the goods passes to the customer. Revenue for kitchen products and other products is recognised at a point in time, while installations are recognised over time as the installation is performed. Installation services comprise about 5-6 per cent of Nobia's total sales.

Nobia does not have any contract assets. Contract liabilities exist in the form of advance payments from customers for the delivery of kitchen products or installation. The term of advance payments is less than one year and the closing balance on 31 December 2018 amounted to SEK 201 million (132). Advance payments are recognised as revenue when Nobia has satisfied it obligation to the customer in the form of delivered kitchen products or completed installation. The contract liabilities that existed in the balance sheet on 31 December 2017 were recognised as revenue in the 2018 financial year.

The aggregate effect of the transition to IFRS 15 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 financial year has not been restated, since the true and fair view of Nobia's historical or future financial performance is not deemed to be impacted.

NEW IFRSS THAT HAVE NOT YET BEEN APPLIED

A number of new or amended IFRSs will come into effect during the current financial 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 16 LEASES

The Group will apply IFRS 16 Leases from 1 January 2019. IFRS 16 Leases introduces a standardised lease recognition model for lessees. A lessee recognises a right-of-use asset that represents a right to use the underlying asset and a lease liability that represents an obligation to pay lease payments. There are exemptions for short-term leases and low-value assets. Recognition for the lessor is similar to the current standard, meaning that the lessor continues to clarify leases as finance or operating 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,* SIC 15 *Operating Leases – Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

Leases in which the Group is lessee

During the current year, the Group identified material leases that are deemed to be affected by IFRS 16 Leases. These contracts have been divided into the asset classes of premises, vehicles and other. In order to provide the necessary information on how IFRS 16 Leases impacts the Group's accounts, it implemented system support that collates information about all material leases. The system will be continuously updated. Based on the review of the leases, the Group has concluded that premises is the class of asset that will have the greatest impact on the carrying amount of assets and liabilities due to the introduction of IFRS 16 Leases. The Group also intends to direct its subsidiaries to make as similar assessments as possible by applying a number of Group-wide guidelines on, for example, extension options, interest and lease payments. The Group will recognise new assets and liabilities for operating leases for premises, vehicles and other. Costs for these leases will be changed since the Group will recognise impairment for right-of-use assets and interest expense for lease liabilities.

The Group previously recognised operating lease costs straight-line over the lease period and recognised assets (prepaid lease payments) and liabilities (accrued lease payments) only to the extent that there was a difference between the actual lease payments and recognised cost. There is not expected to be any material effect on the Group's finance leases.

At the start of 2019, the Group will recognise additional lease liabilities of approximately SEK 2,700 million (after adjustment for prepaid lease payments recognised on 31 December 2018) and right-of-use assets of approximately SEK 2,800 million.

Transition and exemption rules

The Group will apply the modified retrospective approach. This means that the accumulated effect of IFRS 16 Leases will be recognised in profit brought forward in the opening balance for 1 January 2019 without restating comparative figures. The Group plans to measure the right-of-use (the asset) at the amount corresponding to the lease liability (before adjustment for advance payments), which entails that the accumulated effect in profit brought forward in the opening balance will not arise.

The Group will apply the exemption rule of "grandfathering" the former definition of leases existing at transition. This means that the Group will apply IFRS 16 Leases for all leases signed before 1 January 2019 and that have been identified as leases according to IAS 17 and IFRIC 4. The Group will also apply the exemption rule of using the same discount rate for a portfolio of leases with similar characteristics, entailing that the same discount rate will be used for all of the Group's leases in the same currency.

Leases of low value (assets valued at less than about SEK 50,000 in new condition) – mainly comprising computers, printers/photocopiers and coffee machines – will not be included in the lease liability but will continue to be expensed straight-line over the lease term. The Group is not deemed to have any short-term leases (leases with a term of a maximum of 12 months). The Group also applies the exemption rule of not including long-term leases with a remaining lease term of 12 months or less from the date of initial application in the lease liability.

The nominal value of the contracted future lease payments according to Note 11 in this Annual Report deviates from the calculated liability under IFRS 16 Leases at the start of 2019. The deviation is summarised in the table below

Lease liability recognised on transition to IFRS 16 on 1 January 2019	2,800
Adjustment for prepaid lease payments recognised on 31 December 2018	-100
Discounting lease liability recognised on transition to IFRS 16 on 1 January 2019	350
Adjustments of leases expiring 1-5 years due to different handling of extension options	-600
Adjustment of leases expiring after 5 years due to different handling of extension options	-550
Commitments for operating leases on 31 December 2018	1,900

Not 1 continued

The Group does not expect the introduction of IFRS 16 Leases to impact its ability to satisfy the revised maximum debt/equity ratio stated in the Group's loan covenants. The weighted average incremental borrowing rate used on the date of initial application (1 January 2019) is 1.96 per cent.

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

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 liabilities that Nobia intends, and has an unconditional right, to pay later than 12 after the closing date. Other liabilities comprise current liabilities.

CONSOLIDATION PRINCIPLES AND BUSINESS COMBINATIONS

Subsidiaries

Subsidiaries are companies subject to the controlling interest of Nobia AB. A controlling interest exists if Nobia AB has influence over the investment object, is exposed to or has the right to variable returns for its involvement and can use its influence over the investment to influence this return. When assessing whether a controlling interest exists, potential voting shares are taken into account and whether de facto control exists.

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.

SIGNIFICANT EXCHANGE RATES

	Closing-date rate		Average	
	31 Dec 2017	31 Dec 2018	2017	2018
DKK	1.32	1.38	1.29	1.38
EUR	9.85	10.28	9.63	10.26
GBP	11.10	11.35	10.99	11.59
NOK	1.00	1.02	1.03	1.07
USD	8.23	8.97	8.54	8.69

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 69 for a more detailed description of the division and presentation of the operating segments.

REVENUE RECOGNITION

The Group's revenue derives from the following activities:

- Sales of kitchen products and other products.
- Revenue for installation services for kitchen products and other products sold.

Revenue is measured based on the remuneration specified in contracts with customers, meaning net after VAT, discounts and returns. Revenue for sales of goods and services is recognised in profit or loss when control of the goods and services is passed to the customer.

Sales of kitchen products and other products

The Group sells kitchen products and other products through a number of different sales channels, such as own stores, franchise stores, builders' merchants, DIY chains and other retailers. Accordingly, sales take place both directly to end customers but also via retailers. All guarantees provided, aimed at ensuring that sold products comply with the agreed specifications, are included in the standard sales price. It is not possible to purchase offered guaranteed or additional guarantees, which is why these are recognised in accordance with IAS 37. Revenue for kitchen products and other products is recognised at a point in time when control is passed to the customer and the Group has satisfied it performance obligation, which is usually when the goods are delivered to the agreed place.

In a small number of the Group's contracts, the customers is offered the option of returning ordered goods. A provision is recognised on the sales date corresponding to the expected level of returns with the corresponding reduction in revenue. No adjustment is made to the costs since it is uncertain whether the returned goods will be in saleable condition. The Group bases the above adjustments on past experience and manages these at portfolio level measured at the expected amount. Furthermore, the Group believes that there is no risk of material reversals since the level of these items has been has been low in the past and there are currently no indications that this situation will change.

Revenue for installation services for kitchen products and other products sold.

Revenue for installation services is deemed to be a distinct service and is thus handled as a separate performance obligation. Regardless of whether installation is included in the sales price of kitchen products and other products sold or if it is priced as a separate service, the portion of the transaction price that refers to installation will be recognised separately

Not 1 continued

from revenue linked to the sale of kitchen and other products. If the installation service is included in the sales prices, a share of the total sales price will be allocated to the installation performance obligation. Such allocation will be based on the market price of such services.

Revenue for installation services is recognised separately, and recognised over time as the installation is performed. Given that this normally involves a relative short period of time, such revenue is recognised stright-line during the period in which installation is performed.

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 or interest expense are recognised according to the effective interest rate method. Dividends are recognised in profit or loss on the date when the Group's right to payment is established. The effective interest rate is the rate that exactly discounts the estimated future inward and outward payments during the expected life of the financial instrument to:

- gross carrying amount of the financial asset, or
- the amortised cost of the financial liability.

For financial assets that are credit-impaired after initial recognition, interest income is calculated by applying the effective interest rate to the financial asset's amortised cost. If the asset is no longer credit-impaired, interest income is re-calculated by applying the effective interest rate to the gross carrying amount.

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.

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.

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. Instead, goodwill is tested for impairment at least annually and when an indicator of impairment exists. The carrying amount comprises the cost less any accumulated impairment losses. A description of the method and assumptions used in impairment testing can be found in Note 14 Intangible Assets on page 75.

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.

Not 1 continued

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, interim items that will be settled using cash and cash equivalents as well as derivative instruments on the asset side. The liabilities side includes accounts payable, loan liabilities, interim items that will be settled using cash and cash equivalents as well as derivative instruments.

Recognition and measurement

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 financial asset is derecognised from the balance sheet when all rewards and risks associated with ownership have been transferred. 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.

Financial instruments are initially measured at fair value and subsequently continuously at fair value or amortised cost depending on classification. Financial instruments recognised at cost are initially recognised at an amount corresponding to the instrument's fair value plus transaction costs. Financial instruments measured at fair value are initially recognised at an amount corresponding to the instrument's fair value. 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.

All financial derivative instruments are continuously recognised at fair value. Purchases and sales of financial assets are recognised on the transaction date, which is the day on which the Group undertakes to purchase or sell the asset. From 1 January 2018, the Group applies the policy of recognising a reserve for expected credit losses ("loss allowance") for financial assets and receivables classified at amortised cost.

Classification of financial instruments

Financial assets

Debt instruments: classification of financial assets that are debt instruments is based on the Group's business model for managing the asset and the characteristics of the asset's contractual cash flows.

Instruments are classified at:

- amortised cost
- fair value through other comprehensive income, or
- fair value through profit or loss

Financial assets classified at amortised cost are initially measured at fair value plus transaction costs. Accounts receivable are initially measured at the invoiced amount. Following initial recognition, the assets are measured according to the effective interest rate method. Assets classified at amortised cost are held under the business model of collecting contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets are subject to a loss allowance for expected credit losses.

Fair value through profit or loss is all other debt instruments that are not measured at amortised cost or fair value through other comprehensive income. Financial instruments in this category are initially measured at fair value. Changes in fair value are recognised in profit or loss. The Group's debt instruments are classified at amortised cost apart from debt instruments held for trading. No debt instruments were measured at far value during the year.

Derivatives: Derivative instruments are recognised in the balance sheet on the contract date and measured at fair value, both initially and when subsequently remeasured. Derivatives that are not identified as hedging instruments are classified in the balance sheet as financial assets and liabilities measured at fair value through profit or loss. Gains and losses due to changes in fair value are recognised in profit or loss under financial items in the period in which they arise.

Financial liabilities

Liabilities (except for derivative instruments with negative values) are measured at amortised cost or fair value through profit or loss. A financial liability is measured at fair value through profit or loss if it is classified as held for trading, a derivative instrument to which hedge accounting is not applied, an additional purchase consideration in a business combination classified as a financial liability or if it is initially classified as a financial liability that is measured at fair value through profit or loss. Financial liabilities measured at fair value through profit or loss are continuously measured at fair value with changes in value recognised in profit or loss. Other financial liabilities are continuously measured at amortised cost by applying the effective interest rate method.

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.

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.

Cash-flow hedges of uncertainty in forecasted sales and material purchases in foreign currency

To reduce the Group's exchange-rate exposure, Nobia uses derivative instruments in the form of currency forward contracts that are linked to forecast purchases and sales of goods. Derivative instruments are held only for hedging purposes and not for speculative transactions. If derivative instruments do not meet the criteria for hedge accounting, they are measured at fair value through profit or loss. Derivative instruments that meet the criteria for hedge accounting are designated as cash-flow hedges and measured at fair value with the change in value in other comprehensive income with the accumulated effect in shareholders' equity. This reserve is reversed to profit or loss when the hedged underlying transactions take place. For other disclosures regarding cash-flow hedges, refer to Note 2.

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 IFRS 9, 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. Nobia has applied IFRS 9 since 1 January 2018. Impairment of credit losses under IFRS 9 is prospective and a loss allowance is established when there is exposure to credit risk, usually in connection with initial recognition. Expected credit losses reflect the

Not 1 continued

present value of all deficits in cash flows attributable to payment cancellations. When calculating the expected credit losses, Nobia takes into consideration historical bad debt losses, an analysis of the respective customer segments, and observed macroeconomic effects on customers' conditions such as the impact of Brexit on the local market.

The simplified model is applied to accounts receivable. Under the simplified model, a loss allowance is recognised for the expected full lifetime of the receivable or asset. Refer also to Note 2.When determining whether a financial asset's credit risk has increased significantly since initial recognition and when calculating expected credit losses, the Group uses reasonable and verifiable information that is relevant and available.

However, impairment of accounts receivable may continue if unforeseen events have occurred. Such impairment is initially recognised for each individual receivable, but may also be made collectively for a group of receivables of similar credit characteristics. The financial assets are recognised in the balance sheet at amortised cost, meaning the net of gross amount and the loss allowance. Changes in the loss allowance are recognised in profit or loss under operating profit for accounts receivable and as a financial expense or income for other reserves. The Group's credit exposure is stated in Notes 2 and 30.

Comparative year

Financial instruments for the comparative year 2017 are recognised by applying IAS 39. Detailed information about previous recognition is provided in the 2017 Annual Report.

Impairment reversal

An impairment loss on assets that come under the scope of IAS 36 is reversed if there is an indication that the impairment requirement is no longer pertinent and that there has been a change in the assumptions upon which the calculation of the recoverable amount was based. However, an impairment loss on goodwill is never reversed. A reversal is only performed to the extent that the carrying amount of the asset after the reversal does not exceed the carrying amount that would have been recognised, less depreciation wherever applicable, if no impairment had been posted.

An impairment loss on loans and accounts receivable recognised at amortised cost is reversed if the previous reasons for the impairment loss no longer exist and full payment can be expected to be received from the customer.

PROVISIONS

Provisions are recognised in the balance sheet among current and long-term liabilities, when the Group has a legal or informal obligation deriving from an occurred event and that it is probable that an outflow of resources will be required to settle the obligation and the amount concerned can be reliably estimated. A provision differs from other liabilities since the date of payment or the amount required to settle the provision is uncertain.

Restructuring

A provision for restructuring is recognised once a detailed and formal restructuring plan has been adopted and the restructuring process has either commenced or been publicly announced. No provisions are established for future operating expenses.

Guarantees

A provision for guarantees is recognised when the underlying products or services are sold. The provision is based on historical data and a total appraisal of the potential outcomes in relation to the probabilities associated with the outcomes.

CONTINGENT LIABILITIES

A contingent liability is disclosed when the company has a possible obligation deriving from an occurred event whose existence will be confirmed only by one or more uncertain future events, or when there is an obligation that has not been recognised as a liability or provision because it is not probable that an outflow of resources will be required, or alternatively because it is not possible to sufficiently reliably estimate the amount concerned.

SHAREHOLDERS' EQUITY

When shares are bought back, shareholders' equity is reduced by the entire amount paid. Dividends are recognised as a liability after the Annual General Meeting has approved the dividend.

EARNINGS PER SHARE

The calculation of earnings per share is based on consolidated net profit attributable to the Parent Company shareholders and on the weighted average number of shares outstanding during the year. When calculating earnings per share after dilution, the average number of shares outstanding is adjusted to take into account the dilutive effects of potential ordinary shares. During the recognised periods, potential ordinary shares comprise 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. To calculate the dilutive effect, an exercise price for the share rights is applied that corresponds to the value of future services per outstanding share right 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.

Not 1 continued

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 Nobia initiated between 2014 and 2018. 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 2014-2015 contain two types of rights. Matching share rights give entitlement to Nobia shares if the participant remains in employment and retains the saving share that must initially be purchased. Performance share rights give entitlement to shares under the same conditions and if the accumulated earnings per share are sufficiently high during the vesting period. The recognised cost is initially based on, and regularly adjusted in relation to, the number of share rights that are expected to be vested by considering how many participants are expected to remain in service during the vesting period and the expected and actual fulfilment of the terms and conditions for earnings per share. Such an adjustment is not carried out when participants lose share rights due to selling the saving shares that they were required to purchase and must retain. In this case, the entire remaining cost is immediately recognised instead. No matching share rights were allotted in the Performance Share Plan 2016, 2017 and 2018 and saving shares do not need to be purchased and retained. The vesting conditions are the same as the 2014-2015 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 2018 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. 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 applies the alternative rule to Group contributions paid and received and recognises these as appropriations in profit or loss. 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.

NOTE 2 FINANCIAL RISKS

GUIDELINES FOR NOBIA'S MANAGEMENT OF FINANCIAL RISKS

The Group's finance policy for managing financial risks has been prepared by the Board and forms a framework of guidelines and rules in the form of risk mandates and limits for the finance operations. Responsibility for the Group's financial transactions and risks is managed centrally by the Group's finance function, found in the Parent Company. The overall objective of the finance function is to provide cost-efficient financing and to minimise negative effects on the Group's earnings that derives from market risks.

FOREIGN EXCHANGE RISK

Derivative instruments are held only for hedging purposes and not for speculative transactions. Nobia's overall strategy is to reduce the Group's exchange-rate exposure linked to forecast purchases and sales of goods and uses derivative instruments in the form of currency forward contracts for this purpose. If derivative instruments do not meet the criteria for hedge accounting, they are measured at fair value through profit or loss. Derivative instruments that meet the criteria for hedge accounting are designated as cash-flow hedges and measured at fair value with the change in value in other comprehensive income with the accumulated effect in shareholders' equity. This reserve is reversed to profit or loss when the hedged underlying transactions take place.

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 the SEK against the NOK. Total exposure in 2018, expressed in SEK and after offsetting counteracting flows, amounted to SEK 2,667 million (2,497), of which SEK 1,879 million (1,351) was hedged. At year-end 2018, the hedged volume amounted to SEK 1,066 million (746). 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 2018 would entail a decrease in shareholders' equity of SEK 564 million (decrease: 461) and a decrease in profit of SEK 72 million (decrease: 87). The sensitivity analysis is based on the assumption that all other factors (for example, interest) are unchanged. The same conditions were applied to 2017.

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 1,696 million (1,904). The credit quality of financial assets that have neither fallen due for payment nor are subject to impairment is high.

FINANCIAL EXPOSURE

Nobia's policy for financing foreign assets involves financing capital employed with external borrowings in the corresponding currency in order to minimise the impact of exchange-rate fluctuations on the debt/equity ratio. Group loans are handled by Nobia's head office. The head office supplies the subsidiaries with funds through an internal bank. These loans are raised in local currencies. Matched external borrowing minimises the effects of exchange-rate fluctuations on earnings. 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 21 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.

	2017		2018	
SEK m	Capital employed per currency	Interest-bearing loans and lease liabilities	Capital employed per currency	Interest-bearing loans and lease liabilities
SEK	-164	146	-429	210
EUR	659	58	1,351	197
GBP	2,826	365	2,941	316
DKK	1,024	4	1,055	670
NOK	382	0	408	36
Total	**4,727**	**573**	**5,326**	**1,429**

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. The fixed-interest term was 3 months.

REFINANCING RISK

Nobia applies a centralised approach to the Group's financing, which means that all financing takes place in Nobia AB or Nobia Sverige AB. In 2018, the company also raised a syndicated loan facility of SEK 2,000 million with two banks, which replace the previous facility of SEK 1,000 million. The term is five years. The loan has two covenants: leverage (net debt to EBITDA), 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:

	2017	2018
Year of maturity	2019	2023
Loans and lines of credit, SEK m	1,000	2,000
Of which utilised, SEK m	–	842

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 32 per cent (2). Nobia considers recognised shareholders' equity of SEK 3,897 million (4,154) 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 1,563 million (1,772).

FIXED-INTEREST TERMS – BORROWING, GROUP

	2017	2018
SEK m	0-3 months	0-3 months
SEK	–	842

Not 2 continued

COMMERCIAL EXPOSURE

	2017					2018				
	USD	EUR	NOK	SEK	DKK	USD	EUR	NOK	SEK	DKK
Currency contracts on closing date										
Local currency	2	50	-175	20	35	1	63	-160	0	40
Total, SEK m[1]	13	491	-176	20	46	8	647	-164	0	55
Fair value, SEK m	0	4	5	4	0	0	-1	4	2	-1
Net flow calendar year										
Net flow, local currency	-7	-138[3]	392	-16	-142	-5	-129[4]	393	-2	-150
Net flow, SEK m[2]	-68	-1,331[3]	405	-16	-184	-45	-1,326[4]	420	-2	-206
Hedged volume, SEK m[2]	32	-905	328	-15	-72	-25	-943	363	-63	-86

1) Flows restated at closing-date rate, SEK.
2) Restated at average rate in 2017, 2018.
3) In addition, EUR 48 million pertains to flows against DKK, corresponding to SEK 467 million.
4) In addition, EUR 35 million pertains to flows against DKK, corresponding to SEK 360 million.

SENSITIVITY ANALYSIS

	2017			2018		
Currencies[1] and interest rates[2]	Change	Impact on profit before tax, SEK m	Impact on shareholders' equity[3], SEK m	Change	Impact on profit before tax, SEK m	Impact on shareholders' equity[3], SEK m
EUR/SEK	5%	14.2	11.1	5%	14.4	11.3
SEK/NOK	5%	8.9	7.0	5%	9.9	7.7
EUR/GBP	5%	24.5	19.6	5%	31.6	25.6
NOK/DKK	5%	12.0	9.4	5%	12.9	10.0
SEK/DKK	5%	11.3	8.8	5%	8.3	6.5
Interest-rate level	100 points	–	–	100 points	8.4	6.6

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

ANALYSIS OF MATURITY FOR FINANCIAL LIABILITIES INCLUDING ACCOUNTS PAYABLE, GROUP

		2017							2018						
SEK m	Currency	Nominal amount, original currency	Total	Within 1 month	1-3 months	3 months -1 year	1-5 years	5 years or longer	Nominal amount, original currency	Total	Within 1 month	1-3 months	3 months -1 year	1-5 years	5 years or longer
Bank loans (IB)															
Bank loans	SEK	–	–	–	–	–	–	–	–	878	0	1	4	873	–
Other liabilities															
Forward agreements[1]	SEK		5	1	1	3	–	–		3	0	1	2	–	–
Forward agreements[1]	EUR		13	2	4	7	–	–		5	1	2	2	–	–
Forward agreements[1]	NOK		7	1	2	4	–	–		0	0	0	0	–	–
Forward agreements[1]	DKK		1	0	0	1	–	–		1	0	0	1	–	–
Forward agreements[1]	USD		0	0	0	0	–	–		–	0	0	0	–	–
Currency swaps[2]			17	17	–	–	–	–		10	–	10	–	–	–
Current account credit (IB)	SEK		–	–	–	–	–	–	49	49	–	–	49	–	–
Current account credit (IB)	GBP		–	–	–	–	–	–	2	25	–	–	25	–	–
Financial lease liabilities (IB)	DKK	3	4	–	–	3	1	–	5	7	0	0	4	3	–
Financial lease liabilities (IB)	GBP	0	1	0	0	0	1	–	0	1	0	0	1	–	–
Other liabilities (IB)	GBP	–	1	–	1	–	–	–	–	–	–	–	–	–	–
Accounts payable and other liabilities	SEK		1,467	1,089	243	105	30	–		1,440	998	277	95	70	–
Total			**1,516**	**1,110**	**251**	**123**	**32**	**–**		**2,419**	**999**	**291**	**183**	**946**	**–**
Interest-bearing liabilities (IB)			6							924					

Amounts that are undiscounted include amortisation and interest.

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

Not 2 continued

AGE ANALYSIS, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

SEK m	2017 Gross	2017 Of which impair-ment	2018 Gross	2018 Of which expected credit losses	2018 Of which impairment
Non-due accounts receivable	1,018	–	1,123	5	–
Past due accounts receiv-able 0-30 days	129	0	195	1	2
Past due accounts receiv-able >30 days-90 days	146	1	93	0	1
Past due accounts receiv-able >90 days-180 days	32	2	45	0	5
Past due accounts receiv-able >180 days-360 days	11	5	24	0	5
Past due accounts receiv-able >360 days	12	10	18	0	8
Total receivables	**1,348**	**18**	**1,498**	**6**	**21**

DEPOSIT ACCOUNT FOR IMPAIRMENT OF ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

SEK m	2017	2018
Opening balance	26	18
Expected credit losses	–	5
Reversal of previously recognised impairment losses	-7	-4
Changed assessment of expected credit losses	–	1
Impairment for the year	15	15
Confirmed losses	-16	-11
Translation differences	0	1
Acquisition of operations	–	2
Closing balance	**18**	**27**

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. From 2018, Nobia bases any impairment on a model for expected credit losses and impairment is no longer based solely on past events. However, impairment of accounts receivable may continue if unforeseen events have occurred. Such impairment is initially recognised for each individual receivable, but may also be made collectively for a group of receivables of similar credit characteristics. When calculating the expected credit losses, Nobia takes into consideration historical bad debt losses, an analysis of the respective customer segments, and observed macroeconomic effects on customers' conditions such as the impact of Brexit on the local market. In the table above, SEK 6 million (-) refers to expected losses and SEK 21 million (18) to reserved receivables.

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 2018 and 31 December 2017.

OFFSET AGREEMENTS

2018, SEK m	Financial assets	Financial liabilities
Recognised amounts in statement of financial position	13	19
Amounts encompassed by netting	-13	-13
Amounts after netting	**0**	**6**

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**

NOTE 3 OPERATING SEGMENTS AND NET SALES

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

SEK m	Nordic region 2017	Nordic region 2018	UK region 2017	UK region 2018	Central Europe region 2017	Central Europe region 2018	Group-wide and eliminations 2017	Group-wide and eliminations 2018	Group 2017	Group 2018
Net sales from external customers	6,515	6,705	5,710	5,597	519	907	–	–	12,744	13,209
Net sales from other regions	1	0	–	–	2	2	-3	-2	–	–
Total net sales	**6,516**	**6,705**	**5,710**	**5,597**	**521**	**909**	**-3**	**-2**	**12,744**	**13,209**
Depreciation/amortisation	-131	-136	-119	-122	-17	-29	-18	-28	-285	-315
Operating profit	963	841	454	257	12	58	-143	-138	1,286	1,018
Financial income									9	10
Financial expenses									-45	-42
Profit before tax and discontinued operations									**1,250**	**986**
Impairment	-2	-3	–	-8	–	–	–	–	-2	-11

TOTAL LIABILITIES AND ASSETS PER REGION

SEK m	Nordic region 2017	Nordic region 2018	UK region 2017	UK region 2018	Central Europe region 2017	Central Europe region 2018	Group-wide and eliminations 2017	Group-wide and eliminations 2018	Group 2017	Group 2018
Total operating assets	**1,919**	**2,031**	**2,769**	**2,812**	**226**	**462**	**1,770**	**2,298**[1]	**6,684**	**7,603**
Total operating assets include:										
Investments in fixed assets	135	182	116	149	20	16	48	67	319	414
Total operating liabilities	**1,207**	**1,245**	**945**	**843**	**109**	**170**	**192**	**182**[2]	**2,453**	**2,440**

1) Primarily comprises goodwill of SEK 1,969 million (1,480), consolidated surplus values on fixed assets of SEK 69 million (74) and fixed assets in the Parent Company of SEK 120 million (75). Elimination of internal receivables amounted to a negative SEK 19 million (neg: 21).
2) Elimination of internal liabilities amounted to a negative SEK 19 million (neg: 21).

Not 3 continued

GEOGRAPHIC AREAS, GROUP

SEK m	Income from external customers[1) 2017	Income from external customers[1) 2018	Fixed assets[2) 2017	Fixed assets[2) 2018
Sweden (domicile)	1,678	1,704	325	377
Denmark	2,358	2,474	688	735
Norway	1,600	1,500	134	146
Finland	851	995	157	154
UK	5,714	5,603	2,208	2,272
France	0	–	–	–
Germany	51	53	–	1
Netherlands	–	351	–	558
Austria	411	448	365	375
Other countries	81	81	–	–
Total	**12,744**	**13,209**	**3,877**	**4,618**

1) Net sales from external customers based on customers' geographic domicile. There are no individual customers that account for more than 10 per cent of the Group's total sales.
2) Fixed assets that are not financial instruments, deferred tax assets, assets associated with benefits after employment termination or rights under insurance agreements.

COMPARATIVE DATA PER PRODUCT GROUP

Net sales per product group

%	Nordic region 2017	Nordic region 2018	UK region 2017	UK region 2018	Central Europe region 2017	Central Europe region 2018	Group 2017	Group 2018
Kitchen furnishings	65	67	60	62	91	72	64	65
Installation services	6	6	7	6	0	7	6	6
Other products	29	27	33	32	9	21	30	29
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Nobia recognises revenue when control of the goods has passed to the customer. Revenue for kitchen products and other products is recognised at a point in time, while installations are recognised over time as the installation is performed. Installation services comprise about 5-6 per cent of Nobia's total sales.

Nobia does not have any contract assets but contract liabilities exist in the form of advance payments from customers for the delivery of kitchen products or installation. The term of advance payments is less than one year and the closing balance on 31 December 2018 amounted to SEK 201 million (132). Advance payments are recognised as revenue when Nobia has satisfied it obligation to the customer in the form of delivered kitchen products or completed installation. The contract liabilities that existed in the balance sheet on 31 December 2017 were recognised as revenue in the 2018 financial year.

NOTE 4 COSTS FOR EMPLOYEE BENEFITS AND REMUNERATION TO SENIOR EXECUTIVES

SEK m	2017 Salaries and other remuneration	2017 Social security costs	2017 Total	2018 Salaries and other remuneration	2018 Social security costs	2018 Total
Total subsidiaries[1)	2,345	505	**2,850**	2,485	557	**3,042**
– of which pension costs		220	**220**		241	**241**
Parent Company[1)	54	30	**84**	61	34	**95**
– of which pension costs		13	**13**		15	**15**
Group[1)	2,399	535	**2,934**	2,546	591	**3,137**
– of which pension costs		233	**233**		256	**256**

1) Excludes costs for share-based remuneration.

TOTAL COSTS FOR EMPLOYEE BENEFITS

SEK m	2017	2018
Salaries and other remuneration	2,399	2,546
Social security costs	302	335
Pension costs – defined-contribution plans	184	212
Pension costs – defined-benefit plans	41	36
Costs for special employer's contributions and tax on returns from pension	8	8
Costs for the Performance Share Plan		
2014–2017	1	–
2015–2018	3	1
2016–2019	-2	–
2017–2020	3	-3
2018–2021	–	–
Total costs for employees	**2,939**	**3,135**

SALARIES AND OTHER REMUNERATION FOR THE PARENT COMPANY

SEK m	2017	2018
Senior executives[1)	18	17
Other employees	36	44
Total Parent Company[2	**54**	**61**

1) In 2018, the number of individuals was 4 (5).
2) Excludes costs for share-based remuneration.

SALARIES AND OTHER REMUNERATION FOR SUBSIDIARIES

SEK m	2017	2018
Presidents of subsidiaries[1)	31	31
Other employees of subsidiaries	2,314	2,454
Total subsidiaries[2)	**2,345**	**2,485**

1) In 2018, the number of individuals was 11 (16).
2) Excludes costs for share-based remuneration.

Not 4 continued

REMUNERATION AND OTHER BENEFITS, 2018

SEK m	Basic salary, Directors' fees	Variable remuneration	Other benefits	Pension costs	Share-based remuneration	Other remuneration	Total	Pension commitments
Chairman of the Board								
Hans Eckerström (from 10 April 2018)	0.90	–	–	–	–	–	0.90	–
Tomas Billing (until 10 April 2018)	0.28	–	–	–	–	–	0.28	–
Board members								
Nora Førisdal Larssen (member of Audit Committee)	0.52	–	–	–	–	–	0.52	–
Lilian Fossum Biner (Chairman of Audit Committee)	0.55	–	–	–	–	–	0.55	–
Stefan Jacobsson	0.40	–	–	–	–	–	0.40	–
Ricard Wennerklint	0.40	–	–	–	–	–	0.40	–
Christina Ståhl	0.40	–	–	–	–	–	0.40	–
Jill Little	0.40	–	–	–	–	–	0.40	–
George Adams	0.40	–	–	–	–	–	0.40	–
President								
Morten Falkenberg	7.83	–	0.17	2.40	-0.40	–	10.00	–
Other members of Group management[1)]	25.13	0.48	1.33	5.60	-0.20	–	32.34	1.58
– of whom, from subsidiaries[2)]	16.45	0.48	1.07	2.50	-0.10	–	20.40	1.26
Total	**37.21**	**0.48**	**1.50**	**8.00**	**-0.60**	**–**	**46.59**	**1.58**

1) Number of individuals 10.
2) Number of individuals 7.

REMUNERATION AND OTHER BENEFITS, 2017

SEK m	Basic salary, Directors' fees	Variable remuneration	Other benefits	Pension costs	Share-based remuneration	Other remuneration	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 management[1)]	27.47	2.82	0.97	4.15	2.04	–	38.60	0.37
– of whom, from subsidiaries[2)]	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.

The average number of employees and number of men and women among Board members and senior executives are described in Note 5, see page 73.

REMUNERATION TO SENIOR EXECUTIVES

Board and Chairman of the Board

Remuneration to the Chairman and members of the Board is determined by resolutions taken at the Annual General Meeting. Board members who are employed by Nobia do not receive a separate Directors' fee. Board members elected by the Annual General Meeting received a fixed fee of SEK 410,000 per member and the Chairman received SEK 1,200,000. In addition, the Chairman of the Audit Committee received SEK 150,000 and Committee members SEK 125,000. The Board received a total of SEK 4,272,500. Employee representatives receive a study and preparation fee of SEK 26,000 per person per year.

President

In the 2018 financial year, the President received SEK 8,003,492 in salary and benefits. No variable salary portion related to the results for 2018 was paid. In addition to the normal pension in accordance with the Swedish National Insurance Act (ATP and AFP), the President has pension benefits corresponding to 30 per cent of pensionable salary. Pensionable salary means fixed annual salary. For 2018, the premium cost was SEK 2,378,594. 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 10 individuals (11) at the end of 2018, of whom three (four) are employed in the Parent Company, received salaries and benefits during the financial year amounting to SEK 26,462,154 plus variable salary portions based on the results for 2018 of SEK 476,726. 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.

Not 4 continued

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 pages 92–95.

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 2014-2018

At the 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 financial 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 allotted under each of the two plans is 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 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 2,940,354 in benefits during the 2018 financial year in connection with the matching of shares under the framework of the Performance Share Plan 2015, of which SEK 606,965 was a benefit for the President.

Performance Share Plans 2016-2021

A resolution was made at the 2016, 2017 and 2018 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 entails that the maximum short-term variable remuneration for participants in 2016, 2017 and 2018 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 financial 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 10 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.

PLAN

	Performance Share Plans				
	2014–2017	2015–2018	2016–2019	2017–2020	2018–2021
Vesting period	May 2014– April/May 2017	May 2015– April/May 2018	May 2016– April/May 2019	May 2017– April/May 2020	May 2018– April/May 2021
Performance targets	Accumulated earnings per share 2014–2015	Accumulated earnings per share 2015–2016	Accumulated earnings per share 2016–2017	Accumulated earnings per share 2017–2018	Accumulated earnings per share 2018–2019
Fair value per share right	53.50 kr	82.60 kr	73.60 kr	84.60 kr	58.00 kr

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.

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

	Accumulated costs			2017[1]			2018[2]		
	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
2014–2017	6	2	8	1	0	1	–	–	–
2015–2018	9	1	10	3	0	3	1	0	1
2016–2019	–	–	–	-2	0	-2	–	–	–
2017–2020	–	–	–	3	0	3	-3	0	-3
2018–2021	–	–	–	–	–	–	–	–	–
	15	**3**	**18**	**5**	**0**	**5**	**-2**	**0**	**-2**

1) Price on 31 December 2017 = SEK 69.40 per share 2) Price on 31 December 2018 = SEK 49.20 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	2017	2018
As per 1 January	357,905	311,754
Allotted	276,879	346,858
Exercised	-110,419[1]	-103,003[1]
Forfeited	-212,611	-555,609
As per 31 December	**311,754**	**–**

1) Share price on exercise was SEK 68.16 per share (91.65 per share).

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

	No. of share rights	
Expiry date	2017	2018
April/May 2018	110,219	–
April/May 2019	–	–
April/May 2020	201,535	–
April/May 2021	–	–
	311,754	**–**

NOTE 5 AVERAGE NUMBER OF EMPLOYEES

	2017 Average number of employees	2017 Of whom, men	2018 Average number of employees	2018 Of whom, men
Subsidiaries in:				
Sweden	769	538	774	545
Denmark	1,321	944	1,321	954
Norway	291	113	252	105
Finland	400	293	379	274
Germany	31	22	0	0
Austria	365	287	373	288
UK	2,945	2,198	2,879	2,145
France	0	0	–	–
USA	5	2	–	–
Switzerland	3	2	–	–
Netherlands	0	0	151	116
Japan	0	0	–	–
Total subsidiaries	**6,130**	**4,399**	**6,129**	**4,427**
Parent Company	48	18	49	22
Group	**6,178**	**4,417**	**6,178**	**4,449**

	2017 Number on closing date	2017 Of whom, men, %	2018 Number on closing date	2018 Of whom, men, %
Board members	63	81	71	87
President and other senior executives	94	83	134	79
Group	**157**	**82**	**205**	**82**

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

	2017 Number on closing date	2017 Of whom, men, %	2018 Number on closing date	2018 Of whom, men, %
Board members	11	55	11	55
President and other senior executives	11	82	11	91
Parent Company	**22**	**68**	**22**	**73**

NOTE 6 REMUNERATION TO AUDITORS

SEK m	Group 2017	Group 2018	Parent Company 2017	Parent Company 2018
Deloitte AB				
Audit assignment	5	6	2	1
Audit activities other than audit assignment	0	0	0	0
Tax advice	0	0	0	0
Other assignments	0	3	0	2
KPMG				
Audit assignment	2	1	0	–
Audit activities other than audit assignment	1	0	1	–
Tax advice	1	0	0	–
Other assignments	1	0	0	–

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

NOTE 7 DEPRECIATION/ AMORTISATION AND IMPAIRMENT BY ACTIVITY

Group, SEK m	Depreciation/ amortisation 2017	Depreciation/ amortisation 2018	Impairment 2017	Impairment 2018
Cost of goods sold	-140	-149	–	–
Selling expenses	-102	-111	-2	-11
Administrative expenses	-43	-55	–	–
Total depreciation/ amortisation and impairment	**-285**	**-315**	**-2**	**-11**

NOTE 8 OTHER OPERATING INCOME

SEK m	Group 2017	Group 2018	Parent Company 2017	Parent Company 2018
Gains attributable to sale of fixed assets	7	6	–	–
Exchange-rate gains from operating receivables/liabilities	103	115	5	3
Other	19	28	–	–
Total other operating income	**129**	**149**	**5**	**3**

NOTE 9 OTHER OPERATING EXPENSES

SEK m	Group 2017	Group 2018	Parent Company 2017	Parent Company 2018
Exchange-rate losses from operating receivables/liabilities	-104	-115	-9	-3
Loss attributable to sale of fixed assets	-1	–	–	–
Pensionadjustment for defined-benefit plans in UK	–	-66	–	–
Other	-1	-9	–	–
Total other operating expenses	**-106**	**-190**	**-9**	**-3**

NOTE 10 SPECIFICATION BY TYPE OF COST

Group, SEK m	2017	2018
Costs for goods and materials	-5,141	-5,236
Costs for remuneration of employees	-2,878	-3,104
Depreciation/amortisation and impairment (Note 7)	-287	-326
Freight costs	-604	-693
Operating lease costs, primarily stores	-490	-545
Other operating expenses	-2,187	-2,436
Total operating expenses	**-11,587**	**-12,340**

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	2017	2018	2017	2018
Expensed during the year	490	545	3	4
Falling due for payment within one year	432	433	1	4
Falling due for payment between one and five years	1,313	1,084	1	25
Falling due for payment later	57	409	0	3
Total	**1,802**	**1,926**	**2**	**32**

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	2017	2018	2017	2018
Falling due for payment within one year	49	86	–	–
Falling due for payment between one and five years	92	90	–	–
Falling due for payment later	3	2	–	–
Total	**144**	**178**	**–**	**–**

NOTE 12 FINANCIAL INCOME AND EXPENSES

	Group		Parent Company	
SEK m	2017	2018	2017	2018
Profit from participations in Group companies				
Dividends	–	–	800	800
Impairment of subsidiary shares	–	–	-9	–
Financial income				
Interest income, current	3	2	6	7
Exchange-rate differences	6	8	1	41
Financial expenses				
Interest expense	-9	-14	-9	-8
Interest expense pertaining to pension liabilities	-34	-28	0	0
Exchange-rate differences	-2	0	0	0
Total	**-36**	**-32**	**789**	**840**

NOTE 13 TAX ON NET PROFIT FOR THE YEAR

	Group		Parent Company	
SEK m	2017	2018	2017	2018
Current tax expenses for the period	-246	-240	-31	-5
Deferred tax	-10	7	0	0
Tax on net profit for the year	**-256**	**-233**	**-31**	**-5**

RECONCILIATION OF EFFECTIVE TAX

Parent Company, %	2017	2018
Tax rate in the Parent Company	22.0	22.0
Taxes attributable to earlier periods	0.0	-0.1
Non-tax deductible income	–	–
Non-deductible costs	0.5	0.1
Non-tax deductible dividend	-19.1	-21.4
Utilisation of non-capitalised loss carryforwards	–	–
Other	–	–
Recognised effective tax	**3.4**	**0.6**

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

Tax expense on net profit for the year for the Group comprised 23.7 per cent of profit before tax for continuing operations. In 2017, tax expense accounted for 20.5 per cent of profit before tax for continuing operations. On 1 January 2019, the corporation tax rate in Norway was lowered from 23.0 per cent to 22.0 per cent. On 1 January 2019, the corporation tax rate in Sweden was lowered from 22.0 per cent to 21.4 per cent. The corporation tax rate will be lowered again to 20.6 per cent in 2021. Nobia's deferred tax liabilities and assets from these countries are thus recognised at the new tax rate as per 31 December 2018, with a marginal effect in the income statement and the balance sheet. The difference between recognised tax (23.7 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, %	2017	2018
Local tax rate in Sweden	22.0	22.0
Different local tax rates	-0.7	-1.0
Taxes attributable to earlier periods	-1.4	0.4
Non-tax deductible income	-0.2	-0.3
Non-deductible costs	0.9	2.1
Non-capitalised loss carryforwards	0.0	0.4
Changed tax rate	-0.1	0.1
Recognised effective tax	**20.5**	**23.7**

Note 26 on page 82 explains the calculation of deferred tax assets and liabilities.

NOTE 14 INTANGIBLE ASSETS

Goodwill, SEK m	Group 2017	2018
Opening carrying amount	2,359	2,361
Acquisition of operations	–	468
Translation differences	2	58
Closing carrying amount	**2,361**	**2,887**

Impairment testing of goodwill

At the end of 2018, recognised goodwill amounted to SEK 2,887 million (2,361). The carrying amount of goodwill is specified by cash-generating units as follows:

SEK m	Group 2017	2018
Nobia UK	1,581	1,616
Nobia DK	339	351
Nobia SweNo	143	144
Bribus	–	464
Other	298	312
Total	**2,361**	**2,887**

Goodwill has been allocated to cash-generating units (CGU) when these units were acquired. Nobia has six CGUs, which in organisational terms correspond to the company's business units. Goodwill is subject to an annual impairment test by calculating the expected recoverable amount of each CGU. The recoverable amount is calculated as the expected cash flow discounted by a weighted average cost of capital (WACC) after tax for each CGU, 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 financial 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 2018, the Group's weighted cost of capital before tax amounted to 8.7 per cent (10.6) and after tax to 7.2 per cent (8.7). In total, the utilised cost of capital after tax for 2018 is within the interval of 6.6-8.2 per cent (8.1-9.5).

Testing of goodwill did not lead to any impairment in 2018.

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 the recoverable amount:

Discount rate before tax, %	Group 2017	2018
Nobia UK	11.4	8.2
Nobia DK	9.9	6.6
Nobia SweNo	10.7	7.3
Other	10,0-10,4	6,9-7,1

Other intangible assets, SEK m	Group 2017	2018
Opening cost	339	406
Investments for the year	57	76
Sales and scrapping	0	-1
Acquisition of operations	–	10
Reclassification	6	2
Translation differences	4	8
Closing accumulated cost	**406**	**501**
Opening amortisation	213	257
Sales and scrapping	0	-1
Amortisation for the year	41	50
Acquisition of operations	–	4
Reclassification	–	0
Translation differences	3	7
Closing accumulated amortisation	**257**	**317**
Closing carrying amount	**149**	**184**
Of which:		
Software	117	158
Brands	15	8
Licences	15	13
Other	2	5
Closing carrying amount	**149**	**184**

NOTE 15 TANGIBLE FIXED ASSETS

Buildings, SEK m	Group 2017	2018
Opening cost	1,357	1,369
Investments for the year	71	121
Sales and scrapping	-76	-4
Reclassification	6	1
Translation differences	11	36
Closing cost including written-up amount	**1,369**	**1,523**
Opening depreciation and impairment	887	900
Sale and scrapping	-61	-2
Reclassification	0	0
Depreciation for the year	66	70
Translation differences	8	24
Closing depreciation and impairment	**900**	**992**
Closing carrying amount	**469**	**531**
Closing accumulated depreciation	**898**	**990**

Land and land improvements, SEK m	Group 2017	2018
Opening cost	141	137
Investments for the year	3	0
Sales and scrapping	-9	–
Translation differences	2	4
Closing cost including written-up amount	**137**	**141**
Opening depreciation and impairment	25	21
Sales and scrapping	-6	–
Depreciation for the year	1	1
Translation differences	1	0
Closing depreciation and impairment	**21**	**22**
Closing carrying amount	**116**	**119**
Closing accumulated depreciation	**21**	**22**

Investments in progress, SEK m	Group 2017	2018
Opening balance	133	110
Investments initiated during the year	14	34
Acquisition of operations	–	3
Investments completed during the year[1)]	-37	-23
Translation differences	0	3
Closing carrying amount	**110**	**127**

1) Assets reclassified as other tangible fixed assets.

Machinery and other technical equipment, SEK m	Group 2017	2018
Opening cost	1,821	1,837
Investments for the year	61	40
Sales and scrapping	-99	-38
Acquisition of operations	–	132
Reclassification	36	10
Translation differences	18	46
Closing cost including written-up amount	**1,837**	**2,027**
Opening depreciation and impairment	1,380	1,397
Sales and scrapping	-96	-37
Acquisition of operations	–	63
Reclassification	–	-1
Depreciation for the year	97	101
Translation differences	16	35
Closing depreciation and impairment	**1,397**	**1,558**
Closing carrying amount	**440**	**469**
Closing accumulated depreciation	**1,390**	**1,550**

Equipment, tools, fixtures and fittings, SEK m	Group 2017	2018
Opening cost	949	1,025
Investments for the year	109	143
Sales and scrapping	-54	-24
Acquisition of operations	–	73
Reclassification	13	9
Translation differences	8	29
Closing cost	**1,025**	**1,255**
Opening depreciation and impairment	743	793
Sales and scrapping	-39	-14
Acquisition of operations	–	49
Reclassification	1	0
Depreciation for the year	80	93
Impairment	2	11
Translation differences	6	22
Closing depreciation and impairment	**793**	**954**
Closing carrying amount	**232**	**301**
Closing accumulated depreciation	**768**	**919**

Advance payments for tangible fixed assets, SEK m	Group 2017	2018
Opening balance	18	0
Expenses during the year	4	0
Reclassification	-22	0
Closing carrying amount	**0**	**0**

Impairment for the year for tangible fixed assets amounted to SEK 11 million (2) 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

Other long-term receivables, SEK m	Group 2017	2018
Deposits	28	29
Long-term loans to retailers[1)]	5	9
Other interest-bearing receivables	–	–
Other	6	6
Total	**39**	**44**

1) Of which SEK 2 million (5) is interest-bearing.

Shares and participations in Group companies, SEK m	Parent Company 2017	2018
Opening cost	1,469	1,379
Divestment	-93	–
Shareholders' contribution	–	–
Impairment of subsidiary shares	–	–
Other changes	3	-1
Closing cost	**1,379**	**1,378**

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 2017	Carrying amount 2018
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[1]		Darlington	100			
Magnet (Isle of Man) Limited		Isle of Man	100			
Aqua Ware Ltd[1)]		Darlington	100			
Magnet Group Trustees Ltd		Darlington	100			
Magnet Group Ltd[1)]		Darlington	100			
Flint Properties Ltd[1)]		Darlington	100			
Eastham Ltd[1)]		Darlington	100			
Hyphen Fitted Furniture Ltd[1)]		Darlington	100			
Magnet Distribution Ltd[1)]		Darlington	100			
The Penrith Joinery Company Ltd[1)]		Darlington	100			
Magnet & Southerns Ltd[1)]		Darlington	100			
Magnet Furniture Ltd[1)]		Darlington	100			
Magnet Joinery Ltd[1)]		Darlington	100			
Magnet Manufacturing Ltd[1)]		Darlington	100			
Magnet Retail Ltd[1)]		Darlington	100			
Magnet Supplies Ltd[1)]		Darlington	100			
Magnet Industries Ltd[1)]		Darlington	100			
Magnet Kitchens Ltd[1)]		Darlington	100			
Firenzi Kitchens Ltd[1)]		Darlington	100			
Gower Group Ltd		Halifax	100			
Gower Furniture Ltd		Halifax	100			
Charco Ninety-Nine Ltd		Halifax	100			
WOR Ltd[1]		Halifax	100			
Gower Windows Ltd[1)]		Halifax	100			
Eurostyle Furniture Ltd[1)]		Halifax	100			
Beverly Doors Ltd[1)]		Halifax	100			
Working Systems Ltd[1)]		Halifax	100			
Perfectshot Ltd[1)]		Halifax	100			
Addspace Products Ltd[1)]		Halifax	100			
Gower Garden Furniture Ltd[1)]		Halifax	100			
Rollfold Holdings Ltd		Dewsbury	100			
Rollfold Group Ltd		Dewsbury	100			
Rixonway Kitchens Ltd		Dewsbury	100			
Commodore Kitchens Ltd		Grays	100			
CIE UK (Holdings) Ltd		Ingatestone	100			
CIE PLC		Grays	100			
Essenza Interiors Ltd[1)]		Grays	100			
Lovene Dörr AB[1)]	556038-1724	Stockholm	100			
HTH Küchen GmbH		Herford	100			
Swedoor Bauelementevertrieb Gmbh[1)]		Herford	100			
Nobia Svenska Kök AB	556048-3256	Tidaholm	100	30,000	92	92
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			
Bribus Holding B.V.		Amsterdam	100			
Bribus B.V.		Dinxperlo	100			
Bribus Extra B.V.		Dinxperlo	100			
Aannemings- en Onderhoudsbedrijf D. de Jong B.V.		Rotterdam	100			
Other					28	27
Total					**1,379**	**1,378**

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.

NOTE 18 DERIVATIVE INSTRUMENTS

SEK m	Group Carrying amount 2018	Group Fair value 2018	Parent Company Carrying amount 2018	Parent Company Fair value 2018
Forward agreements, transaction exposure – assets	13	13	21	21
Forward agreements, transaction exposure – liabilities	-9	-9	-21	-21
Total	**4**	**4**	**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 0 million (11) and liabilities of SEK 10 million (17), which are recognised under other assets and liabilities. Unrealised gains and losses totalling a net gain of SEK 2 million in shareholders' equity as per 31 December 2018 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 7 million were reversed in profit or loss in their entirety in 2018.

NOTE 19 PREPAID EXPENSES AND ACCRUED INCOME

SEK m	Group 2017	Group 2018	Parent Company 2017	Parent Company 2018
Prepaid rent	66	74	–	0
Bonus from suppliers	110	95	39	38
Accrued customer income	73	73	–	–
Prepaid bank charges	1	11	–	–
Insurance policies	38	10	1	3
Other	85	130	12	21
Total	**373**	**393**	**52**	**62**

NOTE 20 CASH AND CASH EQUIVALENTS

SEK m	Group 2017	Group 2018	Parent Company 2017	Parent Company 2018
Cash and bank balances	473	128	334	38

Unutilised overdraft facilities, which are not included in cash and cash equivalents, totalled SEK 277 million (299) in the Group, and SEK 226 million (249) in the Parent Company at year-end. In addition to the overdraft facilities, the company has unutilised credit commitments of SEK 1,158 million (1,000).

NOTE 21 SHARE CAPITAL

	No. of registered shares	No. of shares outstanding
As per 1 January 2017	175,293,458	168,473,468
As per 31 December 2017	175,293,458	168,583,887
As per 31 December 2018	170,293,458	168,686,890

Bought-back own shares	2017	2018
Opening balance	6,819,990	6,709,571
Divestments for the year	-110,419	-103,003
Cancellation of treasury shares	–	-5,000,000
Closing balance	**6,709,571**	**1,606,568**

The share capital amounts to SEK 56,763,597 (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 1,606,568 treasury shares (6,709,571) on 31 December 2018. Divestments for the year pertained to allotment of shares for the Performance Share Plans 2015 (2014). 5,000,000 treasury shares in Nobia were cancelled on 9 July 2018 in accordance with the resolution of the 2018 AGM to reduce the share capital by withdrawing treasury shares.

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 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**
Opening balance, 1 January 2018	**-271**	**7**	**-264**
Exchange-rate differences attributable to translation of foreign operations	98	–	98
Cash-flow hedges before tax[1]	–	-7	-7
Tax attributable to change in hedging reserve for the year[2]	–	2	2
Closing balance, 31 December 2018	**-173**	**2**	**-171**

1) Reversal recognised in profit or loss of a negative SEK 10 million (pos: 5). New provision amounts to SEK 3 million (9).
2) Reversal recognised in profit or loss of SEK 3 million (neg: 1). New provision amounts to a negative SEK 1 million (neg: 2).

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.

	2017	2018
Profit attributable to Parent Company shareholders, SEK m	1,015	753
Profit from continuing operations, SEK m[1]	994	753
Profit from discontinued operations, SEK m[1]	21	–
Weighted average number of outstanding ordinary shares before dilution	168,547,081	168,652,556
Earnings per share before dilution, SEK	6.02	4.46
Earnings per share before dilution from continuing operations, SEK	5.89	4.46
Earnings per share before dilution from discontinued operations, SEK	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 dilutive effect of all potential ordinary shares. These potential ordinary shares are attributable to the Performance Share Plans that were introduced in 2014, 2015, 2016, 2017 and 2018. Refer to Notes 4 and 21, on pages 70 and 78. 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.

	2017	2018
Weighted average number of outstanding ordinary shares	168,547,081	168,652,556
Performance Share Plan 2014[1]	36,806	–
Performance Share Plan 2015[1]	97,906	34,334
Performance Share Plan 2016	–	–
Performance Share Plan 2017	20,304	–
Performance Share Plan 2018	–	–
Weighted average number of outstanding ordinary shares after dilution	168,702,097	168,686,890
Earnings per share after dilution, SEK	6.02	4.46
Earnings per share after dilution from continuing operations, SEK	5.89	4.46
Loss per share after dilution from discontinued operations, SEK	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	586,241,165
Net profit for the year	817,302,342
Total SEK	**1,455,768,993**

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

Standard dividend of SEK 4 per share to be paid to shareholders	674,747,560
To be carried forward	781,021,433
Total SEK	**1,455,768,993**

NOTE 25 PROVISIONS FOR PENSIONS

DEFINED-BENEFIT PENSION PLANS, GROUP

Provisions for pensions, SEK m	2017	2018
Defined-benefit pension plans	567	505

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 2018 financial 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 4.1 million (4.2). On 31 December 2018, 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 142 per cent (154 per cent on 31 December 2017). 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	2017	2018
Present value of funded obligations	2,894	2,739
Fair value of plan assets	-2,531	-2,449
	363	**290**
Present value of unfunded obligations	204	215
Net debt in provisions for pensions	**567**	**505**

The net debt for defined-benefit plans amounting to SEK 505 million (567) is recognised in the "Provisions for pensions" item in the consolidated balance sheet. The net debt at year-end was as follows: UK 57 per cent, Sweden 32 per cent and Austria 11 per cent.

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

	Defined-benefit obligation		Plan assets		Net debt	
	2017	2018	2017	2018	2017	2018
At beginning of the year	**3,294**	**3,098**	**-2,400**	**-2,531**	**894**	**567**
Recognised in profit or loss						
Costs for service during current year	7	8	–	–	7	8
Pension adjustment for defined-benefit plans in UK	–	66	–	–	–	66
Interest expense (+)/income (-)	86	82	-52	-54	34	28
	93	**156**	**-52**	**-54**	**41**	**102**
Recognised in other comprehensive income						
Remeasurements						
Actuarial gains/losses due to						
– demographic assumptions	-168	7	–	–	-168	7
– financial assumptions	7	-124	–	–	7	-124
– experience-based adjustments	9	-116	–	–	9	-116
Return on plan assets excluding interest income	–	–	-125	133	-125	133
Exchange-rate differences	-23	69	14	-58	-9	11
	-175	**-164**	**-111**	**75**	**-286**	**-89**
Other						
Employer contributions	–	–	-78	-68	-78	-68
Benefits paid	-114	-136	110	129	-4	-7
	-114	**-136**	**32**	**61**	**-82**	**-75**
At year-end	**3,098**	**2,954**	**-2,531**	**-2,449**	**567**	**505**

Not 25 continued

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

Group, SEK m	2017	2018
Cost of goods sold	1	1
Selling expenses	1	1
Administrative expenses	5	6
Other operating expenses	–	66
Net financial items	34	28
Total pension costs	**41**	**102**

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

Group, SEK m	2017	2018
Interest income	52	54
Return on pension assets excluding interest income	125	-133
Total actual return on plan assets	**177**	**-79**

Principal actuarial assumptions:

Group, %	2017	2018
Discount rate:		
UK	2.60	2.90
Austria	1.60	1.90
Sweden	2.60	2.54
Future annual salary increases:		
UK	–	–
Austria	2.30	2.30
Sweden	2.50	2.50
Future annual pension increases:		
UK	2.90	3.00
Austria	–	–
Sweden	2.50	2.50

Life expectancy

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

	2017	2018
On closing date		
Men	21.0-23.0	21.0-23.0
Women	23.7-25.0	23.7-25.0
20 years after closing date		
Men	22.8-24.2	22.8-26.2
Women	25.6-27.3	25.6-28.4

Plan assets comprise the following:

	2017		2018	
Group, SEK m	Listed price on an active market	Unlisted price	Listed price on an active market	Unlisted price
Cash and cash equivalents	33	–	89	–
High-quality corporate bonds	826	–	893	–
Mutual funds, Western Europe	169	–	–	–
Mutual funds, growth markets	34	–	–	–
Mutual funds, global	505	–	376	–
Hedge funds	203	–	181	–
Fixed-income funds, term 7–20 years	761	–	910	–
Total	**2,531**	**–**	**2,449**	**–**

Contributions to post-employment remuneration plans are expected to amount to SEK 71 million (70) for the 2018 financial year.

Sensitivity analysis

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

	Group	
SEK m	Increase	Decrease
Discount rate (1% change)	-392	603
Expected mortality (1-year change)	137	-31
Future salary increase (1% change)	69	40
Future increase in pension (1% change)	262	-231

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

	Group	
Pension costs, SEK m	2017	2018
Total costs for defined-benefit plans	41	36
Pension adjustment for defined-benefit plans in UK	–	66
Total costs for defined-contribution plans	184	212
Costs for special employer's contributions and tax on returns from pension	8	8
Total pension costs	**233**	**322**

Defined-benefit pension plans, Parent Company:

	Parent Company	
Provisions for pensions, SEK m	2017	2018
Provisions in accordance with Pension Obligations Vesting Act, FPG/PRI pensions[1]	33	38

1) According to IAS 19.

The costs are recognised in the income statement as follows:

	Parent Company	
Defined-benefit plans, SEK m	2017	2018
Administrative expenses	2	1

Total pension cost recognised in the income statement is as follows:

	Parent Company	
Pension costs, SEK m	2017	2018
Total costs for defined-benefit plans	2	2
Total costs for defined-contribution plans	9	11
Costs for special employer's contributions and tax on returns from pension	2	2
Total pension costs	**13**	**15**

Parent Company pension liabilities are calculated at a discount rate of 2.54 per cent (2.6). The assumptions are calculated on the basis of the salary levels applicable on the closing date. SEK 330,000 (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

	2017			2018		
SEK m	Deferred tax assets	Deferred tax liabilities	Net	Deferred tax assets	Deferred tax liabilities	Net
Opening balance	176	84	92	118	89	29
Recognised in profit or loss	-7	3	-10	-3	-10	7
Remeasurements of defined-benefit pension plans	-46	–	-46	-17	–	-17
Changes in forward agreements	1	4	-3	-4	-6	2
Recognised directly against shareholders' equity	-1	–	-1	1	0	1
Offset/Reclassification	-4	-4	0	0	0	0
Translation differences	-1	2	-3	2	2	0
Closing balance	**118**	**89**	**29**	**97**	**75**	**22**

THE CHANGE IN DEFERRED TAX ASSETS/TAX LIABILITIES FOR THE YEAR

Deferred tax assets

	Defined-benefit pension plans	Other temporary differences	Loss carryforwards, etc.	Total
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**
As per 1 January 2018	**82**	**36**	**0**	**118**
Recognised in profit or loss	3	-6	–	-3
Recognised in other comprehensive income	-17	-4	–	-21
Recognised directly against shareholders' equity	–	1	–	1
Reclassification	0	0	–	0
Offset	0	0	–	0
Translation differences	1	1	–	2
As per 31 December 2018	**69**	**28**	**0**	**97**

Deferred tax liabilities

	Temporary differences in fixed assets	Other	Total
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**
As per 1 January 2018	**52**	**37**	**89**
Recognised in profit or loss	-4	-6	-10
Recognised in other comprehensive income	–	-6	-6
Offset	0	0	0
Translation differences	1	1	2
As per 31 December 2018	**49**	**26**	**75**

On 1 January 2019, the corporation tax rate in Norway was lowered from 23.0 per cent to 22.0 per cent. Nobia's deferred taxes pertaining to Norway are recognised at the new tax rates as per 31 December 2018, with a marginal effect in the income statement and the balance sheet. On 1 January 2019, the corporation tax rate in Sweden was lowered from 22.0 per cent to 21.4 per cent and will be reduced again to 20.6 per cent in 2021. Nobia's deferred taxes pertaining to Sweden are recognised at the new tax rates as per 31 December 2018, with a marginal effect in the income statement and the balance sheet.

The value of the loss carryforwards for which a deferred tax asset is not recognised amounted to SEK 6 million (-) and was primarily attributable to Austria. 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	Other	Total
As per 1 January 2018	**6**	**16**	**4**	**1**	**5**	**32**
Expensed in consolidated income statement						
– Additional provisions	20	28	2	–	15	65
– Reversed unutilised amounts	-3	-13	–	–	–	-17
Utilised during the year	–	-10	–	-1	-1	-11
Translation differences	0	0	0	0	0	0
As per 31 December 2018	**23**	**21**	**6**	**–**	**19**	**69**

NOTE 28 LIABILITIES TO CREDIT INSTITUTIONS

MATURITY STRUCTURE

	Group		Parent Company	
SEK m	2017	2018	2017	2018
Within 1 year	1	–	–	–
Between 1 and 5 years	–	842	–	–
Longer than 5 years	–	–	–	–
Total	**1**	**842**	**–**	**–**

NOTE 29 ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
SEK m	2017	2018	2017	2018
Bonus to customers	134	136	–	–
Accrued salary-related costs	198	204	17	15
Accrued interest	–	0	–	–
Insurance policies	21	22	–	–
Rents	4	4	–	–
Other	216	167	3	3
Total	**573**	**533**	**20**	**18**

NOTE 30 FINANCIAL ASSETS AND LIABILITIES

As a result of the introduction of IFRS 9, the Group has introduced changed forms of presentation to reflect the new recognition and measurement of financial assets and liabilities. The presentation form for financial assets and liabilities for 2017 follows IAS 39. Additional information is provided in the accounting policies on page 60.

		Measured at fair value through other comprehensive income	Measured at fair value through profit or loss		Amortised cost			
Group 2018, SEK m	Note	Derivatives used in hedge accounting	Non-hedge-accounting derivative instruments	Financial instruments initially identified at fair value	Interim items	Accounts and loans receivable	Other liabilities	Total carrying amount[1]
Financial assets								
Long-term interest-bearing receivables	16	–	–	–	–	2	–	2
Other long-term receivables	16	–	–	–	–	42	–	42
Accounts receivable	2	–	–	–	–	1,426	–	1,426
Current interest-bearing receivables		–	–	–	–	33	–	33
Other receivables	2, 18, 19	13	–	–	168	45	–	226
Total		**13**	**–**	**–**	**168**	**1,548**	**–**	**1,729**
Financial liabilities								
Long-term interest-bearing liabilities	28	–	–	–	–	–	850	850
Current interest-bearing liabilities	2	–	–	–	–	–	74	74
Accounts payable	2	–	–	–	–	–	1,050	1,050
Additional purchase consideration	2, 33	–	–	51	–	–	–	51
Other liabilities	2, 18, 29	9	10	–	529	–	339	887
Total		**9**	**10**	**51**	**529**	**–**	**2,313**	**2,912**

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

Not 30 continued

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)]
Financial assets							
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**
Financial liabilities							
Long-term interest-bearing liabilities	–	–	–	–	–	5	5
Current interest-bearing liabilities	–	–	–	–	–	1	1
Accounts payable	–	–	–	–	–	1,106	1,106
Other liabilities	26	17	–	–	569	361	973
Total	**26**	**17**	**–**	**–**	**569**	**1,473**	**2,085**

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

Exchange-rate gains and losses pertaining to the operations were recognised in other operating income and operating expenses in the net amount of SEK 0 million (neg: 1).

Financial exchange-rate gains and losses were recognised in net financial items in the amount of SEK 8 million (4).

		Measured at fair value through other comprehensive income	Measured at fair value through profit or loss		Amortised cost			
Parent Company 2018, SEK m	Note	Derivatives used in hedge accounting	Non-hedge-accounting derivative instruments	Financial instruments initially identified at fair value	Interim items	Accounts and loans receivable	Other liabilities	Total carrying amount[1)]
Financial assets								
Long-term interest-bearing receivables		–	–	–	–	–	–	–
Other long-term receivables		–	–	–	–	4	–	4
Accounts receivable		–	–	–	–	26	–	26
Current interest-bearing receivables		–	–	–	–	–	–	–
Other receivables	18, 19	–	21	–	38	2,518	–	2,577
Total		**–**	**21**	**–**	**38**	**2,548**	**–**	**2,607**
Financial liabilities								
Long-term interest-bearing liabilities		–	–	–	–	–	19	19
Long-term non-interest-bearing liabilities		–	–	–	–	–	5	5
Current interest-bearing liabilities		–	–	–	–	–	754	754
Accounts payable		–	–	–	–	–	24	24
Other liabilities	18, 29	–	30	–	18	–	14	62
Total		**–**	**30**	**–**	**18**	**–**	**816**	**864**

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

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]
Financial assets						
Accounts receivable	–	–	1	–	–	1
Other receivables	22	–	2,861	–	39	2,922
Total	**22**	**–**	**2,862**	**–**	**39**	**2,923**
Financial liabilities						
Long-term 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**

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 13 million (39) in assets and SEK 19 million (26) in liabilities. For disclosures regarding liabilities for additional purchase considerations for business combinations, which are measured under Level 3, refer to Note 33 on page 85. 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 not currently pledged any floating charges or property mortgages or other collateral as guarantees for its 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.

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

	Group		Parent Company	
SEK m	2017	2018	2017	2018
Securities for pension commitments	2	2	21	23
Other contingent liabilities	182	226	164	1,007
Total	**184**	**228**	**185**	**1,030**

NOTE 32 DISCONTINUED OPERATIONS

The Group does not report any discontinued operations for 2018.

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

At the start of 2017, Nobia held two stores that were acquired from franchisees, one in Denmark and one in Sweden, with the intention of selling them on. In the third quarter of 2017, these stores were reclassified and recognised in continuing operations.

For further information, refer to Note 1 on pages 60–66. Profit/loss from discontinued operations

SEK m, Group	2017	2018
Profit/loss from business activities of discontinued operations		
Income	47	–
Expenses	-81	–
Loss before tax	-34	–
Tax	1	–
Loss after tax	-33	–
Profit/loss in conjunction with divestment of discontinued operations		
Capital gains/losses in conjunction with divestment of discontinued operations	54	–
Tax attributable to aforementioned capital gains/losses	0	–
Profit from divestment after tax	54	–
Total profit from discontinued operations after tax	**21**	**–**
Earnings per share from discontinued operations before dilution (SEK)	0.13	–
after dilution (SEK)	0.13	–

In 2017, profit from discontinued operations of SEK 21 million was attributable to the Parent Company's owners. No profit from discontinued operations was recognised in the Group for 2018.

	2017	2018
Cash flow from operating activities	-18	–
Cash flow from investing activities	-90	–
Cash flow from financing activities[1]	0	–
Net cash flow from discontinued operations	-108	–

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

NOTE 33 COMPANY ACQUISITIONS

On 13 July 2018, Nobia acquired 100 per cent of the shares and votes in Bribus Holding B.V, a Dutch kitchen supplier with annual sales of approximately SEK 650 million. Bribus supplies kitchens to professional customers in the Netherlands, primarily to social housing providers and large-scale property investors. The acquisition is the first step in Nobia's growth strategy of expanding into attractive and adjacent markets.

Bribus was consolidated on 1 July and has reported sales of SEK 350 million after the acquisition. Sales from the beginning of the year totalled approximately SEK 685 million. Transaction costs for the acquisition amounted to SEK 9 million and are recognised in the Group's other income and expenses. The additional purchase consideration of a maximum SEK 51 million (EUR 5 million) at the closing day rate is conditional upon the business performance for the 2018, 2019 and 2020 financial years and is measured according to level 3 of the fair value hierarchy. The additional purchase consideration amounted to SEK 52 million on the acquisition date. The additional purchase consideration, which will be paid out in three annual portions beginning in 2019, is recognised as both a current and long-term non-interest-bearing financial liability and measured at fair value based on Nobia's best estimate of future payments. Currently, the assessment is an outcome of 100 per cent.

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

Acquired net assets and goodwill, SEK m	2017	2018
Purchase consideration	–	560
Additional purchase consideration	–	52
Fair value of acquired net assets	–	-144
Goodwill	**–**	**468**

Goodwill is attributable to Bribus's underlying earnings, the expected growth in the project market in the next few years and synergies that are expected to be achieved through additional co-ordination of sourcing, production, distribution and administration.

Assets and liabilities included in the acquisition, SEK m	2017	2018
Cash	–	2
Tangible fixed assets	–	96
Intangible fixed assets	–	6
Inventories	–	39
Accounts receivable	–	134
Liabilities	–	-72
Interest-bearing liabilities	–	-60
Tax	–	-1
Deferred taxes, net	–	0
Acquired net assets	**–**	**144**

SEK m	2017	2018
Purchase consideration paid in cash	–	560
Cash and cash equivalents in acquired subsidiaries	–	2
Reduction in the Group's cash and cash equivalents in conjunction with acquisition	**–**	**558**

NOTE 34 RELATED-PARTY TRANSACTIONS

No sales of goods were made to and no purchases of goods were made from the Parent Company to other Group companies during the year. Group-wide services are invoiced to subsidiaries.

A specification of subsidiaries is presented in Note 17 on page 77.

Remuneration was paid to senior executives during the year, refer to Note 4 on page 70.

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	2018	–	45	253	793	2,483	729
Subsidiaries	2017	–	51	216	978	2,839	956

NOTE 35 SPECIFICATIONS FOR STATEMENT OF CASH FLOWS

CASH AND CASH EQUIVALENTS

	Group		Parent Company	
SEK m	2017	2018	2017	2018
Cash and bank balances	161	90	1	0
Balance of Group account with the Parent Company	312	38	333	38
Short-term investments, equivalent to cash and cash equivalents	–	–	–	–
Total according to balance sheet	**473**	**128**	**334**	**38**

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

- They have an insignificant risk of changes 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

	Group		Parent Company	
SEK m	2017	2018	2017	2018
Dividends received	–	–	800	800
Interest received	3	2	7	48
Interest paid	-10	-13	-9	-8
Total according to cash-flow statement	**-7**	**-11**	**798**	**840**

ACQUISITIONS OF SUBSIDIARIES AND OTHER BUSINESS UNITS

	Group		Parent Company	
SEK m	2017	2018	2017	2018
Acquired assets and liabilities				
Intangible fixed assets	–	6	–	–
Tangible fixed assets	–	96	–	–
Financial fixed assets	–	–	–	–
Inventories	–	39	–	–
Operating receivables	–	134	–	–
Cash and cash equivalents	–	2	–	–
Total assets	**–**	**277**	**–**	**–**
Long-term provisions	–	2	–	–
Long-term interest-bearing liabilities	–	60	–	–
Deferred tax liabilities	–	0	–	–
Short-term provisions	–	–	–	–
Short-term operating liabilities including tax liabilities	–	71	–	–
Total, provisions and liabilities	**–**	**133**	**–**	**–**
Purchase consideration paid in cash	–	-560	–	–
Cash and cash equivalents in acquired subsidiaries	–	2	–	–
Impact on cash and cash equivalents	–	-558	–	–

DIVESTMENT OF SUBSIDIARIES AND OTHER BUSINESS UNITS

	Group		Parent Company	
SEK m	2017	2018	2017	2018
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**	**–**	**–**	**–**
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	–

Not 35 continued

RECONCILIATION OF LIABILITIES DERIVING FROM FINANCING ACTIVITIES

Group, SEK m	Closing balance 2017	Cash flows	Changes that do not impact cash flow: Acquisition of operations	Divestment of operations	New leases	Exchange-rate differences	Closing balance 2018
Overdraft facilities	–	74	–	–	–	0	74
Interest-bearing liabilities	6	802	60	–	–	-18	850
Lease liabilities	–	–	–	–	–	–	–
Total liabilities deriving from financing activities	**6**	**876**	**60**	**–**	**–**	**-18**	**924**

Parent Company, SEK m	Closing balance 2017	Cash flows	Acquisition of operations	Divestment of operations	New leases	Exchange-rate differences	Closing balance 2018
Overdraft facilities	–	25	–	–	–	–	25
Interest-bearing liabilities	–	–	–	–	–	–	–
Lease liabilities	–	–	–	–	–	–	–
Total liabilities deriving from financing activities	**–**	**25**	**–**	**–**	**–**	**–**	**25**

NOTE 36 EVENTS AFTER THE CLOSING DATE

Nobia's Nomination Committee announced on 12 February 2019 that Lilian Fossum Biner, Christian Ståhl and Ricard Wennerklint had declined re-election and the Nomination Committee proposes that the Board of Directors comprise seven members, entailing a reduction of two members. George Adams, Hans Eckerström, Morten Falkenberg, Nora Førisdal Larssen, Jill Little and Stefan Jacobson are proposed for re-election. Marlene Forsell is proposed as a new Board member. The Nomination Committee also proposes that Hans Eckerström be re-elected Chairman of the Board. Dan Josefsberg took office as Executive Vice President and Chief Strategy, Marketing and Customer Experience Officer on 1 March 2019.

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 103.

ANALYSIS OF NET SALES NORDIC REGION, JAN-DEC

	%	SEK m
2017		6,515
Organic growth	-1	-69
Currency effect	4	259
2018	**3**	**6,705**

ANALYSIS OF NET SALES UK REGION, JAN-DEC

	%	SEK m
2017		5,710
Organic growth	-7	-404
Currency effect	5	291
2018	**-2**	**5,597**

ANALYSIS OF NET SALES CENTRAL EUROPE REGION, JAN-DEC

	%	SEK m
2017		519
Organic growth	1	4
Currency effect	7	34
Acquisition of Bribus	67	350
2018	**75**	**907**

OPERATING PROFIT BEFORE DEPRECIATION/AMORTISATION AND IMPAIRMENT, JAN-DEC

SEK m	2014	2015	2016	2017	2018
Operating profit	878	1,189	1,298	1,286	1,018
Depreciation/amortisation and impairment	326	297	287	287	326
Operating profit before depreciation/amortisation and impairment	**1,204**	**1,486**	**1,585**	**1,573**	**1,344**
Net sales	11,411	12,266	12,648	12,744	13,209
% of net sales	10.6%	12.1%	12.5%	12.3%	10.2%

OPERATING PROFIT EXCLUDING ITEMS AFFECTING COMPARABILITY, JAN-DEC

SEK m	2014	2015	2016	2017	2018
Operating profit	878	1,189	1,298	1,286	1,018
Items affecting comparability	97	–	–	–	66
Operating profit excluding items affecting comparability	**975**	**1,189**	**1,298**	**1,286**	**1,084**
Net sales	11,411	12,266	12,648	12,744	13,209
% of net sales	8.5%	9.7%	10.3%	10.1%	8.2%

PROFIT AFTER TAX EXCLUDING ITEMS AFFECTING COMPARABILITY, JAN-DEC

	2016	2017	2018
Profit after tax	455	1,015	753
Items affecting comparability net after tax	448[1]	–	55[2]
Profit after tax excluding items affecting comparability	**903**	**1,015**	**808**

1) Recognised on the line "Gains from discontinued operations, net after tax" and pertained to impairment of Poggenpohl.
2) Recognised on the line "Other operating expenses" and pertained to pension adjustments in the UK.

NET DEBT, 31 DEC

SEK m	2017	2018
Provisions for pensions (IB)	567	505
Other long-term liabilities, interest-bearing (IB)	5	850
Current liabilities, interest-bearing (IB)	1	74
Interest-bearing liabilities	**573**	**1,429**
Long-term receivables, interest-bearing (IB)	-5	-2
Current receivables, interest-bearing (IB)	-18	-33
Cash and cash equivalents (IB)	-473	-128
Interest-bearing assets	**-496**	**-163**
Net debt	**77**	**1,266**

OPERATING CAPITAL, 31 DEC

SEK m	2017	2018
Total assets	**7,180**	**7,766**
Other provisions	-40	-42
Deferred tax liabilities	-89	-75
Other long-term liabilities, non-interest-bearing	–	-44
Current liabilities, non-interest-bearing	-2,324	-2,279
Non-interest-bearing liabilities	**-2,453**	**-2,440**
Capital employed	**4,727**	**5,326**
Interest-bearing assets	-496	-163
Operating capital	**4,231**	**5,163**

AVERAGE OPERATING CAPITAL, JAN–DEC

SEK m	2017	2018
OB Operating capital	3,912	4,231
OB Net operating assets discontinued operations	22	–
CB Operating capital	4,231	5,163
Average operating capital before adjustments of acquisitions and divestments	**4,083**	**4,697**
Adjustment for acquisitions and divestments not occurred in the middle of the period	–	0
Average operating capital	**4,083**	**4,697**

AVERAGE SHAREHOLDERS' EQUITY, JAN–DEC

SEK m	2017	2018
OB Equity attributable to Parent Company shareholders	3,415	4,154
CB Equity attributable to Parent Company shareholders	4,154	3,897
Average equity before adjustment of increases and decreases in capital	**3,785**	**4,026**
Adjustment for acquisitions and divestments not occurred in the middle of the period	-127	-295
Average shareholders' equity	**3,658**	**3,731**

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 the international 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 2 May 2019.

Stockholm, 5 April 2019

Hans Eckerström
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 5 April 2019

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 2018-01-01–2018-12-31. The annual accounts and consolidated accounts of the company are included on pages 41-89 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 2018 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 2018 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 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.

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 13 209 millions as of 31 December 2018 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 at a point in time upon delivery of the goods to the customer, which is the point in time when the customer accepts the delivery, and receives control over the products and the group have fulfilled their performance obligations. Revenue related to installations is recognized over time when the installation is performed.

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 regar-ding 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 including transition to the new accounting standards for revenue, IFRS 15 Revenue from contracts with customers
- 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 marginanalysis' 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 2018, the group reported goodwill of SEK 2 887 millions. 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 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.

Acquisition of Bribus B.V

On July 13, 2018 Nobia AB announced their acquisition of Bribus Holding B.V for a purchase price of SEK 560 millions and an conditional additional purchase price of SEK 51 millions.

The accounting for acquisitions requiresignificant estimates and assumptions from management. The most important assumption is the allocation of the purchase price to acquired assets and assumed liabilities and necessary adjustments to the group's accounting principles

We have assessed the accounting for the acquisition to be a key audit matter due to the inherent degree of judgment regarding the valuation of acquired assets and liabilities, as well as assessment on future cashflows and earnings as the additional purchase price is dependent on future earnings in Bribus B.V.

For the Group's accounting principles of acquried companies, please refer to the accounting principles in note 1 and for the purchase price allocation for the acquisition, please refer to note 33.

Our Audit Procedures
Our audit procedures included but where not limited to:

- Review of the share purchase agreement and the groups valuation of aquired assets and assumed liabilities
- We have reviewed the purchase price mechanism in the agreement and evaluated management's estimates of future earnings.
- Evaluated the appropriateness of the disclosures made in the annual report.

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 1–40 and 96–108. 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 regar-ding 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.

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 REQUIREMENTS ACCORDING TO LAWS AND REGULATIONS

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 2018-01-01 - 2018-12-31 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 responsi-bilities 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 2018-04-10 and has been the company's auditor since 2017-04-06.

Stockholm 5 April 2019
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 2018, 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.

2018 ANNUAL GENERAL MEETING

The right of shareholders to make decisions concerning the affairs of Nobia is exercised at the AGM (AGM). A notice convening the AGM is issued pursuant to the Swedish Companies Act and the company's Articles of Association. The 2018 Annual General Meeting was held on 10 April at Lundqvist & Lindqvist Klara Strand Konferens, Klarabergsviadukten 90 in Stockholm. 131 shareholders participated at the 2018 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 to shareholders of SEK 3.50 per share in an ordinary dividend and an extra dividend of SEK 3.50 per share. 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, who has served as Chairman since 2015, declined re-election. Hans Eckerström was elected Board Chairman. All other Board members were re-elected. The AGM re-elected Deloitte AB as the company's auditor, with Daniel de Paula as Auditor-in-Charge. 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, an authorisation for the Board of Directors to make decisions regarding acquisitions and transfers of treasury shares for the period until the 2019 AGM and the reduction of Nobia's share capital by withdrawing a maximum of 5,000,000 treasury shares.

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 the Board in good time prior to the Meeting, to the address published on the Group's website.

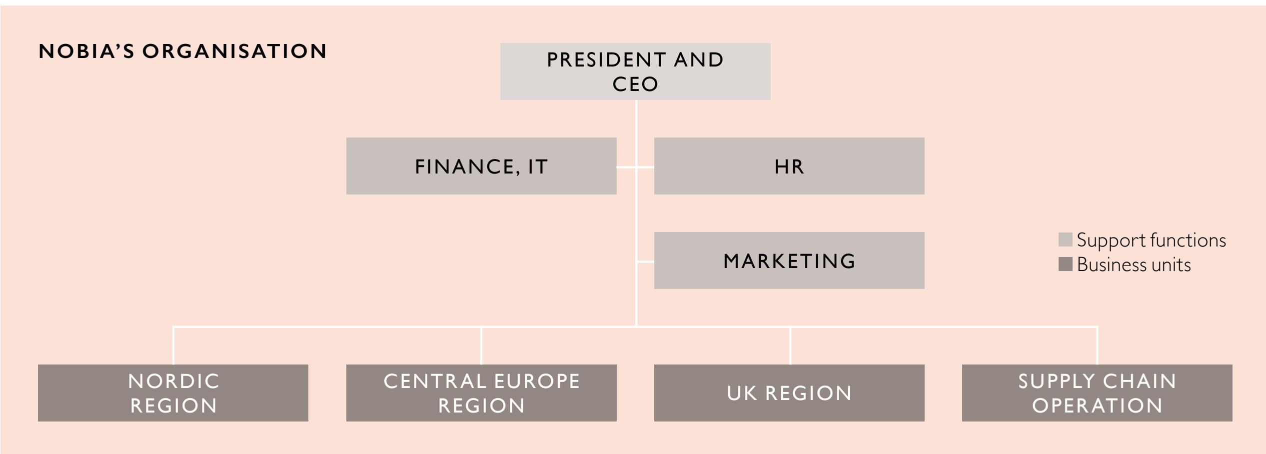
ARTICLES OF ASSOCIATION

Nobia's Articles of Association regulate such matters as the focus of the operations, information about share capital and how notification of the 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 2018, the share capital in Nobia AB amounted to SEK 56,763,597 divided between 170,293,458 shares (of which Nobia held 1,606,568 treasury shares). All of the shares are of the same class. 5,000,000 treasury shares in Nobia were cancelled in July 2018 in accordance with the resolution of the 2018 AGM to reduce the share capital by withdrawing treasury shares. 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 100–101.

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 Code states that in its proposals on Board members, the Nomina-



BOARD OF DIRECTORS IN 2018

		Board meetings, 7 meetings in total	Audit Committee, 5 meetings in total	Remuneration Committee, 5 meetings in total	Born	Board member since	Nationality	Independent
Hans Eckerström[3]	Chairman	6		4	1972	2018	Swedish	Not independent[1]
Tomas Billing[4]	Chairman	1		1	1963	2015	Swedish	Not independent[1]
Morten Falkenberg	President and CEO	7			1958	2011	Danish	Not independent[2]
Lilian Fossum Biner	Board member	7	5		1962	2012	Swedish	Independent
Nora Førisdal Larssen	Board member	7	5		1965	2011	Norwegian	Not independent[1]
Stefan Jacobsson	Board member	6			1952	2014	Swedish	Independent
Ricard Wennerklint	Board member	7		5	1969	2014	Swedish	Not independent[1]
Christina Ståhl	Board member	7			1970	2015	Swedish	Independent
Jill Little	Board member	7			1953	2017	British	Independent
George Adams	Board member	7			1956	2017	British	Independent
Per Bergström	Employee rep.	7			1960	2000	Swedish	
Marie Ströberg	Employee rep.	6			1973	2007	Swedish	
Terese Asthede[5]	Employee rep.	5			1971	2013	Swedish	
Susanne Levinsson[5]	Employee rep.	6			1973	2017	Swedish	

1) In relation to major shareholders. 2) President. 3) New Board member from 10 April 2018. 4) Stepped down from Board on 10 April 2018. 5) Deputy.

tion 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 2018 AGM, the Nomination Committee comprised the following members prior to the 2019 AGM: Tomas Billing (Chairman) representing Nordstjernan, Torbjörn Magnusson representing If Skadeförsäkring, Mats Gustavsson representing Lannebo funds and Arne Lööw representing the Fourth Swedish National Pension Fund. The members of the Nomination Committee represent approximately 47 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 2019 Annual General Meeting. Based on the company's strategy and priorities, the Nomination Committee's work included an evaluation of the results of the Board of Directors' own evaluation, its size and composition and the election of an auditor.

The Nomination Committee's proposals prior to the 2019 AGM are incorporated in the notice of the AGM, which was published on Nobia's website on 2 April.

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 2018 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. Furthermore, 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 met.

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 2019 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 seven meetings during the 2018 financial 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 2018 was devoted to digitisation and range and supply chain. The focus also remained targeted on evaluating acquisition opportunities, organisational development, efficiency and growth. In the summer of 2018, the Board visited one of Magnet's kitchen stores with a new concept, and visited a competitor's kitchen store in the UK. The Board members are presented on pages 96–97. Attendance at Board meetings is shown in the table on page 93.

The work and composition of the Board were evaluated in 2018. 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 2018, the Group's CFO served as the Board of Directors' secretary.

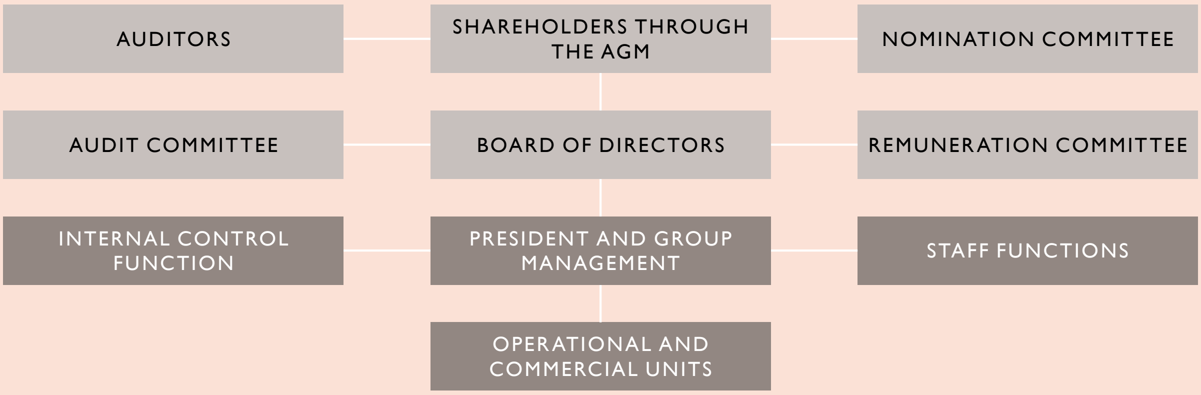
AUDIT COMMITTEE

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. 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 2018, the Audit Committee held five 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 including evaluation of the application of accounting policies and assessments in the accounts and reporting of suspected breaches of the Code of Conduct through Speak-up

OVERVIEW OF GOVERNANCE AT NOBIA



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

(Nobia's global whistle-blower system). 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 and business-critical systems 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 2018, 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 2018 was presented at the Board meeting in February 2019.

REMUNERATION COMMITTEE

The Board appoints a Remuneration Committee from within its ranks, which for the period from the 2018 AGM until the 2019 AGM comprised Hans Eckerström (Board Chairman), and Ricard Wennerklint. The Committee's task is to prepare proposals to the Board relating to the remuneration and employment terms for the President. The Committee also has the task of making decisions on the President's proposals regarding remuneration and other employment terms for the managers who report to the President. Furthermore, the Committee submits proposals to the 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 Annual General Meeting's decision on guidelines for remuneration to senior executives. The Committee held five 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 plans 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 41–45. The remuneration and benefits of senior executives are described in Note 4 on pages 70–72.

GROUP MANAGEMENT

The President and Group management, see pages 98–99, 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 re-elected as the company's auditor at the 2018 AGM for a mandate period of one year until the conclusion of the 2019 AGM. The Auditor-in-Charge is Authorised Public Accountant Daniel de Paula. The Nomination Committee's proposals for auditing firm and Auditor-in-Charge prior to the 2019 AGM were presented in the notice of the AGM, which was published on Nobia's website on 2 April. 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 73.

THE BOARD'S DESCRIPTION OF INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS REGARDING THE FINANCIAL REPORTING FOR THE 2018 FINANCIAL 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.

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.

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

RISK MANAGEMENT

The Group has methods for risk assessment and risk management to ensure that the risks to which the Group is exposed are managed within the established frameworks. The risks identified concerning financial reporting are managed in the Group's control structure and are continuously monitored and assessed. One of the tools for this purpose is self-assessments, which are conducted annually by local management teams and evaluated according to established procedures. Risk assessments are described in more detail on pages 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. In 2018, targeted audits were conducted on Novart, Nobia Svenska Kök, Nobia Production Sweden and Bribus.

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 Report for 2018 on pages 92–95 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 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, 5 April 2019
Deloitte AB

Daniel de Paula
Authorised Public Accountant

BOARD OF DIRECTORS

HANS ECKERSTRÖM
Chairman of the Board
Born 1972. MSc in Mechanical Engineering and MSc in Business Administration. Chairman of the Board since 2018. Dependent in relation to major shareholders.
Board assignments: Chairman of Profoto Invest and Henri Lloyd Group. Board member of Thule Group and Nordstjernan.
Previous positions: Partner at NC Advisory and advisor to Nordic Capital's funds.
Holding in Nobia: 50,000 shares (endowment insurance).

MORTEN FALKENBERG
President and CEO
Born 1958. B.Sc. Business Administration. President and CEO 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 at TDC Mobile and the Coca-Cola Company.
Holding in Nobia: 712,291 shares (private and occupational pension).

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 of Axel Johnsson, Senior Vice President and HR Director of at Electrolux.
Holding in Nobia: 6,000 shares.

NORA FØRISDAL LARSSEN
Born 1965. B.Sc. Economics, MBA. Senior Investment Manager at Nordstjernan. Board member since 2011. Dependent in relation to major shareholders.
Board assignments: Chairman of Etac and Emma S. Board member of Ekornes.
Previous positions: Product Line manager at Electrolux and partner at McKinsey & Co.
Holding in Nobia: 5,000 shares.

STEFAN JACOBSSON
Born 1952. Board member since 2014. Independent.
Board assignments: Chairman of Greenfood Group, HBG and Distruptive Materials.
Previous positions: CEO of Puma, NFI Corp., ABU/Garcia and Tretorn.
Holding in Nobia: 10,000 (endowment insurance).

RICARD WENNERKLINT
Born 1969. Deputy CEO of If Skadeförsäkring and Group Executive Vice President Sampo. Board member since 2014. Dependent in relation to major shareholders.
Board assignments: Board member of Topdanmark
Previous positions: CFO of If Skadeförsäkring.
Holding in Nobia: 15,000 shares.

CHRISTINA STÅHL
Born 1970. B.Sc. Business Administration and M.Sc. Business and Economics. Board member since 2015. Independent.
Previous positions: President and CEO of MQ and CEO of Mio.
Holding in Nobia: –

JILL LITTLE
Born 1953. GMP Cranfield Business School and AMP Insead. Board member since 2017. Independent.
Board assignments: Board member of 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: –

GEORGE ADAMS
Born 1956. BA (Hons): Politics, Philosophy & Economics, Oxford University. Board member since 2017. Independent.
Board assignments: Chairman of FFX Tools and Bradfords Group. Board member of ScS and Stiga
Previous positions: Senior positions at Kingfisher. President of the European DIY Retailers Association.
Holding in Nobia: –

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: –

MARIE STRÖBERG
Born 1973. Employee representative since 2007. Employed at Nobia Svenska Kök since 2007.
Holding in Nobia: –

SUSANNE LEVINSSON
Born 1973. Deputy employee representative since 2017. Employed at Nobia Production Sweden since 2004.
Holding in Nobia: –

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


Hans Eckerström


Morten Falkenberg


Lilian Fossum Biner


Nora Førisdal Larssen


Stefan Jacobsson


Ricard Wennerklint


Christina Ståhl


Jill Little


George Adams


Per Bergström


Marie Ströberg


Susanne Levinsson


Terese Asthede

GROUP MANAGEMENT

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 at TDC Mobile and the Coca-Cola Company.
Holding in Nobia: 712,291 shares (private and occupational pension).

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: 11,018 shares (private and occupational pension).

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.

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: 67,318 shares.

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: 33,592 shares.

FREDRIK NYSTRÖM
Executive Vice President and Head of Commercial Sweden
Born 1977. Employed at Nobia since 2008.
Previous positions: Head of Strategy at Nobia and Nobia's Head of Program office.
Holding in Nobia: 2,856 shares.

OLE DALSBØ
Executive Vice President and Head of Commercial Norway
Born 1966. Employed at Nobia since 2004.
Previous positions: Leading positions at Nobia Norway, Norema and Sigdal Kjøkken.
Holding in Nobia: 23,458 shares.

ANNIKA VAINIO
Executive Vice President and Head of Commercial Finland
Born 1968. Employed at Nobia since 2018.
Previous positions: CEO of Snellman Pro, CEO of Bellapipe and senior positions in Fazer Group and CandyKing.
Holding in Nobia: -

RALPH KOBSIK
Executive Vice President and Head of Central Europe
Born 1970. Employed at Nobia since 2018.
Previous positions: Head of International Markets at V-Zug and senior positions at BSH Bosch and Siemens Home Appliances.
Holding in Nobia: –

THOMAS MYRINGER
Executive Vice President, HR Director
Born 1960. Employed at Nobia since 2003.
Previous positions: Senior HR positions at the Skanska Group.
Holding in Nobia: 27,530 shares.

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: –

DAN JOSEFSBERG
Executive Vice President, Chief Strategy, Marketing and Consumer Experience Officer
Born 1973. Employed at Nobia since 2019.
Previous positions: Managing Partner of PwC Experience Center and Pond.
Holding in Nobia: 19,000 shares (through company).


Morten Falkenberg


Kristoffer Ljungfelt


Ola Carlsson


Peter Kane


Rune Stephansen


Fredrik Nyström


Ole Dalsbø


Annika Vainio


Ralph Kobsik


Thomas Myringer


David Thorne


Dan Josefsberg

THE NOBIA SHARE AND SHAREHOLDERS

The Nobia share is listed on Nasdaq Stockholm and is included in the Personal & Household Goods sector. In 2018, the share noted a decline of 29 per cent. Market capitalisation at the end of the year was slightly more than SEK 8 billion.

LISTING AND TURNOVER

The Nobia share has been listed on Nasdaq Stockholm since 2002, where the share is included in the Personal & Household Goods sector. The majority of the shares are traded on Nasdaq Stockholm, but some shares are also traded on other marketplaces.

In 2018, a total of 113.6 million Nobia shares (85.9) were traded on Nasdaq Stockholm at a value of SEK 7.6 billion (7.0). The average turnover per day was approximately 450,000 shares (340,000), corresponding to a value of SEK 30.2 million (28.0). The Nobia share's liquidity, measured as rate of turnover, totalled 66 per cent (48). The average rate of turnover on the Stockholm exchange was 48 per cent (48).

SHARE PERFORMANCE

The share had a weaker performance than the stock exchange as a whole in 2018. The share price declined 29 per cent, compared with the Stockholm exchange in total, which declined 8 per cent in the same period. During the year, the OMXS Stockholm Consumer Goods PI index fell 14 per cent.

The closing price for the Nobia share in 2018 was SEK 49.24, corresponding to market capitalisation of SEK 8.4 billion. The highest price paid in 2018 was SEK 77.45 on 14 June. The lowest price paid during the year was SEK 46.56 on 27 December.

SHARE CAPITAL

On 31 December 2018, Nobia's share capital amounted to SEK 56,763,597, divided between 170,293,458 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 in general are taken into consideration when preparing dividend proposals.

PROPOSED DIVIDEND

For 2018, the Board of Directors proposes a dividend of SEK 4.00 per share, corresponding to 90 per cent of earnings per share for the year. The proposal entails a total dividend of approximately SEK 675 million. For the 2017 financial year, a regular dividend of SEK 3.50 per share was paid out as well as an extra dividend of SEK 3.50 per share, totalling SEK 7.00 per share.

TREASURY SHARES

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

In May 2018, Nobia sold 103,003 shares to fulfil the Performance Share Plan resolved by the 2015 Annual General Meeting. Due to the transfer, the number of Nobia's treasury shares declined to 6,606,568.

SHARE DATA

Listing: Nasdaq Stockholm, Large Cap
Ticker: NOBI
Sector: Personal & Household Goods
ISIN code: SE0000949331

ANALYSTS THAT FOLLOW NOBIA

Company	Analyst
Carnegie	Kenneth Toll Johansson
DNB Markets	Mattias Holmberg
Handelsbanken	Marcela Klang
Nordea	Predrag Savinovic
SEB	Johan Dahl

In July 2018, 5,000,000 treasury shares were subsequently cancelled in accordance with the resolution of the 2018 AGM to reduce Nobia's share capital by withdrawing treasury shares. After the cancellation, the number of treasury shares was 1,606,568 bringing the total number of shares to 170,293,458.

At the end of 2018, Nobia held an unchanged number of treasury shares (1,606,568), corresponding to 0.9 per cent of the total number of shares. The treasury shares will be used to safeguard Nobia's commitments under the Group's share-based remuneration plan.

OWNERSHIP STRUCTURE

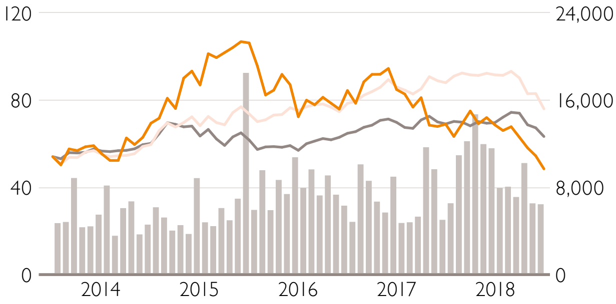
At year-end, Nobia had 14,704 shareholders (8,182). Swedish legal entities owned 72 per cent (71) of the share capital. Swedish ownership was 77 per cent (75), while foreign ownership amounted to 23 per cent (25). The largest foreign shareholdings were in the US and the UK.

The five largest shareholders – Nordstjernan, If Skadeförsäkring, the Fourth Swedish National Pension Fund, Swedbank Robur funds and Lannebo funds – owned 53.0 per cent (49.5) of all shares at year-end. The ten largest shareholders owned 65.9 per cent (61.6) of the shares.

SHAREHOLDINGS AMONG PERSONS IN SENIOR POSITIONS

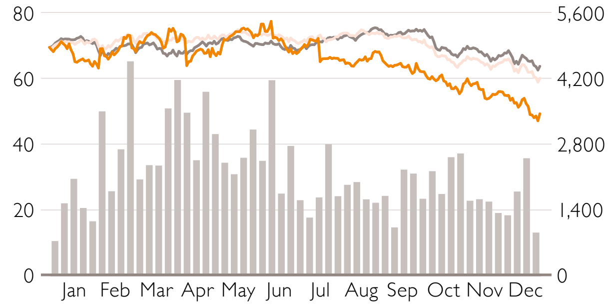
At the time of publication of this Annual Report, Group management owned, directly and indirectly, 925,363 shares (775,170) in Nobia. On the same date, Nobia's Board members excluding the President, had total direct and indirect holdings of 86,000 shares (221,779).

SHARE PRICE 2014–2018



Nobia
OMX Stockholm Benchmark PI
OMX Stockholm Consumer Goods PI
Turnover number of shares, thousands each month
Source: Six

SHARE PRICE 2018



Nobia
OMX Stockholm Benchmark PI
OMX Stockholm Consumer Goods PI
Turnover number of shares, thousands each week
Source: Six

OWNERSHIP STRUCTURE, 31 DECEMBER 2018

	Number of shareholders	Percentage of shareholders, %	No. of shares	Percentage of capital, %
1–500	11,087	75.4	1,328,149	0.8
501–1 000	1,577	10.7	1,300,210	0.8
1,001–5,000	1,479	10.1	3,382,684	2.0
5,001–10,000	226	1.5	1,670,208	1.0
10,001–15,000	69	0.5	894,736	0.5
15,001–20,000	42	0.3	751,628	0.4
20,001–	224	1.5	160,965,843	94.5
Total	**14,704**	**100**	**170,293,458**	**100**

TEN LARGEST OWNERS, 31 DECEMBER 2018

Shareholder	No. of shares	Percentage of capital, %
Nordstjernan	38,732,410	22.7
If Skadeförsäkring	18,200,000	10.7
Fourth Swedish National Pension Fund	12,545,559	7.4
Swedbank Robur funds	10,587,679	6.2
Lannebo funds	10,197,783	6.0
Handelsbanken funds	5,948,522	3.5
Investmentaktiebolaget Latour	4,649,894	2.7
AMF Försäkring och fonder	4,621,756	2.7
Norges Bank	3,755,169	2.2
SEB Investment Management	3,108,532	1.8

Source: Euroclear Sweden.

At year-end, Nobia held 1,606,568 treasury shares, corresponding to 0.9 per cent of all shares.

DATA PER SHARE

	2014	2015	2016	2017	2018
No. of shares at year-end (millions)	175.3	175.3	175.3	175.3	170.3
No. of shares at year-end after dilution, excluding treasury shares (millions)	167.5	168.7	168.7	168.7	1.6
Average no. of shares at year-end after dilution, excluding treasury shares (millions)	167.3	168.5	168.7	168.7	1.6
Share price at year-end, SEK	69.75	106.00	84.85	69.40	49.24
Earnings per share after dilution, SEK	-0.17	4.92	2.70	6.02	4.46
Shareholders' equity per share, SEK	19	23	20	25	23
Dividend per share, SEK	1.75	2.50	3.00	7.00	4.00[1]
P/E ratio, multiple	–	22	31	12	11
Direct yield, %	2.5	2.4	3.5	10.0	8.1
Share of dividend, %	–	51	111	116	90

1) Proposed dividend

FIVE-YEAR OVERVIEW

SEK m	2014[1]	2015[2]	2016	2017	2018
Income statement					
Net sales	11,411	12,266	12,648	12,744	13,209
Change in per cent	7	17	3	1	4
Gross profit	4,617	4,906	4,933	5,014	5,090
Operating profit	878	1,189	1,298	1,286	1,018
Financial income	12	34	22	9	10
Financial expenses	-90	-91	-73	-45	-42
Profit after financial items	**800**	**1,132**	**1,247**	**1,250**	**986**
Tax on net profit for the year	-205	-263	-269	-256	-233
Profit for continuing operations	595	869	978	994	753
Profit from discontinued operations, net after tax	-622	-41	-523	21	–
Net profit for the year	**-27**	**828**	**455**	**1,015**	**753**
Net profit for the year attributable to:					
Parent Company shareholders	-28	829	456	1,015	753
Non-controlling interests	1	-1	-1	0	–
Net profit for the year	**-27**	**828**	**455**	**1,015**	**753**
Balance sheet					
Fixed assets	4,446	4,697	4,076	4,034	4,759
Inventories	853	934	857	908	962
Current receivables	1,494	1,665	1,561	1,765	1,917
Cash and cash equivalents	470	765	1,005	473	128
Assets held for sale	592	8	506	–	–
Total assets	**7,855**	**8,069**	**8,005**	**7,180**	**7,766**
Shareholders' equity	3,191	3,818	3,415	4,154	3,897
Non-controlling interests	5	4	4	–	–
Non-interest-bearing liabilities	2,615	2,697	2,556	2,453	2,440
Interest-bearing liabilities	1,684	1,547	1,701	573	1,429
Liabilities attributable to assets held for sale	360	3	329	–	–
Total shareholders' equity and liabilities	**7,855**	**8,069**	**8,005**	**7,180**	**7,766**
Net debt including pensions	1,206	774	493	77	1,266
Capital employed	4,880	5,369	5,182	4,727	5,326
Operating capital	4,402	4,596	3,912	4,231	5,163
Performance measures					
Gross margin, %	40.5	40.0	39.0	39.3	38.5
Operating margin, %	7.7	9.7	10.3	10.1	7.7
Operating profit before depreciation/amortisation and impairment (EBITDA), %	1204	1,486	1,585	1,573	1,344
Operating margin before depreciation/amortisation and impairment, %	10.6	12.1	12.5	12.3	10.2
Profit after financial items as a percentage of net sales	7.0	9.2	9.9	9.8	7.5
Turnover rate of operating capital, multiple	–	3.0	3.2	3.0	2.6
Turnover rate of capital employed, multiple	2.5	–	–	–	–
Return on operating capital, %	23.2	32.2	32.5	31.5	21.7
Return on equity, %	-0.9	24.1	13.0	27.8	20.2
Debt/equity ratio, %	38	20	14	2	32
Equity/assets ratio, %	41	47	43	58	50
Cash flow from operating activities	1033	1,145	1,281	987	1,001
Investments	316	410	290	319	414
Earnings per share after dilution effects	-0.17	4.92	2.70	6.02	4.46
Dividend per share, SEK	1.75	2.50	3.00	7.00	4.00[3]
Personnel					
Average number of employees	6,636	6,473	6,573	6,178	6,178
Net sales per employee, SEK 000s	1,829	2,027	2,121	2,094	2,172
Personnel expenses	3,001	3,242	3,225	2,939	3,069
Number of employees at year-end	6,925	6,539	6,445	6,087	6,081

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 also 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.	
Earnings per share	Net profit for the period divided by the 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).	

SUSTAINABILITY

Sustainability is an important component of our operations. The focus and direction of our sustainability efforts are determined by our impact, the possibilities available to us and demands from our surroundings. Our strategic focus areas are product development, choice of materials, climate impact and suppliers. These areas establish the framework of our sustainability strategy – read more about this on pages 32-33.

STAKEHOLDER DIALOGUE

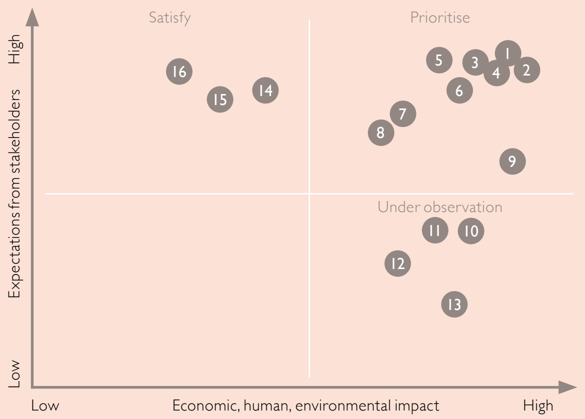
Understanding the expectations of key stakeholders is crucial for being able to meet current and future customer needs. Nobia's stakeholders are identified based on the groups impacted by our operations and the groups that impact our operations. Stakeholder dialogues provide us with information about the economic, environmental and social issues that are priorities for our stakeholder groups. We meet with our stakeholders in various forums during the year. A systematic stakeholder dialogue is also conducted annually in order to jointly identify material sustainability topics that create the basis for our materiality analysis. The results from the various dialogues were analysed and weighted against Nobia's economic, environmental and social impact throughout the value chain. Priority issues for our stakeholders are presented in the table below.

OUR MAIN STAKEHOLDERS AND COMMUNICATION CHANNELS

(A) Shareholders and investors: Meetings, annual and quarterly reports, press releases, website, annual survey. **(B) Employee representatives:** European Works Council, annual survey. **(C) Civil society, professional associations and academia:** Meetings, surveys and rankings, annual survey. **(D) Customers:** Meetings, focus groups, social media, annual survey. **(E) Suppliers:** Ongoing dialogue in the purchase process, supplier risk assessment, audits, Speak Up (anonymous reporting channel), annual survey. **(F) Employees:** Continuous dialogue and meetings, employee surveys, training courses, appraisals, Speak Up, annual survey.

OUR MATERIAL TOPICS

Our process of defining material topics sets the relevant economic, environmental and social aspects that are to be prioritised in our work and to report on. In this process, we consider our impact on people, the environment and economy in the value chain, identified risks and opportunities, input from stakeholder dialogues, and the positive and negative impact that these topics could have on our operations. These material topics form the basis of what we measure, monitor and report on in this report, and what forms the basis of our sustainability strategy and our improvement targets. Read more about our sustainability strategy on pages 32-33.



MATERIALITY ANALYSIS

Prioritised material topics are the focus of our sustainability strategy and work and comprise the main part of this sustainability report. The topics presented in the diagram under "Satisfy" are part of our systematic efforts and included in our processes and procedures. Topics listed as "Under observation" are areas that are deemed to have a significant social, environmental or economic impact and thus are addressed by our internal processes.

The materiality analysis diagram shows the priority of our material topics. The materiality analysis is updated and validated every year by the central sustainability function in consultation with other parts of Group management. There are no major differences in material topics compared with the preceding year, although some designations have changed slightly.

MATERIAL SUSTAINABILITY TOPICS

	Material topic	Boundary	Stakeholder example
1	Reduced climate impact	Manufacturing, transportation to customers	A, D, E, F
2	Circular solutions	Product development, sourcing, manufacturing	A, D, E
3	Respect for human rights	Own operations, suppliers	A, D, F
4	Responsible sourcing	Suppliers	A, B, C, D
5	Health and safety	Manufacturing	A, B, D, E, F
6	Equality and diversity	Own operations	C, F
7	Chemicals and emissions of solvents	Manufacturing	A, D, E, F
8	Eco-labelled products and product information	Manufacturing, sales	D
9	Resource efficiency	Manufacturing	D, E
10	Water	Manufacturing	A, E
11	Employee commitment	Own operations	E, F
12	Social commitment/Philanthropy	Local society	C
13	Career development	Own operations	F
14	Anti-corruption	Own operations	A, B, D
15	Product safety	Customers	A, D, E
16	Regulatory compliance	Own operations	A, C, D

SUSTAINABILITY RISKS

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 listed below. Read more about how we manage these risks on pages 29-40.

Sustainable innovations: Nobia's customers either require or will require responsible 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.

Timber from sustainable sources: Wood is the main component of our products. Rapid changes to our environment, and increasingly intensive forestry places 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.

Carbon emissions and resource efficiency: The risks of damage to forests increases with a warmer climate, Since wood is the main component of our products, this result in long-term risks regarding materials supply.

Responsible sourcing: Our supplier chain extends across different markets, and entails numerous relationships. This brings the risk of deficient supervision of, for example, working conditions at our subcontractors.

Employee well-being: Workplace accidents or serious environmental incidents at Nobia's work sites could have a significant impact on our employees, the local environment, and our brand.

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.

GOVERNANCE AND RESPONSIBILITIES

Sustainability is an integrated part of our operations and is pursued at various levels, from the Board's approval of Group-wide policies and principles to operational reviews, risk assessment and goal-oriented work in our business units. Sustainability should permeate our entire business and all our employees have a responsibility to contribute to our sustainability agenda. Our engagement and commitment have been implemented in frameworks and work processes.

At Group level, we have a central sustainability function responsible for strategic sustainability led by our Head of Sustainability. The Head of Sustainability is a member of the team for the product, sourcing and manufacturing management team and the sustainability topics are part of the agenda of team meetings. The President receives monthly sustainability reports. Sustainability topics are also a regular recurring item on the Board's agenda.

Each production unit has employees whose main work duties involve sustainability. The product development and sourcing units have specialist functions that drive efforts with, for example, product safety, eco-labelling and supplier audits. Sustainability is prepared and coordinated in our Group-wide sustainability forum, where central and local functions meet continuously to discuss sustainability topics. The responsibility for implementation rests with the line organisation.

Proposals for strategic focus areas are prepared together with local and central units, which Group management subsequently approves. 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 monitor and communicate the results of our commitments to social, environmental and economic sustainability. We also continuously monitor compliance through our management system and reporting of rules violations.

FRAMEWORKS

Internal and external commitments form the basis of how we regulate and govern the direction of, and processes in, our sustainability work. All internal frameworks are revised annual and integrated through policy commitments in local and central processes.

External commitments

- Sustainability strategy
- Code of Conduct
- Supplier Code of Conduct
- Environment and climate policy
- Policy for sustainable forestry
- Modern Slavery Statement
- Nobia's Financial & Accounting Manual

External commitments

- UN Sustainable Development Goals
- UN Global Compact initiative
- Sustainability reporting according to Global Reporting Initiative (GRI)
- Global Forest and Trade Network, UK
- CDP Climate change
- CDP Forestry

Our Code of Conduct

Nobia's Code of Conduct is based on the UN Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work and the OECD Guidelines for Multinational Enterprises. The Code of Conduct sets fundamental guidelines for our sustainability activities.

Our Supplier Code of Conduct regulates and governs Nobia's requirements for suppliers about working conditions, human rights, business ethics, environmental performance, and so on. Our suppliers in turn are required to pass on these expectations to their suppliers to ensure compliance throughout the entire supplier chain. Compliance with the Code of Conduct is a requirement in our supplier assessment process.

FROM FRAMEWORKS TO RESULTS

The sustainability strategy supports our overall purpose and, based on its strategic focus areas and objective, outlines the direction for the Group-wide and local sustainability efforts. Our policy framework further develops our standpoint and describes how we are to act to live up to our values in the areas of the environment, social issues and anti-corruption:

Environment

Our Group-wide environmental and climate policy means always complying with environmental legislation in the markets where we operate, and striving to integrate environmental and climate-change considerations through the value chain. The environmental and climate policy governs our environmental initiatives, and is supplemented with local environmental management systems and environmental targets. With our policy on sustainable forestry and our Supplier Code of Conduct, we are laying the platform for our wood suppliers to contribute to our targets for environmental consideration and sustainable forestry. We measure and monitor the environmental and climate impact of our own operations and of our purchase transportation services, refer to pages 36, 38 and our supplier audits on page 37.

Social

Our framework for social issues and human rights encompasses Nobia's Code of Conduct, our policy on modern slavery and our Supplier Code of Conduct and aims to create responsible and sound business operations for the long term. Our commitment means that we support and respect international conventions on human rights, work actively on employee well-being and promote diversity and equality. Using our tool for supplier evaluations, we evaluate and monitor such issues as compliance with human rights. Speak Up is our anonymous communication channel for reporting suspected violations of our Code of Conduct. Read more on pages 37, 39 and 40.

Anti-corruption

Our anti-corruption framework incorporates our Group-wide Code of Conduct, our Supplier Code of Conduct and our internal control guidelines. Anti-corruption is a mainstay of our Code of Conduct. Nobia conducts annual self-assessments, which are reviewed by external auditors, in all its business units based on a large number of issues related to internal control. Some of these issues concern the risk of corruption in the sales and sourcing organisations. These self-assessments also include reporting criminal activities including environmental crime. Monitoring also takes place via Speak Up, our anonymous communication channel for reporting suspected violations of our Code of Conduct. Read more on pages 37, 40 and 93.

STRATEGIC MEMBERSHIPS AND PARTNER PROJECTS:

- SVN (Social Venture Network) Sweden
- Swerea IVF circular pilot project
- TMF (Swedish Federation of Wood and Furniture Industry) Technical Committee
- TMF (Swedish Federation of Wood and Furniture Industry) Sustainability Group
- BSI (British Standards Institute)
- Besmå, Innovation cluster together with the Swedish Energy Agency and TMF
- Västa Götaland Network, quality and environment skills exchange
- SIS (Swedish Standard Institute) Furniture Standardisation Committee

CERTIFICATIONS

Our production facilities hold management system certification in quality, environment, energy and occupational health and safety. Among our market companies, Nobia Svenska Kök has ISO quality and environmental certification.

Country	Unit	Standard
Denmark	Bjerringbro	ISO 9001, ISO 14001, OHSAS 18001
	Farsø	ISO 14001
	Ølgod	ISO 9001, ISO 14001, OHSAS 18001
Finland	Nastola	ISO 14001, OHSAS 18001
Netherlands	Dinxperlo	-
Norway	Eggedal	-
UK	Darlington	ISO 9001, ISO 14001, ISO 50001, OHSAS 18001
	Dewsbury	ISO 9001, ISO 14001, OHSAS 18001
	Grays	-
	Halifax	ISO 9001, ISO 14001, ISO 50001, OHSAS 18001
	Morley	ISO 9001, ISO 14001, ISO 50001, OHSAS 18001
Sweden	Tidaholm	ISO 9001, ISO 14001
Austria	Freistadt	ISO 9001, ISO 14001
	Wels	ISO 9001, ISO 14001

SUSTAINABILITY DATA

	Unit	2016	2017	2018
Direct economic value generated and distributed				
Net sales	SEK m	12,648	12,744	13,209
Operating costs	SEK m	8,315	8,362	8,823
Employee wages and benefits	SEK m	2,381	2,382	2,544
Payments to government	SEK m	528	530	591
Community investments	SEK m	230	248	261
Payments to lenders	SEK m	17	7	11
Payments to providers of capital	SEK m	421	505	1180
Economic value retained	SEK m	756	710	-201
Materials				
Wood consumption	thousands of m^3	424	419	417
Energy consumption				
Total energy consumption	GWh	209	184	178
Non-renewable fuel	GWh	51	46	47
Renewable fuel	GWh	94	77	53
Electricity and heating purchased	GWh	85	83	88
Heating sold	GWh	20	23	11
Energy intensity, electricity and heating	kWh/cabinet	31	28	26
Significant air emissions[1]				
Scope 1	thousands of tonnes CO_2e	12.3	11.3	11.7
Scope 2, market-based	thousands of tonnes CO_2e	n.a.	0.1	0.3
Scope 3	thousands of tonnes CO_2e	18.1	20.0	19.8
Biogenic emissions	thousands of tonnes CO_2e	0.7	0.7	0.4
Scope 2, local-based	thousands of tonnes CO_2e	14.3	12.5	9.8
CO_2 intensity, electricity and heating	kg CO_2e/cabinet	2.8	0.5	0.5
CO_2 intensity, goods transport	kg CO_2e/cabinet	4.2	4.5	4.6
VOC[2]	tonnes	253	252	305
VOC intensity per lacquered details	kg VOC/100 details	4.3	4.0	4.8
Waste				
Total waste (excl. hazardous waste)	thousands of tonnes	33.2	35.4	42.0
Waste for recycling	thousands of tonnes	2,2	2.6	21.8
Waste for incineration	thousands of tonnes	28.7	32.3	19.8
Waste for landfill	thousands of tonnes	2.3	0.5	0.5
Hazardous waste	thousands of tonnes	0.6	0.5	0.6
Employees				
Number of employees				
Women	number	1,824	1,717	1,629
Men	number	4,621	4,370	4,452
Administration, sales	number	3,406	3,159	3,069
Production, logistics	number	3,039	2,928	3,012
Type of injury and rates of injury[3]	number	91	75	92
Commitment index		75	77	78
Suppliers				
Supplier audits	number	32	20	13

1) CO_2 emission factors have been updated for all years reported
2) Volatile organic compounds
3) Work accidents with at least eight hours' sickness absence

ABOUT THIS REPORT

Report premises

This sustainability report has been prepared in accordance with the Core level of the GRI Standards. This year's report is a transition from GRI G4 to GRI Standards and the changes in the standard were analysed and updated. The sustainability report encompasses all principles of the UN Global Compact and describes the sustainability topics of interest to Nobia's stakeholders. Nobia has published GRI-based sustainability reports since 2012. This report refers to the 2018 calendar year. The sustainability report has not been subject to review or audit by an external party, other than legal requirements.

Scope

The report encompasses the entire Group. Specific boundaries for each material topic are presented on page 104. The content of the Sustainability Report and the sustainability topics presented summarise the sustainability initiatives of the past year and are based on an internal materiality analysis. Environmental data is based on operations in our production units and transportation. Sustainability-related data for the kitchen company Bribus, which was acquired in July 2018, is included from 1 July 2018.

Changes to the report

The acquisition of Bribus impacts data for the second half of 2018, excluding data on workplace accidents.

We worked to improve the quality of the data during the year by developing the process for data collection and updated and harmonised conversion factors. The updated calculation methods primarily resulted in a substantial decline in carbon emissions from the combustion of wood, which also means that we can now report lower total carbon emissions.

Updated conversion factors for climate data in Scope 1 for carbon emissions and energy, and separate reporting of biogenic emissions (emissions from wood incineration) have been used. Correspondingly, energy and climate data for all years included in this year's report have been updated for comparability. Deviations in previously reported emission data for volatile organic compounds have been corrected for all years included in this year's report for comparability.

Calculations

Calculations of carbon emissions from energy consumption and transportation were based on the guidelines of the Greenhouse Gas Protocol. Updated conversion factors for energy consumption and carbon emissions were based on the most recently updated data from the Swedish Environmental Protection Agency and Swedenergy. Calculations on internal sustainability data are based on actual data from meters and invoices as far as possible. Information for electricity, heating, business travel and goods transport is based on supplier-specific information. For further information and data on climate calculations refer to Nobia's CDP Climate Investor Response 2018. During the year, we started to apply a Group-wide definition for cabinets in the sustainability report. This definition is based on externally supplied cabinets.

The contact person for information in the Sustainability Report is Amanda Jackson, Head of Sustainability, e-mail: amanda.jackson@nobia.com

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 2018-01-01–2018-12-31 on pages 104-106 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, April 5, 2018
Deloitte AB, Daniel de Paula, Authorized Public Accountant

CONTENT INDEX ACCORDING TO GRI

Standard disclosures

		Page
Organisational profile		
102-1	Name of the organisation	41
102-2	Activities, brands, products, and services	22-27
102-3	Location of headquarters	43
102-4	Location of operations	22-27
102-5	Ownership and legal form	43
102-6	Markets served	22-27
102-7	Scale of the organisation	41-43
102-8	Information on employees and other workers	73 106
102-9	Supplier chain	37
102-10	Significant changes to the organisation and its supply chain	106
102-11	Precautionary principle or approach	105
102-12	External initiatives	105
102-13	Membership of associations	105
Strategy		
102-14	Statement from senior decision-maker	4-5
Ethics and integrity		
102-16	Values, principles, standards and norms of behaviour	105
102-17	Mechanisms for advice and concerns about ethics	40, 105
102-18	Governance structure	105
Stakeholder engagement		
102-40	List of stakeholder groups	104
102-41	Collective bargaining agreements	39
102-42	Identifying and selecting stakeholders	104
102-43	Approach to stakeholder engagement	104
102-44	Key topics and concerns raised	104
Reporting practice		
102-45	Entities included in the consolidated financial statements	106
102-46	Defining report content and topic boundaries	104
102-47	Material topics	104
102-48	Restatements of information	106
102-49	Changes in reporting	106
102-50	Reporting period	106
102-51	Date of most recent report	106
102-52	Reporting cycle	106
102-53	Contact point for questions regarding the report	106
102-54	Claims of reporting in accordance with the GRI Standards	106
102-55	GRI content index	107
102-56	External assurance	106

TOPIC-SPECIFIC STANDARDS

		Page
Financial		
Economic performance		
103-1/2/3	Management Approach 201	41-45
201-1	Direct economic value generated and distributed	106
Anti-corruption		
103-1/2/3	Management Approach 205	40, 93, 94, 105
205-1	Operations assessed for risks related to corruption	105
205-2	Communication and training about anti-corruption policies and procedures	93, 94, 105
205-3	Confirmed incidents of corruption and actions taken	40
Environment		
Materials		
103-1/2/3	Management Approach 301	35, 38, 105
301-1	Materials used by weight or volume, wood	106
301-2	Recycled input materials used	35
Energy		
103-1/2/3	Management Approach 302	35, 36, 105
302-1	Energy consumption within the organisation	106
302-3	Energy intensity	106
Emissions		
103-1/2/3	Management Approach 305	36, 38, 105
305-1	Direct (Scope 1) GHG emissions	106
305-2	Energy indirect (Scope 2) GHG emissions	106
305-3	Other indirect (Scope 3) GHG emissions	106
305-4	GHG emissions intensity	106
305-7	Other significant air emissions, VOC	106
Effluents and waste		
103-1/2/3	Management Approach 306	35, 38, 105
306-2	Waste by type and disposal method	106
Regulatory compliance		
103-1/2/3	Management Approach 307	38, 105
307-1	Non-compliance with environmental laws and regulations	38
Supplier Environmental Assessment		
103-1/2/3	Management Approach 308	37, 105
308-1	New suppliers that were screened using environmental criteria	37
308-2	Negative environmental impacts in the supply chain and actions taken	37
Social		
Occupational Health and Safety		
103-1/2/3	Management Approach 403	39
403-2	Hazard identification, risk assessment, and incident investigation	106
Diversity and equal opportunity		
103-1/2/3	Management Approach 405	40
405-1	Diversity of governance bodies and employees	40
Supplier Social Assessment		
103-1/2/3	Management Approach 414	37
414-1	New suppliers that were screened using social criteria	37
414-2	Negative social impacts in the supply chain and actions taken	37
Customer Health and Safety		
103-1/2/3	Management Approach 416	34
416-1	Assessment of the health and safety impacts of product and service categories	34
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	34

2019 ANNUAL GENERAL MEETING

The shareholders of Nobia AB (publ) are invited to the Annual General Meeting on Thursday, 2 May 2019 at 5:00 p.m. at 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 Thursday, 25 April, and
- secondly notify Nobia of their participation in the Annual General Meeting not later than Thursday, 25 April.

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 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 dated 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 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 Thursday, 25 April 2019. 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 4.00 per share be paid for the 2018 financial year. The record date for the right to receive a dividend is Monday 6 May 2019. The final day for trading in Nobia shares including the right to a dividend is Thursday 2 May 2019.

ANNUAL REPORT

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

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.

FINANCIAL CALENDAR 2019

2 May	Interim report Jan-Mar 2019
2 May	Annual General Meeting
19 July	Interim report Jan-Jun 2019
23 October	Interim report Jan-Sep 2019

Nobia's Annual Report and Sustainability Report 2018
is produced in cooperation with Springtime-Intellecta.

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.se

BRIBUS B.V.
Industriestraat 4
NL-7091 DC Dinxperlo,
The Netherlands
Tel: +31 315 65 17 45
www.bribus.nl

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
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