2019

ANNUAL AND SUSTAINABILITY REPORT

nobia

EUROPE'S LEADING KITCHEN SPECIALIST

THE KITCHEN IS THE HEART OF THE HOME

The kitchen is a room that is increasing in significance — it has gone from being a place for preparing food to becoming a natural place for many of our activities, and it expresses our lifestyle. As a leading kitchen group, Nobia is at the leading edge of designing new products and kitchen concepts to meet the latest needs and to help consumers live more sustainably. We want to make it simple for our customers to have inspiring kitchens in their homes.

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The kitchen shown on the front cover is the Marbodal Fagerö.

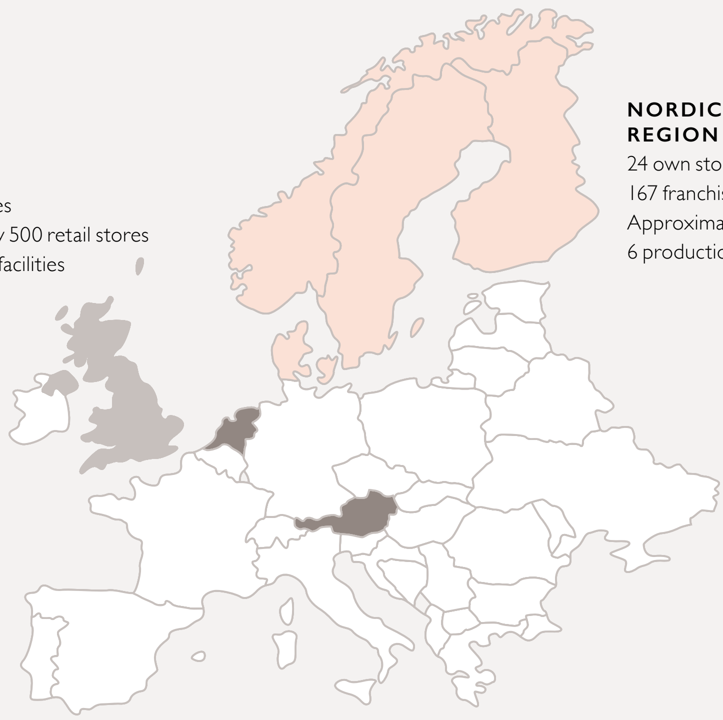
EUROPE'S LEADING KITCHEN SPECIALIST

Nobia is a kitchen specialist with operations along the entire value chain from design to installation of the new kitchen. We manufacture and sell kitchens in seven European countries through own stores, franchise stores and retailers as well as directly to major customers. Through the years, the Group has developed and strengthened through acquisitions. Our specialisation and size means we can leverage shared skills and capitalise on economies of scale.

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. We have 6,109 employees in total.

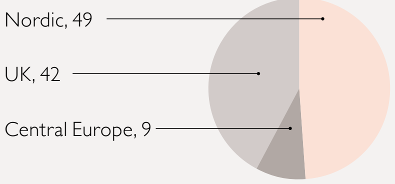
UK REGION
210 own stores
approximately 500 retail stores
5 production facilities



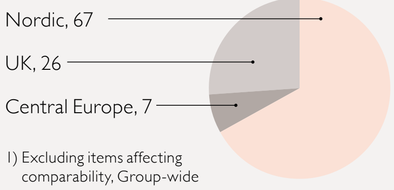
NORDIC REGION
24 own stores
167 franchise stores
Approximately 450 retail stores
6 production facilities

CENTRAL EUROPE REGION
>500 sales locations
3 production facilities

NET SALES PER REGION, %

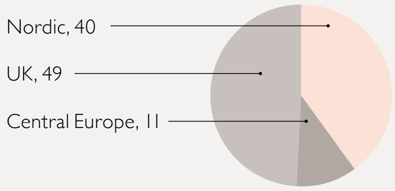


OPERATING PROFIT[1] PER REGION, %



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

EMPLOYEES PER REGION, %



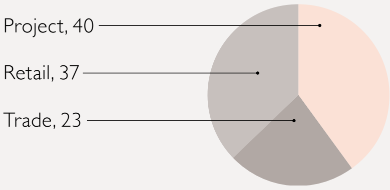
STRONG BRANDS

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.

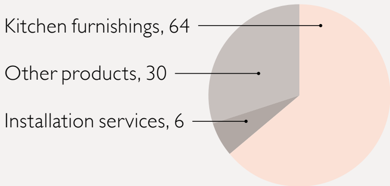
CUSTOMISED SALES CHANNELS

Nobia sells kitchens to both consumers and professional customers. 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 reach end customers through various sales channels. 401 stores, of which 234 own stores and 167 franchise stores.

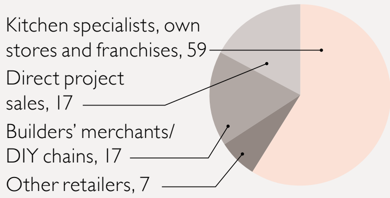
CUSTOMER SEGMENTS, %



SALES PER PRODUCT, %



SALES CHANNELS, %



INSPIRING KITCHENS MADE EASY

We nurture kitchen dreams and put the customer experience front and centre. We strive to make the purchasing process as simple as possible. With our sound know-how and long experience, we create and realise fantastic kitchen solutions that inspire and facilitate a more sustainable life in the kitchen. We provide support in the entire process, from inspiration and concept to a finished, functional and attractive kitchen.

12

OF 14 PRODUCTION FACILITIES HAVE CERTIFIED ENVIRONMENTAL MANAGEMENT

100%

RENEWABLE ELECTRICITY IN PRODUCTION AND OWN STORES

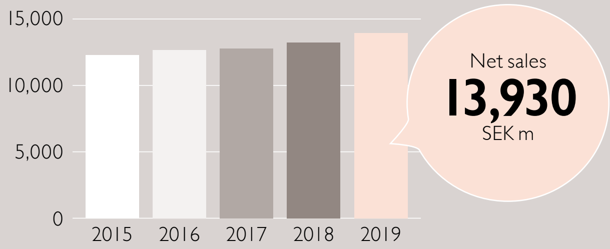
62%

OF ALL WOOD WASTE GOES TO MANUFACTURING NEW PRODUCTS

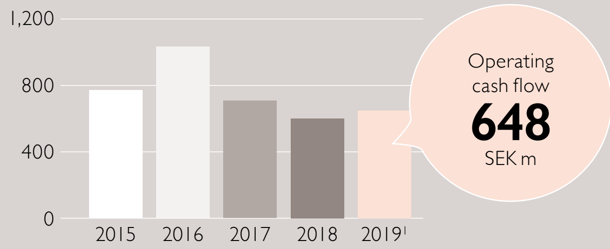
2019
FIVE-YEAR OVERVIEW

Complete five-year overview, refer to page 112

NET SALES, SEK M

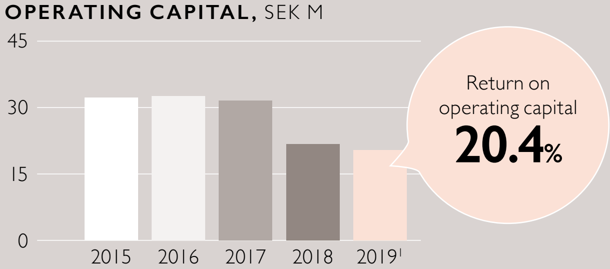


OPERATING CASH FLOW, SEK M



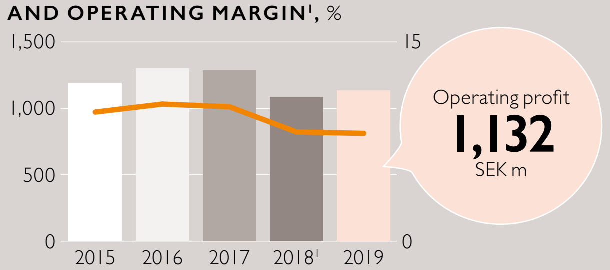
1) Excluding effect of IFRS 16 Leases.

RETURN ON OPERATING CAPITAL, SEK M



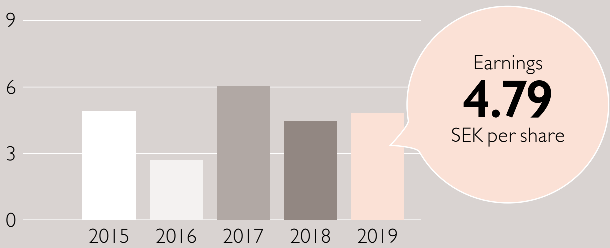
1) Excluding effect of IFRS 16 Leases.

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



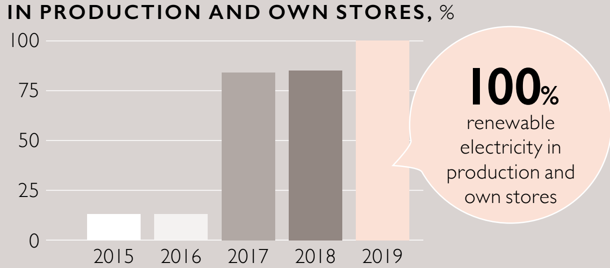
1) Excluding items affecting comparability.

EARNINGS PER SHARE[1], SEK



1) After dilution.

SHARE OF RENEWABLE ELECTRICITY IN PRODUCTION AND OWN STORES, %



NEW PRESIDENT AND CEO

On 1 September, Jon Sintorn took office as the new President and CEO of Nobia. Jon most recently worked at Permobil, which operates in electric wheelchairs and other aids for the disabled, where he was President and CEO for nine years. Morten Falkenberg, who was President and CEO of Nobia for nearly ten years, transitioned to roles including industrial adviser to Nobia's largest owner, Nordstjernan.

DIRECTIONAL DECISION ON INVESTMENT IN NEW, HIGHLY AUTOMATED PLANT

In 2020, construction will begin of a highly automated plant that will replace the one in Tidaholm in 2024. With significantly higher capacity, leading sustainability performance, shorter lead times and lower manufacturing costs, it will be an important tool in supporting Nobia's future growth and market share opportunities. The investment will be Nobia's largest ever.

MAGNET NAMED BEST KITCHEN BRAND IN THE UK

Magnet, Nobia's largest brand in the UK, took first and second place in the kitchen categories of the prestigious "2019 Which? Kitchen Brands Review". "Which?" is the UK's foremost independent consumer organisation which awards "best buy" recommendations to products that represent the best in their respective categories.

HIGHLIGHTS

SEVERAL AWARDS IN SUSTAINABILITY

We received a number of awards for our sustainability initiatives during the year, including ranking as the second best company in the Consumer Goods category of 2019 Sustainable Companies ranking. Sustainable Companies is an annual ranking of the sustainability initiatives of OMX listed companies. Nobia also topped the "Walking the Talk" report, a review of what companies on the Stock Exchange Large Cap list say that they'll do and what they have done.

OPTIMISING THE NORDIC REGION STORE NETWORK

Nobia's store network in the Nordic region is undergoing an improvement programme. This includes the Norway stores switching to the franchise concept, HTH in Denmark inaugurating three flagship stores and converting a number of stores to the franchise concept, and launching a new concept for Marbodal's franchise stores in Sweden. The experience so far has been an excellent one: a higher level of service, better availability and good sales performance overall.

SALES TO PRESTIGIOUS RESIDENTIAL PROJECTS

Even though market performance for major residential development projects in London's higher price segments has been impacted by the general uncertainty surrounding Brexit, Nobia had a successful year. Commodore and CIE, which specialise in project sales, delivered exclusive kitchens during the year to several major projects in London, such as Battersea Power Station, Southbank Place and South Quay Plaza.

Stronger foundation for creating value

I would like to begin by saying how pleased I am to be part of the Nobia Group. Since I took over as President and CEO on 1 September, I have devoted a great deal of my time to visiting the company's operations in various countries. I met passionate employees everywhere who, like me, feel very proud to represent the Group and all its strong local brands. The kitchen is a room that is increasing in significance. It has gone from being a place for preparing food to being the heart of the home, a place for many different social activities and an expression of our lifestyle.

A customer-centric approach and an entrepreneurial culture have allowed the company to build strong positions in many geographical markets and in essential customer segments over many years. Nobia's overall ambition is to be Europe's leading kitchen specialist, and I look forward to working together with all our employees to continue developing the company.

STRATEGY FOR VALUE CREATION

Nobia has a strong foundation to pursue improvements from. One important initial task for me has been analysing and updating our strategic orientation, with the ultimate purpose of ensuring that over the long term we can continue creating value for our stakeholders. Even though I formally began in the autumn, I have been involved in this work earlier than that. An extensive analysis of brand positions, channel strategies, manufacturing structures, business environment factors and various sustainability topics for our business models formed the foundation. The commitment and sense of purpose among everyone involved in this process shows the true strength of our organisation.

LONG-TERM PROFITABLE GROWTH IS THE GOAL

If Nobia's strategy for the last ten years in short can be summarised as the goal of raising profitability, improving cash flow and strengthening the balance sheet – which it also succeeded in doing – Nobia's next phase will be more focused on how we can create profitable growth over the long term. There are several initiatives in the updated strategy, of which three priority areas are:

Increased focus on small local builders (trade customers)
While the average consumer purchases a new kitchen every fifteen years, a local builder or tradesman purchases an average of four kitchens a year. Over the same fifteen-year period, builders thus purchase 60 times as many kitchens as a consumer does. Since the local builder also has a major impact on consumers' choice of kitchen supplier, we will now be increasing our focus on this sales channel. In the UK, we have already adapted 160 stores to better meet the needs of our builders while improving loyalty programmes and strengthening the organisation with local business development resources. The experience so far has been a promising one, with significant increases in sales and a strengthened market position, which is an excellent foundation for continued success.

Strengthened position in Nordic consumer sales
In the Nordic region, we have strong brands with strong positions on both the project market and the consumer market. Even though the positions in our consumer sales are also strong, we see a significant market potential to tap into. One key to success is working even more with design and conceptualisation of our kitchen offering. Another is changing the way we meet our customers, for example, in our physical store network. In Norway, for example, we have successfully converted all our own kitchen stores into a strong franchise concept, a model that lowered our fixed costs and in which we utilised the entrepreneurial sales and development ability found in good franchisees. In Denmark, we sold all our stores to new franchisees while investing in and renovating some of our larger flagship stores. The upgrade in Denmark has been a successful one, with strong performance in the consumer segment.

Major investment in efficient manufacturing
To capitalise on the growth opportunities we have identified, we need to strengthen our manufacturing capacity and further improve our cost structure. In December we announced our plan to invest approximately SEK 2 billion in automation equipment in a new production plant in Sweden. The facility is planned to be in full operation in 2024 and will be one of Europe's most modern for kitchen manufacture, with a high degree of automation and digitalisation as well as a leading environmental and sustainability performance. We envision the new facility as having a unique capacity for mass producing customised kitchens, enabling us to further consolidate our leading position in Europe.

STABLE PERFORMANCE DESPITE AN UNCERTAIN 2019

The organic sales trend remained unchanged compared with 2018. Operating profit excl. items affecting comparability was somewhat higher, totalling SEK 1,132m (1,084), and the operating margin amounted to 8.1% (8.2). Particularly gratifying in 2019 were the positive sales trend to the trade segment in the UK, where we are investing to strengthen our position, the general performance in Denmark and our latest acquisition of Bribus delivering according to plan.

> Nobia's next phase is more about organic growth and how we can create profitable growth over the long term.

2019 was largely characterised by economic uncertainty and somewhat lower demand overall. Our largest market, the UK, was characterised by uncertainty concerning the possible effects of Brexit. For several years, Nobia has been negatively impacted by low consumer confidence in the UK, which resulted in decreased demand for kitchens as well as a negative exchange rate effect on operating profit as the GBP weakened against the euro.

SUSTAINABILITY IN FOCUS

Nobia has signed on to the UN Global Compact and supports the ten principles on human rights, labour, the environment, and anti-corruption. We are working actively to integrate these principles in our operations and business relationships. Climate change is an important issue for us, and we have already reached our strategic goal of 100% renewable electricity in production. This year, we expanded our climate efforts to also cover our own stores, which are now being operated with 100% renewable electricity. In all, we reduced our CO_2 emissions from electricity, heating and fuel for our own transportation by 60% between 2016 and 2019.

We are proud of having received a number of awards for our sustainability initiatives, including being named the second best OMX listed company for sustainability initiatives in the Consumer Goods category of the 2019 "Sustainable Companies" ranking. But we have much left to do. During the year, we developed an internal management system for governing our Group-wide sustainability efforts so that we can even more clearly follow up on our improvement work.

UNCERTAIN START TO 2020

Although demand is expected to be temporarily reduced in light of the spread of the corona virus during the beginning of 2020, I am confident that with our solid finances we can make great progress and gain market share in a turbulent time. We have a differentiated product range for all important customer segments, and there is still a significant need for housing new construction in many markets, which favors the demand for kitchens in the medium to long term. We are now working hard to ensure that the manufacturing organization can deliver the kitchens safely to our customers. The entire organization does an outstanding job where, despite this crisis, we have delivered with precision and quality despite challenging circumstances.

THANKS TO ALL OUR EMPLOYEES

Finally, I would like to extend my warmest thanks to all of the Group's employees. Your performance and commitment are vital to the continued success of the company. I am proud to see all we have achieved so far, and I am convinced that together we will accomplish much more on this exciting journey ahead of us.

Jon Sintorn
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.

MANUFACTURED CAPITAL
14 production facilities
234 own stores
SEK 372m of investments in tangible fixed assets

BUSINESS RELATIONSHIPS
167 franchise stores
Approximately 1,500 retail stores
Approximately 600 suppliers of direct materials

INTANGIBLE RESOURCES
A portfolio of strong kitchen brands
SEK 93m of investments in intangible assets
Systems and master data for products and supplier management
Operating systems and programs for employee development

HUMAN CAPITAL
6,109 employees

FINANCIAL RESOURCES
SEK 8,096m operating capital
SEK 1,179m operating cash flow

NATURAL RESOURCES
429,000 m^3 timber and wood products
181 GWh energy

FOCUS ON KITCHENS

Nobia's business model is manufacturing and selling primarily 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 a kitchen needs — 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 own facilities. Sales take place via own stores, franchise stores and retailers. In addition, we have direct sales to large professional customers such as residential and property developers.

Nobia creates value by delivering complete, attractive and sustainable kitchen solutions, with excellent function and design, based on our customers' individual needs. Read more about our strategy on pages 9–17.

PER STAKEHOLDER GROUP

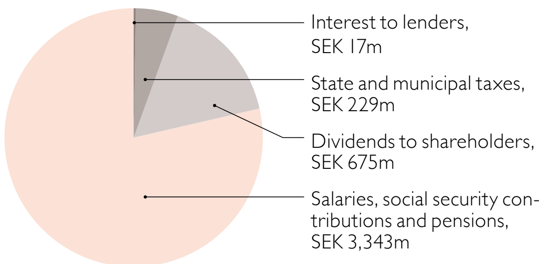
Customers
- Delivery of nearly a half million new kitchens both in new homes and for renovation
- New kitchen concepts and products that make consumers' daily lives easier
- More than 11 million visits (up 7%) to our websites, where over 53,000 consultations (up nearly 45%) were booked

Employees
- Commitment index increased to 79
- Over 4,600 performance evaluations conducted
- 111 managers took our leadership course

Owners and lenders
- Dividend SEK 675m
- Interest expense, net SEK 17m

Community and suppliers
- SEK 229m in income tax
- Approximately 6,000 jobs, primarily in smaller towns
- Innovative solutions for a more sustainable life in the kitchen
- 100% renewable electricity in production and own stores
- Over 300 suppliers in the supplier audit programme

DISTRIBUTED VALUE, SEKM



Total SEK 4,264m

UNO COPENHAGEN COLLECTION OAK

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, sustainability, health and well-being – and, in particular, an increased interest in experiences – are examples of long-lasting important changes, known as 'megatrends', that impact our everyday lives, economy and society, including the kitchen industry. Here, we present a selection of more specific consumer and lifestyle trends that impact how Nobia develops new products and kitchen concepts.

As a room, the kitchen is increasing in significance and there are many indications that it is on the way to partially or completely taking over the role of the living room as the primary space for spending time together and socialising in the home. Technological advances, for example, are important for how we organise our homes. Our media habits have changed since the breakthrough of television in the 1950s, when it became the obvious focal point for the family. In a time when most everyone has their own screens, it is not as natural to devote such a large portion of the space in a home to a living room with a television as the centrepiece. In addition, the kitchen has long been a room not only for cooking and meals. Today, it is often used to work from home, to do homework, to socialise or just to have a moment to oneself with a newspaper and a cup of coffee. The kitchen's inherent informal, congenial and creative qualities quite simply mean that more and more activities take place there. Unlike previously, the kitchen a separate room is now far from the norm. Fully or partially open plans are increasingly common. Together with the fact that we nowadays are happy to invite friends and acquaintances into the kitchen, this change means that the kitchen has a more visible and prominent role – which places greater demand on both functional and aesthetic design. Health and well-being – as well as sustainability – are increasingly important to consumers, which is reflected in our lifestyle and our consumption choices. There is, for example, a growing demand for sustainable materials and smart solutions for sorting waste and kitchen gardening.

> The kitchen is one way of expressing identity. Design and the opportunity to make personal choices are thus becoming increasingly important.

ANTON ÖBERG,
INSIGHT MANAGER

1

HEALTHY AND SUSTAINABLE HOUSING

Today, health is no longer only about exercise and diets but also the home environment and interior decoration. Awareness of the impact of our homes on our physical and mental well-being is increasing among construction companies, architects and interior designers as well as consumers. The healthy home covers a number of aspects, several of which go hand in hand with sustainability. Indoor air quality, for example, or the occurrence of noise and irritating sounds – and not least the use of sustainable materials that have a positive impact on people and the environment.

2

NEAT AND TIDY

With continued high levels of consumption , a lack of storage is an increasing problem for many household. More and more people are getting rid of unnecessary items to create a sense of order in their homes and simplify their lives. But wardrobes, kitchen cabinets and drawers are still not enough for many households. That is why it is becoming increasingly important for interior design companies and kitchen manufacturers to develop space-efficient and smart storage solutions that help people keep their daily lives neat and tidy.

3

THE SOCIAL HOME

Living increasingly digital lives where we often communicate with each other via messaging services and social media drives the need to log out and press pause, and instead socialise at home with family and friends. For example, around board games or dinners where we cook and eat together. Several studies show that the kitchen has become the most natural room to socialise in. A kitchen with different areas to sit and flexible work and social spaces thus plays a key role in the modern social home.

4

PERSONAL INTERIOR DESIGN CHOICES

Inspired by professional influencers and self-taught interior design stylists on social media, many consumers are beginning to make more conscious and bold design choices. Nobia's own consumer studies also show that many have an emotional need to create a home and a kitchen that reflects their own personality and lifestyle. The kitchen becomes a platform to showcase identity. Design and the opportunity to make personal choices are thus becoming increasingly important. Details are important – it's about standing out from the crowd rather than fitting in.

5

CIRCULARITY

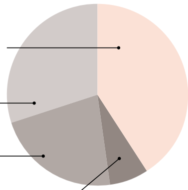
In a time when global consumption has reached unsustainable levels, the interest in circularity has rapidly increased among both producers and consumers. In a circular economy, resources, materials and products are used for as long as possible and are then re-used or recycled. For a manufacturer this could take the form of, for example, using completely or partially recycled materials in new products, or waste materials from production becoming raw materials for new products.

THE EUROPEAN KITCHEN MARKET

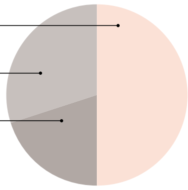
The kitchen market can be divided according to whether the kitchens are sold to consumers or to professional customers. These customer segments are sized differently in different European countries, and can in turn be divided into renovation and new construction. Professional customers can be divided into project customers and builders.

The estimated value of the European kitchen market is approximately EUR 13bn. The four largest markets in Europe are Germany, the UK, Italy and France. Total kitchen consumption in Nobia's main markets – the UK, Sweden, Norway, Denmark, Finland, the Netherlands and Austria – is estimated to be about EUR 5bn. The kitchen market in Europe is highly fragmented and features intense competition. Some kitchen companies have several brands in the same group, and the companies often work locally with one brand within a given geographical area or country. There is, however, a slow trend towards market consolidation.

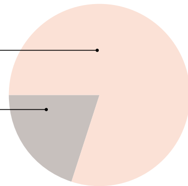
SALES CHANNELS EUROPE, %



CUSTOMER SEGMENT EUROPE, %



THE EUROPEAN KITCHEN MARKET, %



All market data is approximations

THE CONSUMER (RETAIL) MARKET

The estimated value of the European kitchen market for consumers is approximately EUR 6.5bn. In the markets where Nobia has a presence, the estimated value is approximately EUR 2.5bn. Nobia has a strong position in both the Nordic region and the UK. Kitchens are sold through various channels – specialised kitchen stores, furniture stores and builders' merchants, for example – and to some extent directly on the Internet. Nobia sells through own stores, franchise stores and a large number of retailers who often specialise in kitchens or who are active as builders' merchants.

Kitchens are infrequently purchased products associated with a high level of customer involvement. On average, kitchens are replaced every 15 to 20 years. For households, a new kitchen is a major and complex investment that includes the important factors of function, layout, style and materials. As a room, the kitchen is becoming increasingly important in our homes and consequently kitchen fittings cost more. The general economic climate, interest rate levels and consumers' faith in the future on questions of private economy affect demand. Tax relief for renovation can also positively impact demand, since installation costs constitute part of the overall cost.

Ready-to-assemble kitchen products are a significant portion of the market. Nobia provides a product range under several brands that are a good value for someone who wants to assemble and install the kitchen by themselves.

THE CONSUMER RETAIL MARKET

- An infrequently purchased product associated with a high level of involvement
- An investment made on average once every 15 to 20 years
- A great deal of energy invested in finding inspiration and collecting information
- Customers prefer professional, customised help in planning, which is why the share of Internet sales is small
- Kitchen specialists and builders' merchants/DIY chains the most common sales channels

THE PROFESSIONAL MARKET

The estimated value of the professional kitchen market in Europe is approximately EUR 6.5bn. Nobia's position is strongest in the Nordic region.

The professional market covers major construction and property companies, property developers and private and municipal landlords as well as builders and smaller, local construction companies. Put simply, the market can be described in two segments: small local builders and tradesmen, and the large project customers. The project customer can be divided into social housing and other customers in the construction sector. In large countries such as the UK, kitchen suppliers focus to a large extent on a specific segment while Nobia operates in all professional segments through various channels.

Professional customers have similar product requirements as consumers, but different service needs. The most important competitive advantages for major projects are dedicated project management, successful deliveries of large orders on time, and products that are easy to install. Kitchen stores that allow consumers to experience the kitchens are a competitive advantage. Sustainability topics are also important to customers, and demands are increasing for sustainability certifications and solutions that help consumers live more sustainably. Contracts for kitchen deliveries are signed on a project-by-project basis, but it is common for business relationships to be long-term, especially among the major construction companies in the Nordic region.

THE PROFESSIONAL MARKET

- Similar product requirements as consumers, but different service needs.
- Contains different types of commercial customers such as local tradesmen and large project customers
- Suppliers must manage large orders on time
- Increased demand for sustainability certifications and product labels

THE PROFESSIONAL MARKET CONSISTS OF THREE SEGMENTS

1

House builders and construction companies

House builders and construction companies (project market) want to offer their customers kitchens with excellent designs and numerous selection possibilities. Attractive kitchens are regarded as a part of marketing new properties. New housing construction is sensitive to economic fluctuations. Demand is affected by macroeconomic events and urbanisation as well as consumers' expectations for the future as regards salary trends, housing prices, interest rates and 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.

2

Social housing

One part of the professional project 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 are sold for renovation, normally as part of a planned maintenance programme, even though there is some new construction.

Competitive prices and product durability are important aspects, as are simplicity in ordering and installation, reliability of deliveries and short delivery times.

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

3

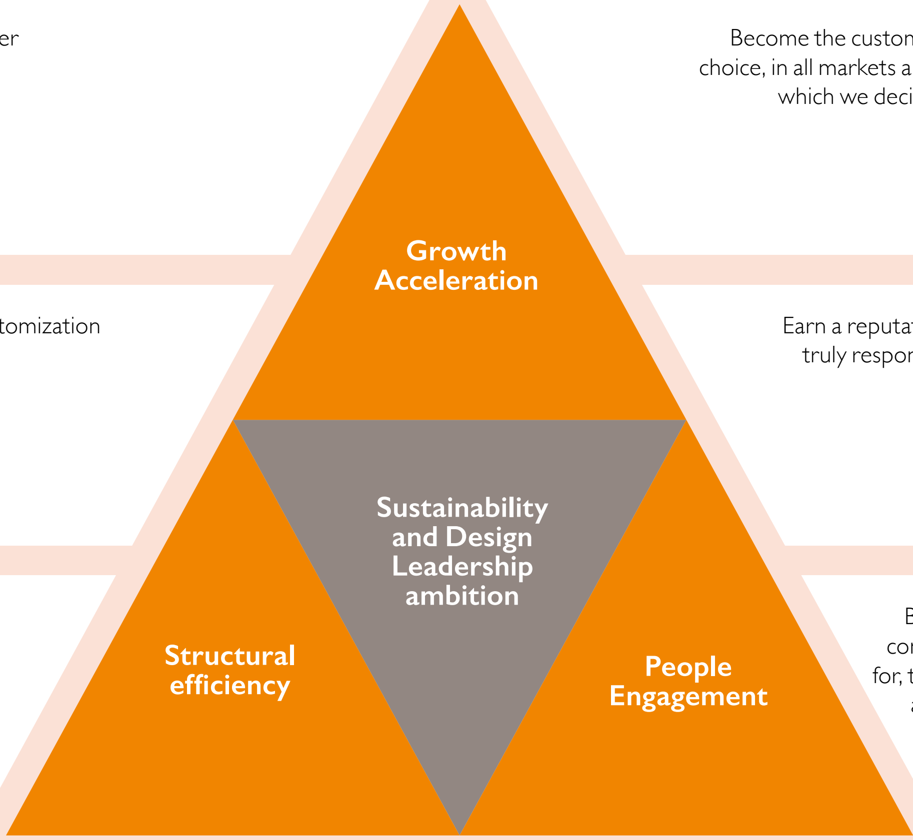
Tradesmen and small local construction companies

Builders, small local construction companies and tradesmen 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

In addition to the Group's financial targets, Nobia's overall goals are to be the customers' first choice everywhere we operate and to be a responsible company that is attractive to employees and investors. By leveraging the Group's economies of scale, we strengthen our local competitiveness.

RECIPE TO WIN	STRATEGIC PRIORITIES	OVERALL GOALS
Excellent customer responsiveness *We care*		Become the customers' preferred choice, in all markets and segments in which we decide to compete
Unique mass-customization capabilities *We deliver*		Earn a reputation for being a truly responsible company
Strong consumer brands *We inspire*		Be an attractive company to work for, to partner with and to invest in



Sustainably – and successfully – leverage the Group's advantages of large-scale production to strengthen our local competitiveness.

During the year, we extensively analysed the business environment, the market and our operations, which became the starting point for an update of the Group's strategic orientation. Nobia's focus in the coming years is on organic growth and how we can create sustainable profitable growth over the long term, which means increasing sales organically while continuing to improve our operating margin.

Regardless of whether the kitchens are sold to consumers or to professional customers, it is a matter of thoroughly understanding and meeting our customers' needs – and understanding how consumers' kitchens and lifestyles impact our society and our planet. That knowledge must then be converted into kitchen solutions that inspire, while the kitchens must be both economically and environmentally sustainable.

Nobia has several leading brands that have long been in their respective markets. Marbodal, for example, was the first in Sweden with an eco-labelled product range. As one of Europe's leading kitchen specialists, we have excellent conditions for creating profitable growth while having the possibility of and responsibility for ensuring a holistic perspective so that the environmental and climate impact from kitchens is minimised in the value chain.

A double purpose

Our operations have a double ambition: we want to be an industry leader in both design and sustainability. We are convinced that inspiring kitchen design and assuming responsibility in the value chain are what is required to become a leader – the one is a prerequisite of the other, and vice versa.

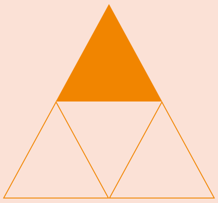
Being a leader in design means continually predicting our customers' expectations and developing well-designed, beautiful and emotionally appealing kitchen solutions that distinguish us from our competitors.

Being a leader in sustainability means setting an example in finding a balance among various interests and creating kitchen solutions that promote sustainable living in the kitchen.

If we manage our strengths and resources properly and focus on continual improvements, we will be able to achieve our overall goals: being our customers' first choice and becoming – and being seen as – a responsible and attractive company. We have summarised the focus for the next few years, on the way toward these goals, in three overall strategic priorities, described on the following page.

We want to offer inspiring kitchen solutions that are sustainably manufactured.

NOBIA'S THREE STRATEGIC PRIORITIES



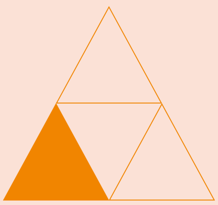
Growth acceleration

An area where we see opportunities is sales to small builders and tradesmen. Local builders often have a major impact on consumers' choice of kitchens, and builders are a customer group that purchases kitchens far more often than private customers. In the UK, we have already adapted 160 stores to better meet the needs of trade customers. Our experience so far has been promising, and we are planning to take the concept further to our franchise network in Sweden, Norway and Finland in the next few years.

Strengthening our position in consumer sales is an additional priority area in which we see opportunities to improve the customer experience regardless of sales channel. New digital tools and new store concepts are just two of the initiatives that could impact the customer experience. It should be simple and inspiring to plan and realise their kitchen dreams with us. Another area that is increasingly important to the consumer is product design. Focus is increasing on developing the best products with the most appealing design.

Digital tools that optimise the inclusion of kitchen blueprint documentation in construction plans and improve customers' possibilities for visually creating their kitchens are another example of how, using a process that improves the customer experience from digital ordering to physical delivery, we can increase the rate of growth, especially in sales to project customers.

Our strong market position in the Nordic region, particularly HTH with its strong platform as a leader in Scandinavian design, is a strength that could enable us to grow in neighbouring countries. Moreover, our production plant in Denmark is geographically well placed for selective geographical expansion into new markets – northern Germany and the Benelux, for example.

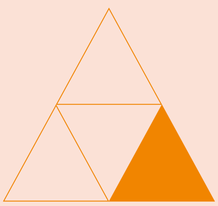


Structural efficiency

Structural efficiency is a prerequisite for being able to utilise the growth opportunities we see in the market while doing so with healthy profitability. Our proposed investment in a highly automated production plant in Sweden is a clear example of how we are improving our production structure and thereby strengthening our manufacturing capacity and our unique ability to mass-produce customised kitchens at a competitive cost. Continuing to hone our production structure through increased specialisation and over the long term centralising our component manufacturing are measures that enable lower fixed costs and facilitate concentrated investments.

To achieve structural efficiency throughout the Group, we are reviewing our entire value chain. For example, we are evaluating how we best can meet our customers physically; we intend to increase the share of franchises over the next few years as well as expanding digitally. Transport efficiency is another important link in the chain as regards lowering both costs and climate impact. Realising economies of scale in sourcing and production by introducing common standard dimensions for our core range allows us to stand at the leading edge as regards developing new products and concepts that make us stand out in relation to the end customers.

The work on harmonising our processes within the Group has also been given priority. This is a prerequisite for modernising, and thus enhancing the efficiency of, our IT architecture.



People engagement

Nobia's continued success is driven by the performance and commitment of our over 6,000 employees. Creating a solution-oriented culture characterised by diversity, where every individual feels that they are involved, is crucial for our ability to recruit and retain employees. Clear roles, responsibilities and targets that are broken down at a relevant level for all employees is a prerequisite for achieving the results we strive for. As is ensuring that our managers have the right abilities and conditions to lead Nobia to the next stage.

We want to create a work environment that is supportive, in which both managers and employees are encouraged to provide constructive feedback to push Nobia's development forward. The purpose is to create an organisation that every employee can be proud of, enabling them all to work towards the same goal: being an industry leader in design and sustainability. Continuing to invest in competence development and efficient communication channels are critical pieces of the puzzle in everyone's continual learning and development. High levels of competence, clarity and commitment are required so that we can be a successful, sustainable company.


We want to always be our customers' first choice in every market and every segment where we operate.

TARGETS AND TARGET FULFILMENT

FINANCIAL TARGETS

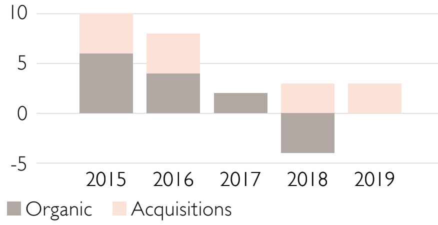
>5%
GROWTH

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

Target fulfilment

Sales grew by 5%. The acquisition of Bribus contributed with approx. 2.5% while the organic sales trend remained unchanged. By region, organic growth was -1% in the Nordic region, 1% in the UK and -4% in Central Europe. Changes in exchange rates impacted reported sales by approx. 2.5%.

Sales growth, %



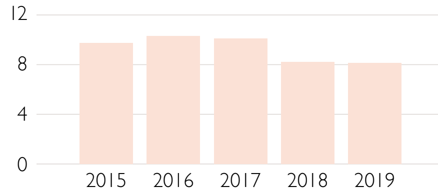
>10%
OPERATING MARGIN

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

Target fulfilment

The operating margin excluding items affecting comparability totalled 8.1% (8.2). The operating margin for the Nordic region increased during the year, while the operating margin for the UK fell. The Central Europe region improved its operating margin due to a higher margin in Bribus, which was acquired in 2018.

Operating margin excluding items affecting comparability, %



<100%
DEBT/EQUITY RATIO

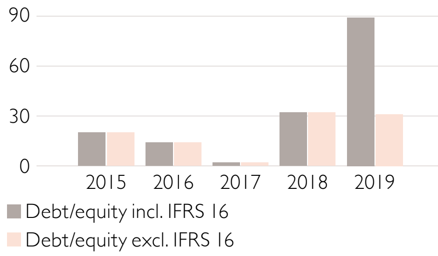
The debt/equity ratio is to be less than 100%. A temporary elevation of the debt/equity ratio is acceptable in conjunction with acquisitions.

Target fulfilment

Nobia has a strong financial position and the debt/equity ratio is within the target[1]. The debt/equity ratio[1] at 31 December 2019 amounted to 31% (32). Net debt[1] amounted to SEK 1,344m (1,266). Including the effects of IFRS 16, the debt/equity ratio was 89% (32) and net debt totalled SEK 3,819m (1,266).

1) Excluding the effects of IFRS 16 Leases, introduced on 1 January 2019.

Debt/equity ratio, %



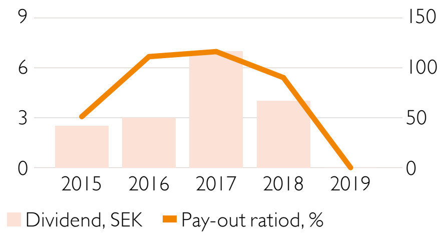
40–60%
DIVIDEND

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

Target fulfilment

Due to the uncertainty created by the impact of the Coronavirus outbreak at the beginning of 2020 the Board of Directors decided to withdraw the dividend proposal of SEK 4 per share.

Dividend to shareholders, SEK



SUSTAINABILITY TARGETS[1]

100% **TIMBER FROM SUSTAINABLE SOURCES** By 2020, 100% of our wood purchased will come from sustainable sources such as forests certified under acknowledged forest standards, recycled timber or timber from our suppliers who have been audited and approved for sustainability.	**Target fulfilment** 91% of Nobia's total timber and wood materials originate from a certified source, and the remaining 9% comes from our audited and approved suppliers. Moreover, at least 70% of all timber and wood materials purchased in the UK region was from FSC® (Forest Stewardship Council® FSC® -C100100) or PEFC™,[2] certified sources, with full traceability all the way to the customer.	**UN Global Compact principles** 2, 7, 8, 9 **UN Sustainable Development Goals**
100% **RENEWABLE ELECTRICITY** By 2020, all our production facilities in all markets will be run with 100% renewable electricity.	**Target fulfilment** The target of 100% renewable electricity in all production facilities has already been achieved. During the year, 100% renewable electricity was also introduced in all own stores.	**UN Global Compact principles** 7, 8, 9 **UN Sustainable Development Goals**
PRODUCT SUSTAINABILITY SCORECARD By 2020, we will have implemented a sustainability scorecard to evaluate the sustainability performance of our new kitchen products as regards choice of materials, design, and functionality.	**Target fulfilment** The scorecard was used for product evaluation of all new products during the product launches for the year and has provided new perspectives on materials evaluation and design for circularity.	**UN Global Compact principles** 1, 7, 8, 9 **UN Sustainable Development Goals**
SUPPLIER EVALUATION PROGRAMME By 2020, we will have guaranteed a programme for supplier evaluation, risk analysis and audit, and a channel for reporting violations of our Code of Conduct for Suppliers.	**Target fulfilment** The programme has been implemented, and of the 294 suppliers in the programme, 246 have been approved to date after review and an additional 14 have been approved after audit, a total of 88%. The remaining suppliers are still being processed in the programme.	**UN Global Compact principles** 1, 2, 4, 5, 7, 8, 10 **UN Sustainable Development Goals**

1) The sustainable development goals are a part of Nobia's 2017–2020 sustainability strategy 2) Programme for the Endorsement of Forest Certification™

UN GLOBAL COMPACT PRINCIPLES

The UN's Global Compact initiative is based on commitments by businesses to work on sustainability topics by introducing the ten principles of the Global Compact: human rights (principles 1–2), labour (principles 3–6), environment (principles 7–9) 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

HTH MODERN RETREAT

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

49%
of consolidated net sales

2019

- **Organic growth was -1%.** Denmark showed growth and Finland remained unchanged, while the other countries had negative organic growth.
- **Investments in the store network.** The model of franchise stores has proved to work well. The conversion of Norema stores to franchises was thus followed by the conversion of a number of HTH stores in Denmark.
- **Somewhat higher operating profit and improved margins.** Operating profit increased to SEK 886m (841) and operating margin rose to 13.1% (12.5).

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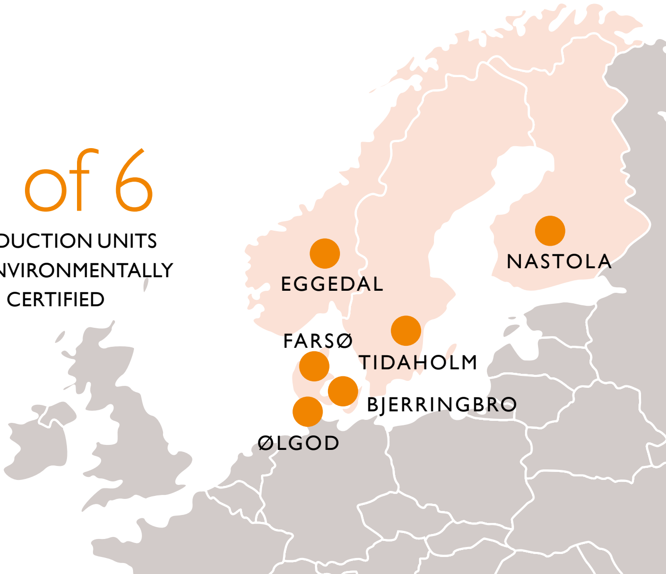
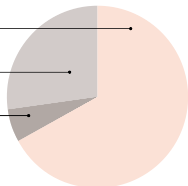
PRODUCTION UNITS ARE ENVIRONMENTALLY CERTIFIED

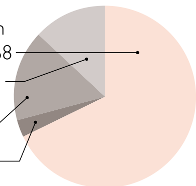


24	167	~450
OWN STORES	FRANCHISE STORES	RETAIL STORES

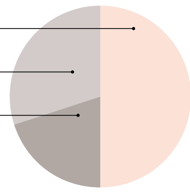
SALES PER PRODUCT, %



SALES CHANNELS, %



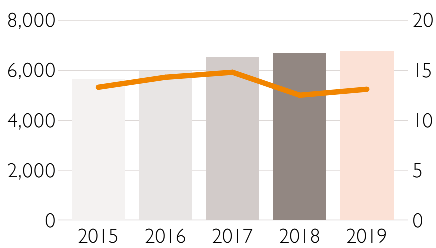
SALES BY CUSTOMER SEGMENT, %



KEY FIGURES

KEY FIGURES	2018	2019	Change, %
Net sales, SEK m	6,705	6,753	0.7
Gross profit, SEK m	2,590	2,567	-0.9
Gross margin, %	38.6	38.0	–
Operating profit, SEK m	841	886	5.4
Operating margin, %	12.5	13.1	–
Operating capital, SEK m	786	1,914	143.5
Return on operating capital, %	112	66	–
Investments, SEK m	182	172	-5.5
Average number of employees	2,715	2,557	-5.8
Number of employees at year-end	2,581	2,432	-5.8

NET SALES, SEK M AND OPERATING MARGIN, %



MARKET POSITION

Nobia is a leading kitchen supplier in the Nordic region with kitchen brands that are among the most well-known in their respective markets. Sales are to both consumers and professional customers such as local builders and construction companies (i.e. project sales). Our market positions are strongest in project sales as a supplier to construction companies and private property developers, both for new construction and renovation projects.

We compete with both local players and kitchen producers and international furniture companies in all of the Nordic countries.

Selection of competitors: Sweden; IKEA, Ballingslöv, Epoq. Norway; IKEA, Drømmekjøkkenet, Kvik. Denmark; Svane, IKEA, Kvik. Finland; Puustelli, Topi-Keittiöt, IKEA.

BRAND	PRODUCTS	CUSTOMER SEGMENT	SALES CHANNELS	MARKETS
HTH	Complete kitchen solutions in the mid-price segment, often rigid. A range of ready-to-assemble kitchens.	Consumers, professional customers.	21 own stores in Denmark; 70 franchise stores in Denmark, Sweden and Norway.	Denmark, Norway, Sweden, Finland
MARBODAL	Rigid and complete kitchen solutions in the mid-price segment.	Consumers, professional customers.	15 franchise stores, retailers (e.g. the Optimera, Beijer and XL Bygg construction chains). Kitchens to professional players are sold direct.	Sweden, Norway
sigdal	Rigid and complete kitchen solutions in the mid-price segment.	Consumers, professional customers.	17 franchise stores, retailers (e.g. the Byggmakker hardware chain).	Norway
PETRA	Primarily rigid kitchens in the mid-price segment.	Consumers, professional customers.	Nobia's Keittiömaailma (Kitchen World) franchise chain with 30 stores. 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, professional customers.	Primarily through 23 franchise stores.	Denmark
NOREMA	Primarily rigid kitchens. There is also a ready-to-assemble range in a lower price segment for consumers.	Consumers, professional customers.	Eight franchise stores, the Power electronics chain, retailers in the building trade.	Norway
uno form	Exclusive, expertly hand-crafted kitchens in the luxury segment.	Consumers, professional customers.	Two own stores, six franchise stores, a selection of HTH franchise stores.	Denmark, Norway, Sweden
A la Carte KEITTIÖT	Rigid kitchen solutions in the upper mid-price segment.	Consumers, professional customers.	Nobia's Keittiömaailma (Kitchen World) franchise chain.	Finland

MARKET TREND

Total demand in the Nordic kitchen market decreased slightly in 2019. Denmark, the largest market, was the strongest noting growth in both consumer demand and demand from professional customers. A slowdown in the project market in Sweden and Norway began in 2018, driven primarily by lower levels of new construction. The slowdown continued in 2019. In Finland, the project market levelled off after a period of record high new construction. The consumer market is deemed to have been relatively stable in Sweden, Norway and Finland during the year.

Nobia invests in highly automated production plant in Sweden

In light of Nobia's need for greater manufacturing capacity, better flexibility and more advantageous production costs in order to pursue profitable growth and to further strengthen the Group's competitiveness, Nobia made a directional decision during the year on an investment in a new highly automated production plant in Sweden. The proposed location of the facility, which will be one of Europe's most modern, is in Jönköping so as to achieve the best possible transportation and logistics efficiency as well as customer proximity. Construction is scheduled to begin in 2020 and in 2024 it will replace Nobia's existing plant in Tidaholm.

A total of approximately SEK 2bn is being invested in automation and other production equipment as well as a high level of environmental and sustainability performance, which will make it Nobia's largest investment ever. Lead times for customer order-driven kitchen manufacturing will decrease substantially, and the investment strengthens Nobia's position as Europe's leading kitchen specialist.

We have introduced Nordic Swan eco-labelled worktops

Since early 2019, we have had the pleasure of offering our customers Nordic Swan eco-labelled laminated worktops in the Marbodal, Sigdal, and Norema brands in Sweden and Norway. We were then one of the first in the market to offer Nordic Swan eco-labelled laminated worktops.

Demand for Nordic Swan eco-labelled products is increasing. To meet demand, we expanded our product range during the year by offering Nordic Swan eco-labelled laminated worktops as a supplement to our previously eco-labelled cabinets, doors and accessories. The process of securing the Nordic Swan eco-label for Nobia's brands in Sweden and Norway was initiated in 2018. Compliance with the criteria for materials, chemical content, traceability and so forth is ensured in partnership with suppliers. Our worktops have meet with a positive reception from customers, who can now supplement their eco-labelled cabinets and doors with a Nordic Swan eco-labelled worktop.

The Nordic Swan is an eco-label that helps the consumer make positive choices for the environment. Before a product can be labelled with the Nordic Swan, it is evaluated and analysed from a life cycle perspective including content, manufacturing and use as well as how the product is handled once it has been consumed. The Nordic Swan places strict requirements and demands documentation and extensive testing from independent laboratories to ensure that all the requirements are met.

The advantages of a Nordic Swan eco-label are many. A product with the Nordic Swan eco-label passes tough environmental, health, quality and functional requirements. In other words, they are long-lasting products that contain a minimum of hazardous chemicals and promote a healthier indoor environment.

UK
REGION

42% of consolidated net sales

2019

- **Organic growth** was 1%.
 Sales in Magnet to the builder segment increased, while consumer sales decreased. Project sales in Commodore and CIE increased, while Rixonway decreased.
- **Investments** to customise Magnet's customer offering even more for the trade segment resulted in significant increases in sales.
- **Operating profit** excluding items affecting comparability increased to SEK 345 m (323) and the corresponding margin was 5.8% (5.8).

5 of 5

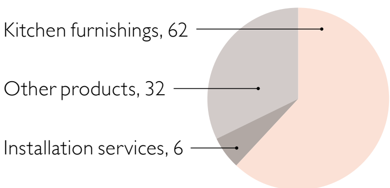
PRODUCTION UNITS ARE ENVIRONMENTALLY CERTIFIED

210
OWN STORES

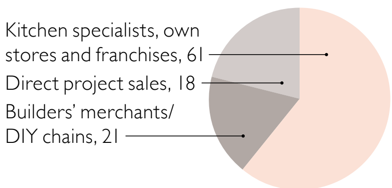
162
STORES WITH THE TRADE CONCEPT

~500
RETAIL STORES

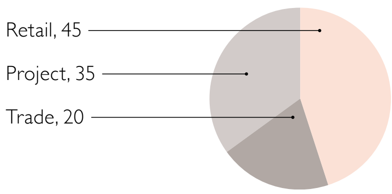
SALES PER PRODUCT, %



SALES CHANNELS, %

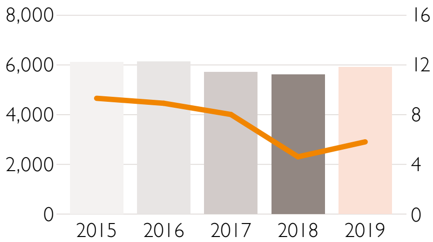


SALES BY CUSTOMER SEGMENT, %



KEY FIGURES	2018	2019	Change, %
Net sales, SEK m	5,597	5,902	5.4
Gross profit, SEK m	2,190	2,282	4.2
Gross margin, %	39.1	38.7	–
Operating profit, SEK m	257	345	34.2
Operating profit excl. items affecting comparability, SEK m	323	345	6.8
Operating margin, %	4.6	5.8	–
Operating margin excl. items affecting comparability, %	5.8	5.8	–
Operating capital, SEK m	1,969	3,402	72.8
Return on operating capital, %	14	13	–
Investments, SEK m	149	177	18.8
Average number of employees	2,879	2,887	0.3
Number of employees at year-end	2,768	2,960	6.9

NET SALES, SEKM AND OPERATING MARGIN[1], %



1) Excluding items affecting comparability.

MARKET POSITION

In the UK kitchen market, which is Nobia's single largest market, Nobia is in general a leading player – but with diversified operations throughout its market segments. Kitchens under the Magnet brand, the UK's largest and oldest kitchen brand, are sold through own stores directly to consumers and builders. Kitchens for the project market are delivered to housing and property development companies primarily in Commodore and CIE but also through Magnet, and for social housing through Rixonway. Kitchen products are also manufactured as private labels in our Gower operations, which delivers primarily to the Wickes DIY chain and the Benchmarx hardware chain.

Selection of competitors: Howdens (primarily builder sales), B&Q, Wren and IKEA in the consumer segment and Symphony in project sales.

BRAND	PRODUCTS	CUSTOMER SEGMENT	SALES CHANNELS	MARKETS
Magnet	Rigid kitchens in the mid-price segment, delivered with a high level of service commitment. A range of ready-to-assemble kitchens. A range of kitchen products, doors and other joinery products is kept in stock for builders.	Consumers, professional customers.	210 own stores, some of which concentrate primarily on consumers, while other stores serve both consumers and professional customers such as small local construction companies and minor property developers.	UK
Gower	Ready-to-assemble kitchens and bathrooms, primarily under private labels but also under its own brand, Rapide.	Professional customers.	Building materials trade and DIY chains.	UK
ck commodore kitchens	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. Group company CIE sells imported complete kitchen solutions in the luxury segment and installation services.	Professional customers.	Kitchens direct to companies in property development and residential construction, primarily in London and south-east England.	UK
rixonway kitchens	Rigid kitchen solutions in the economy segment. Installation services.	Consumers, 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

MARKET TREND

The UK kitchen market is deemed to have decreased in 2019, in part owing to the political and economic uncertainty surrounding Brexit. Prices on the housing market were relatively stable, but the increased uncertainty led to weakened consumer confidence and a more cautious attitude towards discretionary products such as kitchens.

There is still a great need for new housing in the UK, but the project market may be impacted by the general uncertainty, with a volatile market trend as a result. Sales to builders are generally more resilient against economic declines compared to sales to consumers. Competition remained fierce during the year, with downward pressure on prices among the results. Sales to builders are generally more resilient against economic declines compared to sales to consumers. Competition remained fierce during the year.

Nobia delivered kitchens to several major prestige projects in London

Commodore and CIE, part of the Nobia Group since 2015, are specialists in project sales. Commodore designs, manufactures and installs kitchens in the upper mid-price segment for customers in property development and housing construction, whereas CIE is a retailer that designs and installs premium kitchens for top-class development projects in London.

Lengthy relationships with property developers and a proven ability to successfully manage large, complex kitchen projects in everything from design and production to installation have allowed the company to win several prestigious assignments. As a kitchen supplier, providing options for the final appearance and feel of each individual kitchen in a major project is important. These projects include Battersea Power Station, Southbank Place and South Quay Plaza, which will be one of Europe's tallest residential blocks with a height of 220 metres and 68 storeys.

Improved customer offering for trade customers in the UK

In 2019, Magnet took the next step and sharpened its offering for builders (Trade customers) after successfully repositioning its brand in 2018 with a focus on private customers in the UK. Trade customers are an important target group, since local builders complete between three and five kitchens a year, compared with a private customer who on average replaces their kitchen every 15 to 20 years. Builders also have a strong influence on consumers' choice of kitchens, which is why building relationships with local builders is extremely important for retailers.

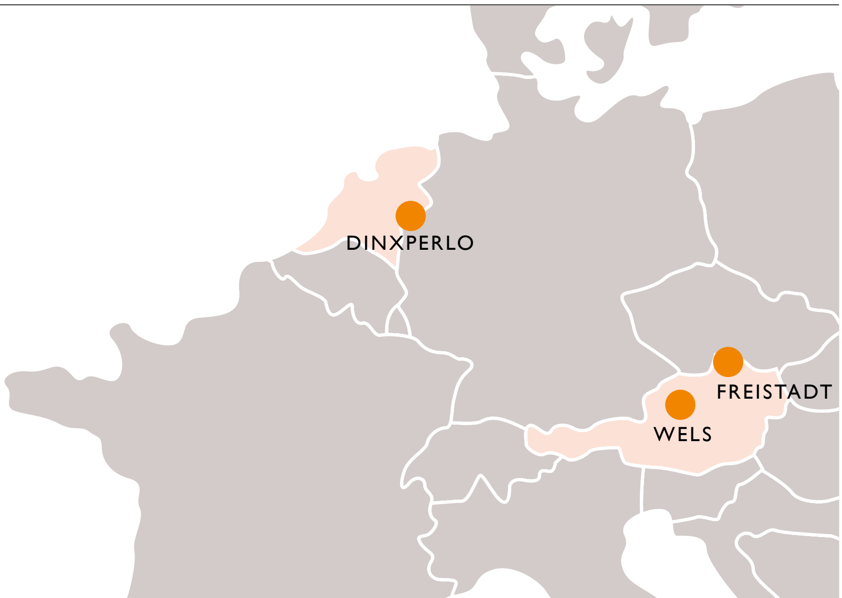
160 of Magnet's over 200 stores in the UK were adapted during the year to the new concept, which is built on the idea that being a customer should be simple for builders. The offering includes a competitive loyalty programme, a more attractive selection of kitchen and joinery products in stock for the best availability, and dedicated business developers supporting the builders. Most of the Trade customised stores share space with kitchen displays for consumers, which is an advantage since builders can select kitchens together with their customers.

Central Europe
REGION

9% of consolidated net sales

2019

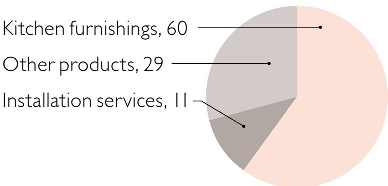
- **Organic growth was -4%,** partly the result of lower demand in the Netherlands and prioritising improvements to profitability in Austria.
- **Operations in Austria improved** their earnings and margin after the review in 2018. Bribus, which was acquired in 2018, had a stable performance.
- **Operating profit** totalled SEK 98m (58) and the operating margin was 7.7% (6.4).



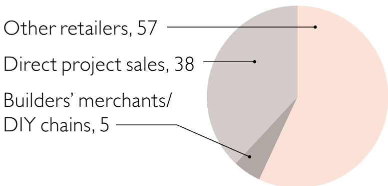
>500
SALES LOCATIONS

2 of 3
PRODUCTION UNITS ARE ENVIRONMENTALLY CERTIFIED

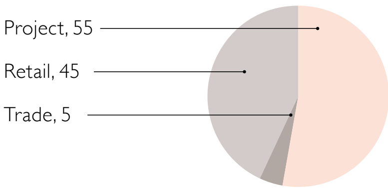
SALES PER PRODUCT, %



SALES CHANNELS, %

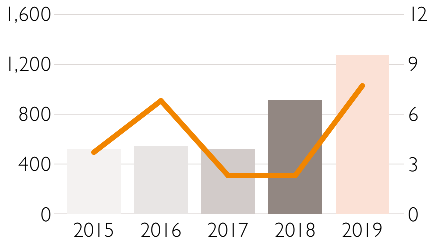


SALES BY CUSTOMER SEGMENT, %



KEY FIGURES	2018	2019	Change, %
Net sales, SEK m	909	1,275	40.3
Gross profit, SEK m	256	394	53.9
Gross margin, %	28.2	30.9	–
Operating profit, SEK m	58	98	69.0
Operating margin, %	6.4	7.7	–
Operating capital, SEK m	292	423	44.9
Return on operating capital, %	28	27	–
Investments, SEK m	16	29	81.3
Average number of employees	524	650	24.0
Number of employees at year-end	665	648	-2.6

NET SALES, SEK M AND OPERATING MARGIN, %



MARKET POSITION

Nobia has a small share of the total kitchen market in Central Europe, but has a relatively strong position in Austria — and also in the Netherlands after the acquisition of Bribus in 2018.

In Austria, Nobia sell kitchens under the brands ewe, FM and Intuo. Sales are primarily to a large number of independent kitchen specialists, some of whom are organised through purchasing organisations, and also to a few major Austrian furniture chains such as Leiner and XXXLutz. The Austrian operations also have a certain amount of exports to its neighbouring countries Germany, Switzerland and Italy.

In the Netherlands, 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 approximately 50 sales points that sell kitchens to smaller construction companies and builders.

Selection of competitors: Austria: DAN Küchen, Nobilia, IKEA. Netherlands: Bruynzeel Keukens, Keller, Mandemakers.

BRAND	PRODUCTS	CUSTOMER SEGMENT	SALES CHANNELS	MARKETS
ewe	Rigid kitchens with modern designs in the mid-price and premium segments.	Consumers.	Austrian furniture chains. Over 400 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. During projects, they provide overall project responsibility.	Professional customers.	Sold directly to construction companies, where they take overall project responsibility. A small portion of sales are made to retailers in the building materials trade.	Netherlands
FM	Rigid kitchens with traditional designs and a high level of functionality, such as solid wood counters and cabinets that can be raised and lowered, in the mid-price and premium segments.	Consumers.	Austrian furniture chains. Some 190 independent kitchen specialists.	Austria
INTUO	Rigid and complete kitchen solutions in the premium segment.	Consumers.	Over 100 independent kitchen specialists.	Austria, Germany, Switzerland, UK

MARKET TREND

The Austrian kitchen market is deemed to have remained unchanged in 2019 compared with 2018, with stable levels of housing construction and stable macroeconomic conditions. Intense competition continued to prevail from companies such as DAN Küchen in Austria and several German kitchen companies. Demand in the project segment in the Dutch kitchen market is deemed to have decreased somewhat compared to the preceding year.

MAGNET INTEGRA SOHO

Our sustainability initiatives

The global challenges facing society 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.

SUSTAINABLE VALUE CREATION

The core of our operations is our products – offering sustainable kitchens that people can – and want to – enjoy for a long time.

We want to create kitchens that are designed with people and the environment in mind, while they inspire and facilitate a healthier, more sustainable lifestyle in the kitchen. That is why creating value throughout the life cycle is central to our sustainability initiatives and the linchpin of our sustainability strategy.

Starting from our sustainability strategy, we work purposefully with material sustainability topics in various parts of the value chain, from product development and selection of raw wood materials to programs for responsible sourcing and more climate-smart production.

We always strive to raise our ambition in our sustainability efforts, and during the year we took significant steps towards even more sustainable operations.

A selection of the year's sustainability awards

- Top ranking in the "Walking the Talk" report from the Mistra Center for Sustainable Markets (Misum) at the Stockholm School of Economics, which reviewed the Large Cap companies in Nasdaq Stockholm
- Second place in the annual Sustainable Companies ranking of sustainability efforts by OMX listed companies
- The British Safety Council's "Sword of Honour", one of the most prestigious security awards in the UK, for our health and safety initiatives
- Three out of a possible three points for Nobia UK on the WWF's "Timber Scorecard". The report assesses UK companies on their timber product sourcing policies and performance

SUSTAINABILITY 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.

PRODUCT DEVELOPMENT

We offer kitchens that last for years. This long-term perspective requires developing products that meet both needs of today and tomorrow. Sustainability is therefore a focus area in our product development.

SOURCING

Through our responsible sourcing programme, we monitor, place demands on 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.

MANUFACTURING

In manufacturing, we work systematically with health, safety, resource efficiency, the environment and the climate. The majority of our production facilities are also ISO certified.

TRANSPORTATION

Transportation from our production facilities to customers takes place through distributors, or alternately with our own vehicle fleet depending on the market. Using studies and analyses of our transport flow, we work to find new and optimal solutions.

SALES

We have long experience in designing kitchens, and we help the customer the entire way from inspiration to installation in order to promote a sustainable kitchen solution for both immediate and future needs.

USE

With our kitchen solutions, we can help our customers to live more sustainably, for example, through a more sustainable choice of materials and by facilitating energy savings and, recycling, and reducing food waste.

WASTE AND RECYCLING

Through systematic work and in individual projects, we strive to reduce our waste and increase our circular flow of materials. Waste wood from production is used as an energy source or for manufacturing new material.

FOCUS ON SUSTAINABILITY INITIATIVES STRENGTHENS OUR BUSINESS

Sustainability is a natural component of our operations.

For us, sustainability initiatives mean striving for a balance among economic, social, environmental and climate-related issues. It is a balance that requires knowledge and understanding of how we affect, and are affected by, our business environment and our stakeholders. To analyse our most material topics, we start not only from our direct and indirect impact but also analyses of trends and the business environment, research and dialogue with our stakeholders. By understanding their expectations and wishes, we can strengthen our operations and our ability to satisfy immediate and future needs.

We have identified the following material topics: wood, the climate, circularity, resource efficiency, chemicals, eco-labelling, health and safety, human rights and responsible sourcing as well as equality and diversity. These topics are the foundation of our focus areas, our strategic planning and our practical work. With a clear focus, we can develop relevant products and offerings that strengthen our business.

A GROUP-WIDE SUSTAINABILITY STRATEGY LEADS THE WAY

Our Group-wide sustainability strategy links our core operations with our ambitions to promote the UN Sustainable Development Goals. The strategy, which we have worked with since its adoption in 2017, is built on four focus areas concerning products, materials, climate and sourcing. These focus areas work together with our other strategic initiatives concerning resource efficiency and employees. Our goals in the respective areas of focus are continually monitored and must be met by 2020 at the latest. In 2019, the work on developing the Group's next sustainability strategy was initiated, which will be a further development of the leadership ambition in sustainability expressed in Nobia's business strategy.

SUSTAINABLE INNOVATIONS

Under our brands, we offer kitchens that last for years. This long-term perspective requires remaining on the leading edge, developing products that meet the needs of both today and tomorrow. Sustainability is thus a central theme in our concept and product development.

CENTRAL CONCEPT DEVELOPMENT AND DESIGN

During the year, we strengthened our procedure for design and product development, and created a new central function for concept development and design. With a clearer orientation on design, we want to strengthen our position as a leader in design and bring additional strength to our brands by developing products in keeping with our customers' wishes. Our goal is to further position our brands as the most preferable alternatives where kitchens and storage are concerned.

SUSTAINABLE CONCEPT KITCHENS

We want to meet changes in our business environment and customer needs regarding both design and function with our concept kitchens. We launched two concept kitchens with a sustainability focus in 2018. In the "Waste-Free" kitchen concept, we focused on recycled material and support for reduced food waste. This work has enabled us to develop more products with a focus on sustainability, and involved our customers in issues around sustainable consumption and food management. In our brand Bribus, we continued our work on developing a circular concept kitchen. During the year we have worked on, for example, choice of materials and developing a business model for the circular kitchen.

EXTENSIVE EXPERIENCE WITH ECO-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 the BRE Environmental Assessment Method (BREEAM) and Nordic Swan eco-labelled buildings. Furthermore, we offer products that meet local labelling standards in our various markets. During the year, we expanded our offering of Nordic Swan eco-labelled products and launched the Nordic Swan eco-labelled worktops. In Sweden and Norway, 47 per cent (45) of the sales value in 2019 came from Nordic Swan eco-labelled products.

Product safety is a linchpin in our work. Safety and ergonomics are 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. In Nobia UK, all our cabinets and doors are rigorously tested in line with the Furniture Industry Research Association (FIRA) furniture requirements. We are seeing tremendous — and continually increasing — market interest in sustainability certification and product labelling.

SCORECARDS FOR NEW PRODUCTS

In our product development, we use a sustainability scorecard to assess materials, work on design and assess the sustainability performance of the product. The sustainability scorecard was implemented in 2018 and 2019 and to date has been used for two product launches. By assessing materials, working on design, evaluating suppliers and assessing the function of the products in the product development process, our products are put before a range of questions the responses to which allow us to reduce the environmental impact of products during their life cycle.

TARGET 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.

TARGET FULFILMENT: The scorecard was used for product evaluation of all new products during the product launches for the year and has provided new perspectives on materials evaluation and design for circularity.

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

UN SUSTAINABLE DEVELOPMENT GOALS:

Read more about the Global Compact and Sustainable Development Goals on page 19.

TIMBER FROM SUSTAINABLE SOURCES

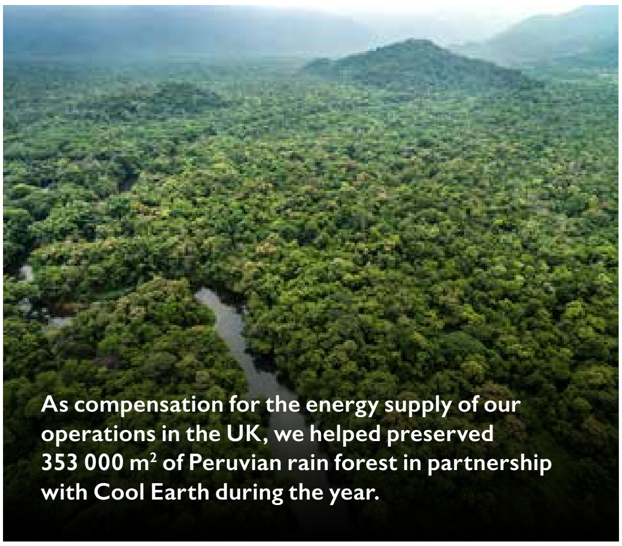
Wood is the main component of our products. Wood is renewable, recyclable and durable. Being a sustainable choice requires that it comes from responsible forestry so that we can contribute to a sustainable forest.

TIMBER FROM SUSTAINABLE SOURCES

Our strategic goal is for all purchased timber to come from sustainable sources. By that, we mean timber from forests that are certified for sustainable forestry, recycled wood and/or wood from suppliers audited and approved for sustainability. Timber and trade in timber are strictly regulated through the EU Timber Regulation. To ensure compliance, we gather information on traceability for the timber and wood materials we purchase. Nearly all our suppliers of timber and wood products are based in Europe.

All our suppliers of timber 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 timber from intact natural forests, high conservation value forests, or plantations in tropical and sub-tropical regions; and that it is not timber from tropical trees except those that are certified.

In addition, we strive to increase the share of timber from certified forests. In 2019, 91 per cent (92) of the timber and wood products Nobia purchased came from certified sustainable sources. A smaller reduction from last year is due to larger amount of total wood purchased. Moreover, in the UK region at least 70 per cent (70) of all timber and wood materials purchased was FSC® or PEFC™ certified, with full traceability all the way to the customer.



As compensation for the energy supply of our operations in the UK, we helped preserved 353 000 m² of Peruvian rain forest in partnership with Cool Earth during the year.

WOOD – A PERFECT MATERIAL FOR RECYCLING

The largest part of our incoming wood consists of board material. Board material – chipboard, for example – often consists of both by-products and recycled material. This way, waste wood from sawmills and forestry as well as from worn-out furniture and wood products is upgraded into new material. Approximately 30 per cent of the material in our chipboard consists of recycled wood that meets the requirements in applicable directives and systems for inspection. Read more about how we work with our own waste wood from production on page 43.

TARGET 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.

TARGET FULFILMENT: 91 per cent of Nobia's total timber and wood materials originates from a certified source, and the remaining 9 per cent comes from our audited and approved suppliers. Moreover, at least 70 per cent of all timber and wood materials purchased in the UK region was from FSC® or PEFC™ certified sources, with full traceability all the way to the customer.

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

UN SUSTAINABLE DEVELOPMENT GOALS:

Read more about the Global Compact and Sustainable Development Goals on page 19.

Concept kitchens with a focus on circular solutions

In Bribus, our Dutch brand, we have been working since 2018 on a circular concept kitchen with a focus on extended service life as well as repairable and replaceable parts. The work is taking place with partners such as the Delft University of Technology.

Every materials flow has been charted step by step as part of the project. In partnership with suppliers and customers, we have looked at circular solutions concerning innovation in new business models. This includes choice of materials and kitchen use as well as product upgrades and replacement.

We now have a kitchen concept with a theoretically longer service life than the normal 20 years. The kitchen is easily customisable so that an entirely new kitchen is no longer necessary when tastes or circumstances change. Repairs are easier since the kitchen has not been glued together. All the parts are loose and click into place.

The circular kitchen has been developed in accordance with a modular "plug and play" principle. The designed details of the cabinets can be customised with a style package. This way, the design and appearance of the kitchen can easily be adapted to the user's sometimes changing tastes. Replacing the entire kitchen is nearly never necessary.

Approximately 40 kitchens will be tested among customers in 2020.

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 allow consumers to live more eco-friendly at home.

RENEWABLE ENERGY

During the year, we took a further step towards renewable energy by switching all our own stores in all markets to renewable electricity. Some time ago, we switched all our production facilities to renewable electricity. Moreover, many of our production facilities are heated through energy reclamation of our own waste wood. In all, this means that 87 per cent (81) of our total electricity and heating needs come from renewable energy such as solar, wind, water and waste wood. At the same time, we want to increase this share. Over the coming year, we will install solar cells at our facility in Austria, thereby significantly reducing CO_2 emissions for energy in that country.

REDUCED EMISSIONS

Our total CO_2 emissions have decreased in pace with switching to renewable electricity. Before the switch, our total emissions from electricity, heating and fuel for own transportation (Scope 1 and 2) was approximately 34,000 tonnes in 2016. Since then, our CO_2 emissions decreased to approximately 13,600 tonnes in 2019 – a total reduction of 60 per cent in four years and 25 per cent in 2019.

CLIMATE IMPACT IN OUR VALUE CHAIN

We are now taking the next step and looking at other measures that will help us further decrease our direct CO_2 emissions going forward. During the year, we began work on surveying emissions in our value chain in order to broaden our insight into our indirect climate impact. Our kitchen fittings are largely based on renewable materials in the form of timber, and therefore have a limited climate impact. Other product groups, such as household appliances, have a greater climate impact, both in production and in use. The survey of our indirect climate impact will be an important basis for decisions in the work on our strategic climate initiatives going forward.

OPTIMISATION OF TRANSPORTATION

Transportation from our production facilities to customers takes place through distributors, or alternately with our own vehicle fleet depending on the market. We work continually on optimising our transportation fleet through better overview and planning, for the purpose of reducing costs as well as our impact on the climate and the environment.

Our freight deliveries using our own vehicles primarily take place in the markets in Denmark and the UK. To reduce the impact from this transportation, we upgraded our route planning tool for the Danish market during the year. It is estimated that the upgrade and automation reduced miles driven by 5–10 per cent.

MORE CLIMATE-SMART MEETINGS AND TRAVEL

An initiative in increased opportunities for digital meetings was launched throughout the entire Group. This is how we want to promote a culture with more climate-smart, virtual and travel-free meetings.

During the year we also revised the Group's company car policy. The intent is to encourage employees to choose a more environmentally friendly car and to support the choice, for example, of electric cars. Renewable fuel is to be used where possible locally, and in Sweden it is now mandatory when choosing diesel vehicles to use diesel fuel that contains renewable raw materials and/or is eco-labelled in the Nordic region.

TARGET 2020: 100 per cent renewable electricity in all our production facilities on all markets.

FULFILMENT: 100 per cent renewable electricity in all production facilities is already achieved.. During the year, 100 per cent renewable electricity was also introduced in all own stores.

UN GLOBAL COMPACT PRINCIPLES: 7, 8, 9

UN SUSTAINABLE DEVELOPMENT GOALS:

Read more about the Global Compact and Sustainable Development Goals on page 19.

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 requirements and creating transparent and efficient partnerships with responsible suppliers.

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.

Our programme for responsible sourcing covers risk analysis, review and evaluation and contains an anonymous channel for reporting violations of our Supplier Code of Conduct. Our Supplier Code of Conduct regulates and governs Nobia's supplier requirements concerning working conditions, human rights, business ethics and environmental considerations.

The programme covers approximately 300 suppliers, corresponding to 99 per cent of the total cost for direct materials. Since the supplier base is not constant, new suppliers need to be reviewed and old suppliers phased out. This means that our supplier programme for responsible sourcing is active throughout the year.

AUDIT – A TOOL FOR DEVELOPMENT

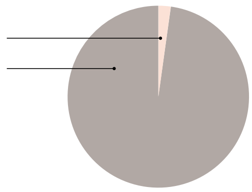
Physical supplier audits are intended to identify, manage and ameliorate any deviations and to identify areas for improvement. During the audits, we can highlight positive examples and significant improvement work.

Deviations from audits during the year were primarily related to painting deliveries, with identified shortcomings in the use of personal protective equipment, first aid equipment maintenance, fire safety procedures and chemical storage and spill control.

PROGRAMS FOR RESPONSIBLE SOURCING

Significant suppliers	294
Sustainability-reviewed suppliers	279
Suppliers approved after review	246
Suppliers with audit requirements	33
Suppliers approved after audit	14
Suppliers not approved after audit (in current programmes)	6
Suppliers awaiting audit (in current programmes)	13

SUPPLIERS BY GEOGRAPHICAL AREA



TARGET 2020: We have ensured 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 intend to work further down the supplier chain.

TARGET FULFILMENT: The programme has been implemented, and of the 294 suppliers in the programme, 246 have been approved to date after review and an additional 14 have been approved after audit, a total of 88 per cent. The remainder are being processed.

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

UN SUSTAINABLE DEVELOPMENT GOALS:

Read more about the Global Compact and Sustainable Development Goals on page 19.

RESOURCE EFFICIENCY

Circular solutions and conserving nature's resources benefit both the environment and the climate. That is why we continually review how we can optimise the use of materials and other resources so that we benefit fully from them.

NEW FUNCTION FOR CONTINUAL IMPROVEMENT

During the year, we created a central function for Operational Excellence with the goal of improving work safety, quality, customer deliveries and cost efficiency. Using the Lean programme, we are building up the capacity to continually improve ownership in work teams and pursue improvement initiatives locally.

Other initiatives in the Operational Excellence function are being pursued in parallel, such as optimising materials utilisation by reducing our waste from sawing operations. Initiated last year, the saw waste project has to date made progress primarily in our smaller facilities, and we see opportunities for continuing to develop the process of reducing saw waste from production.

FOCUS ON MORE WATER-BASED PAINTING

We invested in a new painting facility in our production plant in Norway during the year in order to paint all our MDF in water- and UV-based paints. We will thus be able to expand the Group's eco-labelled offering by also offering Nordic Swan eco-labelled products in the Norwegian market.

Total VOC emissions decreased slightly during the year, from 316 tonnes to 298 tonnes. Emissions per lacquered detail also decreased from 5.0 to 4.9 kg VOC per 100 lacquered details. We expect results from the investment in the form of reduced total VOC emissions going forward.

MINIMISING PLASTIC PACKAGING

In several of our production facilities, we are working actively on reducing impact from packaging materials, primarily plastic materials.

At our production plant in Nastola, Finland, for example, we have switched to thinner plastic shrink wrap and stretch film for kitchen products, which decreases the total consumption of plastic by up to 40 per cent. The change is part of a central sourcing project, and other production facilities are now trialling a thinner plastic stretch film for packaging in order to further reduce the use of plastic packaging throughout the Group.

WASTE TURNED INTO NEW RESOURCES

Our waste consists primarily of waste wood from our production. We endeavour to reduce the generation of waste in all of our manufacturing, for example, through the saw waste project described above. At the same time, we endeavour to promote a more circular flow in which we create cycles of products and materials that are re-used. Over the last few years, we have increased the proportion of waste that goes to materials reclamation. In 2019, we also initiated new partnerships for re-use of waste wood. Currently, altogether 62 per cent (50) of our waste wood goes to new products in the form of materials recycling and re-use. Read more about our partnership for making new resources out of waste on page 43.

At our production facility in Ølgod, Denmark, we switched last year from burning of waste wood for heat to material recycling of waste wood. The switch has entailed more efficient energy use as well as a further increase in the amount of waste wood going to external material recycling.

SYSTEMATIC WORK FOR INCREASED RESOURCE EFFICIENCY: In our manufacturing we follow goal-driven Lean initiatives, which including systematic work on increasing resource efficiency, reducing energy consumption and use of raw materials, and reducing emissions and waste. At present, 62 per cent of our waste wood goes to producing new products and the rest to energy reclamation.

UN GLOBAL COMPACT PRINCIPLES: 7, 8, 9

UN SUSTAINABLE DEVELOPMENT GOALS:

13 CLIMATE ACTION

15 LIFE ON LAND

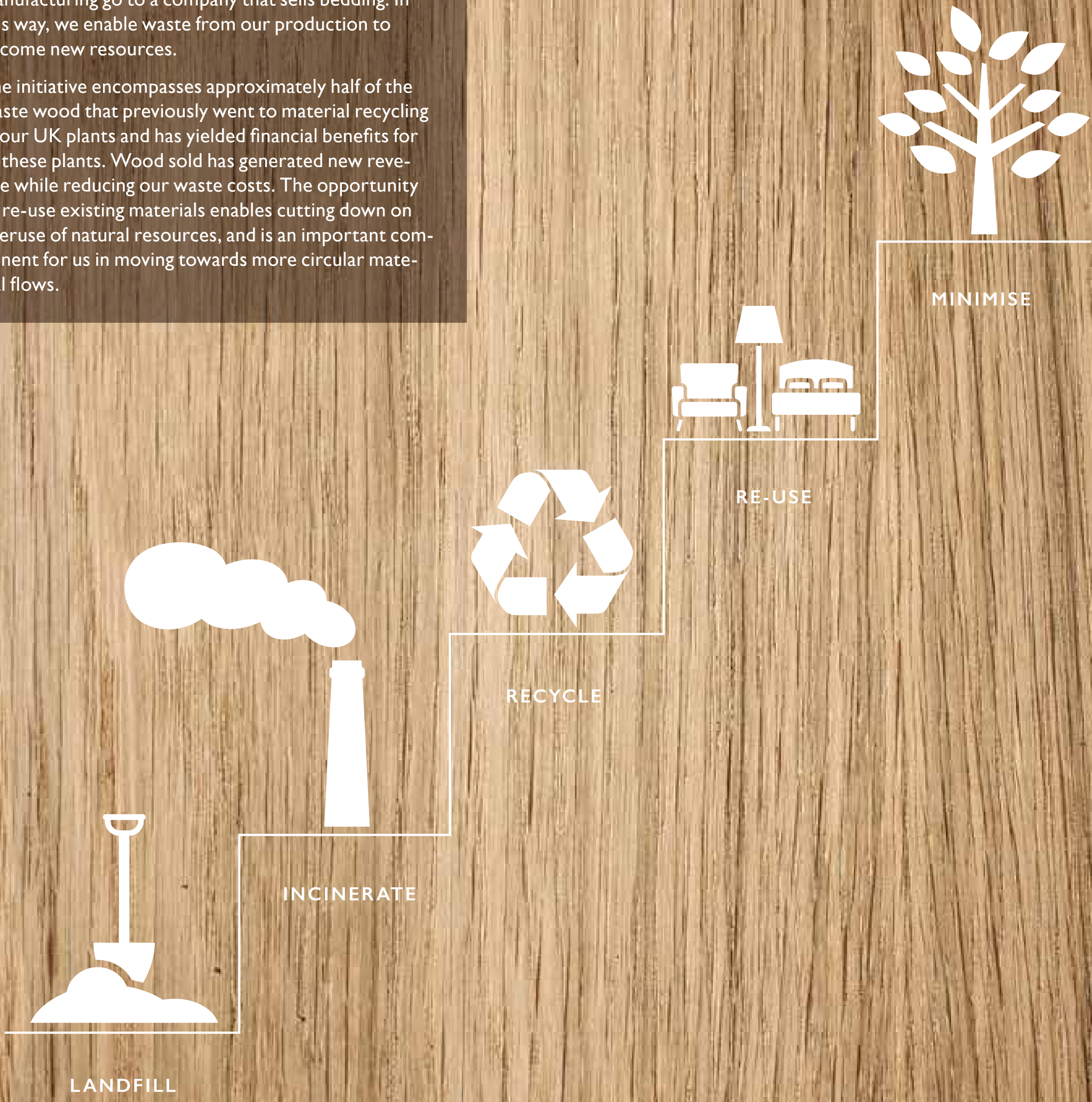
Read more about the Global Compact and Sustainable Development Goals on page 19.

New use of our waste wood creates a win-win situation

We endeavour to minimise waste in every step of our production. For the waste that we do generate, we follow what is called the 'waste hierarcy'.

In Nobia UK, we took the step last year from recycling to re-using large amounts of our waste wood and initiated a partnership with other businesses including a local furniture company. Waste wood in the form of board material that previously went to materials reclamation can now be re-used in production of headboards and other furniture. We have also initiated an additional partnership in which wood chips from our manufacturing go to a company that sells bedding. In this way, we enable waste from our production to become new resources.

The initiative encompasses approximately half of the waste wood that previously went to material recycling at our UK plants and has yielded financial benefits for all these plants. Wood sold has generated new revenue while reducing our waste costs. The opportunity to re-use existing materials enables cutting down on overuse of natural resources, and is an important component for us in moving towards more circular material flows.



EMPLOYEE WELL-BEING

Through our employees, we make a difference. Employees with high job satisfaction, who display commitment and all work towards the same goals and vision, are crucial for our success. By building a culture of inclusion, integrity and safety, we are creating a work environment in which both our employees and our operations can develop.

COMMITMENT AND DEVELOPMENT ON THE JOB

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 commitment is a reflection of involved and competent managers, and we see a clear link between them in our employee survey. To provide all the managers in our organisation the opportunity to develop and strengthen their leadership, we conduct the Excellent Leadership programme in which managers are given the methods and tools to use in their daily management work. The programme has been implemented in all the countries where we operate, and to date covers 380 managers.

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.

SYSTEMATIC WORK AND LOCAL GOALS AT ALL PRODUCTION FACILITIES: The health and safety of our employees is our highest priority. Our goal is safe and healthy workplaces. We work systematically on health and safety in our manufacturing, which means that we investigate, assess risks, implement and monitor operations to prevent both ill health and workplace accidents. During the year, we reduced the number of workplace accidents by 33 per cent.

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

UN SUSTAINABLE DEVELOPMENT GOALS:

5 JÄMSTÄLLDHET

8 DECENT WORK AND ECONOMIC GROWTH

Read more about the Global Compact and Sustainable Development Goals on page 19.

Employee surveys are conducted regularly to monitor issues concerning employee commitment, management and team efficiency. The surveys form the basis for creating active work around commitment and local action plans supporting our shared goals are worked out based on the results. This year's commitment index from the survey was 79 (78), with a response rate of 82 per cent (81). Furthermore, a more comprehensive survey was conducted in 2019 around the concept of organisational health, which provided insight into how Nobia performs as an organisation and measured our ability to achieve our goals. The results will be used to prioritise issues for further work in the Group.

A PERMANENT LABOUR FORCE

Nobia's employees are primarily permanent. Only approximately 1.5 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.

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 comprises six people – three women and three men – and is therefore 50 per cent (44) women. In the management group including the CEO, the division between women and men is 8 per cent (9) and 92 per cent (91), respectively. Out of some 100 senior executives and senior managers, 24 per cent (24) are women and 76 per cent (76) men.

THE CODE OF CONDUCT

A corporate culture that upholds integrity is a prerequisite for our reputation as a reliable business partner, and our ability to be an attractive and stimulating workplace.

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 partners. 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. 30 cases (32) were reported in 2019, of which 4 (14) were via SpeakUp, our anonymous reporting channel for breaches of the Code. 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. Employees are encouraged to report any conduct that breaches the Code via internal channels, or anonymously through SpeakUp.

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 2019, nothing emerged that indicated any increased risk of corruption. Read more on page 105

SAFE AND SECURE WORK ENVIRONMENT

Systematic work

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. In addition, 7 of our 14 production facilities have work environment management systems that are third-party certified (OHSAS 18001). 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.

New scorecard

During the year, we worked actively on developing existing safety routines and implementing new ones in production. Routines for governance, escalation and follow-up, as well as practical tools for daily occupational health and safety work, have been reviewed and improved as needed. Our scorecard for production is an internal tool that covers several strategically important questions – workplace accidents, for example.

Monitoring

Workplace accidents and activities to prevent them are monitored by senior management on a monthly basis using the scorecard. During the year, we successfully reduced the number of workplace accidents by 33 per cent. In 2019, 62 (92) workplace-related accidents occurred that resulted in at least eight hours of sick leave. This corresponded to 10.4 workplace accidents (15.2) per million hours worked. Most of the accidents were related to manual processing and lifting but resulted in no permanent injuries. This positive trend concerning reduced workplace accidents is considered to be a result of the new health and safety programme implemented in our production units.

BOARD OF DIRECTORS' REPORT

The Board of Directors and President of Nobia AB (publ), Corporate Registration Number 556528-2752, hereby present the annual report and corporate accounts for the fiscal year 2019. The Board of Directors' Report can be found on pages 46–58, the financial statements on pages 59–97, the corporate governance report on pages 100–109 and the sustainability report on pages 32–45, 52–58 and 114–116.

OPERATIONS

Nobia is a 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.

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. Sales to professional customers, for example, construction companies and builders, are direct – project sales or via own stores, franchise stores and other retailers.

Nobia is organised in three geographic regions: Nordic, the UK 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 year.

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

Financing: The debt/equity ratio (net debt/shareholders' equity) is not to exceed 100%. 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% 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's strategy endeavours to create profitable growth, which means organic growth and improved margins in accordance with the Group's financial targets. This will take place through such measures as increasing sales in prioritised customer segments (such as trade customers), by utilising economies of scale and synergy effects in manufacturing and product platforms, and by promoting a corporate culture characterised by a strong sense of commitment and inspiring leadership.

2019

Nobia's sales grew 5%, mainly as a result of positive currency effects totalling approximately SEK 380m and the acquisition of Dutch kitchen company Bribus, which has added sales of approximately SEK 380m year-on-year. Bribus was consolidated as of 1 July 2018. Organic sales growth for Nobia Group remained unchanged year-on-year, with a decline of 4% in the preceding year. The gross margin was 38.1% (38.5). Operating profit for the year amounted to SEK 1,132m (1,018), corresponding to an operating margin of 8.1% (7.7). 2018 includes items affecting comparability totalling SEK -66m attributable to extra pension costs in the fourth quarter.

NOBIA GROUP SUMMARY

	2018	2019	Change, %
Net sales, SEK m	13,209	13,930	5
Gross margin, %	38.5	38.1	–
Operating margin before depreciation/amortisation and impairment, %	10.2	14.1	–
Operating profit (EBIT), SEK m	1,018	1,132	
Operating profit (EBIT) excl. items affecting comparability, SEK m	1,084	1,132	4
Operating margin, %	7.7	8.1	–
Operating margin excl. items affecting comparability, %	8.2	8.1	–
Profit after financial items, SEK m	986	1,039	5
Profit after tax, SEK m	753	810	8
Profit after tax excl. items affecting comparability, SEK m	808	810	0
Earnings per share before dilution, SEK	4.46	4.80	8
Earnings per share before dilution excl. items affecting comparability, SEK	4.79	4.80	0
Earnings per share after dilution, SEK	4.46	4.79	7
Earnings per share after dilution excl. items affecting comparability, SEK	4.79	4.79	0
Operating cash flow, SEK m	599	1,179	97

SIGNIFICANT EVENTS

Dan Josefsberg took office as Executive Vice President and Chief Strategy, Marketing and Consumer Experience Officer on 1 March 2019. Prior to taking the position at Nobia, Dan was a partner at PwC.

At the Annual General Meeting (AGM) on 2 May, Marlene Forsell was elected as a new Board member. All other Board members were re-elected. Hans Eckerström was elected Chairman by the Board of Directors. The AGM appointed a Nomination Committee comprising Peter Hofvenstam (Chairman) representing Nordstjernan, Ricard Wennerklint representing If Skadeförsäkring, Mats Gustafsson representing Lannebo Fonder and Arne Lööw representing the Fourth Swedish National Pension Fund, for the period until the end of the 2020 AGM, and adopted the instructions for the Nomination Committee.

Jon Sintorn took office as the new President and CEO of Nobia on 1 September. He comes most recently from a position as President and CEO of Permobil. Morten Falkenberg stepped down as President and CEO after nine years, transitioning to roles including industrial adviser to Nobia's largest owner, Nordstjernan. In conjunction with the move, Morten Falkenberg also chose to resign from Nobia's Board of Directors.

In early May, based on the authorisation granted by the 2019 AGM, the Board of Nobia decided to transfer 165,931 repurchased treasury shares to participants in the 2019 Performance Share Plan.

In December, the Board of Directors made a directional decision to invest a new production plant in Jönköping, Sweden, which is Nobia's largest ever investment. The facility, which is planned to be in full operation in 2024, will be one of Europe's most modern facilities for manufacturing kitchens. It will have a high degree of automation and digitalisation, as well as a high degree of environmental and sustainability performance. Manufacturing capacity is increasing, lead times for customer order-driven kitchen manufacturing is decreasing substantially, and efficiency in manufacturing and logistics is improving. The total investment in new production equipment for 2020–2023 is estimated at approximately SEK 2bn and will be debt-financed. The decision is subject to the customary trade union negotiations.

Nine own stores that sell kitchens, primarily under the HTH brand in Denmark, were converted to franchise stores during the year. The background to this decision lies in the conversion lowering Nobia's fixed costs, the company's assessment that its own kitchen chain is not large enough in the Nordic region to generate synergies, and the fact that the franchise model has proven successful in the Norwegian kitchen market.

CONSOLIDATED NET SALES

Net sales amounted to SEK 13,930m (13,209), distributed as follows: Nordic region, SEK 6,753m (6,705); UK region, SEK 5,902m (5,597); and Central Europe region, SEK 1,275m (909). 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 0 per cent (-4). Organic growth in the Nordic region was -1% (-1). Organic growth in the UK region was 1% (-7) and the Central Europe region's organic growth was -4% (1).

THE GROUP'S EARNINGS

Operating profit increased to SEK 1,132m (1,018). The comparison figure for 2018 includes items affecting comparability pertaining to an extra pension cost of SEK 66m. The operating margin increased to 8.1% (7.7). 2018 also includes non-recurring costs of SEK 88m.

Operating profit excluding items affecting comparability amounted to SEK 1,132m (1,084), corresponding to an operating margin excluding items affecting comparability of 8.1% (8.2). Operating profit was positively impacted primarily by higher sales values and mix, as well as the consolidation of Bribus. Lower volumes and costs for strategic initiatives had a negative impact. Currency effects on operating profit were SEK 15m.

In the Nordic region, operating profit amounted to SEK 886m (841). The improvement to earnings was primarily attributable to higher sales values and non-recurring costs taken up in the preceding year. Currency effects on operating profit were neutral.

In the UK region, operating profit excluding items affecting comparability amounted to SEK 345m (323). The increase in earnings was primarily attributable to non-recurring costs recognised in the preceding year, as well as somewhat lower material costs offset by the costs of introducing a new, improved customer offering to trade customers. This new customer offering was well received and resulted in a significant increase in kitchen sales through this channel. Currency effects on operating profit excluding items affecting comparability totalled SEK 15m.

In the Central Europe region, operating profit amounted to SEK 98m (58). The earnings improvement was mainly attributable to the acquisition of Bribus, but was also the result of efficiency enhancements to operations in Austria. Currency effect on operating profit were neutral.

Group-wide items and eliminations recognised an operating loss totalling SEK -197m (-138). Items including project costs, IT pre-studies and the environmental certification of the new production plant with construction scheduled to commence in 2020 were charged to earnings.

Net financial items amounted SEK -93m (-32). Net financial items included the net of return on pension assets and interest expense for pension liabilities corresponding to SEK -21m (-28). Net interest expense including interest on leases in accordance with the new accounting rules, IFRS 16 Leases, totalled SEK -72m (-4). Net financial items excluding interest on leases amounted to SEK -17m (-4). Profit after financial items totalled SEK 1,039m (986).

Tax expense amounted to SEK -229m (-233). Profit after tax amounted to SEK 810m (753).

Earnings per share for the year were SEK 4.80 (4.46) before dilution and SEK 4.79 (4.46) after dilution.

EARNINGS FROM DISCONTINUED OPERATIONS

No profit from discontinued operations was recognised in 2019.

ITEMS AFFECTING COMPARABILITY

Nobia recognises items affecting comparability separately to distinguish the performance of the underlying operations. Items affecting comparability refer to items that affect comparisons in so far as they do not recur with the same regularity as other items. No items affecting comparability were recognised for 2019. Operating profit for 2018 was impacted by a non-cash item affecting comparability of SEK -66m 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.

INVESTMENTS, CASH FLOW AND FINANCIAL POSITION

Investments in fixed assets amounted to SEK 465m (414), of which SEK 372m (338) pertained to tangible fixed assets and SEK 93m (76) to intangible assets.

Operating cash flow amounted to SEK 1,179m (599). Adjusted for the effects of introducing IFRS 16 Leases, operating cash flow was SEK 648m (599), positively impacted by such factors as higher profit generation and negatively impacted by such factors as increased investment and an increase in working capital.

The Group's capital employed increased to SEK 8,359m (5,326) primarily due to the effect of IFRS 16 Leases entering force on 1 January 2019.

Net debt at 31 December 2019 was SEK 3,819m (1,266). The increase was primarily the result of the effect of introducing IFRS 16 Leases, which increased recognised net debt by SEK 2,475m. Provisions for pensions, which are included in net debt, amounted to SEK 473m (505). The debt/equity ratio at year-end amounted to 89% (32). The debt/equity ratio excluding the effects of IFRS 16 Leases at year-end was 31% (32). Shareholders' equity on the same date amounted to SEK 4,277m (3,897) and the equity/assets ratio was 39% (50).

ACQUISITIONS AND DIVESTMENTS
No significant acquisitions or divestments occurred in 2019.

SIGNIFICANT EVENTS AFTER THE END OF THE YEAR
Nobia's Nomination Committee proposes that Nora F. Larssen be elected as the new Chairman of Nobia at the next Annual General Meeting on 5 May 2020. The current Chairman, Hans Eckerström, has declined re-election. Nora F. Larssen has been a member of Nobia's Board since 2011. In addition, the Nomination Committee proposes that Jan Svensson, Arja Taaveniku and Carsten Rasmussen be elected new members of the Board. Marlene Forsell and George Adams are proposed for re-election. Stefan Jacobsson and Jill Little have declined re-election and will therefore step down from the Board at the Annual General Meeting.

At the beginning of fiscal year 2020, the corona virus broke out in Wuhan, China, and then spread worldwide, including to all of Nobia's markets. In addition to practical effects such as disruptions in the supply chain, travel bans, prohibitions of people, etc., the virus has had effects on the global financial market. These effects have affected Nobia's financial results in the first quarter of 2020, but Nobia cannot quantify at this stage the consequences of the extent and duration of the effects. Nobia expects revenues, earnings and the financial position to be adversely affected in 2020.

On 27 March 2020, The Board of Directors of Nobia AB (publ) announced its decision to withdraw the previously communicated proposal for a dividend of SEK 4.00 per share, in total approximately SEK 675m. Furthermore, it was communicated that Nobia has initiated temporary layoffs of approximately 3,000 employees, of which around 2,300 refer to the UK where the kitchen store network and supply chain is closed on a temporary basis following UK regulations and recommendations. The other layoffs impact operations across different parts of the Group where all countries are affected. The majority of the layoffs will be backed by state subsidies. The decisions have been made in light of current market instability and uncertainties regarding economic impacts of the coronavirus (COVID-19).

FUTURE OUTLOOK
Demand for kitchens normally follows the same business cycle as other consumer discretionary products. The combination of macroeconomic uncertainty caused by Brexit, the slowdown in parts of the Nordic new-build sector and the global outbreak of the corona virus means that market conditions and demand in 2020 are expected to trend downward in the short term. Nobia focuses on, in the best possible way, managing the risks and effects arising from the market outlook that is unfavourable and difficult to predict. Nobia will continue to focus on increasing efficiency over time, and taking greater advantage of the Group's size, while also making selective investments in order to generate profitable growth.

PERSONNEL
In 2019, the average number of employees was 6,161 (6,178). The number of employees at year-end was 6,109 (6,081).

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 and logistics. The environmental impact of the production plant primarily comprises transportation of kitchen products by truck, airborne emissions from surface treatment of wooden items and noise from manufacturing of kitchen and storage products. The County Administrative Board of Västra Götaland is the regulatory authority and decision-making body regarding permit applications. Nobia Production Sweden AB is certified under the ISO 14001 environmental management standard.

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

Nobia works conscientiously with sustainability topics through the implementation of a Group-wide sustainability strategy. Nobia's key sustainability-related performance indicators are presented on pages 114–116. Nobia's statutory sustainability report is found on pages 32–45, 52–58 and 114–116.

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 has operations comprising 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 521m (829) and consisted primarily 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 (56,763,597) on 31 December 2019, divided among 170,293,458 shares (170,293,458) with a quotient value of SEK 0.33. Nobia has only one class of share. Each share, with the exception of repurchased 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 AGM. 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 2019 AGM authorised the Board to decide on the buyback of up to 10% of the outstanding shares and, for the period until the 2020 AGM, to decide on the transfer of treasury shares for the purpose of delivering shares under Performance Share Plans or of facilitating financing of acquisitions through payment using treasury shares.

Based on the authorisation from the AGM, the Board decided in May to transfer 165,931 repurchased shares, corresponding to 0.1% of the Parent Company's share capital, to participants in Nobia's Performance Share Plans.

No shares were bought back in 2019. At the end of 2019, the number of treasury shares was 1,440,637 (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 82,611,536.

At year-end, the ten largest owners held about 67% of the shares. The single largest shareholder, Nordstjernan, owned 24.9% of the shares. If Skadeförsäkring held 10.7% of the shares, the Fourth Swedish National Pension Fund 7.4% and Lannebo funds 4.6%.

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 110–111.

REMUNERATION GUIDELINES AND OTHER EMPLOYMENT CONDITIONS FOR GROUP MANAGEMENT 2019

The guidelines for 2019 essentially correspond with the proposed guidelines for 2020, as presented below.

REMUNERATION COMMITTEE

The Board of Directors has inaugurated a Remuneration Committee consisting of two Board members elected by the general meeting of shareholders. The tasks of the Committee include preparing the Board's decisions on proposals for guidelines regarding remuneration to Group management. The Board will draw up proposals for new guidelines and put forward the proposal for resolution by the general meeting of shareholders. These guidelines will be in effect starting from the approval of the general meeting until such time as new guidelines are adopted by the general meeting. The Committee will also monitor and evaluation programmes for variable remuneration to Group management, the application of guidelines for remuneration and employment conditions for Group management, as well as remuneration structures in effect and remunerations levels at Nobia. The member of the Remuneration Committee are independent in relation to the company and company management.

Following on from its evaluations, the Remuneration Committee stated that remuneration of senior executives in 2019 conformed to the remuneration guidelines resolved at the 2019 AGM. In the opinion of the Remuneration Committee, the guidelines were appropriate and the application of them was correct.

To strengthen senior executives' commitment to and ownership in the company, and to attract, motivate and retain key employees in the Group, Nobia has implemented long-term performance-based remuneration schemes since 2005, following resolutions by each AGM. The remuneration schemes adopted for the years from 2005 to 2011 were based on employee share options. All remuneration plans based on employee share options have expired.

Resolutions were taken at each AGM from 2012 to 2015 on the inauguration of long-term remuneration schemes based on matching and performance shares instead of employee share options. The schemes, which encompassed some 100 individuals comprising senior executives and senior managers, were based on the participants having in Nobia shares that are "locked into" the plan. Each Nobia share the participants invested in under the framework of each plan entitled the participants, following a vesting period of about three years and provided that certain conditions are fulfilled, to allotment (for no consideration) of matching and performance shares in Nobia. The conditions are linked to the participant's continued employment and ownership of invested shares, and to fulfilment of a financial performance target. The costs for the programmes are reported prior to each AGM and in Nobia's Annual Reports.

At the 2016-2018 AGMs, resolutions were passed to introduce new long-term remuneration schemes directed to the same target groups and with largely the same structure as the remuneration schemes from 2012 to 2015, but in which the requirement for performance from the participants was strengthened – which is why no matching shares were allotted. Nor was any requirement set up that the participants invest in treasury shares. Participants were awarded performance-based share rights that carry entitlement to allotment of shares. At the end of the vesting period, the participants will be allotted shares in Nobia free of charge, provided that certain conditions are fulfilled. Entitlement to allotment of shares requires that the participant remain an employee of the Nobia Group during the vesting period. Participation in the 2016–2018 Performance Share Plans entailed that the maximum short-term variable remuneration for participants was adjusted downwards by ten percentage points (for the President), five percentage points (Group management) and three percentage points (other senior executives and managers). Allotment of shares also requires that a financial performance target linked to accumulated earnings per share for Nobia during the 2016/2017, 2017/2018 and 2018/2019 financial years is achieved. Allotment is measured on a straight-line basis, whereby 25 per cent of the share rights will entitle allocation of shares if the established minimum level is achieved. If the minimum level in the range is not achieved, the share rights will not give entitlement to any shares and if the maximum level in the range is achieved, each share right gives entitlement to one Nobia share. For the 2018 Plan, the Board adopted a minimum level for allotment of shares related to accumulated earnings per share, excluding items affecting comparability for the 2018 and 2019 financial years, of SEK 11.75. The maximum level was set at SEK 13.00. Since the accumulated earnings per share excluding items affecting comparability for the period amounted to SEK 9.59, the Board's minimum target figure for allotment was not achieved and no allotment of shares under the 2018 Performance Share Plan will take place.

A resolution was made at the 2019 AGM to establish a long-term remuneration scheme based on performance shares. The 2019 Performance Share Plan 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 a

GUIDELINES FOR REMUNERATION

FORM OF REMUNERATION	LINK TO COMPANY STRATEGY	IMPLEMENTATION	OPPORTUNITY/ EVALUATION
FIXED CASH SALARY	The fixed cash salary reflects the individual's role, experience and contribution to the company. The levels for fixed cash salary aims to contribute to recruitment and enable long-term retention of senior executives.	Evaluated yearly. Adjustments during the year can be made if the role changes.	Adjusted to the market levels for the role and country of business. Levels are adapted after evaluation of the individual's performance.
VARIABLE CASH REMUNERATION	To promote goal achievement or over achievement of the company's pre-determined financial and non-financial criteria such as profitability- and cash flow revenue and important operative, strategic or other sustainability related measures.	At the end of the vesting period (at least 12 months), the Remuneration Committee evaluates to what extent the criteria for payment of variable cash salary has been met.	Fulfilment of criteria for defined goals.
PENSION AND OTHER BENEFITS	Benefits for senior executives is part of the ability to offer a competitive total remuneration, in order to facilitate recruitment and retention of the company's senior executives.	Is offered during the time of employment and is subject to review dependent on factors such as age, level of fixed cash salary and role.	Based on market practice and market levels for the role in question and the country of business.

SUSTAINABILITY MEASURES CONNECTED TO THE COMPANY'S BUSINESS STRATEGY
Nobia's sustainability efforts are evaluated and rated continuously by amongst other investors, analysts and civil society participants. Hence, the company's methods and results are reviewed and compared. As a result, the company's sustainability efforts can be continuously developed in line with the demands of its stakeholders demands. The sustainability efforts are an integrated part of Nobia's business that can strengthen Nobia's brand and contribute to an increase of value of Nobia's shares.

three-year 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, and that the investment in Nobia shares lasted in its entirety for the same period. In addition, 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. If the set minimum levels for the performance target are achieved, the share rights entitle the holder to receive allotment of 25%. If the minimum level in the range is not achieved, the share rights will not give entitlement to any allotment, whereas each share right gives entitlement to one Nobia share of the maximum level is achieved. Allotment between the minimum and maximum levels takes place straight-line based on the intermediate amounts between the two levels.

PROPOSAL ON REMUNERATION GUIDELINES AND OTHER EMPLOYMENT CONDITIONS FOR GROUP MANAGEMENT 2020

The remuneration guidelines cover total remuneration for the group management, including the President and other senior executives. After the Annual General Meeting 2020 has resolved on the guidelines, the guidelines are to be applied on remuneration agreed and changes to already agreed remuneration. The guidelines does not cover remuneration decided by Annual General Meeting.

THE GUIDELINES' PROMOTION OF THE COMPANY'S BUSINESS STRATEGY, LONG-TERM INTERESTS AND SUSTAINABILITY

The purpose of the guidelines is to provide a structure that adapts the remuneration to the company's strategy, long-term objectives and sustainability. In the future, Nobia intends to connect the remuneration for senior executives to fulfilment of established sustainability targets. Nobia's value creating strategy consist of three central components:

- Focus on profitable growth
- Increasing efficiency
- Long-term value creation through continuous sustainability efforts

The company's strategy prerequisites that Nobia can continue to attract, motivate and retain key employees within the group. The guidelines must therefore enable appropriate and competitive remuneration to Nobia's senior executives.

DECISION-MAKING PROCESS FOR DETERMINATION, REVIEW AND EXECUTION OF THE GUIDELINES

The Board of Directors has established a Remuneration Committee consisting of two members from the Board of Directors, appointed by the Annual General Meeting. The Committee's task is, inter alia, to prepare proposals to the Board of Directors relating to the remuneration for senior executives. The Board of Directors shall prepare proposals for new remuneration guidelines if material changes are needed or at least every fourth year and present the guidelines for the General Meeting to resolve upon. These guidelines are to be applicable from the time of the General Meeting's approval of them, until new guidelines have been resolved (and four years at most). The Remuneration Committee may seek approval of new guidelines at an earlier point in time if circumstances affecting the purpose of the guidelines arise.

The Remuneration Committee shall also follow-up and evaluate programs for variable remuneration to senior executives, the application of the remuneration guidelines and current remuneration structures and levels in Nobia. The Remuneration Committee's members are independent in relation to the company and the group management.

TAKING INTO ACCOUNT SALARY AND EMPLOYMENT TERMS FOR EMPLOYEES

Remuneration must be market-based and may comprise the following components:

- Fixed cash salary
- Variable cash remuneration
- Pension benefits
- Other benefits

The General Meeting can in addition to that – and independent of the remuneration guidelines – decide on, for example, share- and share price related remuneration.

VARIABLE CASH SALARY

Fulfillment of criteria for payment of variable cash salary shall be measurable during a vesting period of at least 12 months. The variable cash salary for the President and other senior executives may amount to a maximum of 65 per cent of the fixed annual cash salary.

The variable cash salary shall be connected to pre-determined and measurable criteria that can be financial or non-financial. The criteria can vary from year to year to reflect business priorities and usually includes a balance between the Group's financial performance (for example profitability- and cash flow revenue) and non-financial performance criteria (for example important strategic, or other sustainability related measures). By this way of applying pre-determined financial and non-financial performance measures that reflect Nobia's business priorities, Nobia considers the possibility of attracting, motivating and retaining key employees to be improved, which contributes to Nobia's business strategy, long-term interests and sustainability.

When the vesting period for fulfilment of the criteria for payment of variable cash salary is closed an assessment is to be made as to what degree the criteria have been met. The Remuneration Committee is responsible for such an assessment with regards to variable cash salary to the attributable to the President and other senior executives.

Before variable cash salary is disbursed, the Board of Directors shall assess the reasonableness of the turnout. This assessment is made in relation to Nobia's profit/loss and financial position. The company shall have the right to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.

PENSION BENEFITS

The President and other senior executives employed in Sweden are entitled to pensions under the ITP system or equivalent. In addition to the ITP system, senior executives in Sweden may be entitled to, after resolution by the Board, an expanded premium based pension right on salary portions exceeding 30 base amounts. Furthermore, the current President has a pension premium including health insurance of 30 per cent of a fixed yearly salary.

OTHER BENEFITS

Other benefits can include, inter alia, life insurance, health insurance and company car. For the President and other senior executives, pension- and other benefits cannot exceed 40 per cent of the fixed cash salary, whereas other benefits shall be a minor part. The President and other senior executives are further entitled to benefits that can be offered to other employees at any given moment.

Additional benefits and additions can be offered under certain circumstances, e.g. in case of re-allocation or in connection with international assignments, in which case benefits and remuneration is determined according to local conditions.

With regard to employment conditions governed by other rules than Swedish, as far as pension benefits and other benefits are concerned, appropriate adjustments may be carried out to comply with compulsory rules or local practice, whereupon the guidelines overall purposes are to be satisfied to the extent possible.

TERMINATION OF EMPLOYMENT

In case of termination by the company, the termination notice period shall not exceed 12 months. Fixed cash salary during the termination notice period and termination consideration combined shall not exceed an amount equivalent to the yearly fixed cash salary for the President and other senior executives. In case of termination by the employee, the notice termination period may amount to a maximum of six months, without right to termination consideration. The President and other senior executives may have a right to accrued variable cash salary, however not for a period exceeding the period of the employment.

DEVIATION FROM THE GUIDELINES

The Board of Directors may decide to temporary, wholly or partially, deviate from the guidelines if there are special circumstances in an individual case and deviation is necessary in order to ensure the company's financial capacity. As stated above, the Remuneration Committee is responsible for preparation of the Board of Directors decisions on remuneration matters, which includes decisions on deviation from the remuneration guidelines.

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	741,423,108
Net profit for the year	483,691,924
Total SEK	**1,277,340,518**

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

Ordinary dividend of SEK 0 per share to be paid to shareholders	0
To be carried forward	1,277,340,518
Total SEK	**1,277,340,518**

Due to uncertainty regarding the effects of the spread of the Corona virus during the beginning of 2020, the Board of Directors proposes that no dividend for 2019 be paid.

RISKS, RISK MANAGEMENT AND OPPORTUNITIES

Nobia is exposed to a number of strategic, operational, compliance and financial risks that could undermine our ability to achieve business objectives into the future. Nobia's Enterprise Risk Management framework and internal control environment are designed to manage these risks.

"Nobia believes that risks that are well-managed can create opportunities, whereas risks that are not managed correctly may lead to damage and losses. The aim of our risk management is to create awareness of risks and consequently limit, control and manage them and leverage the opportunities."

JON SINTORN
CEO

Risk management is by its nature a dynamic and ongoing process. Our well-defined approach is flexible to ensure that it remains relevant at all levels of the business, and dynamic to ensure we can be responsive to changing business conditions. This is particularly important given the diversity of the Group's locations, markets and production processes. During the year, Nobia revised and standardised the risk management process in the Group, which is under implementation. Group management has conducted several workshops with the aim of identifying and analyzing the most important risks to which Nobia is exposed. Group management reports risk issues on an ongoing basis to the Board. The details of the review and the risk management framework and processes on which the Group's risk review is based are set out in this section. This report addresses the Group's principal risks.

With the World Health Organisation declaring the coronavirus outbreak a public health emergency of international concern, citing worries about its spread, we are identifying potential risks across our business, taking appropriate mitigation action as necessary and ensuring we keep up to date with the rapidly developing situation.

NOBIA'S RISK MANAGEMENT FRAMEWORK

Nobia has an established process for Enterprise Risk Management (ERM) that provides a framework for the Group's risk activities. The purpose of the ERM process is to provide a Group-wide overview of Nobia's risks by identifying them, evaluating them and providing a basis for decision-making regarding the management of risks, and to facilitate monitoring of the risks and how they are managed. The Corporate Governance Report, on pages 100–109, presents further descriptions of the internal controls used to manage the risks associated with financial reporting.

Sustainability and climate-related risks are integrated in our overall business risk assessment process. Furthermore, we have sustainability risk assessments as integrated parts of our supplier assessment and product management process.

Nobia's risk management process consists of five stages and is described in more detail below.

NOBIA' S RISK MANAGEMENT PROCESS

1 **Strategy & Appetite** The Board has overall responsibility for setting the Group's strategy and is responsible for monitoring and maintaining the effectiveness of the Group's risk management activities and internal control processes. The Board has determined the Group's risk appetite, using a risk rating matrix that considers both the likelihood and the magnitude of the impact if the risk event occurs. The risk rating matrix is based on the residual risk that the Group faces after considering the internal control environment and other mitigating factors.

2 **Risk identification** Nobia utilises a structured risk and control identification process to identify risk. The basis for this identification process is an annual workshop with both a bottom-up and a top-down method. All Business Units and functions are required to regularly conduct a detailed review to identify material risks inherent and compile a risk register which is reviewed and approved by the Regional Management Team. The Group reviews the most material risks on a regular basis and identifies the risks they are managing at Group level, which is then reported to the Board.

3 **Risk assessment** Risk assessment is a natural part of the day-to-day business and risk assessments form part of all investment decisions and how we conduct our business. Nobia utilises a structured risk assessment process that is carried out by the Business Units and functions in accordance with the minimum standards established by the Internal Control function. Each of the Group's principal risks is reviewed in detail by the Audit Committee through the course of the year, considering the detailed risk description, the controls and mitigating actions in place and the resultant residual risk exposure.

4 **Risk treatment** The risk management process ensures that the various Business Unit management teams review the principal risks in their respective businesses and identify the actions and controls in place to mitigate risk. Management assurance is provided on both a formal and informal basis, and risk management is embedded in all decision-making processes, with ongoing review by the Board. Action plans are developed for identified risks and lines of business and Group companies are held accountable for tracking and resolving issues in a timely manner.

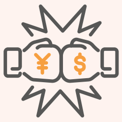
5 **Risk Monitoring** Nobia strives for continual improvement through efforts to enhance controls, ongoing employee training and development, talent retention, and other measures. Risk reports are produced on a Group-wide basis as well as by line of business and Group functions. Reporting includes the evaluation of key risk indicators against the established stated risk appetite. The Audit Committee performs an annual review of the risk management policy and plan, including consideration of acceptable risk tolerance levels for the Group. In 2020, the Committee will continue to focus on the principal risks to the Group and the actions taken to mitigate these risks.

NOBIA GROUP PRINCIPAL RISKS

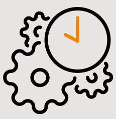
STRATEGIC & EMERGING RISKS	FINANCIAL RISKS	OPERATIONAL & SOCIETAL RISKS	LEGAL & REGULATORY RISKS
Risks that can have a material impact on the strategic objectives arising from internal or external factors.	Risks that can cause unexpected variability or volatility in net sales, margins, earnings per share, returns or market capitali sation.	Risks that may affect or compromise execution of business functions or have an impact on society.	Risks related to legal or governmental actions that can have a material impact on the achievement of business objectives.

STRATEGIC & EMERGING RISKS

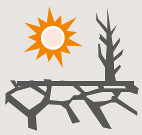
Risk area:	Description:	Management:
POLITICAL AND MACRO-ECONOMIC RISK 	**Demand for Nobia's products** is affected by general macroeconomic trends and the subsequent fluctuations in its customers' purchasing power and consumption patterns. Macroeconomic or political decisions and events around the world impact Nobia's operations, both locally and on a global scale. Political uncertainty and weak macroeconomic conditions can indirectly affect demand for kitchens. Business risks linked to political decisions on restrictions, for example, related to trade tariffs or reduced freedom of movement, also result in more expensive import, less competitive export and order cancellations, etc. Nobia has sales in the Nordic region, the UK, Netherlands and Austria and purchases raw materials and components from Europe, including Northern Italy and Asia/Australia. As part of its normal business operations, Nobia has extensive accounts receivable and accounts payable, which are affected by access to liquidity in the global economy. Changes in global politics and the macro economy could have a material impact on Nobia's income, operating margin and financial position.	**For all its operations,** it is important that Nobia endeavours to manage the effect of forthcoming economic fluctuations by taking a number of measures. Examples of these measures are reducing costs, reviewing capacity and production structure and creating higher customer value through product innovation. Nobia works continuously to monitor, evaluate and attempt to predict changes in the business environment in the form of political decisions and changes to rules in the areas that are particularly important to its operations. Nobia is active in various national and international trade associations and in other types of partnerships. The purpose is to gain early knowledge of and actively contribute to the development of areas that are important to the company's operations. Accordingly, Nobia needs to take proactive measures to assess and manage these risks. These risks to the left have been entirely or partly realised as a consequence of COVID-19, among other factors.
NOT MEETING CUSTOMERS DEMAND AND PREFERENCES 	**Demand for Nobia's** products is affected by general macroeconomic trends and the resulting fluctuations in its customers' purchasing power and consumption patterns, whereby prices, the number of transactions in the housing market and access to financing are key factors. Key success factors for Nobia's long-term growth and profitability are our ability to offer attractive, innovative and sustainable products, services and brands and to make these available to customers and consumers over the product life cycle. Digitalisation is also changing customer and consumer behaviour, preferences and demand. Furthermore, greater climate awareness is starting to change customer expectations and demands.	**Nobia's focus** on customer and consumer insight guides its innovation activities, ensuring that new products, services are competitive and positioned in the relevant sales channels. Continuous investments in research and development to develop products and designing products with a life cycle perspective in line with customer demand and expectations, even during economic downturns. Nobia also places great importance on developing processes, products and information to ensure customer satisfaction, for example, by offering eco-labelled products and ensuring that the products we produce and the materials we use comply with our own and our stakeholders' standards. Nobia is participating in the increasing digitalisation trend and its impact on customers, consumers and channels, for example, through online sales.

FINANCIAL RISKS		
Risk area:	**Description:**	**Management:**
CREDIT CONTROL FAILURE 	**Credit risk** pertains to losses owing due to Nobia's customers or counterparties in financial contracts failing to fulfil their payment obligations.	**Credit risk in accounts receivable** Credit risk in accounts receivable is managed through credit checks of customers using credit rating companies. A Group-wide credit risk policy sets the limits for any given customer. The credit limit is set and regularly monitored. Accounts receivable are recognised at the amount that is expected to be paid based on an assessment of the expected credit losses for the remaining lifetime of all account receivables at the closing date. For further information concerning accounts receivable and recognition of expected credit losses, see Note 2 Financial risks. **Financial credit risk** Nobia strives to enter into agreements that allow net calculation of receivables and liabilities. In certain cases, there are also supplementary terms to these agreements regarding the exchange of collateral. Credit exposure in derivative instruments is calculated as the market value of the instrument at the closing date.
CURRENCY EFFECTS 	**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. **Transaction exposure** Transaction exposure is the risk that exchange rate movements in export revenues and import expenses could negatively impact the Group's operating profit and the cost of fixed assets. **Translation exposure** Translation exposure is the risk to which Nobia is exposed when translating foreign subsidiaries' balance sheets and income statements to SEK. **Long-term currency sensitivity** The table below presents a breakdown of the Group's net sales and operating expenses by currency, which provides an overview of the Group's long-term currency sensitivity. The largest exposures are denominated in EUR and GBP.	**Transaction exposure** Transaction exposure, resulting from exports and imports, can be hedged for a period of up to 9 months. Contracted future payments for fixed assets in foreign currencies can be hedged up to the full cost. Most of Nobia's business is conducted outside Sweden and therefore transaction exposure primarily arises in currencies other than SEK. The largest exposure comprises a purchase requirement for PLN and a selling requirement for EUR and GBP. The significant PLN exposure is a consequence of the Group's sourcing of sheet material that is invoiced in PLN. During the year, primarily accounts receivable and payable, as well as future payments of non-current assets were continuously hedged. **Translation exposure** Nobia manages translation exposure by distributing the liabilities across various currencies where the Group owns assets so that key performance measures that are material for the company's credit rating are protected in the long term against currency effects. Translation exposure in the income statements of foreign subsidiaries is not currency hedged. For further information concerning financial risks, see Note 2.

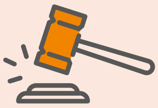
OPERATIONAL & SOCIETAL RISKS

Risk area:	Description:	Management:
COMPETITION 	**Competition presents** the risk of a negative effect on sales and pricing of Nobia's products and jeopardises the company's market position. Nobia operates in mature markets, which means that underlying demand in normal market circumstances is relatively stable. Notwithstanding this, Nobia is subject to considerable competition from other producers of similar products. Nobia's products to the retail market are sold through own stores and franchises retailers. Sales to professional customers are conducted with regional and local construction companies via a specialised sales organisation or directly through the store network. If these players are not successful in selling Nobia's products, it could have a negative impact on Nobia's earnings.	**As regards** to competitors, risk analyses are carried out both centrally and locally. Through its processes for monitoring the business environment, Nobia follows up on new players in the market and their impact on the company. The company works to maintain strong and long-term customer relationships in strategic customer segments, and building relationships with new customers. 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.
INFORMATION TECHNOLOGY RISKS 	**The Group relies on** IT systems in its day-to-day operations. Disruptions or faults in critical systems have a direct impact on production. Errors in the handling of financial systems can affect the company's reporting of results. Cyber security risks are increasing in importance and could have a major impact on Nobia's operations. Theft or modification of intellectual property constitutes a risk to our products and future business success.	**Nobia has a global** IT security policy, including quality assurance procedures that govern IT operations. The system landscape is based on well-proven products and the IT landscape is subject to continuous investments in order to remain up to date. Cyber security is regularly discussed, addressed and invested by the IT Security function. Awareness of cyber security risks increases the readiness to quickly address any attacks. Information security is monitored through IT security audits. Standardised processes are in place for the implementation of new systems, changes to existing systems and daily operations.
TECHNICAL INTEGRITY OF OUR OPERATING ASSETS 	**We have three** major production facilities which account for approximately 75% of our total production capacity. If operations at any of these key facilities are interrupted for any significant length of time, it could have a material adverse effect on Nobia's financial position or performance. Incidents such as fires, explosions, or large machinery breakdowns or the inability of our assets to perform the required function effectively and efficiently whilst protecting people, business, the environment and stakeholders could result in property damage, loss of production, damage to reputation, and/or safety and environmental incidents.	**From this perspective,** the aim of Nobia's risk management is to effectively and cost efficiently protect its employees, the environment, the company's assets and the business. Nobia strives to create and retain a balance between loss-prevention activities and insurance coverage. The loss-prevention work is conducted in accordance with established guidelines that include repeated inspections by external risk engineers. Other important elements of loss-prevention activities are maintenance of production facilities and machinery, staff training, and ensuring good order. Nobia invests continuously in loss-prevention activities to reduce its risk of damage in various ways. For example, its facilities are normally protected by sprinkler systems. All plants are insured to replacement cost and for the loss of income. Nobia always works together with market-leading insurance companies.
ENVIRONMENTAL IMPACT AND CLIMATE CHANGE 	**Our main external environmental risks** relate to physical changes in climate and natural resources, changes in laws and regulations as well as changes in taxes and prices of various natural resources. Furthermore, there are risks linked to a lack of control of, for example, working conditions of subcontractors, serious environmental incidents or workplace accidents and unforeseen demand for environmentally certified products. .	**Sustainability risks and climate-related risks** are integrated into the Group's overall process for assessing operational risks. Risk assessment is part of our materiality process for identifying our most material sustainability topics. Risk prevention and management are integrated into strategic planning as well as operational processes and routines. Through our internal sustainability system, we identify, manage and follow up on important sustainability topics, including risks. Sustainability management is integrated into central processes such as sustainability scorecard in product development and assessment and evaluation of suppliers in the procurement process. Through local environmental management systems, preventive measures are managed at each production plant, including emergency preparedness. During the year, we also initiated the process of quantifying the financial impact of climate-related risks, in accordance with recommendations from the Task Force on Climate-Related Financial Disclosures (TCFD).

OPERATIONAL & SOCIETAL RISKS

Risk area:	Description:	Management:
ATTRACTION AND RETENTION OF KEY SKILLS AND TALENT 	**Our success** is driven by our people. Key to our long-term success is attracting, retaining, recruiting and developing a skilled and committed workforce. Access to the right skills, particularly management and technical skills, is critical to support the performance and growth of our business. Losing skills or failing to attract new talent to our business has the potential to undermine our ability to drive performance and deliver on our strategic objectives. Accidents or incidents at the workplace due to lack of proper safety measures can negatively affect productivity and Nobia's employer brand.	**To attract skills** and talent we are investing in employer branding; we are engaged in fair and transparent recruitment practices, and regular reviews of our diversity and inclusion, labour and human rights policies. We ensure that we have competitive remuneration for the position and country of operation in question. We support and invest in both Group-wide and local training programmes. We have implemented measures to monitor and manage succession planning, staff turnover, internal placements and training. We perform 360° feedback at a management level and regularly conduct performance and development reviews at a local level. We carry out a Group-wide employee survey approximately every two years. Through our Speakup communication tool, employees can raise concerns about conduct that may be contrary to our values. The Group regularly assesses and manages safety and health risks in operations. The safety of our employees is our highest priority. All units conduct 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 have OHSAS 18001 certification. In our Nordic operations, routines and processes have been implemented for both monitoring and escalating workplace accidents.
COST AND AVAILABILITY OF RAW MATERIALS 	**Access to sustainable sources** of raw materials is essential to our operations. The raw materials used by the Group include significant amounts of wood, steel, aluminium and plastics. Wood prices and availability may be adversely affected by reduced quantities of available wood supply that meet our standards for credibly certified or controlled wood, the impact of climate change through increased frequency of severe weather events, changes in rainfall or increased instances of pest and disease outbreaks and increasing use of wood as a biofuel. Cost variations for components (such as handles, worktops and hinges) and goods for resale (such as appliances) are mainly caused by changes in the commodity prices of raw materials in the global market or suppliers' ability to deliver. **Risk of delivery disruptions** Nobia purchases raw materials and components from Europe, including Northern Italy and Asia/Australia. Disruptions to subsuppliers' ability to deliver goods to Nobia, as a result of both global and local distributions, could lead to delays to Nobia's deliveries to its customers. Delivery delays could arise for a variety of reasons, for example, extreme weather conditions, pandemics or political disruptions. Such delays could result in costs, loss of income and a tarnished reputation.	**We are committed** to acquiring our raw materials from sustainable and responsible sources. We work continually with our suppliers to increase the share of recycled materials and we encourage legislation supporting the local collection of recycled materials. We have multiple suppliers for each of our operations and our centralised procurement teams work closely with our operations in actively pursuing longer term agreements with strategic suppliers. We source our wood from diverse regions to mitigate the potential impacts of climate change on our wood suppliers. Efficiency improvements in the company's operations, changed product specifications and price increases are examples of measures to reduce the effect of rising costs for input goods

LEGAL & REGULATORY RISKS

Risk area:	Description:	Management:
LEGAL AND COMPLIANCE RISKS 	**Legal Risk** Legal risks comprise a number of risks in, to some extent, diverse areas. Amended legislation, violations of laws in the operations or errors in any agreements signed by Nobia, are some examples of legal risks that could have negative financial implications for Nobia. In certain instances, they may also result in protracted and costly legal processes. **Compliance risk** Non-compliance with the legal and governance requirements and globally established responsible business conduct in any of the jurisdictions in which we operate and within our supply chain could expose us to significant risk if not actively managed. Failure to successfully manage relationships with our stakeholders could disrupt Nobia's operations and adversely impact the Group's reputation. These requirements include laws relating to the environment, price controls, taxation, competition compliance, data protection, human rights, and labour. More stringent environmental requirements, remediation of the environment in connection with plant closures or breaches of permits could incur higher costs for the Group. There is a growing demand from investor and regulatory communities for improved financial disclosures from companies in relation to climate-related risks and opportunities.	**Nobia constantly monitors** developments in several areas and addresses any legal risks that arise in cooperation with external advisers. By their nature, legal issues are often national, which means that local experts are also often engaged by Nobia in various issues. We have developed and operates a Code of Conduct training programme, supported by self-certification and reporting. Our legal and governance compliance is supported by a centralised co-ordination of compliance related matters. We have a confidential reporting hotline, Speakup, enabling employees, customers, suppliers, managers and other stakeholders to raise concerns about misconduct. Nobia has a comprehensive programme with policies and guidelines on compliance with applicable competition, Code of Conduct, anti-corruption and data protection legislation. All new hires must complete training in the Code of Conduct shortly after joining the company. Ongoing and potential environmental risks are regularly monitored in our operations. Several key performance indicators (KPIs) that address resource and energy usage in order to minimise costs and impact on the environment have been developed and are regularly monitored by the management team. Risks are managed, for example, through preventive work in the form of environmental risk inspections in conjunction with acquisitions, and remediation projects related to plant closures.

FINANCIAL STATEMENTS

Notes

CONSOLIDATED INCOME STATEMENT

SEK m	Note	2018	2019
Net sales	3	13,209	13,930
Cost of goods sold	4, 7, 10, 11, 26	-8,119	-8,625
Gross profit		**5,090**	**5,305**
Selling expenses	4, 7, 10, 11, 26	-3,255	-3,371
Administrative expenses	4, 6, 7, 10, 11, 26	-776	-922
Other operating income	8	149	432
Other operating expenses	9	-190	-312
Operating profit		**1,018**	**1,132**
Financial income	12	10	1
Financial expenses	12	-42	-94
Profit after financial items		**986**	**1,039**
Tax on net profit for the year	13, 27	-233	-229
Net profit for the year		**753**	**810**
Net profit for the year attributable to:			
Parent Company shareholders		753	810
Earnings per share before dilution, SEK	24	4.46	4.80
Earnings per share after dilution, SEK	24	4.46	4.79
Number of shares before dilution[1]		168,686,890	168,852,821
Average number of shares before dilution[1]	24	168,652,556	168,769,856
Number of shares after dilution[1]	24	168,686,890	169,327,567
Average number of shares after dilution[1]	24	168,686,890	169,044,298

1) Shares outstanding, less bought-back shares.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK m	Note	2018	2019
Net profit for the year		753	810
Other comprehensive income			
Items that may be reclassified to the income statement			
Exchange-rate differences attributable to translation of foreign operations	23	98	241
Cash-flow hedges before tax[1]	23	-7	-19
Tax attributable to hedging reserve for the period[2]	23	2	4
		93	**226**
Items that will not be reclassified to the income statement			
Remeasurements of defined-benefit pension plans	26	100	6
Tax attributable to remeasurements of defined-benefit pension plans		-17	0
		83	**6**
Other comprehensive income for the year		**176**	**232**
Total comprehensive income for the year		**929**	**1,042**
Total comprehensive income for the year attributable to:			
Parent Company shareholders		929	1,042

1) Reversal recognised in profit or loss of SEK -3m (-10). New provision amounts to SEK -15m (3).
2) Reversal recognised in profit or loss of SEK 1m (3). New provision amounts to SEK 3m (-1).

COMMENTS AND ANALYSIS OF INCOME STATEMENT

Net sales increased 5 per cent to SEK 13,930m (13,209). For comparable units and adjusted for currency effects, the change in net sales was 0 per cent. The relationship is shown in the table below.

ANALYSIS OF NET SALES

	QUARTER				JAN-DEC	
SEK m	I	II	III	IV	%	
2018	3,173	3,503	3,143	3,390		13,209
Organic growth	-17	-36	82	-66	0	-37
– of which Nordic region[1]	-9	-12	11	-63	-1	-73
– of which UK region[1]	1	-11	70	13	1	73
– of which Central Europe region[1]	-9	-13	1	-16	-4	-37
Currency effect	136	82	40	121	3	379
Acquired companies	177	202	–	–	3	379
2019	**3,469**	**3,751**	**3,265**	**3,445**	**5**	**13,930**

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	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Net sales from external customers	6,705	6,753	5,597	5,902	907	1,275	–	–	13,209	13,930
Net sales from other regions	0	0	–	–	2	0	-2	0	–	–
Total net sales	**6,705**	**6,753**	**5,597**	**5,902**	**909**	**1,275**	**-2**	**0**	**13,209**	**13,930**
Gross profit	2,590	2,567	2,190	2,282	256	394	54	62	5,090	5,305
Gross margin, %	38.6	38.0	39.1	38.7	28.2	30.9	–	–	38.5	38.1
Operating profit	841	886	257	345	58	98	-138	-197	1,018	1,132
Operating profit excl. items affecting comparability	841	886	323	345	58	98	-138	-197	1,084	1,132
Operating margin, %	12.5	13.1	4.6	5.8	6.4	7.7	–	–	7.7	8.1
Operating margin excl. items affecting comparability, %	12.5	13.1	5.8	5.8	6.4	7.7	–	–	8.2	8.1

Depreciation/amortisation and impairment of fixed assets for the year recognised in operating profit amounted to SEK 835m (326).

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

	Translation effect		Transaction effect		Total effect	
SEK m	2018	2019	2018	2019	2018	2019
Nordic region	35	20	-55	-20	-20	0
UK region	15	15	-5	0	10	15
Central Europe region	5	0	-5	0	0	0
Group	**55**	**35**	**-65**	**-20**	**-10**	**15**

QUARTERLY DATA PER REGION

	2018				2019			
	I	II	III	IV	I	II	III	IV
Net sales, SEK m								
Nordic	1,682	1,851	1,474	1,698	1,724	1,870	1,501	1,658
UK	1,367	1,498	1,378	1,354	1,448	1,535	1,464	1,455
Central Europe	124	155	291	339	297	346	300	332
Group-wide and eliminations	0	-1	0	-1	0	0	0	0
Group	**3,173**	**3,503**	**3,143**	**3,390**	**3,469**	**3,751**	**3,265**	**3,445**
Gross profit, SEK m								
Nordic	669	731	557	633	655	732	562	618
UK	543	599	543	505	570	610	548	554
Central Europe	35	50	70	101	76	108	103	107
Group-wide and eliminations	13	13	14	14	16	15	15	16
Group	**1,260**	**1,393**	**1,184**	**1,253**	**1,317**	**1,465**	**1,228**	**1,295**
Gross margin, %								
Nordic	39.8	39.5	37.8	37.3	38.0	39.1	37.4	37.3
UK	39.7	40.0	39.4	37.3	39.4	39.7	37.4	38.1
Central Europe	28.2	32.3	24.1	29.8	25.6	31.2	34.3	32.2
Group	**39.7**	**39.8**	**37.7**	**37.0**	**38.0**	**39.1**	**37.6**	**37.6**
Operating profit, SEK m								
Nordic	213	278	185	165	214	275	193	204
UK	79	134	105	-61	73	127	88	57
Central Europe	2	9	10	37	5	32	28	33
Group-wide and eliminations	-39	-34	-33	-32	-32	-43	-42	-80
Group	**255**	**387**	**267**	**109**	**260**	**391**	**267**	**214**
Operating profit excl. items affecting comparability, SEK m								
Nordic	213	278	185	165	214	275	193	204
UK	79	134	105	5	73	127	88	57
Central Europe	2	9	10	37	5	32	28	33
Group-wide and eliminations	-39	-34	-33	-32	-32	-43	-42	-80
Group	**255**	**387**	**267**	**175**	**260**	**391**	**267**	**214**
Operating margin, %								
Nordic	12.7	15.0	12.6	9.7	12.4	14.7	12.9	12.3
UK	5.8	8.9	7.6	-4.5	5.0	8.3	6.0	3.9
Central Europe	1.6	5.8	3.4	10.9	1.7	9.2	9.3	9.9
Group	**8.0**	**11.0**	**8.5**	**3.2**	**7.5**	**10.4**	**8.2**	**6.2**
Operating margin excl. items affecting comparability, %								
Nordic	12.7	15.0	12.6	9.7	12.4	14.7	12.9	12.3
UK	5.8	8.9	7.6	0.4	5.0	8.3	6.0	3.9
Central Europe	1.6	5.8	3.4	10.9	1.7	9.2	9.3	9.9
Group	**8.0**	**11.0**	**8.5**	**5.2**	**7.5**	**10.4**	**8.2**	**6.2**

CONSOLIDATED BALANCE SHEET

SEK m	Note	31 Dec 2018	31 Dec 2019
ASSETS			
Intangible assets	14		
Goodwill		2,887	3,042
Other intangible assets		184	232
		3,071	**3,274**
Tangible fixed assets	15		
Land and buildings		650	676
Investments in progress and advance payments		127	151
Machinery and other technical equipment		469	531
Equipment, tools, fixtures and fittings		301	283
Right-of-use assets	16	–	2,549
		1,547	**4,190**
Interest-bearing long-term receivables (IB)	17	2	2
Other long-term receivables	17	42	103
Deferred tax assets	27	97	72
Total fixed assets		**4,759**	**7,641**
Inventories			
Raw materials and consumables		296	330
Products in progress		69	110
Finished products		506	600
Goods for resale		91	105
		962	**1,145**
Current receivables			
Current tax assets		7	51
Accounts receivable	2	1,426	1,371
Derivative instruments	2,19	13	2
Interest-bearing current receivables (IB)		33	4
Other receivables	2	45	60
Prepaid expenses and accrued income	20	393	315
		1,917	**1,803**
Cash and cash equivalents (IB)	21	128	257
Total current assets		**3,007**	**3,205**
Total assets		**7,766**	**10,846**
Of which interest-bearing items (IB)		163	263

SEK m	Note	31 Dec 2018	31 Dec 2019
SHAREHOLDERS' EQUITY AND LIABILITIES			
Attributable to Parent Company share-holders			
Share capital	22	57	57
Other contributed capital		1,484	1,497
Reserves	23	-171	55
Profit brought forward		2,527	2,668
Total shareholders' equity		**3,897**	**4,277**
Provisions for guarantees		9	9
Provisions for pensions (IB)	26	505	473
Lease liabilities (IB)	16	–	2,113
Deferred tax liabilities	27	75	49
Other provisions	28	33	28
Liabilities to credit institutions (IB)	2, 29	842	1,130
Other liabilities (IB)	2	8	4
Other liabilities, non-interest-bearing	2	44	33
Total long-term liabilities		**1,516**	**3,839**
Liabilities to credit institutions (IB)	2, 29	–	0
Overdraft facilities (IB)	2, 21	74	–
Advance payments from customers		201	138
Accounts payable	2	1,050	1,162
Provisions	28	36	11
Current tax liabilities		94	56
Lease liabilities (IB)	16	–	362
Derivative instruments	2, 19	9	23
Other liabilities	2	356	363
Accrued expenses and prepaid income	30	533	615
Total current liabilities		**2,353**	**2,730**
Total shareholders' equity and liabilities		**7,766**	**10,846**
Of which interest-bearing items (IB)		1,429	4,082

Information on consolidated pledged assets and contingent liabilities is provided in Note 32 on page 94.

COMMENTS AND ANALYSIS OF BALANCE SHEET

GOODWILL

Information on goodwill, including comments, is provided in Note 14 on pages 83-84.

FINANCING

Net debt increased to SEK 3,819m (1,266) at the end of the period, of which SEK 2,475m was attributable to financial leases under the new accounting standard IFRS 16. A positive operating cash flow of SEK 1,179m reduced net debt, of which SEK 835m referred to depreciation/amortisation and impairment that increased in accordance with the new accounting standard IFRS 16. The change in pension liabilities of SEK 17m, interest of SEK 69m and dividends of SEK 675m increased net debt. The debt/equity ratio amounted to 89 per cent at the end of the year (32 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	2018	2019
Opening balance	77	1,266
OB lease liabilities, new accounting policy	–	2,716
New leases/Leases terminated in advance, net	–	115
Acquisition of operations	618	–
Translation differences	-6	155
Operating cash flow	-599	-1,179
Interest	11	69
Remeasurements of defined-benefit pension plans	-100	-6
Change in pension liabilities	85	17
Treasury shares, reissued	–	-9
Dividends	1,180	675
Closing balance	**1,266**	**3,819**

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

COMPONENTS OF NET DEBT

	Group	
SEK m	2018	2019
Bank loans, etc.	842	1,130
Overdraft facilities	74	–
Provisions for pensions	505	473
Leasing	8	2,475
Other financial liabilities	–	4
Cash and cash equivalents	-128	-257
Other financial receivables	-35	-6
Total	**1,266**	**3,819**

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 shareholders' equity
Opening balance, 1 January 2018	**58**	**1,486**	**-271**	**7**	**2,874**	**4,154**
New accounting policy, financial instruments	–	–	–	–	-4	-4
Restated opening balance, 1 January 2018	58	1,486	-271	7	2,870	4,150
Net profit for the year	–	–	–	–	753	753
Other comprehensive income for the year	–	–	98	-5	83	176
Total comprehensive income for the year	**–**	**–**	**98**	**-5**	**836**	**929**
Cancellation of treasury shares	-1	–	–	–	1	–
Dividends[1)]	–	–	–	–	-1,180	-1,180
Allocation of performance share plan	–	-2	–	–	–	-2
Closing balance, 31 December 2018	**57**	**1,484**	**-173**	**2**	**2,527**	**3,897**
Opening balance, 1 January 2019	**57**	**1,484**	**-173**	**2**	**2,527**	**3,897**
Net profit for the year	–	–	–	–	810	810
Other comprehensive income for the year	–	–	241	-15	6	232
Total comprehensive income for the year	**–**	**–**	**241**	**-15**	**816**	**1,042**
Dividends[2)]	–	–	–	–	-675	-675
Treasury shares, reissued	–	9	–	–	–	9
Allocation of performance share plan	–	4	–	–	–	4
Closing balance, 31 December 2019	**57**	**1,497**	**68**	**-13**	**2,668**	**4,277**

1) The 2018 Annual General Meeting resolved on dividends of SEK 1,180m, corresponding to SEK 7 per share (of which SEK 3.5 per share comprised an extra dividend).
2) The 2019 Annual General Meeting resolved on dividends of SEK 675m, corresponding to SEK 4 per share.

CONSOLIDATED CASH-FLOW STATEMENT AND COMMENTS

SEK m	Note	2018	2019
Operating activities			
Operating profit		1,018	1,132
Depreciation/amortisation/impairment	14,15,16	326	835
Other adjustments for non-cash items		126	29
Income tax paid		-261	-305
Change in inventories		4	-150
Change in operating receivables		7	110
Change in operating liabilities		-219	-18
Cash flow from operating activities		**1,001**	**1,633**
Investing activities			
Investments in tangible fixed assets		-338	-372
Investments in intangible assets		-76	-93
Sale of tangible fixed assets		18	67
Interest received		2	1
Increase/decrease in interest-bearing assets		-12	29
Other items in investing activities		-6	-56
Acquisition of operations	33	-558	–
Cash flow from investing activities		**-970**	**-424**
Operating cash flow before acquisitions/divestment of operations, interest and increase/decrease in interest-bearing assets		**599**	**1,179**
Cash flow from operating activities and investing activities		**31**	**1,209**
Financing activities			
Interest paid		-13	-70
Change in interest-bearing liabilities		818[1]	89[2]
Repayment of lease liabilities		–	-475
Treasury shares, reissued		–	9
Dividends		-1,180	-675
Cash flow from financing activities		**-375**	**-1,122**
Cash flow for the year excluding exchange-rate differences in cash and cash equivalents		**-344**	**87**
Cash and cash equivalents at the beginning of the year		473	128
Cash flow for the year		**-344**	**87**
Exchange-rate differences in cash and cash equivalents		-1	42
Cash and cash equivalents at year-end		**128**	**257**

1) Raising and repayment of loans comprising a net SEK 802m. The remaining change comprised pension payments and utilisation of overdraft facilities.
2) Raising and repayment of loans comprising a net SEK 240m. The remaining change primarily comprises pension payments and repayment of current interest-bearing liabilities.

COMMENTS ON THE CASH-FLOW STATEMENT

Cash flow from operating activities amounted to SEK 1,633m (1,001). Working capital reduced cash flow by SEK -58m (-208) and was primarily attributable to higher inventories. Adjustments for non-cash items amounted to SEK 29m (126) as specified in the table below.

ADJUSTMENTS FOR NON-CASH ITEMS

SEK m	2018	2019
Capital gains/losses on fixed assets	-6	-17
Provisions	131	21
Other	1	25
Total	**126**	**29**

Investments in fixed assets amounted to SEK 465m (414). Operating cash flow, that is, the cash flow after investments but excluding the acquisitions and divestments of operations, interest and increases/decreases in interest-bearing assets, amounted to SEK 1,179m (599).

PARENT COMPANY

PARENT COMPANY INCOME STATEMENT

SEK m	Note	2018	2019
Net sales		254	281
Administrative expenses	4, 6, 11, 26	-265	-332
Other operating income	8	3	6
Other operating expenses	9	-3	-4
Operating profit		**-11**	**-49**
Profit from participations in Group companies	12	800	500
Financial income	12	48	80
Financial expenses	12	-8	-10
Profit after financial items		**829**	**521**
Group contributions received		220	150
Group contributions paid		-227	-187
Tax on net profit for the year	13	-5	0
Net profit for the year		**817**	**484**

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

SEK m	Note	2018	2019
Net profit for the year		817	484
Other comprehensive income for the year		–	–
Comprehensive income for the year		**817**	**484**

PARENT COMPANY CASH-FLOW STATEMENT

SEK m	Note	2018	2019
Operating activities			
Operating profit		-11	-49
Adjustments for non-cash items		0	0
Dividends received	12	800	500
Group contributions received		220	150
Group contributions paid		-227	-187
Interest received	12	48	80
Interest paid	12	-8	-10
Tax paid		-38	-22
Cash flow from operating activities before changes in working capital		**784**	**462**
Change in liabilities		-236	66
Change in receivables		309	282
Cash flow from operating activities		**857**	**810**
Investing activities			
Tangible fixed assets		–	-29
Provisions for pensions		2	2
Cash flow from investing activities		**2**	**-27**
Financing activities			
Increase in interest-bearing liabilities		25	3
Treasury shares, reissued		–	9
Dividends		-1,180	-675
Cash flow from financing activities		**-1,155**	**-663**
Cash flow for the year		**-296**	**120**
Cash and cash equivalents at the beginning of the year		334	38
Cash flow for the year		**-296**	**120**
Cash and cash equivalents at year-end		**38**	**158**

PARENT COMPANY BALANCE SHEET

SEK m	Note	31 Dec 2018	31 Dec 2019
ASSETS			
Fixed assets			
Tangible fixed assets		–	29
Shares and participations in Group companies	17, 18	1,378	1,380
Deferred tax assets		4	6
Total fixed assets		**1,382**	**1,415**
Current assets			
Current receivables			
Accounts receivable		26	1
Receivables from Group companies		2,483	2,212
Other receivables	19	56	70
Prepaid expenses and accrued income	20	62	84
Cash and cash equivalents	21	38	158
Total current assets		**2,665**	**2,525**
TOTAL ASSETS		**4,047**	**3,940**
SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES			
Shareholders' equity			
Restricted shareholders' equity			
Share capital[1]	22	57	57
Statutory reserve		1,671	1,671
		1,728	**1,728**
Non-restricted shareholders' equity			
Share premium reserve		52	52
Buy-back of shares		-92	-82
Profit brought forward		678	823
Net profit for the year		817	484
		1,455	**1,277**
Total shareholders' equity		**3,183**	**3,005**
Long-term liabilities			
Provisions for pensions	26	19	21
Deferred tax liabilities		5	5
Long-term interest-bearing liabilities		–	22
Total long-term liabilities		**24**	**48**
Current liabilities			
Overdraft facilities		25	–
Other interest-bearing liabilities		–	6
Accounts payable		24	44
Liabilities to Group companies		729	790
Current tax liabilities		11	0
Other liabilities	19	33	29
Accrued expenses and prepaid income	30	18	18
Total current liabilities		**840**	**887**
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES		**4,047**	**3,940**

1) The number of shares outstanding was 168,852,821 (168,686,890).

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 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**
Opening balance, 1 January 2019	**57**	**1,671**	**52**	**-92**	**1,495**	**3,183**
Net profit for the year	–	–	–	–	484	484
Comprehensive income for the year	**–**	**–**	**–**	**–**	**484**	**484**
Dividends	–	–	–	–	-675	-675
Treasury shares, reissued	–	–	–	10	-1	9
Allocation of performance share plan	–	–	–	–	4	4
Shareholders' equity, 31 December 2019	**57**	**1,671**	**52**	**-82**	**1,307**	**3,005**

1) Of the Parent Company's statutory reserve, SEK 1,390m (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 3 April 2020.

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 each 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 83. 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 3,042m (2,887) on 31 December 2019.

Deferred tax assets

The Group's loss carryforwards for which deferred tax assets have been capitalised have a carrying amount of SEK 3m (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 27 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 72m (97) on 31 December 2019.

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 473m (505) on 31 December 2019.

NEW OR AMENDED ACCOUNTING POLICIES

The following new or changed standards were applicable from 1 January 2019: IFRS 16 Leases, IAS 19 Employee Benefits and Annual improvements 2015–2017 cycle. Nobia does not apply the amendments to IFRS 9, IAS 39 and IFRS 7 under the Interest Rate Benchmark Reform (adopted by the EU on 15 January 2020) in advance. The general effects of the application of IFRS 16 are described below and also on pages 61-62 of the 2018 Annual Report. A summary of the effects of the opening balance adjustments on the balance sheet is presented in the table on page 70. The other new or amended standards mentioned above had no material impact on Nobia's financial statements.

The Group applies IFRS 16 Leases from 1 January 2019. The transition method that the Group has chosen to apply in the transition to IFRS 16 entails that comparative information in the financial statements has not been restated to reflect the requirements of the new standard.

IFRS 16 LEASES

IFRS 16 introduces a standardised lease recognition model for lessees. This standard replaces 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.

Nobia assesses whether a contract is, or contains, a lease at the start of the contract. For cases in which Nobia is deemed to be a lessee, a right-of-use asset is recognised that represents a right to use the underlying asset together with a lease liability that represents an obligation to pay lease payments. There are exemptions for short-term leases (leases with a maximum term of 12 months) and leases of low-value assets. For leases that meet the exemption criteria, the Group recognises lease payments as an operating expense straight-line over the lease term.

Recognition for the lessor is similar to the former standard, meaning that the lessor continues to classify leases as finance or operating leases.

In 2018, the Group identified material contracts that were deemed to be affected by IFRS 16 Leases. These contracts were divided into the asset classes of premises, vehicles and other. The conclusion drawn after the review of the leases was that premises is the class of asset that will have the greatest impact on the carrying amounts 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 lease liability is initially measured at the present value of future lease payments that were not paid on the commencement date, discounted by a weighted average incremental borrowing rate. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment.

Lease payments included in the measurement of lease liabilities include the following:

- Fixed payments, less any incentives payable to be received when the lease is signed,
- Variable lease payments that depend on an index or rate, initially measured using the index or rates on the commencement date,
- Amounts expected to be payable by the lessee under a residual value guarantee,
- The exercise price under a purchase option that the lessee is reasonably certain to exercise, and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Lease liabilities are recognised in subsequent periods by the liability being increased to reflect the effect of the interest and reduced to reflect effect of the paid lease payments.

Note 1 continued

The right-of-use asset is initially measured at the amount of the lease liability, plus lease payments paid at or prior to the commencement date of the lease. The right-of-use asset is recognised in subsequent periods at cost minus depreciation and impairment. Right-of-use assets are depreciated over the estimated useful life or, if it is shorter, the contracted lease term. If a lease transfers ownership at the end of the lease term or if the cost includes the reasonable certain exercise of a purchase option, the right-of-use asset is depreciated over its useful life. Depreciation starts on the commencement date of the lease.

The Group applies the principles of IAS 36 for the impairment of right-of-use assets and recognises this in the same manner as described for tangible fixed assets recognised under IAS 16.

Variable lease payments that do not depend on an index or rate are not included in the measurement of lease liabilities or right-of-use assets. Such lease payments are recognised as an expense in operating profit in the period in which they arise.

Transition and exemption rules

The Group decided to apply the modified retrospective approach. This meant that the accumulated effect of IFRS 16 was recognised in profit brought forward in the opening balance for 1 January 2019 without restating comparative figures. Nobia measured the right-of-use asset at the amount corresponding to the lease liability (plus advance payments on 31 December 2018), which entailed that the accumulated effect in profit brought forward in the opening balance did not arise. The Group applies the exemption rule of using the same discount rate for a portfolio of leases with similar characteristics.

On transition, hindsight is used when assessing the duration of the lease term if the contract contains options to extend or terminate the lease. The Group decided to apply the exemption rule of "grandfathering" the former definition of leases existing at transition. This means that the Group applied IFRS 16 to all leases signed before 1 January 2019 and that were identified as leases according to IAS 17 and IFRIC 4.

The weighted average incremental borrowing rate used on the date of initial application (1 January 2019) was 1.96%.

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

On 1 January 2019, the Group recognised additional lease liabilities of SEK 2,716m and right-of-use assets (plus advance payments on 31 December 2018) of SEK 2,802m.

	Recognised balance-sheet items 1 January 2019	Restatement to IFRS 16	Balance-sheet items 1 January 2019
Assets			
Tangible fixed assets	1,547	2,802	4,349
Other receivables	458	-86	372
Total effect on assets	**2,005**	**2,716**	**4,721**
Liabilities			
Long-term and current liabilities, interest-bearing	924	2,716	3,640
Total effect on liabilities	**924**	**2,716**	**3,640**

OTHER NEW OR AMENDED IFRS STANDARDS AND INTERPRETATIONS

IFRIC 23 Uncertainty over Income Tax Treatments issued by the International Financial Reporting Standards Committee (IFRIC) applied from 1 January 2019 and had no material impact on Nobia's financial statements.

New or amended accounting standards applied after 2019

The following new or amended accounting standards had been published but were not obligatory for 2019 and were not applied in advance by Nobia: IFRS 3 Business Combinations, IFRS 17 Insurance Contracts, IAS 1 Presentation of Financial Statements regarding classification of liabilities, and amendments to IAS 1 and IAS 8 regarding the definition of materiality (adopted by the EU on 29 November 2019). These standards have not yet been adopted by the EU unless specifically stated above and are not expected to have any material impact on Nobia's financial statements.

New interpretations of accounting standards

No new interpretations of accounting standards to be applied after 2019 have been issued by the International Financial Reporting Standards Committee (IFRIC).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 months 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 (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

Note 1 continued

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 2018	31 Dec 2019	2018	2019
DKK	1.38	1.40	1.38	1.42
EUR	10.28	10.43	10.26	10.59
GBP	11.35	12.21	11.59	12.07
NOK	1.02	1.06	1.07	1.07
USD	8.97	9.32	8.69	9.46

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 78 for a more detailed description of this divisions and a 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. Determining when control has passed to the customer, meaning a point in time or over time, requires assessments to be made.

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. All guarantee periods are in line with standard practice in each market. 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 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 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 straight-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.

Note 1 continued

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.

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 83.

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. Capitalised development expenditure is amortised over the estimated useful life. Such intangible assets that have not yet been taken into use are tested for impairment every year.

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.

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

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 assets and liabilities are offset and recognised net in the balance sheet only if there is a legal right to offset the recognised amounts and the intention is to settle the items in a net amount or to simultaneously sell the asset and settle the debt. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or receivership of the company or the counterparty. Financial assets and liabilities are not netted in the balance sheet. Gains and losses on derecognition from the balance sheet and modifications are recognised in profit or loss.

Recognition and measurement of financial instruments

Financial instruments are classified on initial recognition. Classification determines the measurement of the instrument. Under IFRS 9, financial assets are classified based on the company's business model and the objective of the contractual cash flows.

Financial assets

Financial assets includes cash and cash equivalents, accounts receivable, short-term investments, derivatives and other financial assets. Financial assets are classified based on the business model under which the asset is held and the asset's cash flow characteristics. If the financial asset is held within a business model whose objective is to collect contractual cash flows (hold to collect) and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, the asset is measured at amortised cost.

If instead the objective of the business model is to both collect contractual cash flows and sell the financial assets (hold to collect and sell), and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, the asset is measured at fair value through other comprehensive income.

All other business models (other), with the objective of speculation, held for trading or where the cash flow characteristics exclude the other business models, entail measurement at fair value through profit or loss.

Equity instruments: are classified at amortised cost except if they are not held for trading, when an irrevocable election can be made to measure the instruments at fair value through other comprehensive income with no subsequent reclassification to profit or loss. The Group classifies equity instruments at fair value through profit or loss.

Derivatives: are classified at fair value through profit or loss except when they are classified as hedging instruments in cash-flow hedges when the effective portion is recognised in "Other comprehensive income".

Debt instruments: classification of financial assets that are debt instruments is, in accordance with the above methods, 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. The Group has assets classified as fair value through other comprehensive income, such as cash-flow hedges. Fair value through profit or loss applies to 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.

Fair value through other comprehensive income applies to assets held under the business model of both selling and collecting contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial instruments in this category are measured at fair value on initial recognition. Changes in fair value are recognised under "Other comprehensive income" until the asset is derecognised from the balance sheet, at which point the amounts under "Other comprehensive income" are reclassified to profit or loss. 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.

Financial liabilities

Financial liabilities include additional purchase considerations, loan liabilities, accounts payable and derivatives. Measurement is based on the classification of the liabilities. The Group classifies financial liabilities in the categories of financial liabilities measured at amortised cost and financial liabilities measured at fair value through profit or loss, as follows:

Debt instruments: are classified in the categories of financial liabilities measured at amortised cost and financial liabilities measured at fair value through profit or loss, except for derivatives. Financial liabilities measured at amortised cost are initially measured at fair value including transaction costs. After initial recognition, they are measured at amortised cost

Note 1 continued

according to the effective interest rate method. The category of financial liabilities measured at fair value through profit or loss includes additional purchase considerations for which the liabilities are continuously measured at fair value and changes in fair value are recognised in profit or loss.

Derivatives: are classified at fair value through profit or loss except when they are classified as hedging instruments in cash-flow hedges when the effective portion is recognised in "Other comprehensive income".

Fair value measurements

For financial instruments quoted in a market, the current prices are used for measuring fair value. If there are no market quotations for the instrument, Nobia determines the fair value using normal valuation techniques, using quoted prices of similar assets or liabilities in active markets.

An assessment is made at the end of each reporting period of whether the fair value of long-term loans deviates from the carrying amount and adjustments are made for any material deviation of fair value from the carrying amount. For short-terms loans and investments, the fair value is deemed to be the same as the carrying amount since a change in the market interest rate has no material impact on the market value.

Financial assets are initially measured at cost, and for those instruments that are not measured at fair value, this measurement includes transaction costs. Financial assets are recognised in the balance sheet until the rights in the contract have been realised or the company no longer has a right to the asset. The financial assets measured at amortised cost are continuously assessed in accordance with the expected loss model to evaluate the need for any loss allowances.

The Group applies the simplified method to accounts receivable, entailing that the provision for doubtful receivables corresponds to the full lifetime expected credit losses. To measure expected credit losses, accounts receivables are grouped into three categories based on credit risk and days overdue. If a provision is deemed to be insufficient due to individual aspects, it is expanded to cover actual expected losses.

Financial derivative instruments and other hedge measures

Derivative instruments are recognised in the balance sheet on the contract date and measured at fair value, both initially and when subsequently remeasured. The method for recognising the gain or loss arising on remeasurement depends on whether the derivative is designated as a hedging instrument, and whether it is a hedge of fair value or cash flow. 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.

Hedge accounting

The Group applies hedge accounting under IFRS 9 for financial instruments aimed at hedging future commercial cash flows in foreign currencies. When the transaction is entered into, the economic relationship between the hedging instrument and hedged item, or transaction, is documented, as well as the risk management objective and strategy for undertaking the hedge. The Group also documents its assessment both at the start of the hedge and continuously as to whether the derivative instruments used in the hedge transaction are effective in terms of offsetting changes in fair value or the cash flow of hedged items. Hedges are designed in a way that they are expected to be effective, meaning that an economic relationship is expected to exist by the hedging instrument offsetting changes in fair value or the cash flow of hedged items. The economic relationship is primarily determined through qualitative analysis of critical terms in the hedging relationship. If changes in circumstances affect the hedging relationship such that the critical terms no longer match, the Group uses quantitative methods to assess effectiveness. Sources of hedge ineffectiveness are stated under each hedge type. The Group establishes the hedge ratio between the hedging instrument and the hedged item based on the hedge ratios existing in the actual hedges. The hedge ratio is 1:1 for all of the Group's hedging relationships in which hedge accounting is applied. Changes in the fair value of the hedging instrument that do not meet the criteria for hedge accounting are immediately recognised in profit or loss.

Hedging future commercial cash flows in foreign currencies

To hedge future forecast and contracted commercial currency flows, both externally and internally within the Group, the Group has entered into forward agreements. The effective portion of changes in fair value of hedging instruments is recognised in other comprehensive income. The gain or loss relating to any ineffective portion is recognised immediately in EBIT in profit or loss. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, for example, once the forecast external sale has taken place. When a hedging instrument expires or is sold or when the hedge no longer meets the criteria for hedge accounting, these are recognised at the same time as the forecast transaction is ultimately recognised in profit or loss. When the forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in equity is immediately reclassified to profit or loss. Sources of hedge ineffectiveness include the impact of the parties' credit rating on the measurement of the hedging instrument and cash flows that do not exactly match between the hedging instrument and the hedged commercial cash flows. The Group believes that sources of hedge ineffectiveness are not material given Nobia's credit rating and counterparties, and the procedures in place for reporting and monitoring forecast flows against outcomes. The Group normally hedges only a portion of forecast cash flows.

Loans defined as net investments

The Group has lending in foreign currency to certain subsidiaries for which the loans represent a permanent part of the head office's financing of the subsidiary. The loans are recognised at the closing-date rate, for which exchange-rate differences on the loans are recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash funds and balances with banks and equivalent institutions with due days within three months from the acquisition date, and short-term liquid investments with maturities of less than three months from the acquisition date that are exposed to only an insignificant risk of fluctuations in value. Blocked funds in bank accounts are not included in cash and cash equivalents. From 1 January 2018, expected credit losses are recognised in accordance with IFRS 9 since these items are classified at amortised cost. The Group applies a rating-based method, refer to Note 31 and the section on Financial credit risk exposure. Expected credit losses are measured at the total of probability of payment cancellations, loss on default and exposure on default. Prospective information is also taken into consideration.

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).

Comparative year

Financial instruments for the comparative year 2018 are recognised by applying IAS 39. Detailed information about previous recognition is provided in the 2018 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.

Note 1 continued

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.

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 2015 and 2019. 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 Plan 2015 contains two types of rights. Matching share rights give entitlement to Nobia shares if the participant remains in employment and retains the saving share that must initially be purchased. Performance share rights give entitlement to shares under the same conditions and if the accumulated earnings per share are sufficiently high during the vesting period. The recognised cost is initially based on, and regularly adjusted in relation to, the number of share 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 2015 Plan 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

Note 1 continued

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.

The Performance Share Plan 2019 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. 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 has set 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. If the set minimum levels for the performance target are achieved, the share rights entitle the holder to receive allotment of 25%. If the minimum level in the range is not achieved, the share rights will not give entitlement to any allotment, whereas each share right gives entitlement to one Nobia share if the maximum level is achieved. Allotment is proportionate for values between the minimum and maximum levels and follows a straight line between the two levels.

The total shareholder return (TSR) is a market condition that is included in the initial valuation of the relevant share rights. The expense is recognised straight-line over the vesting period with a corresponding increase in shareholders' equity. The expense for the share rights is based on the fair value of the shares calculated by an external party using a Monte Carlo simulation. The amount recognised is not assessed or adjusted for the expected or confirmed outcome during the vesting period. Instead, the entire number of share rights conditional on the share return forms the basis of the expense recognition, regardless of outcome. 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 2019 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 financial 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% of the forecast flows, 0-3 months in the future, 60% 4-6 months in the future, 40% 7-9 months in the future and 100% 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 2019, expressed in SEK and after offsetting counteracting flows, amounted to SEK 2,461m (2,667), of which SEK 2,174m (1,879) was hedged. At year-end 2019, the hedged volume amounted to SEK 1,003m (1,066). 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% strengthening of the SEK compared with other currencies on 31 December 2019 would entail a decrease in shareholders' equity of SEK -545m (-564) and a decrease in profit of SEK -81m (-72). The sensitivity analysis is based on the assumption that all other factors (for example, interest) are unchanged. The same conditions were applied to 2018.

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 1,737m (1,696). 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 33% 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.

	2018		2019	
SEK m	Capital employed per currency	Interest-bearing loans and lease liabilities	Capital employed per currency	Interest-bearing loans and lease liabilities
SEK	-429	210	232	1,379
EUR	1,351	197	1,404	228
GBP	2,941	316	4,547	1,377
DKK	1,055	670	1,813	1,045
NOK	408	36	363	53
Total	**5,326**	**1,429**	**8,359**	**4,082**

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 for remaining loans was 3 months.

REFINANCING RISK

Nobia applies a centralised approach to the Group's financing, which means that all financing takes place in Nobia AB or Nobia Sverige AB. The company has a syndicated loan facility of SEK 2,000m with two banks. The term is five years and falls due in 2023. 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:

	2018	2019
Year of maturity	2023	2023
Loans and lines of credit, SEK m	2,000	2,000
Of which utilised, SEK m	842	1,130

CAPITAL MANAGEMENT

Dividends are, on average, to be within the interval of 40-60% of net profit after tax. The debt/equity ratio at year-end amounted to 83% (32). Nobia considers recognised shareholders' equity of SEK 4,277m (3,897) 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 1,485m (1,563).

FIXED-INTEREST TERMS – BORROWING, GROUP

	2018			2019		
SEK m	0-3 months	two years	three years	0-3 months	two years	three years
SEK	842	–	–	1,130	–	–

Note 2 continued

COMMERCIAL EXPOSURE

	2018					2019				
	USD	EUR	NOK	SEK	DKK	USD	EUR	NOK	SEK	DKK
Currency contracts on closing date										
Local currency	1	63	-160	0	40	1	57	-153	4	40
Total, SEK m[1)]	8	647	-164	0	55	11	597	-162	4	56
Fair value, SEK m	0	-1	4	2	-1	0	-16	-3	-1	-1
Net flow calendar year										
Net flow, local currency	-5	-129[3]	393	-2	-150	-5	-131[4]	319	-76	-142
Net flow, SEK m[2)]	-45	-1,326[3]	420	-2	-206	-43	-1,387[4]	342	-76	-202
Hedged volume, SEK m[2)]	-25	-943	363	-63	-86	-19	-1,261	323	-42	-104

1) Flows restated at closing-date rate, SEK. 2) Restated at average rate in 2018, 2019. 3) In addition, EUR 35m pertains to flows against DKK, corresponding to SEK 360m.
4) In addition, EUR 31m pertains to flows against DKK, corresponding to SEK 332m.

SENSITIVITY ANALYSIS

	2018			2019		
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%	14.4	11.3	5%	12.1	9.5
SEK/NOK	5%	9.9	7.7	5%	8.7	6.8
EUR/GBP	5%	31.6	25.6	5%	28.3	23.5
NOK/DKK	5%	12.9	10.0	5%	12.6	9.8
SEK/DKK	5%	8.3	6.5	5%	8.2	6.4
Interest-rate level	100 points	8.4	6.6	100 points	11.3	8.9

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

		2018							2019						
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	–	–	1,158	1	1	6	1,150	–
Other liabilities															
Forward agreements[1)]	SEK		3	0	1	2	–	–		2	0	1	1	–	–
Forward agreements[1)]	EUR		5	1	2	2	–	–		17	2	5	10	–	–
Forward agreements[1)]	NOK		0	0	0	0	–	–		3	0	1	2	–	–
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)]			10	–	10	–	–	–		1	–	1	–	–	–
Current account credit (IB)	SEK	49	49	–	–	49	–	–	–	–	–	–	–	–	–
Current account credit (IB)	GBP	2	25	–	–	25	–	–	–	–	–	–	–	–	–
Financial lease liabilities (IB)[3]	DKK	5	7	0	0	4	3	–	–	–	–	–	–	–	–
Financial lease liabilities (IB)[3]	GBP	0	1	0	0	1	–	–	–	–	–	–	–	–	–
Other liabilities (IB)	GBP	–	–	–	–	–	–	–	3	4	0	0	3	1	–
Accounts payable and other liabilities	SEK		1,440	998	277	95	70	–		1,557	1,070	321	82	84	–
Total			**2,419**	**999**	**291**	**183**	**946**	**–**		**2,743**	**1,073**	**330**	**105**	**1,235**	**0**
Interest-bearing liabilities (IB)			924							1,134					

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.
3) Lease liabilities for 2019 are recognised in Note 16.

Note 2 continued

AGE ANALYSIS, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

SEK m	2018 Gross	2018 Of which expected credit losses	2018 Of which impairment	2019 Gross	2019 Of which expected credit losses	2019 Of which impairment
Non-due accounts receivable	1,123	5	–	1,122	4	–
Past due accounts receivable 0-30 days	195	1	2	173	1	0
Past due accounts receivable >30 days-90 days	93	0	1	92	0	4
Past due accounts receivable >90 days-180 days	45	0	5	29	0	6
Past due accounts receivable >180 days-360 days	24	0	5	20	0	9
Past due accounts receivable >360 days	18	0	8	27	0	8
Total receivables	**1,498**	**6**	**21**	**1,463**	**5**	**27**

DEPOSIT ACCOUNT FOR IMPAIRMENT OF ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

SEK m	2018	2019
Opening balance	18	27
Expected credit losses	5	–
Reversal of previously recognised impairment losses	-4	-3
Changed assessment of expected credit losses	1	-1
Impairment for the year	15	20
Confirmed losses	-11	-12
Translation differences	1	1
Acquisition of operations	2	–
Closing balance	**27**	**32**

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 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 5m (6) refers to expected credit losses and SEK 27m (21) 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 2019 and 31 December 2018.

OFFSET AGREEMENTS

2019, SEK m	Financial assets	Financial liabilities
Recognised amounts in statement of financial position	5	24
Amounts encompassed by netting	-5	-5
Amounts after netting	**0**	**19**

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**

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 2018	Nordic region 2019	UK region 2018	UK region 2019	Central Europe region 2018	Central Europe region 2019	Group-wide and eliminations 2018	Group-wide and eliminations 2019	Group 2018	Group 2019
Net sales from external customers	6,705	6,753	5,597	5,902	907	1,275	–	–	13,209	13,930
Net sales from other regions	0	0	–	–	2	0	-2	0	–	–
Total net sales	**6,705**	**6,753**	**5,597**	**5,902**	**909**	**1,275**	**-2**	**0**	**13,209**	**13,930**
Depreciation/amortisation	-136	-332	-122	-408	-29	-64	-28	-34	-315	-838
Operating profit	841	886	257	345	58	98	-138	-197	1,018	1,132
Financial income									10	1
Financial expenses									-42	-94
Profit before tax									**986**	**1,039**
Impairment	-3	1	-8	2	–	–	–	–	-11	3

TOTAL LIABILITIES AND ASSETS PER REGION

SEK m	Nordic region 2018	Nordic region 2019	UK region 2018	UK region 2019	Central Europe region 2018	Central Europe region 2019	Group-wide and eliminations 2018	Group-wide and eliminations 2019	Group 2018	Group 2019
Total operating assets	**2,031**	**3,212**	**2,812**	**4,283**	**462**	**595**	**2,298**	**2,493**[1]	**7,603**	**10,583**
Total operating assets include:										
Investments in fixed assets	182	172	149	177	16	29	67	87	414	465
Total operating liabilities	**1,245**	**1,298**	**843**	**881**	**170**	**172**	**182**	**136**[2]	**2,440**	**2,487**

1) Primarily comprises goodwill of SEK 2,072m (1,969), consolidated surplus values on fixed assets of SEK 65m (69) and fixed assets in the Parent Company of SEK 177m (120). Elimination of internal receivables amounted to SEK -26m (-19).
2) Elimination of internal liabilities amounted to SEK -26m (-19).

Note 3 continued

GEOGRAPHIC AREAS, GROUP

	Income from external customers[1]		Fixed assets[2]		Right-of-use assets	
SEK m	2018	2019	2018	2019	2018	2019
Sweden (domicile)	1,704	1,629	377	442	–	64
Denmark	2,474	2,709	735	727	–	1,058
Norway	1,500	1,357	146	185	–	56
Finland	995	1,022	154	142	–	12
UK	5,603	5,906	2,272	2,484	–	1,198
Germany	53	51	1	1	–	–
Netherlands	351	733	558	558	–	155
Austria	448	445	375	376	–	6
Other countries	81	78	–	–	–	–
Total	**13,209**	**13,930**	**4,618**	**4,915**	**–**	**2,549**

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

	Nordic region		UK region		Central Europe region		Group	
Net sales per product group,%	2018	2019	2018	2019	2018	2019	2018	2019
Kitchen furnishings	67	67	62	62	72	60	65	64
Installation services	6	6	6	6	7	11	6	6
Other products	27	27	32	32	21	29	29	30
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 2019 amounted to SEK 138 million (201). 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 2018 were recognised as revenue in the 2019 financial year.

NOTE 4 COSTS FOR EMPLOYEE BENEFITS AND REMUNERATION TO SENIOR EXECUTIVES

	2018			2019		
SEK m	Salaries and other remuneration	Social security costs	Total	Salaries and other remuneration	Social security costs	Total
Total subsidiaries[1]	2,485	557	**3,042**	2,681	547	**3,228**
– of which pension costs		241	**241**		254	**254**
Parent Company[1]	61	34	**95**	69	41	**110**
– of which pension costs		15	**15**		21	**21**
Group[1]	2,546	591	**3,137**	2,750	588	**3,338**
– of which pension costs		256	**256**		275	**275**

1) Excludes costs for share-based remuneration.

TOTAL COSTS FOR EMPLOYEE BENEFITS

SEK m	2018	2019
Salaries and other remuneration	2,546	2,750
Social security costs	335	313
Pension costs – defined-contribution plans	212	235
Pension costs – defined-benefit plans	36	30
Costs for special employer's contributions and tax on returns from pension	8	10
Costs for the Performance Share Plan		
2015-2018	1	–
2016-2019	–	–
2017-2020	-3	–
2018-2021	–	–
2019-2022	–	5
Total costs for employees	3,135	3,343

SALARIES AND OTHER REMUNERATION FOR THE PARENT COMPANY

SEK m	2018	2019
Senior executives[1]	17	16
Other employees	44	53
Total Parent Company[2]	**61**	**69**

1) In 2019, the number of individuals was 4 (4).
2) Excludes costs for share-based remuneration.

SALARIES AND OTHER REMUNERATION FOR SUBSIDIARIES

SEK m	2018	2019
Presidents of subsidiaries[1]	31	36
Other employees of subsidiaries	2,454	2,645
Total subsidiaries[2]	**2,485**	**2,681**

1) In 2019, the number of individuals was 13 (11).
2) Excludes costs for share-based remuneration.

Note 4 continued

REMUNERATION AND OTHER BENEFITS, 2019

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	1.10	–	–	–	–	–	1.10	–
Board members								
Nora Førisdal Larssen (member of Audit Committee)	0.49	–	–	–	–	–	0.49	–
Lilian Fossum Biner (Chairman of Audit Committee until 2 May 2019)	0.14	–	–	–	–	–	0.14	–
Stefan Jacobsson	0.38	–	–	–	–	–	0.38	–
Ricard Wennerklint (until 2 May 2019)	0.10	–	–	–	–	–	0.10	–
Christina Ståhl (until 2 May 2019)	0.10	–	–	–	–	–	0.10	–
Jill Little	0.38	–	–	–	–	–	0.38	–
George Adams	0.38	–	–	–	–	–	0.38	–
Marlene Forsell (Chairman of Audit Committee from 2 May 2019)	0.37	–	–	–	–	–	0.37	–
President								
Jon Sintorn (from 1 Sept 2019)	2.56	–	0.03	0.98	0.49	–	4.06	–
Morten Falkenberg (until 1 Sept 2019)	5.26	–	0.12	1.58	–	–	6.96	–
Other members of Group management[1)]	29.81	1.59	1.93	6.57	1.49	–	41.39	1.40
– of which, from subsidiaries[2]	21.15	1.59	1.62	3.62	1.03	–	29.01	1.01
Total	**41.07**	**1.59**	**2.08**	**9.13**	**1.98**	**–**	**55.85**	**1.40**

1) Number of individuals 11. 2) Number of individuals 7.

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 which, 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.

The average number of employees and number of men and women among Board members and senior executives are described in Note 5, see page 82.

REMUNERATION TO SENIOR EXECUTIVES

Board and Chairman of the Board

Remuneration to the Chairman and members of the Board is determined by resolutions taken at the Annual General Meeting. Board members who are employed by Nobia do not receive a separate Directors' fee. Board members elected by the Annual General Meeting receive a fixed fee of SEK 410,000 per member and the Chairman receives 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 3,436,250. Employee representatives receive a study and preparation fee of SEK 26,000 per person per year.

President

In the 2019 financial year, the President Jon Sintorn received SEK 2,585,321 in salary and benefits. No variable salary portion related to the results for 2019 was paid. For President Morten Falkenberg received SEK 5,385,667 in salary and benefits up until 1 September 2019. 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 2019 the premium cost for President Jon Sintorn was SEK 786,023 and for the former President SEK 1,579,216. 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.

Nordstjernan has issued call options to the CEO Jon Sintorn which entitles a purchase of 1,500,000 Nobia AB shares to a market value at the time of issue in May 2019 for SEK 7,000m. Nobia has not participated in the issue of call options and will not account for any costs related to these.

Other Group management

Group management, which comprised 11 individuals (10) at the end of 2019, of whom 3 (3) are employed in the Parent Company, received salaries and benefits during the financial year amounting to SEK 31,740,332 plus variable salary portions based on the results for 2019 of SEK 1,590,329. 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% of fixed annual salary. The exception to this principle is the President, whose variable salary portion may amount to a maximum of 65% 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.

Note 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 page 104.

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 2016, 2017 and 2018

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 entailed that the maximum short-term variable remuneration for participants in 2016, 2017 and 2018 respectively was 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% of annual salary and for the other members of Group management, about 10 individuals, the allocation value is 30% of annual salary. The allocation value for other managers in senior positions amounts to 20% of annual salary. The share price forming the basis of the calculation of the number of share rights corresponds to an average volume-weighted price paid measured during a specific time period.

Performance Share Plan 2019

A resolution was made at the 2019 Annual General Meeting in accordance with the Board's proposal to establish a remuneration scheme in the form of a Performance Share Plan. 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 has set 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.

PLAN

	Performance Share Plans				
	2015-2018	2016-2019	2017-2020	2018-2021	2019-2022
Vesting period	May 2015 – April/May 2018	May 2016 – April/May 2019	May 2017 – April/May 2020	May 2018 – April/May 2021	May 2019 – April/May 2022
Performance targets	Accumulated earnings per share 2015–2016	Accumulated earnings per share 2016–2017	Accumulated earnings per share 2017–2018	Accumulated earnings per share 2018–2019	Average operating profit (EBIT) and total shareholder return (TSR) 2019–2022
Fair value per share right	SEK 82.60	SEK 73.60	SEK 84.60	SEK 58.00	SEK 42.00 and SEK 16.30, respectively

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 Plan are presented in the table below:

	Accumulated costs			2018[1]			2019[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
2015–2018	9	1	10	1	0	1	–	–	–
2016–2019	–	–	–	–	–	–	–	–	–
2017–2020	–	–	–	-3	0	-3	–	–	–
2018–2021	–	–	–	–	–	–	–	–	–
2019–2022	4	1	5	–	–	–	4	1	5
	13	**2**	**15**	**-2**	**0**	**-2**	**4**	**1**	**5**

1) Price on 31 December 2018 = SEK 49.20 per share 2) Price on 31 December 2019 = SEK 70.22 per share 3) See Note 1 on pages 69-76.

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

No. of share rights	2018	2019
As per 1 January	311,754	–
Allotted	346,858	792,134
Exercised	-103,003[1]	–
Forfeited	-555,609	-1,648
As per 31 December	**–**	**790,486**

1) No exercise took place in 2019. Share price on exercise was SEK 68.16 per share in 2018.

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

	No. of share rights	
Expiry date	2018	2019
April/May 2018	–	–
April/May 2019	–	–
April/May 2020	–	–
April/May 2021	–	–
April/May 2022	–	790,486
	–	**790,486**

NOTE 5 AVERAGE NUMBER OF EMPLOYEES

	2018 Average number of employees	2018 Of whom, men	2019 Average number of employees	2019 Of whom, men
Subsidiaries in:				
Sweden	774	545	700	485
Denmark	1,321	954	1,261	950
Norway	252	105	224	101
Finland	379	274	380	264
Germany	0	0	2	2
Austria	373	288	351	271
UK	2,879	2,145	2,887	2,162
Netherlands	151	116	299	225
Total subsidiaries	**6,129**	**4,427**	**6,104**	**4,460**
Parent Company	49	22	57	34
Group	**6,178**	**4,449**	**6,161**	**4,494**

	2018 Number on closing date	2018 Of whom, men, %	2019 Number on closing date	2019 Of whom, men, %
Board members	71	87	65	82
Presidents and other senior executives	134	79	125	83
Group	**205**	**82**	**190**	**83**

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

	2018 Number on closing date	2018 Of whom, men, %	2019 Number on closing date	2019 Of whom, men, %
Board members	11	55	9	56
Presidents and other senior executives	11	91	12	92
Parent Company	**22**	**73**	**21**	**76**

NOTE 6 REMUNERATION TO AUDITORS

SEK m	Group 2018	Group 2019	Parent Company 2018	Parent Company 2019
Deloitte AB				
Audit assignment	6	7	1	1
Audit activities other than audit assignment	0	0	0	0
Tax advice	0	1	0	0
Other assignments	3	0	2	0
KPMG				
Audit assignment	1	0	–	–
Audit activities other than audit assignment	0	0	–	–
Tax advice	0	0	–	–
Other assignments	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 2018	Depreciation/ amortisation 2019	Impairment 2018	Impairment 2019
Cost of goods sold	-149	-234	–	–
– of which, right-of-use assets	–	*-77*	–	–
Selling expenses	-111	-528	-11	3
– of which, right-of-use assets	–	*-403*	–	–
Administrative expenses	-55	-76	–	–
– of which, right-of-use assets	–	*-11*	–	–
Total depreciation/amortisation and impairment	**-315**	**-838**	**-11**	**3**
– of which, right-of-use assets	**–**	***-491***	**–**	**–**

NOTE 8 OTHER OPERATING INCOME

SEK m	Group 2018	Group 2019	Parent Company 2018	Parent Company 2019
Gains on sale of fixed assets	6	18	–	–
Gains on sale of stores	6	22	–	–
Exchange-rate gains from operating receivables/liabilities	115	308	3	6
Rental income	–	65	–	–
Other	22	19	–	–
Total other operating income	**149**	**432**	**3**	**6**

Rental income in 2019 refers to onward invoiced rental income. The corresponding income in 2018 amounted to SEK 67m but in 2018 was recognised together with the corresponding net rental charges as indirect costs. No change in comparative figures took place.

NOTE 9 OTHER OPERATING EXPENSES

SEK m	Group 2018	Group 2019	Parent Company 2018	Parent Company 2019
Exchange-rate losses from operating receivables/liabilities	-115	-300	-3	-4
Loss attributable to sale of fixed assets	–	-1	–	–
Non-recurring costs for defined-benefit plans in UK	-66	–	–	–
Other	-9	-11	–	–
Total other operating expenses	**-190**	**-312**	**-3**	**-4**

NOTE 10 SPECIFICATION BY TYPE OF COST

Group, SEK m	2018	2019
Costs for goods and materials	-5,236	-5,527
Costs for remuneration of employees	-3,104	-3,322
Depreciation/amortisation and impairment (Note 7)	-326	-835
Freight costs	-693	-743
Operating lease costs, primarily stores	-545	–
Other operating expenses	-2,436	-2,803
Total operating expenses	**-12,340**	**-13,230**

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	2018	2019	2018	2019
Expensed during the year	545	–	4	–
Falling due for payment within one year	433	–	4	–
Falling due for payment between one and five years	1,084	–	25	–
Falling due for payment later	409	–	3	–
Total	**1,926**	–	**32**	–

For information on leases in 2019, refer to Note 16.

NOTE 12 FINANCIAL INCOME AND EXPENSES

	Group		Parent Company	
SEK m	2018	2019	2018	2019
Profit from participations in Group companies				
Dividends	–	–	800	500
Financial income				
Interest income, current	2	1	7	15
Exchange-rate differences	8	0	41	65
Financial expenses				
Interest expense	-14	-18	-8	-10
Interest expense for leases	–	-55	–	0
Interest expense pertaining to pension liabilities	-28	-21	0	0
Exchange-rate differences	0	0	0	0
Total	**-32**	**-93**	**840**	**570**

NOTE 13 TAX ON NET PROFIT FOR THE YEAR

	Group		Parent Company	
SEK m	2018	2019	2018	2019
Current tax expenses for the period	-240	-223	-5	–
Deferred tax	7	-6	0	0
Tax on net profit for the year	**-233**	**-229**	**-5**	**0**

RECONCILIATION OF EFFECTIVE TAX

Parent Company, %	2018	2019
Tax rate in the Parent Company	22.0	21.4
Taxes attributable to earlier periods	-0.1	–
Non-tax deductible income	–	–
Non-deductible costs	0.1	0.1
Non-tax deductible dividend	-21.4	-22.1
Non-capitalised loss carryforwards	–	0.6
Other	–	–
Recognised effective tax	**0.6**	**0.0**

The difference between the nominal and effective tax rates for the Parent Company primarily pertains to dividends from subsidiaries and a non-capitalised loss carryforward. The loss carryforward is capitalised at Group level.

Tax expense on net profit for the year for the Group comprised 22.0 per cent of profit before tax. In 2018, tax expense accounted for 23.7 per cent of profit before tax for continuing operations. The corporation tax rate in Sweden will be lowered to 20.6 per cent in 2021. Nobia's deferred tax liabilities and assets from this country are thus recognised at the new tax rate as per 31 December 2019, with a marginal effect in the income statement and the balance sheet. The difference between recognised tax (22.0 per cent) and anticipated tax in consolidated profit before tax calculated using the local tax rate for Sweden (21.4 per cent) is explained in the table below.

RECONCILIATION OF EFFECTIVE TAX

Group, %	2018	2019
Local tax rate in Sweden	22.0	21.4
Different local tax rates	-1.0	1.7
Taxes attributable to earlier periods	0.4	0.0
Non-tax deductible income	-0.3	-5.0
Non-deductible costs	2.1	3.9
Non-capitalised loss carryforwards	0.4	0.7
Utilisation of previously unrecognised loss carry-forwards	–	-0.6
Changed tax rate	0.1	-0.1
Recognised effective tax	**23.7**	**22.0**

Note 27 on page 91 explains the calculation of deferred tax assets and liabilities.

NOTE 14 INTANGIBLE ASSETS

	Group	
Goodwill, SEK m	2018	2019
Opening carrying amount	2,361	2,887
Acquisition of operations	468	13
Sale of stores	–	-2
Translation differences	58	144
Closing carrying amount	**2,887**	**3,042**

Impairment testing of goodwill

At the end of 2019, recognised goodwill amounted to SEK 3,042m (2,887). The carrying amount of goodwill is specified by cash-generating units as follows:

	Group	
SEK m	2018	2019
Nobia UK	1,616	1,739
Nobia DK	351	354
Nobia SweNo	144	161
Bribus	464	471
Other	312	317
Total	**2,887**	**3,042**

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 impairment test when needed, at least annually, 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

Note 14 continued

for deriving the discount rate before tax. The recoverable amount for the business calculated in conjunction with the above is compared with the carrying amount including goodwill, the value in use, 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. These figures are compared with historical data and external reports on market growth and are consistent with these figures. 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.

Impairment testing of goodwill has taken into account changes in assumptions that are an effect of the implementation of the new standard IFRS 16 Leases. Working capital, and thus the value in use, has increased by the amount of the right-of-use assets. Operating margin improved since lease expenses are recognised as depreciation and interest expense. Consequently, cash flow has improved since lease payments, comprising repayment of lease liabilities and interest expense, are not included in the forecasted cash flows. However, cash flows and the impact on amounts from future leases was reflected in cash flow by adjustments for future investments in leases.

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.

The implementation of the new standard IFRS 16 Leases impacted the calculation of the average cost of capital due to the increased average debt/equity ratio attributable to lease liabilities. This resulted in a decrease in the average cost of capital.

Increased cash flows and a lower average cost of capital resulted in a higher recoverable amount. The recoverable amount is compared with the carrying amount including goodwill and right-of-use assets. The relationship between the recoverable amount and the carrying amount is essentially unchanged after the implementation of IFRS 16.

In 2019, the Group's weighted cost of capital before tax amounted to 7.1% (10.6) and after tax to 5.9% (8.7). In total, the utilised cost of capital after tax for 2019 is within the interval of 4.5–8.3% (8.4–9.5).

Testing of goodwill did not lead to any impairment in 2019.

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:

	Group	
Discount rate before tax, %	**2018**	**2019**
Nobia UK	11.4	9.6
Nobia DK	9.9	5.2
Nobia SweNo	10.7	9.4
Other	10,0-10,4	9,8-10,5

	Group	
Other intangible assets, SEK m	**2018**	**2019**
Opening acquisition value	406	501
Investments for the year	76	93
Sales and scrapping	-1	-3
Acquisition of operations	10	–
Reclassification	2	15
Translation differences	8	8
Closing accumulated acquisition value	**501**	**614**
Opening amortisation	257	317
Sales and scrapping	-1	-3
Amortisation for the year	50	62
Acquisition of operations	4	–
Reclassification	0	0
Translation differences	7	6
Closing accumulated amortisation	**317**	**382**
Closing carrying amount	**184**	**232**
Of which:		
Software	158	200
Brands	8	0
Licences	13	6
Other	5	26
Closing carrying amount	**184**	**232**

NOTE 15 TANGIBLE FIXED ASSETS

	Group	
Buildings, SEK m	**2018**	**2019**
Opening acquisition value	1,369	1,523
Investments for the year	121	76
Sales and scrapping	-4	-19
Reclassification	1	0
Translation differences	36	62
Closing acquisition value including written-up amount	**1,523**	**1,642**
Opening depreciation and impairment	900	992
Sales and scrapping	-2	-12
Reclassification	0	0
Depreciation for the year	70	74
Translation differences	24	36
Closing depreciation and impairment	**992**	**1,090**
Closing carrying amount	**531**	**552**
Closing accumulated depreciation	**990**	**1,088**

	Group	
Land and land improvements, SEK m	**2018**	**2019**
Opening acquisition value	137	141
Investments for the year	0	1
Sales and scrapping	–	-1
Reclassifications	–	1
Translation differences	4	5
Closing acquisition value including written-up amount	**141**	**147**
Opening depreciation and impairment	21	22
Depreciation for the year	1	1
Translation differences	0	0
Closing depreciation and impairment	**22**	**23**
Closing carrying amount	**119**	**124**
Closing accumulated depreciation	**22**	**23**

Note 15 continued

Investments in progress, SEK m	Group 2018	2019
Opening acquisition value	110	127
Investments initiated during the year	34	52
Acquisition of operations	3	–
Investments completed during the year[1)]	-23	-37
Translation differences	3	7
Closing carrying amount	**127**	**149**

1) Assets reclassified as other tangible fixed assets.

Machinery and other technical equipment, SEK m	Group 2018	2019
Opening acquisition value	1,837	2,027
Investments for the year	40	142
Sales and scrapping	-38	-27
Acquisition of operations	132	–
Reclassification	10	11
Translation differences	46	52
Closing acquisition value including written-up amount	**2,027**	**2,205**
Opening depreciation and impairment	1,397	1,558
Sales and scrapping	-37	-26
Acquisition of operations	63	–
Reclassification	-1	0
Depreciation for the year	101	103
Translation differences	35	39
Closing depreciation and impairment	**1,558**	**1,674**
Closing carrying amount	**469**	**531**
Closing accumulated depreciation	**1,550**	**1,666**

Equipment, tools, fixtures and fittings, SEK m	Group 2018	2019
Opening acquisition value	1,025	1,255
Investments for the year	143	98
Sales and scrapping	-24	-113
Acquisition of operations	73	1
Reclassification	9	10
Translation differences	29	43
Closing acquisition value	**1,255**	**1,294**
Opening depreciation and impairment	793	954
Sales and scrapping	-14	-74
Acquisition of operations	49	0
Reclassification	0	0
Depreciation for the year	93	107
Impairment	11	-3
Translation differences	22	27
Closing depreciation and impairment	**954**	**1,011**
Closing carrying amount	**301**	**283**
Closing accumulated depreciation	**919**	**977**

Advance payments for tangible fixed assets, SEK m	Group 2018	2019
Opening balance	0	0
Expenses during the year	0	3
Reclassification	0	-1
Closing carrying amount	**0**	**2**

Impairment for the year for tangible fixed assets amounted to SEK 0m (11) and reversals of previous impairment took place during the year at an amount of SEK 3m (0). Minor reclassifications were made during the year between classes of fixed assets and to other intangible assets.

NOTE 16 RIGHT-OF-USE ASSETS

Land and buildings, SEK m	Group 2018	2019
Opening acquisition value, new accounting policy	–	2,625
New leases	–	126
Terminated leases	–	-131
Translation differences	–	113
Closing acquisition value	**–**	**2,733**
Depreciation for the year	–	405
Terminated leases	–	-12
Translation differences	–	1
Closing depreciation and impairment	**–**	**394**
Closing carrying amount	**–**	**2,339**

Vehicles, SEK m	Group 2018	2019
Opening acquisition value, new accounting policy	–	159
New leases	–	106
Terminated leases	–	-7
Translation differences	–	10
Closing acquisition value	**–**	**268**
Depreciation for the year	–	73
Terminated leases	–	-2
Translation differences	–	0
Closing depreciation and impairment	**–**	**71**
Closing carrying amount	**–**	**197**

Other, SEK m	Group 2018	2019
Opening acquisition value, new accounting policy		18
New leases	–	7
Terminated leases	–	–
Translation differences	–	1
Closing acquisition value	**–**	**26**
Depreciation for the year	–	13
Terminated leases	–	–
Translation differences	–	0
Closing depreciation and impairment	**–**	**13**
Closing carrying amount	**–**	**13**

For further information about right-of-use assets, refer to Note 1 Accounting policies.

For depreciation of right-of-use assets by activity, refer to Note 7 Depreciation/amortisation and impairment by activity

ANALYSIS OF TERMS FOR LEASES

Nominal amount	within 6 months	7 months–1 year	1–2 years	2–5 years	more than 5 years
Financial lease liabilities (IB) DKK	26	69	112	310	609
Financial lease liabilities (IB) GBP	64	161	253	517	255
Financial lease liabilities (IB) EUR	12	20	23	59	65
Financial lease liabilities (IB) SEK	5	14	18	23	0
Financial lease liabilities (IB) NOK	4	11	17	21	3
Total	**111**	**275**	**423**	**930**	**932**

The Group deems the value of both low-value leases and short-term leases to be insignificant, which is why information on expenses for these leases is not presented. Similarly, expenses attributable to variable lease payments, not including the lease liability, are deemed to be insignificant. Interest expenses for leases amounted to SEK 55m.

NOTE 17 FINANCIAL FIXED ASSETS

	Group	
Other long-term receivables, SEK m	2018	2019
Deposits	29	27
Long-term loans to retailers[1]	9	29
Long-term receivables from customers	–	44
Other	6	5
Total	**44**	**105**

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

	Parent Company	
Shares and participations in Group companies, SEK m	2018	2019
Opening acquisition value	1,379	1,378
Divestment	–	–
Shareholders' contribution	–	–
Impairment of shares in subsidiaries	–	–
Other changes	-1	2
Closing acquisition value	**1,378**	**1,380**

NOTE 18 SHARES AND PARTICIPATIONS IN SUBSIDIARIES

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

					Carrying amount	
	Corp. Reg. No.	Domicile	Share of equity, %	No. of shares	2018	2019
Nobia Sverige AB	556060-1006	Stockholm	100	100	1,256	1,256
Nobia Norway AS		Trollåsen	100			
Kjøkkensenteret Rogaland AS		Stavanger	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			
Magnet (Isle of Man) Limited		Isle of Man	100			
Magnet Group Trustees Ltd		Darlington	100			
Magnet Group Ltd[1]		Darlington	100			
Magnet Distribution 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			
Gower Group Ltd		Halifax	100			
Gower Furniture Ltd		Halifax	100			
Charco Ninety-Nine Ltd		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		Harrislee	100			
Swedoor Bauelementevertrieb Gmbh[1]		Herford	100			
Nobia Svenska Kök AB	556048-3256	Tidaholm	100	30,000	92	92
Nobia Beteiligungs-GmbH[3]		Wels	100		2[2]	
Nobia Liegenschafts- und Anlagenverwaltungs-GmbH[3]		Wels	100		1[2]	
EWE Küchen GmbH		Wels	100			3
FM Küchen GmbH[3]		Linz	100			
Other					27	29
Total					**1,378**	**1,380**

1) The company is dormant.
2) The company is 1% owned by Nobia AB and 99% owned by the subsidiary, Nobia Sverige AB. The details concern the 1% holding.
3) These companies were merged with ewe Küchen Gmbh in 2019.

NOTE 19 DERIVATIVE INSTRUMENTS

SEK m	Group Carrying amount 2019	Group Fair value 2019	Parent Company Carrying amount 2019	Parent Company Fair value 2019
Forward agreements, transaction exposure – assets	2	2	25	25
Forward agreements, transaction exposure – liabilities	-23	-23	-25	-25
Total	**-21**	**-21**	**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 3m (0) and liabilities of SEK 1m (10), which are recognised under other assets and liabilities. Unrealised gains and losses totalling a net gain of SEK 13m in shareholders' equity as per 31 December 2019 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. The preceding year's unrealised gains and losses totalling a net profit of SEK 2 million were reversed in profit or loss in their entirety in 2019.

NOTE 20 PREPAID EXPENSES AND ACCRUED INCOME

SEK m	Group 2018	Group 2019	Parent Company 2018	Parent Company 2019
Prepaid rent	74	–	0	0
Bonus from suppliers	95	108	38	35
Accrued customer income	73	75	–	–
Prepaid bank charges	11	6	–	–
Insurance policies	10	8	3	3
Other	130	118	21	46
Total	**393**	**315**	**62**	**84**

NOTE 21 CASH AND CASH EQUIVALENTS

SEK m	Group 2018	Group 2019	Parent Company 2018	Parent Company 2019
Cash and bank balances	128	257	38	158

Unutilised overdraft facilities, which are not included in cash and cash equivalents, totalled SEK 359m (277) in the Group, and SEK 259m (226) in the Parent Company at year-end. In addition to the overdraft facilities, the company has unutilised credit commitments of SEK 870 m (1,158).

NOTE 22 SHARE CAPITAL

	No. of registered shares	No. of shares outstanding
As per 1 January 2018	175,293,458	168,583,887
As per 31 December 2018	170,293,458	168,686,890
As per 31 December 2019	170,293,458	168,852,821

Bought-back own shares	2018	2019
Opening balance	6,709,571	1,606,568
Divestments for the year	-103,003	-165,931
Cancellation of treasury shares	-5,000,000	–
Closing balance	**1,606,568**	**1,440,637**

The share capital amounts to SEK 56,763,597 (56,763,597). 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 1,440,637 treasury shares (1,606,568) on 31 December 2019. Divestments for the year pertained to reissued treasury shares for the Performance Share Plans 2019. Divestments for the preceding year pertained to allotment of shares for the Performance Share Plan 2015. 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 23 RESERVES IN SHAREHOLDERS' EQUITY

A specification of changes in shareholders' equity is provided on page 65

SEK m	Translation reserve	Hedging reserve	Total
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**
Opening balance, 1 January 2019	**-173**	**2**	**-171**
Exchange-rate differences attributable to translation of foreign operations	241	–	241
Cash-flow hedges before tax[1]	–	-19	-19
Tax attributable to change in hedging reserve for the year[2]	–	4	4
Closing balance, 31 December 2019	**68**	**-13**	**55**

1) Reversal recognised in profit or loss of SEK -3m (-10). New provision amounts to SEK -15m (3).
2) Reversal recognised in profit or loss of SEK 1m (3). New provision amounts to SEK 3m (-1).

TRANSLATION RESERVE

The translation reserve includes all exchange-rate differences arising in conjunction with the translation of financial statements from foreign operations that have prepared their financial statements in a different currency to the currency in which the consolidated financial statements are prepared. The Parent Company and Group present their financial statements in SEK.

HEDGING RESERVE

The hedging reserve includes the effective portion of the accumulated net change in fair value of a cash-flow hedging and interest-rate hedging instrument attributable to hedging transactions that have not yet occurred.

NOTE 24 EARNINGS PER SHARE

EARNINGS PER SHARE BEFORE DILUTION

Earnings per share before dilution are calculated by dividing profit attributable to the Parent Company's shareholders by the weighted average number of ordinary shares during the period.

	2018	2019
Profit attributable to Parent Company shareholders, SEK m	753	810
Weighted average number of outstanding ordinary shares before dilution	168,652,556	168,769,856
Earnings per share before dilution, SEK	4.46	4.80

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 2015, 2016, 2017, 2018 and 2019. Refer to Notes 4 and 21, on pages 79 and 87. 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.

	2018	2019
Weighted average number of outstanding ordinary shares	168,652,556	168,769,856
Performance Share Plan 2015[1]	34,334	–
Performance Share Plan 2016	–	–
Performance Share Plan 2017	–	–
Performance Share Plan 2018	–	–
Performance Share Plan 2019	–	274,442
Weighted average number of outstanding ordinary shares after dilution	168,686,890	169,044,298
Earnings per share after dilution, SEK	4.46	4.79

1) Pertains to dilution until redemption.

NOTE 25 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	741,423,108
Net profit for the year	483,691,924
Total SEK	**1,277,340,518**

Due to uncertainty regarding the effects of the spread of the Corona virus during the beginning of 2020, the Board of Directors proposes that no dividend for 2019 be paid and that all profits at the disposition of the Annual General Meeting be appropriated as follows:

No dividend for 2019 to be paid	0
To be carried forward	1,277,340,518
Total SEK	**1,277,340,518**

NOTE 26 PROVISIONS FOR PENSIONS

DEFINED-BENEFIT PENSION PLANS, GROUP

Provisions for pensions, SEK m	2018	2019
Defined-benefit pension plans	505	473

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 2019 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 3.3m (4.1). On 31 December 2019, 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% (142). 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	2018	2019
Present value of funded obligations	2,739	3,243
Fair value of plan assets	-2,449	-3,019
	290	**224**
Present value of unfunded obligations	215	249
Net debt in provisions for pensions	**505**	**473**

The net debt for defined-benefit plans amounting to SEK 473m (505) is recognised in the "Provisions for pensions" item in the consolidated balance sheet. The net debt at year-end was as follows: UK 48%, Sweden 40% and Austria 12%.

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

	Defined-benefit obligation		Plan assets		Net debt	
SEK m	2018	2019	2018	2019	2018	2019
At beginning of the year	**3,098**	**2,954**	**-2,531**	**-2,449**	**567**	**505**
Recognised in profit or loss						
Costs for service during current year	8	9	–	–	8	9
Pension adjustment for defined-benefit plans in UK	66	–	–	–	66	–
Interest expense (+)/income (-)	82	87	-54	-66	28	21
	156	**96**	**-54**	**-66**	**102**	**30**
Recognised in other comprehensive income						
Remeasurements						
Actuarial gains/losses due to						
– demographic assumptions	7	-25	–	–	7	-25
– financial assumptions	-124	361	–	–	-124	361
– experience-based adjustments	-116	-6	–	–	-116	-6
Return on plan assets excluding interest income	–	–	133	-336	133	-336
Exchange-rate differences	69	213	-58	-192	11	21
	-164	**543**	**75**	**-528**	**-89**	**15**
Other						
Employer contributions	–	–	-68	-69	-68	-69
Benefits paid	-136	-101	129	93	-7	-8
	-136	**-101**	**61**	**24**	**-75**	**-77**
At year-end	**2,954**	**3,492**	**-2,449**	**-3,019**	**505**	**473**

Note 26 continued

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

Group, SEK m	2018	2019
Cost of goods sold	–	3
Selling expenses	0	2
Administrative expenses	5	4
Other operating expenses	66	–
Net financial items	31	21
Total pension costs	**102**	**30**

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

Group, SEK m	2018	2019
Interest income	54	74
Return on pension assets excluding interest income	-133	336
Total actual return on plan assets	**-79**	**410**

Principal actuarial assumptions:

Group, %	2018	2019
Discount rate:		
UK	2.90	2.10
Austria	1.90	1.00
Sweden	2.54	1.50
Future annual salary increases:		
UK	–	–
Austria	2.30	2.30
Sweden	2.50	2.30
Future annual pension increases:		
UK	3.00	2.60
Austria	–	–
Sweden	2.50	2.30

Life expectancy

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

Group	2018	2019
On closing date		
Men	21.0-23.0	20.7-22.9
Women	23.7-25.0	23.5-25.4
20 years after closing date		
Men	22.8-26.2	22.0-26.3
Women	25.6-28.4	24.0-28.5

Plan assets comprise the following:

	2018		2019	
Group, SEK m	Listed price on an active market	Unlisted price	Listed price on an active market	Unlisted price
Cash and cash equivalents	89	–	159	–
High-quality corporate bonds	893	–	1,089	–
Mutual funds, global	376	–	375	–
Hedge funds	181	–	–	–
Fixed-income funds, term 7–20 years	910	–	1,396	–
Total	**2,449**	**–**	**3,019**	**–**

Contributions to post-employment remuneration plans are expected to amount to SEK 74m (71) for the 2019 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)	-462	737
Expected mortality (1-year change)	168	-57
Future salary increase (1% change)	75	44
Future increase in pension (1% change)	310	-262

Total pension costs recognised in profit or loss are as follows:

	Group	
Pension costs, SEK m	2018	2019
Total costs for defined-benefit plans	36	30
Pension adjustment for defined-benefit plans in UK	66	–
Total costs for defined-contribution plans	212	235
Costs for special employer's contributions and tax on returns from pension	8	10
Total pension costs	**322**	**275**

Defined-benefit pension plans, Parent Company:

	Parent Company	
Provisions for pensions, SEK m	2018	2019
Provisions in accordance with Pension Obligations Vesting Act, FPG/PRI pensions[1]	38	48

1) According to IAS 19.

The costs are recognised in profit or loss as follows:

	Parent Company	
Defined-benefit plans, SEK m	2018	2019
Administrative expenses	1	3

Total pension costs recognised in profit or loss are as follows:

	Parent Company	
Pension costs, SEK m	2018	2019
Total costs for defined-benefit plans	2	4
Total costs for defined-contribution plans	11	14
Costs for special employer's contributions and tax on returns from pension	2	3
Total pension costs	**15**	**21**

Parent Company pension liabilities are calculated at a discount rate of 1.5% (2.54). The assumptions are calculated on the basis of the salary levels applicable on the closing date. SEK 376t (330), pertaining to defined-benefit pension plans in the Parent Company, is expected to be paid in 2020.

NOTE 27 DEFERRED TAX

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

	2018			2019		
SEK m	Deferred tax assets	Deferred tax liabilities	Net	Deferred tax assets	Deferred tax liabilities	Net
Opening balance	118	89	29	97	75	22
Recognised in profit or loss	-3	-10	7	-11	-5	-6
Remeasurements of defined-benefit pension plans	-17	–	-17	0	–	0
Changes in forward agreements	-4	-6	2	4	0	4
Recognised directly against shareholders' equity	1	0	1	–	–	–
Offset/Reclassification	0	0	0	-22	-22	0
Translation differences	2	2	0	4	1	3
Closing balance	**97**	**75**	**22**	**72**	**49**	**23**

Deferred tax assets

SEK m	Defined-benefit pension plans	Other temporary differences	Loss carryforwards, etc.	Total
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**
As per 1 January 2019	**69**	**28**	**0**	**97**
Recognised in profit or loss	1	-20	8	-11
Recognised in other comprehensive income	0	4	–	4
Offset	–	-22	–	-22
Translation differences	4	0	–	4
As per 31 December 2019	**74**	**-10**	**8**	**72**

Deferred tax liabilities

SEK m	Temporary differences in fixed assets	Other	Total
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**
As per 1 January 2019	**49**	**26**	**75**
Recognised in profit or loss	-1	-4	-5
Recognised in other comprehensive income	–	0	0
Offset	–	-22	-22
Translation differences	1	0	1
As per 31 December 2019	**49**	**0**	**49**

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

Deferred tax assets on loss carryforwards at year-end amounted to SEK 3m (–) and were attributable to Sweden.

The value of the loss carryforwards for which deferred tax assets are not recognised amounted to SEK 5m (6) 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 28 OTHER PROVISIONS

SEK m	Unutilised tenancy rights	Dilapidations	Other long-term employee benefits	Other	Total
As per 1 January 2019	**23**	**21**	**6**	**19**	**69**
Expensed in consolidated income statement					
– Additional provisions	–	2	3	0	5
– Reversed unutilised amounts	-1	–	–	-4	-5
Utilised during the year	-7	-12	-1	-12	-32
Reclassification	-1	–	–	–	-1
Translation differences	2	1	0	0	3
As per 31 December 2019	**16**	**12**	**8**	**3**	**39**

.

NOTE 29 LIABILITIES TO CREDIT INSTITUTIONS

MATURITY STRUCTURE

	Group		Parent Company	
SEK m	2018	2019	2018	2019
Within 1 year	–	0	–	–
Between 1 and 5 years	842	1,130	–	–
Longer than 5 years	–	–	–	–
Total	**842**	**1,130**	**–**	**–**

For further information about maturities, refer to Note 2 Financial risks.

NOTE 30 ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
SEK m	2018	2019	2018	2019
Bonus to customers	136	153	–	–
Accrued salary-related costs	204	210	15	10
Accrued interest	0	0	–	–
Insurance policies	22	25	–	–
Rents	4	18	–	–
Other	167	209	209	8
Total	**533**	**615**	**224**	**18**

NOTE 31 FINANCIAL ASSETS AND LIABILITIES

		Measured at fair value through other comprehensive income	Measured at fair value through profit or loss		Amortised cost			
Group 2019, 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	17	–	–	–	–	2	–	2
Other long-term receivables	17	–	–	–	–	103	–	103
Accounts receivable	2	–	–	–	–	1,371	–	1,371
Current interest-bearing receivables		–	–	–	–	4	–	4
Other receivables	2, 19, 20	2	3	–	183	60	–	248
Total		**2**	**3**	**–**	**183**	**1,540**	**–**	**1,728**
Financial liabilities								
Long-term interest-bearing liabilities	29	–	–	–	–	–	1,134	1,134
Current interest-bearing liabilities	2	–	–	–	–	–	0	0
Lease liabilities		–	–	–	–	–	2,475	2,475
Accounts payable	2	–	–	–	–	–	1,162	1,162
Additional purchase consideration	2, 33	–	–	44	–	–	–	44
Other liabilities	2, 19, 30	23	1	–	597	–	349	970
Total		**23**	**1**	**44**	**597**	**–**	**5,120**	**5,785**

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

Note 31 continued

Group 2018, SEK m	Note	Measured at fair value through other comprehensive income: Derivatives used in hedge accounting	Measured at fair value through profit or loss: Non-hedge-accounting derivative instruments	Measured at fair value through profit or loss: Financial instruments initially identified at fair value	Amortised cost: Interim items	Amortised cost: Accounts and loans receivable	Amortised cost: Other liabilities	Total carrying amount[1]
Financial assets								
Long-term interest-bearing receivables	17	–	–	–	–	2	–	2
Other long-term receivables	17	–	–	–	–	42	–	42
Accounts receivable	2	–	–	–	–	1,426	–	1,426
Current interest-bearing receivables		–	–	–	–	33	–	33
Other receivables	2, 19, 20	13	–	–	168	45	–	226
Total		**13**	**–**	**–**	**168**	**1,548**	**–**	**1,729**
Financial liabilities								
Long-term interest-bearing liabilities	29	–	–	–	–	–	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, 19, 30	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.

Exchange-rate gains and losses pertaining to the operations were recognised in other operating income and operating expenses in the net amount of SEK 8m (0).

Financial exchange-rate gains and losses were recognised in net financial items in the amount of SEK 0m (8).

Parent Company 2019, SEK m	Note	Measured at fair value through other comprehensive income: Derivatives used in hedge accounting	Measured at fair value through profit or loss: Non-hedge-accounting derivative instruments	Measured at fair value through profit or loss: Financial instruments initially identified at fair value	Amortised cost: Interim items	Amortised cost: Accounts and loans receivable	Amortised cost: Other liabilities	Total carrying amount[1]
Financial assets								
Long-term interest-bearing receivables		–	–	–	–	–	–	–
Other long-term receivables		–	–	–	–	6	–	6
Accounts receivable		–	–	–	–	1	–	1
Current interest-bearing receivables		–	–	–	–	–	–	–
Other receivables	19, 20	–	29	–	35	2,253	–	2,317
Total		**–**	**29**	**–**	**35**	**2,260**	**–**	**2,324**
Financial liabilities								
Long-term interest-bearing liabilities		–	–	–	–	–	43	43
Long-term non-interest-bearing liabilities		–	–	–	–	–	5	5
Current interest-bearing liabilities		–	–	–	–	–	790	790
Accounts payable		–	–	–	–	–	44	44
Other liabilities	19, 30	–	26	–	18	–	3	47
Total		**–**	**26**	**–**	**18**	**–**	**885**	**929**

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

Parent Company 2018, SEK m	Note	Measured at fair value through other comprehensive income: Derivatives used in hedge accounting	Measured at fair value through profit or loss: Non-hedge-accounting derivative instruments	Measured at fair value through profit or loss: Financial instruments initially identified at fair value	Amortised cost: Interim items	Amortised cost: Accounts and loans receivable	Amortised cost: 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	19, 20	–	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	19, 30	–	30	–	18	–	14	62
Total		**–**	**30**	**–**	**18**	**–**	**816**	**864**

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

Note 31 continued

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 5m (13) in assets and SEK 24m (19) in liabilities. For disclosures regarding liabilities for additional purchase considerations for business combinations, which are measured under Level 3, refer to Note 33. In an estimate of fair value, the company's long-term loans are not deemed to significantly deviate from their carrying amounts.

NOTE 32 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	2018	2019	2018	2019
Securities for pension commitments	2	2	23	24
Other contingent liabilities	226	276	1,007	1,304
Total	**228**	**278**	**1,030**	**1,328**

NOTE 33 COMPANY ACQUISITIONS

On 13 July 2018, Nobia acquired 100% of the shares and votes in Bribus Holding B.V, a Dutch kitchen supplier. 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 2018. An additional purchase consideration of a maximum SEK 44m (EUR 4.250m) at the closing day rate is conditional upon the business performance for the 2019 and 2020 financial years and is measured according to level 3 of the fair value hierarchy. The first payment of SEK 8m (EUR 750,000) took place in the second quarter of 2019 and referred to the company's performance in 2018. The additional purchase consideration is recognised as both a current and a long-term non-interest-bearing financial liability and is measured at fair value based on Nobia's best estimate of future payments. Currently, the assessment is an outcome of 100%.

The acquisition analysis below is final.

Acquired net assets and goodwill, SEK m	2018	2019
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	2018	2019
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	2018	2019
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 18 on page 86.

Remuneration was paid to senior executives during the year, refer to Note 4 on pages 79-80.

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	2019	–	45	281	463	2,212	790
Subsidiaries	2018	–	45	253	793	2,483	729

NOTE 35 SPECIFICATIONS FOR STATEMENT OF CASH FLOWS

CASH AND CASH EQUIVALENTS

	Group		Parent Company	
SEK m	2018	2019	2018	2019
Cash and bank balances	90	76	0	1
Balance of Group account with the Parent Company	38	181	38	157
Short-term investments, equivalent to cash and cash equivalents	–	–	–	–
Total according to balance sheet	**128**	**257**	**38**	**158**

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	2018	2019	2018	2019
Dividends received	–	–	800	500
Interest received	2	1	48	80
Interest paid	-13	-70	-8	-10
Total according to cash-flow statement	**-11**	**-69**	**840**	**570**

ACQUISITIONS OF SUBSIDIARIES AND OTHER BUSINESS UNITS

	Group		Parent Company	
SEK m	2018	2019	2018	2019
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	–	–	–

RECONCILIATION OF LIABILITIES DERIVING FROM FINANCING ACTIVITIES

	CB 2018	OB lease liabilities, new accounting policy	Cash flows	Changes that do not impact cash flow				CB 2019
Group, SEK m				Acquisition of operations	Divestment of operations	New leases	Exchange-rate differences	
Overdraft facilities	74		-74	–	–	–	–	–
Interest-bearing liabilities	850		242	–	–	–	42	1,134
Lease liabilities	–	2,716	-475	–	–	115	119	2,475
Total liabilities deriving from financing activities	**924**	**2,716**	**-307**	**–**	**–**	**115**	**-18**	**3,609**
Parent Company, SEK m								
Overdraft facilities	25	–	-25	–	–	–	–	–
Interest-bearing liabilities	–	–	–	–	–	–	–	–
Lease liabilities	–	1	–	–	–	27	–	28
Total liabilities deriving from financing activities	**–**	**1**	**–**	**–**	**–**	**27**	**–**	**28**

NOTE 36 EVENTS AFTER THE CLOSING DATE

Nobia's Nomination Committee proposes that Nora F. Larssen be elected as the new Chairman of Nobia at the next Annual General Meeting on 5 May 2020. The current Chairman, Hans Eckerström, has declined re-election. Nora F. Larssen has been a member of Nobia's Board since 2011. In addition, the Nomination Committee proposes that Jan Svensson, Arja Taaveniku and Carsten Rasmussen be elected new members of the Board. Marlene Forsell and George Adams are proposed for re-election. Stefan Jacobsson and Jill Little have declined re-election and will therefore step down from the Board at the Annual General Meeting.

At the beginning of fiscal year 2020, the corona virus broke out in Wuhan, China, and then spread worldwide, including to all of Nobia's markets. In addition to practical effects such as disruptions in the supply chain, travel bans, prohibitions of people, etc., the virus has had effects on the global financial market. These effects have affected Nobia's financial results in the first quarter of 2020, but Nobia cannot quantify at this stage the consequences of the extent and duration of the effects. Nobia expects revenues, earnings and the financial position to be adversely affected in 2020.

On 27 March 2020, The Board of Directors of Nobia AB (publ) announced its decision to withdraw the previously communicated proposal for a dividend of SEK 4.00 per share, in total approximately SEK 675m. Furthermore, it was communicated that Nobia has initiated temporary layoffs of approximately 3,000 employees, of which around 2,300 refer to the UK where the kitchen store network and supply chain is closed on a temporary basis following UK regulations and recommendations. The other layoffs impact operations across different parts of the Group where all countries are affected. The majority of the layoffs will be backed by state subsidies. The decisions have been made in light of current market instability and uncertainties regarding economic impacts of the coronavirus (COVID-19).

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 page 113.

ANALYSIS OF NET SALES NORDIC REGION, JAN-DEC

	%	SEK m
2018		6,705
Organic growth	-1	-72
Currency effect	2	120
2019	**1**	**6,753**

ANALYSIS OF NET SALES UK REGION, JAN-DEC

	%	SEK m
2018		5,597
Organic growth	1	73
Currency effect	4	232
2019	**5**	**5,902**

ANALYSIS OF NET SALES CENTRAL EUROPE REGION, JAN-DEC

	%	SEK m
2018		907
Organic growth	-4	-38
Currency effect	42	379
Acquisition of Bribus	3	27
2019	**41**	**1,275**

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

SEK m	2015	2016	2017	2018	2019
Operating profit	1,189	1,298	1,286	1,018	1,132
Depreciation/amortisation and impairment	297	287	287	326	835
Operating profit before depreciation/amortisation and impairment	**1,486**	**1,585**	**1,573**	**1,344**	**1,967**
Net sales	12,266	12,648	12,744	13,209	13,930
% of net sales	12.1%	12.5%	12.3%	10.2%	14.1%

OPERATING PROFIT EXCLUDING ITEMS AFFECTING COMPARABILITY, JAN-DEC

SEK m	2015	2016	2017	2018	2019
Operating profit	1,189	1,298	1,286	1,018	1,132
Items affecting comparability	–	–	–	66	835
Operating profit excluding items affecting comparability	**1,189**	**1,298**	**1,286**	**1,084**	**1,967**
Net sales	12,266	12,648	12,744	13,209	13,930
% of net sales	9.7%	10.3%	10.1%	8.2%	14.1%

PROFIT AFTER TAX EXCLUDING ITEMS AFFECTING COMPARABILITY, JAN-DEC

	2017	2018	2019
Profit after tax	1,015	753	810
Items affecting comparability net after tax	–	55[1]	–
Profit after tax excluding items affecting comparability	**1,015**	**808**	**810**

1) Recognised on the line "Other operating expenses" and pertained to pension adjustments in the UK.

NET DEBT, 31 DEC

SEK m	2018	2019
Provisions for pensions (IB)	505	473
Other long-term liabilities, interest-bearing (IB)	850	3,247
Current liabilities, interest-bearing (IB)	74	362
Interest-bearing liabilities	**1,429**	**4,082**
Long-term receivables, interest-bearing (IB)	-2	-2
Current receivables, interest-bearing (IB)	-33	-4
Cash and cash equivalents (IB)	-128	-257
Interest-bearing assets	**-163**	**-263**
Net debt	**1,266**	**3,819**

OPERATING CAPITAL, 31 DEC

SEK m	2018	2019
Total assets	**7,766**	**10,846**
Other provisions	-42	-37
Deferred tax liabilities	-75	-49
Other long-term liabilities, non-interest-bearing	-44	-33
Current liabilities, non-interest-bearing	-2,279	-2,368
Non-interest-bearing liabilities	**-2,440**	**-2,487**
Capital employed	**5,326**	**8,359**
Interest-bearing assets	-163	-263
Operating capital	**5,163**	**8,096**

AVERAGE OPERATING CAPITAL, JAN–DEC

SEK m	2018	2019
OB Operating capital	4,231	5,163
CB Operating capital	5,163	8,096
Average operating capital before adjustments of acquisitions and divestments	**4,697**	**6,630**
Adjustment for effect of introduction of IFRS 16 that did not occur in the middle of the period	–	1,358
Adjustment for acquisitions and divestments not occurred in the middle of the period	0	–
Average operating capital	**4,697**	**7,988**

AVERAGE SHAREHOLDERS' EQUITY, JAN–DEC

SEK m	2018	2019
OB Equity attributable to Parent Company shareholders	4,154	3,897
CB Equity attributable to Parent Company shareholders	3,897	4,277
Average equity before adjustment of increases and decreases in capital	**4,026**	**4,087**
Adjustment for acquisitions and divestments not occurred in the middle of the period	-295	-112
Average shareholders' equity	**3,731**	**3,975**

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 5 May 2020.

Stockholm, 3 April 2020

Hans Eckerström
Chairman

Jon Sintorn
President & CEO

Nora Førisdal Larssen

Marlene Forsell

Jill Little

Stefan Jacobsson

George Adams

Per Bergström
Employee representative

Terese Asthede
Employee representative

Our audit report was submitted on 3 April 2020

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 2019. The annual accounts and consolidated accounts of the company are included on pages 46-97 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 2019 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 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

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

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

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 13,930 million as of 31 December 2019 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 recognised at a point of 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 regarding accounting of operating segments.

Our Audit Procedures

Our audit procedures included but where not limited to:

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

Impairment Tests of Goodwill

As of 31 December 2019, the group reported goodwill of SEK 3,042 million. On a yearly basis, and when there is an indication of impairment, Nobia tests that the carrying value of assets does not exceed the calculated recoverable amounts for these assets. The recoverable amounts are determined using present value computation of future cash flows per cash generating unit based on the expected outcome of a number of assumptions based on management's business plan and forecasts.

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

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

Our Audit Procedures

Our audit procedures included but where not limited to:

- evaluation of the group's 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 and the impact of IFRS 16 Leases on the model
- review of the discounted future cash flow model for arithmetic accuracy
- examination of the completeness of the disclosures for impairment tests in the annual report and group consolidation.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–45 and 110–118. The

Board of Directors and the Managing Director are responsible for this other information.

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

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

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

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

Report on other legal and regulatory requirements

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 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

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

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

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

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

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

Deloitte AB, was appointed auditors of Nobia AB by the general meeting of the shareholders on the 2019-05-02 and has been the company's auditor since 2017-04-06.

Stockholm 3 April 2020
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.

> A clearly structured and fully implemented corporate governance system is our highest priority. Good corporate governance is the basis for our decision-making and control processes.

HANS ECKERSTRÖM
Chairman of the Board

Nobia has applied the Swedish Corporate Governance Code (the Code) since July 2005 and the company had no deviations to report for 2019. 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.

The following information is available at www.nobia.com.

- Nobia's Articles of Association
- Code of Conduct
- All corporate governance reports since 2009
- Information from Nobia's AGM

2019 ANNUAL GENERAL MEETING

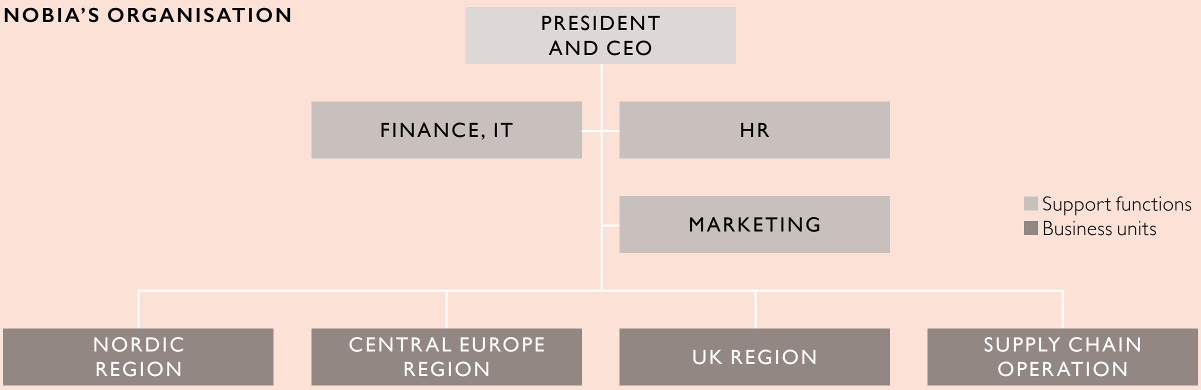
The right of shareholders to make decisions concerning the affairs of Nobia is exercised at general meetings of shareholders. A notice convening a general meeting is issued pursuant to the Swedish Companies Act and the company's Articles of Association.

The 2019 Annual General Meeting (AGM) was held on 2 May at Lundqvist & Lindqvist Klara Strand Konferens, Klarabergsviadukten 90 in Stockholm. 161 shareholders participated at the 2019 AGM, representing 72% of the capital and votes in Nobia. The Board of Directors, members of Group management and auditors were present at the Meeting. Board Chairman, Hans Eckerström, was elected Chairman of the Meeting.

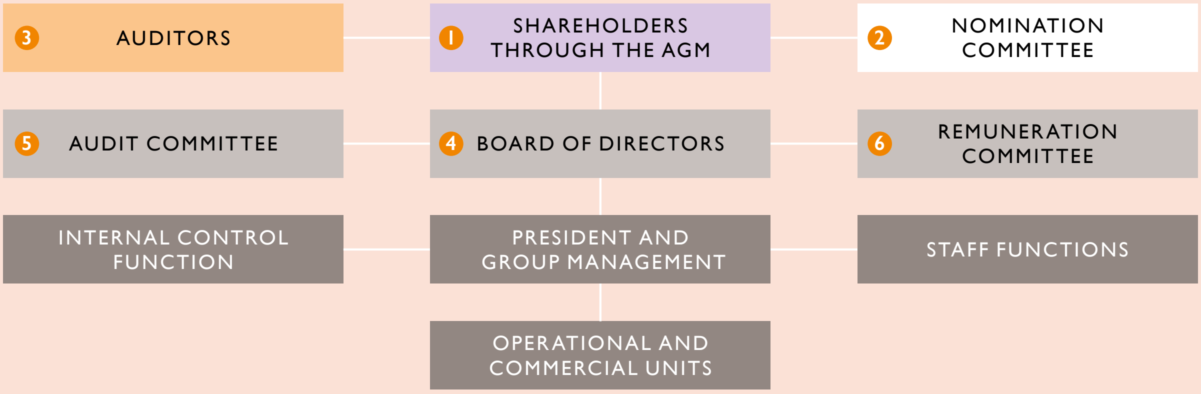
Some of the AGM resolutions were as follows:

- to distribute a dividend of SEK 4.00 per share to shareholders in accordance with the Board's proposal.
- that the number of Board members was to be seven with no deputy members, until the conclusion of the next AGM.
- fees to the Board, Board Chairman, and the Chairman and members of the Audit Committee.
- re-election of Hans Eckerström as Board Chairman, and re-election of Board members Nora Førisdal Larssen, Stefan Jacobsson, Jill Little and George Adams. Lilian Fossum Biner, Christina Stål and Ricard Wennerklint had declined re-election.
- election of Marlene Forsell as a new Board member.
- re-election of Deloitte AB as auditor, with Daniel de Paula as Auditor-in-Charge.
- principles and guidelines on remuneration and other employment conditions for the President and other senior executives.

NOBIA'S ORGANISATION



OVERVIEW OF GOVERNANCE AT NOBIA



Key external regulatory frameworks:

- Swedish Companies Act
- Annual Accounts Act and IFRS
- Nasdaq Stockholm's Rule Book for Issuers
- Market Abuse Regulation (MAR)
- Swedish Corporate Governance Code
- Modern Slavery Act

Examples of voluntary commitments:

- UN Sustainable Development Goals
- UN Global Compact initiative
- Carbon Disclosure Project Forests & Climate Change
- Sustainability reporting according to the Global Reporting Initiative

Examples of key internal regulatory frameworks:

- Articles of Association
- The Board's rules of procedure and instructions to the President
- Audit Committee's rules of procedure
- Nobia's Financial & Accounting Manual
- Risk Management Process
- Sustainability strategy
- Code of Conduct
- Supplier Code of Conduct
- Environmental and climate policy
- Policy for sustainable forestry
- Modern Slavery Statement

- adoption of a new Performance Share Plan.
- authorisation for the Board to acquire and sell treasury shares during the period until the 2020 AGM.

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

Individual shareholders wishing to have a specific matter addressed by the AGM can do so by submitting a request to Nobia's Board in good time prior to the Meeting, to the address published on the Group's website.

1 SHAREHOLDERS THROUGH GENERAL MEETINGS

Nobia is a Swedish public limited liability company that is subject to the Swedish Companies Act, Nasdaq Stockholm's Rule Book for Issuers, the Swedish Corporate Governance Code and the company's Articles of Association. Shareholders exercise their influence at the general meeting of shareholders, which is Nobia's highest decision-making body. Nobia has one class of share with one share corresponding to one vote at general meetings. Additional information about the Nobia share and ownership structure can be found on pages 110-111. The AGM resolves on the Articles of Association and at the AGM, which is the annual scheduled general meeting, the shareholders elect Board members, the Board Chairman and auditors, and decide on their fees. Furthermore, the AGM resolves on the adoption of the income statement and the balance sheet, appropriation of the company's profit and discharge from liability for the Board members and President in relation to the company. The AGM also resolves on the composition and work of the Nomination Committee, and resolves on principles for remuneration and other employment conditions for the President and other senior executives.

2 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 Nomination Committee is to pay particular attention to the requirement of diversity and breadth on the Board and the requirement of an even gender distribution. The 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.

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 2019 AGM, the Nomination Committee comprised the following members prior to the 2020 AGM:

Nomination Committee ahead of the 2020 AGM

Name/representing	Share of votes 31 Dec 2019
Peter Hofvenstam (Chairman) representing Nordstjernan	24.9%
Ricard Wennerklint representing If Skadeförsäkring	10.7%
Mats Gustavsson representing Lannebo funds	4.6%
Arne Lööw representing Fourth Swedish National Pension Fund	7.4%
Total	**47.6%**

The members of the Nomination Committee represent approximately 48% of the shares and votes in the company. No remuneration is paid to the Committee members.

The Nomination Committee held six minuted meetings prior to the 2020 AGM.

Based on the company's strategy and priorities, the Nomination Committee's work included an evaluation of the results of the Board of Directors'

BOARD AND COMMITTEE WORK ANNUAL PLANNING 2019

	JAN	FEB	MAR	APR	MAY	JUN	
BOARD MEETINGS		**5 Feb 2019** Report from the Board's Committees, report from the auditor, report from the President, Year-end Report, proposed dividends, sustainability topics, global and local growth initiatives, remuneration of President, structural issues and Brexit.			**2 May 2019** Report from the Board's Committees, report from the President, quarterly report, structural issues, Brexit and strategy. Board meeting following election.	**13 Jun 2019** Report from the Board's Committees, report from the President, structural issues, global and local growth initiatives and investments.	
AUDIT COMMITTEE	**30 Jan 2019** Accounting matters, Year-end Report, finance report, work plan and regular reporting from Internal Control, report and presentation from external auditor.			**30 Apr 2019** Accounting matters, quarterly report, finance report, regular reporting from Internal Control, sustainability topics, risk management, auditor's audit plan and report on Code of Conduct.			
REMUNERATION COMMITTEE	**28 Jan 2019** Principles and outcome of remuneration, principles for long-term and annual variable salary, outcome of annual variable salaries 2018, President's salary for 2019.						

own evaluation, its size and composition and the election of an auditor. The Nomination Committee holds interview and receives information from the Board Chairman and other Board members and the CEO about the work of the Board. The Nomination Committee applied rule 4.1 of the Code to its work as its diversity policy. The Nomination Committee evaluates its instructions every year and presents proposals to the AGM when necessary.

The Nomination Committee's proposals prior to the 2020 AGM are incorporated in the notice of the AGM, which was published on Nobia's website on 3 April.

Shareholders are welcome to contact the Nomination Committee and submit proposals by post to: Nobia AB, Nomination Committee, Blekholmsterassen 30 E7, SE-111 64 Stockholm, Sweden.

3 AUDITORS

The AGM elects the auditor who examines the Annual Report, consolidated financial statements, the administration of the Board and President, the Annual Report and accounts of subsidiaries, and also submits an audit report.

Deloitte AB was re-elected as the company's auditor at the 2019 AGM for a mandate period of one year until the conclusion of the 2020 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 2020 AGM were presented in the notice of the AGM, which was published on Nobia's website on 3 April. Nobia's purchases of services from Deloitte, in addition to audit assignments, are described in Note 6 on page 82.

4 BOARD OF DIRECTORS

The Board is responsible for the organisation of the company and the administration of the company's affairs. The Board's task is to continuously assess the company's and the Group's financial positions and ensure that the organisation of the company is designed so that the financial reporting, management of funds and the company's financial circumstances are otherwise reliably controlled.

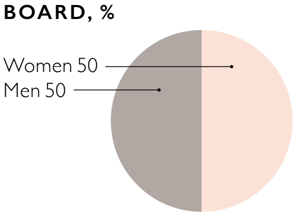
In accordance with Nobia's Articles of Association, the Board is, to the extent appointed by the General Meeting, to comprise not fewer than three and not more than nine members, with not more than three deputy members. A maximum of one Board member elected by the AGM may work in company management or 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.

The 2019 AGM resolved that the Board was to comprise seven members with no deputy members. When Morten Falkenberg stepped down as President and CEO in September 2019, he also decided to leave the Board, which means that one position on the Board has been vacant. The Board also includes representatives of employees' organisations in accordance with the Swedish Board Representation (Private Sector Employees) Act.

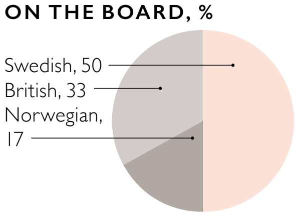
The objective is for the Board to have an appropriate composition with respect to Nobia's operations, stage of development, strategy and other circumstances, and be characterised by diversity and breadth in terms of the skills, experience and background of the Board members elected by the general meeting, and aim for a gender balance. The number of women on the Board elected by the general meeting is three of the six members[1),]

	JUL	AUG	SEP	OCT	NOV	DEC
	19 Jul 2019 Report from the President, quarterly report and investments.		**12 Sep 2019** Report from the President, update on digitisation, Code of Conduct, structural matters. Study visit to the Group's operations in Tidaholm. Review and approval of policies.	**23 Oct 2019** Report from the Board's Committees, report from the auditor, report from the President, quarterly report, investment decisions, structural issues, strategic plan 2020.	**26 Nov 2019** Structural issues and investment decisions.	**3 Dec 2019** Board meeting. Preliminary directional decision for a new plant with the proviso of approved declaration of intent for land. **4 Dec 2019** Board meeting. Final directional decision for new highly automated production plant in Sweden. **6 Dec 2019** Report from the Board's Committees, report from the President, structural issues and financing, budget and strategic plan 2020-.
	18 Jul 2019 Accounting matters, quarterly report, finance report, update and report on Internal Control issues.			**22 Oct 2019** Accounting matters, quarterly report, internal control, report and presentation from auditor, report on Code of conduct, policy framework, update of risk management and revised Code, review of the Group's insurance policies.		**4 Dec 2019** Accounting matters, regular reporting from Internal Control, reporting from other functions, update of risk management, budget and review of financing.
					4 Nov 2019 Shareholder Rights Directive, bonus principles 2020, evaluation of LTI 2019.	

PERCENTAGE OF MEN AND WOMEN ON THE BOARD, %



NATIONALITIES ON THE BOARD, %



corresponding to 50%. The gender-distribution requirements of the Swedish Corporate Governance Code are thus deemed to be met.

Nobia's Board meets the requirements of the Code that a majority of the members elected by the general meeting are independent in relation to Nobia and company management, and that at least four of these members are independent in relation to Nobia's largest shareholders. Other executives in the company participate at Board meetings to make presentations and the Group's CFO has served as secretary to the Board for the entire year.

The Board members and their attendance at meetings are presented on pages 106-107.

1) Excluding Morten Falkenberg who left the Board on 2 September 2019.

Work of the Board in 2019

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. Furthermore, the work of the Board 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 held ten meetings, including a meeting following the election, during the 2019 financial year. Board decisions were made unanimously except on one occasion when one of the employee representatives had a different opinion regarding the directional decision regarding the new Swedish plant. One of the Board meetings was held in Tidaholm and was a combined Board and study visit where local management had the opportunity to present their operations in more detail.

The company's external auditors attend three Audit Committee meetings. The Board had regular briefings with the auditor throughout the year, and the following points were discussed in 2019:

- One occasion was primarily devoted to the planning of the year's audit.
- The results of the review of the third quarter and the audit of company's processes for internal control and business-critical systems were reported.
- Reporting is in connection with the adoption of the annual accounts.
- In addition, the auditors also provide information every year on the other assignments performed by the audit firm.

The auditor has also met with the Board without the presence of management.

The work and composition of the Board were evaluated in 2019. 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.

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.

5 AUDIT COMMITTEE

The Audit Committee represents the Board in, for example, monitoring the processes surrounding ensuring the quality of the external reporting, risk management and internal control, and assisting the Nomination Committee in proposals on the election of auditors. 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 control 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: Marlene Forsell (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 2019, the Audit Committee held five meetings and the auditors attended three of these meetings. Regular matters normally addressed by the Committee are:

- Monitoring the procedures for financial reporting regarding the annual accounts and examination of accounting policies for the financial reporting (including IFRS 16).
- Interim reports, financial reports.
- Work plan for and regular reporting from the Internal Control function.
- Examination of the corporate governance report and external sustainability report
- Risk management, such as examining risks and monitoring the management of business risk, processes and reporting.
- Examination of certain group polices before a decision is made by the Board.
- Reports on suspected violations of the Code of Conduct through Speak-up, Nobia's 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 Group's CFO and the Head of Internal Control participated in the Audit Committee's meetings. The attendance of each Board member at meetings is shown in the table on page 106-107.

6 REMUNERATION COMMITTEE

The Board appoints a Remuneration Committee from within its ranks, which for the period from the 2019 AGM until the 2020 AGM comprised Hans Eckerström (Board Chairman), and Nora Førisdal Larssen.

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 two 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% of fixed annual salary. The exception to this principle is the President, whose variable salary portion may amount to a maximum of 65% of fixed annual salary. Exceptions may also be made for other senior executives following a resolution by the Board. The variable salary portion is normally divided between several targets, for example, the Group's earnings, earnings in the business unit for which the manager is responsible and individual/quantitative targets. The variable portion is based on an earning period of one year. The targets for the President are determined by the Board. The targets for the other senior executives are established by the President following recommendations by the Board's Remuneration Committee.

Nobia has implemented long-term share-based remuneration 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 46-51. The remuneration and benefits of senior executives are described in Note 4 on pages 79-80.

GROUP MANAGEMENT

The CEO is responsible for the business development of the company and leads and coordinates the daily operations according to the Board's instructions for the CEO and other decisions made by the Board. Group management comprised 12 individuals at the end of 2019. For further information about Group management, refer to pages 108-109. Group management holds regular meetings according to a fixed schedule. These meetings monitor strategic and operational progress, major change programmes, risks and other strategic issues of significance for the Group as a whole. In addition, the President and the CFO meet the management team of each commercial business unit several times per year at local management team meetings.

SUSTAINABILITY GOVERANCE

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 is to permeate the company's entire business and all employees have a responsibility to contribute to Nobia's sustainability agenda. Nobia's engagement and commitment have been implemented in frameworks and work processes. Read more on pages 36-45 and 114-115.

AUDITORS

Deloitte AB was re-elected as the company's auditor at the 2019 AGM for a mandate period of one year until the conclusion of the 2020 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 2020 AGM were presented in the notice of the AGM, which was published on Nobia's website on 3 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 82.

AUDITOR´S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

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

Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the financial year 2019 on pages 105-109 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions

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

Stockholm April 3, 2020
Deloitte AB

Daniel de Paula
Authorized Public Accountant

INTERNAL CONTROL OVER FINANCIAL REPORTING

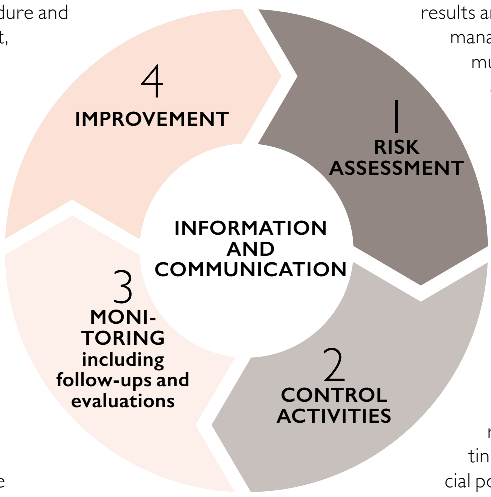
The Board's responsibility for internal governance and control is regulated in the Swedish Companies Act, the Annual Accounts Act and the Swedish Corporate Governance Code. The Annual Accounts Act requires that the company, each year, describes its system for internal control and risk management with respect to financial reporting.

Nobia's internal control process for financial reporting has been developed to ensure accurate and reliable financial reporting and preparation of financial statements in accordance with applicable laws and regulations, generally accepted accounting principles and other requirements for listed companies.

The internal control process is based on a control framework that creates structure for the other five components of the process – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The five components of this framework are Control environment, Risk assessment, Control activities, Monitor and improve, and Inform and communicate.

CONTROL ENVIRONMENT

The Board of Directors is responsible for maintaining effective internal control and has therefore established fundamental documents of significance for financial reporting. These documents include the Board of Directors' rules of procedure and instructions to the CEO, the Code of Conduct, financial policy and an accounting manual. All units in the Group apply uniform accounting and reporting instructions. Internal control guidelines have been established and are reviewed annually for all operating companies. These Group-wide guidelines have a relatively broad scope and concern various processes such as ordering, sourcing, financial statements, plant management, compliance with various policies, legal matters, and HR matters. The Code of Conduct is regularly reviewed and updated, and compliance is monitored systematically in operations.



RISK ASSESSMENT

The primary risk associated with the financial reporting is the risk that material errors may be made when reporting the company's financial position and earnings. Risk assessment includes identifying risks of not fulfilling the fundamental criteria, i.e., completeness, accuracy, valuation and reporting for significant accounts in the financial reporting for the Group and at regional and local levels, as well as risk of loss or misappropriation of assets and liabilities. Nobia has a standardised process for performing a risk-based evaluation of its financial risks. To minimise this risk, control documents have been established pertaining to accounting, procedures for annual accounts and follow-up of reported annual accounts.

CONTROL ACTIVITIES

The Group Function Finance is responsible for ensuring complete, accurate and timely financial reporting, including compliance with instructions and guidelines. Regional and local Chief Financial Officers are responsible for ensuring that financial reporting from each unit is correct, complete and delivered in a timely manner. In addition, each business unit has head of accounting with responsibility for the individual business unit's financial statements. The company's control activities are assessed based on, for example, approved budgets prepared by the individual business units and updated during the year with continuous forecasts.

Nobia has a standardised system of control measures involving processes that are significant to the company's financial reporting. The controls are adapted to the operational process and system structure of each unit. Accordingly, each unit prepares a record of the actual controls to be carried out in the unit in question.

MONITOR AND IMPROVE

Significant instructions and guidelines related to financial reporting are prepared and updated regularly by the Group Function Finance and are available on the Group's intranet. All business units report their financial results monthly in accordance with the Group's accounting policies. This reporting serves as the basis for quarterly reports and a monthly operating review. Operating reviews form the basis of a structure in which sales, earnings, cash flow, capital employed and other important key figures and trends for the Group are compiled and are used for analysis and actions by management and controllers at different levels. Financial reviews take place quarterly at regional management meetings, monthly in the form of performance reviews and through more informal analysis. Other important Group-wide components of internal control comprise the annual business planning process and regular forecasts. Control of these processes is assessed through self-evaluation. Controls that have failed must be addressed, which means establishing and implementing actions to correct weaknesses. In addition, independent testing of selected controls is conducted by the Group Internal Control function. In some cases, Nobia has enlisted external help to validate these controls. Financial results are reported and examined regularly within the management teams of the operating units and communicated to Nobia's management at monthly and quarterly meetings Information on the status and where the internal control process can be enhanced is periodically provided to Group management, the Audit Board and the Audit Committee by the Head of Internal Control.

Financial reporting to the Board

The Board's rules of procedure stipulate which reports and information of a financial nature are to be submitted to the Board at each scheduled meeting. The Chief Executive Officer, together with the Chairman, ensures that the Board receives the reports required to enable the Board to continuously assess the company's and Group's financial position. Detailed instructions specifically outline the types of reports that the Board is to receive at each meeting.

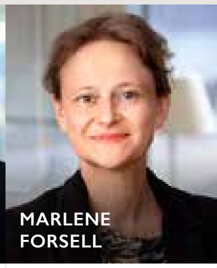
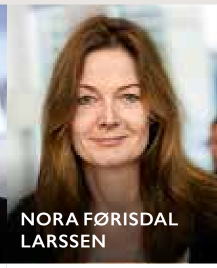
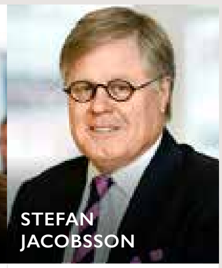
External financial reporting

The quality of external financial reporting is guaranteed via a number of actions and procedures. Nobia's Chief Executive Officer is responsible for ensuring that all information issued, such as press releases with financial content, presentation material for meetings with the media, owners and financial institutions, is correct and of a high quality. The responsibilities of the company's auditors include reviewing accounting issues that are critical for the financial reporting and reporting their observations to the Audit Committee and the Board of Directors. In addition to the audit of the annual accounts, a review of the report for the third quarter and of the company's administration is carried out.

INFORM AND COMMUNICATE

The company has information and communication channels designed to ensure that information is identified, captured and communicated in a form and time frame that enable managers and other employees to carry out their responsibilities, and contributes to ensuring that the correct business decisions are made. Guidelines for financial reporting are communicated to employees, for example, by ensuring that all manuals, policies and codes are published and accessible through the Group-wide intranet as well as information related to the internal control process. To inform and communicate is a central element of the internal control process and is performed continuously throughout the year. Management, process owners and control operators in general are responsible for informing and communicating the results within the internal control process. Outcomes are reported and regularly discussed at Audit Committee meetings.

BOARD OF DIRECTORS

	 HANS ECKERSTRÖM	 GEORGE ADAMS	 MARLENE FORSELL	 NORA FØRISDAL LARSSEN	 STEFAN JACOBSSON
Assignment	Chairman of the Board	Board member	Board member	Board member	Board member
Year elected	2018	2017	2019	2011	2014
Born	1972	1956	1976	1965	1952
Nationality	Swedish	British	Swedish	Norwegian	Swedish
Education	MSc in Mechanical Engineering and MSc in Business Administration	Politics, Philosophy & Economics, Oxford University	B.Sc. Business Administration Stockholm School of Economics	B.Sc. Economics, MBA.	High school diploma
Other assignments	Board member of Thule Group and Nordstjernan AB.	Chairman of FX Tools. Board member of ScS.	Board member of Kambi Group, Lime Technologies and STG.	Senior Investment Manager at Nordstjernan. Chairman of Etac and Emma S.	Chairman of Thule Group, Greenfood Group and HBG. Board member of Etac.
Work experience	Partner at NC Advisory and advisor to Nordic Capital's funds.	Senior positions at Kingfisher. President of the European DIY Retailers Association (EDRA).	CFO of Swedish Match 2013 – 2018 before that several leading positions in finance area at the same company.	Product Line manager at Electrolux and partner at McKinsey & Co.	CEO of Puma, NFI Corp., ABU/Garcia and Tretorn.
Independent	No	Yes	Yes	No	Yes
Own and related parties' shareholdings 2019	50,000 shares (endowment insurance)	–	–	–	10,000 shares (endowment insurance)
Shares in related companies	–	–	–	–	–
Board meetings, 8 meetings	8	8	6	8	8
Audit Committee, 5 meetings	–	–	3	5	–
Remuneration Committee, 2 meetings	2	–	–	1	–
Remuneration 2019, SEK	1,200,000	410,000	560,000	535,000	410,000
Of which Board, SEK	1,200,000	410,000	410,000	410,000	410,000
Of which Committee, SEK	–	–	150,000	125,000	–

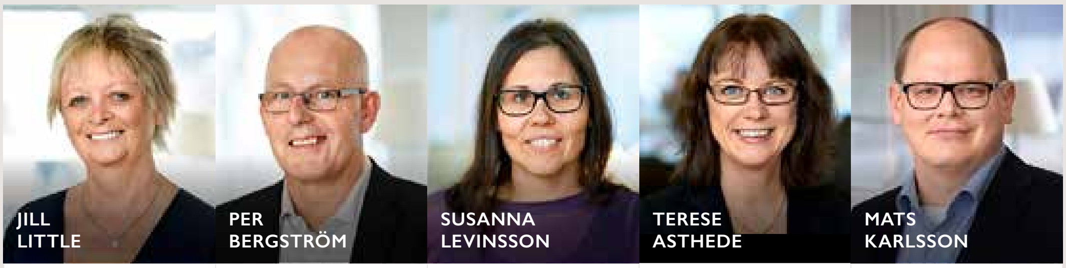
Morten Falkenberg, Board member, attended 4 meetings, left the Board on 1 September 2019, no remuneration for board work.

Lilian Fossum Biner, Board member, attended 1 board meeting and two audit committee meetings, left the Board on 2 May 2019, total remuneration 2019: SEK 140,000.

Christina Ståhl, Board member, attended two meetings, left the Board on 2 May 2019, total remuneration 2019: SEK 102,500.

Ricard Wennerklint, Board member, attended two meetings, left the Board on 2 May 2019, total remuneration 2019: SEK 102,500.

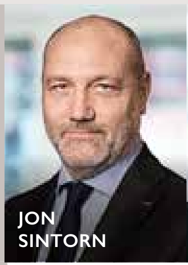
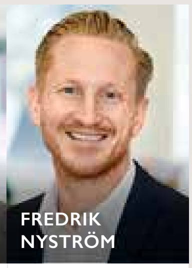
Marie Ströberg, employee representative, attended 1 meeting, left the Board on 2 May 2019, no remuneration for board work.



JILL LITTLE	PER BERGSTRÖM	SUSANNA LEVINSSON	TERESE ASTHEDE	MATS KARLSSON
Board member	Employee rep.	Employee rep., deputy	Employee rep.	Employee rep., deputy
2017	2000	2017	2013	2019
1953	1960	1973	1971	1976
British	Swedish	Swedish	Swedish	Swedish
Cranfield Business School and AMP Insead	–	High school diploma	Post-secondary education, logistics	Master of Politics. Business analyst.
Board member of Shaftesbury, Joules, National Trust Enterprises and National Trust Renewable Energy.	Board member of Tidaholms Energi, Elnät, Bredband Östra Skaraborg and Nobia Production Sweden.	–	–	–
Senior positions at John Lewis and advisor to El Corte Inglés.	Various roles within production, Nobia Production Sweden.	Various roles within production, Nobia Production Sweden.	Various positions within sales and project management, Nobia.	Managerial roles within sourcing, Nobia Production Sweden.
Yes	–	–	–	–
–	–	–	–	–
–	–	–	–	–
8	8	–	–	–
–	–	–	–	–
–	–	–	–	–
410,000	–	–	–	–
410,000	–	–	–	–
–	–	–	–	–

Auditors Deloitte AB
Auditor-in-charge Daniel de Paula, Authorised Public Accountant
Other audit assignments: Permobil and BAE Hägglunds.

GROUP MANAGEMENT

	 JON SINTORN	 KRISTOFFER LJUNGFELT	 OLA CARLSSON	 PETER KANE	 RUNE STEPHANSEN	 FREDRIK NYSTRÖM
Assignment	President and CEO	CFO	Executive Vice President, Chief Product Supply Officer	Executive Vice President, UK region and Head of Magnet	Executive Vice President and Head of Commercial Denmark	Executive Vice President, Head of Commercial Sweden
Born	1966	1977	1965	1965	1965	1977
Employed	2019	2013	2017	1984 (Magnet)	2009	2008
Previous positions:	President and CEO of Permobil. Global head of Cooling, DeLaval. Various positions at ABB.	CFO Nordic region in Nobia. Finance Director in Nobia Norway and Business Area Director in Sigdal Kjøkken. Experience from senior finance positions at Electrolux.	Group Vice President Global Operations at Munters and Chief Operations Officer at Electrolux Small Appliances.	Management positions at Magnet.	Leading positions at Marbodal, Kvik, Sportex, Rusta, IKEA and Jysk.	Previous positions: Head of Strategy at Nobia and Nobia's Head of Program office.
Holding in Nobia:	1,500,000 call options.	20,379 shares (private and occupational pension).	33,894 shares.	73,767 shares.	48,478 shares.	5,753 shares.

OLE DALSBØ	ANNIKA VAINIO	RALPH KOBSIK	THOMAS MYRINGER	DAVID THORNE	DAN JOSEFSBERG
Executive Vice President and Head of Commercial Norway	Executive Vice President and Head of Commercial Finland	Executive Vice President and Head of Central Europe	Executive Vice President, HR Director	CIO	Executive Vice President, Chief Strategy, Marketing and Consumer Experience Officer
1966	1968	1970	1960	1963	1973
2004	2018	2018	2003	2015	2019
Leading positions at Nobia Norway, Norema and Sigdal Kjøkken.	CEO of Snellman Pro, CEO of Bellapipe and senior positions in Fazer Group and CandyKing.	Head of International Markets at V-Zug and senior positions at BSH Bosch and Siemens Home Appliances.	Senior HR positions at the Skanska Group.	Leading IT positions at Howdens Joinery, MFI Group, Acco Brands, Technicolor, Epson and BBC.	Managing Partner of PwC Experience Center and Pond.
26,298 shares.	3,230 shares.	2,399 shares.	30,838 shares.	2,426 shares.	23,712 shares (through company).

THE NOBIA SHARE AND SHAREHOLDERS

The Nobia share is listed on Nasdaq Stockholm and is included in the Personal & Household Goods sector. In 2019, the share noted an increase of 43%. Market capitalisation at the end of 2019 was SEK 11.9bn.

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 2019, a total of 75.6 million Nobia shares (113.6) were traded on Nasdaq Stockholm at a value of SEK 4.4bn (7.6). The average turnover per day was approximately 303,000 shares (450,000), corresponding to a value of SEK 17.4m (30.2). The Nobia share's liquidity, measured as rate of turnover, totalled 45% (66). The average rate of turnover on the Stockholm exchange was 62% (48).

SHARE PERFORMANCE

The share had a stronger performance than the stock exchange as a whole in 2019. The share price increased 43%, compared with the Stockholm exchange in total, which increase 29% in the same period. During the year, the OMXS Stockholm Consumer Goods PI index increased 30%.

The closing price for the Nobia share in 2019 was SEK 69.80, corresponding to market capitalisation of SEK 11.9bn. The highest price paid in 2019 was SEK 70.95 on 23 December. The lowest price paid during the year was SEK 48.12 on 3 January.

SHARE CAPITAL

On 31 December 2019, 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% 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

Due to uncertainty regarding the effects of the spread of the Corona virus during the beginning of 2020, the Board of Directors proposes that no dividend for 2019 be paid.

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	Adela Dashian
Nordea	Carl Ragnerstam
SEB	Julius Rapeli

TREASURY SHARES

At the start of the year, Nobia owned 1,606,568 treasury shares, corresponding to 0.9% of the total number of shares issued.

In May 2019, Nobia sold 165,931 shares to fulfil the Performance Share Plan resolved by the 2019 Annual General Meeting. The number of own shares bought-back on 31 December 2019 was 1,440,637. The purpose of treasury shares is to safeguard Nobia's commitments under the Group's share-based remuneration plan.

OWNERSHIP STRUCTURE

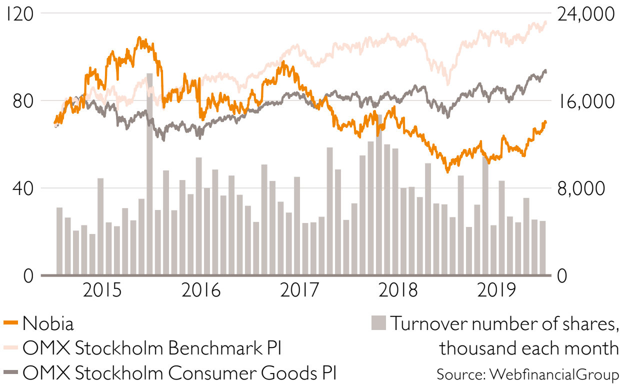
At year-end, Nobia had 16,136 shareholders (14,704). Swedish ownership was 75% (77), while foreign ownership amounted to 25% (23). The largest foreign shareholdings were in the US and the UK.

The five largest shareholders – Nordstjernan, If Skadeförsäkring, the Fourth Swedish National Pension Fund, Swedbank Robur funds and Lannebo funds – owned 52.0% (53.0) of all shares at year-end. The ten largest shareholders owned 67.6% (65.9) of the shares.

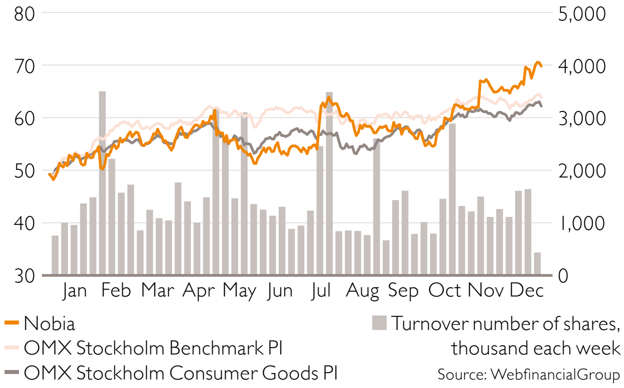
SHAREHOLDINGS AMONG PERSONS IN SENIOR POSITIONS

At the time of publication of this Annual Report, Group management directly and indirectly owned 1,771,174 shares and call options (925,363) in Nobia. On the same date, Nobia's Board members had total direct and indirect holdings of 60,000 shares (86,000).

SHARE PRICE 2015–2019



SHARE PRICE 2019



OWNERSHIP STRUCTURE, 31 DECEMBER 2019

	Number of shareholders	Share of shareholders, %	No. of shares	Share of capital, %
1–500	12,434	77.2	1,522,205	0.9
501–1,000	1,648	10.2	1,350,633	0.8
1,001–5,000	1,526	9.5	3,437,169	2.0
5,001–10,000	202	1.3	1,515,533	0.9
10,001–15,000	52	0.3	695,068	0.4
15,001–20,000	30	0.2	568,082	0.3
20,001–	206	1.3	161,204,768	94.7
Total	**16,098**	**100**	**170,293,458**	**100**

TEN LARGEST OWNERS, 31 DECEMBER 2019

Shareholder	No. of shares	Percentage of capital, %
Nordstjernan AB	42,432,410	24.9
IF Skadeförsäkring AB (PUBL)	18,200,000	10.7
4th Swedish National Pension Fund	12,545,559	7.4
Lannebo funds	7,750,000	4.6
Swedbank Robur funds	7,352,842	4.3
Handelsbanken funds	6,326,826	3.7
AMF Försäkring och fonder	4,599,393	2.7
CBNY-NORGES BANK	4,553,259	2.7
Catella fondförvaltning	2,917,806	1.7
Öhman Fonder	2,284,572	1.3
Total for 15 largest owners	108,962,667	75.6

Source: Euroclear Sweden.

At year-end, Nobia held 1,440,637 treasury shares, corresponding to 0.8% of all shares.

DATA PER SHARE

	2015	2016	2017	2018	2019
No. of shares at year-end (millions)	175.3	175.3	175.3	170.3	170.3
No. of shares at year-end after dilution, excluding treasury shares (millions)	168.7	168.7	168.7	168.7	169.3
Average no. of shares at year-end after dilution, excluding treasury shares (millions)	168.5	168.7	168.7	168.7	169.0
Share price at year-end, SEK	106.00	84.85	69.40	49.24	69.80
Earnings per share after dilution, SEK	4.92	2.70	6.02	4.46	4.79
Shareholders' equity per share, SEK	23	20	25	23	25
Dividend per share, SEK	2.50	3.00	7.00	4.00	0[1]
P/E ratio, multiple	22	31	12	11	15
Direct yield, %	2.4	3.5	10.0	8.1	0
Dividend pay-out ratio, %	51	111	116	90	0

1) Proposal by the Board of Directors.

FIVE-YEAR OVERVIEW

SEK m	2015[1]	2016	2017	2018	2019
Income statement					
Net sales	12,266	12,648	12,744	13,209	13,930
Change in %	17	3	1	4	5
Gross profit	4,906	4,933	5,014	5,090	5,305
Operating profit	1,189	1,298	1,286	1,018	1,132
Financial income	34	22	9	10	1
Financial expenses	-91	-73	-45	-42	-94
Profit after financial items	**1,132**	**1,247**	**1,250**	**986**	**1,039**
Tax on net profit for the year	-263	-269	-256	-233	-229
Profit for continuing operations	869	978	994	753	810
Profit from discontinued operations, net after tax	-41	-523	21	–	–
Net profit for the year	**828**	**455**	**1,015**	**753**	**810**
Net profit for the year attributable to:					
Parent Company shareholders	829	456	1,015	753	810
Non-controlling interests	-1	-1	0	–	–
Net profit for the year	**828**	**455**	**1,015**	**753**	**810**
Balance sheet					
Fixed assets	4,697	4,076	4,034	4,759	7,641
Inventories	934	857	908	962	1,145
Current receivables	1,665	1,561	1,765	1,917	1,803
Cash and cash equivalents	765	1,005	473	128	257
Assets held for sale	8	506	–	–	–
Total assets	**8,069**	**8,005**	**7,180**	**7,766**	**10,846**
Shareholders' equity	3,818	3,415	4,154	3,897	4,277
Non-controlling interests	4	4	–	–	–
Non-interest-bearing liabilities	2,697	2,556	2,453	2,440	2,487
Interest-bearing liabilities	1,547	1,701	573	1,429	4,082
Liabilities attributable to assets held for sale	3	329	–	–	–
Total shareholders' equity and liabilities	**8,069**	**8,005**	**7,180**	**7,766**	**10,846**
Net debt including pensions	774	493	77	1,266	3,819
Capital employed	5,369	5,182	4,727	5,326	8,359
Operating capital	4,596	3,912	4,231	5,163	8,096
Performance measures					
Gross margin, %	40.0	39.0	39.3	38.5	38.1
Operating margin, %	9.7	10.3	10.1	7.7	8.1
Operating profit before depreciation/amortisation and impairment (EBITDA), %	1,486	1,585	1,573	1,344	1,967
Operating margin before depreciation/amortisation and impairment, %	12.1	12.5	12.3	10.2	14.1
Profit after financial items as a percentage of net sales	9.2	9.9	9.8	7.5	7.5
Turnover rate of operating capital, multiple	3.0	3.2	3.0	2.6	1.7
Return on operating capital, %	32.2	32.5	31.5	21.7	14.2
Return on equity, %	24.1	13.0	27.8	20.2	20.4
Debt/equity ratio, %	20	14	2	32	89
Equity/assets ratio, %	47	43	58	50	39
Cash flow from operating activities	1,145	1,281	987	1,001	1,633
Investments	410	290	319	414	465
Earnings per share after dilution, SEK	4.92	2.70	6.02	4.46	4.79
Dividend per share, SEK	2.50	3.00	7.00	4.00	0[2]
Personnel					
Average number of employees	6,473	6,573	6,178	6,178	6,161
Net sales per employee, SEK 000s	2,027	2,121	2,094	2,172	2,280
Personnel expenses	3,242	3,225	2,939	3,135	3,343
Number of employees at year-end	6,539	6,445	6,087	6,081	6,109

1) After reclassification of Poggenpohl to discontinued operations.
2) Proposal by the Board of Directors.

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 operations use 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 profitability comparisons 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 operations 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 that affect comparability in so far as they do not reoccur with the same regularity as other items.	Reporting items affecting comparability separately clearly shows the performance of the underlying 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 operations 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 operations and excluding currency effects.
Region	Region corresponds to an operating segment under IFRS 8.	
Earnings per share	Net profit for the period divided by a weighted average number of outstanding shares during the period.	
Operating margin	Operating profit as a percentage of net sales.	The measure reflects the operating profitability of the operations. It is used to monitor the profitability and efficiency of the operations, before taking into account capital tied up. The performance measure is used both internally in governance and monitoring of the operation, and for benchmarking with other companies in the industry.
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 downturn and financial preparedness for growth. It also provides a minor advantage in the form of financial gearing.
Capital employed	Balance-sheet total less non-interest-bearing provisions and liabilities.	The capital that shareholders and lenders have placed at the company's disposal. It shows the net capital invested in the operations, such as operating capital, with additions for financial assets.
Currency effects	"Translation 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.

FRAMEWORK FOR SUSTAINABILITY TOPICS

Nobia's framework for sustainability topics includes internal and external guidelines and regulations, sustainability strategy, processes, data collection, monitoring and reporting. Read more about our internal and external guidelines and voluntary commitments on page 101.

During the year, we initiated the implementation of a management system for overall management of the Group's sustainability topics, such as stakeholder dialogues, materiality and risk analyses, data collection, etc. The sustainability management system is an internal tool for business governance that is used to help systematically monitor compliance with the strategy and the Group's objectives.

OUR MAIN STAKEHOLDERS AND COMMUNICATION CHANNELS

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. Various forms of stakeholder dialogues provide us with information about the economic, environmental and social issues that are priorities for our stakeholder groups.

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

PROCESS OF IDENTIFYING AND MANAGING 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. We analyse our value chain from our existing list of material topics and update the list based on new information from impact analyses, monitoring the business world, risks and opportunities identified and input from dialogue with our stakeholders.

Our material topics are prioritised based on the impact they have on Nobia's business, the impact they have on the environment and people, and how important they are to our primary stakeholders. The materiality analysis is updated and validated every year by the central sustainability function in consultation with other parts of Group management. This year's review did not lead to any material changes. However, the process of analysing and calculating our climate footprint resulted in changes to the scope of some of the topics to include a larger part of the value chain.

Identifying sustainability risks is part of the materiality process and is coordinated with the Group's risk process. Read more about the identification and management of sustainability-related risks on pages 52-58. 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 targets.

GOVERNANCE, ORGANISATION AND MONITORING

Fulfilment of these targets and compliance with the both the sustainability strategy and the Group's sustainability framework are systematically monitored from 2020 through our new sustainability management system. This system is an internal tool for business governance.

Sustainability is integrated throughout the operations and our commitment have been implemented in frameworks and processes. A central sustainability function is in place at Group level, responsible for strategic sustainability activities. 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 environmental and sustainability issues. The product development and sourcing units have specialist functions that drive efforts with, for example, product safety, eco-labelling and supplier audits.

Sustainability-related procedures and processes, for example, in product development, sourcing, marketing as well as managing product label-

MATERIAL TOPICS, GOVERNANCE AND MONITORING

The table below describes how our material topics are managed from framework to results.

Material topic	Boundary	Stakeholder example	Framework	Work method	Monitoring and results
Timber from sustainable sources	Suppliers	A, C, D	Policy for sustainable forestry; Code of Conduct for Suppliers, Sustainability strategy	System with requirements and monitoring for responsible sourcing of wood materials, SAF[1], NSAR[2]	Refer to page 38
Reduced climate impact	Suppliers, own production, transportation, customer use	A, B, D, E, F	Environment & climate policy; Sustainability strategy	Central scorecard for production, ISO 14001[3], ISO 50001[4], Sustainability system[5]	Refer to page 40
Circular solutions and resource efficiency	Product development, suppliers, own production, customer use	A, D, E	Environment & climate policy; Sustainability strategy	Sustainability scorecard for products, ISO 14001[3], Sustainability system[5], LEAN system	Refer to page 37, 39, 42, 43
Chemicals and emissions of solvents	Own production, suppliers	A, D, E, F	Environment & climate policy; Sustainability strategy	ISO 14001[3], Sustainability system[5], Sustainability scorecard for products	Refer to page 42
Eco-labelled products, product information and safety	Own production, sales, customer use	D	Environment & climate policy; Sustainability strategy	Sustainability scorecard for products, ISO 14001[3], FMEA[6]	Refer to page 25, 37
Health and safety	Own production	A, B, D, E, F	Code of Conduct	OHSAS 18001[7], Systematic health and safety activities in production	Refer to page 44, 45
Respect for human rights	Own operations, suppliers	A, D, F	Code of Conduct; Supplier Code of Conduct; Modern Slavery policy; Sustainability strategy	SAF[1], NSAR[2], Speak Up	Refer to page 41, 44, 45
Responsible sourcing	Suppliers	A, B, C, D	Supplier Code of Conduct; Modern Slavery policy; environment & climate policy, Sustainability strategy	SAF[1], NSAR[2], Speak Up	Refer to page 41
Equality and diversity	Own operations	C, F	Code of Conduct	Speak Up, Recruitment process, Succession planning, Manager development	Refer to page 44, 45

1) Digital platform for sustainability audits of suppliers 2) Audit system for suppliers 3) Certified environmental management system for production facilities
4) Certified energy management systems for production facilities 5) Group-wide sustainability management system 6) Failure Mode and Effect Analysis, systematic product risk assessment
7) Certified management system for work environment for production facilities

ling and certification, are integrated into the systems and processes of each function. For instance, the product development process carries out systematic product risk assessments and compliance with environmental legislation takes place within the frame work of the local environmental management systems.

During the year, Nobia had no product safety incidents that led to insurance cases or legal proceedings. No business unit within Nobia Group was sentenced or paid fines for environmental crimes or has reported any deviation related to labeling of products.

STRATEGIC MEMBERSHIPS AND PARTNER PROJECTS:

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

CERTIFIED MANAGEMENT SYSTEMS

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.

Standard	Unit
ISO 9001	Bjerringbro, Ølgod, Dinxperlo, Darlington, Dewsbury, Halifax, Morley, Tidaholm, Freistadt, Wels
ISO 14001	Bjerringbro, Farsö, Ølgod, Nastola, Darlington, Dewsbury, Grays, Halifax, Morley, Tidaholm, Freistadt, Wels
ISO 50001	Darlington, Dewsbury, Grays, Halifax, Morley
OHSAS 18001	Bjerringbro, Ölgod, Nastola, Darlington, Dewsbury, Halifax, Morley
ISO 14001, in progress	Dinxperlo, Eggedal

SUSTAINABILITY DATA

	Unit	2017	2018	2109
Direct economic value generated and distributed				
Net sales	SEK m	12,744	13,209	13,930
Operating costs	SEK m	8,362	8,823	8,955
Employee wages and benefits	SEK m	2,382	2,544	2,750
Social security contributions and pensions	SEK m	530	591	593
Taxes to state and municipality	SEK m	256	233	229
Interest to lenders	SEK m	2	4	17
Dividend to shareholders	SEK m	505	1,180	675
Economic value retained	SEK m	707	-166	711
Materials				
Wood consumption	thousands of m^3	419	417	429
Energy consumption				
Total energy consumption	GWh	202	194	181
Non-renewable fuel	GWh	51	50	50
Renewable fuel[1]	GWh	77	53	21
Electricity and heating purchased	GWh	97	101	110
Heating sold	GWh	23	11	0
Energy intensity, electricity and heating	kWh/cabinet	32	29	25
Significant air emissions				
Scope 1	thousands of tonnes CO_2e	12.9	12.9	13.0
Scope 2, market-based	thousands of tonnes CO_2e	6.4	5.3	0.6
Scope 3[2]	thousands of tonnes CO_2e	20.0	19.2	18.1
Biogenic emissions	thousands of tonnes CO_2e	0.7	0.4	0.1
Scope 2, local-based	thousands of tonnes CO_2e	18.7	15.2	16.8
CO_2 intensity, electricity and heating	kg CO_2e/cabinet	1.7	1.5	0.8
CO_2 intensity, transport	kg CO_2e/cabinet	4.5	4.5	4.4
VOC[3]	tonnes	252	316	298
VOC intensity per lacquered details	kg VOC/100 details	4.0	5.0	4.9
Waste				
Total waste (excl. hazardous waste)	thousands of tonnes	35.4	41.0	43.2
Waste for reuse	thousands of tonnes	n.a.	n.a.	2.3
Waste for recycling[4]	thousands of tonnes	2.6	20.7	25.9
Waste for incineration	thousands of tonnes	32.3	19.8	17.0
Waste for landfill	thousands of tonnes	0.5	0.5	0.3
Hazardous waste	thousands of tonnes	0.5	0.6	0.5
Employees				
Number of employees				
Women	number	1,717	1,629	1,643
Men	number	4,370	4,452	4,466
Administration, sales	number	3,159	3,069	3,132
Production, logistics	number	2,928	3,012	2,977
Type of injury and rates of injury[5,6]	number	75	92	62
Commitment index		77	78	79
Suppliers				
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1) In 2018, we made changes at the production plant in Ølgod, Denmark, from own wood combustion to renewable and more energy effective district heating, meaning that the amount of renewable fuel declined from 2018 to 2019.
2) Includes purchased transport of goods and business travel by air.
3) Volatile organic compounds
4) The increase in wood recycling related to the heating changes in Ølgod.
5) Workplace accidents with at least eight hours' sickness absence
6) Data from our production plant in the Netherlands is not included in the total for 2018

ABOUT THIS REPORT

Report premises

This sustainability report has been prepared in accordance with the Core level of the GRI Standards. 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 2019 calendar year. The sustainability report has not been subject to review or audit by an external party other than based on statutory requirements.

Scope

The report encompasses the entire Group. Specific boundaries for each material topic are presented on page 114. 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 own stores.

Changes to the report

Data from our own stores is also included in the scope of the report from this year. Environmental data in the form of electricity and heating from own stores is included for all years for comparison. Corrections were made in emissions from own transportation for 2017 and 2018 as a result of improving monitoring and data quality.

Calculations

Calculations of carbon emissions from energy consumption and transportation were based on the guidelines of the Greenhouse Gas Protocol. Conversion factors for energy consumption and carbon emissions are based on 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 2019.

The contact perform 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.

Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the year 2019 on pages 32–45, 52–58 and 114–116 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard 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.

Opinion

A statutory sustainability report has been prepared.

Stockholm April 3, 2020
Deloitte AB

Daniel de Paula
Authorized Public Accountant

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2020 ANNUAL GENERAL MEETING

The shareholders of Nobia AB (publ) are invited to the Annual General Meeting on Tuesday, 5 May 2020 at 5:00 p.m. at World Trade Center (Room: New York), Klarabergsviadukten 70 / Kungsbron 1, Stockholm, Sweden.

RIGHT TO PARTICIPATE AT THE ANNUAL GENERAL MEETING

Shareholders who wish to participate in the Annual General Meeting must:

- Firstly be included in the shareholders' register maintained by Euroclear Sweden AB as of Tuesday, 28 April, and
- Secondly notify Nobia of their participation in the Annual General Meeting not later than Tuesday, 28 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 post: Nobia AB, Nomination Committee, Blekholmstorget 30 E7, SE-111 64 Stockholm, Sweden.

This notification shall state:

- 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 Tuesday, 28 April 2020. A request for re-registration must be made well in advance of this date.

DIVIDEND

Due to uncertainty regarding the effects of the spread of the Corona virus during the beginning of 2020, the Board of Directors proposes that no dividend for 2019 be paid.

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 to shareholders by mail, and to 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 2020

4 May	Interim report January-March 2020
5 May	Annual General Meeting
20 July	Interim report January-June 2020
2 November	Interim report January-September 2020

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