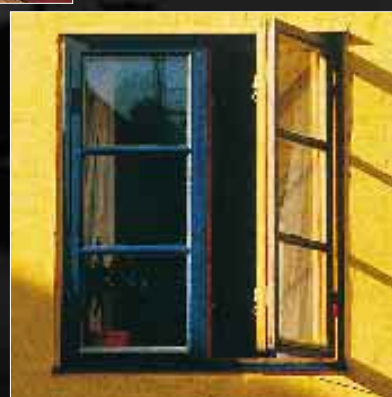


# NOBIA ANNUAL REPORT 1998



KITCHENS BUSINESS AREA · DOORS BUSINESS AREA  
STAR BYGGPRODUKTER BUSINESS AREA · SVENSKA FÖNSTER

# nobia

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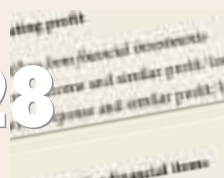
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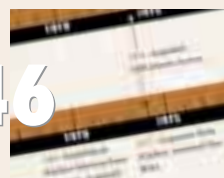
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# THIS IS NOBIA

The **Nobia Group** is the leading manufacturer of kitchens, doors and windows in the Nordic countries. Nobia's products are marketed under brand names such as A la carte, HTH, Implast, JiTe, Marbodal, Parma, Petra, Sigdal, Star Beka, Swedoor, Uno form and Yes Box. The Group also includes the wholesale builders' merchant, Star Byggprodukter AB and a 50% share in Svenska Fönster AB, which owns the brands BorDörren, SP Fönster and Traryd Fönster.

Around 85% of sales are to Nordic countries. Germany and the UK are also important markets. The products are manufactured in Sweden, Norway, Denmark, Finland and Germany.

Nobia AB was founded in October 1996 by the Industri Kapital 1994 investment fund. Nobia acquired Stora Byggprodukter AB from the Stora Group and changed the company's name to Nobia Nordisk Bygginteriör AB.

The company has two principal owners: Industri Kapital 1994 and corporate management and employees.

Visit our website: [www.nobia.se](http://www.nobia.se) to find out more about our business. Our website is regularly updated with news about the Nobia Group.

## KITCHENS BUSINESS AREA



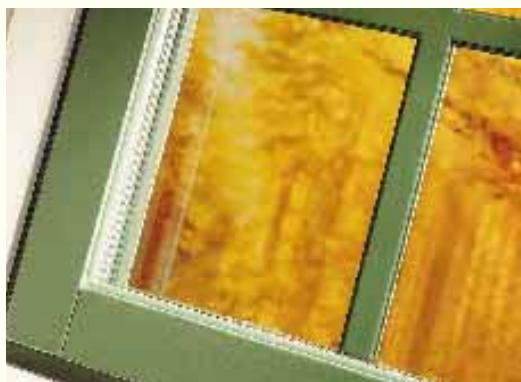
## DOORS BUSINESS AREA



## STAR BYGGPRODUKTER BUSINESS AREA



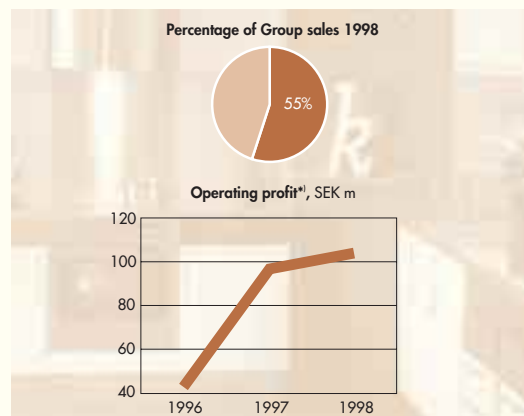
## SVENSKA FÖNSTER AB Nobia has a 50% holding





**The Kitchens business area** develops, manufactures and markets assembled kitchens, flat-pack kitchens for the DIY market and joinery components for the kitchen industry. The business area includes the following business units: HTH (Denmark), Marbodal, Eurokit and TidaComponents (Sweden), Sigdal (Norway), Novart (Finland) and Star Beka (Germany). Novart, Finland's leading kitchen manufacturer, became part of the Group on 1 February 1998.

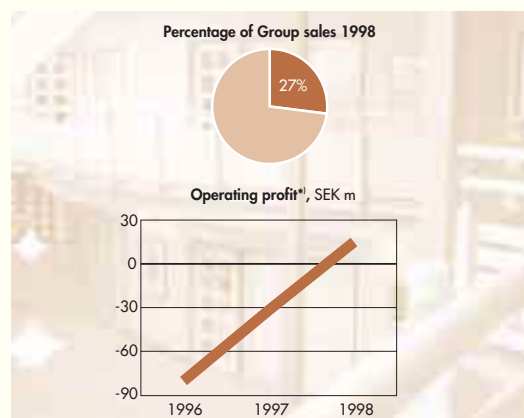
The Kitchens business area has an estimated 30% share of the Danish, Finnish and Swedish kitchen markets, and about 15% of the Norwegian market.



*\*) Operating profit excl. items affecting comparability.*

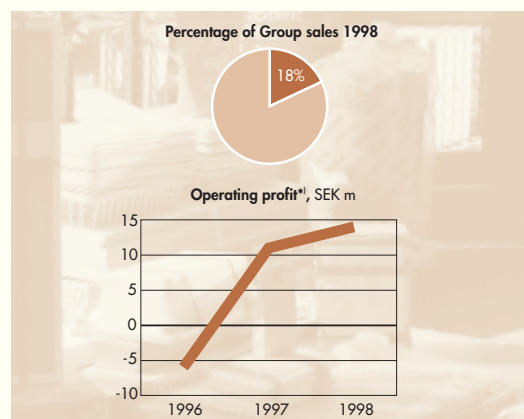
**The Doors business area** develops, manufactures and markets doors for homes as well as public environments – offices, schools and hotels. The Nordic countries are the main markets. Marketing and sales are under the Swedoor brand in Scandinavia and markets outside the Nordic area. In Finland the Ji-Te brand name is used.

Market shares are between 30 and 50% depending on product segment. Manufacturing units are located in Gran (Norway), Forserum and Åstorp (Sweden) and Kuopio and Humppila (Finland).



*\*) Operating profit excl. items affecting comparability.*

**Star Byggprodukter AB**, Sweden's leading full-range wholesale builders' merchant, holds around 30% of the wholesale market. Star supplies a broad range of building products including joinery, board material and wood-based products to retail builders' merchants.



*\*) Operating profit excl. items affecting comparability.*

**Svenska Fönster AB** is owned jointly by Nobia and Vätterledens Invest – each with a 50% holding. The company uses the brand names Bor Dörren (doors), SP Fönster and Traryd Fönster (windows). Around 85% of Svenska Fönster sales are in Sweden, where the company's share of the window market is close to 33%. Manufacturing units are located at Traryd, Edsbyn and Bor (Värnamo).

Svenska Fönster is reported in Nobia's consolidated accounts as an associated company.



# IMPORTANT EVENTS

**The acquisition of operations** at Finland's leading kitchen manufacturer, Novart, and door producer, Parmavalmiste, was completed. The operations were successfully integrated into the Nobia Group during the year.

**The Marbodal Centre** in Stockholm was opened.

**A new environmentally-friendly painting line** for profiled kitchen unit doors became operational at Tidaholm – a development which made Marbodal the first Scandinavian kitchen manufacturer to carry the Scandinavian Swan eco-label on its products.

**Uno form moved production** to a new, more efficient plant in Farsø, Denmark.

**Star Byggprodukter** became the first Swedish wholesale builders' merchant to sell on-line via the Internet.

**The Star Byggprodukter terminal** in Hisings-Backa, Göteborg, was sold to Eklandia Fastighets AB.

**Svenska Fönster** concentrated production at Edsbyn and Traryd, and closed its Torup factory.

**Production of panel doors** at Forserum for the German market was closed down.

**A decision** was taken to change the orientation of the Swedoor German sales company, Swedoor Bauelementevertrieb GmbH.

**A new Scandinavian range** of Swedoor panel doors was launched. All panel door production was centralised at Gran, Norway.

**Swedoor's production** of internal doors for Scandinavia was concentrated at Åstorp.

## S U M M A R Y   O F   T H E   N O B I A   G R O U P

	1 9 9 8	1 9 9 7	1 9 9 6
Net sales, SEK m	4,022	3,336	3,430
Operating profit/loss excl. items affecting comparability, SEK m	114	56	– 139
Operating profit/loss incl. items affecting comparability, SEK m	110	79	– 139
Profit/loss after financial items, SEK m	54	37	– 167
Operating cash flow before investments, SEK m	134	– 121	—
Operating margin, %	3	2	neg
Return on capital employed, %	10	9	neg
Return on shareholders' equity, %	6	1	2
Share of risk-bearing capital, %	25	26	23
Equity/assets ratio, %	18	18	15
Investments, SEK m	88	101	98
Average no. of employees	3,529	3,092	3,605
Of which outside Sweden	2,165	1,544	1,517

# THE CHIEF EXECUTIVE'S REPORT

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The Nobia Group has been transformed over the past three years. What was an unprofitable building products business area within the Stora Group, controlled via a centralised matrix organisation and oriented towards expansion outside Scandinavia, is now a profitable industrial group specialising in building interior products within the Nordic area. We will create maximum value for our customers and shareholders through continued specialisation and decentralised management. Our activities and programme of measures in recent years have therefore been totally focused on achieving our sub-goals: high profitability, customised service, creating superior products and a broad range, and increasing market shares in our defined markets in Scandinavia and Finland.

**The acquisition in early 1998** of Finland's largest kitchen group, Novart, and door manufacturer, Parmavalmiste, has been an important step towards the Group's overall aim to create the leading building interiors group in the Nordic countries.

**In addition to the acquisition** of the Finnish companies, which fit well with the Group's existing operations, work continued on sharpening specialisation and efficiency at our plants in accordance with the industrial structuring programme initiated in 1996. This programme included several restructuring measures in 1998, for instance completing the introduction of uniform cupboard construction on the Scandinavian side of the Kitchens business area. In addition, concerted efforts have been made to turn



around the Group's two remaining loss-making operations – the Germany-based kitchen and door companies. To ensure a profitable door business in Germany, it was decided at the end of 1998, to change the business direction of the Swedoor German sales company and close down production in Forserum of panelled doors for the German market. We also decided to expand the package of measures for the German kitchen operation. We forecast that the German door business will become profitable in 1999 and that the kitchen operation's result will gradually improve.

**A number of major market initiatives** were implemented during the year, including the on-line selling of building products by Star Byggprodukter via the Internet. At the same time, introduction of overnight product-picking was commenced, enabling orders to be taken later in the day and shorter delivery times. Several new larger outlets and showrooms were opened in Sweden, Denmark and Finland for Marbodal, HTH and others.

**Our new water-based painting line** at Tidaholm went into operation and produced the first kitchen unit doors eco-labelled with the Scandinavian Swan – an important break-

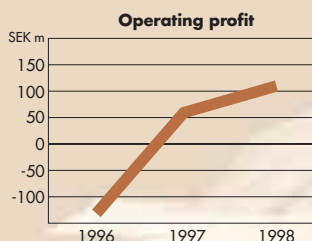
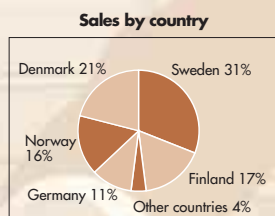
through for Nobia. Swedoor launched a new range of panel doors for the Nordic market and began taking delivery of component products from the Baltic States.

**The Danish kitchen manufacturer,** Uno form, moved production of kitchen equipment to a new, purpose-adapted unit in Farsø. The Svenska Fönster Group closed its window factory at Torup and concentrated the operation at the units in Edsbyn and Traryd. Progress was made in 1998 to reduce the Group's large holding of industrial and office premises, including the sale of a Star Byggprodukter property in Hisings Backa, Göteborg.

**The Group's efficiency has continued to** improve due to the previously outlined measures and target-oriented investment in IT for profitability control and follow-ups. Productivity, calculated as sales per full-time employee, advanced by 13% in 1997 and 6% in 1998, i.e. from SEK 0.95 million (1996) to SEK 1.14 million (1998).

**The Group's results showed a marked improvement** during the year despite sluggish market conditions in Sweden and Germany. The wholly-owned companies' sales increased by 21% to SEK 4,022 million. This high sales figure can be partly explained by the acquisition of operations in Novart and Parmavalmiste, which accounted for 16 percentage points of the sales rise.

**The operating profit before one-off allocations** for measures in the German kitchen and door business rose by 67% to SEK 133 million. The



operating profit of SEK 110 million was charged with allocations for the winding up of panelled door production. Compared with 1997, the operating profit improved by 39%. The profit after financial items was SEK 54 million, a 46% gain on the previous year.

**The profit for 1998** was burdened by around SEK 50 million relating to the Group's two remaining loss-making units, the German kitchen and door businesses. Around SEK 26 million of the Group's spending on IT was for Y2K-readiness measures. Our IT platform for modern profitability control is now adapted for the needs of the next decade.

**The profit for the Group's part-owned windows business** improved substantially during the year amounting to SEK 16 million, compared with 1997's SEK 6 million and SEK -39 million in 1996. This shows how important it is to create a business structure that's right for the industry.

### Drastically changed conditions in the Nordic building interiors industry

We have an increasing number of major customers active in the entire Nordic market, a factor that is decisive to the development of our industrial structure and service system. For Nobia, size is not a goal in itself, but it does provide advantages for our customers and has a bearing on our ability to maintain and increase our profitability. Our business concept and goals make us unique in our sector: able to act in the international arena, spread risk and create business opportunities in the most expansive markets in Northern Europe. This is decisive if we are to successfully carry through

our strategy of meeting higher demands from our Nordic and international customers in terms of product range, service and product development. The financial resources of the Group provide the means and power to actively pursue our own or joint projects within research, development and quality assurance.

**Beyond continued efficiency improvements** in our well-established Nordic operations, we intend to continue our role in the restructuring of the Nordic building interiors sector. The Group's structural acquisitions in 1997/98 – Svenska Fönster, Novart and Parmavalmiste – and the divestment of Swedoor Industriprodukter show our commitment to refine and strengthen our core business. This work involves changes, not only in the industrial manufacturing base, but also in the entire manufacturing-to-customer chain and in attitudes towards service and customer care. More efficient production, new products and deeper relations with fewer, mainly Northern European customers will be some of the more important success factors in the future.

### Forecast for 1999

The dramatic turbulence in the world's stock markets during the autumn of 1998 was a sign of increasing anxiety in the world at large and had an adverse effect on demand for our products for the rest of 1998 and into early 1999. If the economic situation continues to stabilise and interest rates remain low, there are good indications that overall demand in our markets will develop positively in the years to come. The fact that there is substantial pent-up demand for renovation in Sweden and elsewhere, and that the eco-

nomic situation for households is good, means we forecast that Nordic demand will be at about the same level as in 1998.

**Nobia has a unilateral right to** acquire the remaining 50% of shares in Svenska Fönster AB. An assessment will be made in 1999 on whether to exercise this right or not.

**Investment in training will be stepped up in 1999 and 2000.** Key expertise will be acquired by new recruitment to raise the level of skill within the Group.

**We will continue to work intensively** on improving efficiency and refining the business in order to achieve the Group's profitability goals. Several of our units are already sector leaders in terms of efficiency, skill and profitability. Work is consequently directed mainly at units that are not reaching our targets. A more positive market trend in Sweden and Finland, gradually improving marketing system and possibilities to continue restructuring of the Nordic building interiors industry – these three factors mean that we can expect a good basis for continuous increases in the Group's profitability over the next few years.

Göteborg, April 1999.

Fredrik Cappelen

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### NOBIA'S BUSINESS CONCEPT

*We develop, manufacture and market a customer-oriented range of kitchens, doors and windows. By adapting to the individual customer and focusing on service, quality, function, design and environmental responsibility our products will give the customers added value.*



The business concept is built on four cornerstones:

### GOALS

What do we want to achieve?

### STRATEGIES

How should we act in the short and long-term to achieve our goals?

### ORGANISATION

How should we structure our organisation to implement our strategy and fulfil our goals?

### POLICY

What principles and rules apply in our daily work?

### PRINCIPAL GOAL

*Nobia will be the leading manufacturer of kitchens, doors and windows in the Nordic area.*

This aim encompasses objectives in four areas:

#### Profitability

- The operating margin will be at least 8% for production units and at least 5% for the wholesale operation.
- The cash flow will be positive.
- Indirect costs will not exceed 25% of sales.

#### Customised service

Nobia will maintain a high standard of service by focusing on the following areas:

- Order handling.
- Deliveries and delivery times.
- Complaint handling.
- Customer satisfaction – measuring and monitoring.



## GOALS AND STRATEGIES

**Greater market shares**

- Market shares in the four Nordic countries will be increased and secured.
- The strategic presence in selected markets in the UK, Russia, the Baltic States and Poland will be maintained and strengthened.

**Competitive product range**

- A competitive range of kitchens, doors and windows that satisfies customer needs will be marketed and continually developed.
- Products will be of a consistently high quality.

## S T R A T E G I E S

**Products**

Business activities are focused on kitchen, door and window products for building interiors. The respective business areas will aim for specialisation and the least possible product overlap.

**Geographical markets and sales**

Nobia's main market is Northern Europe with an emphasis on the Nordic countries. The main prin-

ciple is to establish sales organisations as close as possible to customers in the respective countries.

**Customers and customer relationships**

The company's customer base is in the building materials and interiors sector. There are also direct sales to major building contractors.

The choice of customers is strategic – financially strong and, wherever possible, nationwide or international partners will be selected.

Customer relationships will be active, long-term and developed in close cooperation. We will focus on key customers and should strive to connect them to the Nobia IT systems.

In sales work, different products and product groups will be actively used to support work in establishing, developing and deepening key customer relationships.

**Brands**

Marketing and sales of products should primarily be carried out under our own brand names. The brand will always be emphasised in communications with the customer.

**Service and distribution**

The choice of distribution channels should be adapted to local conditions. We will strive for short runs with direct factory-to-customer deliveries, to minimise storage and transport costs.

**Production**

Production, with minimised lead times and storage, will be directed according to the demands of the appropriate market. Continual technical advances will provide clear product advantages and fulfil efficiency goals.

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## Purchasing

The purchasing function is coordinated and will optimally utilise joint volumes to achieve favourable agreements. Purchasing will be restricted to a minimal number of suppliers, while purchases from low-cost producers in Russia, Poland and the Baltic States will increase.

## Product development and R&D

Product development will be based on the customer's needs and lead to increased profitability. Development work focuses on optimisation of products' cost, quality and performance, as well as improving materials and material combinations.

## Environment

Nobia will be the frontrunner in its sector on environmental matters. Environmental work will be carried out according to the Group's environmental policy and specific action plans.

## Staff

All actions at Nobia will be based on common values:

- Show consideration for each other, for customers and the environment.
- Trust each other and create confidence.
- Demand to be heard and taken seriously.

## Good leadership

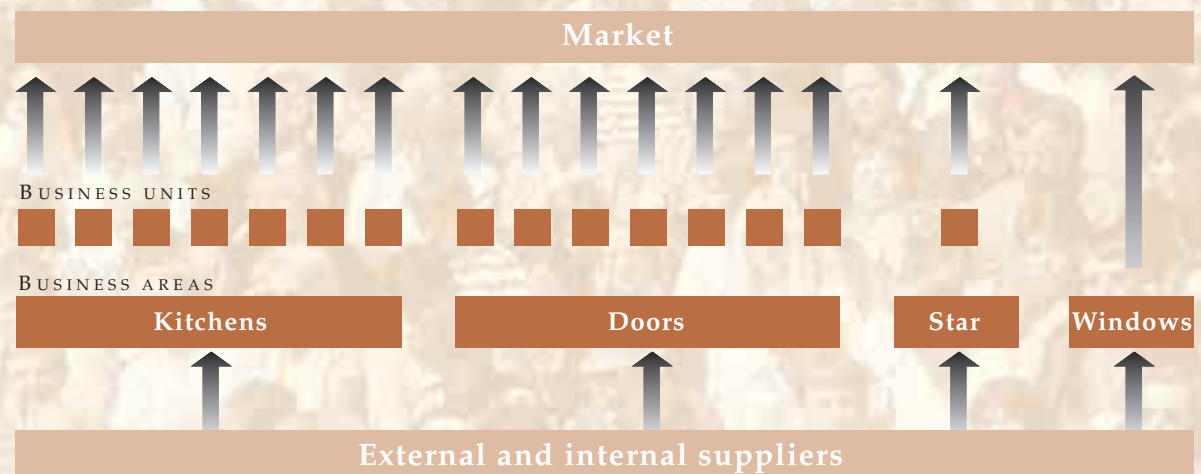
To be a manager at Nobia means:

- Taking responsibility together with colleagues to attain common goals.
- Showing respect for the individual.
- Allowing colleagues to be heard and taken seriously.

## Profitability control and IT

Profit levels and key financial ratios will be designed in a way that gives a clear picture of both short and long-term profitability. There will be a focus on profitability and cash flow.

## NOBIA'S BUSINESS SYSTEM AND ORGANISATION





The IT systems will connect customers, business units and business areas for the benefit of the business operation and profitability control.

## ORGANISATION

Nobia comprises 15 business units. These business units have responsibility for brands and product ranges and their positioning, profiling, product development, design and price-setting, as well as the choice of distribution channels, within the framework of the joint business strategy. Business units are therefore responsible for the entire chain from initial customer contact to delivery.

Most business units are quality-assurance certified in accordance with ISO 9001. Many Nobia products carry Scandinavia's Swan eco-label.

The business units' operations are measured against a number of targets – the most important are cash flow, profit, tied up capital, profitability, customer satisfaction, productivity and reliable delivery.

Nobia's business units are grouped together in business areas to gain economies of scale and optimise management of frameworks, aims, strat-

egies and joint functions such as IT-development and business control.

Nobia Group products are manufactured at 17 factories with a current combined floor space of 450,000 m<sup>2</sup>, both in rented and company-owned premises. Purchasing, which is coordinated as much as possible, amounts to SEK 1,800 million per year – timber and other wood-based products account for SEK 800 million of that figure.

## POLICY

The principles and regulations of the business are collected in the Group's Financial & Administration Manual (FAM) which constitutes the guidelines for managers at company and department level. It contains the overall information, relating to staff, finances, IT and information activities, which is needed in daily business.

FAM is designed as an aid to improve administrative work and facilitate easier communications between Group management and the business units. It is also used as a basis for training new employees.

# MARKETS AND COMPETITORS

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The building interiors market can be divided into two main categories, the professional and consumer sectors. The greater part of both categories consists of repairs, renovations and extensions. Brand names are highly significant in the consumer market, but less so among professional buyers. The company's dependence on the professional market has diminished in recent years.

**Market position** Nobia is the only player in the Nordic market that offers a complete range of kitchens, doors and windows. Close to 40% of sales (including Svenska Fönster) are to the Swedish market.

*The Kitchens Business Area* is the largest kitchen supplier in the Nordic region and one of the leading players in Europe with an estimated 30% market share in Denmark, Finland and Sweden, and 15% in Norway. Nordic competitors are mainly local companies operating in one market, with the exception of Ikea and Norema. Imported kitchens from Central Europe account for only a very small percentage of sales throughout the Nordic region.

*The Doors Business Area* is the only door manufacturer in the Nordic area that offers a complete range of interior, exterior, panelled and classed doors\*. The business area has a market-leading position with 30–50% market shares, depending on product type, in Sweden, Norway, Finland and

*Nobia is the only player in the Nordic market that offers a complete range of kitchens, doors and windows.*

Denmark. Competitors are mainly companies that work within one or a limited number of product areas or in a single market. The exception is the Danish door manufacturer Vest-Wood, which has a strong position in Denmark and Germany. The import of doors with simpler designs from Poland and the Baltic States is increasing.

*Star Byggprodukter* is active in the Swedish market as a supplier of a wide range of building products to retail builders' merchants. The company has a strong logistics platform and market-leading brands. Products supplied by Star account for around 8% of retail trade purchases from the overall Star range. Star is a market leader with around 30% of the wholesale building materials market. The closest competitor is Elof Hansson Byggross AB, otherwise the trade is composed of locally-active or specialist wholesalers.

*Svenska Fönster* is mainly active in the Swedish market where pressure on prices is severe. In a market with few differentiated products, price is the prime sales argument, both for consumers and professional buyers. The trade's present overcapacity is expected to remain for some time. Market shares in the window sector are relatively stable. Svenska Fönster has close to a 33% share of the market. The major competitor is ElitFönster, which has a slightly higher market share.

\*) Classed doors: doors mainly for public environments which fulfil specific stipulations for fire and break-in resistance, sound insulation, etc.



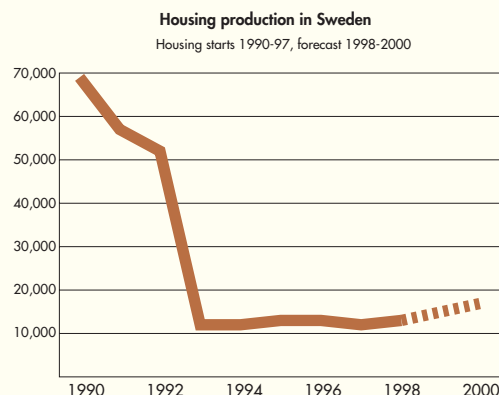
The concentration trend among building contractors and distribution chains will probably result in larger window producers increasing market shares at the expense of medium-sized companies.

**The Nordic construction market** is an increasingly unified market for building companies. Previously, the individual countries were more self-contained, even though many building contractors were engaged on a project basis in neighbouring Nordic states. A common construction market is emerging with a handful of strong, leading companies. A major contributing factor is that the differing national business cycles make it possible to equalise variations in demand and activity.

The Nordic construction market, excluding infrastructure contracts, amounts to around SEK 500 billion, of which around SEK 150 billion is repairs and maintenance. Sweden makes up 30% of this market.

There was substantial growth in Finland and Denmark in 1997–98, but growth in Norway slowed in 1998 due to a hike in interest rates. Sweden's construction market expanded by 8% in 1998 after several years of contraction.

Housing starts in Sweden are at an extremely low level. In 1998, there were some 13,000 starts, compared with the 1990 figure of 69,000. The repair and maintenance market is more stable than the new housing market with a long-term growth rate of around 2%.



Combined housing starts in the four Nordic countries amounted to 80,000 in 1998. Restructuring of the Nordic building interiors product market continues and concentration will result in fewer players and units. Nobia is playing an active role in this restructuring process.

**Chain-building and alliances in the building interiors market** Restructuring will lead to bigger units through chain-building and alliances of various types. The Swedish market has been late to absorb trends from both the Continent and the US, but building supply stores such as Bauhaus (Germany), Silvan (Denmark), K-Rauta (Finland) are now establishing outlets in Sweden. The Swedish building supply trade is forming chains such as Woody (Interpares and Allbygg), Optimera is partnering Byggmakker (Norway), etc. Market restructuring in Denmark, Norway and Finland is already at a more advanced stage.

**Imports from Eastern Europe** Imports continued to increase in 1998. Baltic State exports are reaching the Swedish market via Swedish manufac-

turers which are complementing their production with low-price products from Eastern Europe. These products are improving rapidly from a quality and function perspective, which is why they represent a threat to traditional manufacturers. Several Swedish producers are setting up manufacturing plants in Eastern Europe.

#### **Increased differentiation and segmentation**

In the interiors market, the differentiation between professional buyers and consumers is becoming more distinct. The consumer market is of growing significance and developing along the same lines as other markets for consumer goods. For Nobia, this means

that the emphasis is no longer only on products' function and quality. Market success now also requires that the customer perceives the product as customised and unique. To win in this market, Nobia must satisfy these requirements and also reconcile them with large-scale production. One solution is individualised mass production – the manufacturing of a few component types in long runs that is perceived as a wide range by the market.

**Brands as carriers of marketing messages** The most important means of reaching various consumer categories and giving products a distinctive character is the use of brand names. The Group's marketing strategy is built on brands as the bear-

*A company seeking success in the market must identify, before its competitors, the changes which affect decisions that lead, or don't lead, to the buying of products.*

ers of product image. This means that the right message is contained in adverts and marketing activities so that each brand is individualised and gets high consumer attention value. The Group's business control is built on profit responsibility relating to brands, which therefore have a central role in the entire business operation and represent significant value.

#### **Effective means of control**

To control all activities effectively requires the regular measurement of consumers' and other buyers' attitudes towards our own and competitors' brands. These surveys are a source of information on different customer groups' knowledge and views on

respective brands' positioning, as well as the buyer's profile and preferences. On the basis of this information, programmes are devised for use in product development, material selection, manufacturing techniques and marketing.

**Product development and design**, like trend monitoring, is a vital area for Nobia. Within the Kitchens and Doors business areas, development and design is carried out in the respective brand-responsible organisations. Development is coordinated at the business area level.

On the windows side, product development is focused on market demands for more energy-efficient and environmentally-friendly products. New types of insulating glass are under develop-

ment and environmentally-sound paint systems and plastic materials are being introduced.

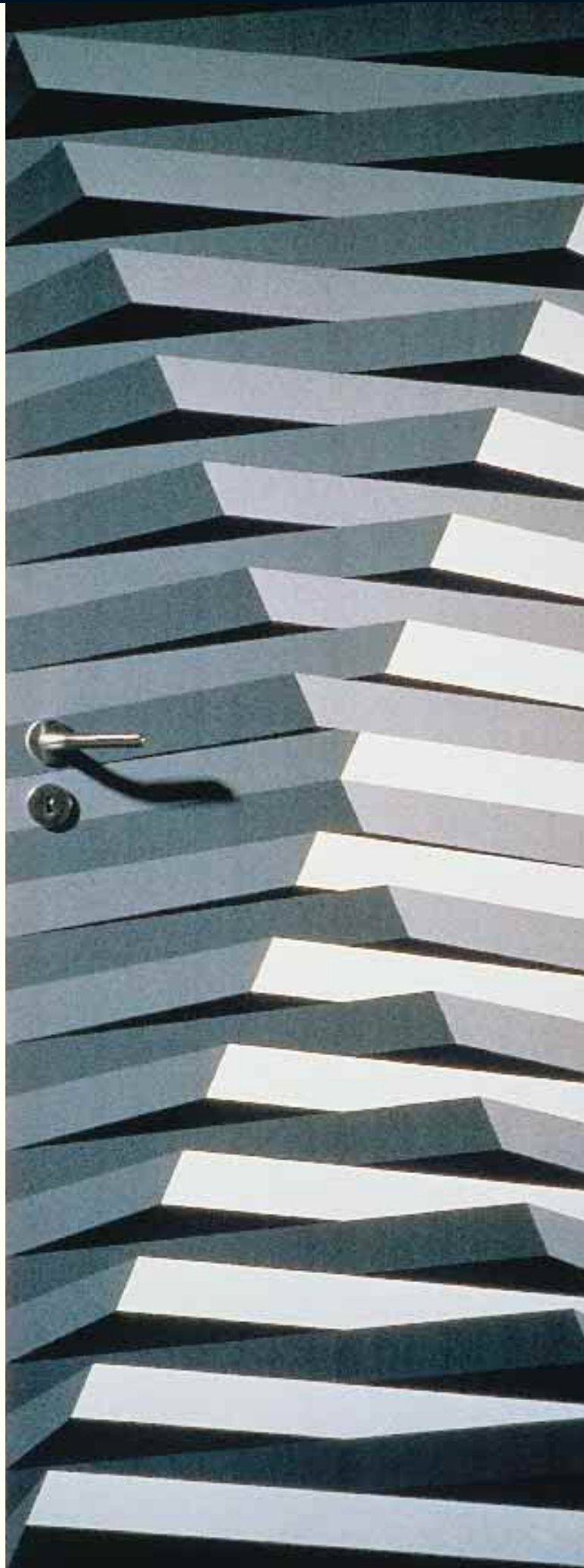
Development work in other areas involves break-in resistant, fire resistant and sound insulating products for residential and commercial properties.

**Identifying changes** A company seeking success in the market must identify, before its competitors, the changes which affect decisions that lead, or don't lead, to the buying of products. A working Group within Nobia monitors social changes that can affect demand for Nobia products and services. Such changes can be shifting attitudes among tomorrow's consumers or changes in consumption patterns, housing choices, family structure, IT, technological development, ethics, etc. Information on all these changes is conveyed continually to the Group's decision-makers and forms the basis of the Group's strategic planning.

#### Art opens doors

JiTe in Finland invited internationally-known artists to design a series of "limited edition" interior doors. Manufacturing combines craftsmanship with industrial production. This mix creates doors that are both works of art and high-class building interior products for private residences and public buildings.

The door pictured right was designed by the Italian artist, Marcello Morandini.



# OPPORTUNITIES AND RISKS

12

**The interiors market** With the company's efficient production set up and strong market position, an upturn in building activity, above all in Sweden, will provide good opportunities for increased capacity utilisation and better prices, and, as a consequence, increased profits.

However, like at Nobia, there is considerable unutilised production capacity among the competitors.

Historically, increased activity in the domestic markets has had positive effects on sales of building interior products and joinery. Low interest rates on mortgages and a faster rate of product development provide a good basis for long-term high activity in this market segment.

The closure of Sweden's Barsebäck nuclear power station would necessitate major energy savings. As a result, the energy authorities are planning an information campaign, possibly backed by subsidies, to stimulate a change to more energy-efficient windows. Such a campaign would, especially if there are economic incentives, provide the basis for a significant volume increase in the windows market.

**Competition from imports** Continued low-price imports are causing concern among Swedish manufacturers, who do not have access to raw materials and labour at the same cost. Imports from the Baltic States and Poland, principally of wood components, have increased in recent years. Nobia, however, intends to participate in development of the component industry in these countries as a means to make its own production units more competitive.

**Wholesale market** The expansion in the building supply market gives Star Byggprodukter new opportunities to strengthen its market position.

This will be done by developing its wholesale function to serve the building supply chains, as well as extending its role as a service supplier to building supply supermarkets. The level of service can also be raised by better supplier partnerships, increased imports and expanding IT cooperation with customers and suppliers.

There is a potential threat to Star in the emergence of new building supply store chains as these companies may seek to take over part of the wholesaler's role.

**Financial risks** Nobia has a policy of limiting the effect of fluctuating interest rates and currency exchange rates on the Group's profit. The Group is therefore active in hedging a substantial proportion of loans and currency flow, in order to obtain a stable and secure profit trend.

**The effect of the EURO** Nobia has operations both inside and outside the Euro zone. However, sales between Sweden, Norway and Denmark on the one hand, and Finland and Germany on the other, are limited.

Purchasing is carried out primarily in Swedish Kronor, but also in German Marks, Austrian Schillings and Belgian Francs.

Considering all the factors, the new currency's effect on the Nobia Group is as yet relatively small.



# ENVIRONMENTAL WORK

## - AN IMPORTANT FACTOR FOR SUCCESS

13

Environmental work is an area that has considerable strategic importance. For professional buyers, products with environmental declarations are often a basic requirement for doing business, while consumers also have an emotional environmental commitment. The requirements of different customer categories, together with laws and regulations, are the principal controlling influences on environmental work within Nobia.

**Water-based paints** An example of a specific measure to improve the environment is the extensive work within the Kitchens business area to attain eco-labelled kitchens. An important step forward in 1998 was to introduce painting of profiled kitchen unit doors using water-based paint at the production plant in Tidaholm.

The new production line has made it possible to reduce the use of solvents by over 60 tons per year, while retaining surface quality. Recycling techniques have also been improved and around 80% of excess paint is now recycled. Development work also involves water-based stain and clear varnish for introduction on several products – discharge of hydrocarbon-based solvents can be further reduced as a result.

At the beginning of 1999, Sigdal had three Swan eco-labels, Marbodal had six. HTH received the equivalent Danish eco-label in 1998.

Water-based paints have been used in the Doors business area since 1993. Interior doors with a birch veneer carry the Swan eco-label, and work to attain Swan labels on other products within the business area is continuing.

**New paint system for windows** The environmental aspects of joinery for exterior use have not been fully addressed. The lack of a suitable paint system has been one of the reasons. However, in 1998 both Traryd Fönster and SP Fönster devised a surface treatment system for window frames based on water-based paints. The factory in Traryd has used these environmentally-friendly products since the end of 1998 and Edsbyn will incorporate them in 1999.

Other materials used in window manufacturing have a relatively low environmental impact, which is why the Swan or other eco-labels can be attained in the near future.



### Environmental policy

Nobia will endeavour to reduce the harmful environmental effects of all its operations. Relevant laws and regulations, as well as ISO 14000 and EMAS standards, form the basis for environmental work. Work will be marked by continual improvement in cooperation with customers, suppliers and other interested parties.

Within ecologically justifiable and economically reasonable parameters, we will work towards:

- efficient use of resources
- increased use of biodegradable and renewable resources
- prevention of pollution
- safe, closed loop-adapted operations and products.

We will measure our environmental impact, regularly assess environmental work and openly report environmental information.

The management of the respective business areas have responsibility for environmental work.

Following-up of environmental policy is the responsibility of Group management.

Nobia has a number of stated values and approaches concerning staff and management. All staff will contribute to the fulfilling of the business concept and aims, and work according to the basic values and approaches of Nobia. These are formulated to be easy to understand and practical to apply. These values are also criteria, in addition to profit and job performance, by which staff are assessed.

**Decentralised leadership** The basic approach of the Nobia organisation is built on decentralised leadership with responsibility for the entire business process. The organisation is therefore designed to suit the operations with well-defined responsibility for the entire business chain – marketing and sales, order handling, production, supply and follow-ups. Brands are the Group's strength and responsibility for respective brands is, on the whole, synonymous with the business area.

The implementation of a new organisation for production staff at Marbodal and TidaComponents in Tidaholm was initiated in 1998. The operations will be organised in 29 goal-oriented groups which will be autonomous in matters concerning their assigned targets, which are agreed in consultation with each group.

**Managers and leadership** Leadership relates to the way in which management skills are exercised. At Nobia, it is a basic condition that managers take responsibility together with staff for attaining common goals, show respect for the individual and allow colleagues to be heard and taken seriously.

**Working together** Within Nobia, all actions should be based on common values:

- Show consideration for each other, for customers, and the environment.
- Trust each other and create confidence.
- Demand to be heard and taken seriously.

Behind this approach to working together is a basic respect for the individual and a fundamental belief in people's rights: to be treated politely and with respect, to be taken seriously, and have the opportunity for personal growth in their working role.

**Management course** As part of Nobia's strategic development, an internal management programme was introduced in 1998, initially for managers at corporate and business area management level. The aim is to run two courses per year with 15 participants in each. The emphasis of the pro-

### Productivity in wholly-owned companies

	1995	1996	1997	1998
Sales, SEK m	3,213	3,430	3,336	4,022
Average number of employees	3,443	3,605	3,092	3,529
Productivity (sales per employee, SEK m)	0.93	0.95	1.08	1.14
Percentage change, year on year		2	13	6

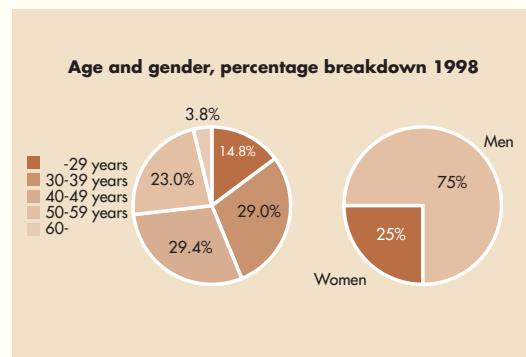
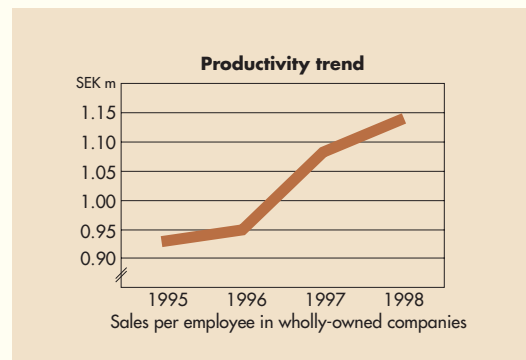
Productivity increased by 23% between 1995 and 1998.



gramme is to communicate what the aims and strategies of Nobia and its business areas mean in practice, and to develop management competence in leadership, profitability and business skills.

**Special training in the Doors business area** The foundation for a change of business direction within the Doors business area has been established and summed up in a vision and business concept. Distinctive features of the new orientation are that it is clearly based on customer and consumer needs and emphasises the significance of doors as interior products.

Special training for all management staff in the business area was provided to make the vision and business concept more widely known, comprehensible and applicable. After the training, carried out in early 1999, the rest of the staff received information on the new business orientation.

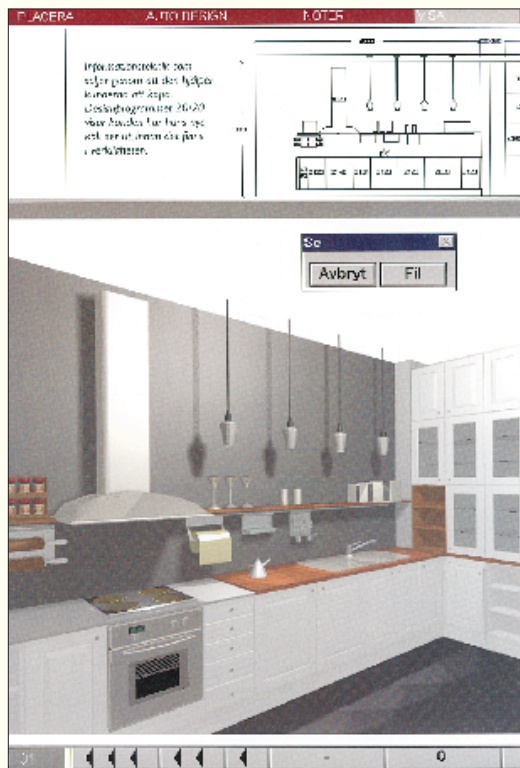


# IT SUPPORTS THE ENTIRE BUSINESS PROCESS

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For Nobia, IT is a strategic tool and a factor for success that creates the basis for increased sales, enhanced production efficiency and improved financial control. The IT system connects customers, business units and business areas, creating positive effects for business operations and profitability management.

**Nobia has expanded** the use of IT at all levels since 1996 and is now the sector-leader in this area.



A specialised design system allows sales staff to show customers on-screen pictures of different kitchen solutions. (The Swedish system is illustrated).

**Design program for kitchens** A design system developed for Marbodal enables sales staff to easily and instantly show customers different solutions for their new kitchen on a PC screen.

Sigdal has also installed this type of system and Novart will follow in 1999. HTH have used an in-house developed system with similar functions for several years.

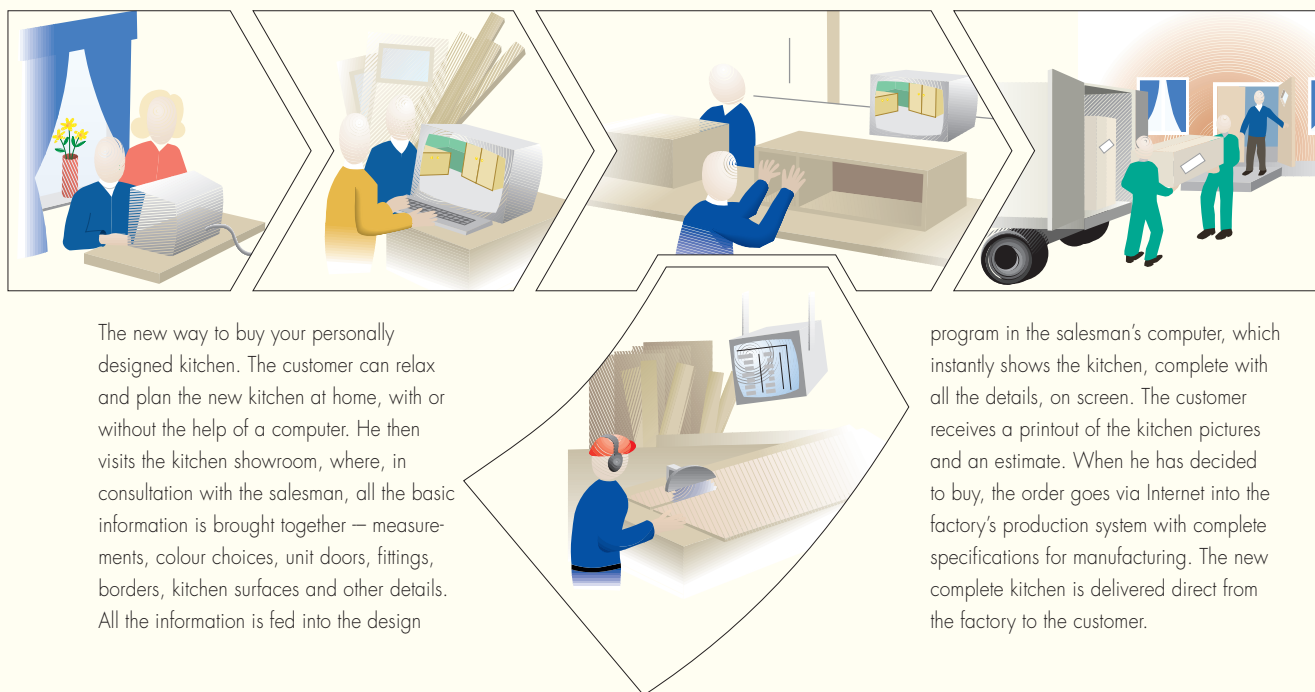
The presentation of Nobia kitchen brands on the Internet has advanced in 1998 and all brands are now present.

**Doors** A CD-ROM-based support program for selection of external doors was launched in 1998. The program enables sales staff to show the entire Swedoor external door range in combination with a large number of house types. This gives the customer a clear idea of how his house would look with a new door from Swedoor. The customer's own house photo can also be used for comparison.

**Star Byggprodukter** The wholesaling business has created an Internet-based ordering system with a section that allows customers to access stock balance. The system can be used outside Star office hours and has therefore enhanced the company's level of service.

**Profitability Management** The 3S System is one of the Group's analysis tools for profitability control. Invoicing and orders received can be analysed in a simple and detailed way by both the sales force and company management. With this system, problems and opportunities can be pinpointed and become the impetus for sales activ-





ities and more efficient control. Information is collected that makes it easier for sales staff to do monitoring work and planning with customers. The system is installed at all but two business units.

**Year 2000** Nobia is carrying out extensive preparatory work at all factories and sales offices in order to have a Y2K-ready system in place well before 2000. The work is supervised by a project group reporting directly to the CEO. External technical and legal experts are also involved in the project group.

The preparatory work also includes an inventory and appropriate modifications of computers, PCs, networks and control systems. Suppliers are being interviewed on their status regarding Y2K-readiness.

#### *Business applications*

Quality enhancements and simplifications are being implemented where previous in-house developed systems are being replaced by standard systems. This is happening at HTH, Star Beka, Marbodal, Eurokit and TidaComponents, and is planned for Novart. At these units, internal development work is focused on company-specific add-on programs to enhance competitiveness. Companies which have already installed standard systems have reduced the number of adaptations to ensure lower maintenance costs in the future.

The Doors and Star Byggprodukter business areas have already carried out standardisation of a joint system.

*Profit trends varied between business units. The operating profit for the business area as a whole increased by 4% despite losses in Germany and high Y2K-related costs.*

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**Markets and sales** Kitchen markets in Finland and Sweden progressed positively during the financial year, while growth ceased in Denmark and Norway. The German market continued to contract.

Operations within Novart, Finland's leading kitchen manufacturer, were successfully integrated into the business area in 1998.

HTH, Novart, Eurokit and Marbodal established new outlets and showrooms during the year. In recent years, stores have become larger

	1998	1997	1996
Sales, SEK m	2,265	1,742	1,653
Operating profit excl. items affecting comparability, SEK m	102	98	44
Operating profit, SEK m	105	104	44
Operating margin, % *	4.5	5.6	2.7
Return on operating capital, % **	22.3	37.8	14.5
Operating cash flow, excl. acquisitions, SEK m	75	101	101
Number of employees	2,198	1,767	1,740

#### Sales by country



## KITCHENS BUSINESS AREA LARGE-SCALE PRODUCTION

and stock a wider range – a development led by HTH. The new HTH stores in Denmark generally have a 600–800m<sup>2</sup> floor-space and are located outside city centres in shopping complexes that have a good customer base. In Finland, HTH signed a partnership agreement with the furniture store chain, Asko.

**Sales and results** The business area's sales for 1998 increased by 30%. For comparable units, sales rose 5%. The operating profit excl. items affecting comparability improved by 4% to SEK 102 million. Profit has been adversely affected by significant one-off costs for Y2K-related measures and changes to the IT systems, as well as losses in the German business.

In the period 1996-98, sales increased by 37%. In the same period, the operating profit excl. items affecting comparability soared by 132%.

**Rationalisation for increased productivity** Staff reductions are being carried out at all units, except Novart, to increase productivity. In addition, the organisation of Star Beka is being restructured to meet prevailing market conditions in Germany.

The changeover to the Scandinavian cupboard standard continued in 1998. HTH will also have fully adopted the new standard as from mid-year 1999.

Operations that are not part of the core businesses have been sold. At the Tidaholm factory, maintenance has been outsourced and vacant floor space has been gradually rented out.

**Investments** In 1998, investments amounted to SEK 72 million. The most important projects were efficiency improvements at the HTH factory in Ølgod, Denmark and productivity enhancement measures at the Tidaholm plant. The Danish kitchen surface manufacturer, Implast, installed a new machine line for postforming, and the Uno form factory moved to more purpose-adapted premises in Farsø. Novart (Finland) and Sigdal (Norway) made replacement investments.

\* Calculated as operating profit excl. items affecting comparability.

\*\* Operating profit in relation to operating capital.

Operating capital = non-interest bearing assets minus non-interest bearing liabilities excl. receivables/liabilities for income tax and deferred taxes.

WITH INDIVIDUAL DESIGN





*Restructuring, rationalisations and increased sales brought about a strong improvement in operating profit.*

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**Restructuring** The Finnish door manufacturer, Parmavalmiste, with production facilities in Humppila, was acquired in February 1998. The acquisition complements existing operations in Finland and strengthens the business area's position in the new construction market.

During the year, all manufacturing of light internal doors for the Scandinavian market was moved to Åstorp. All production of panel doors was shifted to Gran in Norway. In connection with this, it was decided to cease production of high-quality panel doors for the German market.

1998 1997 1996

Sales, SEK m	1,123	1,016	1,107
Operating profit excl. items affecting comparability, SEK m	15	- 31	- 81
Operating profit, SEK m	15	- 30	- 81
Operating margin, % *)	1.3	neg.	neg.
Return on operating capital, % **)	4.5	neg.	neg.
Operating cash flow, excl. acquisitions, SEK m	46	0	- 16
Number of employees	1,213	1,201	1,291

#### Sales by country



## DOORS BUSINESS AREA PRODUCT DEVELOPMENT

These changes, in combination with a rationalisation programme, resulted in substantial cost reductions during the year.

**Markets** The business area's customer base comprises wholesalers, retail builders' merchants and building supply stores, prefabricated manufacturers and building contractors.

Demand in Finland increased substantially during 1998. The Swedish market followed the same trend, especially in major cities.

In Denmark, the surge in demand noted since 1993/94 tailed off in 1998. The high level of building activity in Norway levelled off at the end of 1998 as a result of interest rate hikes.

**Sales and results** The business area's sales advanced by 10% in 1998. For comparable units, sales rose by 4%. The operating profit excl. items affecting comparability improved by SEK 44 million to SEK 15 million. This rise in profit was due primarily to lower costs. The number of doors supplied in 1998 was 980,000. The business area's investments amounted to SEK 11 million.

**Residential doors** This product area encompasses entrance and external doors, hall doors and

internal doors. Entrance doors, mainly for small houses, are produced at Åstorp – 63,000 were shipped in 1998.

Hall doors – front doors for apartments in residential buildings – are made at Forserum and Humppila, which produced 15,000 during the year.

Internal doors are made at Åstorp, Gran and Kuopio. Åstorp and Kuopio produce light internal doors. Panel doors based on solid wood are produced at Gran. Production figures for internal and panel doors in 1998 totalled 700,000.

**Doors for public environments** This product area covers doors and wall sections which meet special demands for sound insulation and fire resistance in public buildings such as hospitals, schools and hotels. A total of 160,000 doors were produced in 1998 at the Forserum and Humppila plants.

\*) Calculated as operating profit excl. items affecting comparability.

\*\* Operating profit in relation to operating capital.

Operating capital = non-interest bearing assets minus non-interest bearing liabilities excl. receivables/liabilities for income tax and deferred taxes.



FOCUSED ON CUSTOMER BENEFITS



*Increased sales and continued efficiency improvements resulted in a 27% rise in operating profit excl. items affecting comparability.*

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**Markets and sales** Star's business is based on accessibility and a high standard of service, which is achieved through the company's wholesale operations and warehouses at six Swedish locations: Göteborg, Katrineholm, Kristinehamn, Malmö, Nässjö and Stockholm. Every day 23 trucks set out from the warehouses on supply

	1998	1997	1996
Sales, SEK m	765	710	648
Operating profit excl. items affecting comparability, SEK m	14	11	- 6
Operating profit, SEK m	25	11	- 6
Operating margin, % <sup>(1)</sup>	1.8	1.5	neg
Return on operating capital, % <sup>(2)</sup>	21.3	9.0	neg
Operating cash flow, excl. acquisitions, SEK m	32	1	- 7
Number of employees	157	169	229

## STAR BYGGPRODUKTER BUSINESS AREA HIGH SERVICE STANDARDS AND

routes that cover 90% of the retail builders' merchant trade. In 1998, night-picking of customer orders was introduced at several of the Star branches, which means that customers can order right up to the end of business hours for delivery on the next working day.

**Star online** is an Internet service that increases accessibility. The customer has access to the entire Star range, 24-hours-a-day, and can get information on products, current stock balance, delivery times, prices and order status. Orders can also be placed via Star online.

Star assists customers and suppliers with advice and information from the company's market organisation – cooperation that also contributes to a high standard of service. Star established the "Star University" in 1998, a resource which offers customers the opportunity to train their staff in important areas such as product knowledge, purchasing and use of the Internet. Training is in the form of lectures, practical exercises and field trips.

Ceos Industriprodukter, a unit within Star, is responsible for a separate market segment sup-

plying primarily board material to the furniture and joinery industries. Ceos performed well, both in terms of sales and profit, in 1998.

**Sales and results** Star's sales amounted to SEK 765 million in 1998, an increase on 1997 of 8%. Market growth was 3% in 1998.

The operating profit excl. items affecting comparability climbed by 27% on 1997 and amounted to SEK 14 million. The profit improvement since 1996, partly attributable to increased sales, is mainly due to higher efficiency within the business.

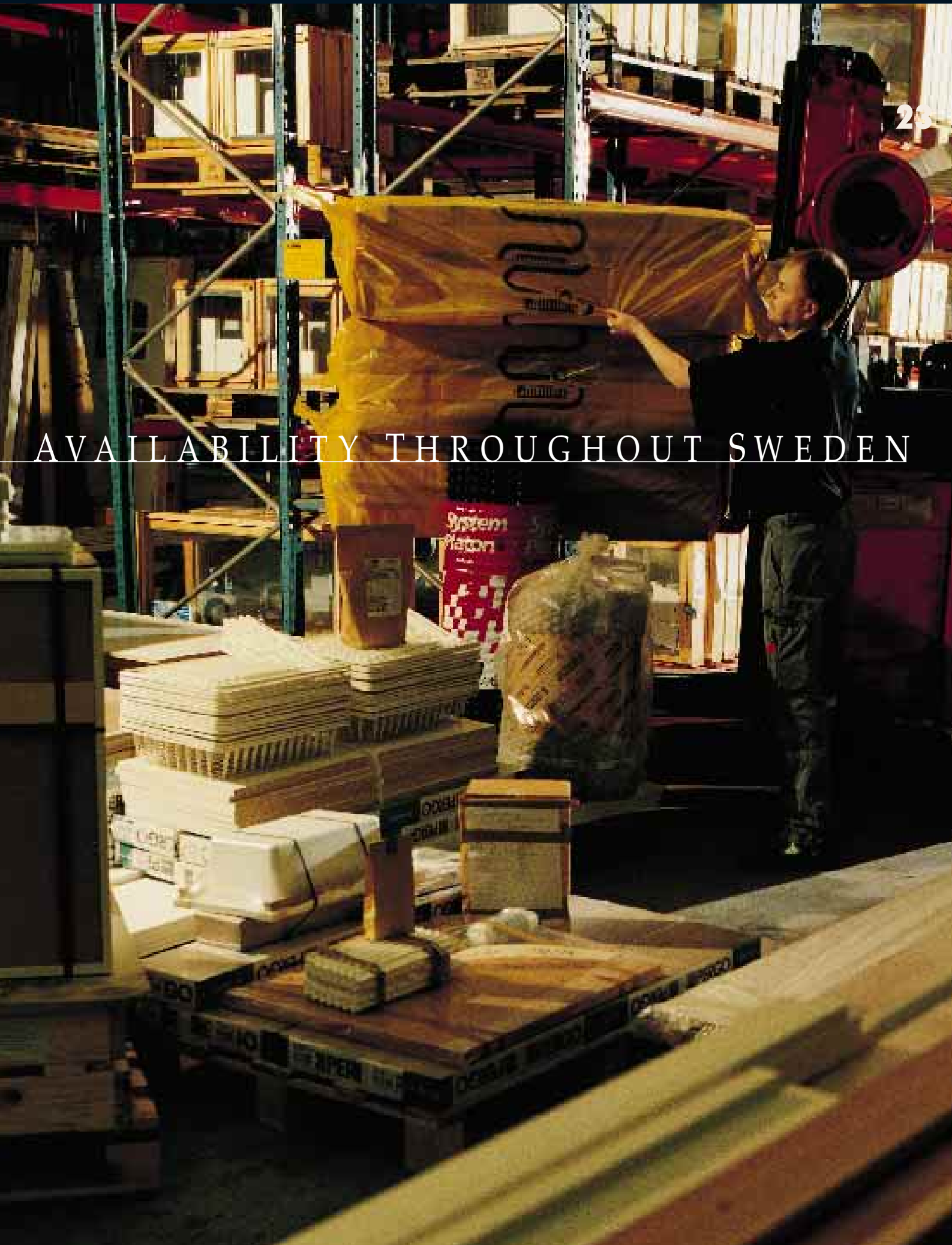
<sup>(1)</sup> Calculated as operating profit excl. items affecting comparability.

<sup>(2)</sup> Operating profit in relation to operating capital.

Operating capital = non-interest bearing assets minus non-interest bearing liabilities excl. receivables/liabilities for income tax and deferred taxes.



AVAILABILITY THROUGHOUT SWEDEN



*Coordination and rationalisation led to a substantial improvement in operating profit. The operating margin increased by 2.7 percentage points. Nobia owns 50% of Svenska Fönster AB.*

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**Market and sales** Svenska Fönster AB has 85% of its sales in Sweden. In 1998, the Swedish window market expanded by 5%, the first volume increase in many years. The growth segments were new housing construction and to a lesser extent, the consumer market.

	1998	1997
Sales, SEK m	379	371
Operating profit, SEK m	16	6
Operating margin, %	4.3	1.6
Return on capital employed, %	10.2	3.7
Average number of employees	417	453

#### Sales by country



## S V E N S K A F Ö N S T E R Q U A L I T Y , S E R V I C E

The company has about a third of the Swedish market for windows. There was a slight slip in market share compared with 1997, mainly due to market growth in the new construction segment, where Svenska Fönster holds a smaller market share. Svenska Fönster could, however, increase its profitability in this segment by focusing on product quality, reliable delivery and good service.

Growth in the Scandinavian countries was less satisfactory and prices fell as a result. Market development in Holland and the UK, important export markets, was stable. The economic downturn in Asia resulted in a considerable reduction of exports to Japan.

BorDörren AB makes 60% of its sales in the Swedish market, where its share is about 10%.

Sales in 1998 increased by 2% to SEK 379 million.

**Coordination and rationalisation** Coordinating activities continued within Svenska Fönster

during the year. Considerable cost-savings were achieved by coordinating purchasing, administration and IT. In production, there was concentration of blank manufacturing and assembly of casement windows to the Edsbyn factory. Further coordination of production is planned.

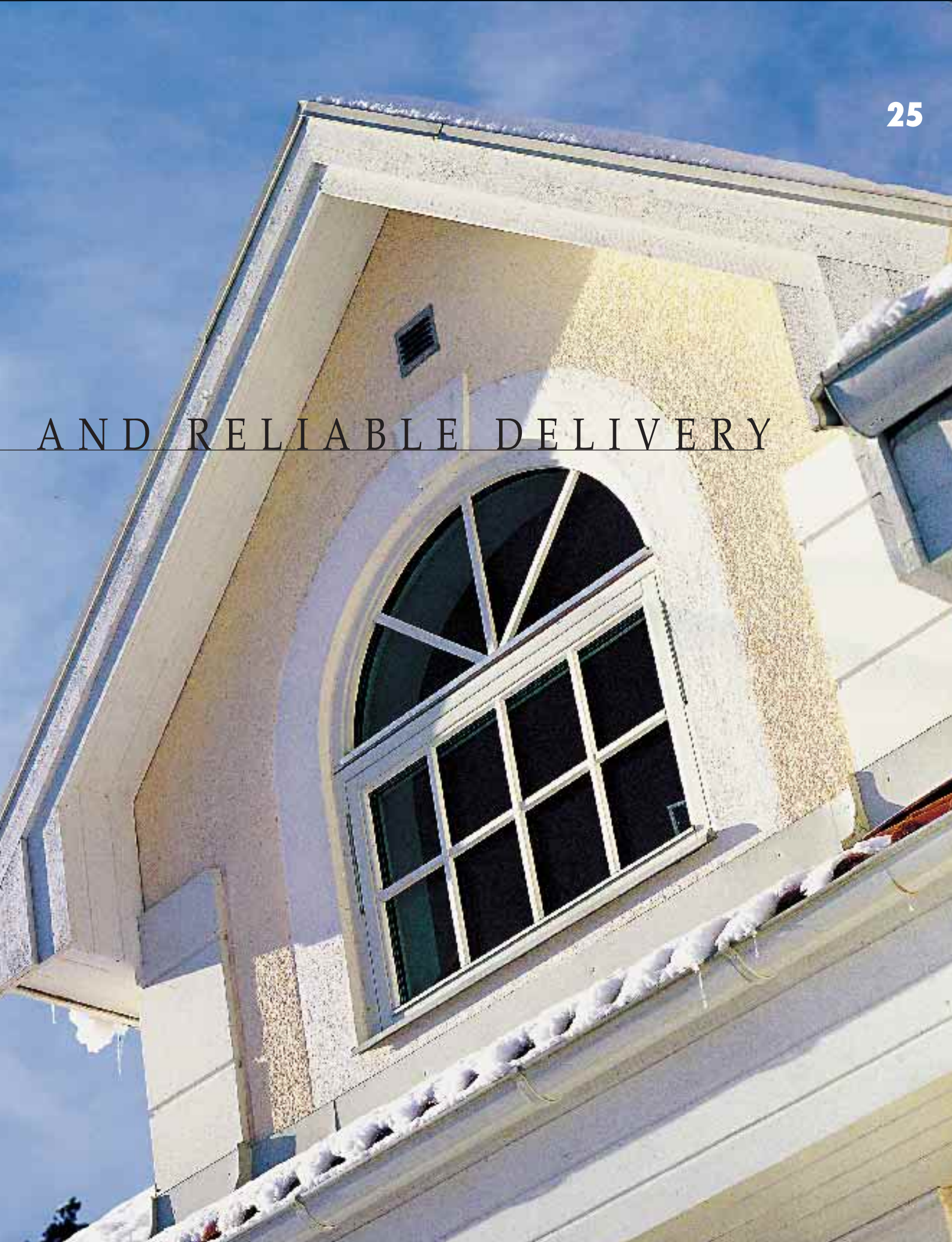
The production unit in Torup, which previously made French windows and casement windows for Traryd Fönster AB, was closed in 1998.

New computer systems will become operational at all units during 1999.

**Profits and investments** The operating profit rose during the year to SEK 16 million (6). After financial expenses, the profit was SEK 12 million (0). Total investments amounted to SEK 3 million. Investments were mainly for computer equipment in connection with system changes.



AND RELIABLE DELIVERY



# DIRECTORS' REPORT

FOR NOBIA AB, COMPANY REG. NO. 556528-2752

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**Information about the business** Nobia AB is mainly owned by Nordic and international investors through Industri Kapital 1994, and by Nobia's management. The subsidiary Nobia Nordisk Bygginteriör AB, is wholly-owned by Nobia AB, and is the parent company of the sub-group. The Group manufactures and sells kitchens and doors under brand names that include Marbodal, HTH, Sigdal, Star Beka and Swedoor, and runs a builders' merchant business called Star Byggprodukter AB.

**Sales** Sales for 1998 totalled SEK 4,022 million (3,336). Compared with last year, this corresponds to a rise of 5%, or SEK 174 million, for comparable units. Demand in Finland rose substantially in 1998. Demand on the Swedish market also grew, especially in the repair, renovation and extension sectors in the major cities. In Denmark, the rise in demand seen since 1993/94 faded during 1998. The high rate of construction in Norway slackened at the end of the year in line with the hike in interest rates. In Germany, the negative market trend continued.

Group sales broken-down by business area as follows (SEK m):

	1998	1997
Kitchens	2,265	1,742
Doors	1,123	1,016
Star Byggprodukter	765	710
Other	1	5

**Profits** Nobia's operating profit improved substantially in 1998, despite a negative earnings trend for both panel doors at Forserum and Star Möbelwerk GmbH. The operating profit was SEK 110 million (79). Excluding items affecting comparability, the operating profit was SEK 114 million (56) which is broken down by business area below (SEK m):

	1998	1997
Kitchens	102	98
Doors	15	- 31
Svenska Fönster	6	0
Star Byggprodukter	14	11
Other	- 23	- 22
Total	114	56

The operating profit includes a provision of SEK 20 million which refers to closing down the panel door business at Forserum. This will be wound up in 1999.

The gross margin improved by 1% from 27 to 28%. Return on capital employed was 10% (9).

**Financial position and liquidity** The Group's liquid assets including unutilised overdraft facilities at the year-end, amounted to SEK 340 million (317). The Group's own risk-bearing capital, including a subordinated loan, was SEK 525 million (474) which corresponds to 25% (26) of the total capital. The equity/assets ratio was 18% (18).

**Highlights during the financial year** Nobia AB carried out a new share issue at the beginning of 1998 to the corporate management, which increased shareholders' equity by SEK 1 million.

The industrial restructuring programme which started in 1996 was finished during the year. The programme included relocating production, disposing businesses, introducing new ranges, cupboard frame standardization, the introduction of a new line organisation, and substantial staff reductions, mainly in Sweden. It has created a more effective industrial structure for the Group's activities.

From 1 February, the acquired business activities of the Finnish companies Novart and Parmavalmiste have been included in the Nobia Group. This transaction makes Nobia the market-leading manufacturer and seller of both kitchens and internal doors in Finland.

Novart is Finland's leading kitchen manufacturer with an approximate market share of 30%. The company is profitable and has sales of SEK 444 million. The business employs 475 people, and manufacturing is carried out at two plants in Nastola and Forssa. The most well-known brands are Petra, Parma and A la Carte. The acquisition of Novart is completely in line with Nobia's core business. Nobia is already the Scandinavian market leader in kitchens, and the acquisition makes Nobia a very strong player on the Finnish market.

Parmavalmiste, Humppila, is Finland's leading manufacturer of top-quality internal doors, mainly for public environments. The company's sales figure is SEK 68 million and it employs 110 people. This transaction gives Nobia the opportunity of coordinating production and ranges with its factory in Kuopio, thus gaining a stronger position in the Finnish internal door market.



Both of these transactions have underpinned Nobia's position as the leading manufacturer of kitchens, doors, and windows in the Nordic region. Both transactions fall within the framework of Nobia's core activities and have given the company a strong footing on the Finnish market. The acquisitions also provide additional opportunities to create holistic solutions for Nobia's increasing number of international clients. The impact of these acquisitions on the Group is described in Note 26.

Star Byggprodukter sold off its property holding in Hisings-Backa, Göteborg, during the year.

**Year 2000** Nobia is carrying out comprehensive preparatory work at all its factories and sales offices so that a Y2K-secure system will be in place well before the start of 2000. The work is being run by a project group answering directly to the Group's CEO. External technical and legal experts are linked to the group.

In connection with preparations to overcome the Y2K problem, quality improvements have been implemented by the previous in-house developed systems being replaced with new, simplified, standard systems. This has already been done at the kitchen companies, HTH, Star Beka, Marbodal, Eurokit, and Tida Components and is planned for Novart. The in-house development work at these units

has focused on add-ons which are company-unique and improve their competitive abilities. The companies that already have standard systems, have reduced their add-ons to achieve lower maintenance costs in future.

The joint system at the Doors and Star Byggprodukter business areas, has already been standardised.

Other equipment, such as computers, PCs, networks, control equipment, and machinery, has been inventoried and modified to be Y2K-secure.

**Board work** The Board of Nobia AB has at least five board meetings annually and per capsulam board meetings as necessary. A working programme regulates the Board's and CEO's responsibility and authority.

**Staff** Nobia AB does not have any production facilities, sales activities or staff employed. The number employed by the Group is shown at Note 24.

**Proposed allocation of loss** The Group's accumulated deficit as shown in the consolidated income statement, amounts to SEK -107 million. No allocation to restricted shareholders' equity is required.

The parent company does not report a profit or a loss.

## Shareholders

	No. of shares		Percentage of	
	Class A	Class B	Capital	Votes
Industri Kapital 1994 Limited Partnership 1 (UK)	320,393		10.2	10.9
Länsförsäkringar Wasa Livförsäkrings AB (publ) (Sweden)	118,037	200,000	10.2	4.7
Industri Kapital 1994 Limited Partnership 2 (UK)	265,031		8.5	9.0
Industri Kapital 1994 Limited Partnership 3 (UK)	265,031		8.5	9.0
Industri Kapital 1994 Limited Partnership 4 (UK)	265,031		8.5	9.0
Industri Kapital 1994 Limited Partnership 5 (UK)	227,338		7.3	7.7
Investor Investments AB (Sweden)	200,246		6.4	6.8
Uni Storebrand Livsförsäkrings AS (Norway)	176,687		5.6	6.0
PGGM Pensioenfonds (The Netherlands)	176,687		5.6	6.0
Robur Allemansfonder 1-7 (Sweden)	153,130		4.9	5.2
Corporate management and employees	153,855		4.9	5.2
Förvaltningsaktiebolaget Ratos (Sweden)	141,350		4.5	4.8
Unibank A/S (Denmark)	129,571		4.1	4.4
FöreningsSparbanken Aktiefond (Sweden)	23,558		0.8	0.8
FöreningsSparbanken Aktiesparfond (Sweden)	23,558		0.8	0.8
Other shareholders	291,142		9.2	9.7
	2,930,645	200,000	100.0	100.0

# CONSOLIDATED INCOME STATEMENT

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SEK m	Note	1998	1997
Net sales	2	4,022	3,336
Cost of goods sold	3	- 2,896	- 2,443
<b>Gross profit</b>		<b>1,126</b>	893
Selling expenses	3	- 833	- 698
Administrative expenses	3	- 193	- 157
Other operating income		35	- 20
Other operating expenses		- 27	- 2
Items affecting comparability	4	- 4	23
Share in the pre-tax profit of associated company	9	6	0
<b>Operating profit</b>		<b>110</b>	79
<i>Profit/loss from financial investments</i>			
Interest income and similar profit/loss items	5	3	3
Interest expense and similar profit/loss items		- 59	- 45
		- 56	- 42
<b>Profit/loss after financial items</b>		<b>54</b>	37
Tax	6, 22	- 33	- 34
<b>Net profit for the year</b>		<b>21</b>	3



# CONSOLIDATED SOURCE AND APPLICATION OF FUNDS STATEMENT

29

SEK m	1998	1997
Operating profit	110	79
Depreciation	108	100
Share of profit/loss from associated company	- 6	0
Net financial items	- 56	- 42
Capital gains from fixed assets	- 7	- 15
Tax paid	- 35	- 14
	114	108
<i>Funds tied up/released in the operations</i>		
Decrease/(increase) in stock	40	- 31
(Increase)/decrease in operating receivables	- 11	26
Decrease in operating liabilities and provisions	- 9	- 224
	20	- 229
<b>Cash flow in the operations before investments</b>	<b>134</b>	<b>- 121</b>
<i>Investments</i>		
Investments	- 87	- 101
Change in fixed assets due to acquisitions	- 164	0
Translation differences	- 1	- 1
Sales of tangible fixed assets	32	137
Change in working capital due to disposals/(acquisitions)	- 56	13
	- 276	48
<b>Cash flow in the operations after investments</b>	<b>- 142</b>	<b>- 73</b>
<i>Financing</i>		
Increase in long-term borrowing	144	64
New share issue	1	13
	145	77
<b>Increase in cash and bank balances</b>	<b>3</b>	<b>4</b>
Opening balance, cash and bank balances	157	153
<b>Closing balance, cash and bank balances</b>	<b>160</b>	<b>157</b>

# CONSOLIDATED BALANCE SHEET

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SEK m	Note	31 Dec. 1998	31 Dec. 1997
<b>A S S E T S</b>			
<b>Fixed assets</b>			
<i>Intangible fixed assets</i>	7		
Goodwill		119	0
Other intangible assets		5	0
		124	0
<i>Tangible fixed assets</i>	8		
Buildings and land		357	371
Investments in progress		6	3
Plant and machinery		329	297
Equipment, tools, fixtures and fittings		38	37
		730	708
<i>Financial fixed assets</i>			
Shares in associated company	9,11	45	39
Other participations		2	0
Other long-term receivables		15	20
Deferred tax	22	136	143
		198	202
<b>Total fixed assets</b>		<b>1,052</b>	<b>910</b>
<b>Current assets</b>			
<i>Stock</i>			
Raw materials and consumables		152	129
Work in progress		116	108
Finished products		57	62
Goods for resale		60	72
		385	371
<i>Current receivables</i>			
Tax receivables		1	0
Accounts receivable		422	337
Other receivables		18	32
Prepaid expenses and accrued income	12	57	26
		498	395
<b>Cash and bank balances</b>	13	<b>160</b>	<b>157</b>
<b>Total current assets</b>		<b>1,043</b>	<b>923</b>
<b>Total assets</b>		<b>2,095</b>	<b>1,833</b>

## C O N S O L I D A T E D   B A L A N C E   S H E E T

SEK m	Note	31 Dec. 1998	31 Dec. 1997
S H A R E H O L D E R S '   E Q U I T Y   A N D   L I A B I L I T I E S			
<b>Shareholders' equity</b>	14		
<i>Restricted shareholders' equity</i>			
Share capital		31	31
Restricted reserves		451	351
		482	382
<i>Accumulated deficit</i>			
Loss brought forward		- 128	- 61
Profit for the year		21	3
		- 107	- 58
<b>Total shareholders' equity</b>		<b>375</b>	324
<b>Provisions</b>			
Provisions for guarantees		15	16
Provisions for pensions	25	25	13
Provisions for taxes	22	44	53
Restructuring reserve	15	24	54
<b>Total provisions</b>		<b>108</b>	136
<b>Long-term liabilities</b>	16		
Subordinated loan	17	150	150
Liabilities to credit institutions		650	523
<b>Total long-term liabilities</b>		<b>800</b>	673
<b>Current liabilities</b>			
Liabilities to credit institutions	18	14	1
Advances from customers		4	0
Accounts payable		332	314
Tax liabilities		37	12
Other liabilities		169	149
Accrued expenses and deferred income	19	256	224
<b>Total current liabilities</b>		<b>812</b>	700
<b>Total shareholders' equity and liabilities</b>		<b>2,095</b>	1,833
<b>Pledged assets</b>	20	<b>898</b>	250
<b>Contingent liabilities</b>	21	<b>28</b>	31

# PARENT COMPANY'S INCOME STATEMENT

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SEK m	Note	1998	1997
Items affecting comparability	4	10	0
<b>Operating profit/loss</b>		<b>10</b>	<b>0</b>
<i>Profit/loss from financial investments</i>			
Interest income	5	1	0
Interest expense		- 12	- 12
<b>Loss after financial items</b>		<b>- 1</b>	<b>- 12</b>
<b>Loss for the year</b>		<b>- 1</b>	<b>- 12</b>

# PARENT COMPANY'S SOURCE AND APPLICATION OF FUNDS STATEMENT

SEK m	1998	1997
Operating profit	10	0
Net financial items	- 11	- 12
	- 1	- 12
<i>Funds tied up/released in the operations</i>		
Decrease/(increase) in operating receivables	13	- 31
(Decrease)/increase in operating liabilities	- 14	17
	- 1	- 14
<b>Cash flow in the operations before investments</b>	<b>- 2</b>	<b>- 26</b>
<b>Investments</b>	<b>0</b>	<b>- 1</b>
<b>Cash flow in the operations after investments</b>	<b>- 2</b>	<b>- 27</b>
<i>Financing</i>		
Group contribution	1	14
New share issue	1	13
	2	27
Decrease/increase in cash and bank balances	0	0
Opening balance, cash and bank balances	0	0
<b>Closing balance, cash and bank balances</b>	<b>0</b>	<b>0</b>



## P A R E N T   C O M P A N Y ' S   B A L A N C E   S H E E T

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SEK m	Note	31 Dec. 1998	31 Dec. 1997
<b>A S S E T S</b>			
<b>Fixed assets</b>			
Financial fixed assets			
Shares in subsidiary	9, 10	456	456
<b>Total fixed assets</b>		<b>456</b>	456
<b>Current assets</b>			
<i>Current receivables</i>			
Receivables from subsidiary		17	31
<b>Total current assets</b>		<b>17</b>	31
<b>Total assets</b>		<b>473</b>	487
<b>S H A R E H O L D E R S '   E Q U I T Y   A N D   L I A B I L I T I E S</b>			
<b>Shareholders' equity</b>	14		
<i>Restricted shareholders' equity</i>			
Share capital		31	31
Restricted reserves		281	281
		<b>312</b>	312
<i>Accumulated deficit</i>			
Profit/loss brought forward		1	12
Loss for the year		- 1	- 12
		<b>0</b>	0
<b>Total shareholders' equity</b>		<b>312</b>	312
<b>Long-term liabilities</b>			
Subordinated loan	17	150	150
<b>Total long-term liabilities</b>		<b>150</b>	150
<b>Current liabilities</b>			
Accrued expenses and deferred income	19	0	3
Other current liabilities		11	22
<b>Total current liabilities</b>		<b>11</b>	25
<b>Total shareholders' equity and liabilities</b>		<b>473</b>	487
<b>Pledged assets</b>	20	<b>456</b>	456
<b>Contingent liabilities</b>	21	<b>24</b>	3

**1** ACCOUNTING PRINCIPLES

Nobia AB's accounting and valuation principles comply with generally accepted accounting principles. The income statement is classified according to function with effect from 1998, which conforms with the industry's practice. A majority of companies in the construction and property industries use this format. The income statement for 1997 has been adjusted in accordance with this. Group contributions have been accounted for directly in shareholders' equity, according to the recommendation by the Swedish Financial Accounting Standards Council. In all other aspects, the accounting principles are unchanged compared to the previous year.

**Consolidated accounts** The consolidated accounts include the subsidiaries where the parent company, directly or indirectly holds more than half of the voting rights.

The consolidated accounts have been prepared in accordance with the acquisition accounting method, which means that subsidiaries' shareholders' equity at the time of acquisition, established as the difference between the assets and liabilities market value, is eliminated in its entirety. The Group's shareholders' equity therefore includes only that part of the subsidiaries' shareholders' equity that is earned after the acquisition.

If the consolidated acquisition value of the shares exceeds the acquisition analysis' estimated value of the company's net assets, the difference is entered as consolidated goodwill. If, however, the consolidated acquisition value of the shares is lower than the value of the company's net assets shown in the acquisition analysis, the acquired company's non-monetary assets are reduced by the amount of the difference. If all the difference is not eliminated by reducing the non-monetary assets, the remaining balance is reported as negative Group goodwill under other provisions. This provision is resolved based on the expected earnings trend.

Companies acquired during the year are included in the consolidated accounts with amounts as from the date of acquisition. The results of companies sold during the year are included up to and including the date of sale.

Deferred tax in the subsidiaries untaxed reserves at the time of acquisition as well as deferred tax liabilities in the difference between the market value of assets and liabilities in accordance with the acquisition analysis and the booked value in the individual company's accounts, including the restructuring reserve, are reported as provisions.

Appropriations and untaxed reserves are not reported in the consolidated accounts. They are divided between shareholders' equity and deferred tax liabilities. Deferred tax relating to the year's appropriations are included in the Group's net profit. The deferred tax liability is reported as a provision while the remainder is transferred to the Group's restricted shareholders' equity.

The loss carried forward that could be offset against future profits, is capitalized as a deferred tax receivable. This also refers to the accumulated loss carried forward at the time of acquisition, as well as any following loss. The difference between the booked and fiscal value is also taken into account as a deferred tax liability, alternatively after individual examination, as a deferred receivable.

For all the subsidiaries, Nobia AB applies the current method for translating the accounts of foreign subsidiaries. This means that foreign subsidiaries' assets and liabilities are translated at the closing day rate. All income statement items are translated at the year's average exchange rate. Translation differences are transferred directly to the Group's shareholders' equity.

Intra-Group profits are eliminated in their entirety, without taking minority shares into account.

**Accounting of associated companies** Associated companies are those companies which are not subsidiaries, but where the parent company, directly or indirectly, holds at least 20 per cent of the voting rights of all the shares. The shares of associated companies are accounted for in accordance with the equity accounting method. The equity accounting method means that consolidation is mainly effected on separate lines in the consolidated income statement and consolidated balance sheet. Associated companies accumulated profits, not allocated as dividends, are reported in the consolidated income statement as an equity reserve, under restricted reserves.

**Receivables** Receivables are reported at the amount that, after individual examination, they are expected to be paid.

#### Receivables and liabilities in foreign currency

Receivables and liabilities in foreign currency are valued at the closing date rate. In cases where hedging has been used, e.g. through forward contracts, the forward rate is used.

**Stock** Stock is valued, applying the first in/first out principle, at whichever is the lower of the acquisition value and true value on the closing date. Required obsolescence allocations have been made.

**Fixed assets** The operating profit is charged with depreciation according to plan in the income statement, calculated at the original acquisition value and based on the assets calculated economic life as follows:

Office equipment and vehicles	3–5 years
Buildings	15–30 years
Goodwill	5–20 years
Plant and machinery	6–12 years
Equipment, tools and installations	6–12 years

Goodwill relating to Novart Oy is depreciated over 20 years, as Novart's market position and brand name are judged to have an economic life of at least 20 years.

The difference between booked depreciation and depreciation according to plan is reported under appropriations. Accumulated depreciation in excess of plan is reported under untaxed reserves.

In connection with the market valuation of properties in 1997, an evaluation of the remaining economic life was made. The depreciation of the properties consolidated value has been calculated from this economic lifetime.

#### Definitions of key figures

*Gross margin*

Gross profit in relation to net sales

*Return on capital employed*

Operating profit/loss plus interest income in relation to average capital employed.

*Capital employed*

Total capital less non interest-bearing current liabilities and non interest-bearing provisions.

*Equity/assets ratio*

Shareholders' equity in relation to total capital.

*Risk-bearing capital*

Shareholders' equity and subordinated loan in relation to total capital.

All amounts are in SEK m unless otherwise stated

## 2 NET SALES BROKEN-DOWN INTO GEOGRAPHIC MARKETS

Net sales break-down into geographic markets as follows:

SEK m	The Group	
	1998	1997
Sweden	1,236	1,153
Nordic region, ex. Sweden	2,174	1,609
Europe, ex. Nordic region	577	541
Other markets	35	33
Total	4,022	3,336

## SALARIES, OTHER REMUNERATION AND PAYROLL OVERHEADS

Cost of goods sold, selling and administrative expenses include salaries, other remuneration and payroll overheads which amount to the following:

<i>Subsidiaries:</i>	1998			1997		
	Wages and other remuneration	Payroll overheads	of which pension costs	Wages and other remuneration	Payroll overheads	of which pension costs
Sweden	319	173	33	324	182	19
Denmark	248	17	8	227	12	6
Norway	60	21	1	61	21	2
Finland	116	55	22	28	8	6
Germany	78	40	1	74	35	0
The UK	4	0		4	0	0
The Group, total	825	306	65	718	258	33

Salaries and other remuneration broken-down per country and between members of the board and other employees:

	1998		1997	
	Board and MD	Other employees	Board and MD	Other employees
<i>Subsidiaries in Sweden</i>	4	315	3	320
<i>Subsidiaries abroad</i>				
Denmark	2	246	2	225
Norway	1	59	1	60
Finland	2	114	1	28
Germany	2	75	2	72
The UK	1	4	1	3
The Group, total	12	813	10	708

Directors' fees and salary to the managing director of Nobia AB and Nobia Nordisk Bygginteriör AB totalled SEK 3 million (3). In addition to the normal pension, in accordance with the general pension schemes (ATP and AFP), the managing director has the right to an ITP pension scheme (supplementary pension for salaried employees in industry). The managing director also has the right to the same salary for 24 months if employment is terminated by the employer. However, the amount will be reduced in the event of any subsequent new employment.



**4** ITEMS AFFECTING COMPARABILITY

	The Group 1998
Guarantee payment from STORA Kopparbergs Bergslags AB in connection with the acquisition av Nobia Nordisk Bygginteriör AB	10
Capital gain from the property sold in Hisings-Backa	8
Provision for structural measures during 1999	- 22
Total	- 4

	The Group 1997
Capital gain from heating plants sold	18
Capital gain from sale of Swedoor Industriprodukter's business and property	16
Additional costs of relocating and starting door production	- 11
Total	23

	Parent Company 1998
Guarantee payment from STORA Kopparbergs Bergslags AB in connection with the acquisition of Nobia Nordisk Bygginteriör AB	10

**5** OTHER INTEREST INCOME AND  
SIMILAR PROFIT / LOSS ITEMS

	The Group		The Parent Company	
	1998	1997	1998	1997
Interest	3	3	1	0
Total	3	3	1	0

**6** TAX ON PROFIT FOR THE YEAR

	The Group	
	1998	1997
Tax paid	- 35	- 14
Deferred tax	2	- 20
Total	- 33	- 34

Nobia Nordisk Bygginteriör is involved in a tax lawsuit, regarding 1997's tax assessment. In Nobia's opinion, the Group has made the requisite provisions. The tax authority has invoked a tax surcharge of SEK 4 million. Provision for this has not been made and in Nobia's opinion it is a tax surcharge that should not be paid.

For calculations of deferred tax liabilities and receivables see Note 22.

**7** INTANGIBLE ASSETS

	The Group	
	1998	1997
<i>Goodwill</i>		
Opening acquisition values	53	53
Sales and scrapping	- 19	0
Corporate acquisitions	117	0
Translation differences	8	0
Closing accumulated acquisition values	159	53

Opening amortization	53	52
Sales and scrapping	- 19	0
Amortization for the year	6	1
Closing accumulated amortization	40	53

Closing planned residual value	119	0
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<i>Other intangible assets</i>		
Opening acquisition values	8	14
Investments for the year	2	0
Sales and scrapping	0	- 6
Corporate acquisitions	4	0
Translation differences	1	0
Closing accumulated acquisition values	15	8

Opening amortization	8	13
Sales and scrapping	0	- 6
Reclassification	0	0
Amortization for the year	1	1
Translation differences	1	0
Closing accumulated amortization	10	8

Closing planned residual value	5	0
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	The Group	
	1998	1997
<i>Equipment, tools, fixtures and fittings</i>		
Opening acquisition value	204	213
Investments for the year	18	13
Sales and scrapping	- 27	- 24
Reclassification	0	- 1
Translation differences	9	3
Closing acquisition value	204	204
Opening depreciation	167	167
Investments for the year	16	16
Sales and scrapping	- 24	- 19
Translation differences	7	3
Closing depreciation	166	167
Closing planned residual value	38	37
<i>Investments in progress</i>		
Opening balance	2	19
Investments started during the year	5	2
Investments completed during the year	- 2	- 19
Translation differences	1	0
Closing balance	6	2
<i>Advances for tangible assets</i>		
Opening balance	0	13
Reallocations during the year	0	- 13
Closing balance	0	0
<i>Plant and machinery</i>		
Opening acquisition value	1,078	1,289
Investments for the year	95	36
Sales and scrapping	- 28	- 263
Reclassification	0	19
Translation differences	29	- 3
Closing acquisition value	1,174	1,078
Opening depreciation	781	922
Depreciation for the year	70	69
Sales and scrapping	- 25	- 208
Reclassification	1	0
Translation differences	18	- 2
Closing depreciation	845	781
Closing planned residual value	329	297

	The Group	
	1998	1997
<i>Buildings</i>		
Opening acquisition value	460	507
Investments for the year	9	12
Corporate acquisitions	2	0
Sales and scrapping	- 22	- 62
Reclassification	0	4
Translation differences	19	- 1
Closing acquisition value	468	460
Opening depreciation	250	280
Depreciation for the year	17	17
Sales and scrapping	- 8	- 47
Translation differences	11	0
Closing depreciation	270	250
Opening write-ups	118	127
Write-ups for the year	0	25
Sales and scrapping	0	- 34
Closing accumulated write-ups	118	118
Opening depreciation of write-ups	- 4	- 1
Depreciation for the year	- 3	- 3
Closing depreciation of write-ups	- 7	- 4
Closing planned residual value	323	332
<i>Land</i>		
Opening acquisition value	25	31
Sales	- 3	- 6
Translation differences	1	0
Closing acquisition value	23	25
Opening depreciation	2	4
Depreciation for the year	1	0
Sales	- 1	- 2
Closing depreciation	2	2
Opening write-ups	15	16
Sales	- 2	0
Closing accumulated write-ups	13	16
Closing planned residual value	34	39
Tax assessment of property in Sweden	181	184

## 9 FINANCIAL ASSETS

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	Parent company			The Group	
<i>Shares in subsidiary</i>	1998	1997	<i>Shares in associated company</i>	1998	1997
Opening acquisition value	456	455	Opening acquisition value	39	0
Purchases	0	0	Purchases	0	39
Reclassification	0	1	Profit from associated company	6	0
Closing acc. acquisition value	456	456	Closing acc. acquisition value	45	39

## 10 SHARES IN SUBSIDIARIES

<i>Sub-Group's parent company</i>	No. of shares, %	Voting rights, %	No. of shares	Book value SEK m
Nobia Nordisk Bygginteriör AB	100	100	100	456
<i>Other Group companies</i>				
Swedoor AB	100	100	30,000	274
Lovene Dörr AB	100	100	2,000	3
Svensk Dörrteknik AB	100	100	1,000	0
Suomen Ovi Oy	100	100	31,000	54
Nobia Nordisk Bygginteriör AS	100	100	2,300	16
Swedoor A/S	100	100	2,000	8
Star Byggprodukter AB	100	100	4,760	52
Marbodal AB	100	100	10,000	102
TidaComponents AB	100	100	2,000	63
HTH Køkkener A/S	100	100	18,000	143
Swedoor Bauelementevertrieb GmbH	100	100	1	0
Star Möbelwerk GmbH	99.95	99.95	1	0
Swedoor UK Ltd	100	100	210,000	1
Novart OY	100	100	400,000	58
Swedoor Industriprodukter AB	100	100	1,000	0
Total			714,162	1,230
<i>Subsidiaries' company registration no. and registered office:</i>			Co. reg. no.	Reg. office
Nobia Nordisk Bygginteriör AB			556060-1006	Göteborg
Swedoor AB			556043-2337	Göteborg
Lovene Dörr AB			556038-1724	Göteborg
Svensk Dörrteknik AB			556088-0014	Göteborg
Suomen Ovi OY			253.128	Kuopio
Nobia Nordisk Bygginteriör AS			957.855.016	Drøbak
Swedoor A/S			A/S44495	Copenhagen
Star Byggprodukter AB			556000-8145	Göteborg
Marbodal AB			556039-2440	Tidaholm
TidaComponents AB			556038-0072	Tidaholm
HTH Køkkener A/S			A/S63435	Ølgod
Swedoor Bauelementevertrieb GmbH			HRB 3639	Weiterstadt
Star Möbelwerk GmbH			HRB 1841	Melle
Swedoor UK Ltd			888620	Nottingham
Novart OY			726.341	Nastola
Swedoor Industriprodukter AB			556012-6392	Göteborg

**11** SHARES IN ASSOCIATED COMPANY

<i>Directly owned</i>	No. of shares, %	Voting rights, %	No. of shares	Consolidated book value SEK m
Svenska Fönster AB	50	50	250,000	45

The consolidated booked value and the Group's share of the associated company's shareholders' equity is the same amount.

Associated company's company registration no. shareholders' equity and profit after tax:

	Co. reg no.	Reg. off.	Shareholders' equity	Profit after tax
Svenska Fönster AB	556275-5511	Edsbyn	90	12

**12** PREPAID EXPENSES AND ACCRUED INCOME

	The Group	
	1998	1997
Prepaid rent	29	5
Bonus from suppliers	6	5
Other costs	22	16
Total	57	26

**13** LIQUID FUNDS

	The Group		Parent company	
	1998	1997	1998	1997
Cash and bank balances	160	157	0	0

The Group's unused credit facilities, which are not included in liquid funds, totalled SEK 180 m (161) at the year-end.

**14** CHANGE IN SHAREHOLDERS' EQUITY

<i>The Group</i>	Share capital	Restricted reserves	Accumulated deficit	Total
Opening balance, 1 Jan.	31	351	- 58	324
New issue		1		1
Change in translation differences		39	- 10	29
Transfers between restricted and Unrestricted equity		59	- 59	0
Profit for the year			21	21
Closing balance 31 Dec.	31	451	- 107	375

The restricted reserves include an equity reserve of SEK 6 m (0).

<i>Parent company</i>	Share capital	Statutory reserve	Unrestricted equity	Total
Opening balance 1 Jan.	31	281	0	312
New issue		0	0	0
Group contribution			1	1
Loss for the year			- 1	- 1
Closing balance 31 Dec.	31	281	0	312

The share capital consists of 2,930,645 class A shares at a nominal SEK 10 each, and 200,000 class B shares at a nominal SEK 10 each.

**Options**

The company has issued a number of options to subscribe for a total of 162,623 of the company's class A shares, at SEK 100 per share. If all the options are exercised at their redemption price, it will mean a subscription for class A shares totalling SEK 1,632,320. The holder of the options has the right to subscribe for new class A shares in the company from 30 September 1996 to 30 September 2005, inclusive.



**15** AGREED RESTRUCTURING MEASURES

The remainder of the restructuring reserve at the previous year-end, (SEK 54 m), relating to the acquisition of Nobia Nordisk Bygginteriör AB, has been used up during the year, in accordance with the original industrial programme.

The provision for the completed restructuring measures, relates mainly to the winding up of panel door manufacturing at Forserum as well as restructuring the acquired unit at Humpila.

**16** LONG-TERM LIABILITIES

That part of the long-term liabilities that fall due for payment later than five years from the balance sheet date totals SEK 163 m (163). Of this, the subordinated loan at Note 17, makes up the majority at SEK 150 m.

**17** SUBORDINATED LOAN

The loan is subordinated to other liabilities from a risk viewpoint, and falls due for payment in September 2005. The loan was granted by the Intermediate Capital Group in London, which also holds the options in accordance with Note 14. The shares of Nobia Nordisk Bygginteriör have been pledged as security for the loan.

**18** BANK OVERDRAFT FACILITIES

The bank overdraft facilities granted to the Group amounts to SEK 192 m (162).

**19** ACCRUED EXPENSES AND PREPAID INCOME

	The Group		Parent company	
	1998	1997	1998	1997
Bonus to customers	36	35	0	0
Accrued salaries	101	101	0	0
Accrued payroll overheads and pensions	29	26	0	0
Accrued interest	7	6	0	3
Other costs	83	56	0	0
Total	256	224	0	3

**20** PLEDGED ASSETS

	The Group		Parent company	
	1998	1997	1998	1997
Liabilities to credit institutions				
Chattel mortgages	488	7	0	0
Property mortgages	15	14	0	0
Shares in subsidiaries	365	200	456	456
Pension provisions				
Property mortgages	30	29	0	0
Total pledged assets	898	250	456	456

**21** CONTINGENT LIABILITIES

	The Group		Parent company	
	1998	1997	1998	1997
Sureties	1	4	24	3
Guarantees	27	27	0	0
Total contingent liabilities	28	31	24	3

**22** DEFERRED TAX

The Group's deferred tax for the year of SEK 2 m (-21) is accounted for as a tax receivable in the consolidated income statement. The deferred tax receivable for the year relates to the utilized provision for restructuring costs, the reduction in untaxed reserves and utilized tax deductions for the loss carried forward.

The Group's deferred tax liability totals SEK 44 m (52) and consists of estimated tax on untaxed reserves and is accounted for in "Provisions for tax".

The Group's deferred tax recoverable totals SEK 136 m (143) and is accounted for under the heading "Financial fixed assets". Deferred tax is a net amount of the tax recoverable for the loss carried forward and the tax liability arising from the adjusted values of assets in the consolidated accounts.

**23** INVOICING BETWEEN SUBSIDIARIES AND THE PARENT COMPANY

Sales to or purchases from other Group companies have not taken place during the year.

# NOTES

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## AVERAGE NUMBER OF EMPLOYEES

<i>Subsidiaries</i>	1998		1997	
	Number of employees	Of which male	Number of employees	Of which male
Sweden	1,364	1,106	1,548	1,250
Denmark	823	583	799	560
Norway	283	207	276	210
Finland	734	516	134	111
Germany	313	252	322	272
The UK	12	8	13	9
Group total	3,529	2,672	3,092	2,412

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## PROVISIONS FOR PENSIONS

Provisions for pensions include pensions for foreign subsidiaries of SEK 1 m (1). Other provisions for pensions total SEK 23 m (12) for PRI/FPG pensions.

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## CHANGE IN THE GROUP'S STRUCTURE

As from 1 February 1998, the operations in Finland of Novart and Parmavalmiste in Nastola, Forssa and Humpkala, were acquired.

The acquisitions have had the following effect on 1998's accounts:	Sales	SEK 512 m
	Operating profit	SEK 36 m
	Working capital	SEK 56 m
	Fixed assets	SEK 164 m

Göteborg, 19 March 1999

Hans Larsson  
*Chairman*

Wilhelm Laurén

Harald Mix

Thomas Nilsson

Michael Rosenlew

Flemming Østergaard

Fredrik Cappelen  
*Managing Director*

My auditor's report was submitted on 19 March 1999

Robert Barnden  
*Authorised Public Accountant*

## A U D I T O R ' S   R E P O R T

TO THE GENERAL MEETING OF THE SHAREHOLDERS OF  
NOBIA AB REGISTERED NUMBER 556528-2752

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I have audited the parent company and the consolidated financial statements, the accounts and the administration of the board of directors and the managing director of Nobia AB for 1998. These accounts and the administration of the Company are the responsibility of the board of directors and the managing director. My responsibility is to express an opinion on the financial statements and the administration based on my audit.

I conducted my audit in accordance with Generally Accepted Auditing Standards in Sweden. Those Standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director, as well as evaluating the overall presentation of information in the financial statements. I examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the possible liability to the Company of any board member or the managing director or whether they have in some other way acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. I believe that my audit provides a reasonable basis for my opinion set out below.

In my opinion, the parent company and the consolidated financial statements have been prepared in accordance with the Annual Accounts Act and consequently I recommend that the income statements and the balance sheets of the Parent Company and the Group be adopted

The Parent Company reports neither profit nor loss.

In my opinion, the board members and the managing director have not committed any act or been guilty of any omission, which could give rise to any liability to the Company. I therefore recommend

that the members of the board of directors and the managing director be discharged from liability for the financial year.

Göteborg, 19 March 1999

Robert Barnden

*Authorised Public Accountant*

# GROUP MANAGEMENT

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*Standing: Håkan Spångberg, Lars-Inge Larsson, Ingemar Tärnskär, Peter Petersson and Lars Svensson.  
Sitting: Tommy Crona, Fredrik Cappelen and Bengt Ekberg.*

## GROUP MANAGEMENT

### **Fredrik Cappelen,**

Göteborg, born 1957.  
CEO and MD. Employed since 1995.  
Shareholding in Nobia AB: 16,810 shares

### **Tommy Crona,**

Henån, born 1945. Finance Director.  
Employed since 1997.  
Shareholding in Nobia AB: 3,840 shares

### **Bengt Ekberg,**

Helsingborg, born 1951.  
Director, Kitchens business area.  
Employed since 1995.  
Shareholding in Nobia AB: 12,000 shares

### **Lars-Inge Larsson,**

Varberg, born 1948. Director, IT and Control.  
Employed since 1995.  
Shareholding in Nobia AB: 6,720 shares

### **Peter Petersson,**

Göteborg, born 1951. Director, Information  
and Human Resources. Employed since 1995.  
Shareholding in Nobia AB: 6,720 shares

### **Håkan Spångberg,**

Mellösa, born 1941. Director,  
Star Byggprodukter business area.  
Employed in the Sora Group 1989.  
Shareholding in Nobia AB: 1,920 shares

### **Lars Svensson,**

Bohus-Björkö, born 1950. Director,  
Purchasing. Employed since 1995.  
Shareholding in Nobia AB: 5,760 shares

### **Ingemar Tärnskär,**

Kullavik, born 1961.  
Director, Doors business area.  
Employed since 1998.  
Shareholding in Nobia AB: 3,086 shares

## BUSINESS UNIT MANAGERS

### **Preben Bager, HTH**

**Mikael Dahlgren,** *TidaComponents*

**Bengt Ekberg,** *Star Beka (acting)*

**Rune Hall,** *Swedoor Door Components*

**Olof Hermansson,** *Panel doors, Forserum  
(up to 30 Sept 1998)*

**PaaVo Lampinen,** *Doors, Finland*

**Jorma Lehtovouri,** *Novart*

**Johan Magnusson,** *Swedoor External doors,  
Swedoor Internal doors*

**Øyvind Moe,** *Panel doors, Gran*

**Anders Reuthammar,** *Marbodal*

**Jan Svefors,** *Eurokit*

**Arne Truedsson,** *Swedoor Commercial  
Doorsets*

**Egil Wold,** *Sigdal*

**Olle Sigurdson,** *MD Svenska Fönster AB  
(partly-owned company)*



## THE BOARD

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**Hans Larsson**

Stockholm, born 1942, Chairman, Board Member since 1996. MD Nordstjernan AB, Chairman of Althin Medical AB. Board Member of BTL AB, Bilia AB, Handelsbanken, MoDo AB, NCC AB, among others. Shareholding in Nobia AB: 10,000 shares.

**Wilhelm Laurén**

Stockholm, born 1943, Board Member since 1996. Chairman of Elektrokoppar AB, Hörnell International AB and Expanda AB. Board Member of Martinssongruppen, Gibeck and Aros Securities among others. Shareholding in Nobia AB: 3,000 shares.

**Harald Mix**

Stockholm, born 1960, Board Member since 1996, Deputy MD of Industri Kapital AB. Deputy Chairman of Addum AB, Elektrokoppar AB, Guldfynd. Board Member of Carema AB, Intrum Justitia, MCG (MacGregor) Navire AB, PPS (Perstorp Plastic Systems) International AB. Shareholding in Nobia AB: 0.

**Thomas Nilsson**

London, born 1948, Board Member since 1998, MD of Investor UK Limited. Board Member of WM-Data AB and Nilörn-gruppen AB. Shareholding in Nobia AB: 0.

**Michael Rosenlew**

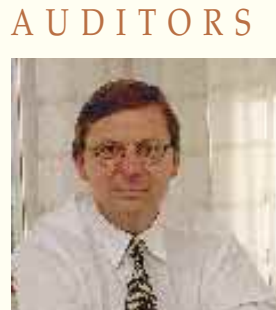
Enebyberg, born 1959, Board Member since 1996, Director of Industri Kapital AB. Board Member of Addtek International OY Ab, MsC Metsa Specialty Chemicals Oy, KCI Konecranes International Oy, Nyge Aero Norden AB, Addum Intressenter AB, Elektrokoppar Holding AB, MCG (MacGregor) Navire AB. Shareholding in Nobia AB: 0.

**Flemming Østergaard**

Skodsborg, Denmark, born 1943, Board Member since 1997. MD Football Club København A/S. Chairman of International Business Service A/S, Promovator A/S, Skodsborg Fysioterapi Aps and Driftselskabet Parken A/S. Board Member of Albatros Travel A/S, J.L.G. Entreprise A/S among others. Shareholding in Nobia AB: 3,000 shares.

**Fredrik Cappelen**

Göteborg, born 1957, Board Member since 1996. CEO and MD of Nobia AB. Shareholding in Nobia AB: 16,810 shares.

**Robert Barnden**

**Robert Barnden**  
Huddinge, born 1946. Authorised Public Accountant Öhrlings PricewaterhouseCoopers

**Claes Thimfors**  
Göteborg, born 1956. Authorised Public Accountant (deputy) Öhrlings PricewaterhouseCoopers

*The Board Members above also constitute the Board of the subsidiary company, Nobia Nordisk Bygginteriör*

*Employee representatives on Nobia Nordisk Bygginteriör's Board.*

**Siv Andersson**

Åstorp, born 1941, employee representative since 1996. Employed at Swedoor, Åstorp since 1972. Shareholding in Nobia AB: 0.

**Hans Dahlén**

Tidaholm, born 1959, employee representative since 1999. Employed at Marbodal, Tidaholm. Shareholding in Nobia AB: 0. (Succeeded Bengt Johansson, who passed away on 18 December 1998).

**Claes Eklund**

Huskvarna, born 1958, employee representative since 1996. Employed at Swedoor, Forserum since 1987. Shareholding in Nobia AB: 0.

**Olle Harrius**

Tidaholm, born 1949, employee representative since 1998. Employed at Marbodal, Tidaholm since 1971. Shareholding in Nobia AB: 0.

Several of the brands within the Nobia Group have a long history, some dating back to the start of the 1900s.

The origins of Nobia are in the Swedish match manufacturer, Svenska Tändsticks Aktiebolaget, (STAB). Established by Ivar Kreuger, STAB survived Kreuger's financial collapse in 1932 and became a part of the Wallenberg business.

After the second world war, STAB broadened its activities to other areas mainly linked to the forest industry. The building materials group, established in the 1950s, grew rapidly.

**It began with doors** Svenska Dörr was founded in 1961 as a joint sales company for a number of door manufacturers, among them the STAB door factory in Jönköping. Acquisitions were made in the 1960s and 70s: JiTe (based in Åstorp), WST (Forserum) and the door manufacturer Kährs

(Nybro), which was the other joint owner of Svenska Dörr.

At the end of the 1960s, STAB established Eurodoor with door factories in Germany, France and Portugal. The door factory in Lunde, Norway, was acquired in 1980.

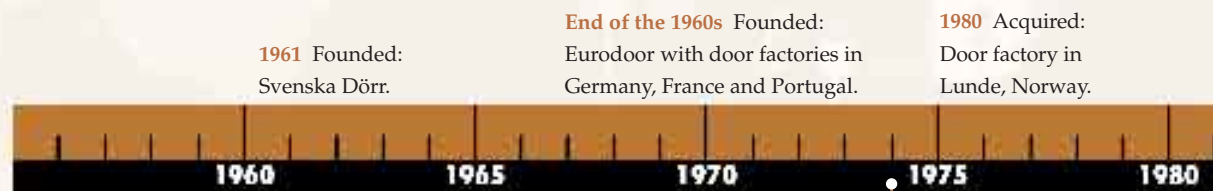
Svenska Dörr changed its name in 1986 to Swedoor AB. The door factories in Boxholm and Lovene were acquired two years later.

In 1997, the Finnish door manufacturer Parmavalmiste was bought.

**Kitchen interiors** The Kitchen Interiors business area was created in 1968 to coincide with the acquisition of Marbodal AB in Tidaholm, one of the biggest producers of kitchen joinery in Scandinavia.

In 1973, Beka Küchen was bought. The name was later changed to Star Beka.

### Doors



1960s-70s Acquired: JiTe, WST and Kährs.

1974 Acquired: HSB joinery factory.

### Kitchens



### Other



## INDUSTRIAL HISTORY

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In 1974, STAB acquired the HSB joinery factory in Nässjö and with that took over the HSB position as Sweden's largest producer of joinery products.

In the years between 1980 and 1985, several companies were acquired, including Kalmarkök. Exports increased and Japan became a new market.

HTH in Denmark was acquired in 1983. The company's business concept was based on a franchise system with outlets to get close to customers. The idea proved successful and HTH expanded rapidly. The Sigdal kitchen factory in Norway was acquired the same year.

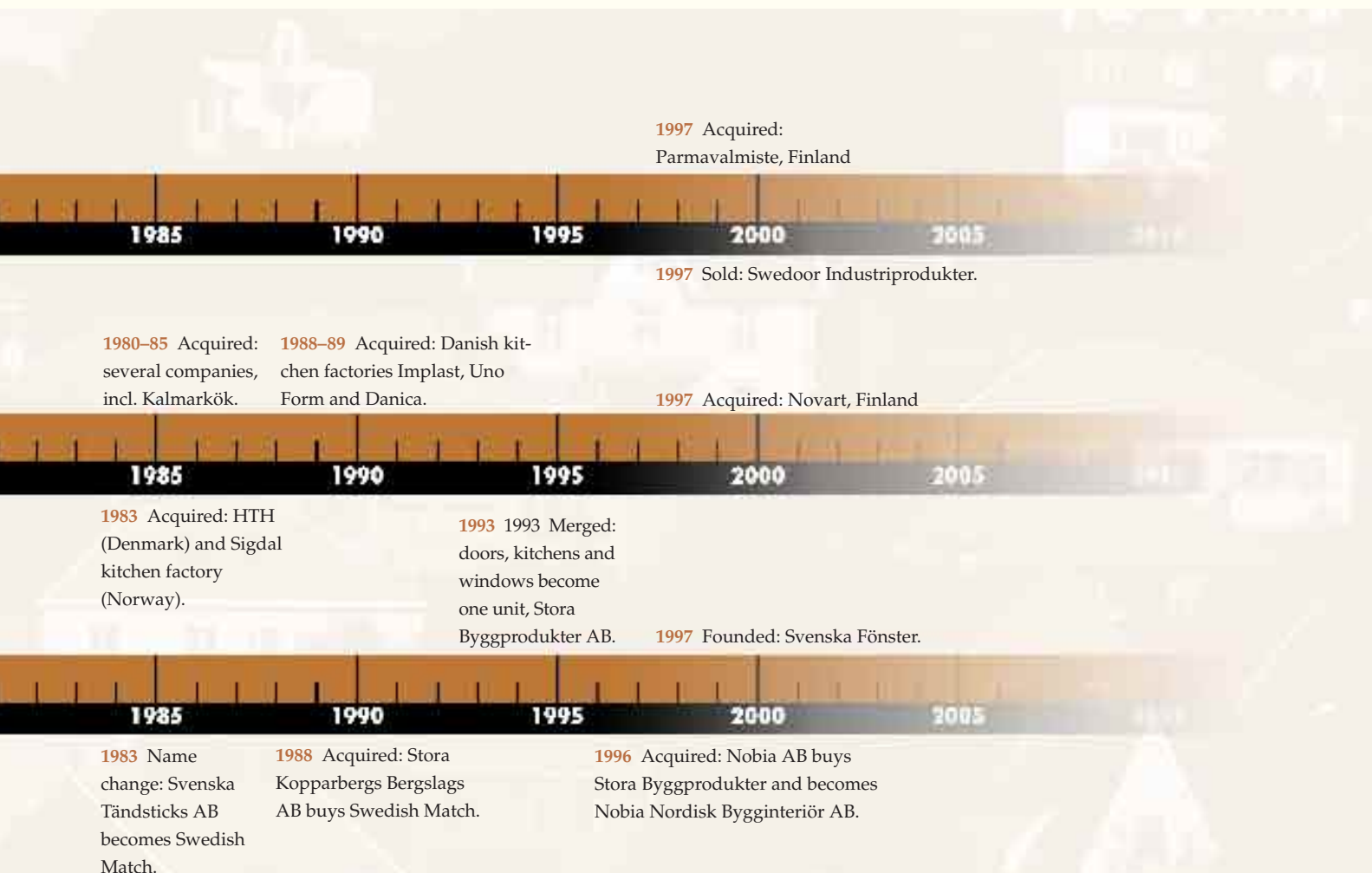
The Danish companies Implast, Uno form and Danica were acquired between 1988-89. In the years 1989-90, shares were purchased in kitchen companies in France and Italy, but were sold a few years later.

In 1997, the Finnish kitchen manufacturer Novart was acquired.

**Wholesale operation** This developed within STAB, originally as a terminal function for Marbodal. A number of privately-owned wholesale companies were acquired during the 1980s and merged with the terminals to become Star Trade, later Star Byggprodukter.

**New name, new owner** Svenska Tändsticks AB was renamed Swedish Match in 1983. Swedish Match was acquired by Stora Kopparbergs Bergslags AB in 1988 and became part of the Stora Group. SP-Fönster, a subsidiary of the Stora Group, was transferred to Swedoor.

All production of joinery, doors, kitchens and windows was brought together in 1993 as a unit within Stora called Stora Byggprodukter AB, which had its head office in Jönköping. The company was sold to Nobia in 1996 and the name was changed to Nobia Nordisk Bygginteriör AB.



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