nobia

Annual Report

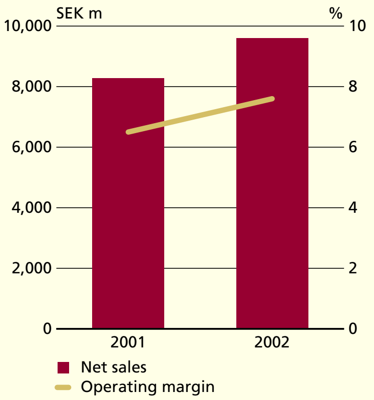
2002

Contents

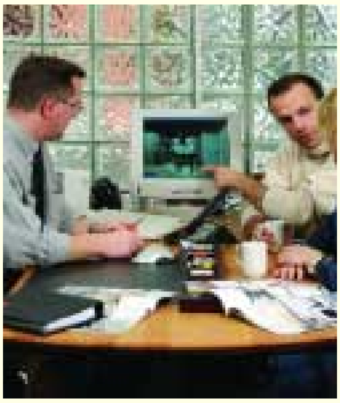
This is Nobia

Nobia is Europe's leading kitchen interiors company. The Group operates in a number of European markets under strong brand names. Nobia's own specialised kitchen studios and franchise stores are responsible for most of the Group's sales. Nobia is leading the consolidation of the European kitchen market and creating profitable growth by making efficiency improvements and acquisitions, taking an industrial approach. The Group had sales of SEK 9.6 billion in 2002 and has 5,900 employees. Nobia is listed on Stockholmsbörsen's O-list.

Net sales and operating margin



Net sales increased by 16 per cent and the operating margin increased from 6.5 to 7.6 per cent.



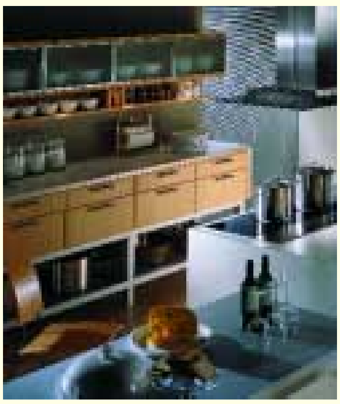
Upcoming financial information

23 April
Interim report January – March

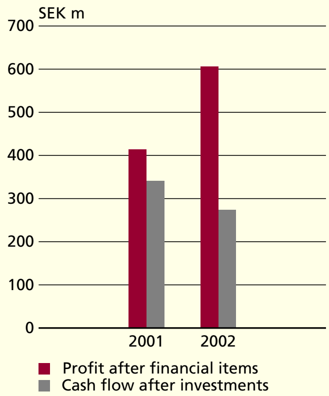
23 April
Annual General Meeting

20 August
Interim report January – June

23 October
Interim report January – September



Profits and cash flow

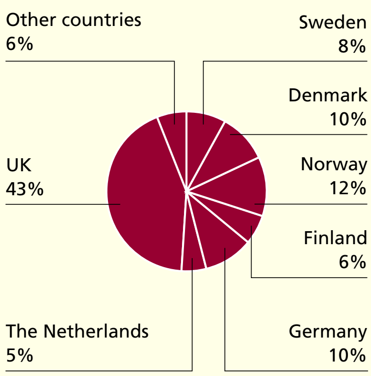


Profits after net financial items increased by 46 per cent, while the cash flow after investments decreased as a result of the higher working capital.

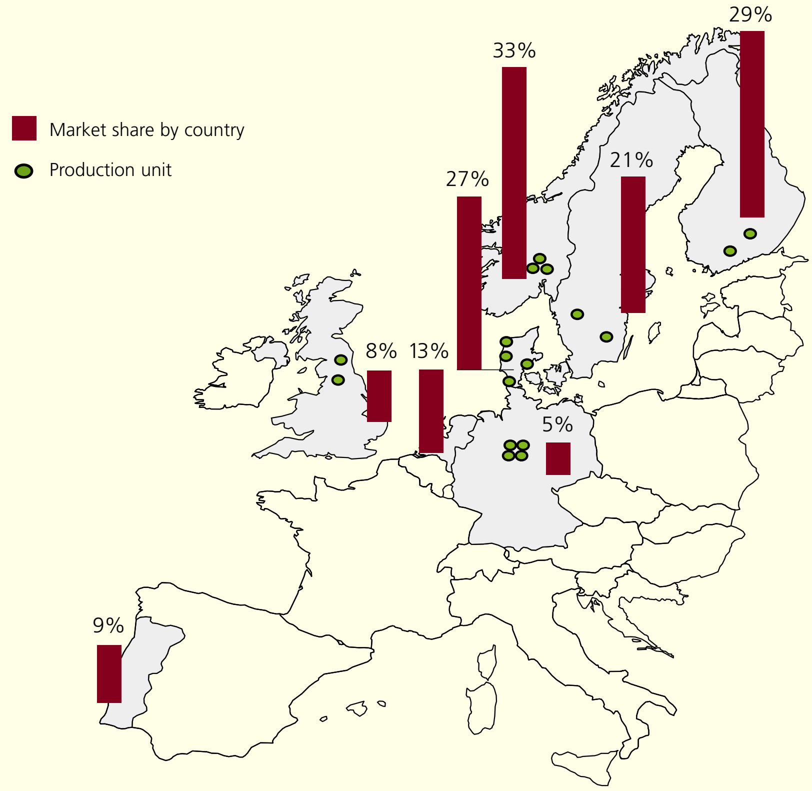
Return on equity and capital employed

The return on equity and capital employed rose by 19 and 18 per cent, respectively.

Net sales by country



After the acquisition of Magnet, the UK is Nobia's largest market.



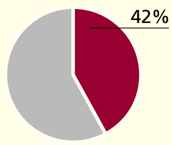
The UK operation

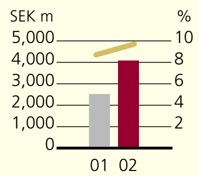
Share of Group sales, %

Net sales, SEK m
Operating margin[1], %

Brands

C.P. HART
Magnet





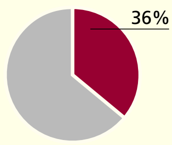
The Nordic operation

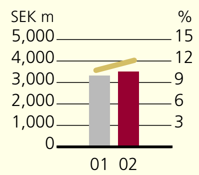
Share of Group sales, %

Net sales, SEK m
Operating margin[1], %

Brands

A la Carte
HTH
INVITA
Marbodal
myresjökök
NOREMA
PARMA
PETRA
sigdal





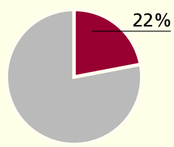
The continental European operation

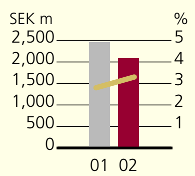
Share of Group sales, %

Net sales, SEK m
Operating margin[1], %

Brands

goldreif
OPTIFIT
poggenpohl
pronorm





Net sales
Operating margin, %

[1] Excluding goodwill amortisation and central expenses.

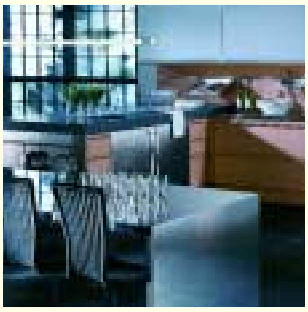
Year in summary

- *Net sales rose by 16 per cent to SEK 9,594 million (8,283).*
- *The operating margin rose to 7.6 per cent (6.5).*
- *Earnings per share after full dilution increased by 46 per cent to SEK 7.53 (5.15).*
- *Organic growth and profit improvement in the Nordic and UK operations.*
- *Savings of SEK 180 million achieved of the SEK 400 million efficiency improvement programme in effect from 2002 to 2004.*
- *Two more business units implement Group-wide measurement standard K20.*
- *Successful integration and refinement of UK company Magnet, acquired in 2001.*

Key figures

	2002	2001[1]	Change
Net sales, SEK m	9,594	8,283	16%
Operating income before depreciation, SEK m (EBITDA)	1,036	821	26%
Operating income before goodwill amortisation SEK m (EBITA)	788	588	34%
Operating income, SEK m, (EBIT)	725	537	35%
Operating margin, %	7.6	6.5	
Profit after financial items, SEK m	606	414	46%
Earnings per share, after full dilution, SEK	7.53	5.15	46%
Return on capital employed, %	17.9	15.5	
Return on shareholders' equity, %	18.7	16.2	
Percentage of sales in channels controlled by Nobia (Nobia's own stores, franchise and direct sales), %	74	71	
Number of stores (owned and franchised)	534	543	

[1] Magnet has been included in the accounts since May 2001.



CEO's statement

The ongoing efficiency improvement measures were stepped up during the year, which increased profitability. Nobia's development in recent years confirms that our strategy is a powerful tool in our effort to participate in the modernisation of the European kitchen industry. In 2002 we successfully completed the integration of the companies acquired in 2000 and 2001, while at the same time paving the way for continued profitable growth by listing Nobia on Stockholmsbörsen. Our operating margin improved in 2002 to 7.6 per cent from 6.5 per cent in 2001, while sales grew by 16 per cent to SEK 9,594 million.

Because the kitchen's significance in the home has increased, it is becoming more and more important to be able to offer a high service level and support in the purchasing process. Many customers want help designing their kitchen, selecting accessories and white goods, as well as installation assistance.

Continued efficiency improvements

In 2002 Nobia continued to focus on improving efficiency in production and purchasing, and on the integration of Magnet, which was acquired in May 2001. Our ongoing efficiency improvement programmes are expected to reap cost savings of SEK 400 million by the end of 2004. At the end of 2002 we estimated that around SEK 180 million of the planned savings had been achieved.

Co-ordination efforts within the Group in 2002 focused on reducing materials costs. An increasing share of the Group's components are co-ordinated, which successively generates efficiency improvements, lower costs, and a more attractive and competitive product range. In the years to come, we will strive for further component co-ordination. To make this co-ordination as effective as possible, while at the same time improving quality and expanding the product range we offer our customers, we will continue to implement our Group-wide measurement standards. In 2002 these measurement standards were implemented by Norema in Norway and Invita in Denmark.

In 2002, the exchange of knowledge and experience that has been underway within the Group for many years resulted in improved efficiency in several of our units, which included reducing the number of employees by 237.

Despite continued problems in the German market, we were able to sustain profitability in our operation, largely through our ability to adapt to prevailing volumes while implementing efficiency improvements.

Integration of new units

During the year we completed the integration of Magnet. The operating margin in the UK business area improved to 9.7 per cent in 2002 from 8.7 per cent in the previous year. To achieve clearly defined profit responsibility, we introduced a system of decentralised business control. The head office was moved to the kitchen plant in Darlington. The door and window operations in Penrith and Flint were divested in 2002, since they were not part of our core business. Magnet's management has also benefited from benchmarking against other Nobia units, resulting in improved efficiency while also providing valuable contributions to other parts of the Group in the form of well-developed sales models. Bathroom specialist C.P. Hart renovated several of its stores to further strengthen its already strong market position. C.P. Hart is among the leaders in its segment and has potential to expand outside the UK.

Increased market investments

In 2002 we increased investments and resources to generate further organic growth. We have invested in new, larger stores, developed and improved our service concepts, and initiated new forms of co-operation with our retailers. We expect efforts aimed at developing the sales channels to steadily improve our market position.

Prospective kitchen buyers typically begin their journey at a kitchen studio, furniture warehouse or builders merchants. Though purchasing a kitchen is a complex procedure that not only involves selecting the style and appearence of the kitchen, it is equally a matter of creating an overall concept that is suitable for the space and for those who are going to live in and use the kitchen. Most kitchen customers therefore want help with design, selecting accessories and white goods, as well as with installation. We usually say that the battle for kitchen customers is won in the stores. Customers are increasingly looking for an experience. Being average is no longer - sufficient.

Our goal is therefore to give the customers the help they need, regardless of where they decide to buy their kitchen. Specialised kitchen studios often provide the best service. Last year, 74 per cent of Nobia's sales were generated by 534 company-operated or franchised stores.

We are also making considerable efforts to develop co-operations with retailers and franchisees. One example of this is Poggenpohl, which in 2001 launched a new negotiation and store concept that encompasses the entire store – from location to design, service and treatment of customers. 90 new concept stores were transformed and opened in 2002, putting the worldwide number of stores at 190. In the UK, Nobia developed a co-operation with Homebase, a UK-based DIY chain, whereby Nobia will be responsible for its entire kitchen offering. We have therefore developed a new series of flat-pack kitchens for the chain, manufactured by our German unit, Optifit. Magnet has overall responsibility for the product line, logistics and service. Last year, 150 kitchen centres at Homebase stores were opened. For Nobia, and the sector, flat-pack kitchens are a fast-growing concept. Several of our business units today produce high quality flat-pack kitchens. In addition to the 150 Homebase stores, HTH opened 5 DIY stores. Flat-pack kitchens last year accounted for 8 per cent of Nobia's sales.

Developing our sales channels provides us with a number of possibilities, but also increases the demands placed on us as a company. By offering a complete kitchen solution including cabinets, accessories, white goods and installation, we make better use of the potential that exists in our customer relationships. We also learn much more about what our customers want and can adjust our offering accordingly.

Listing sets the stage for continued expansion

Nobia's listing on Stockholmsbörsen in June was an important milestone for the company. From the beginning of 2003 Nobia is included in the Attract-40 section of Stockholmsbörsen's O-list. After having integrated Magnet, we are now ready for further expansion. Our ambition is to strengthen our position in several markets where we are already represented. We would also like to expand into new markets in Europe.

We are, however, not prepared to grow at any price. We will continue to prioritise internal efficiency and improved profitability. We do, however, see a need for further consolidation in Europe and Nobia's ambition is to continue to lead this development.

Stockholm, March 2003

Fredrik Cappelen

Business idea, goals and strategy

Nobia's overall strategy is to participate in the consolidation of the European kitchen and bathroom interiors markets. Nobia will grow organically as well as by seizing opportunities to implement acquisitions. Nobia takes an industrial approach to its business and leverages economies of scale within the Group.

Business idea

Through strong brands, we are developing and marketing Nobia's interior solutions for kitchens, bathrooms and storage. Nobia is generating value for its customers and shareholders through efficiency improvements, co-ordination and knowledge exchange in purchasing, manufacturing and marketing.

Nobia's financial goals

Growth goals

Nobia intends to achieve profitable growth using its business model and financial strength. Nobia's organic growth should be higher than that of the market. Although growth through acquisitions is to a certain extent dependent on circumstances beyond Nobia's control, Nobia's aim is to continue to grow through acquisitions.

Financial goals

Nobia's earnings per share should grow by an average of 12 per cent per year.

With its present structure, Nobia should over time achieve an operating margin before goodwill amortisation (EBITA) of 10 per cent over a business cycle.

The Group's business units operate to targets for their operating margin before goodwill amortisation and return on capital employed.

The debt/equity ratio, expressed as net debt in relation to shareholders' equity, shall not exceed 1:1. A temporary elevation of the debt/equity ratio is acceptable in conjunction with acquisitions, while a long-term significantly lower debt/equity ratio must be adjusted by an extraordinary dividend or buy-back of shares.

Dividends to shareholders shall comprise around 30 per cent of the profits after tax. However, decisions regarding the size of dividends shall take into account the company's prevailing capital structure.

Strategy

Nobia takes an industrial approach to its business and leverages economies of scale within the Group to continually improve efficiency and profitability through:

- Co-ordinated purchasing
- A common measurement standard, which reduces the total number of components in the Group, but increases the range offered to the customers
- Co-ordinated production of certain components
- Internal benchmarking to guarantee an exchange of knowledge and experience between the business units

Nobi's group structure should provide opportunities for success. This is achieved through:

- Independent business units, combining freedom of action with clear profit responsibility
- Support from Group management for the business units in their efforts to generate and benefit from economies of scale

Nobia will develop and expand its offering to customers and consumers to strengthen its market position and increase organic growth. This will be achieved through:

- Strong brands and a presence in several sales channels
- Considerable influence in the sales channels
- Greater product and service content to increase average order values
- Strategic distribution partnerships

Nobia's goal is to continue to lead the consolidation of the European kitchen interiors market. This will be achieved through:

- Continued growth, both organic and through acquisitions that create synergies
- Continued production efficiency improvements
- Expansion of successful business units

A kitchen consists of numerous components. Coordinating purchasing and production within the Group therefore enables significant cost savings to be made.

Competitive advantages

Strong portfolio of brands and widespread distribution. Nobia has strong and well-positioned brands and a broad coverage in various sales channels, which sets the stage for additional sales.

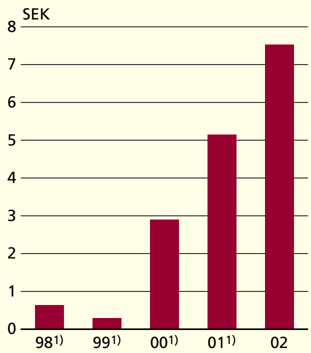
Size, breadth and market penetration Having operations in several of the major European markets allows Nobia to achieve economies of scale and synergies within the Group. A presence in several markets also improves Nobia's prospects of compensating for downturns in local markets.

Capacity to lead the consolidation process. A successful business model and financial strength make acquisitions possible.

A supportive corporate culture. Each business unit has a clear responsibility for its business results and brand. Internal benchmarking is combined with healthy competition between the business units.

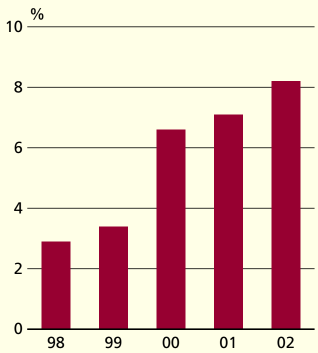
Key figure trends

Earnings per share

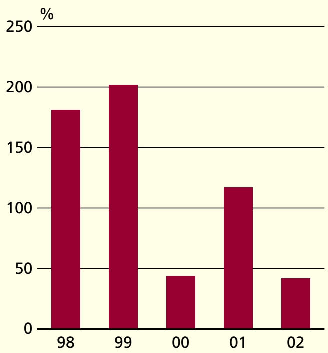


1) Adjusted to take into account 10:1 split.

Operating margin before goodwill amortisation



Debt/equity ratio



Nobia's refinement and growth strategy has resulted in an increase in the earnings per share and operating margin.

The Group's operating cash flow in combination with the share issue in 2002 resulted in a reduction in Nobia's debt/equity ratio.

Brand and sales channel strategy

A presence in a variety of sales channels is a key factor for kitchen manufacturers because consumers often choose their purchasing channel before they choose a brand. A presence in a variety of channels quite simply enables a manufacturer to reach more customers. Nobia is aiming to be present in the most important sales channels in each of its markets and to market its brands in specialised kitchen studios, at builders merchants and DIY stores, as well as selling directly to purchasing organisations and construction companies.

Influencing various sales channels

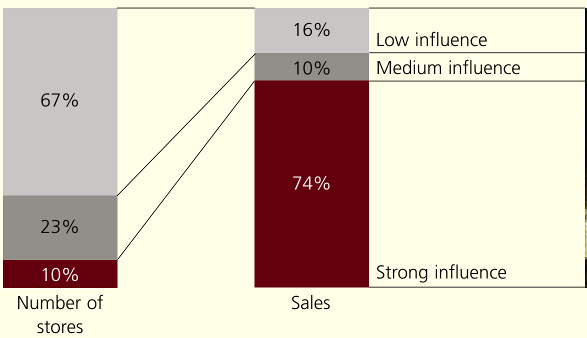
The large number of sales channels in combination with local variations in purchasing behaviour and tastes creates opportunities for marketing a broad portfolio of brands.

It is important to be able to influence sales channels in order to develop and maintain strong brands. Nobia focuses on gaining an influence over sales channels as a means of increasing its control of the offering to the end-customers; for example, how the kitchen solutions are presented in the stores and the level of service that is offered. These are crucial factors for the consumer's impression of both the kitchen and the brand. Greater influence also enables Nobia to expand its offering and to develop solutions that include accessories, white goods, installation and financing. In this way Nobia benefits from the trend towards a higher average order value, which generates growth and profitability both through higher sales of Nobia's own products as well as sales of other products and services.

In recent years, Nobia has focused on developing new types of channels. One way has been to build strategic alliances with retailers; for example, DIY chains, where Nobia has the overall responsibility for the chain's offering in the kitchen segment. Magnet's offering through Homebase is one such example.

The offering is the most developed in specialised kitchen studios. These hold a particularly strong position in the markets with a well-developed retail trade structure for kitchens, e.g. the UK and Denmark. There are opportunities for close contact with customers in the stores and there is generally a wide range of both products and services. The stores, which either specialise in a certain brand or offer several different ones, are becoming larger and focusing more and more on the purchasing experience. Nobia exercises its influence over the stores as a direct owner, through its franchisees or as a major supplier.

Nobia's influence over the stores



Exercising an influence over encounters with customers has a major impact on the sales process and average order value.

HTH's stores are an example of a sales channel where Nobia has a strong influence.

Brand segments			
Exclusive kitchens	unoform	poggenpohl	C.P. HART
Kitchens with individual design and advisors	INVITA	goldreif	pronorm
	A la Carte keittiöt	HTH	Magnet
	NOREMA	PARMA	Marbodal
	myresjökök	PETRA	Sigdal
Flat-pack kitchens	OPTIFIT	GØR DET SELV HTH	

Nobia is primarily active in the upper middle segment, but also has brands in the upper segment as well as the flat-pack kitchen segment.

As of 1 January 2003, Nobia had 534 specialised kitchen studios that were operated by Nobia or by franchisees.

In 2002, 74 per cent of the Group's sales were generated through Nobia's company-operated stores, franchised stores, direct sales from factories and other channels where Nobia has direct contact with the end customer. In 2002, we opened 24 new kitchen studios operated by Nobia or under franchise agreements. Nobia's strategy is to continue to strengthen and improve its sales networks and always provide consumers with new and exciting experiences.

National, regional and global brands

Kitchen interiors are usually only marketed in the country or the region where they are manufactured. Varying tastes in different countries are not the determining factor here, instead most manufacturers are small and have neither the inclination nor capacity to build a market position outside their domestic market.

A few manufacturers have successfully established regional brands through a conscious effort to promote their brand and a consistent channel strategy. One example is HTH, which is marketed in Scandinavia, Poland and Portugal. There are several global brands in the upper segment. Nobia is represented in this segment through Poggenpohl which is one of the world's best-known kitchen brands, with sales in over 50 countries.

Nobia markets several, largely national brands, such as Magnet, Marbodal, Norema and Sigdal. Nobia focuses consistently on strong brands because it is important that the Group's products have a clear profile and identity. Nobia intends to make its brands among the most prominent ones in their respective markets.

Certain business units within Nobia produce ”private label” products in the kitchen and bathroom sectors which they offer to retail chains. Pronorm and Goldreif are good examples of this. Optifit and Marbodal also apply this strategy.

Sales to building projects

22 per cent of Nobia's sales go to new homes and premises and the products are often sold directly from the business unit to the construction company. This is particularly true in the Nordic region where Nobia has a long tradition of working with large construction companies. The end consumers today have an increasing influence over the interiors of new homes and are often able to select a kitchen, accessories and joinery details, either in kitchen studios or construction company showrooms. In the case of smaller building projects, a retailer is sometimes also involved, e.g. a builders merchant or DIY store.

In the Continental European operation, Poggenpohl is the main company in the Group working with project sales. The UK company Magnet has very limited sales to building projects. It is worth noting that in some European countries, kitchen interiors are not included in the construction of new homes, instead the homebuyers themselves have to arrange for the kitchen interior to be installed.

Developing the sales channels

Magnet Full Circle Service

Magnet has developed a service concept under the name Magnet Full Circle Service. Magnet ensures the provision of good service from the time the customer steps into the store to the time the kitchen is installed in the customer's home, at which point a 15-year guarantee goes into effect. The first stage is when the customer receives help planning various types of ergonomic kitchens using three-dimensional computer-generated models. Then Magnet visits the customer's home to take accurate measurements of the space where the new kitchen will be installed. When the customer has selected and ordered the kitchen, Magnet's master craftsmen ensure that the kitchen is installed with the least possible inconvenience for the customer. Within a period of 14 days after the kitchen has been delivered and installed, Magnet checks that the customer is entirely satisfied with the new kitchen. The customer receives support throughout the entire process, from selecting a model, accessories and white goods, to installation and financing.

HTH DIY

Due to the increased polarisation of the market into an upper middle segment and an economy segment, HTH has upgraded its original concept and launched a "do-it-yourself" concept. The original HTH Forum has been adapted since 1989 to be clearly perceived as an upper-middle segment concept with a full-service offering. HTH has upgraded its concept without compromising its ability to offer competitive prices. HTH DIY is a concept in the economy segment that sells flat-pack kitchens and offers a limited range of services. Since 1996, HTH has opened 20 DIY stores in Denmark. The stores are owned by the same retailer that owns the HTH Forum concept franchise, which means the same expertise and infrastructure is used, while the customer encounters two entirely different stores with different price and service levels.

Magnet, Chester

Magnet's new store concept was launched in January 2003 in Chester. At the heart of the store is the design studio where Magnet's brand, products and design ideas grow. The customers can see their dream kitchen, bedroom or bathroom take shape on a large screen as the interior design experts create sketches. For people who are interested in developing different ideas themselves, the store has interactive computer monitors connected to Magnet's website. The store also has a kitchen where chefs prepare food for the customers to taste and to show how the kitchen functions in practice. Magnet is planning to open five stores with this concept in 2003.

Invita

Invita increased its sales in 2002 by focusing on working with retailers to increase the "completion percentage" in the stores. Clear goals were therefore established for how the retailers can make better use of the flow of customers in the stores. The goals related in part to the number of quotes provided per visit, and in part to the number of quotes that result in orders. The retailers went through a training programme to improve their sales techniques. All retailers were then connected to an intranet where they are able to compare their key figures with those of other retailers in order to develop best practice.

Eurokit

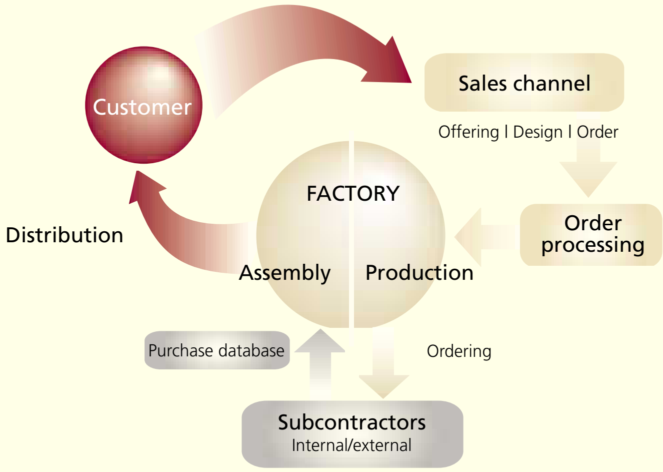
Marbodal's Eurokit business segment has developed complete concepts for builders merchants chains in the Nordic region. The concepts cover kitchens, bathrooms and storage solutions at very competitive prices, sales materials, a design system, "store-in-store" and unique brands for each chain. The range of products is adjusted frequently in line with trends in the DIY segment. The concept is divided into two lines – Express and Design. Express is a "self-selling" shop-in-shop concept for smaller stores with high customer flows but with limited personnel resources. Design is a concept with a wider range of products intended for larger stores with space for displays and specially-trained staff. Eurokit's customers include the leading builders merchants and DIY chains in the Nordic region, such as Coop Forum, K-Rauta, Silvan, Byggmakker and Maxbo.

Poggenpohl's + STUDIOCONCEPT

Poggenpohl continued in 2002 to launch a new and comprehensive concept for its retailers. The concept ensures a uniform image is projected throughout the world wherever the customers encounter Poggenpohl. The +STUDIO-CONCEPT includes co-ordinated advertising and marketing. The concept covers the entire store including both hard and soft factors. It stipulates the location of the stores as well as the design of the façade and signs. Various alternatives for flooring, lighting, tables and chairs and display accessories such as bowls and thermos flasks, are available for the store interiors. The concept was launched in 2000 and was implemented in 190 Poggenpohl stores by the end of the year.

Purchasing and production

A kitchen has numerous components and the business units either purchase these from an external supplier, manufacture them themselves or purchase them from another business unit in the Group. Nobia's large purchasing and production volumes enable the Group to leverage economies of scale.



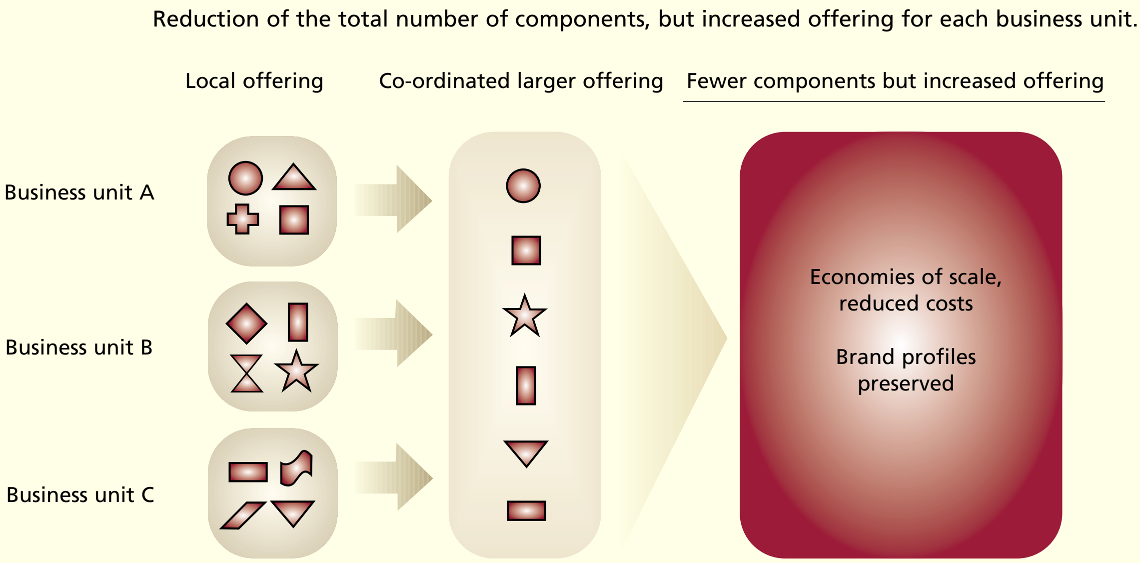
Purchasing

The Group started a joint purchasing programme in 2001. The programme started with the creation of a database to gain an oversight of products, components, volumes, prices, suppliers, etc. within all of the business units. Purchasing managers can use the database to identify price deviations as well as the Group's purchasing volumes with various suppliers. With this information and a good understanding of global market price trends, purchasing managers can improve their bargaining position.

To make purchasing more systematic, the products have been divided into eleven product categories, each with a purchasing manager who enters into agreements on behalf of the whole Group. The purchasing organisation, like Nobia, is divided into three regions, each with purchasing volumes of over SEK 1 billion. Nobia establishes financial targets for each product category, which are measured on a monthly and quarterly basis against key figures.

Nobia is currently in the process of renegotiating agreements for the purpose of replacing short-term supplier contracts with long-term strategic partnerships. The Group's purchasing activities will then be concentrated to a smaller number of suppliers.

Nobia also conducts analysis for the purpose of reducing the number of similar components to achieve additional economies of scale. The fact that the total number of components is reduced does not necessarily mean that the range offered by the individual business unit will be reduced. The business units are also able to supplement the Group's co-ordinated purchasing with the purchase of local products.



Coordinated production

To improve efficiency and profitability, Nobia co-ordinates production to a certain extent within the Group, e.g. in the case of specialised units that manufacture special products. HTH's subsidiary Implast, for example, delivers laminated worktops to other Nordic business units. Marbodal provides several other business units with cabinet doors and carcasses.

The K20 measurement standard for carcasses makes it possible to further improve efficiency and production co-ordination. So far, Nobia has implemented the K20 platform in five business units in the Nordic region and one in Germany. When Norema started to use K20, it was converted from a manufacturing to an assembly unit, resulting in increased capacity utilisation and lower production costs for Nobia. Nobia plans to convert more of its manufacturing units into assembly units based on the K20 platform.

Nobia is conducting purchasing/manufacturing analysis for various components. The analysis is based on purchasing databases with information about components, efficiency and data from the production plants. If a decision is taken to manufacture a component within the Group, this is concentrated to one facility to benefit from economies of scale, in the same way as purchasing volumes are co-ordinated to create cost benefits.

Benchmarking for increased efficiency

Measuring key performance indicators (KPI) and presenting these in straightforward reports, provides the business units with an overview of production efficiency. KPIs include production times and costs per unit, delivery capacity and stock turnover speed, as well as illness absenteeism and staff turnover.

The European kitchen market

Size and growth

Sales in the European market for kitchen interiors (EU countries, Switzerland and Norway) were estimated at around EUR 11.4 billion in 2001. Germany and the US are the two single largest markets with around 24 per cent and 21 per cent, respectively, of total sales, while the Nordic region accounted for around 11 per cent. The market has increased in value over the past ten years, as a result of both volume growth and growth in the average order value.

The buyers are consumer customers, craftsmen who purchase for end customers, and construction companies who build or renovate large housing projects. Demand is governed mainly by consumer buying power, which is affected by confidence in the future as well as changes in interest rates and disposable income. Most of the demand in the markets where Nobia operates is generated by the renovation segment and not by the new building segment.

The market can be split into four price segments: upper, upper-middle, middle and economy. The upper segment includes prestigious brands, among which Nobia-owned Poggenpohl is the world's most renowned. Nobia's brands focus primarily on the upper-middle segment. Rigid kitchens are sold in all of the segments, but flat-pack kitchens are only sold in the middle and economy segments.

Fragmentation

The European kitchen market is highly fragmented. The five main manufacturers have an estimated market share of around 21 per cent. Most manufacturers are small and operate in local markets. The distribution of sales between the different sales channels varies in different counties. Consumer preference varies and follows local trend cycles. The industry is going through a period of modernisation and consolidation.

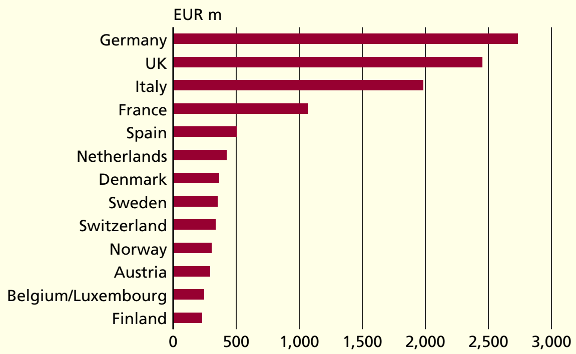
Trends

Since the middle of the 1990s, interest in interior design has in general increased. The role of the kitchen has changed from being a small space with simple, practical functions, to the focal point of the home and in some cases, a status symbol. This trend has caused kitchen interiors to change from being producer goods to consumer products. Customers prefer larger, more exclusive kitchens with individual solutions and an increased design content. In the upper and upper-middle segments in particular, customers are prepared to spend a larger portion of the their disposable income on kitchen interiors than before, which is reflected in the increasing order values. Consequently, manufacturers are expanding their range of products and brand names have become more important.

Alongside this trend is the growth in the flat-pack kitchen market, particularly in the UK. Csil, a furniture industry research institute, reports that the total market for flat-pack kitchens increased its market share from 18 per cent in 1999 to 24 per cent in 2001. This trend probably continued in 2002.

Manufacturers are involved in product development in the form of design, layout and architecture, while most of the component development work is being carried out by the component manufacturers. The manufacturers can obtain the sole rights to newly developed components for a year or so, after which the component suppliers launch them onto a broader market. Product development over the past few years has focused on the development of materials, accessories and components. Product launches

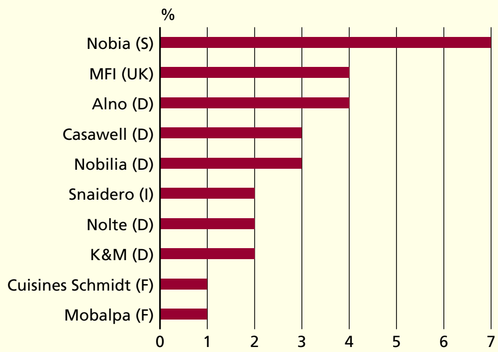
The European kitchen market



Source: Nobia

Sales in the European kitchen market were estimated at EUR 11.4 billion in 2001. Germany, the UK and Italy are the three largest markets.

Nobia is a market leader in Europe



Source: Csil, Prognoscentret and Nobia

Nobia is Europe's leading kitchen manufacturer with an estimated market share of 7 per cent. Nobia's greatest competitors in terms of sales volumes are the UK company MFI and Alno in Germany.

that have been highly successful include drawers that can be pulled out all the way with a width of over 1.2 metres and closing mechanisms for doors and drawers.

Nobia is Europe's leading kitchen manufacturer with an estimated market share of 7 per cent. Nobia's greatest competitors in terms of sales volumes are the UK company MFI and Alno in Germany.

Sales and marketing

There are five main sales channels for kitchen interiors in Europe: kitchen studios, furniture stores, builders merchants, DIY stores and ex-factory direct sales. The channel structure differs greatly in different countries. As kitchen interiors become consumer products, the channels are offering a higher level of service, while specialised retail outlets are increasing their market share.

In the upper segment, there are fewer established global brands. Most other brands are only conducting marketing activities in the local markets where they are manufactured. In recent years, a few brands have expanded outside their domestic market and have established a regional presence.

Nobia estimates that the renovation market accounts for 70 per cent and the construction market for 20 per cent in the countries in Europe where Nobia operates.

The UK

The kitchen market in the UK has sales of around EUR 2.4 billion in producer prices and therefore is the second largest in Europe. Although between 1995 and 2000 the number of kitchens sold fell, this was offset by increased order values, particularly due to increased accessory sales. Nobia's market share is around 8 per cent through its business units Magnet and Poggenpohl. Magnet is one of the two largest manufacturers of rigid kitchens in the UK.

The most important sales channels in the UK are kitchen studios and furniture stores. The majority of the other sales go directly from the manufacturer or through DIY stores.

Rigid kitchens account for an estimated 60 per cent of the market demand and flat-pack kitchens for 40 per cent.

The Nordic region

Sales in the Nordic kitchen market are around EUR 1.2 billion in producer prices.The growth rate has been stable at 3–4 per cent per year over the past five years. Nobia is a market leader in all of the Nordic countries with a total market share of around 27 per cent in 2001. The market share by country is: Denmark 27 per cent, Finland 29 per cent, Norway 33 per cent and Sweden 21 per cent.

The most important sales channels are kitchen studios, furniture stores, builders merchants and direct sales to the construction industry. In Finland, where new building accounts for a large part of the market, direct sales are believed to comprise the main sales channel. In Denmark, kitchen studios are very common and account for almost three quarters of the distribution. In Norway, kitchen studios comprise the most important sales channel; the most important channel in Sweden is builders merchants.

The value of rigid kitchens accounts for an estimated 75 per cent of the market demand, and flat-pack kitchens for 25 per cent.

Germany and the Netherlands

Nobia's two largest markets in Continental Europe are Germany and the Netherlands. Together these had sales of around EUR 3.2 billion in producer prices, of which Germany, which is Europe's largest kitchen market, accounted for around EUR 2.7 billion and the Netherlands for around EUR 400 million. After Germany's reunification in 1990, the housing construction market experienced an upswing that lasted until 1996. The market has subsequently been in decline up to the end of 2002.

Nobia's market share is estimated at 5 per cent in Germany and 13 per cent in the Netherlands.

In Germany, kitchen interiors are regarded as furniture and almost half of the sales are generated by furniture stores that primarily sell kitchens in the middle and economy segments. Kitchen specialists are the second-largest sales channel and sell mainly to the upper and upper-middle segments. In the Netherlands, most of the sales are generated by kitchen specialists.

A large number of kitchen specialists have formed a purchasing organisation which is an important force in the market, especially in Germany. Kitchens in these channels are often sold under other brands than those of the actual manufacturers.

The value of rigid kitchens is believed to be responsible for 80 per cent and flat-pack kitchens for 20 per cent of the market demand.

UK operation

The UK operation consists of the Magnet business unit which manufactures interiors for kitchens, bathrooms and bedrooms and sells these through its own network of stores. Magnet also manufactures and sells joinery products. This business unit includes Magnet's subsidiary C.P. Hart. Magnet was acquired by Nobia in May 2001.

Market and sales

Sales increased by 61 per cent to SEK 4,075 million (2,527). The large increase is explained by the fact that Magnet was not part of the Group until May 2001. On a full-year basis, excluding currency effects, the sales increase amounted to 8 per cent. Net sales increased in all product areas except bathrooms. Kitchens, bedrooms and wardrobes accounted for 64 per cent of Magnet's net sales in 2002. Bathrooms accounted for 8 per cent and joinery products for 28 per cent. Sales of kitchen interiors to the consumer market increased the most. Magnet improved its operating income[1)] to SEK 396 million (219). The operating margin[1)] rose from 8.7 per cent to 9.7 per cent, primarily as a result of higher sales, higher average order values as a result of increased sales of white goods, installation services and accessories, as well as lower materials costs.

The UK kitchen market is one of the fastest-growing markets in Europe with an increase of around 4 per cent in 2002. The increase was mainly the result of higher average order values. Growth was also seen in the bathroom and bedroom interiors and joinery products markets.

Focus on the store network

Under the Magnet brand, the consumer is offered complete kitchen solutions, bedroom interiors and in some stores, bathroom products as well. The Magnet Trade brand caters to the professional small-scale builders market, i.e. craftsmen, and sells mainly kitchen interiors as well as joinery

[1)] Excluding goodwill amortisation.

Magnet had 214 stores in the UK at the end of 2002.

items such as doors, windows, staircases and wooden mouldings. C.P. Hart is a retailer selling bathroom products and kitchens under the Poggenpohl and Pronorm brands.

In 2002 Magnet introduced flat-pack kitchens which are sold under the Studio Kitchen brand by Homebase, one of the UK's largest DIY chains. This agreement is an example of category management and involves Homebase operating the stores, while Magnet is responsible for a range of services, including training of sales staff and installation of the kitchen displays at the stores. The carcasses are purchased from another of Nobia's subsidiaries, Optifit in Germany, which specialises in flat-pack kitchens. The carcasses are then fitted with components such as doors and handles or knobs. The concept has been very successful with the launch of concessions in 150 Homebase stores, and Magnet's sales through this channel amounted to GBP 5 million in 2002.

The continued development of Magnet's "Full circle service" sales concept resulted, among other things, in increased sales of installation services and accessories. To raise the level of service, the number of employees in the stores has been increased and the stores have been upgraded to enhance the purchasing experience. In 2002, thirteen new stores were opened and five were renovated

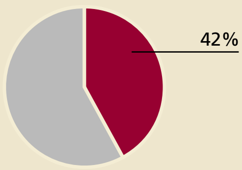
Key figures (UK)	2002	2001[1]	Change
Net sales (SEK m)	4,075	2,527	61%
Operating income[2], SEK m (EBITA)	396	219	81%
Operating margin[2] , %	9.7	8.7	–
Average no. of employees	2,047	–	
No. of stores	214	221	

	2002				2001			
Quarter	IV	III	II	I	IV	III	II	I
Net sales (SEK m)	947	1,057	1,006	1,065	957	983	587	–
Operating income[2], SEK m	101	103	82	110	87	92	40	–
Operating margin[2], %	10.7	9.7	8.2	10.3	9.1	9.4	6.8	–

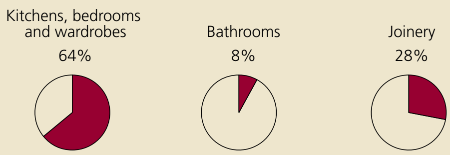
[1] May–December.

[2] Excluding goodwill amortisation.

Share of Group sales



Sales per product

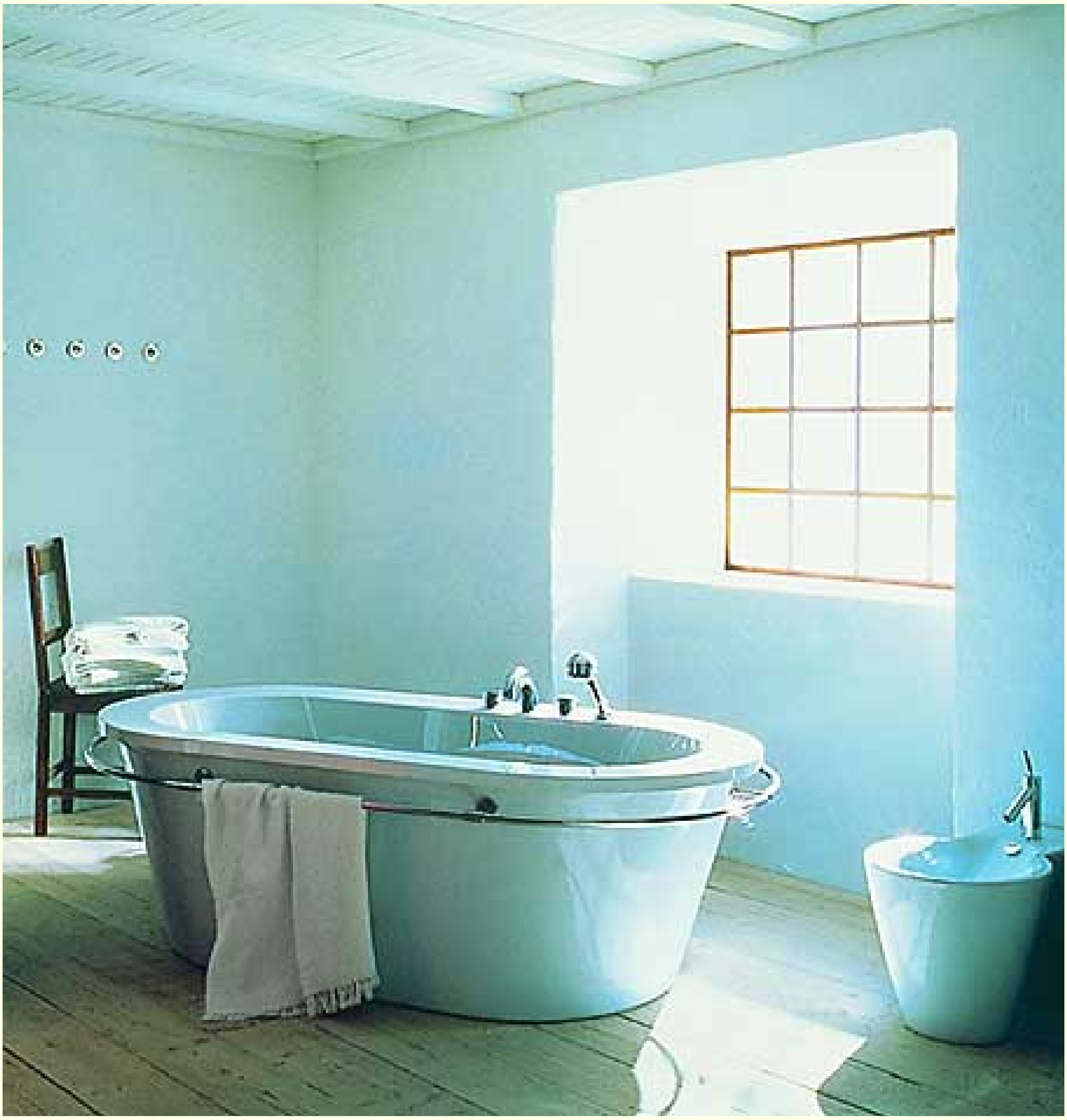


or relocated. At the end of the year, Magnet had 214 stores, of which five were C.P. Hart stores.

Efficiency improvement

Co-ordination of purchasing within the Group has resulted in reduced materials costs. Additional cost savings were achieved by overhauling the company's logistics, which resulted, among other things, in the company switching to a new forwarding agent. In 2002, Nobia began to install new computer systems in the store network to provide the stores with access to the Internet and an intranet. A new accounting system was also installed during the year.

Magnet reduced its joinery operation by selling the door manufacturer Penrith and the window manufacturer Flint. Sales of these products continue through Magnet Trade's stores. These disposals have facilitated Magnet's cost rationalisation process. The number of organisational levels has also be been reduced.



Nordic operation

The Nordic operation consists of seven business units: HTH and Invita in Denmark, Novart with its A la Carte, Petra and Parma brands in Finland, Norema and Sigdal in Norway and Marbodal and Myresjökök in Sweden. Nobia is a market leader in each of the Nordic countries with a total market share of 27 per cent.

Nobia's brands are mainly aimed the upper-middle segment.

Market and sales

Sales in the Nordic operation increased by 6 per cent to SEK 3,498 million (3,311). Of this amount, currency effects accounted for 2 per cent. Sales increased in all of the Nordic countries except Finland. The operating income[1)] improved by 20 per cent to SEK 425 million (355). The operating margin[1)] improved to 12.1 per cent (10.7), which is mainly attributable to higher average order values and lower material costs.

Overall the demand in the Nordic markets was estimated as equal to the previous year. In Denmark, the market was stable with a slight increase in the renovation segment. In Finland, the market is estimated to have fallen by 5 per cent, mainly as a result of a decrease in activity in the new building segment. The Finnish market recovered, however, during the fourth quarter. In Norway, there was an estimated 2-per cent decline in the market. The renovation market fell the most during the second half of the year, while demand in the new building segment remained stable. The market in Sweden is estimated to have increased by 5 per cent with an increase in demand in the new building segment, and a stable renovation segment.

Focus on the store network

Nobia's brands have a high profile and are present in the main sales channels in each country. The brands are primarily aimed at the upper-middle segment, but are also present in the middle segment. In 2002, a total of 8 new

1) Excluding goodwill amortisation.

Nobia is a market leader in each of the Nordic countries.

stores were opened and 53 were renovated or relocated. At the end of the year, the number of stores owned or franchised was 311. In February HTH opened Sweden's largest kitchen studio in Länna, south of Stockholm, and Novart opened a store in Helsinki in which its three consumer brands are represented.

The business units implemented several measures to broaden their customer offering. Marbodal launched its enhanced "step-by-step" service programme in the beginning of 2002 at selected retailers. This programme includes a complete package of services, such as house calls, design, co-ordinated deliveries and expert installation help, as well as follow-up. Invita launched a new and comprehensive financial control system on InvitaNet, for use by its retailers. The system is based on benchmarking and allows retailers to compare their own key figures with those of other stores. Norema changed its brand image and range and also launched a new profile programme. Myresjökök, which specialises in sales to builders, increased its offering to this segment to include installation services.

In Denmark, flat-pack kitchens are sold in specialist stores under the HTH DIY brand. In 2002, HTH opened five such stores, which made a total of 20 at the end of the year. In Sweden and Norway, flat-pack kitchens are sold at DIY chains such as COOP and Bauhaus under the retailers' own brands. In 2002, Nobia also started to sell its flat-pack kitchens through the Silvan chain. Sales in this segment continued to grow and the demand for flat-pack kitchens in the economy segment continued to develop well in Denmark, Norway and Sweden. In Finland, this segment is marginal. In 2002, flat-pack kitchens accounted for 5 per cent of Nobia's sales in the Nordic region.

Nobia's business units have strong relationships with builders and therefore a significantly larger share of the company's sales are to the new building segment in the Nordic region than in other business regions. In Finland, where the new building segment makes up half of the total kitchen market, Novart sells kitchen interiors to professional customers under the Petra Pro brand, which is aimed solely at this market. In 2002, 59 per cent of the Nordic operation's sales were generated in the renovation segment and 41 per cent in the new building segment.

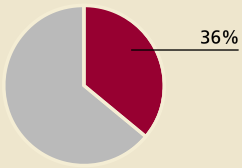
Key figures (Nordic region)

Key figures (Nordic region)	2002	2001	Change
Net sales (SEK m)	3,498	3,311	6%
Operating income[1], SEK m (EBITA)	425	355	20%
Operating margin[1], %	12.1	10.7	–
Average no. of employees	2,477	2,495	
No. of stores	311	315	

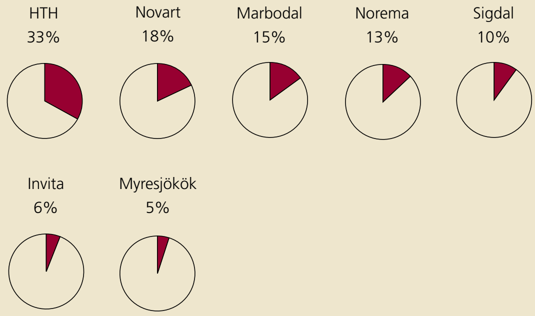
	2002				2001			
Quarter	IV	III	II	I	IV	III	II	I
Net sales (SEK m)	916	739	1,009	834	889	730	877	815
Operating income[1], SEK m	110	84	149	82	100	82	106	67
Operating margin[1], %	12.0	11.4	14.8	9.8	11.3	11.2	12.1	8.2

[1] Excluding goodwill amortization.

Share of Group sales



Share of sales per business unit



Export

2 per cent of the sales are generated outside the Nordic region. HTH products are sold in 11 other countries, primarily Portugal and Poland. Novart has been selling its products in Russia for ten years and also to the Baltic countries, among others. In October, Novart established a new store in Moscow for its prestigious A la Carte brand.

Production co-ordination

Nobia's K20 system, a Group-wide measurement standard for carcasses, started to be used was implemented during the summer by Norema in Norway and by Invita in Denmark in January 2003. This means that K20 is now used consistently by five of the Nordic business units. This common measurement standard will further improve co-ordination and efficiency of the Group's purchasing and will increase the exchange of components produced within the Group.

In conjunction with the implementation of K20 by Norema, the product programme was completely overhauled to bring it more in line with the market demand, while the number of articles was reduced.

Continental European operation

The Continental European operation consists of the Goldreif, Optifit, Poggenpohl and Pronorm business units. The primary markets are Germany and the Netherlands.

Market and sales

The Continental European Operation's sales amounted to SEK 2,083 million (2,459), a decline of 15 per cent. All of the business units reported a drop in sales. Adjusted for the closure of Star Beka and currency effects, the reduction in sales amounted to 10 per cent. However, due to staff reductions and reduced materials costs, the result was maintained at the same level as the previous year and the operating margin increased to 3.3 per cent (2.8).

The market conditions in 2002 were unfavourable in the markets in both Germany and the Netherlands. The decline during the year in Germany has been estimated at around 10 per cent for the market as a whole. The decline slowed, however, towards the end of the year. The decline in the Netherlands has been estimated at 9 per cent. As a result of a fall in demand, adjustments are currently being made, primarily among the German kitchen manufacturers in the form of structural changes.

Sales channels

The purchasing organisation's strong position in the German and Dutch markets limits the manufacturers' contact with the end customers. Nobia is seeking other ways to strengthen relationships with end customers in these markets and to broaden its offering.

One example of this is Pronorm's partnership with the MHK purchasing organisation, where Pronorm is the sole supplier of kitchen interiors under the Designo brand. The kitchens are sold in specialist kitchen studios in Germany, and in 2002, Designo unveiled displays in 22 stores.

Poggenpohl introduced a number of new products in 2002, both in the areas of design and function, which were launched in stores in February 2003. Poggenpohl continued to introduce its +STUDIOCONCEPT at retailers, and at the end of the year it had been introduced in 195 stores.

Poggenpohl and Pronorm began selling their products in C.P. Hart stores in the UK in 2002.

Optifit, the Group's specialist manufacturer of flatpack kitchens, started to deliver carcasses to Magnet in the summer. Magnet fits these with additional components and sells them within the framework of a partnership with Homebase. Optifit also started deliveries to Otto, the world's largest mail order company, and entered into a partnership with the builders merchants OBI and Bauhaus to sell bathroom interiors under the Eurokit brand.

Further efficiency improvement

Efforts to further reduce costs in the business regions continued in 2002. Since the acquisition of the Poggenpohl Group in 2000, Nobia has closed one factory and reduced

the number of employees in Germany by 310 or 20 per cent. 60 people left the company in 2002 and a further 90 will leave during the first half of 2003. Combined with reduced materials costs, this resulted in an improved gross margin in all business units in Continental Europe.

The sharp reduction in the number of Poggenpohl retailers in 2001, which was implemented to increase profitability and strengthen the company's financial position, allowed Poggenpohl to focus on product and customer segments with higher profitability in 2002.

Export

Poggenpohl is the only business unit in the Continental European operation that sells to builders. Most of these project sales are generated in the US and Asia, while direct sales to the consumer market dominate in Continental Europe.

Sales to Asia increased during the year while sales in the US fell. Poggenpohl is a supplier to several prestigious projects in China, where there is great activity in the housing sector in preparation for the Olympic Games in 2008.

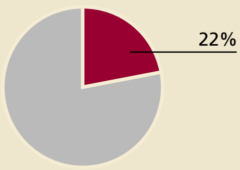
The Continental European operation's net sales outside the region in 2002 were equivalent to 19 per cent of the total sales. Poggenpohl was responsible for the vast majority if these sales. Within the region, sales are generated in Austria, Belgium, Luxembourg and Switzerland, among other countries.

Key figures (Continental Europe)	2002	2001	Change
Net sales (SEK m)	2,083	2,459	–15%
Operating income[1], SEK m (EBITA)	68	70	–3%
Operating margin[1], %	3.3	2.8	–
Average no. of employees	1,266	1,389	
No. of stores	9	7	

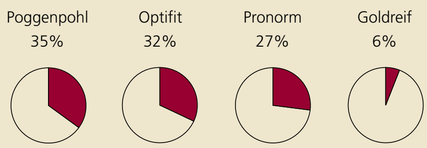
	2002				2001			
Quarter	IV	III	II	I	IV	III	II	I
Net sales (SEK m)	508	521	542	512	600	591	636	632
Operating income[1], SEK m	30	22	14	2	16	16	32	6
Operating margin[1], %	5.9	4.2	2.6	0.4	2.7	2.7	5.0	0.9

[1] Excluding goodwill amortisation.

Share of Group sales

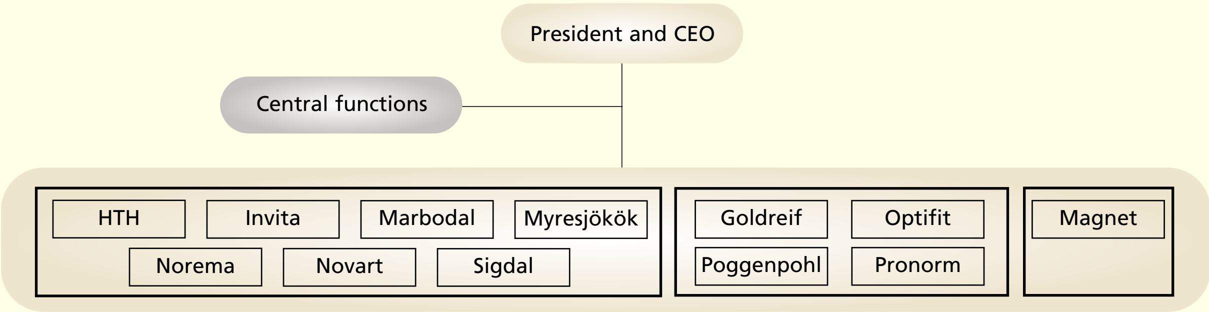


Share of sales per business unit



Corporate culture and organisation

Nobia has a decentralised organisation in which the business is operated by twelve business units that have clear profit resposibility and high levels of independence. The business units are Nobia's cornerstones from which the business is run and developed. Group management's task is to support the business units, pursue synergy opportunities, facilitate benchmarking and guide the Group's strategic and structural focus.



The business units' operations span well-defined value chains that form the starting point for operational control. Each unit is responsible for its entire vertical value chain from procurement of materials to customer contacts. The fact that each kitchen solution varies in terms of composition, measurement adjustment, accessories, etc. makes most of the processing stages highly complex. The ability to handle this complexity is one of the crucial factors for the business units' competitiveness.

The decentralised organisation provides proximity to local markets and strengthens relationships with end customers, while a joint reporting system facilitates the exchange of information within the Group.

Corporate culture and staff relations

Each business unit develops its brand and its own culture. All of the units are characterised by their readiness to change, by personal commitment, and a desire for development. The decision channels are short and communication is open, both within and between the business units, as well as to Group management. The employees should feel a sense of belonging and identify with their business unit and their brand while being proud to be part of the Nobia Group. Nobia's fundamental values, according to which every employee is respected, heard and taken seriously, should permeate the business units. The business unit managers have a major, direct responsibility to create trust, confidence and to motivate the employees.

Co-operation and co-ordination

The business units work together to generate synergies. The organisation consists of a small number of levels and central functions. The role of Group management is primarily to support the business units in their work. The business unit managers and Group management meet each quarter to establish and implement Group-wide measures and to exchange knowledge and experiences.

Group management meets regularly with business unit management to discuss issues concerning the specif-

More and more people think of their kitchen as the heart of their home. An attractive design has therefore become increasingly important to customers.

ic business unit, to review benchmarking and to ensure that synergy gains are realised.

There is a trade union organisation within the Group (European Works Council, EWC) with staff representatives from all of the business units. Group management normally meets the EWC two times a year. At these meetings the business units exchange knowledge and experiences. This is also an important forum for benchmarking.

Within the areas where economies of scale exist, there is a well-established structure and there are processes in place for co-operation within the Group. For example, employees from different business units work together in purchasing and production, with support from Group management, to generate synergy gains, both for their own unit and for the Group as a whole.

Goals and benchmarking

Each business unit has clear operational goals relating to profitability, production and sales. These goals are established jointly by the business unit and Group management. The starting points are past profitability, Group-wide goals and considerations, and the improvement potential identified through benchmarking. Follow-up and evaluation of whether goals have been reached is done in the form of monthly profitability reviews and benchmarking.

Benchmarking consists in part of financial information about such things as costs and sales, and in part of other data (key performance indicators) relating to production and sales, such as the amount of time that various stages in manufacturing take and average order values. Benchmarking is carried out on a monthly basis and reports are reviewed both by Group management and the business units themselves. The reports identify areas where improvement is needed and describe the potential within the Group. They also contribute to healthy internal competition that encourages the business units to learn from each other.

Environment

In 2002, Nobia conducted a comprehensive review of the environmental status of all the Group's business units, upon which a common environmental policy has been based. According to the guidelines in the environmental policy, individual business units will decide on environmental targets and strategies specific to their company. Targets usually comprise various key figures and relate to emissions into the air, energy consumption, waste, resource efficiency in the processing of wood, the percentage of wood obtained from responsibly run forestry operations, and packaging. The key figures for each of these environmental aspects allow comparisons to be made between the business units as well as external comparisons.

The production process

Nobia's products are manufactured at 18 plants in the Nordic countries, Germany and the UK. Manufacturing at these plants involves primarily the following processes:

- Sawing into shape and/or edge machining of melamine-covered chipboard
- Assembling kitchen carcasses using wooden plugs and glue
- Confectioning (adjusting measurements, edge machining and sawing out holes for sinks) of bench tops of solid wood or high-pressure laminated chipboard
- Sawing into shape and/or profile milling of kitchen doors of MDF or solid wood
- Finishing of kitchen doors

Environmental permits

Nobia's business units process and finish products almost exclusively made from wood. The environment permits that are required for the company's operations therefore relate to emissions of organic solvents from finishing processes, emissions of wood dust, wood shavings and noise from wood processing, as well as the emission of smoke gases and ashes from boiler rooms for heating. In all of the countries where Nobia has manufacturing plants, permits are required relating to one or more of these forms of environmental impact. All plants fulfil the conditions that apply in their respective countries.

Environmental inspections in connection with acquisitions

Nobia's expansion has mainly been the result of acquisitions of companies. Before most of these acquisitions took place, a thorough inspection of the company's environmental status was conducted. These inspections are carried out by independent specialists and, in addition to the fundamental permit issues, cover such things as possible ground and ground water pollution from earlier operations in the area, inspections of buildings, including building materials, canalisation and sewage/waste water. Steps are taken to correct any weaknesses that are discovered if the acquisition goes ahead.

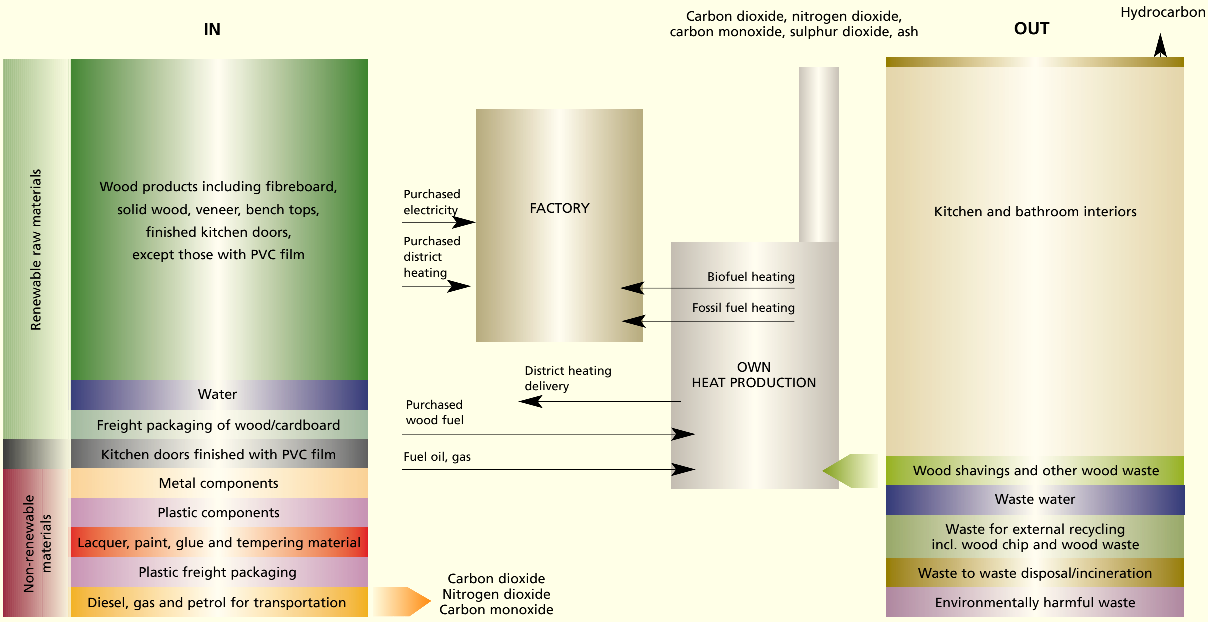
Environmental certification

Acquiring environmental certification is an optional undertaking to incorporate a respect for the environment into all of the company's manufacturing and business processes and to improve the environmental performance of the operations on an ongoing basis. Six of Nobia's twelve business units have certification according to the ISO 14001 environ-

Extract from Nobia's environmental policy

- Nobia's operations shall contribute to the development of a sustainable society and, in every part of our operations through knowledge and constant improvements in the environmental area, we will create the conditions necessary to contribute to the Group's long-term profitability. We shall do more than is required to comply with the applicable environmental legislation.
- The business units shall acquire certification according to the ISO 14001 environmental standard or a comparable standard.
- We shall select raw materials, manufacturing processes and packaging that minimise the environmental impact of the products during their entire life cycle, from design to waste management of the products.

Energy and material balance in the manufacture of kitchen and bathroom interiors



Around 80 per cent of the materials used by the Nobia Group are renewable wood raw materials.

mental standard and/or are registered according to the EU's Eco-Management and Audit Scheme (EMAS). Two of the other business units will receive certification in the spring of 2003, and the rest no later than in 2004.

Energy and material balance

A number of key figures are obtained by periodically measuring the consumption of materials and energy in manufacturing processes. These are to be used for both internal and external comparisons, as well as to establish quantifiable environmental goals. The balances also show to what extent ecologically harmful substances are used, they show the amounts of waste and emissions, and provide an overview of the raw material consumption in the company's operations. An energy and material balance is prepared for all of Nobia's production units.

The materials used by the Group are 80-per cent renewable. The most common materials are fibreboard and a smaller amount of solid wood. The wood waste that is generated is used for heating the plants. The Group therefore uses only a very limited amount of fossil fuels in relation to the size of the operations, which minimises the net contribution to greenhouse gases in the atmosphere.

The main environmental impact caused by Nobia's operations emanates from exhaust from lorries and cars and from emissions of organic solvents. Nobia's business units already use a large amount of waterborne and UV tempered paint and lacquer for finishing, which give off very limited or no emissions of organic solvents. The amount of organic solvents will gradually be reduced as developments are made in lacquers and finishing equipment is adapted to harmonised EU requirements in the area of emissions of organic solvents.

Purchase and control of the supplier chain

In Nobia's operations a large part of the value added is generated through the assembly of purchased components. Therefore the purchasing volumes of numerous components are substantial. Purchasing is co-ordinated within the Group.

Almost all of the suppliers are in Western Europe. For economic reasons, Nobia is attempting to increase the amount of components purchased in Eastern Europe and Asia. The products that are purchased shall be manufactured in socially and environmentally responsible conditions. Guidelines for purchasing to ensure that this is the case will therefore be drawn up and implemented in 2003.

- Our goal is to use wood from responsibly run forestry operations.
- The manufacturing processes in Nobia's plants shall be designed so that materials and energy are used in an efficient manner and emissions are minimised.
- In the distribution of our products, we shall actively seek resource-efficient solutions with low emissions of greenhouse gases.

Financial risk management

Commercial currency exposure

Commercial currency exposure management is decentralised within the Group. The business units handle hedging in consultation with the head office and within the framework of the policy established by the Board of Directors. Nobia's policy is to hedge around 75 per cent of the forecast flows for 6–9 months in the future, and 100 per cent of the projects under contract. Smaller flows are not hedged. The most important currency relationships are the SEK against the NOK and the EUR against the GBP. The total exposure expressed in SEK after offsetting flows in the opposite direction amounted to SEK 826 million in 2002. At the end of 2002, the hedging volume was SEK 397 million.

Financial currency exposure

Nobia's policy for financing foreign assets involves financing capital employed with loans in the relevant currency to such an extent that the impact of exchange rate fluctuation on the debt/equity ratio is minimised. In addition, currency contracts are entered into to avoid exposure. With the present debt/equity ratio and currency distribution of capital employed, 30 per cent of the capital employed of foreign units should be financed in the local currency. In combination with this policy, another form of capitalisation may be decided upon in the respective country for the purpose of optimising the tax situation for the Group. Nobia does not engage in hedging of shareholders' equity.

	Capital employed/currency	Debt/currency
SEK	326	0
EUR	1,042	181
GBP	1,725	877
DKK	453	154
USD	76	10
NOK	352	37
Other	27	0
Total	**4,001**	**1,259**

Interest risk

Interest is managed at the central level, which means that the head office is responsible for identifying and managing interest risk. Nobia applies a short fixed-interest term. The Group's view is that a high level of interest usually coincides with a high demand in society in general. In 2002, the fixed-interest term was 2–3 months.

Borrowing risk

The Group's financing is centralised, which means that funds are borrowed by Nobia AB or Nobia NBI AB. Most of Nobia's borrowing is in the form of a syndicated bank loan. The syndicate consists of four Northern European banks and the loan agreement expires at the end of 2007. Nobia's policy is to work with long-term credit commitments in line with the Group's long-term acquisition strategy, which must however be balanced against the need for low credit costs. In addition to the syndicated loan, Nobia has a small amount of local loans.

Financial information

The Board of Directors and the CEO of Nobia AB present the following annual accounts and consolidated accounts for the 2002 financial year.

Unless otherwise indicated, all amounts are given in SEK million. Figures in brackets refer to the previous year.

Corporate registration no.
556528-2752
Head office: Stockholm

Directors' report

The Group

The Group's strategy of strengthening co-ordination within purchasing and production and applying best practice, while continuing to develop the distribution channels, has had a favourable result on the Group's margin and profit growth in 2002. Sales increased in the Nordic and British operations, but declined in the Continental European operation as a result of a continued fall in demand, mainly in the markets in Germany and the Netherlands.

In line with the Group's strategy of focusing on interiors for kitchens, bathrooms and storage solutions, the joinery operations of the British plants Flint and Penrith were sold in July 2002. These disposals did not give rise to any capital gain/loss but resulted in a reduction of the net debt of SEK 117 million and a reduction of goodwill relating to the sold units of SEK 27 million.

Nobia AB was listed on Stockholmsbörsen's O-list on 19 June 2002. A total of 19,933,297 shares were offered on the market, of which 7,000,000 were newly issued shares and the remainder were sold by the existing shareholders. The offer price was set at SEK 78 per share. Nobia received new issue proceeds of SEK 513 million, which were used to repay debt.

Net sales and income

The Group's net sales amounted to SEK 9,594 million (8,283), an increase of 16 per cent. Magnet, which was acquired in 2001 and is included in the accounts from May 2001, contributed SEK 4,075 in 2002 and SEK 2,527 million in the May–December period the previous year. Following adjustment for currency effects, sales for comparable units fell by 2 per cent.

Operating income increased by 35 per cent to SEK 725 million (537). The operating margin amounted to 7.6 per cent (6.5).

Magnet contributed SEK 396 million in 2002 and SEK 219 million in the May–December period the previous year.

Excluding goodwill amortisation, the operating margin was 8.2 per cent (7.1).

The operating margin was improved in all business regions. The profit and margin improvements are mainly explained by higher gross margins as a result of increased order values and reduced material costs.

Financial items totalled SEK –119 million (–123). The new issue proceeds obtained in connection with the listing on Stockholmsbörsen, combined with cash flow from operations, have been used to repay debt of SEK 991 million, of which around SEK 435 is subordinated debt. The lower debt/equity ratio combined with lower interest and currency effects, resulted a reduction in interest expense during the second half of the year. The new issue of shares involved costs for Nobia for early extinguishment of debt of SEK 6 million, which was deducted from the net financial income.

The profit after financial items increased by 46 per cent to SEK 606 million (414).

Tax expenses for the year amounted to SEK –198 million (–160), which represents a tax rate of 32.7 per cent (38.6). Excluding non-deductible consolidated goodwill, the tax rate was 29.6 per cent (34.4). Current tax accounted for SEK –92 million (–66) of the tax expense for the year.

Income after tax amounted to SEK 408 million (254), which represents an increase of 61 per cent.

The earnings per share after dilution effects increased by 46 per cent to SEK 7.53 per share (5.15).

UK operation

The UK operation consists of the Magnet business unit.

Demand in the UK is estimated to have increased by 4 per cent compared with the previous year.

Net sales totalled SEK 4,075 million. Excluding currency effects, this is approximately 8 per cent higher than the previous year calculated on a full-year basis. The amount reported for the May–December period the previous year was SEK 2,527 million.

Sales of kitchen, bedroom and wardrobe interiors increased due to higher order values and as a result of increased sales of accessories and installation services. Sales of bathroom interiors decreased.

Operating income before goodwill amortisation amounted to SEK 396 million (219). The operating margin before goodwill amortisation was 9.7 per cent, which is an improvement on the previous year when 8.7 was reported for the May–December period. The result for 2002 includes profit from the sale of lease contracts in the amount of SEK 15 million. The operating margin has improved compared to the previous year, mainly as a result of higher average order values and reduced material costs.

Nordic operation

The Nordic operation consists of the Swedish business units Marbodal and Myresjökök, the Norwegian business units Sigdal and Norema, the Danish business units HTH and Invita and the Finnish business unit Novart.

Demand increased in Sweden by an estimated 5 per cent, was unchanged in Denmark and fell in Norway and Finland by 2 and 5 per cent, respectively.

Net sales amounted to SEK 3,498 million (3,311), an increase of 6 per cent. Excluding currency effects, the increase amounted to 4 per cent. Sales increased in every country except Finland, where the level of new building was lower than the previous year. The increased sales in other countries were generated by both the new building and renovation segments and are mainly the result of increased order values and lower levels of volume increases. Sales of flat-pack kitchens developed well throughout Scandinavia. Operating income before goodwill amortisation amounted to SEK 425 million (355), an increase of 20 per cent. The operating margin excluding goodwill amortisation rose to 12.1 per cent (10.7). The improved margin is mainly explained by higher gross profit as a result of increased order values and reduced material costs. Expenditure was increased on marketing activities and on new stores, store renovations and an increased sales force.

Continental European operation

The Continental European operation consists of the business units Poggenpohl, Pronorm, Optifit and Goldreif.

Demand in the markets in Germany and the Netherlands fell by an estimated 10 and 9 per cent, respectively, in 2002. The downturn is believed to have slowed in Germany but continued in the Netherlands during the second half of the year.

Net sales amounted to SEK 2,083 million (2,459), a decline of 15 per cent. Adjusted for the effects of the closure of Star Beka and currency effects, the reduction in sales amounted to some SEK 230 million or 10 per cent. Sales fell in Germany, the Netherlands and the USA, but increased in Asia.

Operating income before goodwill amortisation amounted to SEK 68 million (70). The operating margin was 3.3 per cent (2.8). The effects of lower sales were offset primarily by reduced materials costs and staff cuts.

Cash flow and financing

The cash flow before investments in current operations amounted to SEK 513 million (551). The lower cash flow compared to the previous year is explained by payments brought forward (around SEK 50 million) as a result of a change in systems at Magnet, increased inventory and an increase in the utilisation of cash discounts. Comparisons with the previous year are made difficult by the fact that when Magnet was consolidated in May 2001, it had a high seasonal working capital.

Investments in fixed assets amounted to SEK 269 million (226) and consisted mainly of expenditure on stores, IT systems and production equipment.

Net debt amounted to SEK 1,098 million compared with SEK 2,078 million at the beginning of the year. The change in the net debt consisted of net cash flow from operations amounting to SEK 274 million, proceeds from the sale of Penrith and Flint amounting to SEK 117 million, and a translation effect amounting to SEK 87 million as a result of the strengthening of the Swedish krona.

In addition, the new issue of shares in connection with the listing on Stockholmsbörsen injected SEK 513 million. The full amount of the issue proceeds was used to repay debt.

The effect of translation difference on shareholders' equity was SEK –108 million as a result of the strengthening of the Swedish krona. Following the new share issue worth SEK 513 million (net after issuance costs), the shareholders' equity amounted to SEK 2,589 million, compared with SEK 1,776 million at the end of the previous year. The equity/assets ratio at the end of the year was 45.3 per cent compared with 27.8 per cent at the beginning of the year. The net debt/equity ratio was 42 per cent at the end of the periodyear compared with 117 per cent at the beginning of the year.

At the end of the year the Group had available credit, excluding liquid funds, in the amount of SEK 962 million.

Employees

The average number of employees in 2002 was 5,790 (5,343). The average number of employees decreased by 120 as a result of the sale of the operations in Flint and Penrith.

Environment

In Sweden, the Group's operations at the subsidiaries Marbodal AB and Myresjökök AB require permits under the Environmental Act. The Group's operations that require permits mainly affect the external environment through noise and emissions in to the air from processes for finishing wood products.

Effects of new accounting principles

Beginning in 2002, Nobia has adjusted its accounting in line with the Swedish Financial Accounting Standards Council's recommendations RR 1, 15, 16, 17, 19, 21 and 23. This adjustment has had no material impact on the Group's profits and financial position.

With respect to RR 15, Intangible assets, Nobia is conducting product development. This is mainly in the form of design development and is an ongoing process to adjust the projects to current style trends. This development is relatively fast. Nobia has decided not to report the costs of this activity under intangible assets, since it does not believe that the criteria in RR 15 have been met.

With respect to RR 17, Write-downs, Nobia has reviewed the need to write down the Group's assets. This resulted in only minimal write-downs.

Nobia intends to adjust its accounting of pension liabilities in 2004 in accordance with the Financial Accounting Standards Council's recommendation RR 29, Remuneration to employees. Nobia estimates that if this change in the accounting principle had been applied at the end of 2002, the shareholders' equity would have been negatively affected by around SEK 300–400 million. Nobia's IOC indicated a deficit of SEK 140–180 million as of 31 March 2002. The change is largely explained by the major fall in the stock markets in 2002. The deficit mainly relates to the UK operation.

Stock exchange listing

Nobia was listed on Stockholmsbörsen on 19 June 2002. A total of 19,933,297 shares were offered consisting of a new issue of 7,000,000 shares and the sale of 12,933,297 shares by the existing shareholders Industri Kapital 1994 Fund, Skanska, Norsk KjokkenInvest, Enodis and ICG. The number of shares in the offering represented 34.6 per cent of the capital and voting rights in Nobia.

The offer price was set at SEK 78 per share.

The new issue raised SEK 513 million for Nobia, and the full amount was used to repay debt.

Parent company

The parent company is involved with Group-wide activities and owns the subsidiaries. The parent company's operating income amounted to SEK –6 million (0) and income for the year was SEK 33 million (130).

Future outlook

The demand for kitchen interior products normally follows the same business cycle as consumer capital goods. The market is made up of consumer purchases for home improvements, which accounts for most of the demand, and a market for professional new building and renovation projects. The growth in demand is in part made up of volume growth, and in part of value growth in the form of increased product content. The trend towards increased product content at Nobia has been clear over the past 5-year period and Nobia believes in a continued trend in this direction.

The European market for kitchen interiors is characterised by a high level of fragmentation. This means that there are good opportunities for achieving economies of scale through acquisitions.

Proposed appropriation of profits

The Board of Directors proposes a dividend for the 2002 financial year of SEK 2.25 per share. The proposed dividend will consume SEK 130 million of the net earnings for the year, which is equivalent to 32 per cent. No dividend was paid out the previous year.

Consolidated income statement

SEK m	Note	2002	2001
Net sales	2	9,594	8,283
Cost of goods sold[1]		–5,610	–5,113
Gross profit		**3,984**	**3,170**
Selling expenses[1]		–2,718	–2,203
Administrative expenses	5	–548	–446
Items affecting comparability	4	–	22
Other operating income		51	34
Other operating expenses		–42	–40
Share in pre-tax profit of associated company		–2	0
Operating profit	3, 6, 7	**725**	**537**
Result from financial investments	8		
Interest income and similar profit items		11	15
Interest expense and similar loss items		–130	–138
Profit after financial items		**606**	**414**
Tax on profit for the year	10, 19	–198	–160
Minority shares in profit/loss for the year		0	0
Net profit for the year		**408**	**254**

[1] Due to the reclassification of certain types of cost, the items "Cost of goods sold" and "Selling expenses" have been adjusted retroactively in the amount of SEK 64 million. This adjustment has not affected the profits.

Share data

	2002	2001
Earnings per share before dilution, SEK	7.83	5.47
Earnings per share after dilution, SEK	7.53	5.15
No. of shares before dilution	57,669,220	46,550,770
Average no. of shares before dilution	52,109,995	46,417,350
No. of shares after dilution	57,669,220	50,669,220
Average number of shares after dilution	54,169,220	49,289,735

Performance analysis

	Net sales		Operating income		Operating margin	
SEK m	2002	2001	2002	2001	2002	2001
UK operation	4,075	2,527	396	219	9.7%	8.7%
Nordic operation	3,498	3,311	425	355	12.1%	10.7%
Continental European operation	2,083	2,459	68	70	3.3%	2.8%
Items affecting comparability				22		
Amortisation of goodwill			–63	–51		
Other Group adjustments	–62	–14	–101	–78		
Accounted values	9,594	8,283	725	537	7.6%	6.5%

Notes to the income statement

The Group's net sales amounted to SEK 9,594 million (8,283), which represents an increase of 16 per cent. Magnet, which was acquired in 2001 and is included in the accounts from May 2001, contributed SEK 4,075 million in 2002 and SEK 2,527 million in the May–December period the previous year. Adjusted for currency effects, the sales for comparable units fell by 2 per cent.

The effects are shown in the table below.

SEK m	2002	2001
Accounted values	9,594	8,283
Less units divested	–4,075	–2,527
Less units acquired		–92
Currency effects	14	
Comparative activities	**5,533**	**5,664**

The Nordic operation's organic growth amounted to 4 per cent as a result of increased sales in the Danish and Swedish markets.

The Continental European operation had negative growth of 10 per cent as a result of a fall in sales in Germany, the Netherlands and the US. Increased exports to Asia partially compensated for the fall in sales.

The UK operation's organic growth amounted to 8 per cent calculated on a full-year basis.

The operating result increased by 35 per cent to SEK 725 million (537). The operating margin amounted to 7.6 per cent (6.5).

Magnet, which was acquired in 2001 and is included in the accounts from May 2001, contributed SEK 396 million in 2002 and SEK 219 million in the May–December period the previous year.

The translation of foreign subsidiaries' operating income had a negative effect of SEK 13 million as a result of exchange rate fluctuation.

Goodwill amortisation amounted to SEK 63 million (51). The increase on last year's figure is explained by the full-year effect of amortisation of consolidated goodwill that arose in connection with the acquisition of Magnet in May 2001.

In 2002, the operating income was reduced by taxes and fees in connection with the acquisition of the Poggenpohl Group amounting to some SEK 10 million and a tax surcharge related to the 1997 year of assessment of some SEK 4 million. Depreciation of fixed assets in the German operation reduced income by SEK 5 million.

The previous year's operating income included items affecting comparability of SEK 22 million relating to a capital gain in connection with the sale of Star Byggprodukter.

Financial items amounted to SEK –119 million (–123). The new issue funds obtained in connection with the listing

Quarterly data[1] by business region

	2002				2001			
SEK m	IV	III	II	I	IV	III	II	I
Net sales								
Nordic operation	916	739	1,009	834	889	730	877	815
Continental European operation	508	521	542	512	600	591	636	632
UK operation	947	1,057	1,006	1,065	957	983	587	
Other and Group adjustments	–28	–17	–10	–7	–3	–3	–4	–4
Accounted values	**2,343**	**2,300**	**2,547**	**2,404**	**2,443**	**2,301**	**2,096**	**1,443**
Operating income								
Nordic operation	110	84	149	82	100	82	106	67
Continental European operation	30	22	14	2	16	16	32	6
UK operation	101	103	82	110	87	92	40	
Items affecting comparability								22
Amortisation of goodwill	–17	–15	–16	–16	–16	–16	–13	–6
Other and Group adjustments	–33	–23	–23	–21	–33	–13	–22	–10
Accounted values	**191**	**171**	**206**	**157**	**154**	**161**	**143**	**79**
Operating margin, %								
Nordic operation	12.0	11.4	14.8	9.8	11.3	11.2	12.1	8.2
Continental European operation	5.9	4.2	2.6	0.4	2.7	2.7	5.0	0.9
UK operation	10.7	9.7	8.2	10.3	9.1	9.4	6.8	
Accounted values	**8.2**	**7.4**	**8.1**	**6.5**	**6.3**	**7.0**	**6.8**	**5.5**

[1] Source: Published interim reports that have not been reviewed by auditors.

on Stockholmsbörsen and cash flow from operations enabled Nobia to repay debt totalling SEK 991 million in 2002. SEK 435 of this amount was subordinated debt. The lower debt/equity ratio combined with lower interest and currency effects resulted in reduced interest expense during the second half of the year. The new issue of shares involved costs for Nobia for early extinguishment of debt of SEK 6 million, which was deducted from the net financial income.

The profit after financial items increased by 46 per cent to SEK 606 million (414).

Tax expenses for the year amounted to SEK –198 million (–160), which represents a tax rate of 32.7 per cent (38.6). Excluding non-deductible amortisation of consolidated goodwill, the tax rate was 29.6 per cent (34.4). The table below shows the amounts of current tax and deferred tax that make up the total tax expense.

SEK m	2002	2001
Current tax	–92	–66
Deferred tax	–106	–94
Total tax expense	**–198**	**–160**

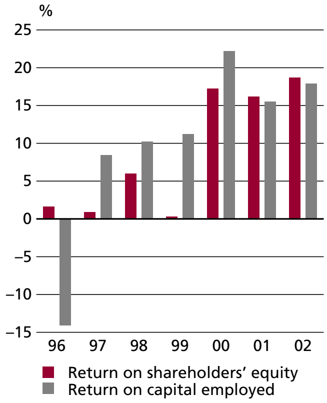
The deferred tax expense for the year is mainly related to utilised restructuring reserves and loss carry forward primarily by the UK operation.

The increase in current tax in 2002 is explained by high earnings in countries where Nobia cannot utilise loss carry forward.

Performance-based key figures

	2002	2001
Earnings per share, full dilution, SEK	7.53	5.15
Return on capital employed, %	17.9	15.5
Return on shareholders' equity, %	18.7	16..2

Earning capacity trend 1996–2002, %



Consolidated balance sheet

ASSETS, SEK m	Note	31 Dec. 2002	31 Dec. 2001
Intangible fixed assets	11		
Goodwill		1,077	1,215
Other intangible fixed assets		30	41
		1,107	**1,256**
Tangible fixed assets	12		
Buildings and land		1,361	1,476
Investments in progress		90	86
Plant and machinery		427	488
Equipment, tools, fixtures and fittings		239	234
		2,117	**2,284**
Financial fixed assets			
Other long-term holdings in securities		1	1
Other long-term receivables	13	38	40
Shares in associated company	13	1	3
Deferred tax	19	44	135
		84	**179**
Total fixed assets		**3,308**	**3,719**
Stock			
Raw materials and consumables		327	362
Work in progress		161	186
Finished products		66	62
Goods for sale		553	568
Advance payments to suppliers		0	0
		1,107	**1,178**
Current receivables			
Tax receivables		5	8
Accounts receivable, trade		880	977
Other receivables		45	39
Prepaid expenses and accrued income	15	91	135
		1,021	**1,159**
Cash and bank balances	16	293	362
Total current assets		**2,421**	**2,699**
Total assets		**5,729**	**6,418**

SHAREHOLDERS' EQUITY AND LIABILITIES, SEK m	Note	31 Dec. 2002	31 Dec. 2001
Restricted reserves	17		
Share capital		58	46
Restricted reserves		2,071	1,496
		2,129	**1,542**
Unrestricted shareholders' equity	17		
Unrestricted reserves/Loss brought forward		52	-20
Profit for the year		408	254
		460	**234**
Total shareholders' equity		**2,589**	**1,776**
Minority interests		**6**	**6**
Provisions for guarantees		22	22
Provisions for pensions	18	91	74
Deferred tax liability	19	139	126
Other provisions	20	124	319
Total provisions		**376**	**541**
Subordinated loan		–	460
Overdraft facility		17	0
Liabilities to credit institutions	21	998	1,833
Other liabilities		39	42
Total long-term liabilities		**1,054**	**2,335**
Liabilities to credit institutions	21	261	46
Advances from customers		87	128
Trade creditors		591	695
Tax liabilities		39	32
Other liabilities		287	297
Accrued expenses and deferred income	22	439	562
Total short-term liabilities		**1,704**	**1,760**
Total shareholders' equity and liabilities		**5,729**	**6,418**
Of which interest-bearing liabilities		1,406	2,455
Pledged assets	23	15,829	15,748
Contingent liabilities	24	89	36

Notes to the balance sheet

Goodwill

At the end of 2002, goodwill amounted to SEK 1,077 million (1,215). Amortisation of goodwill for the year amounted to SEK 63 million. Goodwill is normally amortised over a period of 20 years, since it is related to strategic company acquisitions.

The residual value of goodwill according to plan has a distribution as follows:

SEK m	2002
Acquisition of Novart	91
Acquisition of the Norema Group	198
Acquisition of the Poggenpohl Group	149
Acquisition of the Magnet Group	639
Closing balance, goodwill	**1,077**

At the end of 2002, the acquisition analysis relating to the acquisition of Magnet in May 2001 was adjusted resulting in an increase of goodwill of SEK 70 million. At the same time, the part of the restructuring reserve for the UK operation that will not be used was reversed, which reduced the goodwill by SEK 47 million. The goodwill relating to the joinery operations in Flint and Penrith was reversed in connection with the sale of these operations, resulting in a further reduction of SEK 27 million.

Provisions for restructuring

SEK 83 million of the restructuring reserve was used for the Poggenpohl and Norema acquisitions. The currency effect is SEK –1 million and the provision at the end of the year therefore amounted to SEK 7 million.

In connection with the acquisition of Magnet in 2001, an allocation of SEK 154 million was made for planned restructuring measures. In 2002, SEK 61 million was used and the currency effect reduced the reserve by SEK 9 million. The part of the allocation that is not expected to be used has been reversed and recorded against goodwill after taking into account deferred taxes. The provisions at the end of the year therefore amounted to SEK 17 million.

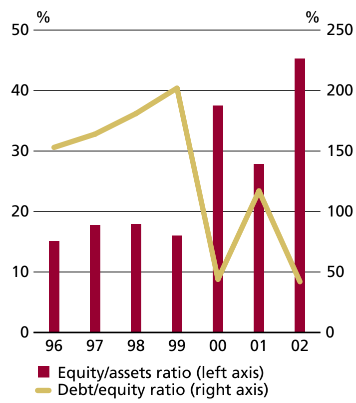
The remaining restructuring reserve will be used to complete ongoing staff cuts and is expected to be depleted in 2003.

Financing

Nobia's gross debt at the end of the year amounted to SEK 1,406 million, compared with SEK 2,455 million at the end of the previous year. A total of SEK 991 million was repaid during the year. Unutilised credit facilities amounted to SEK 962 million compared with SEK 594 million at the end of the previous year.

The net debt amounted to SEK 1,098 million at the end of the year, compared with SEK 2,078 million at the beginning of the year. With respect to Alecta funds, Nobia has a nominal claim of SEK 18 million in refunds from Alecta. After discounts, Nobia has valued this claim at SEK 13 million. The net debt has been reduced by this amount.

Equity/assets ratio and debt/equity ratio 1996–2002, %



Net debt analysis

SEK m	2002	2001
Opening balance	2,078	601
Translation difference	–87	83
Cash-flow from current operations including investments	–274	–324
Sale of Flint & Penrith/ Star Byggprodukter[1]	–117	–132
Acquisition of Magnet	–8	1,561
New share issue	–513	–11
Loan from seller	–	300
Pensions	19	–
Closing balance	**1,098**	**2,078**

[1] Flint & Penrith 2002, Star Byggprodukter 2001.

Shareholders' equity

The shareholders' equity increased in 2002 by SEK 813 million to SEK 2,589 million. The change in shareholders' equity is shown in the table below.

SEK m	2002	2001
Opening balance	1,776	1,363
Translation difference	–108	148
Profit for the year	408	254
New share issue	513	11
Closing balance	**2,589**	**1,776**

Key figures relating to the balance sheet

	2002	2001
Equity/assets ratio, %	45.3	27.8
Debt/equity ratio, %	42	117

Consolidated cash flow statement

SEK m	Note	2002	2001
Current activities			
Operating income		725	537
Depreciation		311	284
Adjustment for items not included in cash flow, etc.		–147	–214
Interest received		12	15
Interest paid		–134	–137
Income tax paid		–82	–71
Cash flow from current activities before changes in working capital		**685**	**414**
Change in stock		–36	13
Changes in receivables		78	106
Changes in operating liabilities		–214	18
Cash flow from operating activities		**513**	**551**
Investment activities			
Investments in tangible fixed assets		–257	–208
Investments in intangible fixed assets		–12	–18
Sale of tangible fixed assets		27	25
Acquisition of subsidiaries	25	8	–1,561
Sale of subsidiaries	26	117	144
Increase/decrease in current financial liabilities		3	–9
Cash flow from investment activities		**–114**	**–1,627**
Financing activities			
Loans raised		–	2,073
New share issue in progress		513	11
Amortisation of liabilities		–991	–778
Increase/decrease in current financial investments		16	–107
Cash flow from investment activities		**–462**	**1,199**
Cash flow for the year		**–63**	**123**
Opening balance, liquid funds		**362**	**221**
Exchange rate differences in liquid funds		–6	18
Closing balance, liquid funds		**293**	**362**

Notes to the cash flow statement

Adjustment for items not included in the cash flow etc. is shown in the table below. This item mainly consists of costs for restructuring the German and UK operations, which are reported against the provision that was made in connection with the respective acquisition.

SEK m	2002	2001
Restructuring costs	–144	–182
Capital gains/losses, depreciation	7	–42
Other	–10	10
Total	**–147**	**–214**

The cash flow from current operations before changes in working capital amounted to SEK 685 million (414) mainly as a result of higher operating income and reduced restructuring costs.

The cash flow was negatively affected by increased stocks in the amount of SEK 36 million, mainly resulting from increased stocks of finished goods in the UK operation. The build-up of stocks is mainly explained by the need for high availability of products for the Homebase DIY chain.

The operating liability was reduced in 2002 by SEK 214 million, of which around SEK 50 million consisted of payments brought forward at the end of the year to facilitate the transition to a new administrative system in the UK operation. The operating liabilities were also reduced as a result of an increase in the use of cash discounts from suppliers.

Operating receivables were reduced by SEK 78 million in 2002, mainly due to lower sales in the Continental European operation.

Cash flow from current operations amounted to SEK 513 million (551). Comparisons with the previous year are made difficult, however, by the fact that when Magnet was acquired in May 2001, it had high seasonal working capital which positively affected the previous year's cash flow.

Investments in fixed assets amounted to SEK 269 million (226). The increase is mainly attributed to the full-year effect of the acquisition of Magnet.

The sale of the joinery operations in Flint and Penrith had a positive effect on the cash flow in the amount of SEK 117 million.

The cash flow after investments excluding company acquisitions/sales amounted to SEK 274 million (341).

Parent company's income statement and cash flow statement

Parent company's income statement

SEK m	Note	2002	2001
Administrative expenses		–6	0
Operating profit/loss		**–6**	**0**
Profit from financial investments	8		
Profit from shares in subsidiaries		17	144
Interest income and similar profit items		30	15
Interest expenses and similar loss items		–22	–35
Profit after financial items		**19**	**124**
Tax on profit for the year	10	14	6
Profit for the year		**33**	**130**

Parent company's cash flow statement

SEK m	Note	2002	2001
Current activities			
Cash flow from current activities before changes in working capital		**19**	**–21**
Changes in liabilities		4	3
Changes in receivables		–136	–212
Cash flow from current operations		**–113**	**–230**
Investment activities			
Cost of acquisitions		–1	–6
Cash flow from investment activities		**–1**	**–6**
Financing activities			
New share issue		513	11
Group contributions		50	–
Loans raised		–	310
Amortisation		–460	–74
Cash flow from financing activities		**103**	**247**
Cash flow for the year		**–11**	**11**
Opening balance, liquid funds		**11**	**0**
Exchange rate differences in liquid funds		–	–
Closing balance, liquid funds		**0**	**11**

Parent company's balance sheet

SEK m	Note	31 Dec. 2002	31 Dec. 2001
ASSETS			
Fixed assets			
Financial fixed assets			
Shares in Group companies	13, 14	1,370	1,369
Total fixed assets		**1,370**	**1,369**
Current assets			
Current receivables			
Receivables from subsidiaries		587	451
Cash and bank balances		0	11
Total current assets		**587**	**462**
Total assets		**1,957**	**1,831**
SHAREHOLDERS' EQUITY AND LIABILITIES	17		
Shareholders' equity			
Restricted shareholders' equity			
Share capital		58	46
New share issue in progress		–	11
Share premium reserve		1,382	870
Statutory reserve		281	281
		1,721	**1,208**
Unrestricted shareholders' equity			
Profit brought forward		186	20
Profit for the year		33	130
		219	**150**
Total shareholders' equity		**1,940**	**1,358**
Long-term liabilities			
Subordinated loan		–	460
Total long-term liabilities		**0**	**460**
Current liabilities			
Liabilities to subsidiaries		13	12
Other liabilities		1	0
Accrued expenses and deferred income	22	3	1
Total current liabilities		**17**	**13**
Total shareholders' equity and liabilities		**1,957**	**1,831**
Pledged assets	23	1,653	1,677
Contingent liabilities	24	1,245	1,818

Notes

Note 1 Accounting and valuation principles

Nobia complies with the Swedish Financial Accounting Standards Council's recommendations. Beginning in 2002 Nobia has adapted to the Council's new recommendations RR 1, 15, 16, 17, 19, 21 and 23. This adjustment has had no material effect on the Group's profits and financial position. In other respects the accounting principles are unchanged compared with the previous year.

Cash flow

The cash flow statement has been prepared according to the indirect method. The accounted cash flow comprises only transactions that entail payments in and out.

Consolidated accounts

The consolidated accounts include subsidiaries where the parent company, directly or indirectly holds more than 50 per cent of the voting rights.

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

If the consolidated acquisition value of the shares exceeds the estimated value of the Company's net assets in the acquisition analysis, the difference is entered as consolidated goodwill. If necessary, when the acquisition analysis is conducted, a provision is made for anticipated restructuring costs.

Companies acquired during the year are including in the consolidated accounts with amounts for the period after the acquisition.

Companies sold are included in the consolidated accounts up to the date of their sale.

Recalculation of foreign subsidiaries

For all 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 average exchange rate for the year. Translation differences are transferred directly to the Group's 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 in 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. The accumulated profits of associated companies not allocated as dividends are reported in the consolidated balance sheet as an equity reserve, under restricted reserves.

Taxes

Deferred tax is calculated according to the balance sheet method on all temporary differences that arise between booked and fiscal values of assets and liabilities.

Loss carry forward that could be utilised against future profits, is capitalised as a deferred tax receivable. This refers to the accumulated loss carry forward at the time of acquisition, as well as any subsequent losses.

Valuation is done using the tax rate applicable on the closing day. Deferred tax is booked as provisions while income tax liabilities are booked as current liabilities. The tax for the year is made up of current tax and deferred tax.

Receivables

Receivables are reported, after individual assessment, at the amounts that are expected to be received.

Receivables and liabilities in foreign currencies

Receivables and liabilities in foreign currencies are valued at the closing day rate. In cases where hedging has been used, e.g. through forward contracts, the forward rate is used. In the case of hedging of future budgeted flows, the hedging instruments are not reassessed when exchange rates fluctuate.

Stock

Stock is valued according to the first in/first out (FIFO) principle, at whichever is the lower of the acquisition value and true value on the closing day. The required obsolescence allocations have been made.

Leasing agreements

Financial leasing agreements are reported in the balance sheet as fixed assets and liabilities respectively, and in the income statement, leasing contracts are divided between depreciation and interest. Operational leasing agreements are reported in the income statements as an operating expense.

Tangible fixed assets

The operating profit has been charged with depreciation according to plan in the income statement, calculated on the original acquisition values and based on the estimated useful life of the assets according to the following:

Office equipment and vehicles	2–5 years
Buildings	15–40 years
Machinery and other technical assets	6–12 years
Equipment, tools and installations	6–12 years

In cases where an asset's book value exceeds its estimated recovery value, the asset is written down to its recovery value. Expenses for improvement of the performance of assets, over and above their original level, increase the assets' book value. Expenses for repair and maintenance are reported as costs.

Intangible assets

Goodwill is subject to straight-line amortisation over its estimated useful life which is set at 20 years. This amortisation period has been chosen because company acquisitions are of long-term strategic value. Amortisation of goodwill is reported in the income statement item "Cost of goods sold."

Other intangible assets, mainly patents and licences, are amortised in the amount of 20–33 per cent per year. The amortisation period is determined based on the estimated useful life of the asset.

Costs for product development are expensed immediately. Product development is mainly in the form of design development and is an ongoing process to adapt to current style trends. This development is relatively fast. No part of the costs for product development is reported as an intangible asset.

Where there are indications that an asset has fallen in value, an assessment is made of the asset's book value, including goodwill. In cases where the book value of an asset exceeds its estimated recovery value, the asset is written down to its recovery value.

Provisions

Provisions are reported according to RR 16, Provisions, Contingent Liabilities and Assets on the balance sheet relating to when the Company has a formal or informal commitment as a result of an event or circumstance, where there is a possibility that an outflow of resources will be needed to pay for the commitment, and a reliable estimate of the amount can be made.

Revenue recognition

The Company recognises revenue when the risk associated with the goods has passed to the customer in accordance with the delivery conditions. In cases where assembly services are provided, the revenue is recognised when the service has been completed.

Note 2 Net sales by geographic market

SEK m	Group 2002	2001
Sweden	724	676
Norway	1,142	1,060
Finland	606	620
Denmark	993	920
Total Nordic region	**3,465**	**3,276**
UK	4,122	4,068
Germany	926	1,164
Netherlands	451	521
Other Europe	339	365
Total Europe	**9,303**	**9,394**
North America	180	261
Other world	111	80
Subtotal	**9,594**	**9,735**
Less companies acquired before acquisition date[1]	–	–1,452
Group	**9,594**	**8,283**

[1] Refers to Magnet in 2001.

Note 3 Salaries, other remuneration and payroll overheads

Of the cost of goods sold and sales and administrative costs, salaries, other remuneration and payroll overheads amount to the following:

SEK m	2002 Salaries and other remuneration	2002 Payroll overheads (of which pension costs)	2001 Salaries and other remuneration	2001 Social security expenses (of which pension costs)
Subsidiaries in:				
Sweden	162	74 (15)	155	68 (13)
Denmark	377	26 (18)	361	23 (16)
Norway	173	38 (4)	152	29 (3)
Finland	81	50 (18)	83	49 (17)
Germany	370	84 (3)	463	97 (4)
UK	592	46 (40)	400	30 (26)
France	2	1 (0)	2	1 (0)
USA	31	6 (0)	35	6 (0)
Austria	1	0 (0)	1	0 (0)
Switzerland	12	2 (1)	12	3 (1)
The Netherlands	2	0 (0)	3	0 (0)
Total subsidiaries	**1,803**	**327 (99)**	**1,667**	**306 (80)**
Parent company	**11**	**4 (0)**	**5**	**2 (0)**
Group	**1,814**	**331 (99)**	**1,672**	**308 (80)**

Note 3 cont.

Salaries and other remuneration, Board and CEO:

	2002	2001
Parent company		
Board and CEO	7	5
Other employees	4	0
Total parent company	**11**	**5**
Subsidiaries		
Board and CEO	32	37
Other employees	1,771	1,630
Total subsidiaries	**1,803**	**1,667**
Group	**1,814**	**1,672**

Senior management remuneration

The Board members and the Chairman of the Board

Board members who are not employed by Nobia have received remuneration totalling SEK 1,692,000, of which the Chairman of the Board received board fees totalling SEK 350,000 in the 2002 financial year. The Chairman of the Board has no pension benefits or severance pay agreement.

CEO

The CEO received SEK 3,949,000 in salary in the 2002 financial year and a bonus related to the 2002 results of SEK 1,400,000.

In addition to the normal pension in accordance with the general pension schemes (ATP and AFP), the CEO has the right to an ITP pension scheme (supplementary pension for salaried employees in industry). By forgoing salary and benefits, the CEO received extra pension premiums amounting to SEK 180,000. The CEO has the right to 12 monthly salaries plus severance pay equivalent to 12 months' salary if employment is terminated by the employer. However, the amount of the severance pay will be reduced in the event a salary is received from other employment. If employment is terminated by the CEO, six months notice must be given.

Other Group management

Other Group management, consisting of nine people in 2002, received salaries during the financial year amounting to SEK 15,296,000 and bonuses based on the 2002 results of SEK 4,242,000. In 2003, the management group consists of 5 individuals in addition to the CEO. Group management has the right to ITP pensions or an equivalent scheme.

Bonus scheme

The bonus scheme for the business unit managers and Group management entitles them to a maximum bonus of 30 per cent of their annual salary and 50 per cent for the CEO. Bonuses are based on an earnings period of one year and are dependent on the extent to which established performance targets are met. The targets for the CEO are set by the Board of Directors. The CEO sets the target for other individuals after obtaining approval from the Board's remuneration committee.

Remuneration committee

In 2002, a remuneration committee was formed. The committee's tasks include preparing proposals with respect to remuneration for the CEO and to reach decisions on remuneration proposals for the managers that report directly to the CEO.

Group management's employment contracts

The contracts include provisions regarding remuneration and termination of employment. Under these agreements, employment may be terminated by the employee with a six-month period of notice and by the Company with a 12-month period of notice. These provisions also apply to the CEO. Certain senior executives, including the CEO, are entitled to severance pay in the amount of one year's basic salary. The employment contracts normally contain a noncompetition clause that applies for the employment term and an additional period of twelve months.

Note 4 Items affecting comparability

SEK m	Group 2002	2001
Capital gain from divestment of Star Byggprodukter	–	22

Note 5 Remuneration to auditors

SEK m	Group 2002	Group 2001	Moderbolaget 2002	Moderbolaget 2001
Auditing[1], Öhrlings PricewaterhouseCoopers	8	8	0	0
Other assignments besides auditing, Öhrlings PricewaterhouseCoopers	3	3	0	0

[1] In addition, SEK 4.5 million in connection with the review of Nobia's listing prospectus.

Note 6 Depreciation per activity

SEK m	2002	2001
Cost of goods sold[1]	–189	–233
Selling expenses	–65	–25
Administrative expenses	–57	–26
	–311	**–284**

[1] Of which amortisation of consolidated goodwill, SEK 63 million (51). Depreciation in addition to reported depreciation has been carried out in the amount of SEK 8 million (10). No depreciation was reported by the parent company.

Note 7 Operational leasing contracts

The nominal value of future contracted leasing contracts, where the remaining duration exceeds one year, breaks down as follows:

	Group 2002	Parent Company 2002
Fall due for payment 2003	348	0
Fall due for payment 2004	315	0
Fall due for payment 2005	277	0
Fall due for payment 2006	245	0
Fall due for payment 2007	225	0

Leasing costs mainly relate to rented property such as stores and plant buildings.

Note 8 Result from financial investments

SEK m	Group 2002	Group 2001	Parent Company 2002	Parent Company 2001
Profit from shares in subsidiaries				
Dividends, anticipated	–	–	17	147
Write-down	–	–	0	–3
Other interest income and similar items				
Interest income, current	11	15	0	15
Exchange rate fluctuation	0	0	30	0
Interest expense and similar items				
Interest expense	–129	–138	–22	–29
Exchange rate fluctuation	–1	0	0	–6
Total	**–119**	**–123**	**25**	**124**

Note 9 Financial risk

Commercial exposure

Nobia applies a decentralised approach to the management of hedging in foreign currencies. The business units hedge themselves against commercial exposure in consultation with the head office and within the framework of the policy established by the Board of Directors for commercial exposure. Nobia's policy is to hedge around 75 per cent of the forecast flows 6 – 9 months in the future, and 100 per cent of projects under contract. The most important currency relationships are the SEK against the NOK and the EUR against the GBP. The total exposure expressed in SEK after offsetting flows in the opposite direction amounted to SEK 826 million in 2002. At the end of 2002, the hedging volume was SEK 397 million. See table under heading Commercial exposure.

Financial exposure

Nobia's policy for financing foreign assets involves financing capital employed with loans in the relevant currency to such an extent that the impact of exchange rate fluctuation on the debt/equity ratio is minimised. Group loans are handled by Nobia's head office. The head office supplies the subsidiaries with funds through an internal bank. Loans are taken in local currencies which minimises the effects that currency fluctuation has on profits. In addition, currency contracts are entered into to avoid exposure.

SEK m	Capital employed/currency	Debt/currency
SEK	326	0
EUR	1,042	181
GBP	1,725	877
DKK	453	154
USD	76	10
NOK	352	37
Other	27	0
Total	**4,001**	**1,259**

Interest risk

Interest is managed at the central level, which means that the head office is responsible for identifying and managing interest risk. Nobia applies a short fixed-interest term. The Group's view is that a high level of interest usually coincides with a high demand in society in general. In 2002 the fixed-interest term was 2 – 3 months.

Borrowing risk

The Group's financing is centralised, which means that funds are borrowed by Nobia AB or Nobia NBI AB. Most of Nobia's borrowing is in the form of a syndicated bank loan. The syndicate consists of four Northern European banks and the loan agreement expires at the end of 2007. Nobia's policy is to work with long-term credit commitments in line with the Group's long-term acquisition strategy. This must however be balanced against the need for low credit costs. In addition to the syndicated loan, Nobia has a small amount of local loans. The table below shows the maturity of all of Nobia's loans.

Year of maturity, SEK m	2003	2004	2005	2006	2007	2008
Loans and credit commitments	516	507	501	246	245	5

Note 9 cont.

Commercial exposure	USD	EUR	NOK	CHF	GBP	Other currencies
Currency contract						
2003, Local currency	–6	13	–149	–5	–	–
2004, Local currency	–1	–	–	–	–	–
Total, SEK m[1]	–56	120	–188	–33	–	–
Market value, SEK m	5	2	–4	0	–	–
Net flows						
2002, Local currency	–1	–48	176	11	5	
Net flows, SEK m[2]	–6	–437	214	69	68	–32
Hedged volume, SEK m[2]	–35	265	–162	–25	–	–

[1] Flows translated to closing day exchange rate, SEK.
[2] Translated with average exchange rate in 2002.

Please note that currency contracts are not always in SEK, the value of SEK should only therefore be seen as a volume indicator.

Note 10 Tax

SEK m	Group 2002	Group 2001	Parent Company 2002	Parent Company 2001
Corporation tax	–92	–66	–	–
Deferred tax	–106	–94	14	6
Total tax for the year	**–198**	**–160**	**14**	**6**

The year's deferred tax expense pertains mainly to utilised loss carry forward in the UK and deferred tax on utilised restructuring reserves.

Tax expense accounted for 32.7 per cent (38.6) of profits before tax. The difference between accounted tax expense (32.7) and anticipated tax expense on the Group's profits before tax and estimated with local tax rates for Sweden (28 per cent) is explained in the table below. The parent company's deferred tax is related to the tax effect of Group contributions.

Group contributions are reported directly against shareholders' equity.

	2002	2001
Local tax rates in Sweden	28%	28%
Different local tax rates	2%	4%
Taxes for previous periods	0%	–2%
Non-deductible goodwill amortisation	3%	3%
Deductible items not related to profits[1]	–2%	–
Other non-deductible/tax exempt items	1%	7%
Other	1%	–1%
Group's tax expense	**33%**	**39%**

[1] Relates to costs in connection with the new share issue which were reported directly against shareholders' equity.

Note 19 explains the calculation of deferred tax liabilities and receivables.

Note 11 Intangible fixed assets

Goodwill	Group 2002	Group 2001
Opening acquisition values	1,336	497
Corporate sales	–29	–
Corporate acquisitions	14	760
Translation differences	–64	79
Closing accumulated acquisition value	**1,257**	**1,336**
Opening amortisation	121	67
Corporate sales	–2	–
Corporate acquisitions	63	51
Translation differences	–2	3
Closing accumulated amortisation	**180**	**121**
Closing planned residual value	**1,077**	**1,215**
Other intangible assets		
Opening acquisition value	142	114
Investments for the year	12	18
Sales and scrapping	–9	–4
Reclassifications	–26	5
Translation differences	–2	9
Closing accumulated acquisition value	**117**	**142**
Opening amortisation	96	80
Sales and scrapping	–7	–3
Reclassifications	–14	1
Amortisation for the year	9	11
Translation differences	–2	7
Closing accumulated amortisation	**82**	**96**
Opening write-downs	5	2
Write-downs for the year	–	3
Closing accumulated write-downs	**5**	**5**
Closing planned residual value	**30**	**41**

Note 12 Tangible fixed assets

Buildings	Group 2002	2001
Opening acquisition value	1,619	1,054
Investment for the year	14	24
Sales and scrapping	–4	–5
Corporate sales	–35	–19
Corporate acquisitions	–	448
Reclassification	41	20
Translation differences	–62	97
Closing acquisition value	**1,573**	**1,619**
Opening depreciation	441	316
Sales and scrapping	–1	–4
Corporate sales	–4	–4
Corporate acquisitions	–	61
Reclassifications	2	1
Depreciation for the year	63	50
Translations differences	–15	21
Closing depreciation	**486**	**441**
Opening write-ups	71	76
Corporate sales	–	–5
Write-downs for the year	–2	–
Closing accumulated write-ups	**69**	**71**
Opening depreciation of write-ups	14	12
Depreciation for the year	3	2
Closing depreciation of write-ups	**17**	**14**
Opening write-downs	–	–
Write-downs for the year	2	–
Closing write-downs	**2**	**–**
Closing planned residual value	**1,137**	**1,235**

Land		
Opening acquisition value	253	133
Investments for the year	2	1
Sales and scrapping	–1	–5
Corporate sales	–2	–1
Corporate acquisitions	–	112
Translation differences	–12	13
Closing acquisition value	**240**	**253**
Opening depreciation	20	17
Corporate acquisitions	–	0
Depreciation for the year	2	2
Reclassifications	3	–
Translation differences	–1	1
Closing acquisitions	**24**	**20**
Opening write-ups	8	8
Closing accumulated write-ups	**8**	**8**
Closing planned residual value	**224**	**241**
Tax assessment for property in Sweden	**72**	**72**
Planned residual value	**34**	**36**

The above includes financial leasing according to the table below:

	Accumulated acquisition value		Accumulated depreciation	
	2002	2001	2002	2001
Buildings and land	39	40	5	5

Investments in progress	Group 2002	2001
Opening balance	86	2
Investments started during the year	96	71
Investments completed during the year	–84	–77
Corporate acquisitions	–	84
Translation differences	–8	6
Closing balance	**90**	**86**

Machines and other technical assets		
Opening acquisition value	2008	1,133
Investments for the year	81	57
Sales and scrapping	–72	–67
Corporate sales	–67	–36
Corporate acquisitions	–15	765
Reclassifications	42	58
Translation differences	–84	98
Closing acquisition value	**1,893**	**2,008**
Opening depreciation	1,505	782
Sales and scrapping	–60	–66
Corporate sales	–44	–29
Corporate acquisitions	–	634
Reclassifications	5	–1
Depreciation for the year	113	112
Translation differences	–68	73
Closing depreciation	**1,451**	**1,505**
Opening write-downs	15	10
Write-down for the year	–	5
Closing write-downs	**15**	**15**
Closing planned residual value	**427**	**488**

Equipment, tools, fixtures and fittings		
Opening acquisition value	505	325
Investments for the year	65	55
Sales and scrapping	–63	–48
Corporate sales	–3	0
Corporate acquisitions	–	127
Reclassifications	28	19
Translation differences	–21	27
Closing acquisition value	**511**	**505**
Opening depreciation	269	225
Sales and scrapping	–57	–40
Corporate sales	–3	0
Corporate acquisitions	–	18
Reclassifications	4	–4
Depreciation for the year	61	56
Translation differences	–8	14
Closing depreciation	**266**	**269**
Opening write-downs	2	–
Write-downs for the year	4	2
Closing accumulated write-downs	**6**	**2**
Closing planned residual value	**239**	**234**

Note 12 cont.

Advance payment for fixed assets	Group 2002	2001
Opening balance	–	1
Redistribution carried out during the year	–	–1
Closing balance	**–**	**–**

No interest has been capitalised for tangible fixed assets in the closing acquisition value.

Note 13 Financial fixed assets

Shares in subsidiaries, SEK m	Parent Company 2002	2001
Opening acquisition value	1,369	1,366
Acquisitions of subsidiaries	–	3
Capital injection	1	0
Closing acquisition value[1]	**1,370**	**1,369**

[1] Taking into account write-downs.

Note 13 cont.

Other long-term receivables, SEK m	Group 2002	2001
Alecta claim & other pension assets	23	22
Deposits	9	9
Long-term loans to retailers	5	7
Other	1	2
Total	**38**	**40**

Shares in associated companies, SEK m	Group 2002	2001
Opening balance	3	0
Reclassification	–	3
Proportion of the year's profit/loss	–2	0
	1	**3**

Shares in associated companies, SEK m	Proportion of equity	Group 2002	2001
HTH Expert w Kuchni sp Z	44.7%	1	3

Not 14 Shares and participations in subsidiaries

Nobia AB's shares and participations in Group companies

	Corp. reg. no.	Reg. office	Share of equity, %	No. of shares	Book value
Nobia Nordisk Bygginteriör AB	**556060-1006**	**Stockholm**	**100**	**100**	**456**
Sigdal Kjøkken AS		**Kolbotn**	**100**		
Marbodal AB	**556038-0072**	**Tidaholm**	**100**		
Marbodal Oy[1]		Helsinki	100		
HTH Køkkener A/S		**Ølgod**	**100**		
HTH Kök Svenska AB	556187-3190	Helsingborg	100		
Danica Invest A/S[1]		Bjerringbro	100		
HTH Kolding A/S		Kolding	100		
HTH Handel A/S[1]		Ølgod	100		
HTH Handel 2 A/S[1]		Ølgod	100		
HTH Handel 4 A/S[1]		Ølgod	100		
HTH Køge A/S		Køge	100		
HTH Kitchens Ltd[1]		UK	100		
Novart OY		**Nastola**	**100**		
Nobia Holding (UK) Limited		Keighley	100		
Magnet Ltd		**Keighley**	**100**		
– Hiveserve Ltd		Keighley	100		
– C.P. Hart & Sons Ltd		**Keighley**	**100**		
– Aquamaison Ltd[1]		*Keighley*	*100*		
– Kitchen Sense (Surrey) Ltd		Keighley	100		
– Esher Management Ltd[1]		*Keighley*	*100*		
– Dorking Management Ltd[1]		*Keighley*	*100*		
– Aqua Ware Ltd[1]		Keighley	100		
– Magnet Group Trustees Ltd[1]		Keighley	100		
– Flint Properties Ltd		Keighley	100		

[1] Dormant.

Note 14 cont

	Corp. reg. no.	Reg. office	Share of equity, %	No. of shares	Book value
Magnet (Retail) Ltd		Keighley	100		
Eastham Ltd[1]		Keighley	100		
Hyphen Fitted Furniture Ltd[1]		Keighley	100		
Magnet Distribution Ltd[1]		Keighley	100		
The Penrith Joinery Company Ltd		Keighley	100		
Magnet & Southerns Ltd[1]		Keighley	100		
Magnet Furniture Ltd[1]		Keighley	100		
Magnet Joinery Ltd[1]		Keighley	100		
Larkflame Ltd		Keighley	100		
Magnet Manufacturing Ltd[1]		Keighley	100		
Magnet Retail Ltd[1]		Keighley	100		
Magnet Supplies Ltd[1]		Keighley	100		
Magnet Industries Ltd[1]		Keighley	100		
Magnet Kitchens Ltd[1]		Keighley	100		
Lovene Dörr AB[1]	556038-1724	Gothenburg	100		
Star Möbelwerk GmbH[1]		Melle	99.95		
Nobia Interiör AB[1]	556039-2440	Tidaholm	100		
Swedoor Bauelemente-Vertrieb GmbH[1]		Weiterstadt	100		
Nobia Köksinvest AB[1]	556062-9502	Värnamo	100		
Myresjökök AB	**556048-3256**	**Älmhult**	**100**	**30,000**	**77**
Poggenpohl Möbelwerke GmbH		**Herford**	**98.57**	**6**	**532**
Poggenpohl Group UK Ltd		Milton Keynes	100		
Poggenpohl France SARL		Montesson Cedex	100		
Poggenpohl US Inc.		Wayne NJ	100		
Poggenpohl GesmbH		Wien	100		
Poggenpohl Group Schweiz AG		Littau	100		
Poggenpohl AB	556323-2551	Stockholm	100		
Poggenpohl A/S		Copenhagen	100		
Poggenpohl Nederland BV		Arnhem	100		
Poggenpohl Belgium NV		Gent	100		
Poggenpohl Service GmbH		Herford	100		
Rose Küche Beteiligungs GmbH		Herford	100		
Möbelwerkstätten Josef Ritter GmbH		Herford	100		
Goldreif Möbelfabrik GmbH		**Bad Salzuflen**	**100**		
Pronorm Einbauküchen GmbH		**Vlotho**	**100**		
Optifit Jaka-Möbel GmbH		**Stemwede**	**100**		
Eurofit Vertriebs-GmbH		Stemwede	100		
Marlin Bad-Möbel GmbH		Stemwede	100		
Norema AS		**Jevnaker**	**100**	**20,000**	**154**
Invita Køkkener A/S		**Bording**	**100**	**6,000,000**	**151**
Invita Detail & Projekt A/S		Bording	100		
Invita Köksstudio AB	556634-7497	Malmö	100		
Norema Försäljnings AB	556236-4280	Stockholm	100	1,000	0
Total					**1,370**

[1] Dormant.

Note 15 Prepaid expenses and accrued income

SEK m	Group 2002	Group 2001
Prepaid rent	22	25
Bonus from suppliers	17	20
Prepaid bank charges	9	10
Other	43	80
Total	**91**	**135**

Note 16 Liquid funds

SEK m	Group 2002	Group 2001	Parent Company 2002	Parent Company 2001
Cash and bank balances	293	362	0	11

The Group's unused credit facilities, which are not included in the liquid funds, totalled SEK 200 million (172) at the end of the year. In addition to bank overdraft facilities, the Company has unused credit commitments of SEK 762 m (422).

Note 17 Change in shareholders' equity

The Group, SEK m	Share capital	Restricted reserves	Unrestricted shareholders' equity	Total
Opening balance, 1 Jan.	46	1,496	234	1,776
New share issue	12	501		513
Change in exchange rate differences		–65	–43	–108
Transfer between restricted and unrestricted shareholders' equity		139,	–139	0
Profit for the year			408	408
Closing balance, 31 Dec.	**58**	**2,071**	**460**	**2,589**
Total translation difference in the closing balance				66

The Parent Company, SEK m	Share capital	New share issue in progress	Share premium reserve	Statutory reserve	Unrestricted shareholders' equity	Total
Opening balance, 1 Jan.	46	11	870	281	150	1,358
New share issue	12	–11	512			513
Group contribution received					50	50
Tax on Group contribution					–14	–14
Profit for the year					33	33
Closing balance, 31 Dec.	**58**	**0**	**1,382**	**281**	**219**	**1,940**

The share capital consists of 57,669,220 shares.

Options schemes

The Company's warrants were exercised in connection with the listing on Stockholmsbörsen in June 2002.
The Company has no outstanding warrants.

Note 18 Provisions for pensions

SEK m	2002	2001
FPG/PRI pensions	19	17
Other pensions	72	57
Total	**91**	**74**

Local regulations relating to pension provisions have been followed for operations outside Sweden.

Nobia intends to adjust its accounting of pension liabilities in 2004 in accordance with the Financial Accounting Standards Council's recommendation RR 29 on remuneration to employees. Nobia estimates that if this change in the accounting principle had been applied at the end of 2002, the shareholders' equity would have been negatively affected by around SEK 300–400 million. Nobia's listing prospectus indicated a deficit of SEK 140–180 million as of 31 March 2002. The change is largely explained by the major fall in the stock markets in 2002. The deficit mainly relates to the UK operation.

Note 19 Deferred tax

The Group's deferred tax for the year of SEK –106 million (-94) is accounted for as a tax expense in the consolidated income statement. The deferred tax liability for the year relates mainly to the utilised loss carry forward in the UK and deferred tax on restructuring reserves that have been released.

The period's changes in deferred tax recoverable/liability

Deferred tax recoverable

	Group	
SEK m	2002	2001
Opening balance	135	73
Adjustment opening balance[1]	–	145
Exchange rate fluctuations	–17	13
Acquisitions[2]	10	157
Deferred tax expense for the period	–128	–90
Reversal of previous year's setoff	162	–
Setoff this year within tax community	–118	–162
Other changes[3]	0	–1
Closing balance	**44**	**135**

[1] Gross accounting of former net accounted deferred tax in accordance with RR 9.

[2] Acquisition of Magnet in May 2001 and adjustment for the same acquisition in 2002.

[3] Concerns reclassification between deferred tax and actual tax.

Note 19 cont.

Deferred tax liability

	Group	
SEK m	2002	2001
Opening balance	126	100
Adjustment opening balance[1]	–	145
Exchange rate fluctuations	–9	19
Acquisitions[2]	–	40
Disposals[3]	–	–6
Deferred tax income for the period	–22	4
Reversal of previous year's setoff	162	–
Setoff this year within tax community	–118	–162
Other changes[4]	0	–14
Closing balance	**139**	**126**

[1] Gross accounting of former net accounted deferred tax in accordance with RR 9.

[2] Acquisition of Magnet in May 2001 and adjustment for the acquisition of Poggenpohl in October 2000.

[3] Disposal of star Byggprodukter January 2001.

[4] Concerns the reclassification between deferred tax and current tax.

The period's deferred tax credit/tax liability

Deferred tax credit and liability are offset when there is a legal offsetting right for current tax credit and liability and when deferred tax concerns the same authority.

Deferred tax credit

	Group	
SEK m	2002	2001
Loss carry forward	126	204
Restructuring reserve	10	82
Temporary differences	17	–
Other	9	11
Closing balance before setoff	**162**	**297**
Legal setoff	–118	–162
Closing balance	**44**	**135**

Deferred tax liability

	Group	
SEK m	2002	2001
Fiscal excess depreciation	89	111
Write-ups	163	174
Other	5	3
Closing balance before setoff	**257**	**288**
Legal setoff	–118	–162
Closing balance	**139**	**126**

The value of the loss carry forward for which deferred tax recoverable is not considered amounts to SEK 46 million (90).

Nobia does not account for any deferred tax for temporary differences relating to investments in subsidiaries or associated companies. Possible future effects (basic tax and other deferred tax for profit taking within the Group) are accounted for when Nobia no longer is able to govern cancellation of such differences or when, for other reasons, it is no longer improbable that cancellation will occur in the foreseeable future. Such possible future effects are not considered in any way to relate to the total amount of the temporary differences.

Note 20 Other provisions

SEK m	Group 2002	Group 2001
Opening balance for provision for restructuring measures	245	252
Provision for restructuring measures	–	154
Utilised restructuring reserve	–144	–190
Reversed restructuring reserve	–67	–
Exchange rate fluctuations, restructuring measures	–10	29
Closing balance provision for restructuring measures	**24**	**245**
Other provisions	100	74
Total	**124**	**319**

These mainly refer to the restructuring measures for acquired companies. SEK 83 million (182) was used for the companies acquired in 2000. Effects of exchange rate fluctuations amounted to SEK-1 million and a provision of SEK 7 million was therefore made at the end of the year. In connection with the acquisition of Magnet in 2001, an allocation of SEK 154 million was made for planned restructuring measures. In 2002 SEK 61 million (8) was used and the currency effect reduced the reserve by SEK 9 million. The restructuring reserve for the UK operation is not expected to be used in full and consequently SEK 67 million has been reversed. The provision at the end of the year therefore amounted to SEK 17 million (154). The remaining restructuring reserve will be used to complete ongoing staff cuts and is expected to be depleted in 2003.

Other provisions amounting to SEK 100 million (74) consist mainly of reserves for unutilised rights of tenancy, guarantee commitments and loss-making stores. Correction of the acquisition analysis relating to Magnet resulted in an increased provision in the amount of SEK 60 in 2002.

Note 21 Liabilities to credit institutions

Maturity, SEK m	2002	2001
Within 1 year	261	46
Between 1 and 5 years	990	1,821
Longer than 5 years	8	12
Total	**1,259**	**1,879**

Note 22 Accrued expenses and deferred income

SEK m	Group 2002	Group 2001	Parent Company 2002	Parent Company 2001
Bonus to customers	52	70	–	–
Accrued salaries	119	112	2	–
Accrued payroll overheads and pensions	30	33	1	–
Accrued interest	4	6	–	1
Rents	7	21	–	–
Other	227	320	–	–
Total	**439**	**562**	**3**	**1**

Note 23 Pledged assets

SEK m	Group 2002	Group 2001	Parent Company 2002	Parent Company 2001
Liabilities to credit institutions				
Chattel mortgages	8,063[1]	8,080[1]		–,,
Property mortgages	5,335[1]	5,151[1]		–
Shares in subsidiaries	2,431	2,512	1,370	1,368
Other current assets	0	0	283	309
For pension provisions				
Property mortgages	0	5	–	0
Total pledged assets	**15,829**	**15,748**	**1,653**	**1,677**

[1] Of which SEK 12,500 million pertains to a subsidiary for the benefit of Nobia's loan syndicate. The equivalent loan for Nobia is SEK 1,203 million. Comparative figures for 2001 have been adjusted accordingly.

Note 24 Contingent liabilities

SEK m	Group 2002	Group 2001	Parent Company 2002	Parent Company 2001[1]
Sureties	0	11	9	20
Guarantees	89	25	1,236	1,798
Total	**89**	**36**	**1,245**	**1,818**

[1] The comparative figures for 2001 have been adjusted.

Note 25 Acquisition of subsidiary

The Magnet Group was acquired with effect from May 2001. In 2002 the operations in Flint & Penrith were sold and the effects of this are described in Note 26. Otherwise the acquisition values have been corrected according to the table below. The cash flow mainly relates to repaid VAT.

Adjustment for previous year's acquisitions[1], SEK m	
Goodwill	–14
Tangible fixed assets	15
Deferred tax recoverable	–10
Provisions	3
Pension liabilities	19
Current liabilities	–5
Total cash flow attributable to investments in subsidiaries	**8**

[1] A positive amount refers to an inflow.

Note 26 Divestment of subsidiaries

In 2002, the operations in Flint & Penrith were divested. The effect of these transactions on acquired assets and liabilities, purchase price and the effect on the consolidated liquid funds are as follows:

SEK m	2002
Goodwill	27
Tangible fixed assets	56
Stock	38
Deferred tax liability	–1
Exchange rate fluctuation	–3
Total cash flow attributable to divested subsidiaries	**117**

Note 27 Purchases and sales between subsidiaries and the Parent Company

There has been no sale of goods to or purchase of goods from other Group companies during the year. However, the parent company has invoiced for Group-related services.

Note 28 Average number of employees

	2002		2001	
Subsidiaries in	No. of employees	Of which men	No. of employees	Of which men
Sweden	544	429	553	451
Denmark	977	690	953	680
Norway	504	299	519	331
Finland	463	313	478	331
Germany	1,160	883	1,280	997
UK	2,059	1,684	1,479	1,228
France	4	2	2	–
USA	53	31	51	27
Austria	2	1	2	1
Switzerland	20	15	20	13
The Netherlands	4	4	6	6
The Group	**5,790**	**4,351**	**5,343**	**4,065**

Stockholm, 12 March 2003

Hans Larsson
Chairman of the Board

Harald Mix
Vice Chairman

Gerard De Geer

Karsten Bomann Jonsen

Wilhelm Laurén

Thomas Nilsson

Staffan Schéle

Flemming Østergaard

Per Bergström
Employee representative

Olof Harrius
Employee representative

Fredrik Cappelen
CEO

Our Audit Report was submitted on 12 March 2003

Öhrlings PricewaterhouseCoopers AB

Robert Barnden
Authorised Public Accountant

Audit Report

To the general meeting of shareholders of Nobia AB

Corporate reg. no. 556528-2752

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Nobia AB for the year 2002. These accounts and the administration of the company are the responsibility of the board of directors and the managing director. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. 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 annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and, thereby, give a true and fair view of the company's and the Group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden.

We recommend to the general meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit for the parent company be dealt with in accordance with the proposal in the administration report, and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Stockholm, 12 March 2003

Öhrlings PricewaterhouseCoopers AB

Robert Barnden
Authorised Public Accountant

The Board and auditors

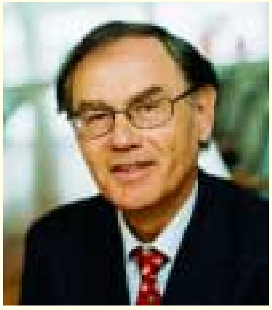

Hans Larsson


Harald Mix


Karsten Bomann Jonsen

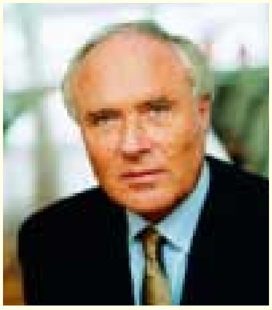

Fredrik Cappelen


Gerard De Geer


Wilhelm Laurén


Thomas Nilsson


Staffan Schéle


Flemming Østergaard


Erik Larsson

Employee representatives


Inga Andersen


Per Bergström


Olof Harrius


Kjell-Ole Marken

HANS LARSSON
Stockholm, born 1942. Chairman, Board Member since 1996.
Chairman of Sydsvenska Kemi AB, Biolight International AB and Carema AB. Board member of, among others, Bilia AB, Svenska Handelsbanken AB, Holmen AB and Pergo AB.
Shareholding in Nobia AB: 130,000 shares.

HARALD MIX
Stockholm, born 1960, Vice Chairman, Board Member since 1996.
MD of Altor Equity Partners AB. Board member of Electrokoppar AB
Shareholding in Nobia AB: 40,000 shares.

KARSTEN BOMANN JONSEN
Bekkestua, Norway, born 1950, Board Member since 2000,
President of Selvaag Gruppen A/S. Chairman of, among others, Isolitt A7S, Selvaag Eiendom A/S, City Self Storage S/S and Selvaag Omsorg A/S. Board Member of, among others, Norsk Kjøkken Invest A/S and A/S Selvaagbygg.
Shareholding in Nobia AB: 0

FREDRIK CAPPELEN
Stockholm, born 1957,
Board Member since 1996.
Employed as MD of Stora Byggprodukter AB 1995 and President and CEO of Nobia AB since 1996.
Shareholding in Nobia AB: 337,700 shares.

GERARD DE GEER
Stockholm, born 1949, Board Member from 3 April 2002. Director Operations & Business Control of Industri Kapital AB. Chairman of Citylink AB, Vice Chairman of Lindex AB. Board Member of Electrokoppar Holding AB, Consolis Oy, MacGregor International AB and Carema AB.
Shareholding in Nobia AB: 0

WILHELM LAURÉN
Stockholm, born 1943, Board Member since 1996. Chairman of Hörnell Holding, Electrokoppar Holding AB and Enermet Group. Board Member of, among others, Drott AB and Martinssongruppen AB.
Shareholding in Nobia AB: 30,000 shares.

THOMAS NILSSON
London, born 1948, Board Member since 1998. CEO of Firesteed Capital Limited. Board member of Dyconex AG and Fulcrum Invest Equity N.V.
Shareholding in Nobia AB: 37,000 shares.

STAFFAN SCHÉLE
Stockholm, born 1949, Board Member since 2001. Senior Vice President, Corporate Finance Skanska AB since 1994. Board Member of Nordisk Kartro AB, Polaris Aircraft Leasing KB, Swedish Aircraft Four KB
Shareholding in Nobia: 0

FLEMMING ØSTERGAARD
Skogsborg, Denmark, born 1943, Board Member since 1997. Chairman of PARKEN Sport & Entertainment A/S, Driftsselskabet Idraetsparken A/S, EuroMedia A/S, Saloprint Holding A/S, FCK Hådbold A/S, Board member of Wonderful Copenhagen, J.L.G. Enterprise A/S, Albatros Travel A/S, The Great Wall Marathon A/S.
Shareholding in Nobia AB: 30,000 shares.

ERIK LARSSON
Stockholm, born 1971, Deputy Board Member since 2000. Associate Director at Industri Kapital AB. Deputy Board Member of VSM Group AB and Telefos AB.
Shareholding in Nobia AB: 0

INGA ANDERSEN
Ølgod, Denmark, born 1951, Deputy Board Member, employee representative since 2000. Employed at HTH Køkkener A/S since 1973.
Shareholding in Nobia AB: 0

PER BERGSTRÖM
Tidaholm, born 1960, employee representative since 2000. Employed at Marbodal AB, Tidaholm since 1976.
Shareholding in Nobia AB: 0

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

KJELL-OLE MARKEN
Eggedal, Norway, born 1967, deputy employee representative since 2000. Employed at Sigdal AS, Nedre Eggedal since 1986.
Shareholding in Nobia AB: 0

Auditor

ROBERT BARNDEN
Sollentuna, born 1946
Authorised Public Accountant
Öhrlings PricewaterhouseCoopers.

Board activities in 2002

The Board of Nobia consists of nine members and one deputy elected by the AGM and four employee representatives. Other executives in the Company take part in the board meetings providing reports and taking the minutes. During the 2002 financial year, the Board held five ordinary meetings and eight extraordinary meetings. The Board went on two trips during the year to visit operations outside the Nordic region that are important to the Group.

At the meetings, the Board dealt with the fixed agenda for each meeting including business position, investments, budget, interim reports and annual accounts. Issues involving the Group's strategy and regarding acquisitions were a major focus of the Board's work. The listing of Nobia AB on Stockholmsbörsen required extra efforts by the Board.

The control issues to be handled by the Board are addressed by the entire Board. To safeguard the Board's information requirements in this respect, the Company's auditor reports to the Board annually his observations from the audit and his opinion on the Company's internal control systems.

Remuneration committee

In 2002, a remuneration committee was formed with the task of preparing proposals for the Board relating to the Company's remuneration programme (pension policy, bonus scheme etc.) and also the remuneration and employment terms for the CEO. The committee also has the task of reaching decisions on the CEO's proposals relating to remuneration and other employment terms for the managers who report to the CEO and to ensure that the company has an adequate programme to ensure the supply of managers and their development.

Nominating committee

Shareholders representing 65 per cent of the capital and votes have appointed a nominating committee with a mandate to submit proposals for Board members as well as Board fees. The nominating committee consists of: Hans Larsson, Chairman of Nobia, Hans Björck, Skanska, Björn Atle Holter-Hovind, Norsk Kjøkken Invest, Tomas Nicolin, tredje AP-fonden and Christian Salamon, Industri Kapital.

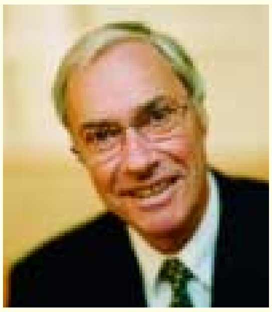
Management

Group management


Fredrik Cappelen


Ingemar Tärnskär


Lennart Rappe


Preben Bager


Peter Petersson


Gary Favell

FREDRIK CAPPELEN,
born 1957.
President and CEO,
Employed since 1995.
Shareholding in Nobia AB:
337,700 shares.

LENNART RAPPE,
born 1944.
Executive Vice President, CFO.
Employed since 1999.
Shareholding in Nobia AB:
133,720 shares.

PETER PETERSSON,
born 1951.
Vice President, Business Development/Human Resources.
Employed since 1995.
Shareholding in Nobia AB:
134,400 shares.

INGEMAR TÄRNSKÄR,
born 1961.
Vice President, Production, Purchasing and Logistics. Employed since 2001.
Shareholding in Nobia AB:
106,020 shares.

PREBEN BAGER,
born 1948.
Vice President, Operations,
Business Unit Manager HTH.
Employed at HTH since 1989.
Shareholding in Nobia AB:
470,000 shares.

GARY FAVELL,
born 1956.
Vice President Operations,
Business Unit Manager Magnet.
Employed at Magnet since 1987.
Shareholding in Nobia AB:
233,240 shares.

Business unit managers

ULRICH GALLA,
born 1945.
Business Unit Manager Goldreif.
Employed at Goldreif 1991.
Shareholding in Nobia AB:
8,180 shares.

LEIF NYGÅRD,
born 1949.
Business Unit Manager Invita.
Employed at Invita since 1974.
Shareholding in Nobia AB:
30,940 shares.

ANDERS REUTHAMMAR,
born 1949.
Business Unit Manager Marbodal.
Employed at Marbodal since 1997.
Shareholding in Nobia AB:
100,000 shares.

PER ANDERSSON,
born 1948.
Business Unit Manager Myresjökök.
Employed at Myresjökök since 1988.
Shareholding in Nobia AB:
3,030 shares.

BJÖRN ARNESTAD,
born 1946.
Business Unit Manager Norema.
Employed at Norema since 2000.
Shareholding in Nobia AB:
11,210 shares.

JORMA LEHTOVUORI,
born 1952.
Business Unit Manager Novart.
Employed at Novart since 1985.
Shareholding in Nobia AB:
46,000 shares.

LEO BRECKLINGHAUS,
born 1959.
Acting Business Unit Manager Optifit.
Employed by Optifit since 2000.
Shareholding in Nobia AB:
1,500 shares.

ELMAR DUFFNER,
born 1960.
Business Unit Manager Poggenpohl.
Employed by Optifit since 1999.
Shareholding in Nobia AB:
11,450 shares.

FRIEDHELM MEYER,
born 1940.
Business Unit Manager Pronorm.
Employed at Pronorm since 1991.
Shareholding in Nobia AB: 0.

EGIL WOLD,
born 1947.
Business Unit Manager Sigdal.
Employed at Swedoor 1990.
Shareholding in Nobia AB:
196,800 shares.

Annual General Meeting

Annual General Meeting

The shareholders of Nobia AB are hereby invited to attend the Annual General Meeting at 5 p.m. on 23 April 2003 at the Conference Centre of the World Trade Centre, Klarabergsviadukten 70, Stockholm in the New York room.

Notification

Shareholders wishing to participate in the Annual General Meeting must:

1. be registered in the shareholders register kept by VPC AB (Securities Register Centre) on 11 April 2003.

2. notify the company of their intention to attend the meeting no later than 4 p.m. on Tuesday, 15 April 2003.

Notification regarding participation in the Annual General Meeting may be in writing to Nobia AB, Box 70376, 107 24 Stockholm or by phone to +46 (8)440 16 00, by fax to +46 (8)440 16 20. Notification may also be in the form of an e-mail to caroline.almgren@nobia.se

Notification shall include the shareholder's name, national registration number or corporate registration number, address and telephone number.

Shareholders whose shares are registered in the name of a trustee must also request that they be temporarily registered in the shareholders register of VPC AB, in order to be entitled to participate in the Annual General Meeting. Shareholders must inform the trustee of this well in advance of Friday, 11 April 2003, when the registration must be completed.

Payment of dividends

The proposed record date for entitlement to receive dividends is Monday, 28 April 2003. Payment will be through VPC and is expected to take place on Friday, 2 May 2003.

Shares and shareholders

Nobia was listed on the O-list of Stockholmsbörsen on 19 June 2002. For the spread of ownership that preceded the listing, a new share issue was implemented at the same time as the principle owners sold shares. In both cases the share price was SEK 78. The new issue consisted of 7,000,000 shares and injected SEK 513 million into the Company. The principle owners sold 12,933,297 shares, making the total offering worth around SEK 1,600 million. The offering was subscribed for three times. A trading unit consists of 100 shares.

Price trend and turnover

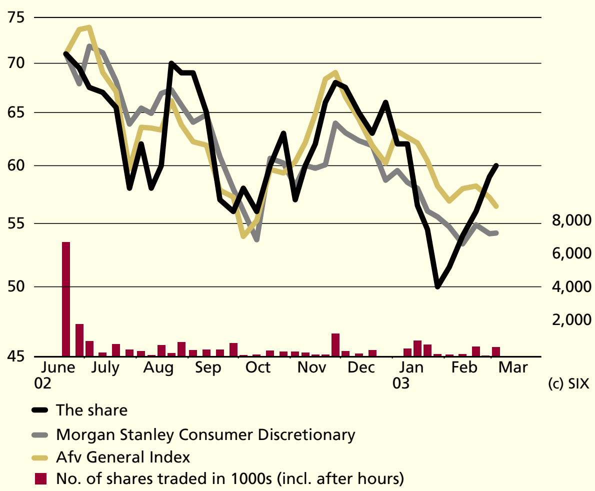
Nobia's share price fell by 9 per cent from SEK 71.00 on 19 June 2002 to SEK 64.50 on 31 December 2002.

During the same period the Affärsvärlden General Index fell by 18 per cent and Stockholmsbörsen's index for manufacturers of durable consumer goods and services (SX 25 Consumer Discretionary) fell by 16 per cent. The highest and lowest prices were SEK 78.00 and SEK 51.00, respectively. The total market capitalisation amounted to SEK 3,720 million on 31 December 2002. 19,805,494 Nobia shares were traded on Stockholmsbörsen in 2002. The turnover rate, i.e. the number of shares traded in relation to the total number of shares in the company, was 34.3 per cent. After adjustment for the fact that Nobia was not listed for the full year in 2002, the turnover rate was 64 per cent.

Index affiliation

From 1 January 2003, Nobia was listed on the Attract-40 segment of Stockholmsbörsen. This consists of the 40 most liquid shares on the O-list. Nobia is also included in Stockholmsbörsen's index for manufacturers of durable consumer goods and services (SX 25 Consumer Discretionary) in the Home Improvement Retail subgroup.

Price trend



Share facts

The share capital in Nobia AB amounts to SEK 57,669,220, distributed between 57,669,220 shares, each with a nominal value of SEK 1. Each share entitles the holder to one vote. All of the shares carry the same entitlement to the Company's assets and profits.

Ownership structure

On 30 December 2002, Nobia had 824 shareholders. The ten largest owned 75.8 per cent of the capital and votes. Foreign owners held 25.6 per cent of the share capital and Swedish institutional shareholders 62.5 per cent. The six members of management of Nobia had holdings in Nobia at the end of the year equivalent to 2.5 per cent of the capital and votes. Nobia's Board members owned 604,700 shares in the Company, equivalent to 1.0 per cent of the capital and votes.

Nobia's ten largest owners according to VPC AB's official shareholders register for directly or trustee-registered shares on 31 December 2002:

	Percentage of votes
Industri Kapital 1994 Fund	39.6
Skanska	12.5
Tredje AP Fund	6.9
Norsk Kjøkken Invest	6.6
Capital Group funds	2.2
Öresund	1.7
Nordea funds	1.7
Svenska Handelsbanken/SPP funds	1.6
Skandia Carlsson funds	1.5
Orkla	1.3

Data per share

SEK	2002	2001
Earnings per share before full dilution	7.83	5.47
Earnings per share after full dilution	7.53	5.15
Dividend per share[1]	2.25	–
Dividend yield %[2]	3.5	–
P/E[2]	8.57	–
Shareholders' equity per share	45	38

[1] Proposed dividend.
[2] Price 30 December 2002, SEK 64.50.

The limitations which, in connection with the listing in June 2002, were placed on Industri Kapital, Skanska and Norsk Kjøkken Invest relating to the sale of shares in Nobia, expired on 6 February 2003.

Share repurchase

Repurchasing the Company's own shares is currently not an option. At the beginning of 2003, Nobia owned none of its own shares.

Share-related incentive schemes

At the beginning of 2003, Nobia had no share-related incentive schemes and had issued no warrants.

Dividend policy

The Board's intention is for Nobia to pay a dividend equivalent to 30 per cent of the after-tax earnings over a business cycle. When preparing proposals for future dividends, the Board will take into account the investment requirement, financial position, earnings trend and prospects over the next few years. For the 2002 financial year, the Board proposes a dividend of SEK 2.25 per share, which is equivalent to 31.8 per cent of the net earnings for the year or SEK 129.8 million.

Analysis

The following securities brokers and banks have presented analyses of Nobia: D. Carnegie, Deutsche Bank, Enskilda Securities, Hagströmer & Qviberg and Swedbank.

Ownership structure

	No. of shares	No. of shareholders	Percentage of shares	Percentage of shareholders
1–500	80,242	441	0.14%	53.52%
501–1,000	56,964	66	0.10%	8.01%
1,001–2,000	71,714	45	0.12%	5.46%
2,001–5,000	163,847	45	0.28%	5.46%
5,001–10,000	280,974	36	0.49%	4.37%
10,001–20,000	800,058	55	1.39%	6.67%
20,001–50,000	1,473,792	47	2.56%	5.70%
50,001–100,000	2,047,237	28	3.55%	3.40%
100,001–	52,694,392	61	91.37%	7.41%
	57,669,220	**824**	**100%**	**100%**

Change in share capital

Year	Transaction	Change in no. of shares	Change in share capital	Total share capital	Total no. of shares	Nominal amount
1995	Company formed	10,000	100,000	100,000	10,000	10
1996	New issue	2,990,000	29,900,000	30,000,000	3,000,000	10
1997	New issue	126,220	1,262,200	31,262,200	3,126,220	10
1998	New issue	4,425	44,250	31,306,450	3,130,645	10
2000	Non-cash issue[1)]	987,636	9,876,360	41,182,810	4,118,281	10
2000	Non-cash issue[2)]	509,123	5,091,230	46,274,040	4,627,404	10
2001	Non-cash issue[1)]	989	9,890	46,283,930	4,628,393	10
2001	New issue	26,684	266,840	46,550,770	4,655,077	10
2002	New issue	297,944	2,979,440	49,530,210	4,953,021	10
2002	New issue	113,901	1,139,010	50,669,220	5,066,922	10
2002	Split 10:1	45,602,298	–	50,669,220	50,669,220	1
2002	New issue	7,000,000	7,000,000	57,669,220	57,669,220	1

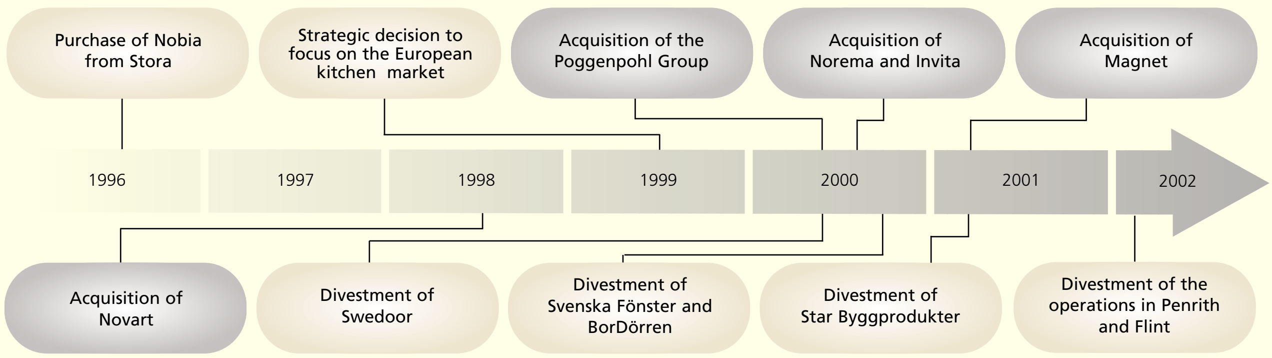
1) Refers to Poggenpohl acquisition.
2) Refers to Norema/Invita acquisitions.

7-year summary

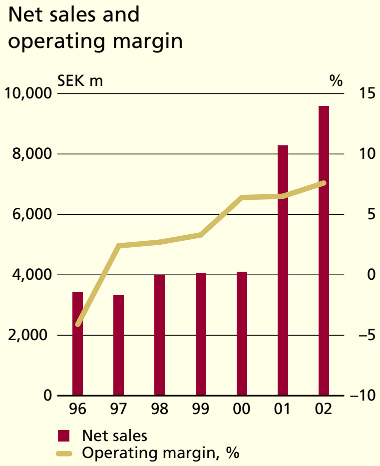
SEK m	1996	1997	1998	1999	2000	2001	2002
Income statement							
Net sales	3,412	3,316	3,977	4,049	4,102	8,283	9,594
Change in per cent	*–*	*–3*	*20*	*2*	*1*	*102*	*16*
Gross earnings	–	873	1,082	1,176	1,325	3,170	3,984
Operating income	–139	79	110	132	261	537	725
Financial income	7	3	3	3	9	15	11
Financial costs	–35	–45	–59	–51	–50	–138	–130
Profit/loss after financial items	**–167**	**37**	**54**	**84**	**220**	**414**	**606**
Tax on profit/loss for the year	33	–34	–33	–83	–115	–160	–198
Minority share in profit/loss for the year	–	–	–	–	0	0	0
Profit/loss for the year	**5**	**3**	**21**	**1**	**105**	**254**	**408**
Balance sheet							
Fixed assets	1,062	910	1,052	1,000	1,975	3,719	3,308
Stock	380	371	385	447	614	1,178	1,107
Receivables	450	395	498	608	835	1,159	1,021
Liquid funds	153	157	160	135	221	362	293
Total assets	**2,045**	**1,833**	**2,095**	**2,190**	**3,645**	**6,418**	**5,729**
Shareholders' equity	309	324	375	351	1,363	1,776	2,589
Minority	–	–	–	–	5	6	6
Non-interest-bearing provisions	268	123	83	89	378	467	285
Interest-bearing provisions	47	13	25	56	79	74	91
Non-interest-bearing liabilities	842	699	798	905	1,025	1,714	1,443
Interest-bearing liabilities	579	674	814	789	795	2,381	1,315
Total shareholders' equity and liabilities	**2,045**	**1,833**	**2,095**	**2,190**	**3,645**	**6,418**	**5,729**
Net debt	473	530	680	710	601	2,078	1,098
Capital employed	935	1,011	1,214	1,196	2,242	4,237	4,001
Key figures							
Operating margin, %	–4.1	2.4	2.7	3.3	6.4	6.5	7.6
Profit/loss after financial items in % of net sales	–4.9	1.1	1.3	2.1	5.4	5.0	6.3
Turnover rate of capital employed, %	1.7	3.4	3.6	3.4	3.4	2.3	2.3
Return on capital employed, %	–14.1	8.4	10.2	11.2	22.2	15.5	17.9
Return on shareholders' equity, %	1.6	0.9	6.0	0.0	17.2	16.2	18.7
Debt/equity ratio, %	153	164	181	202	44	117	42
Equity/assets ratio, %	15.1	17.7	17.9	16.0	37.5	27.8	45.3
Cash-flow before investments	–	–121	127	126	156	551	513
Investments	98	101	87	74	87	226	269
Earnings per share after dilution effects		0.09[1]	0.64[1]	0.03[1]	2.90[1]	5.15[1]	7.53
Employees							
Average no. of employees	3,605	3,092	3,529	3,334	3,003	5,343	5,790
Net sales per employee, SEK 000s	946	1,072	1,127	1,214	1,366	1,550	1,657
Salaries and other remuneration	804	718	825	825	818	1,672	1,814

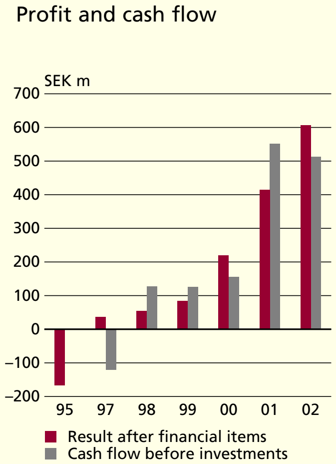
[1] Adjusted for 10:1 split on 19 June 2002. Dilution effect calculations adjusted taking into account the actual number of warrants exercised.

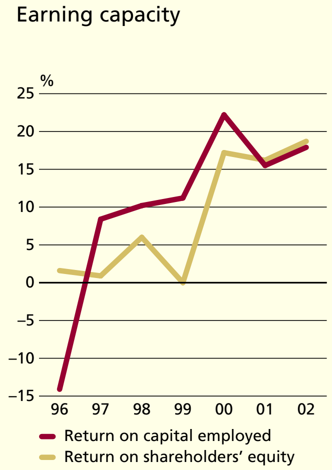
Focusing on kitchen interiors



Nobia has had a strong focus since 1996.







Definitions

Return on equity
Net profit for the year as a percentage of the average shareholders' equity. Shareholders' equity has been adjusted for capital increases and reductions.

Return on capital employed
Profit/loss after financial income as a percentage of average capital employed. Capital employed has been adjusted for sales and acquisitions.

Gross debt
The sum of interest-bearing liabilities and interest-bearing provisions.

Net debt
The sum of interest-bearing liabilities and interest-bearing provisions less interest-bearing assets.

Turnover rate of capital employed
Net sales divided by average capital employed.

Operating margin
Operating income as a percentage of net sales.

Debt/equity ratio
Net debt as a percentage of shareholders' equity including minority interest.

Equity/assets ratio
Shareholders' equity including minority interest as a percentage of the balance sheet total.

Capital employed
Balance sheet total less non-interest-bearing provisions and liabilities.

Earnings per share
Net profit for the year divided by a weighted average number of shares during the year.

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