nobia

Interim Report
January - September 2002

23 October 2002

Key figures	July-Sept 2002	July-Sept 2001	Jan-Sept 2002	Jan-Sept 2001	Jan-Dec 2001	Oct-Sept 2001/02
Net sales, SEK m	2,300	2,301	7,251	5,840	8,283	9,694
Operating income before depreciation, SEK m (EBITDA)	246	246	769	583	821	1,007
Operating income before goodwill amortisation, SEK m (EBITA)	186	177	581	418	588	751
Operating income, SEK m (EBIT)	171	161	534	383	537	688
Operating margin, %	7.4	7.0	7.4	6.6	6.5	7.1
Income after financial items, SEK m	146	122	434	299	414	549
Earnings per share after full dilution, SEK	1.73	1.54	5.43	4.05	5.15	6.56
Return on capital employed, %					15.5	17.0
Return on shareholders' equity, %					16.2	16.5

Magnet has been consolidated with effect from May 2001.

- Net sales up 24 per cent to SEK 7,251 million (5,840).
- Operating margin increased to 7.4 per cent (6.6).
- Income after financial items up 45 per cent to SEK 434 million (299).
- Earnings per share after full dilution up 34 per cent to SEK 5.43 (4.05). For the twelve-month period the earnings per share amounted to SEK 6.56.
- Continued profit improvement in the Nordic and UK operations.
- Continued organic growth in the Nordic and UK operations.
- Improved margins in the Continental European operation for the third quarter.

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Financial information is also available on Nobia's website; www.nobia.se

The Nobia Group, January – September 2002

THE GROUP

Summary
Nobia continued to develop well in the third quarter with increased operating margin and earnings per share. This was achieved despite a decline in demand in the Nordic region and a continued fall in demand in Continental Europe. The UK market continued to be stable.

The earnings per share for the January – September period increased to SEK 5.43 (4.05), an increase of 34 per cent. The operating margin rose to 7.4 per cent (6.6). The increase in income is attributable to the UK company, Magnet, which has developed well after its acquisition in May 2001, and also to the higher average order values and reduced material costs as a result of synergy gains. The average order values are affected by a combination of the product mix, customer mix, content and price.

The Nordic operation reported an increase in operating income before goodwill amortisation for the January – September period of 24 per cent to SEK 315 million (255). The operating margin increased to 12.2 per cent (10.5). The market situation was relatively favourable during the period.

The Continental European operation reported a fall in operating income before goodwill amortisation for the January-September period to SEK 38 million (54), with an operating margin of 2.4 per cent (2.9). The market situation during the period was very weak with a sharp fall in demand. A programme to improve efficiency in operations is underway and the effects are gradually becoming apparent in the form of, among other things, improved margins.

The UK operation reported operating income before goodwill amortisation for the January-September period of SEK 295 million and an operating margin of 9.4 per cent. Demand in the UK market is estimated to have increased during the period.

Ongoing efficiency improvement programmes within the Group are expected to result in cost reductions of SEK 400 million during 2002 – 2004. Around one third of these savings is expected to be achieved in 2002. The programmes consist mainly of co-ordination and rationalisation of purchasing and production, as well as staff cuts, of which about 140 individuals will leave their positions within the Group over the next few months.

In line with Nobia's strategy to focus on kitchen, bathroom and storage interiors, an agreement was entered into in July to sell the joinery operations of the British facilities at Penrith and Flint. These transactions reduced the Group's net debt by SEK 116 million in the third quarter. No consolidated capital gain/loss have been reported.

Nobia was listed on Stockholmsbörsen's O-list on 19 June 2002.

The situation on the markets is expected, in general, to remain unchanged in the fourth quarter as compared to the third.

Net sales and income

Net sales for the period January-September increased by 24 per cent to SEK 7,251 million (5,840). Magnet, which was acquired in 2001 and has been consolidated with effect from May 2001, contributed SEK 3,128 million in the current year and SEK 1,570 million in the May-September period last year. Following adjustment for currency effects, sales for comparable units[1] fell by 2 per cent. Sales during the period were adversely affected by reduced sales in the Continental European operation.

Operating income increased by 39 per cent to SEK 534 million (383). The operating margin amounted to 7.4 per cent (6.6). Excluding goodwill amortisation, the operating margin was 8.0 per cent (7.2). The improved margin is explained by higher gross profit margins as a result of increased average order values and reduced material costs. The operating income for the same period last year included items affecting comparability amounting to SEK +22 million.

Net financial items totalled SEK -100 million (-84). The increased indebtedness resulting from the acquisition of Magnet has increased the Group's interest expenses compared with the same period last year. The new issue funds obtained in connection with the listing on Stockholmsbörsen, combined with the cash flow from operations, have been used to repay debt, which, apart from reducing the net debt, also enabled the average interest rate to be reduced. The net financial items for the third quarter amounted to SEK -25 million (-39).

Income after net financial items increased by 45 per cent to SEK 434 million (299).

Tax expenses for the period amounted to SEK -146 million (-101), which represents a tax rate of 33.6 per cent (33.8). Excluding non-deductible consolidated goodwill amortisation, the tax rate was 30.4 per cent (30.2).

Income after tax amounted to SEK 288 million (198), which translates to earnings per share of SEK 5.43 (4.05) after full dilution. The earnings per share for the twelve-month period amounted to SEK 6.56.

Third quarter 2002

The Group's net sales adjusted for currency effects increased in the third quarter compared with the same quarter last year, mainly as a result of the UK operation's increased sales. The operating income amounted to SEK 171 million (161).

The operating margin was 7.4 per cent compared to 7.0 per cent in the same quarter last year. Both the operating income and operating margin increased in all of the Group's operations.

[1] Including the effect of the closedown of Star Beka.

Cash flow and investments

Cash flow in current operations before investments amounted to SEK 325 million (345). The working capital increased to SEK 218 million (47), primarily as a result of seasonal effects in all of the Group's operations and a build-up of the finished goods inventory for the Homebase business in the UK operation. The difference compared to last year is explained by the fact that the UK operation has been consolidated since May 2001 and therefore the seasonal effects are minor in last year's change in working capital.

Investments in fixed assets amounted to SEK 189 million (126) and consisted mainly of investments in stores, IT systems, production equipment and buildings.

Financial situation

The Group's capital employed amounted to SEK 4,020 million compared to SEK 4,237 million at the end of last year. Currency effects as a result of a stronger Swedish krona during the period caused a reduction in the capital by SEK 162 million. The sale of Penrith and Flint resulted in a reduction of the capital empolyed of SEK 102 million.

The Group's restructuring reserves amounted to SEK 155 million at the end of the period. SEK 82 million was utilised during the January – September period, of which SEK 42 million was used for acquired operations in the Nordic region and Continental Europe and SEK 40 million for the UK operation. Currency effects reduced the reserves by SEK 9 million.

The net debt amounted to SEK 1,214 million compared with SEK 2,078 million at the start of the year. Nobia's claim on Alecta relating to pension reimbursements has been deducted from the net debt amount. Nobia has valued this claim at SEK 13 million. The change in the net debt consists of net cash flow from operations amounting to SEK +167 million, funds from the sale of Penrith and Flint amounting to SEK +116 million, and a reduction of SEK 66 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 516 million. The full amount of the new issue funds was used to repay debt. Debt totalling SEK 861 million has been repaid during the period.

The effect of translation differences on shareholders' equity was SEK -90 million as a result of the strengthening of the Swedish krona. Following the new share issue worth SEK 516 million (net after issuance costs), the shareholders' equity amounted to SEK 2,490 million compared to SEK 1,776 million at the end of last year.

The equity/assets ratio at the end of the period was 41.1 per cent compared with 27.8 per cent at the start of the year. The net debt/equity ratio was 49 per cent at the end of the period compared with 117 per cent at the start of the year.

At the end of the period the Group had available credit, excluding liquid funds, in the amount of SEK 945 million.

BUSINESS REGIONS

The Nordic operation

Demand in the Nordic market is estimated to have increased during the period January – September compared to the same period last year. Demand slackened during the third quarter in Sweden and Norway.

Net sales amounted to SEK 2,582 million (2,422), an increase of 7 per cent. Excluding currency effects, the increase was 5 per cent. Sales increased in every country except Finland, where the level of new building activity was lower than in the same period last year. The increased sales in other countries were generated by both the new building and renovation segments. In Norway, however, the increase in sales was primarily concentrated on the new building segment. Sales of flat-pack kitchens continued to develop positively throughout Scandinavia.

Operating income before goodwill amortisation increased by 24 per cent to SEK 315 million (255). The Nordic operation's operating margin was 12.2 per cent (10.5). The improved margin is explained primarily by higher gross profit margins as a result of increased average order values and lower material costs. Expenditure was increased on marketing activities and on new stores, store renovation and an increased sales force.

Third quarter 2002

Operating income before goodwill amortisation amounted to SEK 84 million compared to SEK 82 million in the same quarter last year. The operating margin increased to 11.4 per cent (11.2).

In Norema in Norway, the standardised carcass platform, K-20, was introduced and the conversion to an assembly plant was carried out according to plan during the holiday break. The conversion caused a temporary fall in sales for Norema in the beginning of the third quarter as a result of a temporary reduction in delivery capacity.

The Continental European operation

Demand in the markets of Germany and the Netherlands was lower than in the same period last year. The downturn in the third quarter is estimated to have slowed down in Germany but intensified in the Netherlands.

Net sales amounted to SEK 1,575 million (1,859). Currency effects had a positive effect on sales amounting to 1 per cent. Adjusted for the closure of Star Beka and currency effects, the reduction in sales amounted to some SEK 180 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 38 (54). The operating margin amounted to 2.4 per cent (2.9). The effects of lower sales were counteracted primarily by reduced material costs, and also as a result of staff cuts. Further staff cuts will be implemented in the fourth quarter.

Third quarter 2002

Operating income before goodwill amortisation amounted to SEK 22 million compared to SEK 16 million for the same period the previous year. The operating margin amounted to 4.2 per cent compared to 2.7 per cent for the same quarter last year.

The UK operation

Demand in the UK is estimated to have increased compared to the same period last year.

Net sales for the period amounted to SEK 3,128 million. Excluding currency effects, this is approximately 5 per cent higher than the same period last year. Magnet was acquired with effect from May 2001 and therefore the comparison figures for the first nine months of 2001 are only included for the May to September period in the consolidated accounts.

Compared with the January-September period last year, sales of kitchen, wardrobe and bedroom interiors increased, while sales of bathroom interiors decreased.

Operating income before goodwill amortisation amounted to SEK 295 million. The operating margin amounted to SEK 9.4 per cent, which is an improvement on last year when 8.4 per cent was reported for the May-September period. The result for the current period includes profit on the sale of a lease contract of SEK 15 million. The operating margin has improved compared to last year, mainly as a result of higher average order values and reduced material costs. Expenditure was increased on marketing activities and on new stores, store renovation and an increased sales force.

The programme to improve efficiency in production and administration will involve staff cuts in the fourth quarter.

Nobia started deliveries of flat-pack kitchens under an agreement with the Homebase DIY chain during the first half of the year. By the end of September, 135 Homebase stores carried a range of flat-pack kitchens from Magnet.

The Homebase business is an example of how the Group’s combined resources can be utilised. The carcasses are supplied by Optifit in Germany and Marbodal in Sweden supplies fronts. Magnet is responsible for logistics and customer contacts. Sales to Homebase totalled GBP 3 million in the January – September period.

Third quarter 2002

The operating income before goodwill amortisation amounted to SEK 103 million compared to SEK 92 million in the same quarter last year. The operating margin was 9.7 per cent compared with 9.4 per cent for the same quarter last year.

Parent company

The parent company is involved with group-wide activities and owns the subsidiaries. The parent company's income after net financial items was SEK 6 million (-38).

Employees

The average number of employees at the end of the period was 5,940 compared to around 6,110 at the start of the year. The number of employees has increased in the Nordic operation and reduced in Continental Europe. The number of employees in the UK operation decreased by around 260 as a result of the sale of the facilities in Penrith and Flint, while the number of employees in the rest of the operation increased.

Accounting principles

Nobia complies with the recommendations of the Swedish Financial Accounting Standards Council. For definitions of key figures and ratios, please see Nobia's 2001 annual report.

Stockholm, 23 October 2002

Fredrik Cappelen
President and CEO

Nobia AB corporate registration no. 556528-2752

This report has not been reviewed by the company's auditors.

The year-end release for 2002 will be published on 5 February 2003.

Nobia is Europe's leading kitchen interiors company. The Group operates in a number of European markets under strong brand names. Nobia's own specialist kitchen stores are, together with franchise stores, 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 has sales of approx. SEK 10 billion annually and around 6,000 employees. Nobia is listed on Stockholmsbörsen's O-list.

Goldreif • HTH • Invita •Magnet • Marbodal • Myresjökök • Norema • Novart • Optifit • Poggenpohl • Pronorm • Sigdal

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Income statement

SEK m	July-Sept 2002	July-Sept 2001	Jan-Sept 2002	Jan-Sept 2001	Jan-Dec 2001	Oct-Sept 2001/02
Net sales	2,300	2,301	7,251	5,840	8,283	9,694
Cost of goods sold*	-1,296	-1,390	- 4,207	-3,601	-5, 062	-5,668
Gross profit	1,004	911	3,044	2,239	3,221	4,026
Selling expenses*	-687	-638	-2,079	-1,553	-2,203	-2,729
Administrative expenses	-134	-113	-404	-316	-446	-534
Other operating income/expenses	3	17	20	26	-6	-12
Items affecting comparability	0	0	0	22	22	0
Operating income before goodwill amortisation	186	177	581	418	588	751
Goodwill amortisation	-15	-16	-47	-35	-51	-63
Operating income	171	161	534	383	537	688
Net financial items	-25	-39	-100	-84	-123	-139
Income after financial items	146	122	434	299	414	549
Taxes	-46	-44	-146	-101	-160	-205
Minority shares in profit/loss for the period	0	0	0	0	0	0
Net income for the year	100	78	288	198	254	344
Operating margin excl. goodwill amortisation, %	8.1	7.7	8.0	7.2	7.1	7.7
Operating margin, %	7.4	7.0	7.4	6.6	6.5	7.1
Return on capital employed, %					15.5	17.0
Return on shareholders' equity, %					16.2	16.5
Share data						
EPS before dilution, SEK	1.73	1.68	5.73	4.27	5.47	6.97
EPS after dilution, SEK	1.73	1.54	5.43	4.05	5.15	6.56
EPS excl. goodwill, before dilution, SEK	1.99	2.02	6.66	5.02	6.57	8.25
EPS excl. goodwill, after dilution, SEK	1.99	1.86	6.32	4.77	6.19	7.76
No. of shares before dilution**	57,669,220	46,550,770	57,669,220	46,550,770	46,550,770	57,669,220
Average no. of shares before dilution**	57,669,220	46,550,770	50,256,920	46,372,877	46,417,350	49,330,383
No. of shares after dilution**	57,669,220	50,669,220	57,669,220	50,669,220	50,669,220	57,669,220
Average no. of shares after dilution**	57,669,220	50,669,220	53,002,553	48,829,907	49,289,735	52,419,220

Magnet has been consolidated with effect from May 2001

* Certain cost items have been reclassified. This has affected historical values for cost of goods sold and selling expenses. The adjustment has not affected operationg income.

** Share-related values adjusted for 10:1 split on 19 June 2002. Calculation of dilution effects adjusted for actual exercise of options.

Balance sheet

SEK m	30 Sept 2002	30 Sept 2001	31 Dec 2001
Assets			
Fixed assets			
Goodwill	1,098	1,219	1,215
Other intangible fixed assets	31	34	41
Tangible fixed assets	2,130	2,243	2,284
Deferred tax	95	106	135
Other financial fixed assets	52	42	44
Total fixed assets	**3,406**	**3,644**	**3,719**
Current assets			
Stock	1,138	1,144	1,178
Accounts receivable, trade	1,078	1,190	977
Other receivables	166	177	182
Cash and bank balances	278	341	362
Total current assets	**2,660**	**2,852**	**2,699**
Total assets	**6,066**	**6,496**	**6,418**
Shareholders' equity and liabilities			
Shareholders' equity	2,490	1,669	1,776
Minority interests	6	5	6
Provision for pensions, interest-bearing	75	78	74
Provision for taxes	107	80	126
Other provisions	244	467	341
Total provisions	**426**	**625**	**541**
Long-term liabilities, interest-bearing	**1,407**	**2,524**	**2,335**
Current liabilities, interest-bearing	40	9	46
Current liabilities, non-interest-bearing	1,697	1,664	1,714
Current liabilities	**1,737**	**1,673**	**1,760**
Total shareholders' equity and liabilities	**6,066**	**6,496**	**6,418**

Change in the Group's shareholders' equity

	30 sept 2002	30 sept 2001	31 dec 2001
Opening shareholders' equity, December 31	1,776	1,363	1,363
Change in translation differences	-90	108	148
Net income for the period	288	198	254
New share issue	516	-	11
Other changes	0	0	0
Shareholders' equity at close of period	2,490	1,669	1,776

Balance sheet-related key figures

Equity/assets ratio, %	41.1	25.8	27.8
Debt/equity ratio, %	49	134	117
Net debt, closing balance	1,214	2,249	2,078
Capital employed, closing balance	4,020	4,285	4,237

Cash flow statement

	Juli-Sept		Jan-Sept		Jan-Dec
SEK m	**2002**	**2001**	**2002**	**2001**	**2001**
Current activities					
Operating income	171	161	534	383	537
Depreciation	75	85	235	200	284
Adjustment for items not included in cash flow	-42	-27	-82	-75	-214
Interest, dividends and tax	-32	-51	-144	-116	-193
Changes in working capital	75	3	-218	-47	137
Cash flow from current activities	**247**	**171**	**325**	**345**	**551**
Investment activities					
Investments in fixed assets	-74	-54	-189	-126	-226
Sale of subsidiary	102	0	102	144	144
Acquisition of subsidiary	0	-1	-1	-1,592	-1,561
Other items included in investment activities	5	3	31	13	16
Cash flow from investment activities	**33**	**-52**	**-57**	**-1,561**	**-1,627**
Financing activities					
Loans raised	0	0	0	2,063	2,073
New issue of shares	-4		516		11
Amortisation of liabilities	-241	-100	-861	-754	-885
Cash flow from financing activities	**-245**	**-100**	**-345**	**1,309**	**1,199**
Cash flow for the year excl. exchange rate differences in liquid funds	**35**	**19**	**-77**	**93**	**123**

Net sales, operating income and operating margin per region

	Net sales			
	Jan-Sept		Jan-Dec	Oct-Sept
SEK m	**2002**	**2001**	**2001**	**2001/02**
Nordic operation	2,582	2,422	3,311	3,471
Continental European operation	1,575	1,859	2,459	2,175
UK operation	3,128	1,570	2,527	4,085
Other consolidated adjustments	-34	-11	-14	-37
Recorded values	7,251	5,840	8,283	9,694

	Operating income				Operating margin			
	Jan-Sept		Jan-Dec	Oct-Sept	Jan-Sept		Jan-Dec	Oct-Sept
SEK m	**2002**	**2001**	**2001**	**2001/02**	**2002**	**2001**	**2001**	**2001/02**
Nordic operation	315	255	355	415	12.2%	10.5%	10.7%	12.0%
Continental European operation	38	54	70	54	2.4%	2.9%	2.8%	2.5%
UK operation	295	132	219	382	9.4%	8.4%	8.7%	9.4%
Items affecting comparability	0	22	22	0				
Goodwill amortisation	-47	-35	-51	-63				
Other consolidated adjustments	-67	-45	-78	-100				
Recorded values	534	383	537	688	7.4%	6.6%	6.5%	7.1%

Net sales and income per region
Quarterly figures

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