nobia

Annual Report 2003

The photo on the cover is of Poggenpohl's Segmento kitchen. This photo was featured in an advertisement that won the US Ad Review's prize for best advertisement in 2003. "Simple and extraordinary," was the jury's reaction and they also remarked in particular on the intimate feel of the photo thanks to the human presence in the kitchen, combined with the angle from which the picture was taken and the strong colours.

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 specialist kitchen stores 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 9.3 billion in 2003 and has around 6,200 employees. Nobia is listed on the Attract40 section of Stockholmsbörsen's O-list.

Annual General Meeting and upcoming financial information

1 April / *Annual General Meeting*

29 April / *Interim report January – March*

22 July / *Interim report January – June*

26 October / *Interim report January – September*






AEG





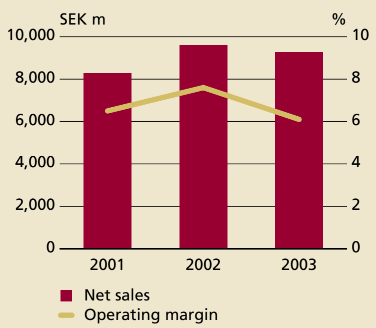
Year in summary

- *Net sales amounted to SEK 9,273 million (9,594).*
- *Organic growth for the Group of 3 per cent.*
- *Profit after financial items was SEK 500 million (606).*
- *Earnings per share after full dilution amounted to SEK 5.84 (7.53).*
- *Return on shareholders' equity amounted to 13.0 per cent (18.7).*
- *EBITA margin, excluding close-down costs for the Goldreif business unit, amounted to 7.8 per cent (8.2).*
- *In December 2003 Nobia acquired Gower, one of the UK's leading suppliers of flat-pack kitchens.*

Key figures

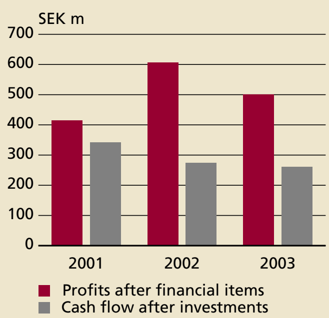
	2003	2002	Change
Net sales, SEK m	9,273	9,594	–3%
Operating profit before depreciation, SEK m (EBITDA)	872	1,036	–16%
Operating profit before goodwill amortisation, SEK m (EBITA)	625	788	–21%
Operating profit, SEK m (EBIT)	565	725	–22%
Operating margin before goodwill amortisation, % (EBITA)	6.7	8.2	
Operating margin, %	6.1	7.6	
Profit after financial items, SEK m	500	606	–17%
Profit after tax, SEK m	338	408	–17%
Earnings per share, after full dilution, SEK	5.84	7.53	–22%
Debt/equity ratio, %	66	42	
Return on capital employed, %	14.6	17.9	
Return on shareholders' equity, %	13.0	18.7	
Sales in channels controlled by Nobia (own stores, franchise stores and directs sales), %	75	74	
Number of stores (own and franchise)	541	528	

Net sales and operating margin



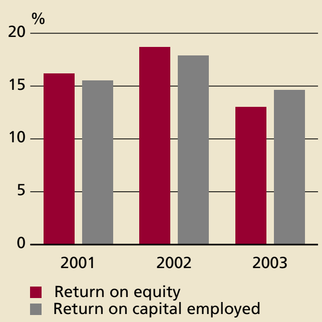
Net sales fell by 3 per cent and the organic growth was 3 per cent. The operating margin fell from 7.6 to 6.1 per cent.

Profits and cash flow



Profits after net financial items fell by 17 per cent. The operating cash flow was reduced, mainly as a result of the higher operating capital.

Return on equity and capital employed



The return on equity and capital employed amounted to 13 and 15 per cent respectively.

A stronger Nobia

Organic growth and increased market share, but a weaker year in terms of profits. Continued investment and development in line with the Company's strategies, and the significant acquisition of Gower, the UK kitchen manufacturer. These are a few of the important features of Nobia's operations in 2003.

Nobia had above average organic growth in 2003 in the main markets. In the UK, we had 6 per cent growth, while the growth in the total market was 2 per cent. In the Nordic countries, Nobia's growth was 5 per cent, with around 4 per cent growth on the market. In Germany demand continued to fall, albeit at a slower pace than the previous year. In spite of this, the Continental European operation increased its profits, mainly as a result of increased exports. In this market, we have been focusing mainly on maintaining our existing positions, which has enabled us to sustain our profit levels.

Our overall result in 2003 was, however, weaker than the result in 2002. Sales amounted to SEK 9,273 million (9,594) and the operating margin was 6.1 per cent (7.6) Unfortunately, we broke our, thus far, unbroken record of profit improvement.

Four main factors had a negative impact on the 2003 result. The first factor was the closure of the German Goldreif business unit, a measure we were forced to take because of the continued decline in the German market. The close-down costs amounts to SEK 98 million.

Secondly, the weakening of the GBP resulted in translation effects and sharply increased the cost of materials.

The third factor is lower profit for C.P. Hart, the UK bathroom operation.

The fourth is the fall in sales at the Norwegian Norema business unit resulting, among other things, from delivery problems in connection with production changes and a simultaneous re-organisation.

Strong measures

In 2003, we implemented some strong measures to handle the areas that have had a negative impact on profits, and measures that have started to bring concrete results. Towards the end of the year, we therefore saw a gradual improvement at Norema. In the UK kitchen and bathroom chain C.P. Hart, changes were made to management to reverse the negative sales trend. In Germany, we believe that closing down Goldreif has enabled us to sharpen our focus on the three remaining units, Poggenpohl, Pronorm and, our specialist in flat-pack products, Optifit.

We now have a good foundation to build upon in this important market.

Our efforts to reduce Nobia's material costs are proceeding according to plan. Savings in direct materials costs amounted to SEK 87 million in 2003, which is in line with the goals we established when the programme was launched in 2002. We are also seeing profitability improvement at many of our business units. In particular, I would like to mention Poggenpohl's progress, and HTH, which reported strong growth in the Nordic region in 2003.

In December, Nobia acquired Gower, a UK company that manufactures flat-pack kitchens. This acquisition increased Nobia's market share in the UK from 8 to 14 per cent. Flat-pack kitchens alone account for around 40 per cent of the value on the UK kitchen market. Gower is a leading supplier to DIY chains, which constitute the largest and fastest growing sales channel for flat-pack kitchens.

Gower is a strong and well-run company, which will play an important role in our future development. Since flat-pack kitchens and DIY channel are growing throughout Europe, Gower is also an asset for us in other markets. In the future it may be possible for Gower to join our German business unit, Optifit, and deliver flat- pack kitchens to the large chains in Continental Europe. Gower will enable us to strengthen our organisation and provide the best possible service to our key DIY customers.

These measures have made Nobia a stronger company than it was twelve months ago, despite the fact that, in terms of profits, it has been a tough year.

Market polarisation

Behind the growth in the DIY channel is an increasing polarisation of the kitchen market in Europe. Consumers are becoming increasingly discerning when choosing where and when they will purchase their kitchen, based, among other things, on the service content in the various offerings available. As a result, sales volumes are increasing within the upper-middle segment as well as in flat-pack kitchens. The polarisation is causing a fall in the market share of the middle segment in particular.

There is a general increase in interest in both kitchens and bathrooms among European consumers. Today, however, people are not buying kitchens merely because they need to, but because they want to. This is an important distinction that reflects the fundamental way that customer requirements have changed over time. Trends indicate that people want more accessories in their kitchen, and that white goods, coffee makers and microwave ovens are standard features when people choose a new kitchen. Consumers are also becoming more aware of things like design and fashion trends. This growing awareness is accompanied by higher expectations with respect to service, attractive offerings and convenient sales channels. In this type of climate, I usually stress that the battle for the customers is won in the stores.

In 2003 we continued to upgrade and open new stores. We were also delighted that our UK business unit, Magnet, received the award for "Best UK Retail Interior 2003" for its store in Chester.

Focus on strategies

Nobia's most important financial target is achieving growth in earnings per share of an average of 12 per cent per year.

Our strategies for realising Nobia's goals remain and are based on four cornerstones. The first is our decentralised organisation with clearly defined responsibilities, short decision channels, proximity to customers, and a broad scope for benchmarking and internal learning, both between and within the business units. I would also like to emphasize that we are careful to keep the management and employees of the companies we acquire to enable cross-fertilization of the knowledge and experiences they bring into the Group.

Our second cornerstone comprises our strong brands and strong positions in the most important sales channels in each of our markets. This is how we guarantee freedom of choice for the customers and effectiveness in the sales organisation. This is demonstrated by the fact that the 541 stores where we have a strong influence, combined with ex-factory direct sales, account for 75 per cent of our sales. This is also the reason that our work with integrating the business units further forward in the sales chain – i.e. closer to the customers – is crucial for us. We also need to ensure that we maintain our breadth within the kitchen, bathroom and storage sectors. These areas offer several synergy effects, particularly with respect to customers in the new building segment.

The third cornerstone is our strategy of being a low-cost producer. We put a lot of energy into making our production, purchasing and assembly functions more efficient. Most of our production facilities are essentially assembly units with little or no in-house component production. The factories are often part of a clear process with a logistical flow, which is closely connected to their respective brand and market. The greatest potential for rationalisation is therefore within product supply. In 2003, we made our first purchases in low-cost countries in Asia, and we intend to gradually increase our purchasing in this region. The collaboration we have entered into in Lithuania for the production of solid wood doors also has great future potential. At the same time, we are continuing our purchasing projects to co-ordinate purchasing to reduce the total number of components in the Group, and thereby reduce costs. Our goal is to give our customers competitive products and prices.

The fourth and final cornerstone in Nobia's strategy is to maintain our profitable growth, both organically and through acquisitions. Our organic growth – which should be 2–3 per cent higher than the market's growth – is mainly related to investments in our store network, and the strong relationships we are building with key customers. One such example is Magnet, where we will be upgrading around 150 stores between now and 2006. We will also participate in the restructuring of the European market by continuing our acquisition policy. Gower is a good example of this. This acquisition enables Nobia to grow and increase our penetration in several markets in Europe. This will help us achieve more and be better able to compete for customers. We believe that the competition will be between fewer and fewer kitchen companies, but larger ones. Nobia will be one of them – and one of the very best.

Stockholm, February 2004

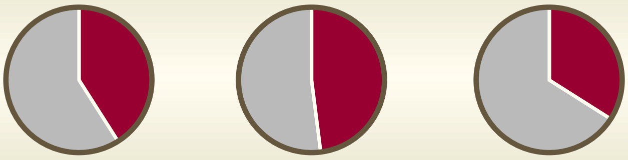
Fredrik Cappelen

Overview of operations

UK operation

Share of Group

Net sales	Operating profit,[1]	Average no. of employees
41%	48%	34%



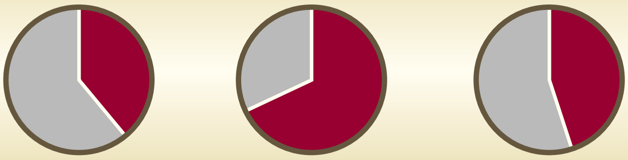
Operating margin[1], %

7.7

Nordic operation

Share of Group

Net sales	Operating profit,[1]	Average no. of employees
39%	68%	45%



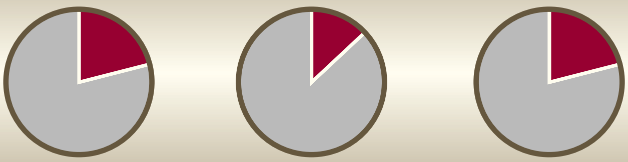
Operating margin[1], %

11.8

Continental European operation

Share of Group

Net sales	Operating profit,[1]	Average no. of employees
21%	13%	21%



Operating margin[1], %

4.3

Group total

Net sales[2]	Operating profit,[2] before goodwill amortisation	Average no. of employees
9,273 SEK m	625 SEK m	5,571

Operating margin[2], % before goodwill amortisation

6.7

[1] Excluding goodwill amortisation.

[2] The business areas' net sales include internal deliveries. These have been eliminated in the consolidated net sales. The Group total includes other operations not included in the business areas.

The Magnet business unit manufactures interiors for kitchens, bathroom and bedrooms for the upper middle segment. The products are sold through Magnet's own store network. Magnet also manufactures joinery products and operates a bathroom business through the C.P. Hart chain.

The Gower business unit is the UK's leading supplier of flat-pack kitchens to DIY chains and the second largest manufacturer of flat-pack kitchens. Nobia acquired Gower in December 2003.

Brands

Read more about the UK operation on pages 19–21 >>>

The Nordic operation consists of seven business units: HTH and Invita in Denmark; Novart with the brands À la Carte, Petra and Parma, in Finland; Norema and Sigdal in Norway; and Marbodal and Myresjökök in Sweden. The products offered are rigid and flat-pack kitchens, bathroom and storage, and they are sold both to the consumer market and construction companies.

Brands

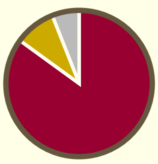
Read more about the Nordic operation on pages 22–23 >>>

The Continental European operation consists of the Optifit, Pronorm and Poggenpohl business units. Poggenpohl is one of the world's best known kitchen brands and operates exclusively in the upper segment, while Pronorm is present in the upper-middle segment. Optifit focuses entirely on flat-pack products, mainly kitchens, but bathrooms to some extent as well.

Brands

Read more about the Continental European operation on pages 24–25 >>>

Sales per product



Kitchen, 85%
Joinery, 9%
Bathroom, 6%

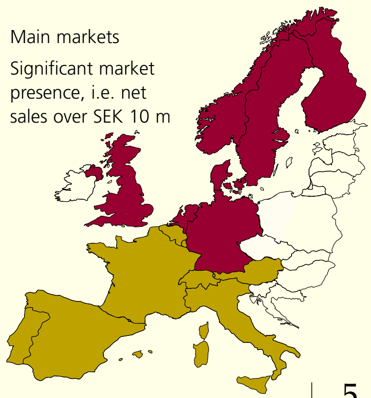
Flat-pack products constitute 11 per cent of the Group's net sales.

Main markets	Sales SEK m	Market share, %
Denmark	1,097	30
Finland	618	29
The Netherlands	384	11
Norway	1,064	34
UK	3,913	14[1]
Sweden	776	26
Germany	810	3

[1] Including Gower on a full-year basis.

In addition to the countries on the map, the Group has a significant presence in China, Iceland, Japan, Russia and the US.

Main markets
Significant market presence, i.e. net sales over SEK 10 m



The Nobia share and shareholders

Price trend and turnover

Nobia's share price rose by 16 per cent from SEK 64.50 on 31 December 2002 to SEK 75.00 on 31 December 2003. During the same period, the Affärsvärlden General Index rose by 30 per cent and Stockholmsbörsen's index for manufacturers of durable consumer goods and services (SX25 Consumer Discretionary) rose by around 9 per cent. The highest and lowest prices during the year were SEK 75.50 and SEK 50.00 respectively. The total market capitalisation as of 31 December 2003 amounted to SEK 4,325 million. 38,964,239 shares were traded on Stockholmsbörsen in 2003. The turnover rate, i.e. the number of shares traded in relation to the total number of shares in the Company, was 68 per cent.

Index affiliation

Nobia is included in Stockholmsbörsen's index for manufacturers of durable consumer goods and services (SX25 Consumer Discretionary) in the Home Improvement Retail subgroup. Nobia has been listed on the Attract40 segment of Stockholmsbörsen since 1 January 2003. This consists of the 40 most liquid shares on the O-list.

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. One trading unit consists of 100 shares. Nobia has been listed on Stockholmsbörsen's O-list since 19 June 2002.

Principal owners

When Nobia went public in June 2002, certain restrictions were imposed on the three selling principal owners (Industri Kapital 1994 Fund, Skanska and Norsk Kjøkkeninvest) with respect to their right to sell their remaining holdings. These restrictions expired on 6 February 2003. Industri Kapital 1994 Fund subsequently sold its holding in two stages. The transactions were executed on 24 October 2003 and 18 February 2004. Skanska and Norsk Kjøkkeninvest sold their entire holdings in 2003.

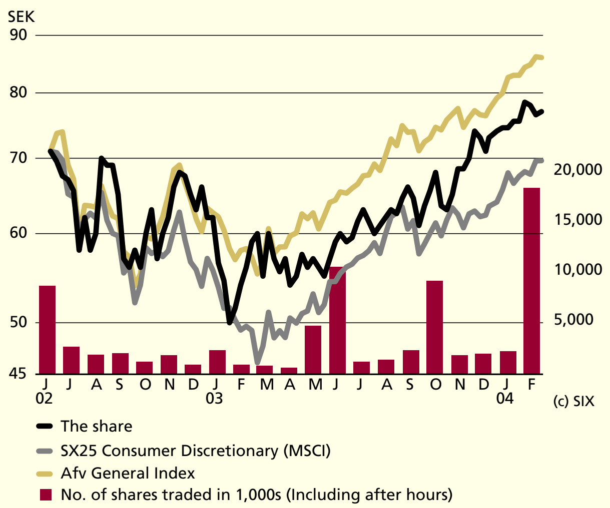
On 31 December 2003, Nobia's five largest shareholders were: Industry Kapital 1994 Fund 25.4 per cent;

Ten largest owners, Nobia, 27 February 2004

	No. of shares	Share capital and votes, %	Accumulated share, %
The Third National Swedish Pension Fund	4,626,403	8.0	8.0
Nordea funds	3,752,190	6.5	14.5
Öresund	3,315,500	5.7	20.2
Robur funds	3,153,125	5.5	25.7
HQ funds	2,381,300	4.1	29.8
Orkla ASA	2,270,000	3.9	33.7
Columbia Acorn funds	2,110,000	3.7	37.4
Odin funds	1,993,300	3.5	40.9
AMF Pension funds	1,720,000	3.0	43.9
Skandia	1,573,800	2.7	46.6
Total	**26,895,618**	**46.6**	

Source: VPC/SIS Ägarservice.

Price trend



Data per share

	2003	2002	2001
Earnings per share before dilution, SEK	5.86	7.83	5.47
Earnings per share after dilution, SEK	5.84	7.53	5.15
Dividend per share, SEK	2.25[1]	2.25	–
Dividend yield, %	3.0[2]	3.5[3]	–
P/E	13[2]	9[3]	–
Shareholders' equity per share, SEK	46	45	38

[1] Dividend proposed by the Board.
[2] Price on 30 Dec. 2003, SEK 75.00.
[3] Price on 30 Dec. 2002, SEK 64.50.

The Third National Swedish Pension fund 7.6 per cent; HQ funds 4.0 per cent; Robur funds 3.5 per cent; and Orkla ASA 3.3 per cent. The table below shows the ownership structure on 27 February 2004, i.e. after the former principal owner, Industri Kapital, had sold its shareholding.

Ownership structure

On 27 February 2004 Nobia had 2,500 shareholders. The ten largest owned 46.6 per cent of the capital and votes. Foreign owners held 42.5 per cent of the share capital and Swedish institutional shareholders owned 22.4 per cent. The seven members of Nobia's Group management had combined holdings of 1,192,440 Nobia shares at the end of the year, which is equivalent to 2.1 per cent of the capital and votes. Nobia's Board members held 634,700 shares in the Company at the end of the year, which is equivalent to 1.1 per cent of the capital and votes.

Share-related incentive schemes

In 2003, the senior executives and key individuals in the Nobia Group were given the opportunity to take part in a five-year warrant programme. 91 people acquired a total of 774,600 warrants to subscribe for new shares in Nobia AB. The warrant premium, calculated according to the Black and Scholes model, was SEK 10.20. Those who subscribed for warrants will receive compensation equivalent to 40 per cent of the warrant premium, provided they are still employed on 22 May 2005.

The subscription price was set at SEK 70.50, which is equivalent to 125 per cent of the share price at that time. The warrants will expire on 22 May 2008 and can be used to subscribe for shares during the period 22 May 2005 – 22 May 2008. If all of the warrants are exercised, the number of shares will increase by 774,600, which is equivalent to a dilution of around 1.3 per cent of the total number of shares.

Share repurchase

At the beginning of 2004, Nobia owned none of its own shares.

Dividend policy

The Board's intention is for Nobia to pay a dividend equivalent to on average at least 30 per cent of the after-tax earnings. When preparing proposals for future dividends, the Board's first considerations are the investment requirement, the Group's financial position and profit development, and the prospects over the next few years. For the 2003 financial year, the Board proposes unchanged dividend of SEK 2.25 per share, which is equivalent to 38 per cent of the net profit for the year or SEK 130 million.

Analysis

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

Ownership structure, 27 February, 2004

	No. of shares	No. of share holders	% of shares	% of shareholders
1–500	260,919	1,124	0.4	44.9
501–1,000	418,652	474	0.7	19.0
1,001–2,000	525,362	314	0.9	12.6
2,001–5,000	819,961	233	1.4	9.3
5,001–10,000	853,674	105	1.5	4.2
10,001–20,000	1,162,081	80	2.0	3.2
20,001–50,000	1,654,099	50	2.9	2.0
50,001–100,000	2,914,413	40	5.1	1.6
100,001–	49,060,059	80	85.1	3.2
	57,669,220	**2,500**	**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 acquisition.

Business idea, goals and strategy

Within the framework of Nobia's overall goals, there is an ambition to continue to participate in the consolidation of the kitchen and bathroom interior markets in Europe. The Group will grow, both organically and through acquisitions. The business is run taking an industrial approach, making it possible to utilise economies of scale within the Group.

Business idea

Through strong brands, we are developing, manufacturing, 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 goals

Growth goals

The Company's organic growth should be 2–3 per cent higher than market growth. Nobia's aim is to continue to grow through acquisitions.

Financial goals

- The earnings per share shall grow by an average of 12 per cent per year.
- Nobia shall 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 growth, operating margin and cash flow.
- The debt/equity ratio, expressed as net debt in relation to shareholders' equity, shall not exceed 100 per cent. A temporary elevation of the debt/equity ratio is acceptable in conjunction with acquisitions. A long-term significantly lower debt/equity ratio shall be adjusted by an extraordinary dividend or a buy-back of shares.
- Dividends to shareholders shall on average 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.

Nobia strategy – Four corner stones

Proximity to market

- Decentralised organisation, close to customers and markets
- Management and control
- Develop best practice
- Internal benchmarking

Page 9

Multi brand, multi channel approach

- Strong brands in the most important sales channels
- Increased order value through broader range of products and services
- Strategic distribution partnerships

Page 11

Low-cost production

- Co-ordinated purchasing
- Group-wide measurement standard (K20)

Page 14

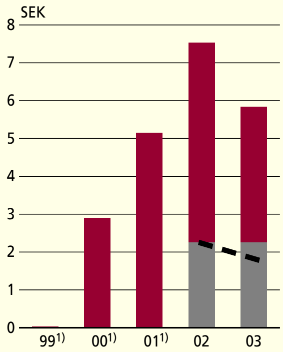
Profitable growth

- Organic growth
- Growth through acquisitions

Page 15

Key figure trends

Earnings per share and dividend



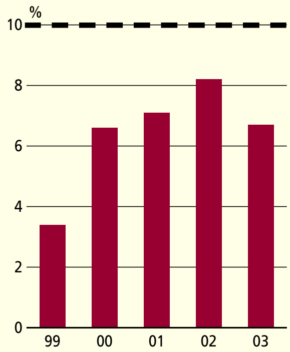
1) Adjusted for 10:1 split

Dividend (Proposed dividend for 2003)

Earnings per share

Target: Dividends to shareholders shall comprise at least 30 per cent of the profits after tax.

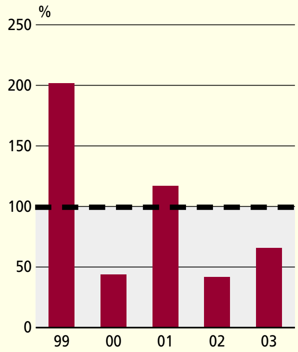
Operating margin before goodwill amortisation



Target

The target is an EBITA margin of 10 per cent over a business cycle.

Debt/equity ratio



Target

The Gower acquisition increased the debt/equity ratio in 2003.

Proximity to market

Selling kitchen interiors is largely a national operation, and success in this market is based on having a presence close to the customers. For this reason, Nobia has created a decentralised organisation characterised by distinct operations. This provides the necessary conditions for strong and long-term customer relations, as well as efficient business control and knowledge transfer.

Nobia's business is operated through twelve decentralised business units. These units are the foundation for the operation and development of day-to-day business. The units have clear profit responsibility and a high degree of independence. Group management supports the units, oversees synergy issues, facilitates benchmarking, and is also responsible for the strategic focus of the Group. Group management meets regularly with the management of each business unit to follow up results and to discuss issues concerning the specific unit, as well as to follow up benchmarking activities and the implementation of economies of scale.

Large-scale production and economies of scale within purchasing and production are fundamental elements in Nobia's business strategy. At the same time, the business units' offerings must be characterised by breadth and variety in the sales channels. In order to combine large-scale production with variety, Nobia is increasingly using modules with standardised measurements. These modules can be adapted and changed so that the end-customer is offered a variety of solutions.

The business units are responsible for their vertical value chain – i.e. from procurement of materials to customer sales. All of the kitchen solutions vary in terms of composition, measurement and accessories, making most of the processing stages highly complex. The ability to handle this complexity in a cost-effective way is a crucial factor for the units' competitiveness. Nobia's decentralised organisation provides proximity to local markets and strengthens relationships with end customers, while the joint reporting system facilitates the exchange of information within the Group.

Benchmarking

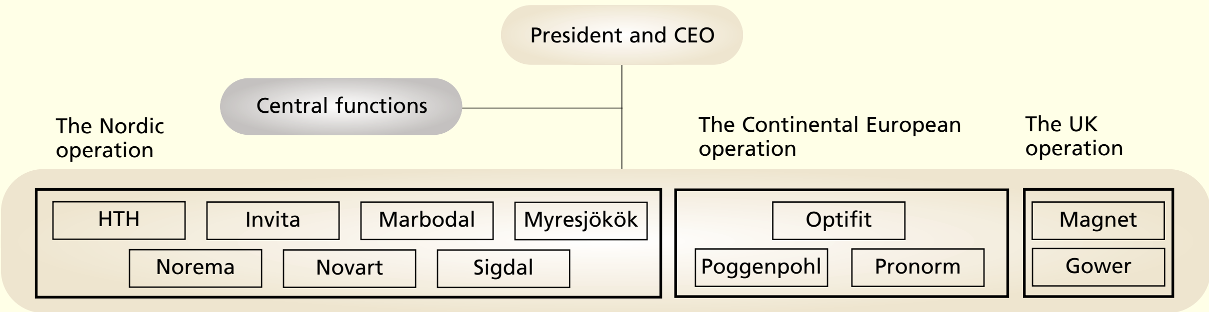
Performance goals are established for each unit with respect to profitability, production and sales. This promotes healthy and stimulating competition between the units in different countries and in different markets.

The goals are established jointly by each business unit and Group management, enabling the Group as a whole to benefit from benchmarking. The starting points are historical profitability, Group-wide goals and considerations, and the improvement potential identified through benchmarking. Follow-up and evaluation of whether goals have been met is done in the form of monthly reports that are reviewed by Group management and the business units. These reports highlight areas where improvement is needed, enabling the Group's potential to be identified.

Benchmarking is based on financial information about costs and sales, as well as Key Performance Indicators (KPI), i.e. key figures for production and sales. Examples of such key figures are the costs and the amount of time spent per unit on various stages in production, delivery reliability and stock turnover rate. The monthly reports present the trends for these indicators over time, which gives a clear overview of the efficiency of the business unit.

Efficiency improvement through exchange of knowledge

In order to achieve overall success, Nobia encourages an exchange of knowledge between the business units. Group management has a central role in these efforts, particularly in supporting and co-ordinating Group-wide issues. The exchange of knowledge and experiences within Nobia also paves the way for synergies and efficiency improvements. This is confirmed by the trend in recent years whereby cost reductions have been achieved through increased co-ordination and rationalisation within the organisation.



Nobia's organisation consists of twelve business units with clear profit responsibility. The focus on the kitchen segment provides many opportunities for knowledge exchange and for establishing best practice. This is supported by a common reporting system.

Multi brand, multi channel approach

Nobia's own specialised kitchen studios and franchise stores are responsible for most of the Group's sales. At the end of 2003, Nobia had 541 such stores. Influencing the sales channels increases Nobia's ability to impact crucial aspects of the sales process and to expand the content of the offering for the consumer.

The business units' strong brands give Nobia's products a clear profile and identity. The brand portfolio includes national, regional and global kitchen brands. Poggenpohl, a global brand, is one of the world's best-known kitchen brands. HTH is an example of a regional brand that is firmly established in Northern Europe, while Magnet, Marbodal and Norema are examples of national kitchen brands.

Apart from the strong brands, having a presence in different sales channels is crucial in order to reach the various customer segments. The most important channels for Nobia's business units today are specialised kitchen studios, builders' merchants and DIY chains. Nobia also has a considerable amount of direct sales to construction companies. In the German market in particular, it is common for retailers to be organised in purchasing organisations.

Although purchasing behaviour and tastes are becoming increasingly similar, there are still considerable variations between different countries. It is therefore important to understand and benefit from the interplay between sales channels and brands. Most of Nobia's brands are currently number one or two in their respective markets. These positions are the result of a consistent and long-term visionary effort to integrate different concepts and brands in the sales channels.

Diversity increases order value

Through its presence in different sales channels, Nobia is able to influence the offering for the end customer in terms of the content, design and exposure of a kitchen concept in a store. Experience has shown that this type of influence is crucial. Today around 75 per cent of

Magnet's store network comprises 217 wholly-owned stores, seven of which are part of the C.P. Hart bathroom chain. Close relationships with consumers have helped Magnet develop a high level of expertise in consumer sales.

Nobia's sales are linked to the sales channels where the Company has the strongest influence.

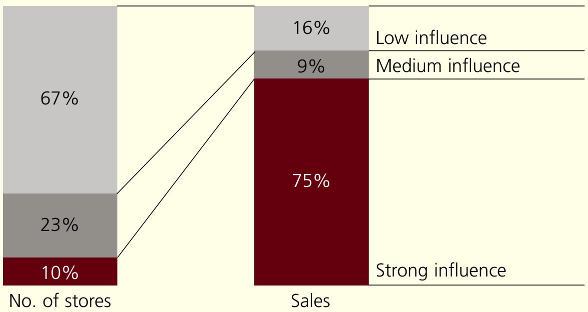
These channels consist of 541 specialised kitchen stores operated by Nobia or a franchisee, and of ex-factory direct sales. In addition, numerous retailers have exclusive agreements with Nobia. The business units are working to improve service content as well as their co-operation with the retailers in other sales channels.

The business units are endeavouring to gradually expand their offering to the end customers. This may involve both an increased range of products and accessories, and an increase in the main and peripheral services, e.g. in installation, white goods or even financing. Expanding the offering also increases average order values. This is an important business goal for Nobia, since increased average order values promote the organisation's growth and profitability.

More distribution partnerships

The business units that work with larger chains are now starting to develop so-called category management. This involves strategic partnerships where the units take total responsibility for the store's/chain's offering within the kitchen and bath segments. Taking responsibility for the entire kitchen concept may include help with marketing, exposure in stores, and providing far-reaching support in the areas of sales and service. Category management is currently used for large customers in the DIY channel.

Nobia's influence over the stores



Influence over the encounters with customers has a major effect on the sales process and average order value. 75 per cent of Nobia's sales are generated in sales channels where the Company has a strong influence, i.e. specialised kitchen studios operated by Nobia or a franchisee and ex-factory direct sales.

White goods

White goods are becoming more and more technically advanced. For example, it is common today for kitchens to have built-in appliances such as ovens, hobs, dishwashers, fridge-freezers, ice makers or espresso machines. This trend is contributing to an increase in average order values.

Accessories

A kitchen is not merely made up of cupboards and doors, but also numerous accessories, such as worktops, undercounter sinks, mixer faucets, lighting, handles, splash guards and fittings for cupboards and drawers. Nobia's business units offer complete solutions. Accessory sales have increased in recent years as kitchens are changing from building products to interior design products. Likewise, demand for superior materials has increased, e.g. for worktops and doors.

The kitchen offering in practice

Nobia's business units aim to exert influence over the sales channels, thus increasing their ability to adapt and expand the offering. This may involve increasing both the range of products and accessories and the main and peripheral services. In general, this expansion leads to higher average order values, which is an important goal for Nobia because it promotes organic growth. The photo illustrates a sample of what an increased range of products may actually include.

Installation service

For people who purchase a rigid kitchen, home delivery is a must. It is also possible to purchase this service for some flat-pack kitchens. Most people also choose to purchase the installation service. The Magnet and Norema business units sell installation services under their own name, as do HTH's franchisees. Other business units are usually able to arrange for an external installation service. Some of Nobia's business units sell installation services to construction companies. Novart and Sigdal are examples of this.

Design solutions

An important step in the process of purchasing a kitchen is to design and draw it. A kitchen is so much more efficient if it is well planned and customised to the people who are going to use it. Most of Nobia's business units offer this service to the consumers, either directly or indirectly by training the retail staff.

Follow up

When everything is ready, many of the business units conduct a follow-up of customer satisfaction. It is particularly important for future sales to understand how the unit's performance is perceived. Close relationships with end customers also make it easier to follow up the entire purchasing process. Magnet, for example, has gained a good understanding of consumer purchasing behaviour.

Low-cost production

Co-ordination and economies of scale are keywords in Nobia's purchasing and production. The overall goal is to reduce the product supply costs for the Group. This process is carried out in a way that preserves the profile of the brands and increases Nobia's offering to the customers.

Continued reduction of material costs is an important goal for Nobia, particularly when materials and transportation account for around 40 per cent of the Group's sales. The Group's expansion in recent years has sharply increased the volumes, and enabled Nobia to benefit from economies of scale in purchasing. In 2001, the purchasing organisation was strengthened and a Group-wide purchasing project was launched. The first stage of the project involved co-ordinating purchasing volumes in order to achieve economies of scale and lower price levels. The second stage began in 2003 and aims to reduce the complexity by reducing the number of components in the Group. The work with product supply issues is part of Nobia's overall efficiency improvement programme. Direct material cost savings for 2003 are estimated at SEK 87 million.

Lower material costs

Prerequisites for successfully co-ordinating purchasing are sound system support and common terminology for and categorisation of components and products. At the beginning of the purchasing project, a common database was created of details about the business units' various products, components, volumes, prices, suppliers etc. This makes it easier for purchasing managers to identify everything from price deviations to current purchasing volumes with various suppliers.

Purchased products are divided into eleven product categories, each of which has a purchasing manager who signs agreements on behalf of the entire Group. Nobia establishes savings targets for each product category, and these are followed up monthly. In order to further improve cost efficiency, Nobia intends to increase its purchasing in low-cost countries. One example is Lithuania, where Nobia formed a joint venture at the end of 2003 with the Lithuanian company Libra Group, for manufacturing solid wood panels. Purchasing from suppliers in Asia, especially China and Taiwan is also expected to increase. The first purchases in Asia were made in autumn 2003.

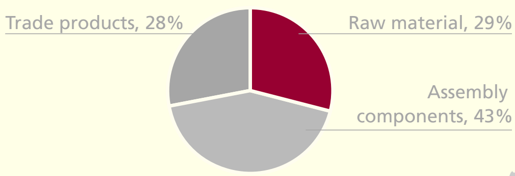
Nobia also intends to achieve additional economies of scale by reducing the number of similar components. One example is handles and knobs where the aim is to reduce the range by at least 30 per cent by 2005. Reducing the number of components should not, however, result in a reduced offering for the individual business units. They will have a larger selection because they will have access to the Group's total range.

Efficient production

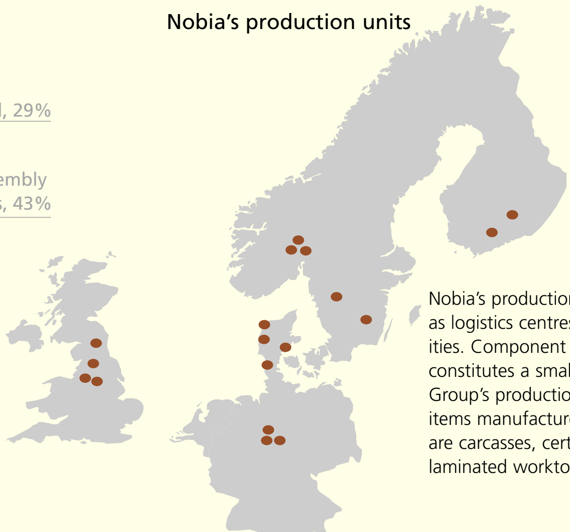
Kitchen manufacturing is largely a logistical process.

With the exception of Gower and Optifit – which only work with flat-pack kitchens – the main focus of all of the business units is rigid kitchens. Consequently, assembly is an important part of the production process. Component manufacture within the Group, e.g. carcasses, certain types of doors and laminated worktops, only constitutes a smaller portion of the overall production. In order to increase effi-

Distribution of purchasing of direct materials 2003, %



Nobia's production units

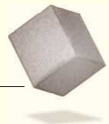


Nobia's production units function both as logistics centres and as assembly facilities. Component manufacturing only constitutes a smaller portion of the Group's production. The most common items manufactured within the Group are carcasses, certain types of doors and laminated worktops.

ciency and profitability, some of the Group's production processes are co-ordinated and carried out by specialised units. HTH, for example, supplies other Nordic business units with laminated worktops, while Marbodal delivers doors and carcasses to several other business units.

Rationalisation and co-ordination of production is also made possible by the Group-wide K20 measurement standard for carcasses, which will lower costs for product supply. This is possible because a common standard enables larger volumes of products with the same dimensions to be produced. In January 2003, K20 was introduced in Invita. So far K20 has been introduced in five business units in the Nordic region and one in Germany. In coming years, additional manufacturing facilities within Nobia will be converted into assembly plants using the K20 measurement standard.

In the case of components that are suitable for Nobia's own production, so-called make/buy analysis is carried out, i.e. an overall assessment of whether it is more cost effective to purchase components from an external supplier, or manufacture them within the Group. Make/buy analysis is based on information from purchasing databases involving evaluation of such factors as input components, efficiency data and data from manufacturing facilities. If the analysis points to manufacturing 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 generate cost benefits.



Profitable growth

The European kitchen market is highly fragmented. Most of the manufacturers are small and operate in local markets. This type of market structure provides great potential for Nobia. The Company's aim is to continue to lead the consolidation of the European kitchen market through organic growth and through acquisitions.

Successful business strategies and financial strength form the foundation of Nobia's growth strategy. The Group intends to achieve organic growth by:

- developing and improving Nobia's product programme, store network, sales co-operation and channels
- continuing to develop category management
- focusing on new partnerships and collaboration within distribution
- increasing the average order value through accessories and service.

Active acquisition strategy

Nobia shall also continue to grow through acquisitions. There are many attractive acquisition prospects in the fragmented European kitchen market. Several factors point to the fact that Nobia can lead the consolidation of this market, i.e. the Company's relative size and financial strength, experience in management of geographically dispersed operations, and the profitability improvements that have been achieved in acquired companies.

Among other things, the strategy involves Nobia strengthening its positions in existing markets. The Company is also aiming to establish a presence in other countries in Europe. Nobia has identified a number of criteria that an acquisition prospect needs to meet either fully or partially. Acquisition candidates should:

- be well integrated in a distribution chain to end consumers
- offer potential synergies
- offer a strong brand
- hold a leading position in its market segment and/or within its geographical market
- demonstrate stable and efficient leadership
- be available for a price that would provide satisfactory return on capital employed.

Growing interest in interior design

Consumer interest in kitchen interiors remains strong and is showing no signs of waning. The sales channels are becoming more and more specialised and the importance of kitchen brands is increasing. DIY chains constitute one of the fastest growing sales channels, and as a result, flat-pack kitchens are increasing their market share. At the same time, the upper and upper-middle segments continue to grow, while the middle segment's share of total kitchen sales is declining.

Increasing order values

In 2003 the European kitchen interiors market[1] is estimated to have had net sales of around EUR 11.4 billion, calculated at manufacturing selling price. The two single largest markets were Germany and the UK, with sales equivalent to 22 and 20 per cent respectively of the total market. The Nordic region accounted for around 11 per cent of total sales in Europe, and Denmark and Sweden had the highest sales in the region.

The European kitchen market has increased in value since the mid-1990s. The main reason is that the average order values have increased. In 2003, the kitchen markets in the UK, France and Italy continued to grow, while the decline in Germany continued.

The buyers are consumer customers, craftsmen who purchase for end customers and construction companies that build or renovate large housing projects.

Demand for kitchen interiors 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. In the markets where Nobia is active, the demand from the renovation market is greater than the demand from the new building segment. Nobia estimates the renovation market at 70 per cent and the new building market at 30 per cent in the countries in Europe where the Company has operations.

[1] The EU countries as well as Switzerland and Norway.

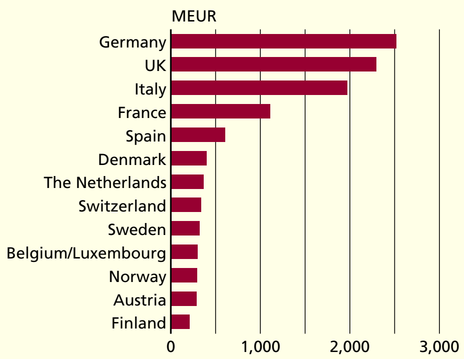
The kitchen market is usually split into four price segments – upper, upper-middle, middle and economy. The upper segment includes prestigious brands, among them Nobia-owned Unoform and Poggenpohl. Nobia is represented in all market segments, with the main focus on the upper-middle segment.

Rigid kitchens are sold in all of the segments, while flat-pack kitchens are sold mainly in the economy segment, but also in the middle segment.

Strong fragmentation

The kitchen market in Europe is highly fragmented. The five largest manufacturers are estimated to account for around 24 per cent of the market. Most manufacturers are small and operate mainly in local markets. The importance of different sales channels varies from country to country. Consumer tastes and preferences also vary and are often influenced by local trends. The industry in

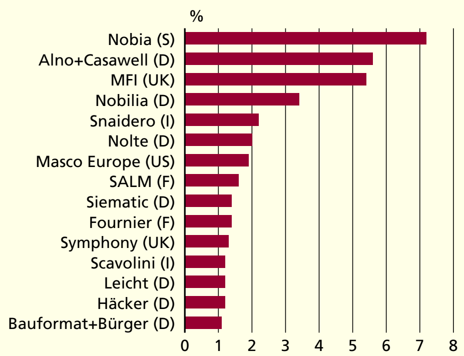
The European kitchen market



Source: Csil, Prognoscentret and Nobia. The figures are for 2003.

The European kitchen market's estimated net sales in 2003 amount to EUR 11.4 billion. The five largest markets account for around 70 per cent of the total market.

Nobia is a market leader in Europe



Source: Csil and Nobia. The figures are for 2002. No information is available for IKEA. Gower is included in Nobia.

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

Flat-pack kitchens constitute an interesting and growing segment of the European kitchen market.

general is undergoing a period of modernisation and consolidation. As a result of consolidation, the manufacturers in the European market are fewer in number but larger in size. Csil, a furniture industry research institute, reported in 1992 that the 50 largest kitchen companies accounted for 52 per cent of kitchen manufacturing. In 2002, this figure had risen to 60 per cent. In 2003 a number of structural transactions were implemented, for example, Nobia's acquisition of the UK company Gower, German Alno's acquisition of Wellman, and two mergers in Denmark. A number of large and small kitchen companies have disappeared completely from the market.

Sales through five channels

Five sales channels for kitchen interiors dominate in Europe – kitchen studios, furniture stores, builders' merchants, DIY chains and ex-factory direct sales to construction companies. The importance of these channels varies in different countries. As kitchen interiors have, to a greater extent, become consumer products, the channels are offering an increased service content. In the upper segment there are currently only a few established global brands. The brands in the other segments are marketed almost exclusively in the local markets where the products are manufactured. In recent years, a number of regional brands have also been established when brands have expanded outside their domestic market.

The kitchen as a focal point

Over the past ten years, interest in interior design has increased and, at the same time, the role of the kitchen has changed. If the kitchen used to be a small space with simple and practical functions, it has gradually emerged into the focal point of the home and even a status symbol, where interior design trends have an increasing impact. Kitchen interiors have changed from producer goods into consumer products. Customers want to have larger, more exclusive kitchens. Customers are also seeking more individual solutions, specially designed products and accessories. The trend is particularly evident in the upper and upper-middle segments. The customers are willing to spend a larger portion of their disposable income on their kitchens than before, which is reflected in the rising order values. To keep up with these trends, manufacturers are expanding their offerings, and brands have become more important.

Growth in the flat-pack kitchen market

This trend is accompanied by growth in the flat-pack kitchen market. Today, this is one of the fastest growing segments in the European kitchen market. Nobia estimates that flat-pack kitchens currently account for 25–30 per cent of the European market expressed in value as a percentage of kitchen furniture excluding accessory sales.

The percentage share varies significantly, however, between different countries. The UK, where flat-pack kitchens constitute more than 40 per cent of the total market, has the largest share. In France the corresponding figure is also around 40 per cent. The Nordic market's estimated share is 30 per cent and in Germany, flat-pack kitchens account for 20 per cent of the market. As a result of the growth in flat-pack kitchens, the middle segment's share of total kitchen sales has decreased.

The distribution channels have played an important part in the growth in the flat-pack kitchen segment. The most important channels are nationwide DIY chains, where kitchens make up a significant portion of the range of products they sell, and furniture stores, particularly IKEA. The DIY category includes such chains as B&Q, Homebase and Focus Wickes in the UK, Obi in Germany and Castorama and Lapeyre in France. Many of the DIY chains have expanded considerably in recent years, among other things, by opening stores in large shopping centres outside the cities. This expansion is expected to continue, and the chains – several of which have a pan-European strategy – constitute one of the most important distribution channels for European kitchen manufacturers. DIY chains are often seeking close partnerships for long-term co-operation with strong suppliers. As Nobia expands its flat-pack kitchen business, new possibilities are opening up and the expansion of the DIY chains will also be able to contribute to Nobia's growth.

Fastest growth in the UK

The kitchen market in the UK has sales of around EUR 2.3 billion in terms of manufacturing selling prices, which makes it Europe's second largest market. Although trends indicate that the number of kitchens sold fell between 1995 and 2000, this was offset by increased average order values, particularly due to increased accessory sales. At the same time, all segments have progressed in terms of specifications, quality and – to some extent – prices.

The British kitchen market has been one of the fastest growing markets in Europe in recent years, growing by 2 per cent in 2003. The growth was driven mainly by higher average order values. The bathroom interior, bedroom interior and joinery products markets have also grown.

Nobia's market share, through the Magnet, Gower and Poggenpohl business units, is around 14 per cent. Magnet is a market leader in the upper-middle segment, while Gower is the second largest manufacturer of flat-pack kitchens overall and the market leading supplier of flat-pack kitchens to DIY chains.

Kitchen stores constitute the most important sales channel in the UK. DIY chains constitute the channel with the fastest growth, a trend that is expected to continue as the product range and service is expanded and improved.

Steady growth in the Nordic region

Sales in the Nordic kitchen market amount to around EUR 1.2 billion, in terms of producer prices. Over the past five years, the growth rate has been stable at between 3 and 4 per cent per year. Sales by country are as follows: Denmark EUR 400 million, Sweden EUR 320 million, Norway EUR 290 million, and Finland EUR 210 million. The estimated increase in the total market in the Nordic region in 2003 is around 4 per cent. In Denmark the estimated increase is 4 per cent and in Finland, the market has grown by an estimated 5 per cent, mainly due to increased activity in the new building segment. In Norway the increase is assessed at 2 per cent, with an increase in renovation and a decline in new building. In Sweden the estimated increase in the market is around 5 per cent, evenly distributed between new building and renovation.

Nobia is a market leader in all of the Nordic countries with a total market share in the region in 2003 of around 30 per cent. The market share by country is as follows: Denmark around 30 per cent, Finland 29 per cent, Norway 34 per cent, and Sweden 26 per cent.

The importance of the sales channels varies from country to country. In Finland, new building accounts for a large portion of the market and consequently, direct sales is the largest channel. In Denmark, kitchen studios are very common and account for around 75 per cent of the distribution. Kitchen studios are also the most important sales channel in Norway, while in Sweden, builders' merchants dominate. In terms of value, rigid kitchens account for an estimated 70 per cent and flat-pack kitchen for 30 per cent of the Nordic market, i.e. excluding accessory sales.

Germany and the Netherlands – largest in Europe

The two largest markets in Nobia's Continental European operation are Germany and the Netherlands. In terms of manufacturing selling prices, Germany – Europe's largest kitchen market – accounted for around EUR 2.5 billion and the Netherlands for just under EUR 400 million. After Germany's reunification, the housing construction market experienced an upswing that lasted until 1996. The market has subsequently been in decline.

The market situation was unfavourable in 2003 in the markets in both Germany and the Netherlands. The decline in Germany is estimated at around 6 per cent for the market as a whole, but it slowed down towards the end of the year. In the Netherlands there was an estimated decline of 10 per cent. As a reaction to the reduced demand, adjustments are being made in the form of structural measures, particularly among German kitchen manufacturers.

Nobia's market share in Germany is estimated at 3 per cent and in the Netherlands at 11 per cent.

In Germany, kitchen interiors are often regarded by many as furniture and almost half of the sales are generated by furniture stores that primarily sell kitchens in the middle and economy segments. Kitchen studios are the second largest sales channel, selling mainly in the upper and upper-middle segments. In the Netherlands, kitchen studios constitute the largest sales channel. In Germany in particular, a large number of kitchen studios have formed their own purchasing organisations, which are a major force in the market. Kitchens are often sold in these channels under other brands than those of the actual manufacturers.

Gower acquisition strengthens Nobia's position in the UK

The UK operation consists of the Magnet and Gower business units. Magnet is one of the leading manufacturers of rigid kitchens, bathrooms and bedrooms, and these are offered to the upper-middle segment through Magnet's own store network. Magnet also manufactures and sells joinery products and operates a bathroom business in the form of the C.P. Hart store chain. Gower is the leading supplier in the UK of flat-pack kitchens to DIY chains. Nobia acquired Gower in December 2003 and now has a 14 per cent market share in the UK.

Sales fell by 6 per cent to SEK 3,848 million (4,075). The organic growth, i.e. sales adjusted for currency effects and the sale of the Flint and Penrith joinery operations, was 6 per cent. Gower is included in the accounts from December 2003 and contributed SEK 68 million, making a 2 per cent increase in total sales. Net sales increased in the kitchen and joinery products segments, but fell in the bathroom segment. Interiors for kitchens, bedrooms and wardrobes accounted for 72 per cent of net sales in 2003. Bathrooms accounted for 6 per cent and joinery products for 22 per cent. The organic growth was mainly driven by increased flat-pack kitchen sales. The estimated increase in demand in the UK is 2 per cent.

The operating profit[1)] fell to SEK 297 million (396), which includes profits from the sale of lease contracts

The acquisition of Gower has strengthened Nobia's position in the UK, particularly in the growing DIY market.

[1)] Excluding goodwill amortisation.

and properties in the amount of SEK 66 million (15). Gower contributed SEK 3 million.

The fall in profit is mainly the result of lower sales and reduced margins for C.P. Hart, where management changes have been made to turn the weak trend around. The fourth quarter result includes a reserve of SEK 25 million for this unit's inventory and receivables.

Other reasons for the lower profit are currency effects relating to the weak GBP, and a change in the product mix towards a smaller percentage of products produced within the Group. The operating margin[1] amounted to 7.7 per cent (9.7).

Stronger in DIY segment

In December 2003, Nobia acquired Gower, a UK kitchen manufacturer.

Gower is the UK's leading supplier of flat-pack kitchens to DIY chains and the second largest manufacturer of flat-pack kitchens. In addition to DIY chains, Gower's customers also include builders' merchants and independent kitchen studios. Gower's annual net sales amount to around SEK 1 billion, of which 5 per cent is generated in markets in Continental Europe. Gower also manufactures flat-pack bathroom and bedroom furniture, which together account for around 12 per cent of its sales. Gower has 475 employees at its two factories in West Yorkshire. The head office and most of the company's production is carried out in Halifax.

The Gower acquisition has strengthened Nobia's position in the UK, most notably in the DIY market, which is a large and growing portion of the total market. Gower will enable Nobia to benefit from the strong growth in recent years of DIY chains in the UK. Gower can also strengthen the organisation for key customers within this segment in other markets.

Together, Nobia and Gower can fortify relationships with DIY chains and offer a broader product mix, improved product development, increased service, more efficient purchasing and the capacity to deliver throughout Europe.

Following the acquisition, the Group's flat-pack kitchen operation's share of the net sales will increase from 11 to 19 per cent. At the same time, the UK operation's share of the Nobia Group's net sales will increase from 41 to 47 per cent. The percentage of flat-pack kitchens in the UK operation amounts to around 27 per cent annually after the acquisition.

Increased investment in stores

Magnet's store in Chester was honoured as the "Best UK Retail Interior" in the Retail Interior Awards 2003. The international Retail Interiors Magazine hands out this prestigious award for a store interior that "quite simply is extraordinary in every respect." The Chester store, which was opened in December 2002, was designed and developed by Magnet's own designers. It is Magnet's first store to have a new concept, and it was developed to meet today's experience-oriented buying trends.

In autumn 2003, a decision was taken to increase the pace of the upgrade of Magnet's store network. The programme involves about 150 stores over a three-year period. The store concept in Chester will now be installed in selected stores and will also be used when new retail stores are opened. The first stores after Chester to have this concept – three renovated stores in London – were opened at Christmas 2003.

Magnet's store network comprises three different types of stores – retail solus that focus on consumers, trade solus aimed at the small-scale builders market, and mixed sites for both retail and trade customers. Magnet has developed a new store concept also for the professional market.

The success of Interior Solutions, which is Magnet's category management concept, has continued and sales have increased sharply. With this concept, Magnet delivers flat-pack kitchens to one of the UK's largest DIY chains. The chain operates the stores, while Magnet is responsible for a variety of peripheral services including training of sales staff, providing sales support materials and the installation of kitchen displays in the stores. The

In autumn 2003, Nobia decided to increase the pace of upgrading Magnet's store network. This programme covers 150 stores over a three-year period.

[1] Excluding goodwill amortisation.

range is sold under the "Studio Kitchen" brand, and at the end of 2003, it was available in just over 200 stores. The concept involves intra-Group co-operation in that Optifit in Germany delivers the carcasses.

In 2003 Magnet opened five new stores, and six stores were renovated or relocated. At the end of the year, Magnet had 217 stores of its own. Seven of these are C.P. Hart retail stores for bathroom products and kitchens under the Poggenpohl and Pronorm brands.

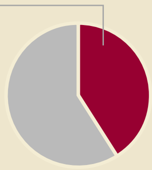
Savings through co-ordination

The Group's programme of co-ordinated purchasing has reduced material costs. The effect of the savings is offset, however, by the weakening of the GBP, since most purchases are made in euro.

In 2003, Magnet took another step in the process of co-ordinating purchasing and launched a programme to reduce the number of components. The aim is to rationalise the range and co-ordinate the process of selecting products and components. This will ensure that the Group can optimise the use of economies of scale.

The programme is expected to result in savings achieved through rationalisation by way of larger product volumes and fewer adjustments, improved delivery reliability due to the fact that there are fewer product varieties, greater purchasing volumes, and by working with fewer and quality-checked suppliers.

Share of Group sales



Key figures	2003	2002	Change
Net sales SEK m	3,848	4,075	–6%
Operating profit[1], SEK m (EBITA)	297	396	–25%
Operating margin[1], %	7.7	9.7	
Operating capital, SEK m	1,131	1,113	2%
Return on operating capital, %	26	36	
Investments, SEK m	97	103	–6%
Average no. of employees	1,885	2,047	
No. of own stores	217	214	

	2003				2002			
Quarter	IV	III	II	I	IV	III	II	I
Net sales, SEK m	980	931	929	1,008	947	1,057	1,006	1,065
Operating profit[1], SEK m	65	78	43	111	101	103	82	110
Operating margin[1], %	6.6	8.4	4.6	11.0	10.7	9.7	8.2	10.3

[1] Excluding goodwill amortisation.

Sales per product

Strong growth and continued investment in the store network

The Nordic operation consists of seven business units – HTH and Invita in Denmark, Novart with the brands À la Carte, Petra and Parma in Finland, Norema and Sigdal in Norway, and Marbodal and Myresjökök in Sweden. Nobia is a market leader in each of these countries with a total market share in the Nordic region of 30 per cent.

Sales increased by 3 per cent to SEK 3,592 million (3,498). The organic growth amounted to 5 per cent and was mainly linked to sales in the Danish and Swedish markets. Sales also increased in Finland, while they remained unchanged in Norway. The organic growth is driven mainly by increased average order values and investments in the store network. Flat-pack kitchens and kitchen accessories – in particular white goods – continued to increase their percentage of sales in the Nordic operation.

The operating profit[1)] was largely the same as the previous year and amounted to SEK 424 million (425), despite a weak first half-year for the Norwegian business unit Norema. The operating profit includes depreciation of inventory and fixed assets in the amount of SEK 6 million. The weakening of the Norwegian krona reduced the profit by around SEK 12 million. Increased volumes and average order values as well as continued savings in direct material costs all contributed to an improved result. The Norema business unit recovered its product quality and delivery reliability during the second half of the year. This resulted in reduced costs and an improved result. The operating margin[1)] amounted to 11.8 per cent (12.1). The estimated increase in demand in the Nordic region is 4 per cent.

Investments in the store network

In 2003, 14 new stores were opened and 9 were renovated or relocated. At the end of the year, the number of stores owned by Nobia or operated under franchise agreements was 313. In 2003, HTH was named Franchise System of the Year in Denmark by the Børsen newspaper and the Danish Franchise Association. HTH opened new franchise stores, including one in Glostrup, and relocated the store in Århus to larger premises. There is a trend in Denmark towards larger stores that sell everything for the kitchen – called "category killers" in the industry. With just under 3,500 m^2, the store in Århus is HTH's and Denmark's largest. The store in Glostrup is the second largest with around 2,000 m^2. HTH also continued to invest in HTH DIY in Denmark, which resulted in the opening of three new stores. At the end of 2003 there were 23 stores with this concept.

1) Excluding goodwill amortisation.

The organic growth in the Nordic operation was 5 per cent. The driving force was increased average order values and investments in the store network.

In Sweden an entirely new kitchen series was launched under the name Format. The series was developed in co-operation with Electrolux and will be sold through the Electrolux Home store chain throughout Sweden. One new feature is that the consumers can choose to purchase a kitchen either assembled or in flat packs. This allows the customers to influence the price of their kitchen solution without compromising on design and functionality. The range of kitchen products is provided by the Marbodal business unit.

During the year, Myresjökök opened its first wholly-owned store in Gothenburg and Marbodal opened a franchise store in the Stockholm area. Norema opened new stores in Drammen and Bergen in Norway and moved the store in Trondheim to larger premises. Invita opened a new franchise store in Århus in Denmark.

Sales in the DIY segment continued to develop well in Denmark, Norway and Sweden. In Finland this segment is smaller. In 2003, flat-pack kitchens accounted for 5 per cent of Nobia's sales in the Nordic operation.

The Swedish company, Myresjökök, became the sole supplier to the NCC construction company in 2003. In January 2004, Norwegian Norema, became the sole supplier to Block Watne, Norway's largest manufacturer of timber houses. The business units in the Norwegian operation have strong relationships with building contractors. Consequently, Nobia has a significantly larger share of sales in the new building segment in the Nordic region than in the other business regions. In 2003, 61 per cent of the sales in the Nordic operation were generated in the renovation segment and 39 per cent in the new building segment.

Export

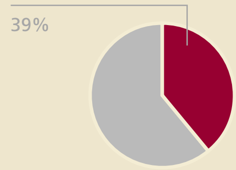
Two per cent of sales are generated outside the Nordic region. The largest export nations are Russia – where Novart has had an operation for more than ten years – and Portugal where HTH has six stores. The third largest export market is Poland, where HTH sells its products. In 2003 HTH also had sales progress in China. There is considerable activity at this time in the Chinese construction market in preparation of the Summer Olympic Games in 2008.

Additional efficiency improvements

In January 2003, Nobia's K20 Group-wide measurement standard for carcasses was introduced in the Danish business unit Invita. The standard is now being used by five business units in the Nordic operation. Increased production and purchasing co-ordination continued to reduce material costs during the year.

Work began in 2003 at HTH on constructing a new facility for loading and stock management. Over the past three years, HTH has grown by 10 per cent per year. This positive trend has resulted in a shortage of available production capacity. The investment in the new facility will improve efficiency and the production flow through the factory. It will also free space for increased assembly activity.

Share of Group sales

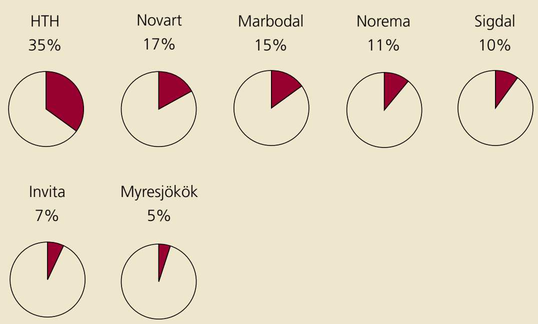


Key figures	2003	2002	Change
Net sales SEK m	3,592	3,498	3%
Operating profit[1], SEK m (EBITA)	424	425	0%
Operating margin[1], %	11.8	12.1	
Operating capital, SEK m	828	800	4%
Return on operating capital, %	51	53	
Investments, SEK m	126	110	15%
Average no. of employees	2,479	2,477	
No. of own stores and franchise stores	313	305	

	2003				2002			
Quarter	IV	III	II	I	IV	III	II	I
Net sales, SEK m	938	753	1,022	879	916	739	1,009	834
Operating profit[1], SEK m	110	85	149	80	110	84	149	82
Operating margin[1], %	11.7	11.3	14.6	9.1	12.0	11.4	14.8	9.8

[1] Excluding goodwill amortisation.

Share of sales per business unit



Nobia's business units maintained their market positions

The Continental European operation includes Optifit, Pronorm and Poggenpohl – one of the world's most famous kitchen brands. The main markets are Germany and the Netherlands. The market share in Germany is estimated at 3 per cent and in the Netherlands at 11 per cent. Export outside Continental Europe accounted for 24 per cent of the total net sales.

Poggenpohl's range of products includes the famous modern design, "modern purism", which is often associated with Poggenpohl, as well as kitchens with classic designs or "modern classics".

Net sales amounted to SEK 1,920 million (2,083), which is equivalent to a reduction of 8 per cent. Excluding currency effects and the Goldreif business unit – which Nobia decided in September to close down – the reduction was 4 per cent. Sales continued to fall in both Germany and the Netherlands. On the other hand, sales to the UK increased through the sister company Magnet. This increase was mainly related to flat-pack kitchen sales, and Optifit was able to double its sales to Magnet in 2003. Poggenpohl's and Pronorm's sales through C.P. Hart also increased. Sales figures also rose in other European markets and in Asia. Demand is estimated to have fallen by 6 per cent in Germany and 10 per cent in the Netherlands. Overall, Nobia's business units were able to maintain their positions in 2003 in the Continental European market.

The operating profit[1)] increased by 22 per cent and amounted to SEK 83 million (68), excluding Goldreif close-down costs. The operating margin[1)] was 4.3 per cent (3.3). Goldreif reduced the operating profit by SEK –18 million, excluding close down costs. The increase in operating profit is mainly attributable to the Poggenpohl business unit's increased profit.

Brand care and new customers

The prestigious Poggenpohl brand is one of the world's best known kitchen brands. Its range of products includes the famous modern design called "modern

[1)] Excluding goodwill amortisation

purism" which is often associated with Poggenpohl, as well as classical designs or "modern classics." Poggenpohl currently sells its kitchens in over 50 countries and its +STUDIOCONCEPT was introduced at an additional 55 retailers in 2003 in such cities as Vienna, Barcelona, Taipei, San Francisco, Toronto, New Delhi, St. Petersburg, Prague, Kiev, Bangkok, Dubai, Moscow, Tokyo, Manila, Seoul and Beijing. At the end of the year, the concept had been introduced in 250 stores. The concept's purpose is to ensure that a uniform image is projected all around the world.

The Optifit business unit, which is aimed at flat-pack products and primarily kitchens, has started deliveries to the Otto postal order company in the Netherlands. Optifit also entered into a sales partnership concerning bathroom interiors under the Eurofit brand. Optifit's partner in this venture is Max Bahr – one of Germany's largest builders' merchants chains.

Pronorm, which focuses on the upper-middle segment, succeeded in 2003 in broadening its customer base. Pronorm also took over a portion of Goldreif's customer base in connection with that unit's closure.

USA is the largest export market

In 2003 the Continental European operation's net sales outside the region accounted for 24 per cent of total sales. The most important areas are the US, Asia and the UK. Poggenpohl was clearly responsible for the largest percentage of exports. Increases in sales were noted in Asia, particularly in China. Apart from the main markets of Germany and the Netherlands, Nobia also sells its products in this region to Switzerland, France, Austria, Belgium and Luxembourg, among other countries.

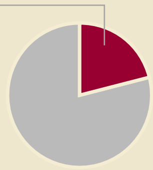
Improved industrial structure

In autumn 2003 Nobia decided to concentrate its production and close the loss-making German business unit Goldreif. The closure is planned for March 2004. Nobia believes that this measure will strengthen the structure in Germany and facilitate the development of the remaining three business units.

The Group's programme for co-ordinating purchasing is continuing to generate savings in the form of lower material costs. In 2003 staff cuts were made at all business units in the Continental European operation.

The Pronorm business unit opened new office premises, thereby improving the working environment and increasing efficiency as well as the well-being of the staff. Previously, the company's administrative department was located in four different buildings.

Share of Group sales



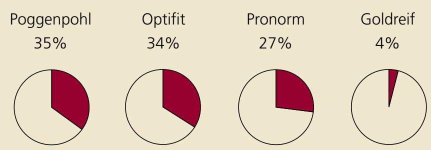
Key figures

Key figures	2003	2002	Change
Net sales SEK m	1,920	2,083	–8%
Operating profit[1], SEK m (EBITA)	83	68	22%
Operating margin[1], %	4.3	3.3	
Operating capital, SEK m	483	489	–1%
Return on operating capital, %	17	14	
Investments, SEK m	68	56	21%
Average no. of employees	1,194	1,266	
No. of own stores and franchise stores	11	9	

	2003				2002			
Quarter	IV	III	II	I	IV	III	II	I
Net sales, SEK m	481	475	485	479	508	521	542	512
Operating profit[1], SEK m	32	27	15	9	30	22	14	2
Operating margin[1], %	6.7	5.7	3.1	1.9	5.9	4.2	2.6	0.4

[1] Excluding goodwill amortisation.

Share of sales per business unit



Focus on management development

In accordance with Nobia's decentralised organisation, personnel issues are mainly the responsibility of Nobia's business units. However, Group management co-ordinates issues concerning senior executives. The areas of priority in this work are ensuring the supply of managers, management development and remuneration issues.

In Nobia's organisation, personnel management is decentralised. The business units have direct responsibility for ensuring that their employees feel confidence and trust and are motivated in their day-to-day work. It is also the business units that deal with issues involving the working environment, skills development and recruitment.

At the central level, personnel management mainly concerns the senior executives. Prioritised areas include ensuring the supply of managers, management development and remuneration issues. Nobia's personnel management at the Group level also focuses on communicating the corporate culture and Nobia's values to the various business units.

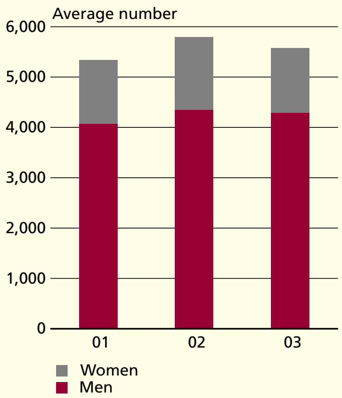
Management development programme

In 2003, Nobia launched its first management development programme under the name "Setting Nobia Apart," which is aimed at middle management and has a total of 16 participants from all of the business units. The programme is based on four meetings, each with a different theme: leadership, financial focus/strategy, market/brand and production/logistics. Between each meeting the participants complete work-related projects within their own business unit.

Programmes like "Setting Nobia Apart" help to create networks between individuals and business units within the Group. This is of particular importance in a decentralised organisation, where practical and accessible contact channels need to be established for the successful exchange of ideas and knowledge. This type of programme also helps to communicate Nobia's vision of leadership, corporate culture and values. In 2004, Nobia will continue to work with management development.

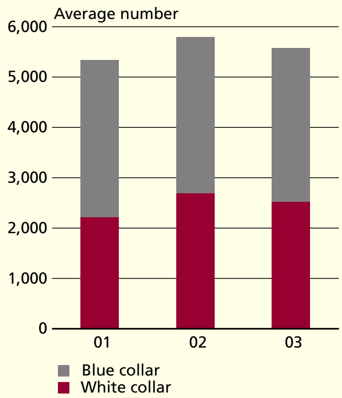
Management development is a prioritised area for Nobia. In its work with ensuring the supply of managers, Nobia focuses on the 100 most senior positions in the Group. Planning includes evaluation of management performance, preparing routines to find and develop new managers, and ensuring succession planning in order to maintain a high level of quality in the Group's leadership in the long term.

Average number of employees, ratio of women/men



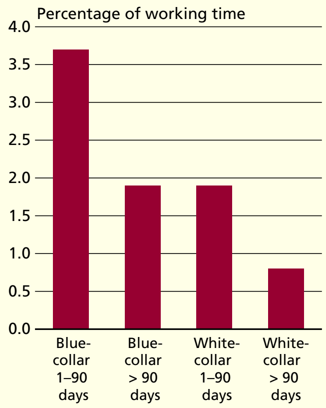
The average number of employees fell by 5 per cent between 2002 and 2003.

Distribution blue collar/white collar



In 2003, 55 per cent of the employees were blue collar and 45 per cent were white collar.

Absence due to illness, 2003



A person who is on the sick list for 100 consecutive days is reported as having a 100-day long-term absence, while a person who is sick 10 x 10 days is reported as having a 100-day short-term absence.

In 2003, the "Setting Nobia Apart" leadership programme was implemented for the first time. The programme also promotes the creation of networks within the Group.

Local initiatives

In 2003, Magnet launched an internal culture and communication project entitled: "Want to, can do, will do." The goal was to communicate Magnet's corporate culture to the employees and also to increase commitment, well-being and internal communication. The project includes distributing employee questionnaires on a regular basis, to get feed back from the employees on how they experience changes resulting from implemented measures. The results point to significant improvements in the form of increased well-being and better communication between colleagues.

HTH takes personnel management very seriously. The company is currently ranked as the 20th best workplace in Denmark. The long-term goal is to be one of the ten best companies in Denmark. The focus on personnel issues is motivated among other things by successive changes in the organisation, giving the production teams and individual employees greater responsibility for their day-to-day work. The emphasis has been placed on social issues, and aspects such as well-being, communication and personal development have become more business critical factors. HTH's focus on the social issues has thus helped to safeguard and promote individual competitiveness among the employees. The results of these efforts are followed up in a document entitled "Social Report," which is published once a year and is based on follow-up of a number of focus areas. In 2003 these focus areas included well-being, work environment and external environmental impact.

Union co-operation

Nobia's union activities on Group level are conducted through the European Works Council (EWC). The EWC includes staff representatives from all of the business units. Group management normally meets with the EWC twice a year. These meetings involve an exchange of ideas and experiences between the different business units and countries.

Large percentage of renewable materials in production

Each business unit is responsible for its own environmental work. The consumption of materials and energy in manufacturing processes is monitored with various key ratios that are used for internal and external comparisons. In 2003 the ratios were improved in transportation and energy consumption.

The production process

The materials used within the Nobia Group are 80 per cent renewable. The most common materials are fibreboard and a smaller amount of solid wood. The wood waste generated from production is used for heating the plants or is sold for animal and pet bedding. The Group therefore uses only a limited amount of fossil fuels in relation to the size of the operations, which minimises the net emissions of greenhouse gases into the atmosphere.

The main environmental impact caused by Nobia's operations emanates from exhaust from lorries and cars and from emissions of organic solvents. There are projects under way within the Group to improve planning and co-ordination of transportation, which in the long term is expected to lead to environmental improvements. To minimise personal transport, a Group-wide video conferencing system is used, which is installed at all of the business units except Gower. In 2003 the system was installed at five business units and Gower will be linked up in 2004.

With respect to organic solvents, Nobia's business units already use a large amount of waterborne and UV tempered paint and lacquer for finishing, which give off little 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.

Since Nobia's business units process and finish products almost exclusively of wood, the environmental permits that are required for the Company's operations are related to emissions of organic solvents from surface treatment, emissions of wood dust, wood shavings and noise from wood processing, as well as emission of flue gases and ash 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 are established in their respective countries.

Follow up

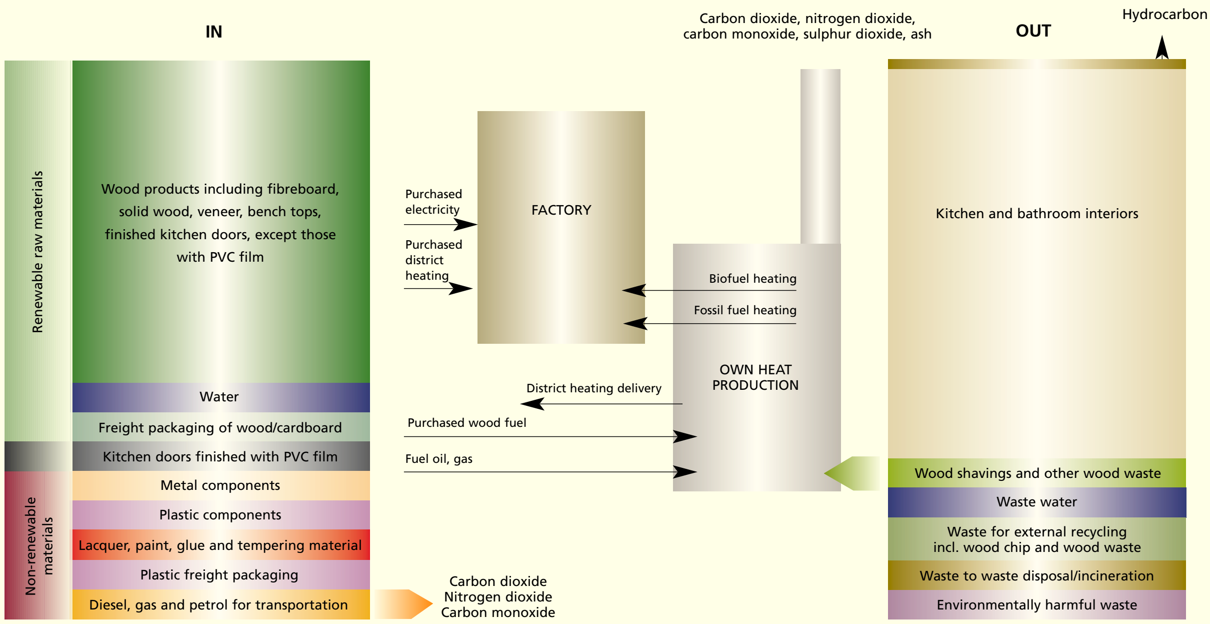
A number of energy and material balance ratios are prepared for all of the production units. The purpose is to show to what extent ecologically harmful substances are being used. The balances also show the amounts of waste and emissions and provide an overview of the raw material consumption in the Company's operations. This also allows the consumption of materials and energy in the manufacturing processes to be followed up in the form of

Key figures

	2003	2002	Change, %
Environmental Management systems[1]			
Operations with certified environmental management systems, % of Group net sales	80	57	
Greenhouse gases			
Greenhouse gas emissions from transportation of products and personnel, Kg/cabinet	3.80	4.21	–9.75
Greenhouse gas emissions from heating and manufacturing, Kg/cabinet	8.69	9.39	–7.41
Volatile Organic Compounds			
VOC emissions Kg/100 painted fronts	11.31	11.82	–4.34
Energy			
Electricity, KWh/cabinet	13.00	14.21	–8.46
Packaging			
Packaging material intensity, Kg/cabinet	1.30	1.29	0.98
Percentage of renewable packaging, %	85.84	84.51	

[1] Comparable units, i.e. exclusive of Penrith, Flint and Gower.

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



The materials used by the Group are 80 per cent renewable. The wood waste generated from production is used for heating. The Group therefore uses only a limited amount of fossil fuels in relation to the size of the operations, thereby minimising the net emissions of greenhouse gases into the atmosphere.

various key ratios. These are then used partly for comparisons between business units, and partly for external comparisons, but also to establish quantifiable environmental goals. Each individual business unit decides on goals and strategies for their specific operations based on the guidelines in the policy.

Environmental certification

Acquiring environmental certification is an 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. In 2003 production was certified at Marbodal, HTH's main factory in Ølgod and Magnet's factory in Keighley according to ISO 14001. At the end of 2003, eight of the Group's 18 production units were certified according to the ISO environmental standard ISO 14001 and/or registered according to the EU's Eco-Management and Audit Scheme (EMAS). The certified factories constituted 80 per cent of the Group's total sales.

Purchasing 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. The products that are purchased shall be manufactured under socially and environmentally responsible conditions. In 2003, purchasing guidelines were drawn up and implemented to ensure this is the case.

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.
- Our goal is to use wood from responsibly run forestry operators.
- 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 information

The Board of Directors and CEO of Nobia AB (publ) hereby present the annual accounts and consolidated accounts for the 2003 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

Nobia AB, corporate reg. no. 556528-2752

The Group

Nobia is Europe's leading kitchen interiors company. In the beginning of December 2003 Nobia acquired Gower, a UK kitchen manufacturer.

Gower is the UK's leading supplier of flat-pack kitchens to DIY chains and the second largest manufacturer of flat-pack kitchens. Gower has net sales of around SEK 1 billion per year.

The purchase price was SEK 897 million, on a debt-free basis, and the acquisition generated goodwill of SEK 686 million. The acquisition has been included in the accounts since the beginning of December.

In September a decision was taken to close down the loss-making German business unit, Goldreif, part of the Continental European operation. The unit is to be closed down in March 2004. Close-down costs, which are estimated at SEK 98 million, affected the operating profit for 2003. Of this amount, around SEK 50 million is affecting the cash flow, mainly during the first half of 2004.

Market and sales

The organic growth amounted to 3 per cent for the full year, despite the continued fall in demand in Germany and the Netherlands and the lower pace of growth in the UK. The UK operation's organic growth was 6 per cent and the Nordic operation had organic growth of 5 per cent. The organic growth was a result of Nobia's sustained focus on the DIY segment and the expansion and modernisation of the store network. During the year, a decision was taken to increase the pace of upgrading the UK store network, and accordingly, over a three-year period, 150 stores will be renovated.

In 2003 the Group opened a total of 21 new stores and 24 were renovated or re-located. At the end of the year, Nobia had a total of 541 wholly-owned or franchise stores.

Purchasing and production

Continued co-ordination of purchasing of direct materials resulted in savings of SEK 87 million. In 2003 the Danish operation Invita introduced the K20 measurement standard for carcasses. K20 has now been introduced in half of Nobia's business units. In November Nobia acquired a 45-per cent share in a new partnership for production of solid wood doors in Lithuania as part of Nobia's strategy to increase the supply of components from low-cost countries.

The close-down of Goldreif will mean that the Continental European operation's production will be concentrated to three factories. As a result of cost-saving measures implemented by the rest of the Continental European operation and Norema, personnel costs were cut in 2003 by SEK 35 million compared to the previous year.

Net sales and results

Net sales fell by 3 per cent to SEK 9,273 million (9,594). Gower, which was acquired in 2003 and has been included in the accounts since the beginning of December 2003, contributed SEK 68 million. The organic growth was 3 per cent, i.e. the sales for comparable units adjusted for currency effects.

The operating profit amounted to SEK 565 million (725) including close-down costs for Goldreif of SEK –98 million. Before goodwill depreciation and excluding close-down costs for Goldreif, the operating profit was SEK 723 million (788), a reduction of 8 per cent. The UK operation's operating profit was reduced, while the operating profit for the Nordic operation remained largely unchanged, despite a weak first half year for the Norwegian business unit Norema. The Continental European operation improved its operating profit, despite a weak market in Germany and in the Netherlands.

The operating margin was 6.1 per cent (7.6). Excluding goodwill amortisation, the operating margin was 6.7 per cent (8.2). Excluding close-down costs for the Goldreif business unit of SEK –98 million and before goodwill amortisation, the operating margin amounted to SEK 7.8 per cent (8.2).

Financial items totalled SEK –65 million (–119). Net interest expense improved compared to the previous year as a result of the 2002 issue of new shares and the Group's cash flow.

The profit after financial items was reduced by 17 per cent to SEK 500 million (606).

Tax expenses for the period amounted to SEK –162 million (–198), which represents a tax rate of 32.4 per cent (32.7). Excluding non-deductible amortisation of consolidated goodwill, the tax rate was 28.9 per cent (29.6).

Profit after tax amounted to SEK 338 million (408), which is equivalent to earnings per share of SEK 5.84 (7.53) after dilution.

UK operation

The UK operation consists of the Magnet business unit, acquired in May 2001, and the Gower business unit, acquired in December 2003.

Demand in the UK is estimated to have increased by 2 per cent in 2003 compared to 2002.

Net sales totalled SEK 3,848 million (4,075), which represents a decline of 6 per cent. Currency effects caused a fall in sales of 9 per cent, while the disposal of the joinery operations in Flint and Penrith reduced the sales by 4 per cent. Gower, which has been included in the accounts since the beginning of December, contributed SEK 68 million, making an increase in sales by 2 per cent. The organic growth was 6 per cent, and was the result of increased sales of flat-pack kitchens. The table below shows the comparative values.

UK operation

SEK m	Sales analysis 2003	2002
Reported values	3,848	4,075
Flint & Penrith		–176
Currency effects	355	
Acquisition of Gower	–68	
Comparative values	**4,135**	**3,899**

Compared to the same period the previous year and adjusted for currency effects, sales of kitchen, wardrobe and bedroom interiors increased by 11 per cent. There was strong growth in sales of kitchens to the DIY segment, while rigid kitchens increased by 2 per cent. The C.P. Hart bathroom company's sales fell by 17 per cent.

The operating profit before goodwill amortisation was SEK 297 million (396). The operating profit includes earnings from the sale of leases and properties in the amount of SEK 66 million (15). Gower, which has been included in the accounts since the beginning of December, contributed SEK 3 million.

Lower sales and reduced margins at C.P. Hart had a negative impact on the result. Changes in management have been made at C.P. Hart to reverse the weak trend. Provisions for inventory and receivables in the amount of SEK 25 million are included in the fourth quarter result.

Currency effects as a result of the weakening of the GBP, mainly due to purchases made in euro, had a negative impact on the result in the amount of SEK 65 million, of which the negative result from the translation of foreign subsidiaries' operating profit accounts for SEK 28 million. The operating profit was also adversely affected by the change in the product mix towards a lower percentage of products produced by Nobia.

The operating margin before goodwill amortisation amounted to 7.7 per cent (9.7).

Nordic operation

The Nordic operation includes the Swedish business units Marbodal and Myresjökök, the Danish business units HTH and Invita, the Norwegian business units

Norema and Sigdal and the Novart business unit in Finland.

Demand in the Nordic region is believed to have increased by 4 per cent in 2003 compared to 2002.

Net sales amounted to SEK 3,592 million (3,498), which represents an increase of 3 per cent. The organic growth was 5 per cent and is mainly the result of increased sales in the Danish and Swedish markets. The main reason for the increase is higher average order values. Sales also increased in Finland, but remained the same in Norway. Flat-pack kitchens and kitchen accessories, mainly white goods, continued to increase as a percentage of total sales.

The operating profit before goodwill amortisation was essentially unchanged, compared to the same period the previous year, and amounted to SEK 424 million (425). The operating profit includes depreciation of inventory and fixed assets of SEK 6 million. The weaker Norwegian krona had a negative impact on the result of around SEK 12 million. Increased volumes, higher average order values and continued savings in material costs, all had a positive effect on the result. In the second half of 2003, product quality and delivery reliability were restored and costs were reduced at the Norema business unit, resulting in increased profit.

The operating margin amounted to 11.8 per cent (12.1).

Continental European operation

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

Demand in Germany is believed to have fallen by 6 per cent in 2003 compared to 2002.

The net sales amounted to SEK 1,920 million (2,083), which is equivalent to a reduction of 8 per cent. Excluding currency effects and the Goldreif business unit, which Nobia decided in September to close down, the reduction amounts to 4 per cent. Sales continued to fall in both Germany and the Netherlands. Sales to the UK increased through the sister company Magnet. Sales of flat-pack kitchens accounted for most of the increase. Sales also increased to the other European markets and to Asia.

The operating profit before goodwill amortisation amounted to SEK 83 million (68), excluding Goldreif close-down costs. The operating margin amounted to 4.3 per cent (3.3). Goldreif negatively affected the operating profit in the amount of SEK –18 million, excluding close-down costs. The improved operating profit is mainly explained by the Poggenpohl business unit's increased profit.

Cash flow and financial position

The operating cash flow, i.e. the cash flow excluding acquisitions and disposal of operations, amounted to SEK 260 million (274). The increase in working capital amounted to SEK 209 million (172), and was mainly related to increased receivables and decreased accounts payable. The amount of capital tied up in inventory in the UK operation was reduced during the fourth quarter. The cash flow including acquisitions and disposals amounted to SEK –647 million (399).

Investments in fixed assets amounted to SEK 294 million (269). Most of this increase is a result of the fact that the pace of upgrading Magnet's store network was stepped up and that HTH's production capacity was expanded. Other investment items, excluding acquisitions and disposals, resulted in a positive cash flow of SEK 115 million (30), mainly due to higher profit from the sale of lease contracts and properties.

Net debt at the end of the period amounted to SEK 1,763 million compared to SEK 1,098 million at the beginning of the year. The change in the net debt consisted mainly of net cash flow from operations which amounted to SEK 276 million, dividends of SEK 130 million and a reduction of SEK 89 million as a result of the strengthening of the Swedish krona. The net debt increased by SEK 907 million as a result of the Gower acquisition.

The equity/assets ratio at the end of the year amounted to SEK 41.4 per cent compared to SEK 45.3 per cent at the beginning of the year.

The debt/equity ratio was 66 per cent at the end of the year compared to 42 per cent at the beginning of the year. The increase is a result of the Gower acquisition.

The Gower acquisition also resulted in an increase in Nobia's credit facilities of SEK 850 million, including an increase in the overdraft facility of SEK 50 million. The main portion of Nobia's loans run until 2008, with an annual reduction in the available credit of SEK 280 million.

The available credit as of 31 December amounted to SEK 1,179 million, including an unutilised overdraft facility of SEK 274 million.

Employees

The average number of employees in 2003 was 5,571, compared to 5,790 the previous year. The number of employees increased in the Nordic operation and decreased in the Continental European and UK operations.

Environment

In Sweden, the Group's operations at the subsidiaries Marbodal 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 into the air in connection with processes for finishing wood products.

Effects of new accounting principles

In 2003, Nobia adjusted its accounting in line with the Swedish Financial Accounting Standards Council's recommendations RR2:02 Inventory, RR22 Presentation of financial reports, RR25 Segment reporting, RR26 Events after the closing day, RR27 Financial instruments, RR24 Buildings held for investment purposes, and RR 28 State funding. This adjustment have not had any material impact on the Group's results and position.

Nobia intends to adjust its accounting of pension liabilities in 2004 in accordance with the Financial Accounting Standards Council's recommendation RR29 Remuneration to employees. See also under "Notes to the balance sheet" (page 39) for the effects of this.

Transition to IFRS

Starting in 2005, Nobia will conduct its financial reporting according to the International Financial Reporting Standards (IFRS, formerly IAS). The 2004 annual report will therefore be the final annual report prepared according to the Swedish Financial Accounting Standards Council's recommendations. The interim report for the first quarter of 2005 and the annual report for 2005 will include reconciliation between Nobia's balance sheet and income statements for 2004, both according to IFRS and according to the Company's current accounting principles.

The Financial Accounting Standards Council's recommendations have gradually been approaching those of IFRS. However, there are still a number of differences between the Financial Accounting Standards Council's recommendations and IFRS, and this number is growing due to changes that are currently being put in place by IFRS. At this time, not all of the standards that will be applicable in 2005 are available in a definitive form. Nobia is monitoring developments in order to be able to adjust to the new standards. Based on what is known today, the main differences between the current accounting principles and the coming IFRS are the following:

- Reporting of pensions (this difference will disappear, however, when RR29 is introduced in 2004).
- Reporting of financial instruments. The difference means that more financial instruments will be reported at their actual value. Furthermore, the requirements for hedge reporting to be permissible will be more stringent.
- Straight-line amortisation will no longer be used for goodwill and certain intangible assets. Instead annual recoverability assessment will be compulsory.

The Group's financial reporting will also be affected by a change in the classification and information requirements according to IFRS. These changes will probably affect Nobia's key figures. These differences may, however, in the present situation, not be quantified.

The Group is currently reviewing its internal reporting routines in order to be able to gather the data needed for IFRS reporting. In 2004, the Group will also obtain information to be used for comparative figures in the interim reports and the annual report for 2005. A project is under way to address these issues within the Group.

During the fourth quarter of 2004, more information will be provided about the effects on the Company's accounting when IFRS is introduced.

Parent company

The parent company is involved in Group-wide activities and owns the subsidiaries. The parent company's profit after net financial items amounted to SEK 104 million (19) and the profit for the year was SEK 106 million (33).

Events after the end of the business year

In February 2004, Industri Kapital 1994 Fund sold its remaining shareholding, equivalent to 25 per cent of the shares in Nobia.

Future outlook

The demand for kitchen interior products normally follows the same business cycle as other 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 consists in part of volume growth, and in part of value growth in the form of increased product content. The trend towards increased product content within Nobia has been clear over the past 5 years, and Nobia believes this trend will continue.

The European kitchen interiors market is characterised by a high degree of fragmentation. Consequently, there are good opportunities for achieving economies of scale through acquisitions.

Board activities in 2003

The Board's activities are described on page 58.

Proposed dividend

The Board of Directors proposes a dividend for the 2003 financial year of SEK 2.25 per share (2.25). The proposed dividend will consume SEK 130 million, which is equivalent to 38 per cent of the net earnings for the year.

Consolidated income statement

SEK m	Note	2003	2002
Net sales	3, 5	9,273	9,594
Cost of goods sold[1]	4, 5, 7, 8	–5,687	–5,729
Gross profit		**3,586**	**3,865**
Selling expenses[1]	4, 5, 7, 8	–2,541	–2,599
Administrative expenses	4, 5, 6, 7, 8	–516	–548
Other operating profit		88	51
Other operating expenses	5	–52	–42
Share in pre-tax profit of associated company		0	–2
Operating profit[2]		**565**	**725**
Result from financial items	9		
Interest income and similar profit items		14	11
Interest expense and similar loss items		–79	–130
Profit after financial items		**500**	**606**
Tax on profit for the year	10, 21	–162	–198
Minority interest		0	0
Net profit for the year	18	**338**	**408**

[1] Reclassification of historical values for cost of goods sold and selling expenses for 2002
[2] The operating profit includes the cost of closing down Goldreif as specified in Note 5

Share data

	Note	2003	2002
Earning per share before dilution, SEK		5.86	7.83
Earning per share after dilution, SEK		5.84	7.53
No. of shares before dilution[1]	17	57,669,220	57,669,220
Average no. of shares before dilution[1]	17	57,669,220	52,109,995
No. of shares after dilution[1]	17	57,859,227	57,669,220
Average number of shares after dilution[1]	17	57,780,058	54,169,220
Dividend per share, SEK	18	2.25[2]	2.25

[1] Share-related values adjusted taking into account 10:1 split on 19 June 2002
[2] Proposed

Performance analysis

	Net sales		Operating profit		Operating margin	
SEK m	2003	2002	2003	2002	2003	2002
UK operation	3,848	4,075	297	396	7.7%	9.7%
Nordic operation	3,592	3,498	424	425	11.8%	12.1%
Continental European operation	1,920	2,083	83	68	4.3%	3.3%
Goldreif close-down costs			–98			
Amortisation of goodwill			–60	–63		
Other Group adjustments	–87	–62	–81	–101		
Reported values	9,273	9,594	565	725	6.1%	7.6%

Notes to the income statement

Net sales decreased by 3 per cent to SEK 9,273 million (9,594). The organic growth was 3 per cent, i.e. net sales for comparable units and adjusted for currency effects. The table below shows the comparative values.

The Group	Sales analysis	
SEK m	2003	2002
Resported values	9,273	9,594
Flint & Penrith		–176
Goldreif	–85	–126
Currency effects	471	
Acquisition of Gower	–68	
Comparable values	**9,591**	**9,292**

The operating profit amounted to SEK 565 million (725), including Goldreif close-down costs of SEK –98 million. Before goodwill amortisation and excluding Goldreif close-down costs, the operating profit amounted to SEK 723 million (788), a decline of 8 per cent. There was also a fall in the UK operation's operating profit. The operating profit in the Nordic operation was essentially unchanged despite a weak first half year for the Norwegian business unit Norema. The Continental European operation's operating profit improved, despite a weak market in Germany and the Netherlands.

Profits from the sale of Magnet's lease contracts and properties increased the operating profit by SEK 55 million (15), after consolidated adjustments of SEK –11 million (0). The operating profit also includes a negative effect of SEK –28 million, which arose upon translation of the foreign subsidiaries' operating profit to Swedish kronor. Overall, currency effects lowered the operating profit by SEK –85 million. The Gower business unit, which has been included in the accounts since the beginning of December, contributed SEK 0 million to the operating profit, of which goodwill amortisation constitutes SEK –3 million.

The operating margin amounted to 6.1 per cent (7.6). Excluding goodwill amortisation, the operating margin amounted to 6.7 per cent (8.2). Excluding close-down costs for the Goldreif business unit of SEK –98 million, and before goodwill amortisation, the operating margin was 7.8 per cent (8.2).

Quarterly data[1] by business region

	2003				2002			
SEK m	IV	III	II	I	IV	III	II	I
Net sales								
Nordic operation	938	753	1,022	879	916	739	1,009	834
Continental European operation	481	475	485	479	508	521	542	512
UK operation	980	931	929	1,008	947	1,057	1,006	1,065
Other and Group adjustments	–22	–15	–30	–20	–28	–17	–10	–7
Reported values	**2,377**	**2,144**	**2,406**	**2,346**	**2,343**	**2,300**	**2,547**	**2,404**
Operating profit								
Nordic operation	110	85	149	80	110	84	149	82
Continental European operation	32	27	15	9	30	22	14	2
UK operation	65	78	43	111	101	103	82	110
Items affecting comparability	–3	–95						
Amortisation of goodwill	–17	–14	–14	–15	–16	–15	–16	–16
Other and Group adjustments	–19	–22	–16	–21	–34	–23	–23	–21
Reported values	**168**	**59**	**174**	**164**	**191**	**171**	**206**	**157**
Operating margin %								
Nordic operation	11.7	11.3	14.6	9.1	12.0	11.4	14.8	9.8
Continental European operation	6.7	5.7	3.1	1.9	5.9	4.2	2.6	0.4
UK operation	6.6	8.4	4.6	11.0	10.7	9.7	8.2	10.3
Reported values	**7.1**	**2.8**	**7.2**	**7.0**	**8.2**	**7.4**	**8.1**	**6.5**

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

Financial items amounted to SEK –65 million (–119). The net interest expense improved compared to the previous year as a result of the new shares issued in 2002 and the Group's cash flow.

The profit after financial items was reduced by 17 per cent to SEK 500 million (606).

The tax expense for the period amounted to SEK –162 million (–198), which is equivalent to a tax rate of 32.4 per cent (32.7). Excluding non-deductible amortisation of consolidated goodwill, the tax rate amounted to 28.9 per cent (29.6).

The table below shows the amounts of current tax and deferred tax that make up the tax expense.

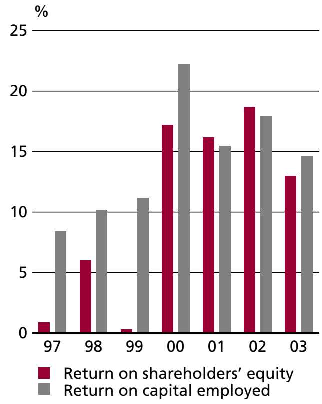
SEK m	2003	2002
Current tax	–74	–92
Deferred tax	–88	–106
Total tax expense	**–162**	**–198**

The deferred tax expense for the year is mainly related to utilised restructuring reserves and change in unused tax losses.

Performance-based key figures

	2003	2002
Earnings per share, after dilution, SEK/share	5.84	7.53
Return on capital employed, %	14.6	17.9
Return on shareholders' equity, %	13.0	18.7

Earning capacity trend
1997–2003, %



Consolidated balance sheet

ASSETS, SEK m	Note	31 Dec. 2003	31 Dec. 2002
Intangible fixed assets	11		
Goodwill		1,619	1,077
Other intangible fixed assets		27	30
		1,646	**1,107**
Tangible fixed assets	12		
Buildings and land		1,282	1,361
Investments in progress and advance payments		13	90
Machinery and other technical equipment		548	427
Equipment, tools, fixtures and fittings		216	239
		2,059	**2,117**
Financial fixed assets			
Other long-term holdings in securities		0	1
Other long-term receivables	13	51	38
Shares in associated companies	13	3	1
Deferred tax receivable	21	24	44
		78	**84**
Total fixed assets		**3,783**	**3,308**
Inventories			
Raw materials and consumables		383	327
Work in progress		157	161
Finished goods		111	66
Merchandise		557	553
		1,208	**1,107**
Current receivables			
Tax receivables		38	5
Accounts receivable, trade		1,050	880
Other receivables		44	45
Prepaid expenses and accrued income	15	183	91
		1,315	**1,021**
Cash and bank balances	16	154	293
Total current assets		**2,677**	**2,421**
Total assets		**6,460**	**5,729**
Of which interest-bearing items		178	308

SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES, SEK m	Note	31 Dec. 2003	31 Dec. 2002
Restricted shareholders' equity	19		
Share capital		58	58
Restricted reserves		1,999	2,071
		2,057	**2,129**
Unrestricted shareholders' equity	19		
Unrestricted reserves		272	52
Profit for the year	18	338	408
		610	**460**
Total shareholders' equity		**2,667**	**2,589**
Minority interests		**6**	**6**
Provisions for guarantees		31	22
Provisions for pensions (R)	20	87	91
Deferred tax receivable	21	199	139
Other provisions	22	36	124
Total provisions		**353**	**376**
Liabilities to credit institutions (R)	23	1,532	998
Other liabilities (R)		209	39
Total long-term liabilities		**1,741**	**1,037**
Liabilities to credit institutions (R)	23	16	261
Overdraft facility (R)	16	97	17
Advances from customers		88	87
Trade creditors		690	591
Tax liabilities		38	39
Other liabilities		312	287
Accrued expenses and deferred income	24	452	439
Total current liabilities		**1,693**	**1,721**
Total shareholders' equity and liabilities		**6,460**	**5,729**
Of which interest-bearing items (R)		1,941	1,406
Pledged assets	25	4,152	15,829
Contingent liabilities	26	128	89

Statement of changes in equity – the Group

SEK m	Note	Share capital	Restricted reserves	Unrestricted shareholders' equity	Total
Opening balance 2002		46	1,496	234	1,776
Currency translation differencies	19		–65	–43	–108
Total change in shareholders' equity not reported in the income statement			**–65**	**–43**	**–108**
Net profit for the year				408	408
Transfer between restricted and unrestricted shareholders' equity			139	–139	0
Dividend	18				0
New share issue		12	501		513
Shareholders' equity 31 Dec. 2002		**58**	**2,071**	**460**	**2,589**
Currency translation differencies	19		–77	–60	–137
Total change in shareholders' equity not reported in the income statement			**–77**	**–60**	**–137**
Net profit for the year				338	338
Transfer between restricted and unrestricted shareholders' equity			–2	2	0
Dividend	18			–130	–130
Warrant premiums	17		7		7
Shareholders' equity 31 Dec. 2003		**58**	**1,999**	**610**	**2,667**

Notes to the balance sheet

Goodwill

At the end of 2003, goodwill amounted to SEK 1,619 million (1,077). Amortisation of goodwill for the year amounted to SEK 60 million (63). The effect of the Gower acquisition on the year's goodwill amortisation amounts to SEK 3 million. Gower has been included in the accounts since the beginning of December. The carrying value of goodwill relates to the following acquisitions:

SEK m	2003
Acquisition of Novart 1998	84
Acquisition of Norema/Invita 2000	170
Acquisition of the Poggenpohl Group 2000	140
Acquisition of Magnet 2001	545
Acquisition of Gower 2003	680
	1,619

Goodwill is normally amortised over a period of 20 years when related to strategic company acquisitions.

Goodwill has been allocated to cash-generating units, which essentially correspond to the business units, and is assessed regularly, by comparing the carrying value to the recoverable amount, calculated as discounted future cash flow with discount rates based on business unit specific weighted average capital cost.

Financing

Nobia's interest-bearing liabilities at the end of the year amounted to SEK 1,941 million, compared to SEK 1,406 million at the end of the previous year. The increase is mainly related to financing of the Gower acquisition. In connection with the acquisition of Gower, Nobia's credit facilities increased by SEK 850 million, of which SEK 50 million was in the form of an increased overdraft facility. The purchase price for Gower was SEK 897 million, of which SEK 111 million was refinanced debt. SEK 628 million of the remaining SEK 786 million was paid in cash, and the remaining SEK 158 million was paid in the form of a promissory note which falls due for payment in 2006.

The total unutilised credit facility as of 31 December 2003 amounted to SEK 1,179 million, including an unutilised portion of the overdraft facility of SEK 274 million. The Group's cash and bank balances were reduced in 2003 by SEK 139 million to SEK 154 million as a result of the increased overdraft facility and restrictive cash management. The funds were used to pay loan instalments.

The net debt amounted to SEK 1,763 million at the end of the year, compared to SEK 1,098 million at the beginning of the year.

The change is shown in the table below.

Analysis of net debt

SEK m	January–December 2003	2002
Opening balance	1,098	2,078
Translation differences	–89	–87
Cash flow from current operations including investments	–276	–274
Sale of subsidiaries	–	–117
Acquisition of subsidiaries	907	–8
Dividend	130	–
New share issue/warrant premiums	–7	–513
Change of pension liabilities	–	19
Closing balance	**1,763**	**1,098**

The net debt's components are shown in the table below.

Net debt components

SEK m	2003	2002
Bank loans etc.	1,802	1,277
Leasing	52	39
Pension liabilities	87	91
Cash/bank balances	–154	–293
Alecta receivable	–7	–13
Other financial receivables	–17	–3
Total	**1,763**	**1,098**

Effects of the Financial Accounting Standards Council's recommendation RR29 – Remuneration to employees

As a result of the introduction of RR29, Nobia will adjust its accounting of pension obligations from 1 January 2004. This will mean that the net of defined benefit obligations and plan assets will be reported as provisions for pensions. The effect on provision for pensions of the changing of accounting policies will be reported as an adjustment of the opening balance of shareholder's equity net of deferred tax. The effect on the balance sheet and balance sheet related key figures is shown in the table.

Effects of the introduction of RR29

SEK m	1 Jan. 2004	31 Dec. 2003	Change
Balance sheet total	6,681	6,460	221
Shareholders' equity	2,150	2,667	–517
Net debt including provisions for pensions	2,501	1,763	738
Net debt excluding provisions for pensions	1,676	1,676	0
Capital employed	4,835	4,614	221
Equity/assets ratio	32%	41%	
Debt/equity ratio including provisions for pensions	116%	66%	
Debt/equity ratio excluding provisions for pensions	78%	63%	

The effect of the adjustment on the consolidated income statement consists of current service costs, expected return on plan assets and (discounted) interest on obligations. Actuarial gains/losses, i.e. effects of changes in actuarial assumptions, will, to the extent that they exceed the greater of 10 % of the defined benefit obligation and 10 % of the fair value of plan assets, be recognised over the expected average remaining working lives of the employees participating in the plan (currently 15 years).

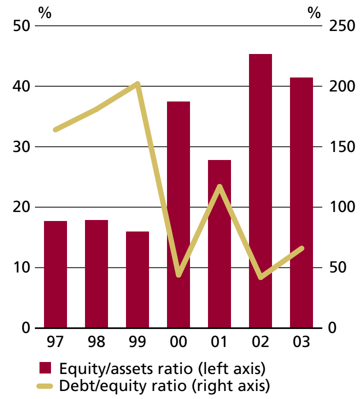
Significant actuarial assumptions used in the calculation of provision for pensions are as follows:

Discount rate	5.35%
Expected return on plan assets	6.35%
Future salary increases	4.15%
Retail price index	2.65%

Key figures relating to the balance sheet

	2003	2002
Equity/assets ratio, %	41.4	45.3
Debt/equity ratio, %	66	42

Equity/assets ratio and debt/equity ratio 1997–2003, %



Consolidated cash flow statement

SEK m	Note	2003	2002
Current activities			
Operating profit		565	725
Depreciation		307	311
Adjustment for items not included in the cash flow etc.		–39	–147
Interest received		15	12
Interest paid		–80	–134
Income tax paid		–120	–82
Cash flow from operating activities before changes in working capital		**648**	**685**
Changes in stock		–42	–36
Changes in receivables		–103	78
Changes in operating liabilities		–64	–214
Cash flow from operating activities		**439**	**513**
Investment activities			
Investments in tangible fixed assets		–284	–257
Investments in intangible fixed assets		–10	–12
Sale of tangible fixed assets		133	27
Acquisition of subsidiaries	27	–907	8
Acquisition of associated companies		–2	–
Sale of subsidiaries		–	117
Increase/decrease in short-term financial investments		–16	3
Cash flow from investment activities		**–1,086**	**–114**
Financing activities			
Loans raised		915	–
New share issue/warrant premiums		7	513
Dividend		–130	–
Amortisation of liabilities		–301	–991
Increase/decrease in short-term financial liabilities		51	16
Cash flow from financing activities		**542**	**–462**
Cash flow for the year		**–105**	**–63**
Opening balance, liquid funds		**293**	**362**
Effects of exchange rate changes on liquid funds		–34	–6
Closing balance, liquid funds		**154**	**293**

The cash flow from operating activities before changes in working capital amounted to SEK 648 million (685). The reduction is mainly the result of lower operating profit. Adjustments for items that do not affect the cash flow amounting to SEK –39 million (–147) are distributed as indicated in the table below.

Adjustment for items not included in the cash flow

SEK m	
Write-down	35
Capital gain on fixed assets	–61
Other	–13
Total	**–39**

The cash flow from operating activities including change in working capital amounted to SEK 439 million (513). The increase in working capital was SEK 209 million (172) and was mainly related to increased receivables and reduced accounts payable.

Investments in fixed assets amounted to SEK 294 million (269). The increased investments are mainly the result of the increased pace of upgrading of Magnet's store network and the expansion of production capacity at HTH. Other investment activity items had a positive effect on the cash flow in the amount of SEK 115 million (30), mainly as a result of higher profit from the sale of lease contracts and properties.

The operating cash flow, i.e. the cash flow excluding acquisitions and disposal of operations, amounted to SEK 260 million (274).

The parent company

Parent company's income statement

SEK m	Note	2003	2002
Net sales		34	0
Administrative expenses	4, 6, 8	–42	–6
Operating loss		**–8**	**–6**
Profit from financial investments	9		
Profit from shares in subsidiaries		112	17
Interest income and similar profit items		0	30
Interest expenses and similar loss items		0	–22
Profit after financial items		**104**	**19**
Tax on profit for the year	10	2	14
Net profit for the year		**106**	**33**

Parent company's cash flow statement

SEK m	2003	2002
Operating activities		
Cash flow from operating activities before changes in working capital	**–8**	**19**
Changes in liabilities	8	4
Changes in receivables	–1	–136
Cash flow from operating activities	**–1**	**–113**
Investment activities		
Cost of acquisitions	0	–1
Cash flow from investment activities	**0**	**–1**
Financing activities		
New share issue/warrant premiums	7	513
Group contributions	–6	50
Amortisation	0	–460
Cash flow from financing activities	**1**	**103**
Cash flow for the year	**0**	**–11**
Opening balance, liquid funds	**0**	**11**
Closing balance, liquid funds	**0**	**0**

Parent company's balance sheet

SEK m	Note	31 Dec. 2003	31 Dec. 2002
ASSETS			
Fixed assets			
Financial fixed assets			
Shares in Group companies	13, 14	1,370	1,370
Total fixed assets		**1,370**	**1,370**
Current assets			
Current receivables			
Receivables from Group companies		582	587
Accrued income and prepaid expenses		2	0
Cash and bank balances	16	0	0
Total current assets		**584**	**587**
Total assets		**1,954**	**1,957**

SEK m	Note	31 Dec. 2003	31 Dec. 2002
SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES			
Shareholders' equity	19		
Restricted shareholders' equity			
Share capital		58	58
Share premium reserve		1,389	1,382
Statutory reserve		281	281
		1,728	**1,721**
Unrestricted shareholders' equity			
Profit brought forward		95	186
Profit for the year		106	33
		201	**219**
Total shareholders' equity		**1,929**	**1,940**
Current liabilities			
Accounts payable, trade		3	0
Liabilities to Group companies		15	13
Other liabilities		1	1
Accrued expenses and deferred income	24	6	3
Total current liabilities		**25**	**17**
Total shareholders' equity and liabilities		**1,954**	**1,957**
Pledged assets	25	1,370	1,653
Contingent liabilities	26	1,641	1,245

Change in shareholders' equity, parent company

SEK m	Note	Share capital	New share issue in progress	Share premium reserve	Statutory reserve	Unrestricted share-holders' equity	Total shareholders' equity
Opening Balance 2002		46	11	870	281	150	1,358
Group contribution received						50	50
Tax on Group contribution						–14	–14
Net profit for the year						33	33
New share issue		12	–11	512			513
Shareholders' equity, 31 Dec. 2002		**58**	**0**	**1,382**	**281**	**219**	**1,940**
Group contribution received						8	8
Tax on Group contribution						–2	–2
Net profit for the year						106	106
Dividend	18					–130	–130
Warrant premiums	17			7			7
Shareholders' equity, 31 Dec. 2003		**58**	**0**	**1,389**	**281**	**201**	**1,929**

Notes

Note 1 Financial risks

Commercial currency exposure

Nobia applies a decentralised approach to the management of hedging in foreign currencies. The business units handle their own hedging with respect to commercial currency exposure in consultation with the head office and within the framework of the policy established by the Board of Directors for commercial currency 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 in 2003 were 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 1,444 million in 2003. At the end of 2003, the hedged volume was SEK 596 million.

Financial currency exposure

Nobia's policy for financing foreign assets involves financing capital employed with loans in the relevant currency so 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. With the current debt/equity ratio and currency distribution of capital employed, around 40 per cent of the foreign capital employed needs to be financed in local currencies. In combination with this policy, other forms of capitalisation may be decided upon in each country for the purpose of optimising the Group's tax situation. Nobia's financial currency exposure policy does not involve hedging of shareholders' equity.

	Capital employed/currency	Loans/currency
SEK	327	10
EUR	925	99
GBP	2,489	1,295
DKK	479	227
USD	64	20
NOK	304	106
Other	26	0
Total	**4,614**	**1,757**

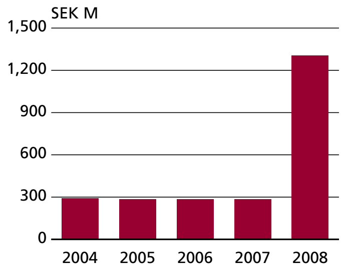
Interest risk

Interest is managed at the central level, which means that the head office is responsible for identifying and managing interest risk. In 2003 the fixed-interest term was 2–3 months. In December 2003, a three-year interest swap agreement was reached for GBP 50 million. At the end of the year this comprised around 50 per cent of the borrowing in GBP. Thus, 37 per cent of the total loans have fixed interest.

Borrowing risk

Nobia's applies a centralised approach to the Group's financing, 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 one British bank. The current loan agreement expires at the end of 2008. 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 limited local loans. The table below shows the maturity of all of Nobia's loans.

Maturity of credit commitments



Year of maturity, SEK m	2004	2005	2006	2007	2008	2009
Loans and credit commitments	292	286	285	284	1,304	2

Commercial currency exposure	USD	EUR	NOK	CHF	GBP	SEK	DKK	CAD
Currency contract								
2004, Local currency	–10	35	–140	–2	–3			
2005, Local currency	–2	–	–	–	–			
Total, SEK m[1)]	**–84**	**302**	**–152**	**–14**	**–44**			
Market value, SEK m	9	0	2	0	0			
Net flows								
2003, Local currency	1	–81 [3)]	369	11	6	117	–3	–2
Net flows, SEK m[2)]	6	–740 [3)]	423	68	74	117	–4	–12
Hedged volume, SEK m[2)]	–16	274	–288	–32	–	–	–	–

[1)] Flows translated to closing day exchange rate, SEK.
[2)] Translated using average exchange rate in 2003.
[3)] Of which EUR 20 million represents flows to DKK, equivalent to SEK 182 million.

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

Note 2 Accounting principles

Nobia complies with the Swedish Financial Accounting Standards Council's recommendations. Beginning in 2003 Nobia has adapted to the Financial Accounting Standards Council's new recommendations RR 2:02, 22, 24, 25, 27 and 28. This adjustment has had no material effect on the Group's profits and financial position. In other respects the accounting principles are unchanged compared to 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 financial statements

The consolidated financial statements include all companies directly or indirectly controlled by the parent company.

The consolidated financial statements have been prepared with the purchase method of accounting, which means that subsidiaries´ equity at the time of acquisition, recognised as the difference between the fair value of identifiable 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 cost of acquisition exceeds the fair value of the identifiable assets and liabilities acquired, the difference is described as goodwill and recognised as an asset. If necessary a provision for anticipated restructuring costs is recognised.

Subsidiaries acquired during the period are included in the consolidated financial statements as from the date of acquisition.

Subsidiaries disposed of are included in the consolidated financial statements until the date of disposal.

Translation 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 full, without taking minority shares into account.

Accounting for investments in associates

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 so-called equity method.

The equity 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.

Segments

Nobia's primary segments are the Group's kitchen, bathroom, storage and joinery operations. The kitchen, bathroom, storage and joinery operations are not presented separately because they make up such a small part of the Group's total balance sheet, income statement and cash flow. For information regarding the primary segment therefore please turn to the consolidated income statement, balance sheet and cash flow statement.

The secondary segment is the Group's geographical business areas consisting of the Nordic, Continental European and UK operations. Information about the secondary segments is presented on pages 21, 23 and 25. Information about total assets has been replaced with information about operating capital, which is more informative and relevant in this context.

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.

Valuation is done using the tax rate applicable on the closing day. Deferred tax is booked in the balance sheet as financial fixed assets or provisions. Current tax is booked as current receivables or 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. See under Note 1.

Inventories

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. Deductions are made for interim gains that arise in connection with deliveries between companies in the Group. 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. Leasing of cars is treated as operational leasing. Leasing expenses for cars comprises a small portion of the Group's total leasing expenses.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Note 2 *cont.*

Tangible fixed assets

Depreciations are recognised as an expense based on depreciable amounts and estimated useful lives of the assets. The estimated useful lives used are as follows:

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 carrying amount exceeds its estimated recoverable amount, the asset is written down to its recoverable amount. Expenses for improvement of the performance of assets, over and above their original level, increase the assets' carrying 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.

Impairment of assets

Where there are indications that an asset has fallen in value, an assessment is made of the asset's carrying amount, including goodwill. In cases where the carrying amount of an asset exceeds its estimated recoverable amount an impairment loss is recognised.

Product development

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.

Provisions

Provisions are reported according to RR16 regarding provisions, contingent liabilities and assets in the balance sheet, when the Company has a legal or constructive present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation 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 installation services are provided, the revenue is recognised when the service has been completed.

Note 3 Net sales by geographic market

	Group	
SEK m	2003	2002
Sweden	776	724
Norway	1,064	1,142
Finland	618	606
Denmark	1,097	993
Total Nordic region	**3,555**	**3,465**
UK	3,913	4,122
Germany	810	926
The Netherlands	384	451
Other, Europe	347	339
Total Europe	**9,009**	**9,303**
North America	147	180
Other, world	117	111
Group	**9,273**	**9,594**

Note 4 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:

	2003		2002	
SEK m	Salaries and other remuneration	Payroll overheads (of which pension costs)	Salaries and other remuneration	Payroll overheads (of which pension costs)
Subsidiaries in:				
Sweden	163	73	162	74
		(15)		(15)
Denmark	413	32	377	26
		(23)		(18)
Norway	157	35	173	38
		(6)		(4)
Finland	82	49	81	50
		(20)		(18)
Germany	358	83	370	84
		(5)		(3)
UK	513	45	592	46
		(32)		(40)
France	2	1	2	1
		(0)		(0)
USA	29	6	31	6
		(0)		(0)
Austria	–	–	1	0
		(–)		(0)
Switzerland	12	2	12	2
		(1)		(1)
The Netherlands	–	–	2	0
		(–)		(0)
Total subsidiaries	**1,729**	**326**	**1,803**	**327**
		(102)		**(99)**
Parent company	**13**	**5**	**11**	**4**
		(0)		**(0)**
Group	**1,742**	**331**	**1,814**	**331**
		(102)		**(99)**

Absence due to sickness is not reported for the parent company because there are less than 10 employees.

Salaries and other remuneration, Board and CEO:

SEK m	2003	2002
Parent company		
Board and CEO	7	7
Other employees	6	4
Total parent company	**13**	**11**
Subsidiaries		
CEO	32	32
Other employees	1,697	1,771
Total subsidiaries	**1,729**	**1,803**
Group	**1,742**	**1,814**

Note 4 *cont.*

Senior management remuneration

The Board members and the Chairman of the Board

Remuneration for the Chairman and members of the Board is determined by decisions at the Annual General Meeting. No special fees are awarded for committee work. Board members who are employed by Nobia do not receive a separate board fee. Fees for Board members who are elected by the AGM consist of a fixed portion and a portion related to Nobia's share price. The fixed portion is SEK 100,000 for Board members and SEK 250,000 for the Chairman. The flexible portion is equivalent to a volume-weighted average price for Nobia shares over the five trading days immediately following the day the Company's year-end accounts for 2003 were published, multiplied by a factor of 2,000. A factor of 5,000 is used for the Chairman of the Board.

Employee representatives receive a reading and preparation fee of SEK 20,000 per year per person. For the period between the 2003 and 2004 AGMs, the total fees to the Board will amount to SEK 2,168,000, of which the Chairman's portion is SEK 638,000 and the individual members' portion is SEK 255,000. The Chairman of the Board has no pension benefits or severance pay agreement.

CEO

The CEO received SEK 4 million in salary in the 2003 financial year and a bonus related to the 2003 results of SEK 800,000.

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). The CEO is also entitled to an increased service pension premium of 20 per cent on salary portion between 30 and 100 base amounts. In addition to the ITP plan, the CEO is entitled to a pension between the ages of 60 and 65. This pension is premium based and the premium is equivalent to 20 per cent of the previous annual salary up to 100 base amounts. The CEO has the right to 12 monthly salaries plus severance pay equivalent to 12 months' salary if employment is terminated by Nobia. However, the amount of the severance pay will be reduced in the event the former CEO receives a salary from other employment. If employment is terminated by the CEO, six months notice must be given. No redundancy is payable if the CEO resigns of his own accord.

Other Group management

Other Group management, consisting of five people in 2003, received salaries during the financial year amounting to SEK 14,864,000 and bonuses based on the 2003 results of SEK 1,508,000. In the beginning of 2004 the management group consisted of 6 individuals in addition to the CEO. Group management has the right to ITP pensions or an equivalent scheme. In addition, management has the right to an increased service pension premium of 20 per cent on salary portions between 30 and 100 base amounts.

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 and two additional members of Group management. Bonuses are based on an earnings period of one year and are dependent on the extent to which established targets are met. The targets are mainly quantitative. The targets for the CEO are set by the Board of Directors. The CEO sets the targets for other individuals after obtaining approval from the Board's remuneration committee.

Remuneration committee

A remuneration committee is appointed from the members of the Board. 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. For information about the committee and its members, see page 59.

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 non-competition clause that applies for the employment term and an additional period of twelve months.

Warrant programme

At the 2003 Annual General Meeting, a decision was made to launch a warrant programme. 91 senior executives and key individuals subscribed for 774,600 warrants entitling them to subscribe for new shares in Nobia AB. The warrant premium is SEK 10.20, which was calculated according to the Black and Scholes model. Those subscribing for warrants will receive compensation equivalent to 40 per cent of the warrant premium, provided that they are still employed on 22 May 2005. The subscription price is SEK 70.50. The warrants expire on 22 May 2008 and can be exercised to subscribe for shares during the period 22 May 2005 to 22 May 2008. If all warrants are exercised, the number of shares in the Company will be increased by 774,600 shares, which is equivalent to a dilution of around 1.3 per cent of all of the shares. All earlier programmes have been completed.

Warrants 2003/2008	Number	Acquisition price
CEO	40,000	408,000
Other management	103,000	1,050,600
Other employees	631,600	6,442,320
Total	**774,600**	**7,900,920**

Note 5 Information for comparative purposes

In 2003 a decision was taken to close down the German business unit, Goldreif. After the decision, Goldreif has reduced the Group's operating profit by a total of SEK 98 million. Other operating expenses of SEK 26 million relate to the write down of consolidated appreciation surplus on property.

SEK m	2003
Net sales	17
Cost of goods sold	–60
Gross profit	**–43**
Selling expenses	–25
Admistrative expenses	–4
Other operating costs	–26
Operating profit	**–98**

Note 6 Remuneration to auditors

	Group		Parent Company	
SEK m	2003	2002	2003	2002
Auditing,				
Öhrlings PricewaterhouseCoopers AB	9	8	–	–
Other assignments besides auditing,				
Öhrlings PricewaterhouseCoopers AB	2	3	–	–

Note 7 Depreciation per activity

SEK m	2003	2002
Cost of goods sold[1]	–192	–189
Selling expenses	–63	–65
Administrative expenses	–52	–57
	–307	**–311**

[1] Of which amortisation of goodwill of SEK 60 million (63).

In addition to reported depreciation, write-downs have been carried out in the amount of SEK 35 million (8).

Note 8 Operational leasing contracts

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

	Group		Parent Company	
SEK m	2003	2002	2003	2002
Paid during the year	398	365	0	0
Fall due for payment 2003		348		0
Fall due for payment 2004	396	315	0	0
Fall due for payment 2005	390	277	0	0
Fall due for payment 2006	366	245	0	0
Fall due for payment 2007	342	225	0	0
Fall due for payment 2008	324		0	
Fall due for payment later	1,758	1,455	0	0

The above amounts include renewed lease contracts of SEK 130 million for 2003.

Note 9 Result from financial investments

	Group		Parent Company	
SEK m	2003	2002	2003	2002
Profit from shares in subsidiaries				
Dividends, discounted	–	–	112	17
Write-down	–	–	0	0
Other interest income and similar items				
Interest income, current	14	11	0	0
Exchange rate fluctuation	0	0	0	30
Interest expense and similar items				
Interest expense	– 80	–129	0	–22
Exchange rate fluctuation	1	–1	0	0
Total	**65**	**–119**	**112**	**25**

Note 10 Tax expense

	Group		Parent Company	
SEK m	2003	2002	2003	2002
Current tax	–74	–92	–	–
Deferred tax	–88	–106	2	14
Total tax for the year	**–162**	**–198**	**2**	**14**

The year's deferred tax expense pertains mainly to the UK and tax on utilised restructuring reserves, change in unused tax losses as well as an increase in accelerated depreciation and other temporary differences.

Tax expense accounted for 32.4 per cent (32.7) of profits before tax. The difference between accounted tax expense 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.

%	2003	2002
Local tax rates in Sweden	28	28
Different local tax rates	0	2
Taxes relating to previous periods	1	0
Non-deductible goodwill amortisation	3	3
Deductible items not related to profits[1]	0	–2
Other non-deductible/tax exempt items	0	1
Other	0	1
Group's tax expense	32	33

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

Different local tax rates for 2003 did not have any effect overall on the Group's tax rate. This is because the effects arising mainly in the UK and Germany cancelled each other out.

Note 21 explains the calculation of deferred tax liability and recoverable.

Note 11 Intangible fixed assets

	Group	
Goodwill, SEK m	2003	2002
Opening acquisition values	1,257	1,336
Corporate sales	–	–29
Corporate acquisitions	686	14
Translation differences	–86	–64
Closing accumulated acquisition value	**1,857**	**1,257**
Opening amortisation	180	121
Corporate sales	–	–2
Depreciation for the year	60	63
Translation differences	–2	–2
Closing accumulated amortisation	**238**	**180**
Closing carrying amount	**1,619**	**1,077**

Other intangible assets, SEK m		
Opening acquisition value	117	142
Investments for the year	10	12
Sales and scrapping	–4	–9
Reclassifications	–	–26
Translation differences	–4	–2
Closing accumulated acquisition value	**119**	**117**
Opening amortisation	82	96
Sales and scrapping	1	–7
Reclassifications	–	–14
Amortisation for the year	10	9
Translation differences	–1	–2
Closing accumulated amortisation	**92**	**82**
Opening write-downs	5	5
Reclassifications	–5	–
Closing accumulated write-downs	**0**	**5**
Closing carrying amount	**27**	**30**
Of which		
Software	15	15
Brands	10	12
Other	2	3
Closing carrying amount	**27**	**30**

Note 12 Tangible fixed assets

Buildings, SEK m	Group 2003	Group 2002
Opening acquisition value	1,573	1,619
Investment for the year	81	14
Sales and scrapping	–63	–4
Corporate sales	–	–35
Corporate acquisitions	20	–
Reclassification	34	41
Translation differences	–61	–62
Closing acquisition value	**1,584**	**1,573**
Opening depreciations	486	441
Sales and scrapping	–17	–1
Corporate sales	–	–4
Corporate acquisitions	5	–
Reclassifications	1	2
Depreciations for the year	48	63
Translations differences	–17	–15
Closing depreciation	**506**	**486**
Opening write-ups	69	71
Write-ups for the year	20	–
Write-downs for the year	–	–2
Closing accumulated write-ups	**89**	**69**
Opening depreciations of write-ups	17	14
Depreciations for the year	25	3
Closing depreciations of write-ups	**42**	**17**
Opening write-downs	2	–
Write-downs for the year	44	2
Closing write-downs	**46**	**2**
Closing carrying amount	**1,079**	**1,137**

The rise in the year's depreciation of write-ups is explained by a change in the classification of parts of the adjustments on consolidation that are made with respect to the subsidiaries' buildings. Equivalent reductions occur in the year's depreciation of acquisition values.

The above includes financial leasing according to the table below:

SEK m	Accumulated acquisition value 2003	Accumulated acquisition value 2002	Accumulated depreciation 2003	Accumulated depreciation 2002
Buildings	50	39	7	5

Land and land improvements, SEK m	Group 2003	Group 2002
Opening acquisition value	240	253
Investments for the year	2	2
Sales and scrapping	–14	–1
Corporate sales	–	–2
Translation differences	–12	–12
Closing acquisition value	**216**	**240**
Opening depreciations	24	20
Depreciations for the year	2	2
Reclassifications	0	3
Translation differences	–1	–1
Closing depreciations	**25**	**24**
Opening write-ups	8	8
Write-ups for the year	4	–
Closing accumulated write-ups	**12**	**8**
Closing carrying amount	**203**	**224**
Tax assessment for property in Sweden	**72**	**72**
Carrying amount	**84**	**85**

Investments in progress, SEK m	2003	2002
Opening balance	90	86
Investments started during the year	9	96
Investments completed during the year	–85	–84
Translation differences	–4	–8
Closing balance	**10**	**90**

Machines and other technical equipment, SEK m	2003	2002
Opening acquisition value	1,893	2,008
Investments for the year	92	81
Sales and scrapping	–65	–72
Corporate sales	–	–67
Corporate acquisitions	178	–15
Reclassifications	7	42
Translation differences	–87	–84
Closing acquisition value	**2,018**	**1,893**
Opening depreciations	1,451	1,505
Sales and scrapping	–60	–60
Corporate sales	–	–44
Corporate acquisitions	105	–
Reclassifications	–91	5
Depreciations for the year	103	113
Translation differences	–68	–68
Closing depreciations	**1,440**	**1,451**
Opening write-ups	–	–
Write-ups for the year	12	–
Closing accumulated write-ups	**12**	**–**
Opening write-downs	15	15
Write-downs for the year	27	–
Closing write-downs	**42**	**15**
Closing carrying amount	**548**	**427**

Note 12 *cont.*

Equipment, tools, fixtures and fittings, SEK m	Group 2003	2002
Opening acquisition value	511	505
Investments for the year	97	65
Sales and scrapping	–80	–63
Corporate sales	–	–3
Corporate acquisitions	34	–
Reclassifications	26	28
Translation differences	–33	–21
Closing acquisition value	**555**	**511**
Opening depreciations	266	269
Sales and scrapping	–73	–57
Corporate sales	–	–3
Corporate acquisitions	17	–
Reclassifications	75	4
Depreciations for the year	59	61
Translation differences	–11	–8
Closing depreciations	**333**	**266**
Opening write-downs	6	2
Write-downs for the year	–	4
Closing accumulated write-downs	**6**	**6**
Closing carrying amount	**216**	**239**

Advance payment for fixed assets, SEK m		
Opening balance	–	–
Redistribution carried out during the year	3	–
Closing balance	**3**	**–**

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 2003	2002
Opening acquisition value	1,370	1,369
Acquisitions of subsidiaries	–	1
Closing acquisition value[1]	**1,370**	**1,370**

[1] Taking into account write-downs.

Other long-term receivables, SEK m	Group 2003	2002
Alecta claim and other pension assets	16	23
Deposits	13	9
Long-term loans to retailers	18	5
Financial leasing receivable	4	0
Other	0	1
Total	**51**	**38**

Shares in associated companies, SEK m	Group 2003	2002
Opening balance	1	3
Acquired in 2003	2	–
Proportion of the year's profit/loss	0	–2
	3	**1**

Shares in associated companies SEK m	Proportion of equity	Group 2003	2002
UAB Domingos Durelés, Lithuania	45.0%	2	0
HTH Expert w Kuchni sp Z	44.7%	1	1
		3	**1**

Note 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 NBI AB	**556060-1006**	**Stockholm**	**100**	**100**	**456**
Sigdal Kjøkken AS		**Kolbotn**	**100**		
Marbodal AB	**556038-0072**	**Tidaholm**	**100**		
Marbodal Oy*		Helsinki	100		
HTH Køkkener A/S		**Ølgod**	**100**		
HTH Kök Svenska AB	556187-3190	Helsingborg	100		
Danica Invest A/S*		Bjerringbro	100		
HTH Kolding A/S		Kolding	100		
HTH Handel A/S*		Ølgod	100		
HTH Handel 2 A/S*		Ølgod	100		
HTH Handel 4 A/S*		Ølgod	100		
HTH Køge A/S		Køge	100		
HTH Kitchens Ltd*		London	100		
Novart OY		**Nastola**	**100**		
Nobia Holding (UK) Limited		Darlington	100		
Magnet Ltd		**Darlington**	**100**		
Hiveserve Ltd		Darlington	100		
C.P. Hart & Sons Ltd		**Darlington**	**100**		
Aquamaison Ltd*		Darlington	100		
Kitchen Sense (Surrey) Ltd		Darlington	100		
Esher Management Ltd*		Darlington	100		
Dorking Management Ltd*		Darlington	100		
Aqua Ware Ltd*		Darlington	100		
Magnet Group Trustees Ltd*		Darlington	100		
Flint Properties Ltd		Darlington	100		
Magnet (Retail) Ltd		Darlington	100		
Eastham Ltd*		Darlington	100		
Hyphen Fitted Furniture Ltd*		Darlington	100		
Magnet Distribution Ltd*		Darlington	100		
The Penrith Joinery Company Ltd		Darlington	100		
Magnet & Southerns Ltd*		Darlington	100		
Magnet Furniture Ltd*		Darlington	100		
Magnet Joinery Ltd*		Darlington	100		
Larkflame Ltd*		Darlington	100		
Magnet Manufacturing Ltd*		Darlington	100		
Magnet Retail Ltd*		Darlington	100		
Magnet Supplies Ltd*		Darlington	100		
Magnet Industries Ltd*		Darlington	100		
Magnet Kitchens Ltd*		Darlington	100		
Gower Group Ltd		**Halifax**	**100**		
Charco Ninety-Nine Ltd		Halifax	100		
Gower Furniture Ltd		Halifax	100		
WOR Ltd*		Halifax	100		
Gower Windows Ltd*		Halifax	100		
Eurostyle Furniture Ltd*		Halifax	100		
Beverly Doors Ltd*		Halifax	100		
Working Systems Ltd*		Halifax	100		
Perfectshot Ltd*		Halifax	100		
Addspace Products Ltd*		Halifax	100		
Gower Garden Furniture Ltd*		Halifax	100		
Lovene Dörr AB*	556038-1724	Gothenburg	100		
Star Möbelwerk GmbH*		Melle	99.95		
Nobia Interiör AB*	556039-2440	Tidaholm	100		

Note 14 *cont.*

	Corp. reg. no.	Reg. office	Share of equity, %	No. of shares	Book value
Swedoor Bauelementevertrieb GmbH*		Weiterstadt	100		
Nobia Köksinvest AB*	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		Vienna	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**

* Dormant

Note 15 Prepaid expenses and accrued income

	Group	
SEK m	2003	2002
Prepaid rent	31	22
Bonus from suppliers	19	17
Prepaid bank charges	14	9
Insurances policies	10	1
Other	109	42
Total	**183**	**91**

Note 16 Liquid funds

	Group		Parent Company	
SEK m	2003	2002	2003	2002
Cash and bank balances	154	293	0	0

The Group's unused credit facilities, which are not included in the liquid funds, totalled SEK 274 million (200) at the end of the year. In addition to bank overdraft facilities, the Company has unused credit commitments of SEK 905 million (762).

Note 17 Earnings per share

Number of shares before dilution	57,669,220
Number of shares after dilution	57,859,227
Dilution, number of shares	190,007
Average number of shares before dilution	57,669,220
Average number of shares after dilution	57,780,058

The number of ordinary shares did not change in 2003 and the average number of shares is therefore 57,669,220. In addition to the number of shares at the end of the period, there are a number of potential ordinary shares outstanding, related to the warrants that were subscribed for in May 2003 by senior executives and key individuals in the Group. A dilution effect occurs if the present value of the subscription price is lower than the fair value of the ordinary shares. The dilution effect appears as the difference between the number of shares that the warrant holders are entitled to subscribe for, and the number of shares valued at the fair value, to which this subscription payment is equivalent. The difference is treated as an issue of shares for which the Company does not receive any payment.

When calculating the dilution effect, a fair value per share of SEK 75 and a discount rate of 5.0 per cent have been used.

Note 17 *cont.*

Number	Warrant premium	Issue costs	New share issue upon full subscription	Booked cost 2003	Balanced expenditure
774,600	8	1	55	1	1

Warrant programme

The 2003 Annual General Meeting voted in favour of a warrant programme aimed at senior executives and key individuals. 91 people subscribed for a total of 774,600 warrants with entitlement to subscribe for shares in Nobia AB. The warrant premium, arrived at using the Black and Scholes model, was SEK 10.20. Those who subscribed for warrants will receive compensation of 40 per cent of the warrant premium, provided that they are still employed on 22 May 2005. The subscription price is SEK 70.50. The warrants will expire on 22 May 2008 and can be exercised to subscribe for shares during the period 22 May 2005 to 22 May 2008. If the programme is fully subscribed, the number of shares will increase by 774,600, which represents a dilution of around 1.3 per cent of all shares.

The consolidated income statement was charged in 2003 with SEK 1 million representing accrual for compensation of 40 per cent of the warrant premiums received and for payroll overheads on the allowed benefit. The benefit on the closing day, calculated using the Black and Scholes warrant valuation model, was charged with the payroll overheads according to the rates in the countries where this benefit will be charged with such fees.

Note 18 Dividend per share

At the Annual General Meeting on 1 April 2004, a dividend for 2003 of SEK 2.25 per share, totalling SEK 130 million, will be proposed. This amount has not been entered in the accounts as a liability, but will instead be entered as appropriation of profits under shareholders' equity for the 2004 business year. The dividends for 2002 and 2001 amounted to SEK 130 and SEK 0 respectively.

Note 19 Shareholders' equity

Details of the changes in shareholders' equity are provided on pages 38 and 42.

Number of shares	A shares	Total no. of share
Number 1 Jan. 2002	4,655,077	4,655,077
New share issue	7,411,845	7,411,845
10:1 split	45,602,298	45,602,298
Number 31 Dec. 2002	57,669,220	57,669,220
Number 31 Dec. 2003	57,669,220	57,669,220

Nominal value of shares is SEK 1
All shares have been paid for in full
Nobia holds 0 (0) of its own A shares

Translation difference in shareholders' equity

	Group		Parent company	
SEK m	2003	2002	2003	2002
Opening balance	66	174	–	–
Change after translation of existing subsidiaries for the year	–137	–108	–	–
Closing balance	**–71**	**66**	**–**	**–**

According to Nobia's financial exposure policy, no hedging of the shareholders' equity is carried out. In line with this policy, no exchange rate fluctuation as a result of such transactions has effected the Group's shareholders' equity.

Note 20 Provisions for pensions

SEK m	2003	2002
FPG/PRI pensions	18	19
Other pensions	69	72
Total	**87**	**91**

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

Note 21 Deferred tax

The Group's deferred tax for the year SEK –88 million (–106) is accounted for as tax expense in the consolidated income statement. The deferred tax expense for the year relates mainly to utilised restructuring reserves, change in unused tax losses and an increase in accelerated depreciations and other temporary differences in the UK operations.

The period's changes in deferred tax receivable/liability:

Deferred tax receivable

Group, SEK m	2003	2002
Opening balance	44	135
Exchange rate fluctuations	–9	–17
Acquisitions[1)]	15	10
Reported tax expense for the period	–30	–128
Reversal of previous year's setoff	118	162
Setoff this year within tax community	–110	–118
Other changes	–4	0
Closing balance	**24**	**44**

[1)] The 2003 figure relates to Gower. The 2002 figure relates to the acquisition of Magnet.

Deferred tax liability

Group, SEK m	2003	2002
Opening balance	139	126
Exchange rate fluctuations	–6	–9
Disposals	–	0
Deferred tax income/expense for the period	58	–22
Reversal of previous year's setoff	118	162
Setoff this year within tax community	–110	–118
Other changes	0	0
Closing balance	**199**	**139**

Note 21 *cont.*

The period's closing balance of deferred tax receivable/tax liability

Deferred tax recoverable and liability are offset when there is a legal off-setting right for current tax recoverable and liability, and when deferred tax concerns the same authority.

Deferred tax receivable

Group, SEK m	2003	2002
Loss carry forward	107	126
Restructuring reserve	0	10
Temporary differences	24	17
Other	3	9
Closing balance before setoff	**134**	**162**
Legal setoff	–110	–118
Closing balance	**24**	**44**

Deferred tax liability

Group, SEK m	2003	2002
Fiscal accelerated	126	89
Write-ups	142	163
Other	41	5
Closing balance before setoff	**309**	**257**
Legal setoff	–110	–118
Closing balance	**199**	**139**

The value of unused loss carry forward for which deferred tax receivable is not considered amounts to SEK 36 million (46).

Nobia does not account for any deferred tax for temporary differences relating to investments in subsidiaries or associated companies. Possible future effects (withholding 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.

Note 22 Provisions

Group, SEK m	2003	2002
Opening balance for provision for restructuring measures	24	245
Provision for restructuring measures	–	–
Utilised restructuring reserve	–22	–144
Reversed restructuring reserve	–	–67
Exchange rate fluctuations, restructuring measures	–2	–10
Closing balance provision for restructuring measures	**0**	**24**
Other provisions	36	100
Total	**36**	**124**

Provisions for restructuring measures relating to corporate acquisitions in 2000 and 2001 have been used in their entirety. Other provisions amounting to SEK 36 million (100) consist mainly of reserves for unutilised rights of tenancy.

Note 23 Liabilities to credit institutions

Maturity, SEK m	2003	2002
Within 1 year	16	261
Between 1 and 5 years	1,530	990
Longer than 5 years	2	8
Total	**1,548**	**1,259**

Note 24 Accrued expenses and deferred income

	Group		Parent Company	
SEK m	2003	2002	2003	2002
Bonus to customers	56	52	–	–
Accrued salaries	136	119	4	2
Accrued payroll overheads and pensions	17	30	2	1
Accrued interest	2	4	–	–
Rents	60	7	–	–
Other	181	227	–	–
Total	**452**	**439**	**6**	**3**

Note 25 Pledged assets

	Group		Parent Company	
SEK m	2003	2002	2003	2002
For liabilities to credit institutions				
Chattel mortgages	899[2]	8 063[1]	–	–
Property mortgages	619[2]	5 335[1]	–	–
Shares in subsidiaries	2,634	2,431	1,370	1,370
Other current assets	0	0	0	283
For pension provisions				
Property mortgages	0	0	–	–
Total pledged assets	**4,152**	**15,829**	**1,370**	**1,653**

[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.
[2] A mortgage deed for the subsidiary Norema AS was reduced in 2003 from SEK 12,500 million to SEK 600 million through an agreement with the pledgee.

Note 26 Contingent liabilities

	Group		Parent Company	
SEK m	2003	2002	2003	2002
Sureties for pension commitments	0	0	8	9
Other contingent liabilities	128	89	1,633	1,236
Total	**128**	**89**	**1,641**	**1,245**

Note 27 Acquisition of subsidiary

With effect from December 2003 Nobia acquired the Gower Group. The effect of the acquisition on the Group's liquid funds amounted to SEK –749 million.

SEK m	2003
Goodwill	–686
Tangible fixed assets	–105
Deferred tax receivable	–16
Operating assets	–364
Other liabilities	264
Total purchase cost	**–907**
Unpaid purchase amount	158
Effect on the Group's liquid funds	**–749**

The unpaid purchase amount refers partly to the interest-bearing liability to the seller, SEK 54 million, partly to an estimated conditional purchase price, SEK 104 million.

Note 28 Transactions between related companies

No selling or purchasing of goods was conducted between the parent company and other Group companies in 2003. However, the subsidiaries were invoiced for Group-wide services. In the past, the subsidiary Nobia NBI AB invoiced for Group-wide services, but these are now invoiced by the parent company.

Note 29 Average number of employees

	2003		2002	
Companies in:	Number	Of which men	Number	Of which men
Sweden	523	431	544	429
Denmark	1,035	744	977	690
Norway	477	290	504	299
Finland	465	315	463	313
Germany	1,095	855	1,160	883
UK	1,889	1,598	2,059	1,684
France	4	2	4	2
USA	62	37	53	31
Austria	0	0	2	1
Switzerland	21	16	20	15
The Netherlands	0	0	4	4
The Group	**5,571**	**4,288**	**5,790**	**4,351**

	2003		2002	
	Number	Of which men	Number	Of which men
Board members	59	93%	60	95%
CEOs and other senior executives	94	89%	96	90%
The Group	**153**	**91%**	**156**	**92%**
Board members	10	90%	11	100%
CEOs and other senior executives	6	100%	10	100%
Parent Company	**16**	**94%**	**21**	**100%**

Stockholm, 1 March 2004

Hans Larsson
Chairman of the Board

Harald Mix

Gerard De Geer

Karsten Bomann Jonsen

Wilhelm Laurén

Thomas Nilsson

Bodil Eriksson

Per Bergström
Employee representative

Olof Harrius
Employee representative

Fredrik Cappelen
CEO

Our Audit Report was submitted on 1 March 2004

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 2003. 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, 1 March 2004

Öhrlings PricewaterhouseCoopers AB

Robert Barnden
Authorised Public Accountant

The Board and Auditors

From the left: Hans Larsson and Karsten Bomann Jonsen.

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

KARSTEN BOMANN JONSEN
Bekkestua, Norway, born 1950, Board member since 2000.
President of Selvaag Gruppen A/S. Chairman of, among others, Isolitt A/S, Selvaag Eiendom A/S, City Self Storage A/S and Selvaag Senior A/S. Member of the boards of, among others, A/S Selvaagbygg.
Holding in Nobia AB: 0

From the left: Fredrik Cappelen, Gerard De Geer and Thomas Nilsson.

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.
Holding in Nobia AB: 337,700 shares, 40,000 warrants.

GERARD DE GEER
Stockholm, born 1949, Board member since 3 April 2002.
Director Operations & Business Control at Industri Kapital AB. Chairman of Citylink AB. Member of the boards of Lindex AB, Electrokoppar Holding AB, Consolis Oy, MacGregor International AB.
Holding in Nobia AB: 0

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

The work of the Board in 2003

The Board of Directors of Nobia AB consists of eight members elected by the AGM and two representatives with two deputies appointed by the employees. The CEO is also on the Board. Other executives in the Company take part in board meetings, providing reports and taking the minutes. During the 2003 financial year, the Board held six ordinary meetings and three extraordinary meetings.

The Board works according a fixed agenda for each meeting including business position, investments, budget, interim reports and annual accounts. The Board also works according to rules of procedure established annually by the Board and governing distribution of duties between the Board and the CEO. In 2003, issues involving the Group's strategy, financial goals and acquisitions were a major focus of the Board's work.

The Board aims to maintain a close relationship with the Company's auditor to ensure that the Board is kept abreast of important issues concerning the Company's accounts, accounting routines, management of the Company's assets and, if necessary, the general running of the Company. One important principle is that governance issues to be dealt with by the Board are addressed by the Board in its entirety. To guarantee that the Board's information requirements are met, the Company's auditor reports to the Board at least twice a year. The form that these reports are to take was established at Nobia's 2003 AGM and is documented in the Board's rules of procedure.

The auditor's report addresses issues concerning Nobia's internal control, valuation issues, important amendments in regulations and planning for the upcoming audit. The auditor is also to account annually for consulting assignments that have been carried out by the auditor's firm as well as his observations about the Company and its

HARALD MIX
Stockholm, born 1960, Board member since 1996.
Partner in Altor Equity Partners AB.
Member of the boards of ACO Hud Holding AB and Lindorff Group AB.
Holding in Nobia AB:
100,000 shares.

BODIL ERIKSSON
Stockholm, born 1963, Board member since 2003. Executive Vice President of Axfood AB, member of the board of Oriflame Cosmetics S.A.
Holding in Nobia: 0

WILHELM LAURÉN
Stockholm, born 1943, Board Member since 1996. Chairman of Hörnell Holding, Elektrokoppar Holding AB and Enermet Group.
Member of the boards of, among others, Ostnor AB and Martinsson-gruppen AB.
Holding in Nobia AB:
30,000 shares.

From the left: Harald Mix, Bodil Eriksson and Wilhelm Laurén.

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

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

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

PATRIK PERSSON
Älmhult, born 1973, Deputy Board Member, employee representative since 2003.
Employed at Myresjökök AB since 1992.
Holding in Nobia: 0

Auditor

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

From the left: Inga Andersen, Olof Harrius, Per Bergström and Patrik Persson

management. Part of the auditor's presentation of information to the Board is done in the absence of the Company's executives.

In 2003, external consultants conducted an evaluation of the Board and its working methods. The evaluation results were presented to the Company's nominating committee.

Remuneration committee

The Board appoints a remuneration committee consisting of three of the Board members elected by the AGM. The committee's task is to prepare 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 regarding remuneration and other employment terms for the managers who report to the CEO, and of ensuring that the Company has an adequate programme to ensure the supply of managers and their development. The remuneration committee for the period up to the 2004 AGM consists of Hans Larsson (Chairman), Gerard De Geer and Wilhelm Laurén.

Nominating committee

According to a decision by the AGM, the five largest shareholders during the third quarter are to appoint a nominating committee. Accordingly, the shareholders representing 54.1 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 committee consists of Hans Larsson, Nobia's Chairman; Christian Salamon, Industri Kapital; Tomas Nicolin, The Third National Swedish Pension Fund; Stefan Dahlbo, Öresund; and Hans Hedström, HQ Fonder. Christian Salamon retired from the committee when Industri Kapital sold its shareholding on 18 February.

Management

Group management

From the left: Peter Petersson and Fredrik Cappelen.

From the left: Kevin Ohle and Richard Reynolds.

PETER PETERSSON,
born 1951.
Vice President Operations, Business Development, acting Business Unit Manager Norema.
Employed since 1995.
Holding in Nobia AB:
134,400 shares, 27,000 warrants.

FREDRIK CAPPELEN,
born 1957.
President and CEO.
Employed since 1995.
Holding in Nobia AB:
337,700 shares, 40,000 warrants.

KEVIN OHLE,
born 1957
Vice President Production, Purchasing and Logistics.
Employed at Gower since 1998.
Holding in Nobia AB: 0

RICHARD REYNOLDS,
born 1955.
Vice President Operations.
Chairman of the Board of Gower.
Employed at Gower since 1988.
Holding in Nobia AB: 0

Group management and Group functions

Control and follow-up for the Nobia Group are conducted based on the same organisational structure as is used for Nobia's operations.

Nobia's Group management consists of seven individuals.

Group management is responsible for development, follow-up and control of operations. The issues that are addressed are of operational and strategic importance to the Group and the business units. Within the framework of the strategic focus established by the Board, Group management is responsible for Group-wide policies, strategic business development, co-ordination of purchasing and production, as well as for handling investments and Group-wide projects.

Group management meets every month, and items on a fixed agenda are addressed at these meetings. Each of the members of Group management also has overall accountability for his/her respective area.

In order to reinforce the clear and positive competitive benefits of having business units with full profitability responsibility, and at the same time facilitate knowledge exchange and synergies, Nobia also has a broader management group called the Group Advisory Board. In addition to Group management, this broader group consists of the Business Unit Managers and a number of key individuals. The Group Advisory Board normally meets once every quarter. These meetings are a forum for information and discussion regarding targets, key figures, financial development, Group-wide projects and other issues of common strategic importance.

Local strategy and follow-up meetings involving the business units' management teams are held regularly. An important tool in this work is the benchmarking report containing financial key figures and ratios for processes, which is compiled once a month and distributed to all of the business units.

Nobia's head office, which houses the CEO and the Group's central departments, is located in Stockholm. The Group's central departments work with business development, finances, communications, human resources, purchasing, production and logistics. At the end of 2003, 15 individuals worked at the head office.

From the left: Gary Favell, Lennart Rappe and Preben Bager.

GARY FAVELL,
born 1956.
Vice President Operations,
Business Unit Manager Magnet.
Employed at Magnet since 1988.
Holding in Nobia AB:
116,620 shares, 22,000 warrants.

PREBEN BAGER,
born 1948.
Vice President Operations,
Business Unit Manager HTH.
Employed at HTH since 1989.
Holding in Nobia AB:
470,000 shares, 27,000 warrants.

LENNART RAPPE,
born 1944.
Executive Vice President, CFO.
Employed since 1999.
Holding in Nobia AB:
133,720 shares, 27,000 warrants.

Business unit managers

PER ANDERSSON,
born 1948.
Business Unit Manager Myresjökök.
Employed at Myresjökök since 1988.
Holding in Nobia AB: 3,030 shares,
27,000 warrants.

LEO BRECKLINGHAUS,
born 1959
Business Unit Manager Optifit.
Employed by Optifit since 2000.
Holding in Nobia AB: 1,500 shares
27,000 warrants.

ELMAR DUFFNER,
born 1960.
Business Unit Manager Poggenpohl.
Employed by Optifit since 1999.
Holding in Nobia AB: 11,450 shares,
27,000 warrants.

MARTIN ELGOOD,
Born 1967.
Business Unit Manager Gower.
Employed at Gower since 1992.
Holding in Nobia AB: 0.

HEINZ HACHMEISTER,
Born 1953.
Business Unit Manager Pronorm
from beginning of April 2004.
Employed by Pronorm since 1984.
Holding in Nobia AB: 0 shares,
4,500 warrants.

JORMA LEHTOVUORI,
born 1952
Business Unit Manager Novart.
Employed at Novart since 1985.
Holding in Nobia AB: 15,000 shares,
22,000 warrants.

FRIEDHELM MEYER,
born 1940.
Business Unit Manager Pronorm,
until end of March 2004.
Employed at Pronorm since 1991.
Holding in Nobia AB: 0.

LEIF NYGÅRD,
born 1949.
Business Unit Manager Invita.
Employed at Invita since 1974.
Holding in Nobia AB: 42,940 shares,
27,000 warrants.

ANDERS REUTHAMMAR,
born 1949.
Business Unit Manager Marbodal.
Employed at Marbodal since 1997.
Holding in Nobia AB:
100,000 shares, 27,000 warrants.

EGIL WOLD,
born 1947.
Business Unit Manager Sigdal.
Employed at Swedoor 1990.
Holding in Nobia AB:
191,700 shares, 27,000 warrants.

Annual General Meeting

The shareholders of Nobia AB are invited to attend the Annual General Meeting at 5 p.m. on Thursday, 1 April 2004 in the Strindberg Room at Berns Konferens, Berzelii Park, Stockholm.

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 22 March 2004.
2. notify the Company of their intention to attend the meeting no later than 4 p.m. on Friday, 26 March 2004.

Notification regarding attendance at the Annual General Meeting may be provided 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 madeleine.falk@nobia.se.

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

Shareholders whose shares are registered in the name of a trustee must request that they be temporarily registered in the shareholders' register kept by 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 Monday, 22 March 2004, when registration must be completed.

Payment of dividends

The record date for entitlement to receive dividends is proposed for Tuesday, 6 April 2004. Payment will be through VPC and is expected to take place on Tuesday, 13 April 2004.

7-year summary

SEK m	1997	1998	1999	2000	2001	2002	2003
Income statement							
Net sales	3,316	3,977	4,049	4,102	8,283	9,594	9,273
Change in per cent	*–3*	*20*	*2*	*1*	*102*	*16*	*–3*
Gross profit	873	1,082	1,176	1,325	3,170	3 865[1]	3,586
Operating profit	79	110	132	261	537	725	565
Financial income	3	3	3	9	15	11	14
Financial expenses	–45	–59	–51	–50	–138	–130	–79
Profit/loss after financial items	**37**	**54**	**84**	**220**	**414**	**606**	**500**
Tax on profit/loss for the year	–34	–33	–83	–115	–160	–198	–162
Minority share in profit/loss for the year	–	–	–	0	0	0	0
Profit/loss for the year	**3**	**21**	**1**	**105**	**254**	**408**	**338**
Balance sheet							
Fixed assets	910	1,052	1,000	1,975	3,719	3,308	3,783
Inventories	371	385	447	614	1,178	1,107	1,208
Receivables	395	498	608	835	1,159	1,021	1,315
Liquid funds	157	160	135	221	362	293	154
Total assets	**1,833**	**2,095**	**2,190**	**3,645**	**6,418**	**5,729**	**6,460**
Shareholders' equity	324	375	351	1,363	1,776	2,589	2,667
Minority interest	–	–	–	5	6	6	6
Non-interest-bearing provisions	123	83	89	378	467	285	266
Interest-bearing provisions	13	25	56	79	74	91	87
Non-interest-bearing liabilities	699	798	905	1,025	1,714	1,443	1,580
Interest-bearing liabilities	674	814	789	795	2,381	1,315	1,854
Total shareholders' equity and liabilities	**1,833**	**2,095**	**2,190**	**3,645**	**6,418**	**5,729**	**6,460**
Net debt	530	680	710	601	2,078	1,098	1,763
Capital employed	1,011	1,214	1,196	2,242	4,237	4,001	4,614
Key figures							
Operating margin, %	2.4	2.7	3.3	6.4	6.5	7.6	6.1
Profit/loss after financial items in % of net sales	1.1	1.3	2.1	5.4	5.0	6.3	5.4
Turnover rate of capital employed, times	3.4	3.6	3.4	3.4	2.3	2.3	2.2
Return on capital employed, %	8.4	10.2	11.2	22.2	15.5	17.9	14.6
Return on shareholders' equity, %	0.9	6.0	0.0	17.2	16.2	18.7	13.0
Debt/equity ratio, %	164	181	202	44	117	42	66
Equity/assets ratio, %	17.7	17.9	16.0	37.5	27.8	45.3	41.4
Cash-flow before investments	–121	127	126	156	551	513	439
Investments	101	87	74	87	226	269	294
Earnings per share after dilution	0.09[2]	0.64[2]	0.03[2]	2.90[2]	5.15[2]	7.53	5.84
Employees							
Average no. of employees	3,092	3,529	3,334	3,003	5,343	5,790	5,571
Net sales per employee, SEK 000s	1,072	1,127	1,214	1,366	1,550	1,657	1,665
Salaries and other remuneration	718	825	825	818	1,672	1,814	1,742

[1] Reclassification of historical values for the cost of goods sold and selling expenses.
[2] Adjusted for 10:1 split on 19 June 2002. Dilution effect calculations adjusted taking into account the actual number of warrants exercised.

Definitions

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

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

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

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

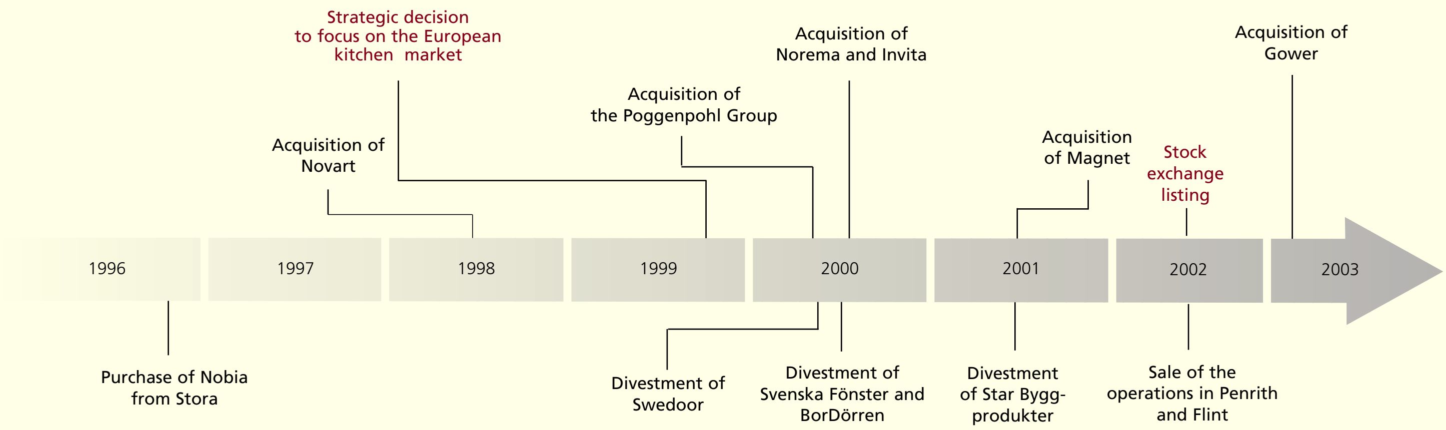
Gross debt
The sum of interest-bearing liabilities and interest-bearing provisions.

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

Operating capital
Balance sheet total less interest-bearing assets, receivables relating to current and deferred tax and non-interest-bearing liabilities except for liabilities for current and deferred tax.

Operating cash flow
Cash flow after investments, excluding company acquisitions and disposals.

Focus on kitchen interiors



When Nobia was formed in 1996, the Group was active in four businesses. In addition to manufacturing kitchens, doors and windows, Nobia also operated a wholesale building materials business aimed at the Swedish market. Since that time, Nobia has developed into Europe's leading kitchen interiors company.

From 1996 to 1999, Nobia turned losses into profits for the now divested door manufacturers Swedoor and BorDörren, the window manufacturer Svenska Fönster and the building materials wholesaler Star Byggprodukter.

Nobia also improved its margins through rationalisation of production, increased brand recognition, efficiency improvements and re-organisation, as well as selling or closing down operations that were not part of Nobia's core business.

In 1996 when the Group was formed, the kitchen operation had net sales of just over SEK 1.6 billion. In autumn 1999 a strategic decision was taken to focus on kitchen interiors and to expand outside the Nordic region. Nobia recognised the potential in the fragmented kitchen industry for a company with the capacity to lead the consolidation of the industry. The first stage in Nobia's focus on kitchens began back in 1998 with the acquisition of the Finnish company Novart.

In line with its new kitchen strategy, Nobia proceeded to dispose of companies in 2000 and 2001 that were not part of the core business. At the same time, Nobia strengthened its presence in the European kitchen market through a number of acquisitions in 2000, including Poggenpohl in Germany, Myresjökök in Sweden, Norema in Norway and Invita in Denmark. In 2001 the UK company, Magnet, was acquired, and Nobia further strengthened its position in the UK through the acquisition of Gower.

Operating margin
Operating profit as a percentage of net sales.

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.

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 operating capital
Operating profit/loss as a percentage of the operating capital

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





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