nobia

Interim Report
January – March 2003

23 April 2003

Key figures	January-March 2003	January-March 2002	Jan.-Dec. 2002	April-March 2002/03
Net sales, SEK m	2,346	2,404	9,594	9,536
Operating income before depreciation, SEK m (EBITDA)	240	238	1,036	1,038
Operating income before goodwill amortisation, SEK m (EBITA)	179	173	788	794
Operating income, SEK m (EBIT)	164	157	725	732
Operating margin, %	7.0	6.5	7.6	7.7
Income after financial items, SEK m	148	121	606	633
Earnings per share, after full dilution, SEK	1.70	1.56	7.53	7.64
Return on capital employed, %			17.9	18.1
Return on shareholders' equity, %			18.7	18.4

First quarter 2003 compared to first quarter 2002

- Operating margin increased to 7.0 per cent (6.5).
- Income after financial items up 22 per cent to SEK 148 million (121).
- Earnings per share after full dilution up 9 per cent to SEK 1.70 (1.56).
- Continued margin improvement as a result of reduced material costs
- Continued organic growth in the UK and Nordic operations.
- Improved margins in the UK and Continental European operations.

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

The Nobia Group January – March 2003

THE GROUP

Summary

Nobia continued to develop well despite a weakening of the general economic situation. There was a 5-per cent increase in sales during the first quarter for comparable units after adjustment for currency effects. Sales were positively affected by the fact that Easter was later this year which meant that there were more delivery days than in the first quarter of the previous year. The income after net financial items rose by 22 per cent and the earnings per share after full dilution increased by 9 per cent to SEK 1.70 (1.56).

The operating income increased by 4 per cent to SEK 164 million (157). The operating margin increased by 7.0 per cent (6.5) although the rate of increase was somewhat slower than before. The improved margin is primarily attributable to reduced material costs as a result of synergy gains.

The operating margin before goodwill amortisation improved in both the UK and Continental European operations. The Nordic operation's operating income before goodwill amortisation was negatively affected by a sales decline at the Norwegian Norema business unit, and by costs incurred in connection with Invita's changeover to the group-wide K20 measurement standard.

Market development first quarter 2003 compared to first quarter 2002

There has been an estimated 2 per cent increase in demand in the UK. The overall demand in the Nordic market is believed to have increased slightly. The estimated increase in demand in Sweden is 5 per cent, while demand was unchanged in Denmark and Finland, and in Norway demand fell by 2 per cent. Demand in Germany and the Netherlands is estimated to have fallen.

Market outlook for the second quarter 2003

The trends on Nobia's main markets are expected to be essentially the same during the second quarter as in the first quarter. In the UK, however, certain economic indicators point to a negative trend and consequently a weakening in demand may occur in the UK market.

Net sales and income

Net sales fell by 2 per cent to SEK 2,346 million (2,404). Following adjustment for currency effects, sales for comparable units, i.e. excluding the divested joinery operations in Penrith and Flint, increased by 5 per cent.

Operating income increased by 4 per cent to SEK 164 million (157). The operating margin amounted to 7.0 per cent (6.5). Excluding goodwill amortisation operating margin amounted to 7.6 per cent (7.2). The improved margin is explained on one hand by the increased gross margin to 42.6 per cent (40.5) as a result of reduced material costs and higher order values, as well as earnings from the disposal of Magnet's lease contracts and properties amounting to SEK 24 million (15).

Nobia continued its long term investments in marketing and improving the store network and this resulted in an increase in selling and administrative expenses as a percentage of net sales from 34.2 per cent to 35.9 per cent.

The translation of the subsidiaries' operating income to Swedish kronor had a negative impact on the income of SEK 10 million due to fluctuations in exchange rates.

Financial items amounted to SEK –16 million (–36). The lower indebtedness in combination with lower interest rates has lowered the net interest expense. As a result of the seasonal increase in working capital during the period, the level of indebtedness is higher than at the beginning of the year.

Income after financial items increased by 22 per cent to SEK 148 million (121).

Tax expenses for the period amounted to SEK –50 million (–42), which is equivalent to a tax rate of 33.8 per cent (34.7). Excluding non-deductible consolidated goodwill, the tax rate was 30.7 per cent (30.7).

Income after tax amounted to SEK 98 million (79), which is equivalent to earnings per share of SEK 1.70 (1.56) after full dilution.

Cash flow and investments

The *cash flow after investments* amounted to SEK –85 million (–109). The improvement is mainly due to income from the sale of Magnet's properties. The cash flow is normally negative during the first part of the year as a result of the seasonal building up of working capital. *Investments* in fixed assets amounted to SEK 62 million (64).

Financial position

The Group's capital employed amounted to SEK 4,023 million compared to SEK 4,001 million at the beginning of the year. Currency effects as a result of a strong Swedish krona during the quarter caused a reduction in the capital employed of SEK 113 million.

The Group's restructuring reserve at the end of the period consisted of SEK 13 million. During the period SEK 10 million was used, of which SEK 5 million was used in the Nordic region and in Continental Europe and SEK 5 million was used in the UK operation. Most of these funds were used for personnel reductions decided upon in 2002. Currency effects reduced the reserves by SEK 1 million.

The net debt at the end of the period amounted to SEK 1,129 million compared to SEK 1,098 at the beginning of the year. The change in the net debt is related to net cash flow from operations amounting to SEK –85 million and a reduction of SEK 54 million as a result of the strengthening of the Swedish krona.

The effect of translation differences on shareholders' equity amounted to SEK –62 million as a result of the strengthening of the Swedish krona. The shareholders' equity at the end of the period was SEK 2,625 million, compared to SEK 2,589 million at the beginning of the year.

The equity/assets ratio at the end of the period was 45.1 per cent compared to 45.3 per cent at the beginning of the year. The net debt/equity ratio was 43 per cent at the end of the period compared to 42 per cent at the beginning of the year.

The *syndicated loan* taken in 2001 has been renegotiated primarily for the purpose of postponing the repayment schedule in place. The renegotiated loan consists of a variable credit of SEK 1.8 billion, which is reduced by SEK 180 million per year until 2008 when the remaining amount of the loan matures. Nobia also has an overdraft facility of SEK 445 million.

At the end of the period the Group had available credit of SEK 955 million excluding liquid funds.

BUSINESS REGIONS

The UK operation

Net sales amounted to SEK 1,008 million (1,065), a decrease of 5 per cent. Excluding currency effects and for comparable units, the sales increased by 12 per cent.

Compared to the same quarter last year and adjusted for currency effects, the sales of kitchen, bathroom, wardrobe and bedroom interiors increased by 12 per cent. Sales of joinery products fell by 20 per cent. Taking into account the effect of the divestment of the joinery operation in Flint and Penrith, the sales of joinery products generated by remaining joinery operations increased by around 10 per cent.

The operating income before goodwill amortisation amounted to SEK 111 million (110). The operating margin amounted to 11.0 per cent (10.3). The income for 2003 includes profit from the sale of store properties of SEK 24 million (15). After adjustment for the sale of lease contracts and properties, the operating margin was 8.6 per cent (8.9). Compared to the same period last year, maintained material cost reductions were reported, which was offset by unfavourable currency trends between the Euro and the British pound. The income was positively affected by higher sales volumes and increased average order values. Most of the volume growth was in the economy segment. The increased expenditure on the stores has not yet fully brought about the anticipated increase in sales. The operating income was negatively affected by initial problems with a new carrier.

The Nordic operation

Net sales amounted to SEK 879 million (834), an increase of 5 per cent. Excluding currency effects, the increase was 4 per cent. Sales increased in Sweden, Denmark and Finland but fell in Norway. The increase in sales was generated in both the renovation and new building segments. The fall in sales in Norway can mainly be explained by a decrease in the Norema business unit’s sales. Sales of flat-pack kitchens increased as a percentage of total sales in Denmark and Sweden.

Operating income before goodwill amortisation decreased by 2 per cent to SEK 80 million (82). The Nordic operation’s operating margin was 9.1 per cent (9.8). Increased average order values and lower material costs were achieved in the region. Norema’s sales decline affected the result negatively. In August 2002 Norema switched to the K20 group-wide measurement standard and production was switched to assembly. In parallel, significant changes were made to Norema’s product programme and sales organisation. The combination of these changes resulted in a number of quality problems and reduced order intake.

Maintained material cost reductions combined with higher order values resulted in higher growth profit margins. Investments in new stores and marketing activities increased selling expenses. In January Invita switched to the K20 group-wide measurement standard, which resulted in transition costs.

The Continental European Operation

Net sales amounted to SEK 479 million (512), which represents a fall of 6 per cent. Excluding currency effects, the reduction amounts to 4 per cent. Sales continued to fall in Germany and the Netherlands, while exports to, among other places, the US and the UK increased.

Operating income before goodwill amortisation amounted to SEK 9 million (2). The operating margin was 1.9 per cent (0.4). The effect of the lower sales was offset mainly by reduced material costs and staff reductions.

Parent company

The parent company is involved with group-wide activities and owns the subsidiaries. The parent company's income after net financial items was SEK –3 million (6).

Employees

The number of employees at the end of the period was 5,727, compared to 5,875 at the beginning of the year. The number of employees increased in the Nordic operation and decreased in the Continental European and UK operations. The number of employees in the UK operation fell by 127, of which 100 positions were replaced by outsourcing of services within administration and distribution.

Accounting principles

Nobia complies with the recommendations of the Swedish Financial Accounting Standards Council.

The new recommendations that have been applied since the beginning of 2003, including RR25 on reporting for segments, have not led to any changes in Nobia's accounting.

For definitions of key figures and ratios, please see Nobia's 2002 annual report.

Stockholm, 23 April 2003

Fredrik Cappelen
President and CEO

Nobia AB corporate registration no. 556528-2752

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

The interim report for the period January – June 2003 will be published on 20 August 2003.

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Income statement

SEK m	January-March 2003	January-March 2002	Jan.-Dec. 2002	April-March 2002/03
Net sales	2,346	2,404	9,594	9,536
Cost of goods sold	-1,346	-1,430	-5,547	-5,463
Gross profit	1,000	974	4,047	4,073
Selling and administrative expenses	-843	-821	-3,266	-3,288
Other income/expenses	22	20	7	9
Operating income before goodwill amortisation	179	173	788	794
Goodwill amortisation	-15	-16	-63	-62
Operating income	164	157	725	732
Net financial items	-16	-36	-119	-99
Income after financial items	148	121	606	633
Taxes	-50	-42	-198	-206
Minority shares in profit/loss for the period	0	0	0	0
Income after tax	98	79	408	427
Total depreciation	76	81	311	306
Operating margin excl. goodwill amortisation, %	7.6	7.2	8.2	8.3
Operating margin, %	7.0	6.5	7.6	7.7
Return on capital employed, %			17.9	18.1
Return on shareholders' equity, %			18.7	18.4
Share data *				
EPS before dilution, SEK	1.70	1.70	7.83	7.78
EPS after dilution, SEK	1.70	1.56	7.53	7.64
EPS excl. amortisation, before dilution	1.96	2.04	9.04	8.91
EPS excl. amortisation, after dilution	1.96	1.87	8.69	8.74
No. of shares before dilution	57,669,220	46,550,770	57,669,220	57,669,220
Average no. of shares before dilution	57,669,220	46,550,770	52,109,995	54,889,608
No. of shares after dilution	57,669,220	50,669,220	57,669,220	57,669,220
Average no. of shares after dilution	57,669,220	50,669,220	54,169,220	55,919,220

* Share-related values adjusted for 10:1 split on 19 June 2002

Balance sheet

SEK m	31 March 2003	31 March 2002	31 Dec. 2002
Assets			
Fixed assets			
Goodwill	1,021	1,152	1,077
Other intangible fixed assets	29	47	30
Tangible fixed assets	2,046	2,180	2,117
Deferred tax	34	120	44
Other financial fixed assets	45	38	40
Total fixed assets	**3,175**	**3,537**	**3,308**
Current assets			
Stock	1,133	1,173	1,107
Accounts receivable, trade	1,058	1,056	880
Other receivables	229	253	141
Cash and bank balances	242	264	293
Total current assets	**2,662**	**2,746**	**2,421**
Total assets	**5,837**	**6,283**	**5,729**
Shareholders' equity and liabilities			
Shareholders' equity	2,625	1,760	2,589
Minority interests	6	6	6
Provision for pensions, interest-bearing	96	72	91
Provisions for taxes	138	113	139
Other provisions	115	302	146
Total provisions	**349**	**487**	**376**
Long-term liabilities, interest-bearing	**1,278**	**2,312**	**1,054**
Current liabilities, interest-bearing	18	21	261
Current liabilities, non-interest-bearing	1,561	1,697	1,443
Current liabilities	**1,579**	**1,718**	**1,704**
Total shareholders' equity and liabilities	**5,837**	**6,283**	**5,729**

Change in the Group's shareholders' equity

	January - March 2003	January - March 2002	Jan.- Dec. 2002
Opening shareholders' equity	2,589	1,776	1,776
Translation differences	-62	-95	-108
Net income for the period	98	79	408
New share issue	-	-	513
Other changes	0	0	0
Closing shareholders' equity	2,625	1,760	2,589
Balance sheet-related key figures			
Equity/assets ratio, %	45.1	28.1	45.3
Debt/equity ratio, %	43	120	42
Net debt, closing balance	1,129	2,127	1,098
Capital employed, closing balance	4,023	4,171	4,001

Cash flow statement

SEK m	January-March 2003	January-March 2002	Jan.-Dec. 2002	April-March 2002/03
Current activities				
Operating income	164	157	725	732
Depreciation	76	81	311	306
Adjustment for items not included in the cash flow	-33	-25	-147	-155
Interest, dividends, and tax	-43	-42	-204	-205
Change in working capital	-224	-229	-172	-167
Cash flow from current activities	**-60**	**-58**	**513**	**511**
Investment activities				
Investments in fixed assets	-62	-64	-269	-267
Sale of subsidiaries	-	-	117	117
Acquisition of subsidiaries	-	-1	8	9
Other items included in investment activities	37	14	30	53
Cash flow from investment activities	**-25**	**-51**	**-114**	**-88**
Financing activities				
Loans raised	46	25	0	21
New issue of shares	-	-	513	513
Amortisation of liabilities	-12	-4	-975	-983
Cash flow from financing activities	**34**	**21**	**-462**	**-449**
Cash flow for the period, excl. exchange rate differences in liquid funds	**-51**	**-88**	**-63**	**-26**
Opening balance, liquid funds	**293**	**362**	**362**	
Cash flow for the period	**-51**	**-88**	**-63**	
Exchange rate differences in liquid funds	**0**	**-10**	**-6**	
Closing balance, liquid funds	**242**	**264**	**293**	

Analysis of net debt

SEK m	**January-March 2003**	**January-March 2002**	**Jan.- Dec. 2002**
Opening balance	1,098	2,078	2,078
Translation differences	-54	-60	-87
Cash flow from current activities including investments	85	108	-274
Sale of Flint & Penrith			-117
Acquisition of Magnet		1	-8
New issue of shares			-513
Pensions			19
Closing balance	**1,129**	**2,127**	**1,098**

Net sales, operating income and operating margin per region*

	Net sales			
	Jan.-March		Jan.-Dec.	April-March
SEK m	2003	2002	2002	2002/03
Nordic operation	879	834	3,498	3,543
Continental European operation	479	512	2,083	2,050
UK operation	1,008	1,065	4,075	4,018
Other consolidated adjustments	-20	-7	-62	-75
Group	**2,346**	**2,404**	**9,594**	**9,536**

	Operating income			
	Jan.-March		Jan.-Dec.	April-March
SEK m	2003	2002	2002	2002/03
Nordic operation	80	82	425	423
Continental European operation	9	2	68	75
UK operation	111	110	396	397
Goodwill amortisation	-15	-16	-63	-62
Other consolidated adjustments	-21	-21	-101	-101
Group	**164**	**157**	**725**	**732**

	Operating margin			
	Jan.-March		Jan.-Dec.	April-March
SEK m	2003	2002	2002	2002/03
Nordic operation	9.1%	9.8%	12.1%	11.9%
Continental European operation	1.9%	0.4%	3.3%	3.7%
UK operation	11.0%	10.3%	9.7%	9.9%
Group	**7.0%**	**6.5%**	**7.6%**	**7.7%**

*) Business regions are defined by where the products are manufactured and distributed.

Net sales and income per region
Quarterly figures

	2003	2002			
SEK m	**I**	**IV**	**III**	**II**	**I**
Net sales					
Nordic operation	879	916	739	1 009	834
Continental European operation	479	508	521	542	512
UK operation	1 008	947	1 057	1 006	1 065
Other and Group adjustments	-20	-28	-17	-10	-7
Group	**2,346**	**2,343**	**2,300**	**2,547**	**2,404**
Operating income					
Nordic operation	80	110	84	149	82
Continental European operation	9	30	22	14	2
UK operation	111	101	103	82	110
Goodwill amortisation	-15	-16	-15	-16	-16
Other and Group adjustments	-21	-34	-23	-23	-21
Group	**164**	**191**	**171**	**206**	**157**
Operating margin, %					
Nordic operation	9.1	12.0	11.4	14.8	9.8
Continental European operation	1.9	5.9	4.2	2.6	0.4
UK operation	11.0	10.7	9.7	8.2	10.3
Group	**7.0**	**8.2**	**7.4**	**8.1**	**6.5**