

nobia

Interim Report January – September 2003

23 October 2003

Key figures	July - Sept		Jan - Sept		Jan-Dec	Oct-Sept
	2003	2002	2003	2002	2002	2002/03
Net sales, SEK m	2,144	2,300	6,896	7,251	9,594	9,239
Operating income before depreciation, MSEK (EBITDA)	133	243	620	769	1,036	887
Operating income before goodwill amortisation, SEK m (EBITA)	73	186	440	581	788	647
Operating income, SEK m (EBIT)	59	171	397	534	725	588
Operating margin before goodwill amortisation, % (EBITA)	3.4	8.1	6.4	8.0	8.2	7.0
Operating margin, % (EBIT)	2.8	7.4	5.8	7.4	7.6	6.4
Income after financial items, SEK m	45	146	348	434	606	520
Income after tax, SEK m	32	100	232	288	408	352
Earnings per share, after full dilution, SEK	0.55	1.73	4.02	5.43	7.53	6.10
Return on capital employed, %					17.9	15.5
Return on shareholders' equity, %					18.7	14.0

- Net sales amounted to SEK 6,896 million (7,251)
- Organic growth of 3 per cent for the Group, corresponding to 7 per cent for the UK operation and 4 per cent for the Nordic operation.
- The decision to close down the German business unit Goldreif resulted in close-down costs of SEK 95 million.
- Operating income excluding items affecting comparability was SEK 492 million (534).
- Income after financial items amounted to SEK 348 million (434).
- Income after tax amounted to SEK 232 million (288).
- Earnings per share after full dilution were SEK 4.02 (5.43).
- The UK operation's operating margin recovered in the third quarter.
- Sustained increase in income in the Continental European operation.

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

The Nobia Group January –September 2003

THE GROUP

Summary

The organic growth was maintained in the third quarter. The net sales increased during the first nine months of the year by 3 per cent for comparable units and after adjustment for currency effects. The corresponding growth for the UK operation was 7 per cent, and 4 per cent for the Nordic operation. This organic growth is mainly attributable to Nobia's long-term focus on expanding and modernising the store network and on the DIY segment. The percentage of total sales of DIY products was 10 per cent, compared to 7 per cent for the same period last year, mainly as a result of expansion in the UK.

Excluding items affecting comparability, the operating income amounted to SEK 492 million (534). The UK operation reported a lower operating income. The Nordic operation's operating income was essentially unchanged, despite low income reported by the Norwegian business unit Norema. The Continental European operation increased its operating income, despite continued weak markets in Germany and the Netherlands. The operating income includes a negative effect of SEK 24 million as a result of the translation of foreign subsidiaries' operating income to Swedish kronor.

Following a weak second quarter, the UK operation's operating margin recovered during the third quarter.

The operating income fell to SEK 397 million (534). The operating income includes items affecting comparability of SEK -95 million relating to the estimated close-down costs for the German business unit Goldreif. The decision to close down this unit was taken in September.

The operating margin excluding items affecting comparability decreased slightly to 7.1 per cent (7.4).

Income after net financial items fell by 20 per cent to SEK 348 million (434) and the earnings per share after full dilution fell by 26 per cent to SEK 4.02 (5.43).

Reduced material costs had a positive result on the operating margin for the Nordic and Continental European operations. The positive effects of cost reductions within the UK operation were reduced by negative currency effects in connection with purchases made in euro.

In September a decision was taken to close down the loss-making German business unit Goldreif which is part of the Continental European operation. The unit is to be closed down at the end of March 2004. Close-down costs, estimated at some SEK 95 million, are included in the accounts for the third quarter. Of this amount, some SEK 50 million will affect the cash flow, primarily during the first half of 2004. After the sale of the unit's fixed assets and a reduction of operating capital, the cash flow from the close down is expected to be positive. Goldreif is included in the operating income with a negative amount of SEK -18 million up to and including the date of the close-down decision.

Market development January-September 2003 compared to the same period in 2002

The increase in demand in the UK is assessed at 1-2 per cent. The increase in demand in the Nordic countries is assessed at 2 per cent, with an increase in Sweden, Denmark and Finland and a decrease in Norway. Demand in Germany is believed to have fallen by around 6 per cent.

Market outlook for the fourth quarter 2003

The market situation is expected to remain the same in the UK. In the Nordic countries the project market is expected to weaken slightly and private consumption is expected to remain stable at a high level. The downturn in Germany and the Netherlands is expected to continue.

Net sales and income

Net sales fell by 5 per cent to SEK 6,896 million (7,251). The net sales increased by 3 per cent, adjusted for currency effects and for comparable units, i.e. excluding the divested joinery operations in Penrith and Flint and the Goldreif business unit.

Operating income amounted to SEK 397 million (534) including items affecting comparability of SEK -95 million, which is the estimated cost of closing down Goldreif. Excluding items affecting comparability, the operating income amounted to SEK 492 million (534), a fall of 8 per cent. The UK operation's operating income fell, while the Nordic operation's operating income was essentially unchanged, despite low income generated by the Norema business unit. The Continental European operation reported increased operating income, despite weak markets in Germany and the Netherlands.

Earnings from the disposal of Magnet's lease contracts and properties increased the income by SEK 35 million (15) after Group adjustments of SEK -10 million (0). The operating income was negatively affected in the amount of SEK 24 million as a result of the translation of the foreign subsidiaries' operating income to Swedish kronor.

The operating margin amounted to 5.8 per cent (7.4). Excluding goodwill amortisation, the operating margin was 6.4 per cent (8.0). Excluding items affecting comparability of SEK -95 million, the operating margin was 7.1 per cent (7.4).

Financial items amounted to SEK -49 million (-100). The net interest expense is less than last year, primarily as a result of last year's issue of new shares. The positive cash flow in the third quarter has been utilised to further lower the level of indebtedness.

Income after financial items fell by 20 per cent to SEK 348 million (434).

Tax expenses for the period amounted to SEK -116 million (-146), which is equivalent to a tax rate of 33.3 per cent (33.6). Excluding non-deductible amortisation of goodwill on consolidation, the tax rate is SEK 29.7 per cent (30.4).

Income after tax amounted to SEK 232 million (288), which is equivalent to earnings per share of SEK 4.02 (5.43) after full dilution.

Third quarter 2003

The consolidated net sales for comparable units and excluding currency effects increased by 2 per cent in the third quarter of 2003 compared to the same period last year. Most of the growth was generated by the Swedish and Danish operations. The growth rate within the UK operation slowed down in the third quarter.

The operating income amounted to SEK 59 million (171). Items affecting comparability relating to the cost of closing down Goldreif reduced the operating income by SEK -95 million. The translation of the foreign subsidiaries' income into Swedish kronor negatively affected the income by SEK 8 million. The fall in the operating income is mainly related to the cost of closing down Goldreif and to the UK operation. The operating margin was 2.8 per cent (7.4). Excluding items affecting comparability, the operating margin was 7.2 per cent (7.4).

Cash flow and investments

The cash flow after investments amounted to SEK 179 million (268). The corresponding period last year included funds of SEK 102 million from the sale of the joinery operation in Flint/Penrith. Excluding income from the sale of these businesses, the cash flow was slightly better than for the same period last year. The increase in working capital was somewhat higher than in the same period last year as a result of an increased amount of capital tied up in the UK operation. Steps have been taken to reduce the amount of capital tied up in inventory.

Investments in fixed assets totalled SEK 196 million (189).

Financial position

The Group's capital employed amounted to SEK 3,714 million compared to SEK 4,001 million at the beginning of the year. Currency effects as a result of a stronger Swedish krona caused a reduction in the capital employed of SEK 260 million. The provision for the closure of Goldreif amounts as of September to SEK 65 million. During the period SEK 2 million was used. In connection with the decision to close down Goldreif, asset value has been adjusted by SEK 26 million.

The net debt at the end of the period amounted to SEK 951 million compared to SEK 1,098 million at the beginning of the year. The change in the net debt was mainly linked to the net cash flow from operations of SEK +179 million, a dividend payment of SEK 130 million, and a reduction of SEK 91 million as a result of the strengthening of the Swedish krona.

The effect of translation differences on shareholders' equity amounted to SEK -160 million as a result of the stronger Swedish krona. The Shareholders' equity at the end of the period was SEK 2,538 million, compared to SEK 2,589 million at the beginning of the year.

The equity/assets ratio at the end of the period amounted to 46.2 per cent compared to 45.3 per cent at the beginning of the year.

The debt/equity ratio was 37 per cent at the end of the period compared to 42 per cent at the beginning of the year

The available credit as of 30 September amounted to SEK 1,039 million, including an unutilised overdraft facility of SEK 285 million but excluding liquid funds.

The full amount of the restructuring reserves relating to the Poggenpohl, Norema and Magnet acquisitions were used up in 2003. During the period SEK 23 million was used, of which SEK 1 million was used in the third quarter.

BUSINESS REGIONS

The UK operation

Net sales amounted to SEK 2,868 million (3,128), which is equivalent to a decrease of 8 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 5 per cent. Excluding currency effects and for comparable units, the sales increased by 7 per cent.

Compared to the same period last year and adjusted for currency effects, sales of kitchen, wardrobe and bedroom interiors increased by 13 per cent. There was strong growth in sales of kitchens for the DIY segment, while sales of rigid kitchens increased by 2 per cent. The increase in sales of rigid kitchens was driven by increased average order values, mainly in the area of accessory sales. Sales of joinery products increased by 2 per cent, excluding the joinery operations in Flint and Penrith, which were disposed of in 2002. Sales of bathroom interiors fell by 22 per cent.

The operating income before goodwill amortisation amounted to SEK 232 million (295). Translation of the operating income from local currency to Swedish kronor had a negative impact in the amount of SEK 24 million, compared to the same period last year as a result of the weakening of the British pound. Factors reducing the result were mainly lower volumes in the bathroom operation and increased distribution costs and selling expenses. Reduced material costs improved the operating income.

The operating margin amounted to 8.1 per cent (9.4). The operating income includes earnings from the sale of store properties and lease contracts amounting to SEK 45 million (15). After adjustment for the sale of lease contracts and properties, the operating margin amounted to 6.5 per cent (9.0).

The operating margin was negatively affected by a shift in the product mix towards a lower percentage of own manufacture products, negative currency effects in connection with purchases made in euro and increased costs.

Third quarter 2003

The organic growth amounted to 2 per cent and was mainly the result of a sustained increase in sales of DIY kitchens. Sales of bathroom products were weak during the quarter. Organisational changes are being made in the bathroom operation to reverse the weak trend.

Cost-cutting measures were implemented in the third quarter and these resulted mainly in reduced staff and marketing costs.

The operating income before goodwill amortisation amounted to SEK 78 million compared to SEK 103 million for the third quarter last year. The operating margin fell therefore to 8.4 per cent from 9.7 per cent. Excluding earnings from the sale of properties of SEK 12 million, the operating margin fell to 7.1 per cent (9.4).

The Nordic operation

Net sales amounted to SEK 2,654 million (2,582), which is equivalent to an increase of 3 per cent. Excluding currency effects, the increase amounted to 4 per cent. The organic growth was the result of increased average order values. Sales increased in Sweden, Denmark and Finland, but fell in Norway in line with the market trend there. The increase was mainly generated in the consumer market in Sweden and Denmark. Sales of flat-pack kitchens and kitchen accessories (mainly white goods) continued to increase as a percentage of total sales.

The operating income before goodwill amortisation was essentially the same as the same period last year and amounted to SEK 314 million (315). The positive income trend for several of the business units could not compensate for Norema's negative income trend.

The operating margin amounted to 11.8 per cent (12.2).

Third quarter 2003

The organic growth amounted to 6 per cent and was mainly generated within Sweden and Denmark. Growth was negatively affected by weak demand in the new build segment in the Swedish and Norwegian markets.

The operating income before goodwill amortisation amounted to SEK 85 million compared to SEK 84 million for the same quarter last year. The operating margin amounted to 11.3 per cent (11.4). The programme of measures initiated at the Norwegian business unit Norema, began to have an effect in the form of both improved income and increased order intake.

The Continental European operation

Net sales amounted to SEK 1,439 million (1,575), which is equivalent to a fall of 9 per cent. Excluding currency effects and the Goldreif business unit, which Nobia decided in September to close down, the reduction in net sales was 4 per cent. Sales continued to fall in both Germany and the Netherlands. Sales to the UK through the sister company Magnet increased. Sales of flat-pack kitchens accounted for most of this increase. Sales increased to other European markets as well as to the US and Asia.

The operating income before goodwill amortisation amounted to SEK 51 million (38), excluding close-down costs for Goldreif. The operating margin was 3.5 per cent (2.4). Goldreif is included in the operating income in the amount of SEK -18 million up to and including the date of the decision to close it down.

Third quarter 2003

The operating income amounted to SEK 27 million compared to SEK 22 million for the third quarter last year. The operating margin increased to 5.7 per cent (4.2). The increased operating income is mainly attributable to Poggenpohl which showed positive growth in the third quarter, and to an increased gross profit margin.

Parent company

The parent company is involved in group-wide activities and owns the subsidiaries. The parent company's income after net financial items was SEK -5 million (6).

Employees

The number of employees at the end of the period was 5,665, 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.

Nominating committee

Owners, representing 54.1 per cent of the capital and votes in Nobia, have appointed a nominating committee that will present proposals for nominees for the election of board members and auditors, as well as proposals for their fees at the 2004 Annual General Meeting. The nominating committee consists of the individuals listed below. Nobia shareholders are welcome to submit their points of view and proposals to the committee.

Hans Larsson, Chairman of the Board Nobia, Chairman
Christian Salamon, Industri Kapital
Tomas Nicolin, Tredje AP-Fonden
Stefan Dahlbo, Öresund
Hans Hedström, HQ Fonder

Accounting principles

Nobia complies with the recommendations of the Swedish Financial Accounting Standards Council. The new recommendations that went into force in 2003, including RR25 regarding reporting for segments, have not resulted in any change in Nobia's accounting principles.

Nobia intends to adjust its accounting procedures with respect to its pension obligations in 2004 in accordance with the Financial Accounting Standards Council's recommendation RR 29 on remuneration to employees.

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

Stockholm, 23 October 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 year-end report for 2003 will be published on 11 February 2004.

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 approx. SEK 9.6 billion in 2002 and has around 5,700 employees. Nobia is listed on the Attract 40-section of Stockholmsbörsen's O-list.

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

Income statement

SEK m	July - Sept		Jan - Sept		Jan-Dec	Oct-Sept
	2003	2002	2003	2002	2002	2002/03
Net sales	2,144	2,300	6,896	7,251	9,594	9,239
Cost of goods sold ¹⁾	-1,283	-1,332	-4,093	-4,309	-5,666	-5,450
Gross profit	861	968	2,803	2,942	3,928	3,789
Selling and administrative expenses ¹⁾	-714	-785	-2,319	-2,381	-3,147	-3,085
Other operating income/expenses	21	3	51	20	7	38
Items affecting comparability	-95	0	-95	0	0	-95
Operating income before amortisation of goodwill	73	186	440	581	788	647
Amortisation of goodwill	-14	-15	-43	-47	-63	-59
Operating income	59	171	397	534	725	588
Net financial items	-14	-25	-49	-100	-119	-68
Income after financial items	45	146	348	434	606	520
Taxes	-13	-46	-116	-146	-198	-168
Minority shares in profit/loss for the period	0	0	0	0	0	0
Income after tax	32	100	232	288	408	352
Total depreciation	74	72	223	235	311	299
Operating margin excl. amortisation of goodwill, %	3.4	8.1	6.4	8.0	8.2	7.0
Operating margin, %	2.8	7.4	5.8	7.4	7.6	6.4
Return on capital employed, %					17.9	15.5
Return on shareholders' equity, %					18.7	14.0
<u>Share data</u>						
EPS before dilution, SEK	0.55	1.73	4.02	5.73	7.83	6.10
EPS after dilution, SEK	0.55	1.73	4.02	5.43	7.53	6.10
EPS excl. goodwill, before dilution, SEK	0.80	1.99	4.77	6.66	9.04	7.13
EPS excl. goodwill, after dilution, SEK	0.80	1.99	4.77	6.32	8.69	7.12
No. of shares before dilution ²⁾	57,669,220	57,669,220	57,669,220	57,669,220	57,669,220	57,669,220
Average no. of shares before dilution ²⁾	57,669,220	57,669,220	57,669,220	50,256,920	52,109,995	57,669,220
No. of shares after dilution ²⁾	57,750,813	57,669,220	57,750,813	57,669,220	57,669,220	57,750,813
Average no. of shares after dilution ²⁾	57,750,813	57,669,220	57,705,484	53,002,553	54,169,220	57,696,418

1) Reclassification of historical values relating to the cost of goods sold as well as sales and administrative costs.

2) Share-related values adjusted for 10:1 split on 19 June 2002.

Balance sheet

SEK m	30 September		31 Dec
	2003	2002	2002
Assets			
<i>Fixed assets</i>			
Goodwill	945	1,098	1,077
Other intangible fixed assets	28	31	30
Tangible fixed assets	1,924	2,130	2,117
Deferred tax	48	95	44
Other financial fixed assets	42	52	40
Total fixed assets	2,987	3,406	3,308
<i>Current assets</i>			
Stock	1,138	1,138	1,107
Accounts receivable, trade	943	1,078	880
Other receivables	243	166	141
Cash and bank balances	201	278	293
Total current assets	2,525	2,660	2,421
Total assets	5,512	6,066	5,729
Shareholders' equity and liabilities			
Shareholders' equity	2,538	2,490	2,589
Minority interests	6	6	6
Provision for pensions, interest-bearing	86	75	91
Provision for taxes	115	107	139
Other provisions	134	244	146
Total provisions	335	426	376
Long-term liabilities, interest-bearing	1,062	1,407	1,054
Current liabilities, interest-bearing	22	40	261
Current liabilities, non-interest-bearing	1,549	1,697	1,443
Current liabilities	1,571	1,737	1,704
Total shareholders' equity and liabilities	5,512	6,066	5,729

Change in the Group's shareholders' equity

	30 September		31 Dec
	2003	2002	2002
Opening shareholders' equity	2,589	1,776	1,776
Translation differences	-160	-90	-108
Net income for the period	232	288	408
Dividend	-130	0	0
New share issue	7	516	513
Other changes	0	0	0
Closing shareholders' equity	2,538	2,490	2,589

Balance sheet-related key figures

Equity/assets ratio, %	46.2	41.1	45.3
Debt/equity ratio, %	37	49	42
Net debt, closing balance	951	1,214	1,098
Capital employed, closing balance	3,714	4,020	4,001

Cash flow statement

SEK m	July-Sept		Jan - Sept		Jan-Dec	Sept-Oct
	2003	2002	2003	2002	2002	2002/03
Current activities						
Operating income	59	171	397	534	725	588
Depreciation	74	75	223	235	311	299
Adjustment for items not included in cash flow	88	-42	36	-82	-147	-29
Interest and tax	-64	-32	-138	-144	-204	-198
Changes in working capital	41	75	-233	-218	-172	-187
Cash flow from current activities	198	247	285	325	513	473
Investment activities						
Investments in fixed assets	-65	-74	-196	-189	-269	-276
Sale of subsidiaries	-	102	-	102	117	15
Acquisition of subsidiaries	-	-	-	-1	8	9
Other items included in investment activities	29	5	90	31	30	89
Cash flow from investment activities	-36	33	-106	-57	-114	-163
Financing activities						
Changes in loans	-102	-241	-123	-861	-975	-237
New issue of shares	-	-4	7	516	513	4
Dividend	-	-	-130	-	-	-130
Cash flow from financing activities	-102	-245	-246	-345	-462	-363
Cash flow for the period excl. exchange rate differences in liquid funds	60	35	-67	-77	-63	49
Opening balance, liquid funds			293	362	362	
Cash flow for the period			-67	-77	-63	
Exchange rate differences in liquid funds			-25	-7	-6	
Closing balance, liquid funds			201	278	293	

Analysis of net debt

SEK m	Jan-Sept		Jan- Dec
	2003	2002	2002
Opening balance	1,098	2,078	2,078
Translation differences	-91	-66	-87
Cash flow from current activities including investments	-179	-167	-274
Sale of subsidiaries	-	-116	-117
Acquisition of subsidiaries	-	1	-8
Dividend	130	-	-
New issue of shares	-7	-516	-513
Change in pension liabilities			19
Closing balance	951	1,214	1,098

Net sales, operating income and operating margin per region*

SEK m	Net sales					
	July-Sept		Jan - Sept		Jan-Dec	Oct-Sept
	2003	2002	2003	2002	2002	2002/03
UK operation	931	1,057	2,868	3,128	4,075	3,949
Nordic operation	753	739	2,654	2,582	3,498	3,512
Continental European operation	475	521	1,439	1,575	2,083	2,037
Other and Group adjustments	-15	-17	-65	-34	-62	-60
Group	2,144	2,300	6,896	7,251	9,594	9,438

SEK m	Operating income					
	July-Sept		Jan - Sept		Jan-Dec	Oct-Sept
	2003	2002	2003	2002	2002	2002/03
UK operation	78	103	232	295	396	333
Nordic operation	85	84	314	315	425	424
Continental European operation	27	22	51	38	68	81
Items affecting comparability	-95	-	-95	-	-	-
Goodwill amortisation	-14	-15	-43	-47	-63	-59
Other and Group adjustments	-22	-23	-62	-67	-101	-96
Group	59	171	397	534	725	683

%	Operating margin					
	July-Sept		Jan - Sept		Jan-Dec	Oct-Sept
	2003	2002	2003	2002	2002	2002/03
UK operation	8.4	9.7	8.1	9.4	9.7	8.4
Nordic operation	11.3	11.4	11.8	12.2	12.1	12.1
Continental European operation	5.7	4.2	3.5	2.4	3.3	4.0
Group	2.8	7.4	5.8	7.4	7.6	7.2

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

Net sales and income per region
Quarterly figures

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