nobia

ANNUAL REPORT **2004**

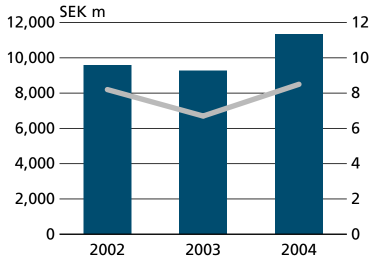
Contents


Optifit

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

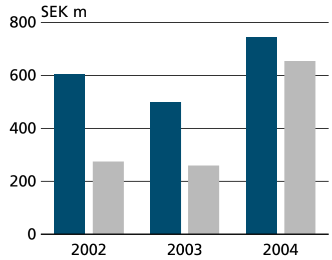
NET SALES AND OPERATING MARGIN



■ Net sales
— Operating margin before goodwill amortisation (EBITA)

Net sales climbed by 22 per cent. The operating margin rose from 6.1 to 7.7 per cent. The EBITA margin improved from 6.7 to 8.5 per cent.

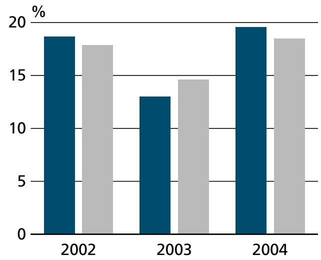
PROFIT AND CASH FLOW



■ Profit after financial items
■ Cash flow after investments

The profit after financial items rose by 49 per cent. Cash flow improved mainly due to a higher operating profit before depreciation.

RETURN ON SHAREHOLDERS' EQUITY AND CAPITAL EMPLOYED

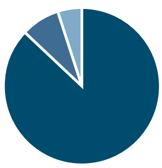


■ Return on shareholders' equity
■ Return on capital employed

Return on shareholders' equity and capital employed was 19.6 and 18.5 per cent respectively.

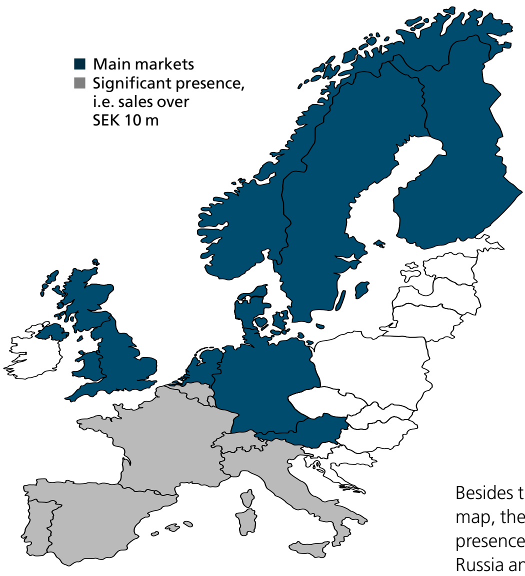
efficiency improvements and acquisitions through an industrial approach. The Group had sales of SEK 11 billion in 2004 and around 6,700 employees. Nobia is listed on the Stockholm Stock Exchange's O-list.

SHARE OF SALES PER PRODUCT



- Kitchen, bedrooms and storage 87%
- Joinery 8%
- Bathrooms 5%

20 per cent of the Group's sales come from flat-pack products.



Besides the countries marked on the map, the Group has a significant presence in China, Iceland, Japan, Russia and the US.

Year in summary

- Net sales climbed 22 per cent to SEK 11,337 million (9,273)
- Organic growth was 11 per cent
- Earnings per share after dilution climbed 47 per cent to SEK 8.59 (5.84)
- Profit after financial items rose by 49 per cent to SEK 745 million (500)
- Return on shareholders' equity was 19.6 per cent (13.0)
- EBITA margin improved to 8.5 per cent (6.7)
- In January 2005, Nobia acquired Austria's leading kitchen manufacturer, EWE-FM

Magnet

Key figures

	2004	2003	Change
Net sales, SEK m	11,337	9,273	22%
Operating profit before depreciation, SEK m (EBITDA)	1,245	872	43%
Operating profit before goodwill amortisation, SEK m (EBITA)	963	625	54%
Operating profit, SEK m (EBIT)	868	565	54%
Operating margin before goodwill amortisation, % (EBITA)	8.5	6.7	
Operating margin, %	7.7	6.1	
Profit after financial items, SEK m	745	500	49%
Profit after tax, SEK m	497	338	47%
Earnings per share, after full dilution, SEK	8,59	5,84	47%
Debt/equity ratio, excl. pensions %	48	63	
Return on capital employed, %	18.5	14.6	
Return on shareholders' equity, %	19.6	13.0	
Sales in channels controlled by Nobia (own stores, franchise stores and direct sales), %	70	75	
Number of stores (own and franchise)	546	541	

Effect of consistent work seen in improved profits

2004 was a year in which most of Nobia's business units progressed well. Nobia's sales increased and several important strategic moves were made during the year. The work done in our business units, at all levels, led to a strong profit improvement. Positive consumer trends continued over the year.

It is with pleasure that we can report a boost in the profit after financial items for 2004 of 49 per cent to SEK 745 million. Our sales rose in equal measure from organic growth and acquisitions and amounted to SEK 11.3 billion, which is an increase of 22 per cent. The figures for 2004 confirm the positive trend that Nobia has shown during its nine years as an independent company.

Good organic growth and strengthened market coverage

Nobia's organic growth again exceeded the average in its main markets during 2004. A part of Nobia's sales increase is of course due to the fact that we are operating in a growing industry. Interest in interior design and cooking remains high and we are spending more and more money on our kitchens and equipment for them.

At Nobia, we usually say that the battle for customers takes place in the stores and it is therefore important to be sensitive to customers' demands and desires. Consequently, we continuously invest in new products and stores to make them inspiring and experience-oriented, at the same time as we increase the service content for customers. This is an important part in our success and contributes to us growing quicker than the market. Most of our customers don't need a new kitchen – they want a new kitchen!

Our measures, in combination with market growth, have helped us to increase our sales (in comparable units) by 11 per cent. In total, Nobia now has over 540 own or franchise stores, which, coupled with direct sales to major projects, account for around 70 per cent of the Group's sales. However, we still have many stores that are not yet sufficiently customer-friendly. We will therefore continue to improve and strengthen the sales channels and stores that our customers buy from, above all in the UK and the Nordic countries. We can see that our upgraded and new stores have strong growth and good profitability, which increases organic growth. Over 40 stores were upgraded in some way in 2004, and we are increasing the pace of upgrades in the current year.

Close cooperation with strong partners is also a central part of our strategy to increase sales growth. A good example is Marbodal, which has strengthened its positions in Sweden via cooperation with Electrolux Home. This cooperation has led to our new kitchen concept being found in about 50 Electrolux Home stores around Sweden at the start of 2005. In the UK, we have furthered our cooperation with the major DIY chains, a development that strengthens our positions in this market. At the same time, Poggenpohl has continued to show its strength as one of the few global brands through the launch of its successful Studio concept in a further 50 or so locations around the world. Poggenpohl also acquired three of the most established retail stores in London during 2004.

Restructuring scheme at the Magnet business unit

The UK business is the largest within Nobia from a sales viewpoint and is consequently crucial for the Group's profitability. Growth in demand weakened during the year, partly due to interest rate increases that subdued consumption. Despite an overall profit improvement in the UK business, problems continued in the joinery and bathroom businesses at the Magnet business unit. Therefore we decided to introduce further measures. Changes in company management were made at Magnet during 2004. The restructuring scheme also included upgrading our store network as well as making the factories in Keighley and Darlington more efficient. In 2004, there were around 20 UK store upgrades. In total our scheme covers 150 stores and in 2005 we plan to accelerate the renovation programme. Taken together these measures will lead to making Magnet a stronger, more competitive business.

Target – greater earnings per share

Nobia's most important financial goal is that earnings per share shall increase by an average of 12 per cent annually. This might appear to be an ambitious goal, but looking at the growth opportunities existing on the fragmented European market I feel it is totally realistic. During the period 2001 to 2004, earnings per share increased by 19 per cent on average each year.


Pronom

Despite not fully reaching our goal in terms of the operating margin, which is 10 per cent, we did significantly improve our operating cash flow during the year from SEK 260 to 654 million. In the light of this, the Board has proposed to the AGM an increase in the dividend of 33 per cent to SEK 3 per share, which corresponds to 35 per cent of the net profit. The operating margin rose gradually over the year as a result of both structural measures and making the business more efficient.

The significance of high capacity utilisation as a consequence of the good sales performance is shown by the margin's progress in the Nordic region. The margin's progress will also be affected by the direction of our investments as well as the factors mentioned above.

Structural changes continue

The market for kitchens in Europe is still very fragmented and the industrial changes and structural transitions in the kitchen sector will continue. We will in all likelihood see fewer and larger kitchen companies in the future. Nobia's goal therefore is to continue to actively take part in this structural change. The driving forces behind the structural transformation include opportunities for large-scale purchasing and more efficient production of components.

Nobia's growth strategy means that we will, in the first instance, grow on or close to the markets where we are already. In new markets we are looking for market-leading players.

The kitchen company, EWE-FM, with a market share of around 18 per cent in Austria is a good example of such a company. The acquisition, completed in January 2005, strengthens our Continental European platform, and gives us an entry point into the new Eastern Europe with exciting development possibilities.

Strong consumer trends

While this industrial transformation is taking place, the strong and international consumer trends of the past ten years regarding interest in good food, design and kitchens have continued with undiminished strength. Greater uncertainty in the world at large also appears to be driving a need for increased security. The home has become a focal point in social life and the kitchen has become a natural meeting place where family and friends meet for socialising, good meals, work and leisure.

The socio-economic trends are also contributing through more – but smaller – households, increased segmentation and more target groups, such as senior citizens with buying power. The migration to the cities has resulted in both a greater standardisation of taste, more moves to new accommodation, and more renovations. As design has become more important, the expected lifetime of each kitchen has decreased. New and more customer-friendly sales channels are emerging.

Overall, these trends are resulting in an increased demand for new forms of kitchens and interiors – multi-functional, designed open-plan kitchens, with integrated white goods, coffee machines, lighting and now a clear demand for TV and computers in the kitchen. These trends contribute to a continued positive market development.

Focus on internal effectiveness

Despite good progress in demand for our products in 2004, competition continued to be stiff. We will therefore concentrate even more on what we can influence in 2005 – our internal effectiveness.

Our consistent work is producing results – as is shown by last year's figures. This excellent work is carried out at all business units and at all levels. I would therefore like to say a huge thank you to all Nobia's employees for their efforts in 2004.

But, we are not satisfied yet. Our ambition is to continue to create profitable growth with an industrial approach that means efficiency enhancement and acquisitions. In 2005, we will therefore start, among other projects, phase-two in the work to reduce product costs. The continuation of store renovations and the development of sales channels are also high on the agenda. We also have a number of improvement measures, mainly in the UK, which are to be implemented, and we shall integrate EWE-FM in the Nobia family. We are gradually making Nobia not only bigger, but also a stronger, more efficient and even better company.

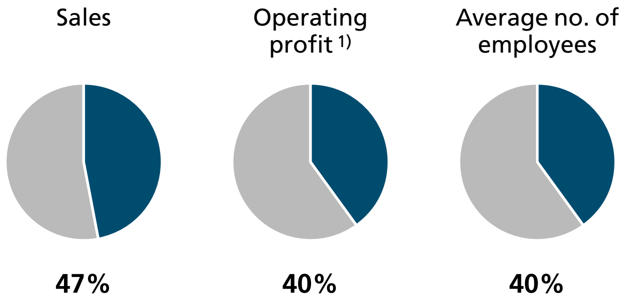
Stockholm, March 2005

Fredrik Cappelen

Business overview

The UK business

Share of the Group

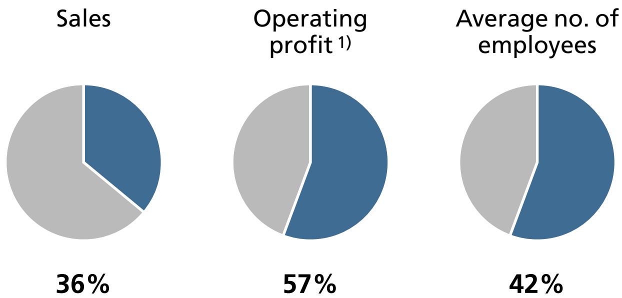


Operating profit SEK m 1)

385

The Nordic business

Share of the Group

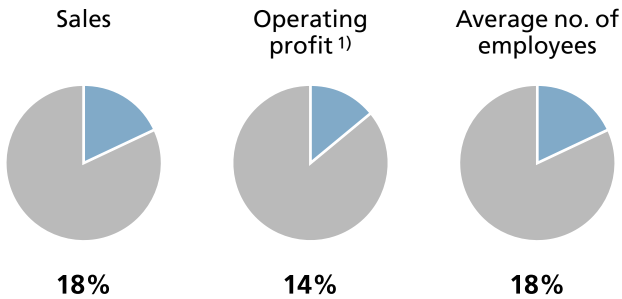


Operating profit SEK m 1)

551

The Continental European business

Share of the Group



Operating profit SEK m 1)

131

Group total

Sales	Average no. of employees
SEK 11,337 m	**6,052**

Operating profit SEK m 1) 2)

963

1) Excluding goodwill amortisation.
2) The Group total also includes other operations that are not part of the business regions.

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

The Gower business unit is the UK's leading supplier of flat-pack kitchens to multiple retailers.

Brands

Magnet, Gower, C.P. Hart, Magnet Trade, Interior Solutions

Read more about the UK business on pages 27–28 >>>

The Nordic business consists of seven business units: HTH and Invita in Denmark; Novart with the brands A la Carte, Petra and Parma in Finland; Norema and Sigdal in Norway and Marbodal and Myresjökök in Sweden. HTH also sells kitchens under the uno form brand. Products offered are rigid and flat-pack kitchens, bathrooms and storage, and are sold both to the consumer market and construction companies.

Brands

HTH, Invita, uno form, A la Carte, Petra, Parma, Norema, Sigdal, Marbodal, myresjökök

Read more about the Nordic business on page 29 >>>

The Continental European business consists of the Optifit, Pronorm and Poggenpohl business units in Germany, and EWE-FM in Austria. Poggenpohl operates exclusively in the upper segment, while Pronorm is present in the upper middle segment. Optifit focuses entirely on flat-pack products, mainly kitchens and bathrooms, but also sells finished bathroom interiors under the Marlin brand.

The EWE-FM business unit manufactures rigid kitchens for the middle and upper middle segment. EWE-FM was acquired in January 2005.

Brands

Poggenpohl, pronorm, Optifit, Marlin, ewe, FM

Read more about the Continental European business on pages 30–31 >>>


Marbodal


Magnet

Shares and shareholders

Price trend and turnover

Nobia's share price rose by 47 per cent from SEK 75 on 30 December 2003 to SEK 110 on 30 December 2004. During the same period, the Affärsvärlden General Index rose by 17 per cent and Stockholm Stock Exchange's index for manufacturers of durable consumer goods and services (SX25 Consumer Discretionary) rose by 21 per cent. The highest and lowest prices during the year were SEK 111.50 and SEK 71.50 respectively. The total market capitalisation as on 30 December 2004 was SEK 6,344 million. A total of 47,531,204 Nobia shares were traded on the Stockholm Stock Exchange in 2004. The turnover rate, i.e. number of shares traded in relation to the total number of shares in the Company, was 82 per cent.

Index affiliation

Nobia is included in the Stockholm Stock Exchange's index for manufacturers of durable consumer goods and services (SX25 Consumer Discretionary) in the Home Improvement Retail subgroup. In 2004, Nobia was listed on the Stockholm Stock Exchange's "Attract40" segment, which includes the 40 most liquid shares on the O-list. From January 2005 Nobia was listed in the "Others" segment of the O-list.

Share facts

Nobia AB's share capital amounts to SEK 57,669,220 distributed over 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 the Stockholm Stock Exchange's O-list since 19 June 2002.

Ownership structure

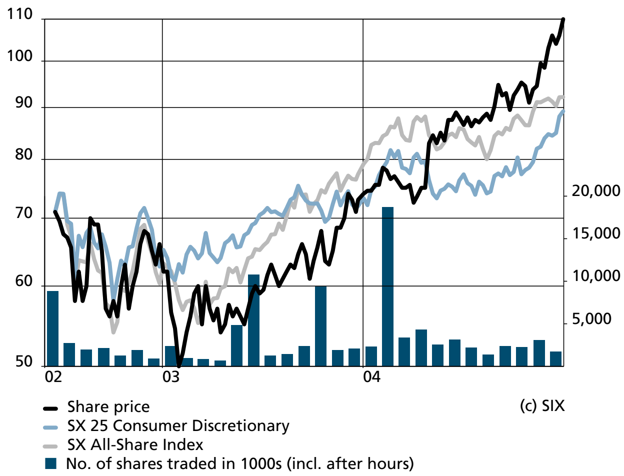
On 30 December 2004, Nobia had 3,846 shareholders. The ten largest owned 52 per cent of the capital and votes. The previous principal owner, Industri Kapital, sold its remaining holding of 25.4 per cent on 18 February 2004. Foreign owners held 35.8 per cent of the share capital and Swedish institutional shareholders owned 23.4 per cent. The seven members of Nobia's Group management had combined holdings of 1,099,700 Nobia shares at the end of the year, which is equivalent to 1.9 per cent of the

Nobia's ten largest owners, 30 December, 2004

	No. of shares	Share of capital and votes, %	Accumulated share, %
Nordea Funds	5,226,053	9.1	9.1
The Third National Swedish Pension Fund	4,829,423	8.4	17.5
Öresund	4,338,100	7.5	25.0
Robur Funds	4,082,700	7.1	32.1
Columbia Funds	3,032,000	5.3	37.4
HQ Funds	2,427,700	4.2	41.6
Odin Funds	1,793,300	3.1	44.7
SEB Funds	1,603,800	2.8	47.5
Orkla ASA	1,300,000	2.3	49.8
Skandia Liv	1,263,800	2.2	52.0
Total	**29,896,876**	**52.0**	

Source: VPC/SIS Ownership Data Corp.

Share price trend



Data per share

	2004	2003	2002
Earnings per share before dilution, SEK	8.62	5.86	7.83
Earnings per share after dilution, SEK	8.59	5.84	7.53
Dividend per share, SEK	3.00 [1)]	2.25	2.25
Dividend yield, %	2.7	3.0	3.5
P/E	13	13	9
Shareholders' equity per share, SEK	43	46	45
Share price by year end, SEK	110.00	75.00	64.50

1) Dividend proposed by the Board.

capital and votes. Nobia's Board members held 742,500 shares in the Company at the end of the year, which is equivalent to 1.1 per cent of the capital and votes.

Nobia has no knowledge of any shareholders' agreement between Nobia's owners.

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 scheme. 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 was 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 over 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 2005, 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 2004 financial year, the Board proposes an increased dividend of SEK 3.00 per share, which is equivalent to 35 per cent of the net earnings for the year or SEK 173 million.

Analysis

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

Ownership structure, 30 December, 2004

	No. of shares	No. of shareholders	% of shares	% of shareholders
1–500	476,789	1,932	0.8	50.2
501–1,000	737,178	840	1.3	21.9
1,001–2,000	660,328	390	1.1	10.1
2,001–5,000	1,011,532	286	1.8	7.5
5,001–10,000	1,001,703	128	1.7	3.3
10,001–20,000	1,321,518	86	2.3	2.3
20,001–50,000	2,109,511	62	3.7	1.6
50,001–100,000	2,598,622	36	4.5	0.9
100,001–	47,752,039	86	82.8	2.2
	57,669,220	**3,846**	**100.0**	**100.0**

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 concept, goals and strategy

Business concept

Nobia develops, manufactures and markets interior solutions for kitchens, bathrooms and storage. Wide market coverage will be achieved with distinct brands and a multi-channel strategy. Through an industrial approach, economies of scale will be achieved in production, logistics and purchasing to create value for customers and owners.

Nobia's goals

Profit growth

- Earnings per share shall increase on average by 12 per cent annually. Nobia will achieve this by:
  - achieving organic growth that is 2–3 per cent higher than market growth
  - continuing to grow through acquisitions
  - improving margins so that the operating margin before goodwill amortisation (EBITA) is at least 10 per cent over a business cycle.

Financial strength

- 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

- Dividends to shareholders shall on average comprise around 30 per cent of the profit after tax. Decisions about the size of the dividend will be made in relation to the company's capital structure at the time.

Profitable growth and margin improvements

By consistently following established strategies, the growth target regarding earnings per share (EPS) will be achieved, both through organic growth and via company acquisitions, as well as by raising the operating margin in the businesses that are not meeting the Group's goal. These aims can be summarised as a clearly defined target for increasing the EPS over time.

The EPS measurement has been chosen as the Group's main target because it summarises the effects of growth, the operating margin, capital effectiveness and the price of acquired units and chosen financing methods. An additional advantage of this measurement is that it is easy to derive from the accounting records and therefore possible to follow quarterly.

The table below shows Nobia's EPS performance since 2001. For the period 2001–2004, the average rate of increase was 19 per cent compared with the target of 12 per cent.

Earnings per share after full dilution

	2001	2002	2003	2004	2001–2004[1)]
Earnings per share, SEK	5.15	7.53	5.84	8.59	
Annual change, %		46	–22	47	19

1) Average annual growth.

Nobia's growth strategy is conditional on investments in both company acquisitions and in existing businesses. Nobia assesses and judges investments based on the cash-related repayment period and return on invested capital.

Return on invested capital is a decisive factor in decisions about investments in company acquisitions. The required return on investments in company acquisitions is decided according to Nobia's weighted capital costs. This capital cost is composed partly of the capital market's required return to invest in Nobia's shares and partly by the interest on Nobia's loan financing.

Sales growth, divided between organic and acquired growth during the period 2001–2004 is shown in the table below. The average sales growth over the period was 11 per cent.

Sales growth

%	2002	2003	2004	2001–2004[1)]
Organic change	–2	3	11	
Acquisitions, disposals and exchange rate effects	18	–6	11	
Total growth	**16**	**–3**	**22**	**11**

1) Average annual growth.

Margin improvements

Development of the operating margin before goodwill amortisation (EBITA) per business region is presented in the table below.

EBITA margin per business region

%	2001	2002	2003	2004	Target
UK	8.7	9.7	7.7	7.3	
Nordic	10.7	12.1	11.8	13.4	
Continental Europe	2.8	3.3	4.3	6.5	
The Nobia Group	7.1	8.2	6.7	8.5	10.0

It is reasonable for Nobia to achieve an EBITA margin of 10 per cent at Group level. Many of the business units, with whom Nobia has been involved for a long time, are at that level or above it. As shown by the table above, the Nordic business well exceeds this level.

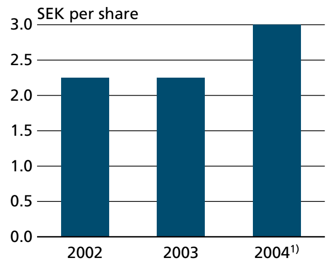
All profit margin goals must however be used with caution so that all business opportunities with a high capital turnover rate and return on capital, but relatively lower profit margins, are made the most of. The business units are controlled with targets for sales, operating profit, operating margin and tied-up capital. The target figures are set based on past outcomes, comparative data from benchmarking and with consideration to external factors such as the business climate. The margin targets for some business activities can be set lower without adversely affecting the Group's return on capital. This applies, for example, to certain sales of accessories with low refinement and a high rate of capital turnover.

As previously described, return on invested capital is a decisive factor in decisions on company acquisitions. This means that acquisitions do not exclude businesses with a lower operating margin than the Group's target.

Debt/equity ratio

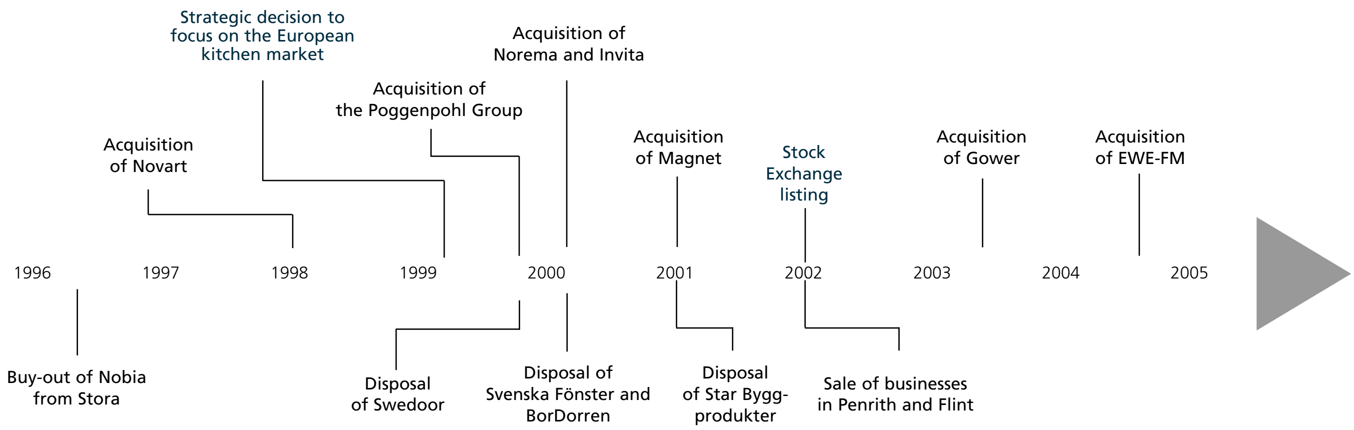
%	2002	2003	2004
Debt/equity ratio, excl. pensions	39	63	48

DIVIDEND



[1] According to the Board's proposal.

Nobia's development

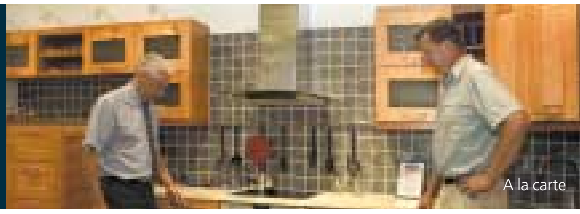


Unoform

Nobia's strategy – four cornerstones

1. Decentralised responsibility for profitability

- Decentralised organisation close to customers and market
- Management and control
- Internal benchmarking – develop best practice



A la carte

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2. Multi-channel strategy

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

Sigdal

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3. Low product costs

- Standardised components
- In-house manufacturing or purchasing
- Greater specialisation by the manufacturing units
- Co-ordinated purchasing

Magnet

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4. Profitable growth

- Organic growth
- Growth through acquisitions

Gower

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1. Decentralised responsibility for profitability

Nobia builds and organises its business on the basis of a decentralised responsibility for each respective brand and its whole value chain. The kitchen market in Europe is characterised by the diversity of national brands that are presented to customers through several different sales channels. Selling kitchen interiors is therefore mainly a local business. Success in this market is based on having a presence close to the customers. Nobia's brand-divided decentralised organisation provides conditions to successfully carry out a multi-channel strategy, but also achieve efficient business control.

Nobia's sales to end customers are underpinned by strong, local brands that are marketed either in the Group's own stores, in cooperation with distributors or franchise holders or through other sales channels. A clearly decentralised organisation provides proximity to the local markets and strengthens relations with the end customers.

Nobia's business is therefore run through decentralised business units. Independence in decisions and complete profit responsibility are the organisation's key principles. Because several brands are independently manufactured and/or assembled, responsibility is included for the effective utilisation of plant capital and working capital in the business unit's responsibility. The business units are responsible for their own vertical value chain – i.e. from material procurement 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. Group management strives to have close contact with each business unit with the aim of supporting and providing help and tools for streamlining and marketing, business development and internal know-how exchange. Group management supports each business unit in this internal cooperation, takes responsibility for synergy issues between the business units and makes internal comparisons and know-how exchange easier.

Follow-ups via benchmarking

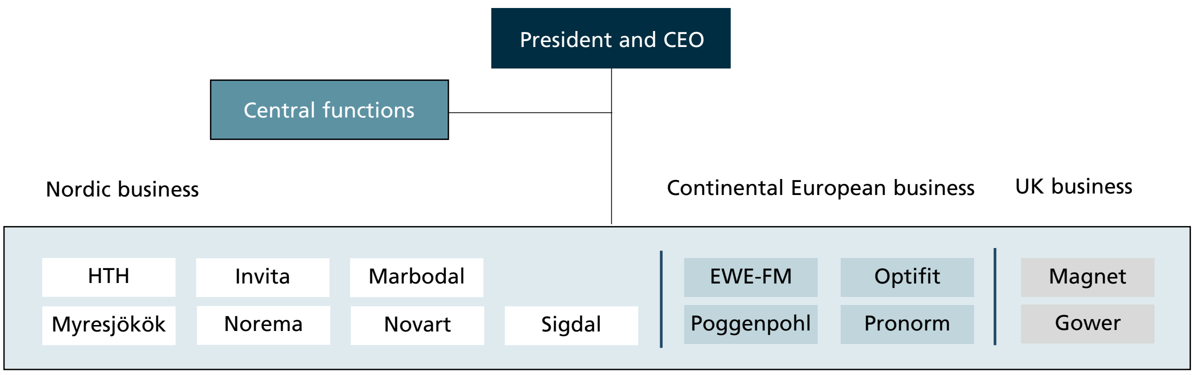
All goals are established jointly by each business unit and Group management. Possibilities to compare different performances pave the way for healthy competition between the units. The starting points are past profitability, Group-wide goals and the improvement potential identified through benchmarking. All follow-ups 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.

Benchmarking focuses on financial information about costs and sales according to "Key Performance Indicators" (KPI), which are key figures concerning, for example, the costs and the amount of time spent per unit in production, delivery reliability or 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 and how it is developing.

Active exchange of knowledge

The exchange of knowledge and experience between the business units is another important success factor. The exchange of information also results in synergies and efficiency improvements, for example within production and purchasing. This is clearly apparent from the cost reductions that have been achieved through increased co-ordination in recent years.

Nobia's organisation



Nobia's business consists of thirteen business units with clear profit responsibility. The focus on kitchens provides major opportunities for know-how exchange and establishing best practice. This is supported by a joint reporting system.

2. Multi-channel strategy

Nobia strives to reach customers through various brands via different sales channels and thereby achieve broad market coverage. A major proportion of Nobia's sales are made through specialised kitchen studios, which are run as the Group's own stores or by franchise holders.

At the end of 2004, Nobia had 546 such stores. Influence in the sales channels increases possibilities to affect decisive parts of the sales process and to broaden the content of the offer to 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 to reach the various customer segments. The most important channels for Nobia's business units today are specialised kitchen studios and multiple retailers. 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 gain maximum 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 consistent and long-term work, in which different concepts and brands are integrated in the sales channels in a far-sighted way.

Greater order value

Through its presence in different sales channels, Nobia is able to influence its offer to the end customer, for example in terms of content, design and exposure of the kitchen concept in a store. Experience has shown that the possibility to exercise this type of influence is crucial for sales. Today, around 70 per cent of Nobia's sales are through sales channels where Nobia has a strong influence. These channels consist of over 540 specialised

HTH

kitchen studios operated by Nobia or franchise holders, as well as ex-factory direct sales. In addition, numerous strategic partners have exclusive agreements with Nobia. The business units are working actively also in other sales channels to improve service content and thereby their cooperation with the retailers.

The business units are endeavouring to gradually expand their offer 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 offer 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 sales partnerships

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

Nobia's sales channels

In Europe, kitchen interiors are sold through many different channels. To be successful with its strategy, Nobia mainly focuses on specific brands adapted for the respective channels. Nobia is currently represented in the majority of relevant sales channels in its principal markets.

Nobia currently focuses on four sales channels – specialised kitchen studios, furniture stores, multiple retailers and direct sales. The most expansive channels at the moment are specialised kitchen studios as well as multiple retailers.

Kitchen studios provide total solutions

Specialised kitchen studios are one of the largest sales channels for kitchen interiors in Europe. Kitchen studios provide customers with a total solution, which can cover everything from planning and design, to selection of joinery, white goods, accessories and installation. Sales through this channel focus on the upper and upper middle segment, but there are also stores that specialise in flat-pack kitchens. For Nobia, this is the largest sales channel in Germany, the UK, Denmark and Norway.

Furniture stores important in Continental Europe

Furniture stores are an important sales channel for kitchen interiors in many of the local markets in Europe. Most of the sales via furniture stores relate to the middle and economy segments. In Germany and Austria, furniture stores are the largest sales channel, accounting for more than 50 per cent of kitchen sales. In the Nordic countries only a small percentage of kitchen sales are via furniture stores. For Nobia, furniture stores are an important sales channel in Austria.

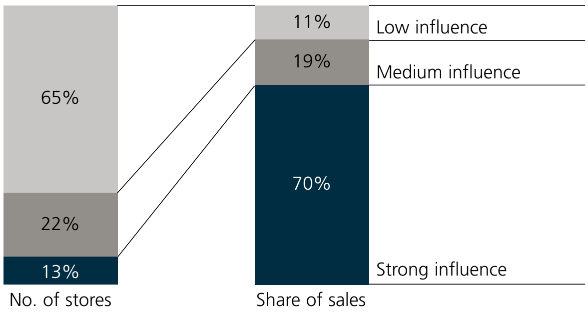
Multiple retailers – dominate in the Nordic countries and the UK

Multiple retailers include both builders' merchants and DIY chains. Sales of kitchen interiors via builders' merchants are aimed at both small construction companies and consumers. Builders' merchants include both small building supply stores as well as large building supply centres. DIY chains are nationwide chains that aim their range directly at consumers and sell kitchens primarily in the economy segment. Multiple retailers is a particularly important channel for markets in the Nordic countries and the UK. It is the biggest sales channel for kitchen interiors in Sweden.

In the stores and centres of builders' merchants, it is common to see kitchen displays that are sometimes built almost as separate small units within the store, the so-called "shop in shop". Nobia is also involved in "category management", mainly to support and develop the DIY chains' range. This means that Nobia has responsibility for the retailers' kitchen concept including everything from the range, marketing and display layouts to sales and service. Multiple retailers is Nobia's biggest sales channel in Sweden.

It is also an important channel for Nobia in the UK and Continental Europe, particularly for flat-pack kitchens.

NOBIA'S INFLUENCE OVER STORES



Influence over encounters with the customer has a major effect on the sales process and average order value. 70 per cent of Nobia's sales are through sales channels where the company has a strong influence, i.e. specialised kitchen studios operated by Nobia or a franchise holder, as well as direct sales.

Direct sales – new construction is a key segment in the Nordic countries

Direct sales are aimed at construction companies and cover both new construction projects and renovation projects. However, in volume terms, sales to new construction projects dominate in most markets. For Nobia, direct sales are especially important in the Nordic markets. Direct sales, often in the upper price segment, are also common in export markets such as the US and Asia. There are also sales to construction projects through the stores, for instance in Denmark and Norway.

Nobia's brands in different channels

	Kitchen studios					
	Own stores	Franchise	Independent	Furniture stores	Multiple retailers	Direct sales
Gower					●	
Magnet	●				●	
Marbodal			●		●	●
Myresjökök					●	●
HTH		●				
Invita		●				●
Norema	●					●
Sigdal			●		●	●
Novart	●	●			●	●
Optifit				●	●	
Poggenpohl	●		●			●
Pronorm			●		●	
EWE-FM			●	●	●	

3. Low product costs

Nobia endeavours to continuously reduce product costs. This means that co-ordination is gradually increasing within production and purchasing, and that economies of scale are being utilised optimally in these areas. The aims of these efforts include the increased harmonisation of the range and more production-efficient designs. This type of efficiency improvements will be achieved while maintaining the breadth and diversity of Nobia's range to its customers.

Within Nobia, product costs account for around 60 per cent expressed as a share of the Group's sales. The gradual reduction of these costs is an important goal and a continuous process. In 2004, this work led to cost reductions in direct material amounting to SEK 110 million. As the Group grows, so do opportunities to achieve economies of scale. More, centralised purchases is one example of the efforts to both reduce the number of suppliers, and focus on what is the best purchase price for the entire Group.

Nobia has expanded purchasing to new geographical markets, mainly in Asia and Eastern Europe to reduce purchasing costs. Product costs are also reduced by the standardisation of a growing proportion of the Group's component production.

In manufacturing itself, efficiency can be raised through better construction. New and more cost-effective materials can also reduce product costs, at the same time as it can reduce the use of material that has an impact on the environment.

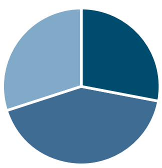
The components that are to fit in with Nobia's own production go through a make/buy analysis. This is an overall assessment that makes clear what will be most cost-effective; to buy in components from an external supplier or manufacture them within the Group. If the decision is for own manufacturing, it is concentrated to the highest degree possible to a single plant to gain from economies of scale.

Global purchasing

Large-scale production and economies of scale within purchasing and production are central elements in Nobia's business strategy. At the same time, the offer from the business units must be characterised by both breadth and diversity. The combination of large-scale production and diversity means that measurement-standardised modules are gradually being used more and more within Nobia.

Purchasing of products is based on ten product groups, each of which has a purchasing manager who signs agreements on behalf of the entire Group. Each product has a savings target, and these are followed up monthly. Increased purchasing from low-cost countries contributes to improvements in cost-effectiveness. Manufacturing of solid wood cabinet fronts for the entire Group has started in Lithuania. The first

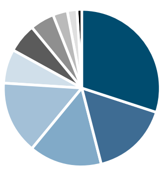
PURCHASES PER PRODUCT CATEGORY



- Raw material 28%
- Assembly components 42%
- Trade products 30%

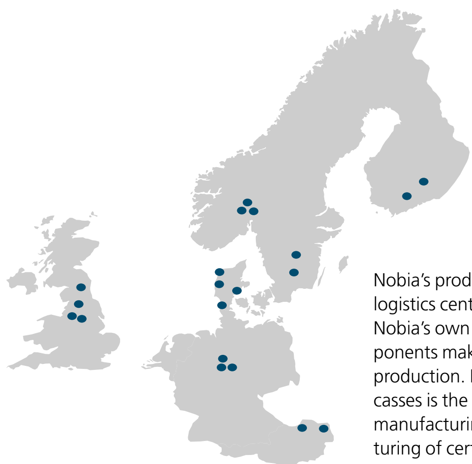
Raw materials are produced and refined e.g. chipboard. Assembly components are articles such as hinges. Trade products are finished products e.g. white goods.

PURCHASES PER PRODUCT GROUP



- Trade products 30%
- Fittings and accessories 16%
- Door fronts 15%
- Sheet material 15%
- Worktops and laminates 7%
- Finished furniture products 6%
- Veneer and solid wood 5%
- Profiles and edging boards 3%
- Packaging material 2%
- Chemical products 1%

NOBIA'S PRODUCTION UNITS



Nobia's production units act as both logistics centres and assembly plants. Nobia's own manufacturing of components makes up a small part of production. Manufacturing of carcasses is the most common type of manufacturing, but own manufacturing of certain types of door fronts and laminated worktops is also carried out within the Group.

co-ordinated purchases in Asia were made in 2003. Assessments of these purchases has shown good results.

Nobia also intends to achieve additional high-volume benefits by reducing the number of similar components. Harmonisation of the range should not, however, result in a reduced offer from the individual business units. They will have a larger selection, because increased co-ordination will provide access to the Group's total range.

Greater production efficiency

Kitchen manufacturing is largely a logistical flow. Most of Nobia's business units are only assembly units and work with assembly to order. This makes assembly a controlling last step in the logistics chain through to delivery to the customer. In this part, benefits of scale and capital intensity are not so large. Component production is, however, capital intensive and benefits of scale are large. Nobia therefore tries at a higher level to make component production more effective via specialised units. The Nordic business units, for example, get their laminated worktops from HTH's subsidiary, Implast, while Marbodal delivers certain doors and carcasses to several other business units.

The Group-wide standard for carcasses is central in work to coordinate and streamline production. The greatest benefit with a common standard is lower costs for product supply. This is possible because a common standard enables larger volumes of products with the same dimensions to be produced. So far this standard has been introduced in five business units in the Nordic countries and one in Germany. Co-ordination has been gradually developed, which has meant that a greater proportion of component supply is now handled within the Group.

4. Profitable growth

Growth shall be achieved through a combination of organic growth and acquisitions. The European kitchen market is fragmented and most of the manufacturers are small and operate mainly in their own local markets. This creates possibilities for Nobia, which aims to continue to lead the consolidation of the European kitchen market.

Increased sales

Nobia will achieve organic growth through:

- continually developing and strengthening Nobia's brands and distribution channels
- continually updating and customer-adapting the store network in line with new trends and purchasing behaviour
- developing and coordinating the product range
- new partnerships and cooperation in distribution and sales
- raising the average order value through increased sales of accessories and service.

Proven acquisition model and clear criteria

Growth will also be achieved through acquisitions. There are always many attractive acquisition prospects on the back of the highly fragmented structure of the European kitchen market. Several factors show that Nobia can, credibly, lead the consolidation of this market:

- relative size and financial strength
- experience of managing and integrating international businesses
- improvements in earnings and profitability achieved in acquired companies.

The acquisition strategy involves Nobia strengthening its positions in existing markets. The company is also aiming to establish a presence in other countries in Europe. An acquisition prospect will:

- be well integrated in a distribution chain all the way to end consumers
- provide potential synergies
- have a strong brand
- have a leading position in its market segment and/or within its geographical market
- have a stable and efficient management
- give a satisfactory return on capital employed.

The kitchen – the new meeting point

The kitchen interiors market has developed positively in recent years. The kitchen has become the home's focal point and the greater interest in design and interior decoration has also contributed to this trend. Sales channels are becoming more specialised, which increases the need for brand profiling. Kitchens with a high design content in the upper segment and flat-pack solutions are today's fastest growing segments.

An expanding market

In 2004, the European kitchen interiors market is estimated to have had sales of around EUR 11.7 billion, calculated at manufacturing prices. The European market refers to the old EU countries plus Norway and Switzerland. The two single largest markets were Germany and the UK, which accounted for 21 and 20 per cent respectively of the total market. The Nordic countries – of which Denmark and Sweden are the biggest markets – accounted for 11 per cent of the total market.

The lifestyle trends showing a great interest in the home and interior decoration have contributed to the increased value of the European kitchen market in recent years. Sweden and Finland were the markets that showed the biggest growth in 2004. Demand for kitchens in the other Nordic countries also rose during the year. The German market was stable, whereas the UK market improved somewhat. In total, the European kitchen market is estimated to have grown by 3 per cent in the last year.

MARKET DEVELOPMENT IN 2004

%	SE	NO	DK	SF	DE	NL	AT	UK	EU
Development in 2004	+13	+8	+5	+8	0	–2	0	+3	+3

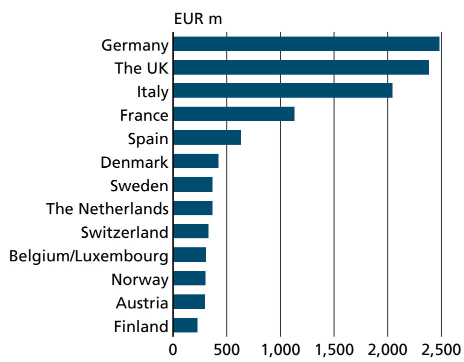
Three types of buyer dominate the kitchen market – private consumers, craftsmen who purchase for end customers and construction companies that build or renovate large housing projects. Demand for kitchen interiors is governed mainly by consumer buying power. This buying power is affected by financial factors such as disposable income and interest rates, as well as by psychological factors such as expectations for the future.

The demand from the renovation market is greater than the demand from new construction. In the countries where Nobia is active, the renovation market accounts for an average 70 per cent of demand and the new construction market for the remaining 30 per cent. The kitchen market is usually split into four price segments – upper, upper middle, middle and economy. The pronounced prestige brands – such as Nobia's uno form and Poggenpohl – dominate the upper segment. Nobia has brands in all market segments, but the company's focus is on the upper and upper middle segment, as well as the economy segment. There are rigid kitchens in all segments. Flat-pack kitchens are clearly the most common type in the economy segment.

Consolidation of the industry

The kitchen market in Europe is still fragmented. The five largest manufacturers are estimated to account for around 27 per cent of the market. Most manufacturers are small and oper-

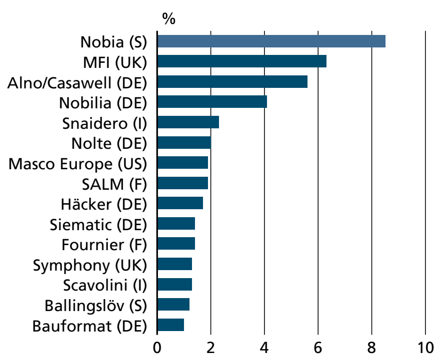
THE EUROPEAN KITCHEN MARKET



Sources: Csil, Prognoscentret and Nobia.
The figures are for 2004.

The European kitchen market's estimated sales in 2004 stood at EUR 11.7 billion. The five largest markets account for a good 70 per cent of the total market.

NOBIA IS THE MARKET LEADER IN EUROPE



Sources: Csil and Nobia. The figures are for 2004. No information is available for IKEA. EWE-FM is included in Nobia.

Nobia is Europe's leading kitchen manufacturer with an estimated market share of just under 9 per cent. Nobia's greatest competitors in sales terms are MFI of the UK and Alno of Germany.

ate mainly in local markets. Consumer tastes and preferences are becoming increasingly similar, but there are still significant differences from market to market. The importance of the sales channels also varies between countries.

The kitchen sector in 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 1993 that the 50 largest kitchen companies accounted for 52 per cent of kitchen manufacturing. Ten years later, this figure had risen to 61 per cent.

Interest in design is growing

Interest in interior design is rising all the time. The trend has been particularly apparent in the past ten years. In parallel with this trend, the role of the kitchen has also changed. Previously, the kitchen was a quite small space with simple and practical functions. Over time, the kitchen has become the home's focal point and something of a status symbol – a status symbol in which design and interior design trends have increased in importance. At the same time, the change has meant that kitchen interiors – which were previously producer goods – have become more of a consumer product.

The trends show that customers want to have larger, more individual kitchens, specially designed products and accessories. This tendency is particularly evident in the upper and upper-middle segments. The trends also show that customers are willing to spend a larger portion of their disposable income on their kitchens, a development that results in rising average order values. To keep up with these trends, manufacturers are trying to expand their offers in the different sales channels.

One example is that the share of white goods sales via kitchen studios – as well as sales of installation services – has increased in recent years. Brands have also become more important in the kitchen interior market.

Growth in flat-pack kitchens

Another clear trend is the rapid growth in the European market for flat-pack kitchens. Nobia estimates that this segment currently accounts for 25–30 per cent of the total European market expressed in value as a percentage of kitchen interiors, excluding accessory sales.

The size of the flat-pack kitchen segment varies significantly, however, between different countries. In the UK, for example, flat-pack kitchens constitute more than 40 per cent of the total market. Another large market is France, where the share is about 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.

Nationwide DIY chains as well as furniture stores – where kitchens make up a significant portion of the product range – are the most important channels. Some of the largest and most well-known DIY chains are B&Q, Homebase, Focus and Wickes in the UK, Obi in Germany, and Castorama and Lapeyre in France. Begros in Germany is a good example of a furniture store chain with a significant share of kitchen sales. Many of the DIY chains have expanded considerably in recent years, by opening stores in large shopping centres outside cities. Via this expansion– which is expected to continue in the future – the chains are becoming a more important distribu-

Petra


Gower

tion channel for European kitchen manufacturers. This has special implications as many of the DIY chains have a pan-European strategy. These chains are often seeking close partnerships with strong, forward-looking suppliers. Sales channels are described in more detail in the strategy section on page 14.

The UK – second largest in Europe

The kitchen market in the UK has sales of around EUR 2.4 billion in terms of producer prices, which makes it Europe's second largest market.

The kitchen market in the UK has grown in recent years, both in terms of number of sold kitchens and in the average order value. The upturn in 2004 is estimated at about 3 per cent. In parallel, it is also estimated that the markets for bathroom and bedroom interiors, have risen.

Nobia's market share in the UK is about 15 per cent. Magnet is a clear market leader in the upper middle segment. Gower is the market-leading supplier of flat-pack kitchens to multiple retailers.

The Nordic countries – strongest growth

Sales in the Nordic kitchen market are worth around EUR 1.3 billion, in terms of manufacturing prices. In recent years the market growth rate has been stable at between 3 and 4 per cent per year. The estimated increase in the total market of the Nordic countries in 2004 was around 8 per cent. The proportion of sales in the new construction segment in the Nordic countries is larger than in Nobia's other markets.

The Finnish market is characterised by high activity in the new construction segment. In Norway there is a high level of activity in the renovation market. During the year, activity has also increased in the new construction segment. Market conditions have been very favourable in Sweden during 2004. This applied to both the renovation and new construction segment. Growth in the Danish market is mainly connected with the renovation segment.

Nobia is a market leader in all of the Nordic countries and its total market share for 2003 in the region was over 30 per cent.

Marbodal

Continental Europe – Austria the latest addition

Nobia's Continental European business is focused in three countries – Germany, the Netherlands and, through the latest acquisition of EWE-FM, Austria. Germany is Europe's largest kitchen market. After Germany's reunification, the housing construction market experienced an upswing that lasted until the mid 1990s. The market has subsequently been in decline.

The German and Dutch markets stabilised during 2004, after the decline of recent years. These markets however remain depressed. As a response to reduced demand, adjustments are being made in the form of structural measures. This applies particularly to the German kitchen manufacturers, which are gradually adjusting their volumes to the lower demand. Demand has remained at a stable level in Austria in recent years. Nobia's market share in Germany is around 4 per cent, in the Netherlands around 10 per cent and in Austria around 19 per cent.

Nobia's main markets

Main markets	Sales, SEK m	Market share, %
Denmark	1,320	34
Finland	720	31
The Netherlands	340	10
Norway	1,160	35
The UK	5,360	15
Sweden	880	26
Germany	880	4
Austria	520	19

EWE-FM is included in the information.

More effective supply of competence

Staff development at Nobia is mainly handled by the respective business units. Work at the Group level focuses on senior executives and includes management development, supply of expertise and remuneration issues. A joint assessment was made of Nobia's 100 highest-ranked managers in 2004 – an assessment that will contribute to making the supply of managers more efficient in the Group.

Nobia's decentralised organisation means that the business units deal with most personnel issues. This applies to areas such as recruitment, skills development, keep-fit activities and the working environment. It is also the business units that ensure Nobia's overall values permeate everyday work.

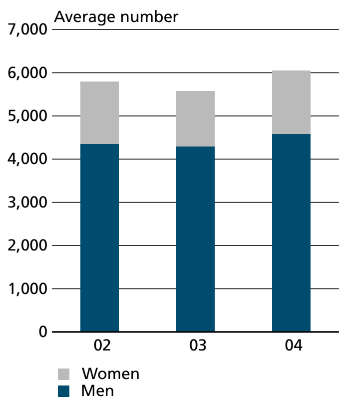
At the Group-wide level, personnel work mainly concerns the senior executives as well as the development of middle managers. Issues dealt with include leadership, supply of middle managers with high development potential, remuneration and Group-wide training initiatives. The Group's personnel management also assists in the improvement of integration between units, for example through investments made in manager development. This integration creates stronger relations and networks within the Group. Through this it also becomes easier to utilise the collective competence and experience that exists within Nobia.

Extensive assessments

During 2004, Nobia carried out an extensive survey of the Group's 100 highest ranking managers. The first step was an assessment of the managers' results, leadership profile and future development potential. A number of different qualities were assessed, such as strategic thinking, result-orientation and the ability to communicate and motivate. Based on the results, there was a dialogue concerning the business units' future management development and succession planning. Following this, there was feedback to all the managers who took part in the assessment. This feedback was in the form of personal development discussions. As part of the survey, Nobia also carried out an inventory of its possible future leaders. This concerned younger staff members who were judged to have the interest and potential for top positions in the Group.

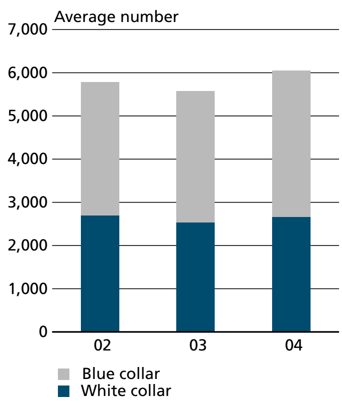
The great benefit of the assessment is that Nobia can ensure the long-term supply of top managers more effectively. In addition, Nobia has been able to identify potential managers in a more comprehensive way. This gives a greater focus on succession issues and also improves possibilities to prepare for forthcoming changes.

AVERAGE NUMBER OF EMPLOYEES, NUMBER OF WOMEN/MEN



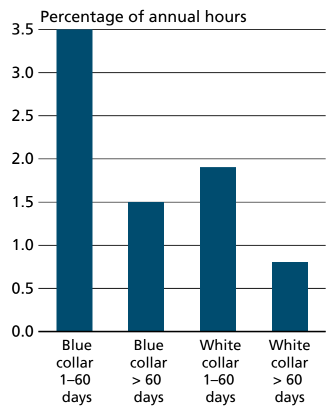
The average number of employees rose by around 9 per cent between 2003 and 2004.

DIVISION BLUE COLLAR/ WHITE COLLAR WORKERS



In 2004, 56 per cent of the employees were blue collar and 44 per cent were white collar.

ABSENCE DUE TO ILLNESS



A person who is on sick leave for 70 days in succession is reported as having 70 days' long-term absence, while a person on sick leave for seven days, ten times, is reported as having 70 days' short-term absence.

During 2005, there will be a new assessment of the Group's leading managers. This process will raise the emphasis on concepts such as result-orientation and dialogue – concepts that will permeate Nobia's future Group culture to a great extent.

Developing middle managers

Nobia has a special management development program for those in middle management. It is called the Nobia Management Program and was run for the second time in 2004. Sixteen people from the Group's various business areas took part in the year's program. The program lasts for around a year and is based on several meetings, with specific themes such as leadership, finance and business strategy. A large part of the work is done in project groups, where participants carry out business simulations concerning concrete and operations-based problems. Between meetings, the participants also assess how they can apply their new knowledge in their everyday work.

Fredrik Cappelen – Leader of the Year 2004

In December, Nobia's President and CEO Fredrik Cappelen was named as "Leader of the Year 2004 in Sweden". The annual award – which was introduced in 1984 – is presented by the Swedish business magazine, Affärsvärlden and the executive recruitment company Korn/Ferry. The jury gave the following justification for their choice:

"In the course of a decade, Fredrik Cappelen has reshaped what was ten years ago a small anonymous business area in a large industrial company into one of the business world's most eye-opening growth and profit machines. With a soft/firm leadership style, which draws out the best, both in colleagues and in the income statements, the Leader of the Year has shown that there is no shortcut to success – just talent, commitment and hard work."

Nobia's Management Program includes visits to a number of Nobia's production units. The photo shows Steen Kristensen from uno form of Denmark and Anja Munro from Norema of Norway listening to Adrian Fawlk's guided tour of the Magnet plant in Darlington. In the background is Aidan Phillipson from Magnet of the UK and Anja Buchholz from Optifit of Germany.

Keith Armstrong at the UK company Magnet, prepares to assemble a cupboard.

Nobia and the environment

Each of Nobia's business units is responsible for its own environmental work. The consumption of materials and energy in manufacturing processes is monitored using various key figures that are used for both internal and external comparisons. In 2004, there were improvements in all the key figures.

Environmental work in the production process

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

The main environmental impact caused by Nobia's businesses emanates from the exhausts of lorries and cars, and from emissions of organic solvents. The Group is working actively to improve planning and co-ordination of transport, to reduce this impact. To minimise personal transport, a Group-wide video conferencing system is used. All business units, except the new acquisition EWE-FM, are linked to this system.

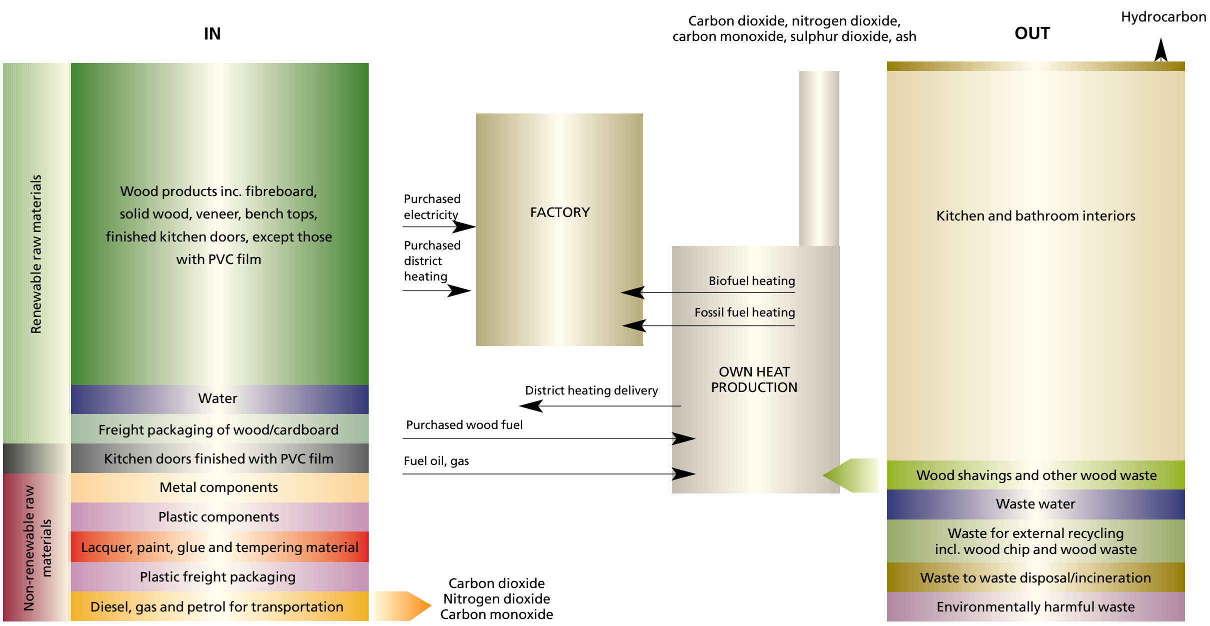
With respect to organic solvents, Nobia's business units already use a large amount of waterborne and UV-tempered paint and lacquer for finishing, which give off little or no emissions of organic solvents. The amount of organic solvents will gradually be reduced as developments are made in lacquers, and finishing plants are adapted to harmonised EU requirements in the area of emissions of organic solvents.

As most of Nobia's processing and finishing concerns wood, the environmental permits that are required for the company's businesses relate 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 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.

Local strategies

A number of energy and material balance indicators 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. This also allows the consumption of materials and energy in the manufacturing processes to be followed up in the form of

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



The materials used within the Nobia Group are 80 per cent renewable. Wood waste generated from production is used for heating the plants. The Group therefore uses only a very limited amount of fossil fuels in relation to the size of its business, which minimises the net addition of greenhouse gases to the atmosphere.

various key figures. These are then used for both internal and external comparisons, and also to establish quantifiable environmental goals. Each individual business unit decides on goals and strategies for their specific business based on the guidelines in Nobia's environmental 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 business. At the end of 2004, 12 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 87 per cent of the Group's total sales.

Requirements for the supplier chain

In Nobia's business, a large part of the value added is generated through the assembly of purchased components. All the products that are purchased are manufactured under socially and environmentally responsible conditions. The Group has special guidelines for purchasing, to ensure this is the case.

Key figures	2004	2003 [1]	Change, %
Environmental Management systems			
Businesses with certified environmental management systems, % of Group sales [2]	87	69	
Greenhouse gases			
Greenhouse gas emissions from transportation of products and personnel, Kg/cabinet	2.05	2.77	–26
Greenhouse gas emissions from heating and manufacturing, Kg/cabinet	5.80	6.71	–14
Volatile Organic Compounds			
VOC emissions, kg/100 lacquered fronts	9.83	11.31	–13
Energy			
Electricity, KWh/cabinet	8.42	9.65	–13
Packaging material			
Material use, kg/cabinet	1.27	1.32	–4
Percentage of renewable packaging material, %	73	74	

1) Including Gower on full year basis.
2) Manufacturing prices.

Examples of environmental initiatives in 2004

Magnet

The production unit in Keighley was certified in accordance with the Forest Stewardship Council (FSC) – an independent, international membership organisation whose standard promotes an environmentally adapted, socially beneficial and economically viable use of the world's forests.

Myresjökök

Prioritised environmental targets for the year were that the mass of unsorted waste per manufactured cabinet would be below 0.09 kg, and that the proportion of solvent in the paints used should be lower than 31 per cent. The outcomes for 2004 show that the amount of waste per manufactured cabinet was 0.05 kg and the proportion of solvent was 27 per cent.

Gower

Energy consumption per manufactured cabinet at the plant in Morley has been reduced by 20 per cent. At the same time, the amount of waste has been reduced by 20 per cent.

Poggenpohl

During 2004, Poggenpohl started to use water-based colours in painting/lacquering. The company has also drawn up an environmental plan, which ensures that solvent emissions are in line with the EU's directive.

ISO 14001

Novart and Gower were certified in accordance with the environmental standard ISO 14001 during 2004. Invita, Sigdal and Norema have also started work on environmental certification according to this standard.

Financial information

Directors' report

Nobia AB, corporate reg. no. 556528-2752

The Group

Nobia is Europe's largest kitchen interiors company. Gower, the UK business unit that was acquired in December 2003, was integrated in the Group during 2004. Gower is the UK's leading supplier of flat-pack kitchens to multiple retailers. In April 2004 Poggenpohl acquired three stores in London, UK.

In January 2005 the acquisition of the leading Austrian kitchen manufacturer, EWE-FM, was finalised. EWE-FM has sales of around SEK 600 million, 470 employees and production facilities in Wels and Freistadt, Austria. EWE-FM will be included in the Group's accounts from January 2005.

Organic growth was 11 per cent for the full year. In both the UK and Continental European businesses organic growth was 8 per cent and in the Nordic business it was 16 per cent. The organic growth was the result of strong demand and the measures implemented during the year to develop both established and new distribution channels. During the year it was decided to step up the pace of upgrading the UK store network.

The Group opened a total of 16 new stores during the year and renovated or relocated 27 stores. At the end of the year the total number of wholly-owned or franchised stores was 546.

Product supply costs continued to fall, despite rising raw material prices. Material costs fell by around SEK 110 million in 2004.

Net sales and results

Net sales reached SEK 11,337 million, a growth of 22 per cent compared with last year (9,273). Integrating the UK business, Gower, and three Poggenpohl stores in the UK contributed to the sales growth in 2004. Acquired units accounted for sales of SEK 1,189 million in 2004 and SEK 68 million in 2003. Adjusted for currency effects, net sales went up 11 per cent for comparable units.

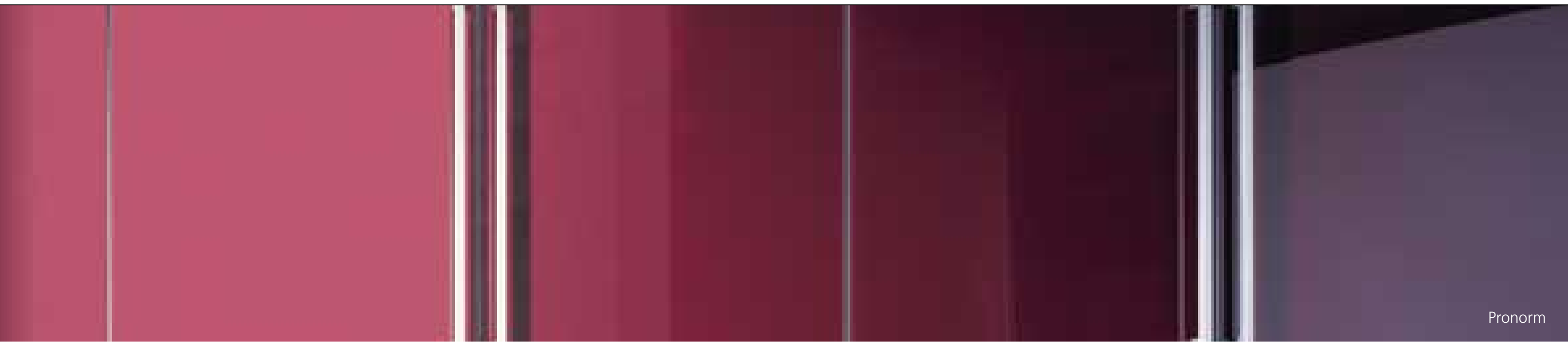
The operating profit reached SEK 868 million (565). The operating profit for 2003 included closure expenses for the German business unit, Goldreif, of SEK 98 million. Adjusted for these items the operating profit rose 31 per cent. A profit of SEK 45 million (55) from the sale of lease contracts and store properties is included in the year's profit. The operating profit for the UK business includes a stock write-down of SEK 40 million. The closure of Goldreif was carried out during 2004 and has not had any additional impact on profits.

The operating profit improved in all three business regions – the UK, Nordic region and Continental Europe. The operating profit was positively affected by the consolidation of acquired units and increased volumes, higher average order values and improved cost-effectiveness.

Currency effects are estimated to have negatively affected the operating profit by SEK 33 million.

Higher amortisation of goodwill relating to acquisitions had a negative impact on the operating profit compared to last year. Goodwill amortisation was SEK –95 million (–60). The operating profit before goodwill amortisation climbed by 54 per cent to SEK 963 million (625).

The operating margin was 7.7 per cent (6.1). Excluding goodwill amortisation, the operating margin was 8.5 per cent (6.7). Excluding the closure expenses for Goldreif the corresponding operating margin in 2003 was 7.8 per cent. The Nordic and Continental European businesses improved operating margins while the UK's sank from 7.7 per cent to 7.3 per cent for the year. This is mainly due to joinery products in the Magnet business unit.


Pronorm

Financial items amounted to SEK –123 million (–65). Net interest expenses were SEK –89 million (–66). The increase in net interest expenses is mainly due to the effects of loan finance of acquisitions. Financial items also include the net interest of pension provisions and expected yield from associated plan assets. This net figure was SEK –33 million.

The profit after financial items rose 49 per cent to SEK 745 million (500).

The tax cost for the period was SEK –247 million (–162), which represents a tax rate of 33.2 per cent (32.4). Excluding non-deductible amortisation of Group goodwill, the tax rate was 29.4 per cent (28.9).

The profit after tax was SEK 497 million (338), which represents earnings per share after dilution of SEK 8.59 (5.84).

The UK business – sales growth continues

The Magnet and Gower business units constitute Nobia's UK business. Magnet is focused on rigid kitchens, bathrooms and storage space in bedrooms. The company operates via its own store network and is a leading manufacturer in the upper-middle segment. The business also includes the manufacturing and sales of joinery products. Via the C.P. Hart chain, Magnet also conducts a separate bathrooms business. Gower is the UK's leading supplier of flat-pack kitchens to multiple retailers.

Demand in the UK market is estimated to have grown by around 3 per cent in 2004 compared with 2003.

Net sales rose 38 per cent to SEK 5,295 million (3,848). The Gower business unit, which was acquired in December 2003, contributed SEK 1,153 million. In December 2003 Gower contributed SEK 68 million. For comparable units and excluding currency effects, sales of kitchens, bathroom interiors and joinery, increased 8 per cent.

Sales of kitchen interiors climbed 13 per cent compared to 2003, for comparable units and adjusted for currency effects. Flat-pack kitchens continued to expand rapidly, mainly thanks to the nationwide DIY chains' continued investment in establishing stores. Flat-pack kitchens accounted for 30 per cent of sales for the UK business in 2004.

Sales of rigid kitchens rose 8 per cent, of which the biggest growth came from sales to professional customers. Sales directly to consumers also rose. Effects of the ongoing store investment programme have been positive with increased order intake and rising average order values. The investment programme has however had only a marginal effect on profits in 2004. A total of 19 stores were renovated in 2004.

Sales of joinery products fell 2 per cent. Sales of bathroom interiors also fell.

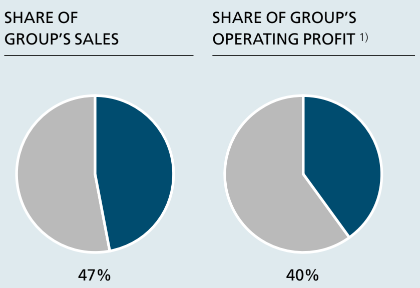
The operating profit before amortisation of goodwill was SEK 385 million (297). Profits also include gains from sales of leases and properties amounting to SEK 45 million (66).

The operating profit was positively affected by the consolidation of Gower and higher volumes and average order values in the kitchens segment.

Lower sales and gross margins in the joinery segment negatively affected the operating profit. In addition, costs increased for administration and sales. Stock was written down by SEK 40 million, mainly in preparation for the transfer to order-only manufacturing and closure of door manufacturing.

The operating margin before amortisation of goodwill was 7.3 per cent (7.7).

The UK business

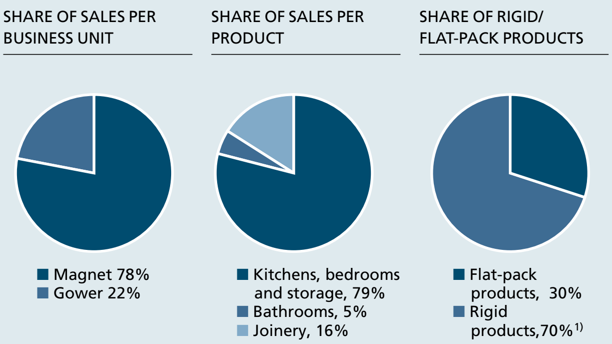


Key figures	2004	2003	Change
Net sales, SEK m	5,295	3,848	38%
Operating profit, SEK m 1)	385	297	30%
Operating margin, % 1)	7.3	7.7	
Operating capital 2)	1,329	1,117	
Return on operating capital, %	29	27	
Investments	171	97	
Average no. of employees	2,413	1,885	
No. of own stores	213	217	

	2004				2003			
Quarter	IV	III	II	I	IV	III	II	I
Net sales, SEK m	1,250	1,341	1,336	1,368	980	931	929	1,008
Operating profit, SEK m 1)	71	86	99	129	65	78	43	111
Operating margin, % 1)	5.7	6.4	7.4	9.4	6.6	8.4	4.6	11.0

1) Excluding amortisation of goodwill.

2) Information about total assets has been replaced with information about operating capital, which is more relevant in this context.



1) Kitchens, bedrooms, storage and joinery products.

Magnet

Enhanced customer experience through new store concept

Magnet works with three different types of store – kitchens stores focused on consumers, specialist trade stores for the small-scale building trade and combined stores for both consumers and professionals.

Magnet is currently carrying out an investment programme for its stores. A new store concept has been developed that will adapt Magnet to newer, interactive buying behaviour. During 2004, 19 stores were renovated in accordance with this new concept. The upgrading of stores has had a positive effect on consumer sales. At the end of 2004 Magnet had 213 of its own stores. Seven of these are part of the C.P. Hart business, which is both a retailer of bathroom products and of Poggenpohl and Pronorm kitchens.

Focus on greater cost-efficiency in production

A decision has been made to convert Magnet's factory in Darlington to an order-only production system.

It has also been decided to gradually close down production of doors at Magnet's plant in Keighley. This will mean that the Keighley factory will in future concentrate on window production and be the distribution centre for product procurement for the stores. The termination of door production is expected to have a positive impact on profits from the second half of 2005.

The Nordic business – strong and stable growth

The Nordic business comprises seven business units – HTH and Invita in Denmark, Novart, with the A la carte, Petra and Parma brands in Finland, Norema and Sigdal in Norway, and Marbodal and Myresjökök in Sweden.

Demand in the market has gradually improved during the year and is estimated to have grown by 8 per cent for the year.

Net sales rose 15 per cent to SEK 4,116 million (3,592). Organic growth was 16 per cent. The highest reported growth was in the Danish and Finnish markets. Sales increases were driven by increased volumes and increased accessories sales. Growth for rigid kitchens was higher than for flat-pack kitchens. The share of flat-pack kitchens fell somewhat during the year, from 5 to 4 per cent. Accessories, mainly white goods, continued to increase their share of sales.

The operating profit before amortisation of goodwill climbed 30 per cent to SEK 551 million (424). Currency effects are estimated to have negatively affected operating profits by around SEK 27 million. Increased volumes, higher average order values and reduced material costs positively affected profits. Improved productivity and cost-effectiveness in production and sales also contributed to the improved profits.

The operating margin before amortisation of goodwill was 13.4 per cent (11.8).

A total of 21 stores were reopened or renovated in the Nordic region during the year. Three of these were DIY stores. In addition, a partnership was started with Electrolux Home. The Sentens kitchens range, which is supplied by Marbodal, will be sold in Electrolux Home stores throughout Sweden. The Sentens range was launched in around 50 stores during 2004.

At the end of the year the total number of wholly-owned stores and stores operated as franchises was 319.

New initiatives

A decision was made to continue the establishment of DIY stores in the Nordic region. During 2005 there are plans to open DIY stores in both Finland and Norway.

In the summer HTH opened a project store in the Chinese capital, Beijing. House building is expanding strongly in China.

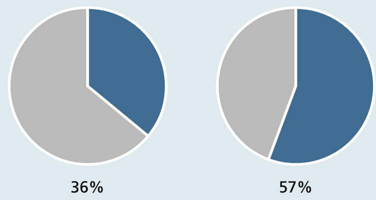
An investment has been made in a new painting plant at Sigdal, Norway. The new, environmentally friendly plant will enable up to 60 kitchens a week to be painted to meet exact customer requirements. The increased capacity will help cut lead-times.

Investment to boost capacity has also been carried out at HTH's factory in Ölgod, Denmark. The purpose of the investment is to raise loading capacity.

The Nordic business

SHARE OF GROUP'S SALES

SHARE OF GROUP'S OPERATING PROFIT 1)



Key figures	2004	2003	Change
Net sales, SEK m	4,116	3,592	15%
Operating profit, SEK m 1)	551	424	30%
Operating margin, % 1)	13.4	11.8	
Operating capital 2)	751	719	
Return on operating capital, %	73	59	
Investments	156	126	
Average no. of employees	2,511	2,479	
No. of own stores	319	313	

	2004				2003			
Quarter	IV	III	II	I	IV	III	II	I
Net sales, SEK m	1,116	890	1,149	961	938	753	1,022	879
Operating profit, SEK m 1)	171	113	174	93	110	85	149	80
Operating margin, % 1)	15.3	12.7	15.1	9.7	11.7	11.3	14.6	9.1

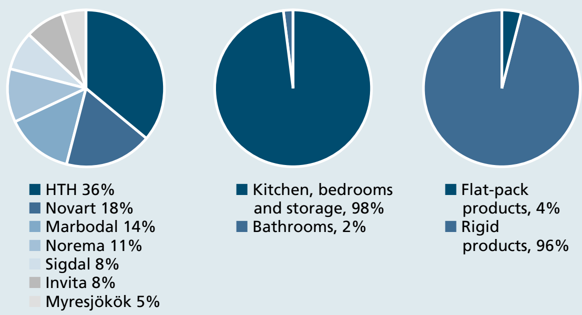
1) Excluding amortisation of goodwill.

2) Information about total assets has been replaced with information about operating capital, which is more relevant in this context.

SHARE OF SALES PER BUSINESS UNIT

SHARE OF SALES PER PRODUCT

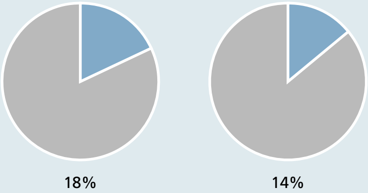
SHARE OF RIGID/ FLAT-PACK PRODUCTS



Norema

The Continental European business

SHARE OF GROUP'S SALES | SHARE OF GROUP'S OPERATING PROFIT 1)



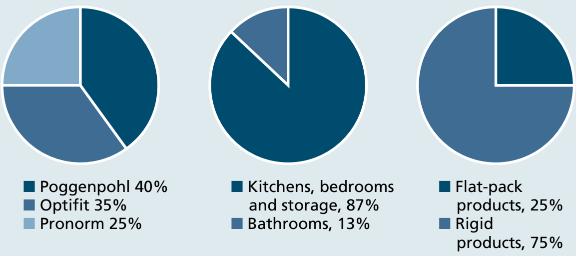
Key figures	2004	2003	Change
Net sales, SEK m	2,031	1,920	6%
Operating profit, SEK m 1)	131	83	58%
Operating margin, % 1)	6,5	4,3	
Operating capital 2)	429	486	
Return on operating capital, %	31	17	
Investments	42	68	
Average no. of employees	1,111	1,194	
No. of own stores	14	11	

	2004				2003			
Quarter	IV	III	II	I	IV	III	II	I
Net sales, SEK m	509	500	511	511	481	475	485	479
Operating profit, SEK m 1)	32	37	39	23	32	27	15	9
Operating margin, % 1)	6.3	7.4	7.6	4.5	6.7	5.7	3.1	1.9

1) Excluding amortisation of goodwill.

2) Information about total assets has been replaced with information about operating capital, which is more relevant in this context.

SHARE OF SALES PER BUSINESS UNIT | SHARE OF SALES PER PRODUCT | SHARE OF RIGID/ FLAT-PACK PRODUCTS




Poggenpohl

The Continental European business – demand has stabilised

Nobia's Continental European business comprises the Optifit, Pronorm and Poggenpohl business units. The most important countries for Nobia on the Continental European kitchens market are Germany and the Netherlands. Exports outside Continental Europe (including intra-Group sales) accounted for 28 per cent of total net sales in 2004. As of 1 January 2005 the acquired Austrian kitchens manufacturer, EWE-FM, is a part of the Continental European business.

Demand in the German market is estimated to have been stable compared with last year, while demand in the Netherlands is estimated to have continued falling.

Net sales increased 6 per cent to SEK 2,031 million (1,920). Adjusted for currency effects and for comparable units, sales rose 8 per cent. Three Poggenpohl kitchen studios in London were acquired during the year, which are included in the accounts as from April.

Increased exports to the US and the UK boosted sales as did the export of flat-pack kitchens via the Group company Magnet in the UK.

Following many years of negative growth the organic growth in Germany is once again positive. The increase is thanks to flat-pack products. The increased sales of flat-pack products means that they now represent 25 per cent of sales.

Poggenpohl is one of the world's best-known kitchen brands, with sales in 52 countries. In 2004 Poggenpohl's +STUDIOKONCEPT was introduced in a further 52 stores. The concept will ensure brand uniformity across the globe. By the end of the year the concept had reached more than 300 stores. Outside the main markets of Germany and the Netherlands, sales in the region takes place in, among other countries, Switzerland, France, Austria, Belgium and Luxembourg.

The operating profit before amortisation of goodwill was SEK 131 million (83). The operating margin increased to 6.5 per cent (4.3). Increased sales volumes, along with increased cost-effectiveness and lower material costs positively affected profits and margins. Currency effects are estimated to have negatively affected profits by around SEK 8 million, mainly as a result of the weaker US dollar. The closure of Goldreif was carried out during the year. The closure has not affected profits during the year.

In the spring Poggenpohl acquired three established kitchen stores in London. The upper section of the UK kitchen market is based in London, which means that the three stores have strategic importance. The acquisition is part of the business unit's focus on quality ahead of quantity in its store network. During the past year Poggenpohl worked deliberately to reduce the number of retailers in the UK, resulting in a rise in sales per store and an overall rise in total sales in the UK.

US remains the largest export market

In 2004 the Continental European business unit exported 28 per cent of sales outside the region. The most important export markets are the US, UK and Asia. The US remains the largest export market. Sales successes have continued in Asia, especially in China.

Acquisition of EWE-FM

EWE-FM has sales of around SEK 600 million and a market share of around 18 per cent in Austria. Around 75 per cent of sales take place in Austria, with the remaining 25 per cent going to southern Germany, northern Italy, Switzerland and Central and Eastern Europe. The company primarily delivers rigid kitchens to kitchen stores and furniture stores. EWE-FM will be included in the Group's accounts from January 2005.

EWE-FM strengthens Nobia's position in Continental Europe, provides interesting entry opportunities into Eastern Europe and will produce synergies for the entire Group. Through the acquisition, the Group will develop growth opportunities in the Czech Republic, Slovakia, Hungary and Slovenia. During 2004 EWE-FM has developed its business in this part of Europe and now has five stores in these countries. EWE-FM has two strong brands – EWE and FM. EWE focuses on modern design, while FM has more traditional design. The acquisition also presents opportunities for synergies in purchasing and component procurement.

Cash flow and financial position

The operating cash flow, e.g. cash flow excluding acquisitions and sale of businesses, was SEK 654 million (260). Cash flow improved mainly thanks to higher operating profit before depreciation in combination with a higher turnover rate of operating capital tied up in accounts receivable and stock. Operating capital fell by SEK 66 million during 2004, compared with a rise in the previous year (–209). Cash flow including acquisitions and sale of businesses reached SEK 623 million (–647).

Investments in fixed assets amounted to SEK 370 million (294). The increase is mainly attributable to the continued upgrade of Magnet's store network and for capacity-enhancing investments in HTH.

Net debt excluding provisions for pensions fell and at the end of the period amounted to SEK 1,195 million (1,676). The change to the net debt was mainly attributable to net cash flow from the business, amounting to SEK +632 million, minus dividends of SEK 130 million and acquisitions of SEK 31 million. In addition, the net debt fell by SEK 10 million as a result of the stronger Swedish krona.

Provision for pensions amounted to SEK 850 million (87) at the end of the period. The effect of the adoption of RR 29 "Remuneration to employees" means that the Group's reported pension obligations rose by SEK 764 million as of 1 January 2004.

Currency effects reduced pension obligations by SEK 12 million.

The translation effect on shareholders' equity amounted to SEK –34 million as a result of the stronger Swedish krona. Shareholders' equity at the end of the year was SEK 2,459 million (2,667). The transfer to RR 29 has reduced shareholders' equity by SEK 541 million net, after a deduction for deferred tax.

The equity/assets ratio at the end of the year was 35 per cent (32), after consideration taken to the transfer to RR 29.

The debt/equity ratio, excluding provisions for pensions,

was 48 per cent (79), after consideration of the tax effect of the transfer to RR 29.

Available credit on 31 December was SEK 1,604 million.

The Group's loan agreement was renegotiated during the year with a bank syndicate of seven banks. As a result of the new loan agreement the security previously given to the creditors was reclaimed. The new loan agreement includes credits and promissory notes of SEK 2.8 billion. In addition there are bank overdraft facilities of around SEK 400 million. The loan agreement runs until 2009.

Employees

The average number of employees in 2004 was 6,052, compared to 5,571 the previous year. The number of employees increased in the Nordic and UK businesses and decreased in the Continental European business.

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

Starting in 2004, Nobia is implementing the Swedish Financial Accounting Standards Council's recommendation RR 29 on remuneration to employees. See also page 40.

Transition to IFRS

Starting in 2005, Nobia will report its financial information in accordance with International Financial Reporting Standards (IFRS). The 2004 annual report will, therefore, be the final report to be produced according to the recommendations of the Swedish Financial Accounting Standards Council.

The Swedish Financial Accounting Standards Council's recommendations are generally in line with IFRS/IAS standards. This implies that Nobia's consolidated accounts are already adapted to the new regulations, to a large extent. It is Nobia's opinion that the adoption of IFRS will not have a significant impact on the company's income statement and balance sheet, except for the effects of reporting of goodwill.

The described effects of the adoption of IFRS are preliminary and based on current standards, which may alter between the current date and 31 December 2005, as certain IFRS/IAS standards are still being reviewed and changes and new statements can be expected during 2005.

Details of the effects on the most significant items are included on page 40, together with an indication of the manner in which the results and financial position in 2004 would have been affected if IFRS had been applied, instead of the current accounting principles.

Company acquisitions

Reporting of acquisitions will change. Acquisitions completed in 2004 and thereafter shall be re-calculated in accordance with IFRS 3. These new rules imply that a more detailed breakdown of the surplus values in the acquisition is to be made. In adopting the new rules, Nobia will make use of the exemption existing for retroactive application, in accordance with IFRS 1, First Time Adoption of IFRS. Consequently, no adjustments will be made for acquisitions undertaken prior to 2004. Nobia made one acquisition in 2004. The estimated surplus value of this acquisition has been reported as goodwill.

Goodwill will no longer be amortised on a straight-line basis according to IFRS 3. Instead, goodwill values shall be tested regularly for impairment. Goodwill values existing in the Nobia Group on 31 December 2003 and 31 December 2004 have been tested and it has been established that no indication of impairment was found.

Minority interests

As of 1 January 2005, minority interests will be disclosed within shareholders' equity and will not affect net income in accordance with IAS 1 Presentation of Financial Statements. Minority interest will be disclosed within shareholders' equity and also directly under the information specifying the amounts of net income attributable to the shareholders and minority interests, respectively.

Financial instruments

IAS 39 concerning financial instruments implies that financial assets and liabilities are classified in various categories which are, then, recognised and measured in accordance with the principles applying for each respective category. IAS 39 will first be applied from 1 January 2005, without a requirement for restating 2004 figures to enable comparison. Nobia hedges its commercial currency exposure within the framework of the financial policy established by the Board. In line with Nobia's current accounting principles, the derivatives, forward currency contracts, that are used as hedging instruments and are held until maturity, are not valued at market rates. When IAS 39 is introduced in 2005 all forward currency contracts will be valued at market rates on an ongoing basis. It is Nobia's intention to apply hedge accounting to the contracts meeting the criteria for hedge accounting according to IAS 39.

Parent company

The parent company is involved in Group-wide activities and owns the subsidiaries. The profit after net financial items was SEK 259 million (104) and consists mainly of dividends from subsidiaries.

The profit for the year was SEK 263 million (106).

Events after the end of the business year

In January 2005 the acquisition of the leading Austrian kitchen manufacturer, EWE-FM, was finalised. EWE-FM has sales of around SEK 600 million and 470 employees.

Myresjökök

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 content of accessories and service. 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 2004

The Board's activities are described on page 64.

Proposed appropriation of profit

The Group's unrestricted shareholders' equity, according to the consolidated balance sheet, amounts to SEK 400 million.

It is not proposed to make any allocation to restricted reserves.

The following profits in the parent company are at the disposal of the Annual General Meeting:

Unappropriated profit brought forward	SEK 80,878,060
Profit for the year	SEK 262,730,927
Total	**SEK 343,608,987**

The Board of Directors and CEO propose that profits brought forward be appropriated as follows:

dividend to shareholders, SEK 3.00 per share	SEK 173,007,660
to be carried forward	SEK 170,601,327
Total	**SEK 343,608,987**

The Board of Directors proposes a dividend for the 2004 financial year of SEK 3.00 per share (2.25). The proposed dividend is equivalent to 35 per cent of the net earnings for the year.

Consolidated income statement

SEK m	Note	2004	2003
Net sales	3, 5	11,337	9,273
Cost of goods sold	4, 5, 7, 8, 20	–7,018	–5,687
Gross profit		**4,319**	**3,586**
Selling expenses	4, 5, 7, 8, 20	–2,828	–2,541
Administrative expenses	4, 5, 6, 7, 8, 20	–639	–516
Other operating profit		104	88
Other operating expenses	5	–85	–52
Share in pre-tax profit of associated company		–3	0
Operating profit [1]		**868**	**565**
Result from financial items	9		
Interest income and similar profit items		13	14
Interest expense and similar loss items	20	–136	–79
Profit after financial items		**745**	**500**
Tax on profit for the year	10, 21	–247	–162
Minority interest		–1	0
Net profit for the year	18	**497**	**338**

1) The operating profit 2003 includes the cost of closing down Goldreif as specified in Note 5.

Share data

	Note	2004	2003
Earnings per share before dilution, SEK		8.62	5.86
Earnings per share after dilution, SEK		8.59	5.84
No. of shares before dilution	17	57,669,220	57,669,220
Average no. of shares before dilution	17	57,669,220	57,669,220
No. of shares after dilution	17	57,915,278	57,859,227
Average number of shares after dilution	17	57,915,278	57,780,058
Dividend per share, SEK	18	3.00 [1]	2.25

1) Proposed.

Performance analysis

	Net sales		Operating profit		Operating margin	
SEK m	2004	2003	2004	2003	2004	2003
UK business [1]	5,295	3,848	385	297	7.3%	7.7%
Nordic business [1]	4,116	3,592	551	424	13.4%	11.8%
Continental European business [1]	2,031	1,920	131	83	6.5%	4.3%
Goldreif close-down costs			–	–98		
Amortisation of goodwill			–95	–60		
Other Group adjustments	–105	–87	–104	–81		
Reported values	**11,337**	**9,273**	**868**	**565**	**7.7%**	**6.1%**

1) Operating profit/margin before amortisation of goodwill.

Notes to the income statement

Net sales increased by 22 per cent to SEK 11,337 million (9,273). The organic growth was 11 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	2004	2003
Reported values	11,337	9,273
Acquired units	–1,189	–68
Goldreif	–15	–85
Currency effects	15	–
Other	–13	5
Comparable values	**10,135**	**9,125**

The operating profit amounted to SEK 868 million (565). The figure for 2003 included close-down costs of SEK 98 million for the German unit, Goldreif. Adjusted for this item, the operating profit climbed by 31 per cent. The operating profit improved in all three business areas – the UK, Nordic and Continental European. The operating profit was positively influenced by the consolidation of the acquired units and by increased volumes, higher average order values and improved cost-efficiency.

Profits from sales of rental contracts and store properties amounting to SEK 45 million are included in the year's results (55). A write down of stocks totalling SEK 40 million is included in the year's operating profit for the UK business. The closure of the German business unit, Goldrief, was completed in 2004 and has not had any further impact on profits.

Overall, currency effects had an effect of SEK –33 million on the operating profit.

Increased amortisation of goodwill due to acquisitions affected earnings negatively compared with the previous year. Amortisation of goodwill amounted to SEK –95 million (–60). Before amortisation of goodwill, the operating profit increased by 54 per cent to reach SEK 963 million (625).

The operating margin amounted to 7.7 per cent (6.1). Excluding goodwill amortisation, the operating margin amounted to 8.5 per cent (6.7). Excluding close-down costs for the Goldreif business unit the corresponding operating margin in 2003 was 7.8 per cent.

Quarterly data per business region [1]

	2004				2003			
SEK m	IV	III	II	I	IV	III	II	I
Net sales								
UK business	1,250	1,341	1,336	1,368	980	931	929	1,008
Nordic business	1,116	890	1 149	961	938	753	1,022	879
Continental European business	509	500	511	511	481	475	485	479
Other and Group adjustments	–25	–24	–29	–27	–22	–15	–30	–20
Reported values	**2,850**	**2,707**	**2,967**	**2,813**	**2,377**	**2,144**	**2,406**	**2,346**
Operating profit								
UK business [2]	71	86	99	129	65	78	43	111
Nordic business [2]	171	113	174	93	110	85	149	80
Continental European business [2]	32	37	39	23	32	27	15	9
Close-down costs Goldreif	–	–	–	–	–3	–95	–	–
Amortisation of goodwill	–23	–24	–25	–23	–17	–14	–14	–15
Other and Group adjustments	–30	–22	–27	–25	–19	–22	–19	–21
Reported values	**221**	**190**	**260**	**197**	**168**	**59**	**174**	**164**
Operating margin %								
UK business [2]	5.7	6.4	7.4	9.4	6.6	8.4	4.6	11.0
Nordic business [2]	15.3	12.7	15.1	9.7	11.7	11.3	14.6	9.1
Continental European business [2]	6.3	7.4	7.6	4.5	6.7	5.7	3.1	1.9
Reported values	**7.8**	**7.0**	**8.8**	**7.0**	**7.1**	**2.8**	**7.2**	**7.0**

1) Source: published interim reports not subject to a general audit by the auditors.
2) Operating profit/margin before amortisation of goodwill.

Financial items amounted to SEK –123 million (–65). The net interest expense amounted to SEK –89 million (–66). The increase in the negative interest expense was mainly due to the effects of loan financing of completed acquisitions. Financial items also include the net interest of pension provisions and the expected return on associated managed assets. This net amount was SEK –33 million.

The profit after financial items climbed by 49 per cent to SEK 745 million (500).

The tax expense for the period amounted to SEK –247million (–162), which is equivalent to a tax rate of 33.2 per cent (32.4). Excluding non-deductible amortisation of consolidated goodwill, the tax rate amounted to 29.4 per cent (28.9).

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

SEK m	2004	2003
Current tax	–203	–74
Deferred tax	–44	–88
Total tax expense	**–247**	**–162**

Deferred tax is primarily related to utilised loss carry-forwards and reduced taxable amortisations. As loss carry-forwards are utilised by the Group the amount of current tax increases and the amount of deferred tax decreases.

Effects of the change in classification of pension costs, 2005

From 1 January 2005 Nobia will report the net sum of discounted interest on pension provisions and the expected return on associated plan assets as part of the operating profit. Up to 31 December 2004 the net sum of discounted interest and the expected return on associated plan assets have been reported among financial items under interest costs at SEK –33 million. The change in principle for the reporting of interest and the expected return will not affect Nobia's profit after financial items. As a consequence, pension provisions will be a deduction item in capital employed.

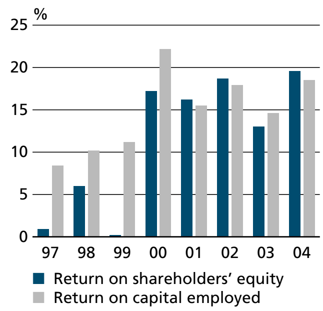
The net sum of discounted interest on pension provisions and the expected return on associated plan assets is shown below.

	Quarter 2004				2004
SEK m	I	II	III	IV	Jan.–Dec.
Net interest expenses	–8	–8	–9	–8	–33

Performance-based key figures

	2004	2003
Earnings per share, after dilution, SEK	8.59	5.84
Return on capital employed, %	18.5	14.6
Return on shareholders' equity, %	19.6	13.0

EARNINGS CAPACITY



Consolidated balance sheet

ASSETS, SEK m	Note	31 Dec. 2004	31 Dec. 2003
Intangible fixed assets	11		
Goodwill		1,554	1,619
Other intangible fixed assets		28	27
		1,582	**1,646**
Tangible fixed assets	12		
Buildings and land		1,257	1,282
Investments in progress and advance payments		45	13
Machinery and other technical equipment		545	548
Equipment, tools, fixtures and fittings		246	216
		2,093	**2,059**
Financial fixed assets			
Other long-term holdings in securities		0	0
Other long-term receivables	13	43	51
Shares in associated companies	13	0	3
Deferred tax receivable	21	163	24
		206	**78**
Total fixed assets		**3,881**	**3,783**
Inventories			
Raw materials and consumables		390	383
Work in progress		148	157
Finished goods		105	111
Merchandise		504	557
		1,147	**1,208**
Current receivables			
Tax receivables		32	38
Accounts receivable, trade		1,057	1,050
Other receivables		66	44
Prepaid expenses and accrued income	15	335	183
		1,490	**1,315**
Cash and bank balances	16	616	154
Total current assets		**3,253**	**2,677**
Total assets		**7,134**	**6,460**
Of which interest-bearing items		639	178

SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES SEK m	Note	31 Dec. 2004	31 Dec. 2003
Restricted shareholders' equity	19		
Share capital		58	58
Restricted reserves		2,001	1,999
		2,059	**2,057**
Unrestricted shareholders' equity	19		
Unrestricted reserves		–97	272
Profit for the year	18	497	338
		400	**610**
Total shareholders' equity		**2,459**	**2,667**
Minority interests		**7**	**6**
Provisions for guarantees		19	31
Provisions for pensions (R)	20	850	87
Deferred tax receivable	21	151	199
Other provisions	22	39	36
Total provisions		**1,059**	**353**
Liabilities to credit institutions (R)	23	1,568	1,532
Other liabilities (R)		208	209
Total long-term liabilities		**1,776**	**1,741**
Liabilities to credit institutions (R)	23	2	16
Overdraft facility (R)	16	56	97
Advances from customers		106	88
Trade creditors		769	690
Tax liabilities		88	38
Other liabilities		303	312
Accrued expenses and deferred income	24	509	452
Total current liabilities		**1,833**	**1,693**
Total shareholders' equity, provisions and liabilities		**7,134**	**6,460**
Of which interest-bearing items (R)		2,684	1,941
Pledged assets	25	9	4,152
Contingent liabilities	26	68	128

Change in shareholders' equity – Group

SEK m	Note	Share capital	Restricted reserves	Unrestricted shareholders' equity	Total shareholders' equity
Opening balance 2003		58	2,071	460	2,589
Currency translation differences	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**
Effect of change in accounting principles					
Reporting of defined-benefit pensions according to RR 29				–541	–541
Adjusted opening balance 2004		**58**	**1,999**	**69**	**2,126**
Currency translation differences	19		–23	–11	–34
Total change in shareholders' equity not reported in the income statement		**–**	**–23**	**–11**	**–34**
Net profit for the year				497	497
Transfer between restricted and unrestricted shareholders' equity			25	–25	0
Dividend	18			–130	–130
Shareholders' equity 31 Dec. 2004		**58**	**2,001**	**400**	**2,459**


EWE

Notes to the balance sheet

Goodwill

At the end of 2004, goodwill amounted to SEK 1,554 million (1,619). Amortisation of goodwill for the year amounted to SEK 95 million (60). The effect of the Gower acquisition on the year's goodwill amortisation amounts to SEK 37 million. The carrying value of goodwill relates to the following acquisitions:

SEK m	2004
Acquisition of Novart 1998	77
Acquisition of Norema/Invita 2000	161
Acquisition of the Poggenpohl Group 2000	131
Acquisition of Magnet 2001	505
Acquisition of Gower 2003	654
Acquisition of stores, Poggenpohl UK 2004	26
Total	**1,554**

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 discounting future cash flows using a weighted average capital cost per cash-generating unit. The weighted average capital cost is calculated using the Group's debt/equity ratio target and costs for borrowed capital and as well as for the shareholders' equity. The Group's weighted capital costs, and thus the basic return requirement in 2004, was 7.2 per cent, after tax, for investments in Sweden. The 7.2 per cent return requirement means that investments must generate non-restricted cash flow, i.e. cash flow after payment of operating costs and tax but before interest costs, equivalent to at least 7.2 per cent of the total amount of basic investments in order to be profitable. Return requirements in other countries depend on tax rates. The assessment of goodwill based on expected cash flows discounted with a weighted average capital cost is then compared with the booked value including goodwill. This has not required any adjustment to the book value of goodwill.

Financing

Net debt excluding provisions for pensions fell and at the end of the period amounted to SEK 1,195 million (1,676). The change to the net debt was mainly attributable to net cash flow from the business, amounting to SEK +632 million, minus dividends of SEK 130 million and acquisitions of SEK 31 million. In addition, the net debt fell by SEK 10 million as a result of the stronger Swedish krona.

Provision for pensions amounted to SEK 850 million (87) at the end of the period. The effect of the transfer to RR 29 "Remuneration to employees", which came into force on 1 January 2004, means that the Group's reported pension obligations rose by SEK 764 million.

The change in net debt excluding provisions for pensions is shown in the table below.

Analysis of net debt excluding pensions

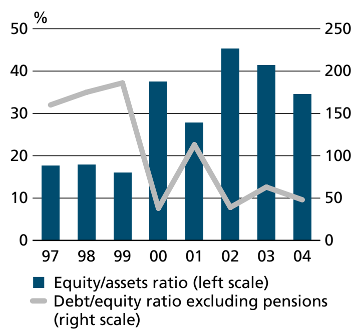
	January–December	
SEK m	2004	2003
Opening balance	1,676	1,007
Translation differences	–10	–86
Cash flow from current operations including investments	–632	–275
Acquisition of subsidiaries	31	907
Dividend	130	130
Warrant premiums	–	–7
Closing balance	**1,195**	**1,676**

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

Net debt components excluding pensions

SEK m	2004	2003
Bank loans etc.	1,781	1,802
Leasing	53	52
Cash/bank balances	–616	–154
Alecta receivable	–4	–7
Other financial receivables	–19	–17
Total	**1,195**	**1,676**

EQUITY/ASSETS RATIO AND DEBT/EQUITY RATIO



Effects of RR 29 and IFRS

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

As of 1 January 2004, Nobia is implementing the Swedish Financial Accounting Standards Council's recommendation RR 29 on remuneration to employees. In accordance with RR 29 the opening provision for pensions on 1 January 2004 increased by SEK 764 million, from SEK 87 million to SEK 851 million. After a deduction for deferred tax, the Group's shareholders' equity was reduced by SEK 541 million net.

SEK m	2004
Opening balance for provisions for pensions	–87
Opening provisions, adjusted according to RR 29	–851
Increase in provisions for pensions	–764
Reduction in pension assets	–9
Deferred tax	232
Adjustment of shareholders' equity	**–541**

The effect of the change on the Group's income statement after the introduction of RR 29 consists of ongoing pension costs, discounted interest on the provisions for pensions and the expected return on plan assets. Actuarial gains/losses, i.e. the differences arising from changed actuarial assumptions, will be amortised over the average remaining period of employment (currently 15 years) for employees covered by the pension plan, to the degree that the amount of any such difference exceeds the amount of the so-called "corridor". The "corridor" refers to 10 per cent of the highest of either the total value of pension assets or the total value of pension liabilities.

Transition to IFRS

As mentioned previously in the Directors' Report on page 32, Nobia will be adopting IFRS standards as of 2005.

The described effects of the adoption of IFRS are preliminary and based on current standards, which might alter between the current date and 31 December 2005.

Company acquisitions

Goodwill will no longer be amortised according to plan. In the restated income statement for 2004 the entire amount of 2004's goodwill amortisation of SEK 95 million will be reversed. Including currency effects, restated shareholders' equity as at 31 December 2004 will be positively affected by SEK 91 million.

Minority interests

From 2005, minority interests will be included in shareholders' equity. In 2004 the minority interest in equity amounted to SEK 7 million and the minority interest in income for the year was SEK 1 million.

The effects on the opening balance as at 1 January 2004 of reporting in accordance with RR 29 and the adoption of IFRS as well as related key figures, are shown in the table below.

The Group's income statement will be affected by the adoption of IFRS because goodwill according to IFRS will no longer be amortised on a straight-line basis and minority interests in income will not affect total income for the year.

Effects of adoption of RR 29 and IFRS

SEK m	1/1 2004	Effects of RR 29	1/1 2004 adjusted	31/12 2004	Effects of IFRS	31/12 2004 adjusted
Balance sheet	6,460	223	6,683	7,134	91	7,225
Shareholders' equity	2,667	–541	2,126	2,459	98	2,557
Pensions	87	764	851	850		850
Net debt, excluding provisions for pensions	1,676		1, 676	1,195		1,195
Capital employed	4,614	223	4,837	5,150	91	5,241
Equity/assets ratio, %	41.4		31.9	34.6		35.4
Debt/equity ratio, excluding provisions for pensions, %	63		79	48		47

Consolidated cash flow statement

SEK m	Note	2004	2003
Current activities			
Operating profit		868	565
Depreciation		377	307
Adjustment for items not included in the cash flow etc.		–62	–39
Interest received		13	15
Interest paid		–102	–80
Income tax paid		–150	–120
Cash flow from operating activities before changes in working capital		**944**	**648**
Changes in stock		11	–42
Changes in receivables		–100	–103
Changes in operating liabilities		155	–64
Cash flow from operating activities		**1,010**	**439**
Investment activities			
Investments in tangible fixed assets		–357	–284
Investments in intangible fixed assets		–13	–10
Sale of tangible fixed assets		18	133
Acquisition of subsidiaries	27	–31	–907
Acquisition of associated companies		–	–2
Increase/decrease in short-term financial investments		–4	–16
Cash flow from investment activities		**–387**	**–1,086**
Financing activities			
Loans raised		375	915
Warrant premiums		–	7
Dividend		–130	–130
Amortisation of liabilities		–338	–301
Increase/decrease in short-term financial liabilities		–62	51
Cash flow from financing activities		**–155**	**542**
Cash flow for the year		**468**	**–105**
Opening balance, liquid funds		**154**	**293**
Effects of exchange rate changes on liquid funds		–6	–34
Closing balance, liquid funds		**616**	**154**

The cash flow from operating activities before changes in working capital amounted to SEK 944 million (648). The increase is mainly the result of higher operating profit before depreciation but also of a higher pace of turnover rate for operating capital tied up in accounts receivable and stocks. Adjustments for items that do not affect the cash flow amounting to SEK –62million (–39) are distributed as indicated in the table below.

Adjustment for items not included in the cash flow

SEK m	2004	2003
Write-down	–	35
Capital gain on fixed assets	–57	–61
Other	–5	–13
Total	**–62**	**–39**

The cash flow from operating activities including change in working capital amounted to SEK 1,010 million (439). The decrease in working capital was SEK –66 million (209) and was mainly related to reduced stocks.

Investments in fixed assets amounted to SEK 370 million (294). 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 items, excluding acquisitions and sale of businesses, meant positive cash flow of SEK 14 million (115). The fall was compared with the previous year was mainly due to higher income from sales of rental contracts and property in 2003.

The operating cash flow, i.e. the cash flow excluding acquisitions and disposal of operations, amounted to SEK 654 million (260).

The parent company

Parent company's income statement

SEK m	Note	2004	2003
Net sales		31	34
Administrative expenses	4, 6, 8, 20	–44	–42
Operating loss		**–13**	**–8**
Result from financial items	9		
Profit from shares in subsidiaries		272	112
Interest income and similar profit items		1	0
Interest expenses and similar loss items		–1	0
Profit after financial items		**259**	**104**
Tax on profit for the year	10	4	2
Net profit for the year		**263**	**106**

Parent company's cash flow statement

SEK m	2004	2003[1)]
Current activities		
Operating loss	–13	–8
Dividend received	112	17
Interest received	1	0
Interest paid	–1	0
Cash flow from operating activities before changes in working capital	**99**	**9**
Changes in liabilities	53	8
Changes in receivables	–35	98
Cash flow from operating activities	**117**	**115**
Investment activities		
Other long-term receivables	–1	0
Provisions for pensions	1	0
Cash flow from investment activities	**0**	**0**
Financing activities		
Warrant premiums	–	7
Group contributions	13	8
Dividend paid	–130	–130
Cash flow from financing activities	**–117**	**–115**
Cash flow for the year	**0**	**0**
Opening balance, liquid funds	**0**	**0**
Effects of exchange rate changes on liquid funds	–	–
Closing balance, liquid funds	**0**	**0**

1) Comparable figures have been corrected for net reported values in the accounts for 2003.

Parent company's balance sheet

SEK m	Note	31 Dec. 2004	31 Dec. 2003
ASSETS			
Fixed assets			
Financial fixed assets			
Shares and participations in Group companies	13, 14	1,370	1,370
Other long-term receivables		1	0
Total fixed assets		**1,371**	**1,370**
Current assets			
Current receivables			
Receivables from Group companies		779	582
Accrued income and prepaid expenses		0	2
Cash and bank balances	16	0	0
Total current assets		**779**	**584**
Total assets		**2,150**	**1,954**
SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES			
Shareholders' equity	19		
Restricted shareholders' equity			
Share capital		58	58
Share premium reserve		1,389	1,389
Statutory reserve		281	281
		1,728	**1,728**
Unrestricted shareholders' equity			
Profit brought forward		81	95
Profit for the year		263	106
		344	**201**
Total shareholders' equity		**2,072**	**1,929**
Provisions for pensions		**1**	**–**
Current liabilities			
Accounts payable, trade		1	3
Liabilities to Group companies		56	15
Other liabilities		7	1
Accrued expenses and deferred income	24	13	6
Total current liabilities		**77**	**25**
Total shareholders' equity, provisions and liabilities		**2,150**	**1,954**
Pledged assets	25	–	1,370
Contingent liabilities	26	1,792	1,641

Change in shareholders' equity, parent company

SEK m	Note	Share capital	Share premium reserve	Statutory reserve	Unrestricted shareholders' equity	Total shareholders' equity
Opening balance 2003		58	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**	**1,389**	**281**	**201**	**1,929**
Group contribution received					16	16
Tax on Group contribution					–4	–4
Group contribution paid					–3	–3
Tax effect, Group contribution					1	1
Net profit for the year					263	263
Dividend	18				–130	–130
Shareholders' equity, 31 Dec. 2004		**58**	**1,389**	**281**	**344**	**2,072**

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 were the SEK against the NOK and the EUR against the GBP. The total exposure in 2004 expressed in SEK after offsetting flows in the opposite direction amounted to SEK 1,602 million, of which SEK 916 million was hedged. At the end of 2004, the hedged volume was SEK 473 million.

Credit risk
Nobia is active on many markets and in many distribution channels. Depending on the distribution channel, the customer base consists of both professional users and normal consumers. For these reasons credit management and payment terms must be adapted to each business unit's business logic and distribution channels within the framework of the credit policy set by the Group. The credit policy means that credit assessments shall be based, as a minimum, on a credit report from a reputable credit assessment organisation. Regular customers are assessed for credit on an ongoing basis. Credit insurance is used for certain markets and customer categories. Security is often required for customers with low buying frequency to be granted credit.

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, and taking into consideration the January 2005 acquisition of EWE-FM, around 38 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 per currency	Interest-bearing liabilites excl. pensions per currency
SEK	369 1)	102
EURO	1,216 1)	206
GBP	2,654	1,135
DKK	527	275
USD	52	18
NOK	300	98
Other	32	0
Total	**5,150**	**1,834**

1) When calculating capital employed per currency, consideration has been given to the acquisition of EWE-FM, which was completed in January 2005.

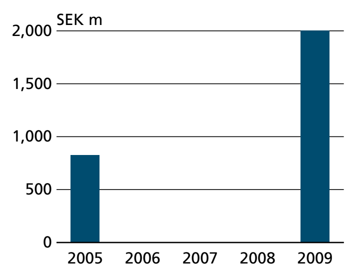
Interest risk
Interest is managed at the central level, which means that the head office is responsible for identifying and managing interest risk. Nobia uses short fixed-interest rate terms. Nobia's view is that periods of high interest rates usually coincide with periods of strong demand in the economy in general. In 2004 the fixed-interest rate 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 58 per cent of the borrowing in GBP. Thus, 36 per cent of the total loans have fixed interest rates. The unreported value of this interest swap at the end of 2004 was SEK +1 million.

Borrowing risk
Nobia 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. This loan was refinanced during the year to produce more favourable terms. The syndicate now consists of five Northern European banks and two British banks. The current loan agreement expires at the end of 2009. 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.

Year of maturity, SEK m	2005	2006	2007	2008	2009
Loans and credit commitments	826 1)	1	–	–	2,000

1) Of which SEK 825 million refers to extendible 364-days' credit, which does not however constitute a binding commitment from the lender.

MATURITY STRUCTURE CREDIT COMMITMENTS



Note 1 cont.

Commercial currency exposure	USD	EUR	NOK	CHF	GBP	SEK	DKK
Currency contract							
2005, Local currency	–6	24	–149	–4	–3	–	–
2006, Local currency	–	–	–	–	–	–	–
Total, SEK m [1]	**–40**	**217**	**–162**	**–21**	**–33**	**–**	**–**
Market value, SEK m	5	5	0	0	0	–	–
Net flows							
2004, Local currency	4	–88 [3]	368	11	10	150	–8
Net flows, SEK m [2]	27	–807 [3]	401	66	140	150	–10
Hedged volume, SEK m [2]	–65	512	–257	–32	–50	–	–

1) Flows translated to closing day exchange rate, SEK.
2) Translated using average exchange rate in 2004.
3) Of which EUR 24 million represents flows to DKK, equivalent to SEK 219 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 and the Annual Accounts Act. Beginning in 2004 Nobia has adapted to the Financial Accounting Standards Council's new recommendation RR 29, Remuneration to employees. In other respects the accounting principles are unchanged compared to the previous year.

Change of accounting principle – RR 29 Remuneration to employees

Beginning in 2004 Nobia is applying the Financial Accounting Standards Council's new recommendation RR 29, Remuneration to employees.

In accordance with the conversion rules for RR 29, the opening balance for provisions for pensions was adjusted for 1 January 2004 without changing the figures for comparison. The adoption of RR 29 is reported as a change of accounting principles in accordance with RR 5, Reporting of change in accounting principles. The difference between RR 29 and the previous principle has not had any material impact on the Group's cash flow.

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 where the parent company, directly or indirectly, holds at least 50 per cent of the voting rights of all the shares.

The consolidated financial statements have been prepared in accordance 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 based on a market assessment, 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 the acquisition of the shares for the Group exceeds the value of the company's net assets as reported in the acquisition analysis, the difference is described as consolidated goodwill.

Subsidiaries acquired during the year are included in the consolidated financial statements with amounts concerning the period after acquisition.

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

Intra-Group profits are eliminated in full, without taking minority shares into account.

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.

	Closing day rate		Average rate	
Key currency	31 Dec. 2004	31 Dec. 2003	2004	2003
DKK	1.2115	1.2215	1.2267	1.2280
EUR	9.007	9.094	9.1268	9.1242
GBP	12.7100	12.9125	13.4560	13.2519
NOK	1.0880	1.0805	1.0905	1.1450
USD	6.6125	7.2750	7.3496	8.0787

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 shares in an associated company are reported at the acquisition value at the time of acquisition and then adjusted to reflect the Group's share of the change in the associated company's net assets.

The accumulated profits of associated companies not allocated as dividends are reported in the consolidated balance sheet as an equity reserve, under restricted reserves. Accumulated shares of losses reduce the Group's unrestricted profit. Unrealised intra-Group profit is eliminated with the profit share due to the Group.

Note 2 cont.

Profit shares in associated companies are reported on separate lines in the consolidated income statement and consolidated balance sheet. In the parent company's accounts, shares in associated companies are reported at their acquisition value with deductions for write-downs, if applicable. Profits from associated companies only include dividends received for profit earned after the acquisition.

Segments

Nobia's primary segments are the Group's kitchen, bathroom and storage operations. The bathroom and storage 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 refer to the consolidated income statement, balance sheet and cash flow statement.

The secondary segment is the Group's business regions consisting of the Nordic, Continental European and UK operations.

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. Sales are recorded net after sales tax, discounts and exchange rate differences when sales are in foreign currency. Intra-Group sales are eliminated in the consolidated accounts.

Loan costs

Loan costs affect results in the period to which they relate.

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.

A loss carry-forward that could be utilised against future profits, is capitalised as a deferred tax receivable. This applies to both accumulated loss carry-forwards at the time of acquisition and losses arising thereafter.

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.

Tangible fixed assets

In the income statement the operating profit includes depreciation according to plan, which is calculated using the original acquisition value and is based on the estimated useful lives of the assets as follows:

Office equipment and vehicles	3–5 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.

Research and product development

Costs for product development are reported immediately as they arise.

Product development within the Group is mainly in the form of design development and is an ongoing process to adapt to current style trends. This development is relatively fast, which is why no part of the costs for product development is reported as an intangible asset up to 2004. The Group does not carry out research and development on any significant scale. Development work within the Nobia Group is a continuous process and is integrated in daily activity, which is why it is difficult to separate costs. These costs are not a considerable sum.

Write-downs

When there is an indication that an asset has reduced in value an assessment is made of the asset's reported value, including goodwill. In cases where an asset's reported value exceeds its estimated recoverable value, the asset is written down to its recoverable value.

Leasing agreements

Leasing agreements concerning fixed assets in which the Group to all extents and purposes carries the same risks and enjoys the same benefits that direct ownership would entail are classified as financial leasing. Financial leasing agreements are reported in the balance sheet as fixed assets and financial liabilities respectively. Future leasing payments are divided between amortisation of the liability and financial costs so that each accounting period is charged with the interest amount that corresponds to a fixed interest rate for the liability reported in the respective period. Leasing assets are written off according to the same principles that apply for other assets of the same type. In the income statement costs for leasing contracts are divided between amortisation and interest.

Leasing of assets where the lessor remains to all extents and purposes as the owner of the asset is classified as operational leasing. Leasing fees are reported linearly throughout the leasing period. Operational leasing agreements are reported in the income statements as an operating expense. Leasing of cars and computers is normally treated as operational leasing. The value of these leasing agreements is not considered to be significant.

The parent company reports all leasing agreements, whether financial or operational, as hire agreements.

Inventories

Inventories consists of whole and semi-manufactures and raw materials. Inventories is valued according to the first-in/first-out (FIFO) principle, at whichever is the lower of the acquisition value and true value (net sales value) on the closing day. Whole and semi-manufactures are valued at the manufacturing cost including the raw material, direct labour, other direct overheads and production-related overheads based on normal production. Interest costs are not included in inventory valuations.

Deductions are made for intra-Group profits that arise in connection with deliveries between companies in the Group. The required obsolescence allocations have been made.

Receivables

Receivables with maturities above 12 months from the closing day are reported as fixed assets, the others as current assets. Receivables are reported, after individual assessment, at the amounts that are expected to be received.

Note 2 cont.

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.

Accounts receivable, trade

Accounts receivable, trade, are reported as current assets at the amount that is expected to be paid after deductions for estimated uncertain accounts receivable.

Securities and financial receivables

Securities and financial receivables that are intended as a long-term holding are reported at their acquisition value. A write-down is performed if a lasting decline in value is noted. Short-term financial holdings are reported at their acquisition value, which mainly is the same as their market value. All transactions are reported on the settlement day.

Liquid assets

Liquid assets are defined as cash and bank balances and short-term investments with maturities not exceeding three months.

Financial liabilities

Loan liabilities are reported initially at the received amount after deductions for transaction costs. If this initial reported amount is different to the amount to be repaid at the due date the difference is distributed over the period of the loan. All transactions are reported on the settlement day.

Derivative instruments

The Nobia Group uses derivatives to cover risks connected with changes in exchange rates and to secure exposure to interest rate risks. See further under note 1.

Transaction exposure

Accounts receivable and trade creditors in foreign currency are valued at closing day rates. Currency hedging transactions concerning future flows in foreign currency affect results to the extent that the hedged receivables and liabilities are reported on the balance sheet.

Provisions

Provisions are reported on the balance sheet, when the Group 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.

Remuneration to employees

The reporting of defined-benefit plans for pensions in 2003 and previously was based upon Swedish and local accounting rules and recommendations. From 1 January 2004 Nobia is applying the Swedish Financial Accounting Standards Council's recommendation RR 29, Remuneration to employees. This means that the Group's defined-benefit pension plans are reported according to shared principles and calculation methods.

Within the Group there are several defined-contribution and defined-benefit pension plans. In Sweden, Norway, Finland and in some companies in Germany and the UK, employees are covered by defined-benefit pension plans. In other countries employees are covered by defined-contribution pension plans.

In defined-contribution plans the company pays a fixed amount to a separate legal entity and has no commitment to pay any further amount. The Group's earnings are affected by costs as benefits are earned.

In defined-benefit pension plans remuneration is paid to employees and former employees based upon their salary at the time of retirement and the number of years served. The Group carries the risk that the promised remuneration will be paid.

Defined-benefit pension plans are both funded and unfunded. Funded plans have their assets separated primarily in pension funds.

On the balance sheet, the net sum of the estimated current value of commitments and the fair value of the managed assets are reported as a provision.

Concerning defined-benefit plans, the pension cost and pension commitment are calculated using the so-called Projected Unit Credit method. This method distributes the cost of pensions at the rate at which the employees perform services for the company that increase their entitlement to future remuneration. This calculation is performed annually by independent actuarial assessors. The company's undertaking is valued at the current value of expected future payments using a discount interest rate corresponding to interest on first-class company bonds or state bonds. The most important commitments are shown in note 20.

Actuarial profits and losses can arise when assessing the current value of commitments and the fair value of plan assets. They arise either because the fair value is different to the previous assumption, or the assumption has changed. The part of the accumulated actuarial profit and loss, at the end of last year, which exceeds 10 per cent of the larger of the commitment's current value and the plan asset's fair value, is reported in the results for the employees' average remaining period of service. 2004 is the first year in which the commitments' current value and the plan assets' fair value are being calculated in accordance with RR29, which means that 2005 is the first year when any reporting of accumulated actuarial profit/loss exceeding 10 per cent will be included in the income statement.

Up to 2004 the net sum of discounted interest on pension provisions and the expected return on associated plan assets is reported as interest costs among financial items. Other cost items in pension costs are included in operating profit. From 1 January 2005 Nobia will report the net sum of discounted interest on pension provisions and the expected return on associated plan assets as part of operating profit.

The parent company reports defined-benefit pension plans in accordance with the Swedish Institute of Authorised Public Accountants recommendation no. 4, Reporting of pension liabilities and costs.

Warrant scheme

Accrued costs for the repayment of 40 per cent of the received warrant premium has been calculated on the closing day using the Black and Scholes model and social overheads have been added according to the applicable rates in the countries where such a benefit is liable for social overheads.

Note 3 Net sales by geographic market

	Group	
SEK m	2004	2003
Sweden	881	776
Norway	1,156	1,064
Finland	716	618
Denmark	1,317	1,097
Total Nordic region	**4,070**	**3,555**
UK	5,356	3,913
Germany	810	810
The Netherlands	338	384
Other, Europe	435	347
Total Europe	**11,009**	**9,009**
North America	217	147
Other, world	111	117
Group	**11,337**	**9,273**

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:

	2004		2003	
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	172	77 (16)	163	73 (15)
Denmark	438	37 (26)	413	32 (23)
Norway	151	35 (6)	157	35 (6)
Finland	93	55 (21)	82	49 (20)
Germany	347	74 (3)	358	83 (5)
UK	656	64 (25)	513	45 (32)
France	2	1 (0)	2	1 (0)
USA	29	5 (0)	29	6 (0)
Switzerland	12	2 (1)	12	2 (1)
Total subsidiaries	**1,900**	**350 (98)**	**1,729**	**326 (102)**
Parent company	**14**	**10 (6)**	**11**	**5 (0)**
Group	**1,914**	**360 (104)**	**1,740**	**331 (102)**

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	2004	2003
Parent company		
Board and CEO	7	7
Other employees	9	6
Total parent company	**16**	**13**
Subsidiaries		
Board and CEO	33	32
Other employees	1,867	1,697
Total subsidiaries	**1,900**	**1,729**
Group	**1,916**	**1,742**

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, a total of SEK 850,000. The flexible portion is equivalent to the average price for Nobia shares during the period from 1 January 2005 up to the day of the 2005 AGM, multiplied by a factor of 2,000. A factor of 5,000 is used for the Chairman of the Board. Based on the closing rate on 30 December 2004, the flexible fee amounted to SEK 1,870,000, of which the Chairman's portion is SEK 550,000 and the individual members' portion is SEK 220,000 each. The Chairman of the Board has no pension benefits, severance pay agreement or other benefits. Employee representatives receive a reading and preparation fee of SEK 20,000 per year per person.

CEO

The CEO received SEK 4,312,000 in salary in the 2004 financial year and a bonus related to the 2004 results of SEK 1,950,000.

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) at 65 years of age. 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. For 2004 the cost was SEK 1,567,000. 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.

Other Group management

Other Group management, consisting of seven people in 2004, received salaries during the financial year amounting to SEK 16,087,000 and bonuses based on the 2004 results of SEK 4,406,000. In the beginning of 2005 the management group consisted of 6 individuals in addition to the CEO. Group management has the right to ITP pensions or an equivalent scheme. The retirement age is 65. 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 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 65.

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. Redundancy payment is not paid when the employee chooses to resign.

Warrant scheme

At the 2003 Annual General Meeting, a decision was made to launch a warrant scheme. 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 schemes have been completed.

Warrants 2003/2008	Number	Acquisition price
CEO	40,000	408,000
Other management	81,000	826,200
Other employees	653,600	6,666,720
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. The closure of Goldreif was carried out in 2004 and has not had any further impact on results.

SEK m	2004	2003
Net sales	–	17
Cost of goods sold	–	–60
Gross profit	**–**	**–43**
Selling expenses	–	–25
Administrative expenses	–	–4
Other operating costs	–	–26
Operating profit	**–**	**–98**

Note 6 Remuneration to auditors

	Group		Parent Company	
SEK m	2004	2003	2004	2003
Auditing, Öhrlings PricewaterhouseCoopers AB	8	9	–	–
Other assignments besides auditing, Öhrlings PricewaterhouseCoopers AB [1]	2	2	–	–

[1] Predominantly advice about auditing matters such as accounting and tax.

Note 7 Depreciation per activity

SEK m	2004	2003
Cost of goods sold [1]	–234	–192
Selling expenses	–81	–63
Administrative expenses	–62	–52
Total depreciation	**–377**	**–307**

[1] Of which amortisation of goodwill of SEK 95 million (60).

In addition to reported depreciation, no write-downs have been carried out in 2004.

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	2004	2003	2004	2003
Paid during the year	408	398	0	0
Fall due for payment 2004	–	396	–	0
Fall due for payment 2005	434	390	0	0
Fall due for payment 2006	370	366	0	0
Fall due for payment 2007	333	342	0	0
Fall due for payment 2008	312	324	0	0
Fall due for payment 2009	283	–	0	–
Fall due for payment later	1,490	1,758	0	0

The above amounts include renewed lease contracts of SEK 129 million (130).

Note 9 Result from financial investments

	Group		Parent Company	
SEK m	2004	2003	2004	2003
Profit from shares in subsidiaries				
Dividends, discounted	–	–	272	112
Write-down	–	–	0	0
Other interest income and similar items				
Interest income, current	13	14	0	0
Exchange rate fluctuation	0	0	1	0
Interest expense and similar items				
Interest expense	–136 [1]	–80	–1	0
Exchange rate fluctuation	0	1	0	0
Total	**–123**	**–65**	**272**	**112**

[1] Interest expenses include the net sum of pension provisions and the expected return on associated plan assets amounting to SEK –33 million.

Note 10 Tax expense

	Group		Parent Company	
SEK m	2004	2003	2004	2003
Current tax	–203	–74	–	–
Deferred tax	–44	–88	4	2
Share of associated company's tax	–	–	–	–
Total tax for the year	**–247**	**–162**	**4**	**2**

The year's deferred tax expense pertains mainly to the change in loss carry-forwards and the reduction in accelerated depreciation where the latter reduces the tax expense.

Tax expense accounted for 33.2 per cent (32.4) of profits before tax. The difference between accounted tax expense (33.2 per cent) 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.

%	2004	2003
Local tax rates in Sweden	28	28
Different local tax rates	2	0
Taxes relating to previous periods	3	1
Non-deductible goodwill amortisation	3	3
Other non-deductible/tax exempt items	–3	0
Other	0	0
Group's tax expense	**33**	**32**

Different local tax rates for 2004 had an overall effect of 2 per cent on the Group's tax rate. Tax exempt items include capital gains on the sale of fixed assets that are set off against non-assessed loss carry-forwards. This reduced the Group's tax rate by 3 per cent.

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

Note 11 Intangible fixed assets

Goodwill, SEK m	Group 2004	Group 2003
Opening acquisition values	1,857	1,257
Scrapping	–12	–
Corporate acquisitions	50	686
Translation differences	–24	–86
Closing accumulated acquisition value	**1,871**	**1,857**
Opening amortisation	238	180
Scrapping	–12	–
Depreciation for the year	95	60
Translation differences	–4	–2
Closing accumulated amortisation	**317**	**238**
Closing carrying amount	**1,554**	**1,619**

Other intangible assets, SEK m	2004	2003
Opening acquisition value	119	117
Investments for the year	13	10
Sales and scrapping	–4	–4
Translation differences	–1	–4
Closing accumulated acquisition value	**127**	**119**
Opening amortisation	92	82
Sales and scrapping	–4	1
Amortisation for the year	12	10
Translation differences	–1	–1
Closing accumulated amortisation	**99**	**92**
Opening write-downs	–	5
Reclassifications	–	–5
Closing accumulated write-downs	**–**	**–**
Closing carrying amount	**28**	**27**
Of which		
Software	16	15
Brands	9	10
Other	3	2
Closing carrying amount	**28**	**27**

Note 12 Tangible fixed assets

Buildings, SEK m	Group 2004	Group 2003
Opening acquisition value	1,584	1,573
Investment for the year	84	81
Sales and scrapping	–36	–63
Corporate acquisitions	–	20
Reclassifications [1)]	40	34
Translation differences	–17	–61
Closing acquisition value	**1,655**	**1,584**
Opening depreciations	506	486
Sales and scrapping	–12	–17
Corporate acquisitions	–	5
Reclassifications [1)]	38	1
Depreciations for the year	75	48
Translations differences	–6	–17
Closing depreciation	**601**	**506**
Opening write-ups	89	69
Reclassifications [1)]	–24	–
Write-ups for the year	–	20
Closing accumulated write-ups	**65**	**89**
Opening depreciations of write-ups	42	17
Reclassifications [1)]	–25	–
Depreciations for the year	2	25
Closing depreciations of write-ups	**19**	**42**
Opening write-downs	46	2
Reclassifications [1)]	–17	–
Write-downs for the year	–	44
Closing write-downs	**29**	**46**
Closing carrying amount	**1,071**	**1,079**

1) Reclassifications also include adjustments of 2003 values concerning write-ups and write-downs. These reclassifications have not impacted profits.

The above includes financial leasing according to the table below:

	Accumulated acquisition value		Accumulated depreciation	
SEK m	2004	2003	2004	2003
Buildings	51	50	8	7

Note 12 cont.

Land and land improvements, SEK m	Group 2004	Group 2003
Opening acquisition value	216	240
Investments for the year	2	2
Sales and scrapping	–18	–14
Reclassifications 1)	2	–
Translation differences	–1	–12
Closing acquisition value	**201**	**216**
Opening depreciations	25	24
Depreciations for the year	1	2
Translation differences	0	–1
Closing depreciations	**26**	**25**
Opening write-ups	12	8
Reclassifications 1)	–1	–
Write-ups for the year	–	4
Closing accumulated write-ups	**11**	**12**
Closing carrying amount	**186**	**203**
Tax assessment for property in Sweden	**73**	**72**
Carrying amount	**80**	**84**

Investments in progress, SEK m		
Opening balance	10	90
Investments started during the year	63	9
Investments completed during the year	–27	–85
Translation differences	–1	–4
Closing balance	**45**	**10**

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

1) Reclassifications also include adjustments of 2003 values concerning write-ups and write-downs. These reclassifications have not impacted profits.

Machines and other technical equipment, SEK m	Group 2004	Group 2003
Opening acquisition value	2,018	1,893
Investments for the year	126	92
Sales and scrapping	–142	–65
Corporate acquisitions	–	178
Reclassifications 1)	20	7
Translation differences	–20	–87
Closing acquisition value	**2,002**	**2,018**
Opening depreciations	1,440	1,451
Sales and scrapping	–128	–60
Corporate acquisitions	–	105
Reclassifications 1)	28	–91
Depreciations for the year	116	103
Translation differences	–14	–68
Closing depreciations	**1,442**	**1,440**
Opening write-ups	12	–
Reclassifications 1)	–12	–
Write-ups for the year	–	12
Closing accumulated write-ups	**–**	**12**
Opening write-downs	42	15
Reclassifications 1)	–27	–
Write-downs for the year	–	27
Closing write-downs	**15**	**42**
Closing carrying amount	**545**	**548**

Equipment, tools, fixtures and fittings, SEK m		
Opening acquisition value	555	511
Investments for the year	82	97
Sales and scrapping	–60	–80
Corporate acquisitions	0	34
Reclassifications 2)	39	26
Translation differences	–9	–33
Closing acquisition value	**607**	**555**
Opening depreciations	333	266
Sales and scrapping	–47	–73
Corporate acquisitions	0	17
Reclassifications	0	75
Depreciations for the year	76	59
Translation differences	–7	–11
Closing depreciations	**355**	**333**
Opening write-downs	6	6
Closing accumulated write-downs	**6**	**6**
Closing carrying amount	**246**	**216**

1) Reclassifications also include adjustments of 2003 values concerning write-ups and write-downs. These reclassifications have not impacted profits.

2) Accounting principles for exhibition kitchens were changed in 2004. Exhibition kitchens are now classified as fixed assets where they were previously classified as current assets. The change in accounting principles involves a reclassification amounting to SEK 37 million.

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

Note 13 Financial fixed assets

	Parent Company	
Shares in subsidiaries, SEK m	2004	2003
Opening acquisition value	1,370	1,370
Closing acquisition value [1]	**1,370**	**1,370**

1) Taking into account write-downs.

	Group	
Other long-term receivables, SEK m	2004	2003
Alecta claim and other pension assets	4	16
Deposits	13	13
Long-term loans to retailers	15	18
Financial leasing receivable	8	4
Other	3	0
Total	**43**	**51**

	Group	
Shares in associated companies, SEK m	2004	2003
Opening balance	3	1
Acquisitions	–	2
Proportion of the year's profit/loss	–3	0
Closing balance	**0**	**3**

		Group	
Shares in associated companies, SEK m	Proportion of equity	2004	2003
UAB Domingos Durelés, Lithuania	45.0%	1	2
HTH Expert w Kuchni sp Z	44.7%	–1	1
Total		**0**	**3**

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		

Note 14 cont.

	Corp. reg. no.	Reg. office	Share of equity, %	No. of shares	Book value
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		
Swedoor Bauelemente- Vertrieb 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		Northampton	100		
Norman Glen Kitchens Ltd		London	100		
Wigmore Street Kitchens Ltd		London	100		
Ultimate Kitchens (Pimlico) Ltd		London	100		
Poggenpohl France SARL		Montesson Cedex	100		
Poggenpohl US Inc.		Wayne NJ	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		
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

SEK m	Group 2004	Group 2003
Prepaid rent	45	31
Bonus from suppliers	68	19
Prepaid bank charges	14	14
Insurance policies	10	10
Accrued income from property sales and rent agreements	107	–
Other	91	109
Total	**335**	**183**

Note 16 Liquid funds

	Group		Parent Company	
	2004	2003	2004	2003
Cash and bank balances	616	154	0	0

The Group's unused credit facilities, which are not included in the liquid funds, totalled SEK 347 million (274) at the end of the year. In addition to bank overdraft facilities, the Company has unused credit commitments of SEK 1,257 million (905). Liquid funds on 31 December 2004 include SEK 306 million in a escrow account concerning the acquisition of EWE-FM which was completed on 3 January 2005.

Note 17 Earnings per share

Number of shares before dilution	57,669,220
Number of shares after dilution	57,915,278
Dilution, number of shares	246,058
Average number of shares before dilution	57,669,220
Average number of shares after dilution	57,915,278

The number of ordinary shares did not change in 2004 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 87.81, based on the average for the year, and a discount rate of 5.0 per cent have been used.

Warrant scheme

The 2003 Annual General Meeting voted in favour of a warrant scheme 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 scheme 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 2004 with SEK 3 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 27 April 2005, a dividend for 2004 of SEK 3.00 per share, totalling SEK 173 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 2005 business year. The dividend for 2003 amounted to SEK 130 million.

Note 19 Shareholders' equity

Details of the changes in shareholders' equity are provided on pages 38 and 43.

Number of shares	A shares	Total number of shares
Number 31 Dec. 2003	57,669,220	57,669,220
Number 31 Dec. 2004	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	2004	2003	2004	2003
Opening balance	–71	66	–	–
Change after translation of existing subsidiaries for the year	–34	–137	–	–
Closing balance	**–105**	**–71**	**–**	**–**

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

	Parent Company	
SEK m	2004	2003
Statutory provisions for the safeguarding of pension commitments		
FPG/PRI-pensions	1	–
Other	–	–
Contractual provision for the safeguarding of pension commitments	–	–
Total	**1**	**–**

	Group	
Provision for pensions, SEK m	2004	2003
Defined-benefit pension plans	850	87
Total	**850**	**87**

Defined-benefit pension plans

Within the Group there are several defined-benefit pension plans, in which the employee has the right to remuneration after employment is terminated based upon the final salary and the period of service. The largest plans are to be found primarily in the UK.

Pension insurance in Alecta

Provisions for retirement pensions and family pensions for white collar staff in Sweden are safeguarded through insurance with Alecta. According to a statement by the emergency committee of the Swedish Financial Accounting Standards Council, URA 42, this is a defined-benefit pension that covers several employers. For the 2004 financial year Alecta has not submitted information that enables this plan to be reported as a defined-benefit pension plan. ITP pension plans safeguarded through Alecta insurance are therefore reported as defined-contribution plans. The year's payments for Alecta pension insurance amounted to SEK 4 million (3). Alecta's surpluses can be distributed to the policy holder and/or the person who is being insured. At the end of 2004 Alecta's surplus in the form of the collective consolidation level amounted to 128 per cent (120). The collective consolidation level comprises the market value of Alecta's assets as a percentage of the insurance provision calculated in accordance with Alecta's technical calculation provision, which is not in agreement with RR 29.

Defined-benefit plans, SEK m	2004
The amounts reported in the consolidated balance sheet have been calculated as follows	
Present value of funded obligations	2,070
Fair value of plan assets	–1,276
	794
Present value of unfunded obligations	87
Unrecognised actuarial losses (–)	–31
Provisions for pensions, net	**850**

The net liability for defined-benefit plans amounting to SEK 850 million is reported in full in the "Provisions for pensions" item on the consolidated balance sheet.

Note 20 cont.

Defined-benefit plans, SEK m	2004
The sums reported on the consolidated income statement are the following:	
Current service cost	45
Interest expense	112
Expected return on plan assets	–78
Total	**79**

Defined-benefit plans, SEK m	2004
Costs are distributed in the consolidated income statement in the following items:	
Cost of goods sold	18
Selling expenses	8
Administrative expenses	20
Financial costs	33
Total pension costs	**79**

The actual return on plan assets amounted to SEK 123 million.

Defined-benefit plans, SEK m	2004
Specification of changes in the net debt that are reported on the consolidated balance sheet:	
Net liability at start of the year according to balance sheet	87
Effect of change in accounting principle	764
Adjusted net liability at start of the year	**851**
Net expense recognised in the income statement	79
Payments of benefits	–25
Additional contribution from the employer to funded plans	–41
Exchange differences on foreign plans	–14
Net liability at end of year [1]	**850**

[1] The largest part of the net liability at the end of the year is for pension plans in the UK.

Defined-benefit plans, SEK m	2004
Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):	
Discount rate	5.30
Expected return on plan assets	6.15
Future salary increases	3.95
Future pension increases	2.70

Defined-benefit plans, SEK m	2004
Costs are distributed in the parent company's income statement in the following items:	
Administrative expenses	1
Total pension costs	**1**

Pension costs, SEK m	2004
The total pension costs reported in the consolidated income statement are as follows:	
Total costs for defined-benefit plans	79
Total costs for defined-contribution plans	51
Costs for special employer's contribution and tax on returns	7
Total pension costs	**137**

Note 21 Deferred tax

The Group's deferred tax for the year SEK –44 million (–88) is accounted for as tax expense in the consolidated income statement. The deferred tax expense for the year relates mainly to changes in loss carry-forwards.

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

Deferred tax receivable	Group	
Group, SEK m	2004	2003
Opening balance	24	44
Exchange rate fluctuations	–4	–9
Acquisitions [1]	0	15
IAS 19	232	–
Reported tax expense for the period	–59	–30
Reversal of previous year's setoff	110	118
Setoff this year within tax community	–142	–110
Other changes	2	–4
Closing balance	**163**	**24**

[1] The 2003 figure relates to Gower.

Deferred tax liability	Group	
Group, SEK m	2004	2003
Opening balance	199	139
Exchange rate fluctuations	–2	–6
Acquisitions	0	–
Deferred tax income/expense for the period	–15	58
Reversal of previous year's setoff	110	118
Setoff this year within tax community	–142	–110
Other changes	1	0
Closing balance	**151**	**199**

Note 21 cont.

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

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

Deferred tax receivable	Group	
Group, SEK m	2004	2003
Loss carry forward	47	107
Restructuring reserve	–	0
IAS 19	229	–
Temporary differences	20	24
Other	9	3
Closing balance before setoff	**305**	**134**
Legal set-off	–142	–110
Closing balance	**163**	**24**

Deferred tax liability	Group	
Group, SEK m	2004	2003
Fiscal accelerated	107	126
Write-ups	135	142
Other	51	41
Closing balance before setoff	**293**	**309**
Legal set-off	–142	–110
Closing balance	**151**	**199**

The loss carry-forward is mainly in Germany and the US and falls due by 2011 or later.

The value of loss carry-forward for which a deferred tax receivable is not considered amounts to SEK 27 million (36) and is mainly in Germany and the US.

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. These possible future effects are not judged to stand in any relation to the overall amount of the temporary differences.

Note 22 Provisions

	Group	
SEK m	2004	2003
Opening balance for provision for restructuring measures	–	24
Utilised restructuring reserve	–	–22
Exchange rate fluctuations, restructuring measures	–	–2
Closing balance provision for restructuring measures	**–**	**0**
Other provisions	39	36
Total	**39**	**36**

Other provisions amounting to SEK 39 million (36) consist mainly of reserves for unutilised rights of tenancy and guarantee commitments in the UK business.

Note 23 Liabilities to credit institutions

Maturity structure, SEK m	2004	2003
Within 1 year	2	16
Between 1 and 5 years	1,568	1,530
Longer than 5 years	0	2
Total	**1,570**	**1,548**

Note 24 Accrued expenses and deferred income

	Group		Parent Company	
SEK m	2004	2003	2004	2003
Bonus to customers	63	56	–	–
Accrued salaries	111	136	5	4
Accrued payroll overheads and pensions	34	17	8	2
Accrued interest	2	2	–	–
Rents	55	60	–	–
Other	244	181	0	–
Total	**509**	**452**	**13**	**6**

Note 25 Pledged assets

	Group		Parent Company	
SEK m	2004	2003	2004	2003
For liabilities to credit institutions				
Chattel mortgages	–	899	–	–
Property mortgages	9	619	–	–
Shares in subsidiaries	–	2,634	–	1,370
Other current assets	0	0	–	0
For pension provisions				
Property mortgages	0	0	–	–
Total pledged assets	**9**	**4,152**	**–**	**1,370**

The change compared with last year is explained mainly by the renegotiation of the Group's syndicated bank loan which mean that pledged assets were released.

Note 26 Contingent liabilities

	Group		Parent Company	
SEK m	2004	2003	2004	2003
Securities for pension commitments	0	0	9	8
Other contingent liabilities	68	128	1,783	1,633
Total	**68**	**128**	**1,792**	**1,641**

Note 27 Acquisition of subsidiary

In April 2004 Nobia acquired three stores in London, UK. The effect of the acquisition of the stores and additional acquisition costs for Gower on the Group's liquid funds amounted to SEK –31 million.

SEK m	2004	2003
Goodwill	–50	–686
Tangible fixed assets	0	–105
Deferred tax receivable	–1	–16
Operating assets	3	–364
Other liabilities	16	264
Deferred tax liability	1	–
Total purchase cost	**–31**	**–907**
Unpaid purchase amount	–	158
Effect on the Group's liquid funds	**–31**	**–749**

Note 28 Transactions betweeen related companies

No selling or purchasing of goods was conducted between the parent company and other Group companies in 2004. However, the subsidiaries were invoiced for Group-wide services.

Note 29 Average number of employees

	2004		2003	
Companies in:	Average number	Of which men	Average number	Of which men
Sweden	540	438	523	431
Denmark	1,057	771	1,035	744
Norway	449	262	477	290
Finland	491	331	465	315
Germany	996	776	1,095	855
UK	2,428	1 942	1,889	1,598
France	4	2	4	2
USA	67	38	62	37
Switzerland	20	13	21	16
The Group	**6,052**	**4,573**	**5,571**	**4,288**

	2004		2003	
	Number on closing day	Of which men	Number on closing day	Of which men
Board members	61	92%	59	93%
CEOs and other senior executives	99	94%	94	89%
The Group	**160**	**93%**	**153**	**91%**

Several people are members of more than one of the subsidiary's Boards or management teams.

	2004		2003	
	Number on closing day	Of which men	Number on closing day	Of which men
Board members	10	80%	10	90%
CEOs and other senior executives	7	100%	6	100%
Parent Company	**17**	**88%**	**16**	**94%**

Stockholm, 11 March 2005

Hans Larsson
Chairman of the Board

Stefan Dahlbo | Bodil Eriksson | Wilhelm Laurén

Harald Mix | Thomas Nilsson | Ingrid Osmundsen

Fredrik Cappelen
CEO

Per Bergström
Employee representative

Olof Harrius
Employee representative

Our Audit Report was submitted on 11 March 2005

Öhrlings PricewaterhouseCoopers AB

Robert Barnden
Authorised Public Accountant

Audit Report

To the general meeting of shareholders of Nobia AB
Corporate Identity Number 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 2004. These accounts and the administration of the company are the responsibility of the board of directors and the managing director, as is the assurance that the annual accounts have been prepared in accordance with the Annual Accounts Act. 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. The administration report has been prepared in accordance with information provided in the other portions of the annual accounts.

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.

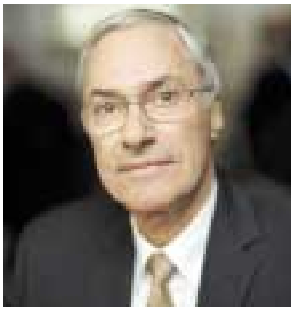
Stockholm, 11 March 2005

Öhrlings PricewaterhouseCoopers AB

Robert Barnden
Authorised Public Accountant

Group management

FREDRIK CAPPELEN
Born 1957, Master of Business Administration. President and CEO of Nobia since 1995. Employed by Nobia since 1995.
Board assignments: Board member of Danske Trælast.
Previous employment: MD Kaukomarkkinat Oy Tyskland, MD Kaukomarkkinat International Sweden and Norway and marketing director Stora Finepaper.
Holding in Nobia AB: 337,700 shares, 40,000 warrants.



PREBEN BAGER
Born 1948. Vice President Operations since 2000 and business unit manager at Magnet since 2004. Employed by HTH 1989.
Previous employment: MD Domino Furniture, sales manager Bianca Yachts, MD Danica Køkkener and business unit manager at HTH.
Holding in Nobia AB: 475,200 shares, 27,000 warrants.

BO JOHANSSON
Born 1965. Vice President Supply Chain (production, purchasing and logistics) since 2005. Employed by Nobia since 2005.
Previous employment: Production manager and sales manager Swedform Metall AB, business development manager Europe and global accounts Flextronics Enclosures Europe and sales director Europa Flextronics International.
Holding in Nobia AB: 0.

JAN JOHANSSON
Born 1962, Master of Business Administration. CFO since 2004. Employed by Nobia since 1995.
Previous employment: Various positions within finance within the Stora Group and Group controller of Nobia.
Holding in Nobia AB: 18,680 shares, 14,000 warrants.

PETER PETERSSON
Born 1951, Master of Business Administration. Vice President Operations/ Business Development since 2000.
Employed by Nobia since 1995.
Previous employment: HR director Stena Line, Business consultant Impact AB, Vice President business development/personal and information at Nobia and business unit manager at various Nobia units, most recently at Norema.
Holding in Nobia AB: 134,400 shares, 27,000 warrants.

LENNART RAPPE
Born 1944, Master of Business Administration. Vice MD since 2000. Vice MD, Mergers and Acquisition since 2004.
Employed by Nobia since 1999.
Previous employment: Vice MD Esab AB, finance director at VME Group, Volvo Trucks AB, Spectra-Physics AB and Nobia.
Holding in Nobia AB: 133,720 shares, 27,000 warrants.

RICHARD REYNOLDS
Born 1955, Bachelor of arts. Vice President Operations since 2003. Employed by Gower since 1988.
Board assignments: Corney and Barrow Group Ltd.
Previous employment: MD and Chairman of Smallbone and MD Gower Group Ltd.
Holding in Nobia AB: 0.

Business unit managers

PER ANDERSSON
Born 1948. Business unit manager Myresjökök since 1988. Employed by Myresjökök since 1988. Holding in Nobia AB: 3,030 shares, 27,000 warrants.

LEO BRECKLINGHAUS
Born 1959. Business unit manager Optifit since 2003. Employed by Optifit since 2000. Holding in Nobia AB: 1,500 shares, 27,000 warrants.

ELMAR DUFFNER
Born 1960. Business unit manager Poggenpohl since 2003. Employed by Optifit 1999. Holding in Nobia AB: 11,450 shares, 27,000 warrants.

MARTIN ELGOOD
Born 1967. Business unit manager Gower since 2000. Employed by Gower since 1992. Holding in Nobia AB: 0.

HEINZ HACHMEISTER
Born 1953. Business unit manager Pronorm since 2004. Employed by Pronorm since 1984. Holding in Nobia AB: 0 shares, 4,500 warrants.

JORMA LEHTOVUORI
Born 1952. Business unit manager Novart since 1992. Employed by Novart since 1985. Holding in Nobia AB: 5,000 shares, 22,000 warrants.

LEIF NYGÅRD
Born 1949. Business unit manager Invita since 1974. Employed by Invita since 1974. Holding in Nobia AB: 43,240 shares, 27,000 warrants.

ANDERS REUTHAMMAR
Born 1949. Business unit manager Marbodal since 1997. Employed by Marbodal since 1997. Holding in Nobia AB: 98,000 shares, 27,000 warrants.

WILHELM PACHER
Born 1942. Business unit manager EWE-FM since 1967. Employed by EWE 1967. Holding in Nobia AB: 0 shares.

KAJ SJØVOLD
Born 1958. Business unit manager Norema since 2004. Employed by Norema since 2004. Holding in Nobia AB: 0.

HENNING STORM
Born 1955. Business unit manager HTH since 2005. Employed by HTH since 1981. Holding in Nobia AB: 38,700 shares, 15,000 warrants.

EGIL WOLD
Born 1947. Business unit manager Sigdal since 1997. Employed by HTH 1981. Holding in Nobia AB: 191,700 shares, 27,000 warrants.

The Board and Auditors

HANS LARSSON
Born 1942. B.Sc. Chairman since 1998, Board member since 1996. Chairman of remuneration committee.
Board assignments: Chairman of Sydsvenska Kemi AB, Biolight International AB and Carema AB. Vice chairman of Svenska Handelsbanken AB Member of the boards of, among others, Holmen AB and Pergo AB.
Previous employment: MD Swedish Match, Esselte AB and Nordstjernan AB. Previous chairman of, among others, NCC AB and Bilspedition/BTL AB.
Holding in Nobia AB:130,000 shares.

FREDRIK CAPPELEN
Born 1957, Master of Business Administration. Board member since 1996. President and CEO of Nobia AB.
Board assignments: Board member of Danske Trælast.
Previous employment: MD Kaukomarkkinat Oy Tyskland, MD Kaukomarkkinat International Sweden and Norway and marketing director of Stora Finepaper.
Holding in Nobia AB: 337,700 shares, 40,000 warrants.

STEFAN DAHLBO
Born 1959, Master of Business Administration. Board member since 2004, independent. Vice MD of Investment AB Öresund.
Board assignments: Chairman of HQ Fonder AB and Klövern AB.
Board member of Hagströmer & Qviberg AB, Johnson Pump AB and Wihlborgs Fastigheter AB.
Previous employment: MD Hagströmer & Qviberg AB, MD Hagströmer & Qviberg Fond- and Kapitalförvaltning. Alfred Berg Fondkommission.
Holding in Nobia AB: 7,800 shares.

BODIL ERIKSSON
Born 1963, commercial education and language studies and RMI-Berghs. Board member since 2003, independent. Vice MD of Axfood AB.
Board assignments: Board member of Oriflame Cosmetics S.A.
Previous employment: Communications Manager (Senior Vice President) Volvo Cars, Communications Manager (Senior Vice President) Folksam and MD B.E. Communications AB.
Holding in Nobia AB: 0.

WILHELM LAURÉN
Born 1943, economist. Board member since 1996, independent. Member of remuneration committee.
Board assignments: Chairman of Swedestart Life Science kb, Elektrokoppar Holding AB and Enermet Group. Board member of among others, Ostnor AB and Martinssongruppen AB.
Previous employment: Vice MD Cfo Fläktgruppen and vice MD ABB AB.
Holding in Nobia AB: 30,000 shares.

HARALD MIX
Born 1960, Bsc mathematics and economics, MBA. Board member since 1996, independent. Partner of Altor Equity Partners AB.
Board assignments: Board member of Dynapac AB and Lindorff Group AB.
Previous employment: Vice MD Industri Kapital AB.
Holding in Nobia AB: 200,000 shares.

THOMAS NILSSON
Born 1948, Master of Business Administration. Board member since 1998, independent. Member of remuneration committee. MD of Firesteed Capital Limited.
Board assignments: Board member of Dyconex AG and Fulcrum Invest Equity N.V.
Previous employment: MD of AB Export-Invest, MD of Investor UK Ltd and member of Investor AB's management team, Partner and Director of European Private Equity at Thomas Weisel Partners LLC. Chairman of Förvaltnings AB Hasselfors and Gunnebo AB. Board member of, among others, WM-data AB, TV4 AB and Svenska Dagbladet.
Holding in Nobia AB: 37,000 shares.

INGRID OSMUNDSEN
Born 1961, Bachelor of arts. Board member since 2004, independent. MD Wedins Skor and Accessoarer.
Previous employment: Purchasing manager Meier & Frank, business area manager East Europe Nike, purchasing manager Nike Retail and Sweden manager Lindex AB.
Holding in Nobia AB: 0.

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

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

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

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

Auditors

ÖRHLINGS PRICEWATERHOUSECOOPERS AB
Auditor in charge: Authorised Public Accountant
ROBERT BARNDEN
Born 1946. Auditor for Nobia since 1996.

Corporate governance

Nobia's articles of association regulate the direction of the business, the share capital and how notification of the Annual General Meeting is to be made. The articles of association are presented in full on the company's website, www.nobia.se.

The share capital in Nobia AB amounts to SEK 57,669,220 divided between 57,669,220 shares, worth a nominal SEK 1 each. All shares have equal rights to a share in the company's assets and profits. The Nobia share and ownership structure are presented in detail on page 6.

The 2004 Annual General Meeting

The 2004 AGM was held at 5 p.m. on 1 April at Berns Konferens, Berzelii park, Stockholm. Hans Larsson, Chairman of the Board, was elected as chairman of the meeting. The meeting adopted the Board's proposal for the disposal of profits. The meeting also adopted the nominations committee's proposals of eight Board members without deputy members, the fees for Board members and the Chairman of the Board and Board members. Stefan Dahlbo and Ingrid Osmundsen were newly elected, while Gerhard de Geer and Karsten Bomann Jonsen declined re-election. The remainder of the Board was re-elected. The listing agreement of the Stockholm Stock Exchange includes requirements concerning the composition of the Board. Among other requirements, a majority of the Board elected by the AGM shall be independent of the company. In addition, at least two of these Board members shall be independent of the company's major shareholders. Nobia's Board meets these requirements.

The meeting adopted the proposal concerning the details of the structure for establishing a nominations committee (election preparation) whereby the Chairman of the Board by the end of the third quarter shall call together the four largest shareholders who will appoint one member each to the committee. If one of the four declines to appoint a member the appointment shall be entrusted to the next largest shareholder. The committee should be led by an owner representative, but the Chairman of the Board can be a member of the election preparation group and act as chairman. The assignment of the nominations committee shall be to make proposals to the AGM concerning the composition of the Board and, as necessary, auditors and their fees. Details of the members of the nominations committee and how proposals may be made can be found at www.nobia.se and in the interim report for the third quarter.

The meeting also addressed the issue of an audit committee. The meeting agreed with the opinion of the Board that it is essential that verification issues dependent on Board participation shall be dealt with by the Board as a whole and that individual Board members shall not be separated from this work. It was therefore decided not to establish a separate committee for audit and verification and that this work should continue in accordance with the principles and methods outlined in the Board's articles of procedure.

The full minutes of the AGM are available at www.nobia.se.

Nomination committee

The composition and work of the nomination committee in 2003/2004 has been described in detail in the 2003 Annual Report.

The committee in 2004/2005 that will make proposals for the 2005 AGM comprises representatives of the four largest owners: Kerstin Hessius, Third AP fund, Thomas Ehlin, Nordea funds, Mikael Nachemson, Öresund, KG Lindvall, Robur, and Hans Larsson, Nobia's Chairman of the Board. Remuneration has not been paid to the members of the committee. The committee has met three times and has studied Board assessments, the strategic direction and priorities of the Group and the accompanying need for skills and experience. The committee's proposals for Board members are listed in the notification for the AGM and published on Nobia's website.

The work of the Board

The Board of Directors of Nobia AB consists of eight members elected by the AGM and two representatives and 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 2004 financial year, the Board held nine ordinary meetings and one extraordinary meeting.

The Board works according to a fixed agenda for each meeting including business position, investments, budget, interim reports and annual accounts. The Chairman leads and delegates the work of the Board and makes sure that important matters in addition to the fixed agenda are dealt with. 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 2004, issues involving the Group's strategy, financial goals and acquisitions were a major focus of the Board's work. Nobia's vice President, Lennart Rappe, is the secretary at Board meetings. The average attendance at Board meetings was high during the year.

The evaluation of the Board and its working methods carried out by consultants during 2003 was followed up with an internal assessment in 2004. The results were presented to the Company's nominating committee.

The Board does not have a separate audit committee. Instead, 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 internal controls. 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 three times a year. Part of the auditor's presentation of information to the Board is done in the absence of the Company's executives. 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 audit process is structured so that reports from the auditors are received in connection with the planning of future audits, in connection with hard-close audits and finally in connection with the completion of the annual accounts. In addition, the auditor is also to account annually for consulting assignments that have been carried out by the auditor's firm as well as his general dependence on the Company and its management.

In 2004 this meant that the scope and focus of the audit was established at the August Board meeting to include, among other things, a special assessment of the risk perspective regarding internal verification, and evaluation issues and changes in accounting rules in connection with the adoption of IFRS.

At the December Board meeting the auditors reported their observations in connection with the hard-close audit. Special emphasis was placed on the quality of the internal audit. The focus of the February 2005 Board meeting was on the audit of the annual accounts.

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, warrant scheme, 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 2005 AGM consists of Hans Larsson (Chairman), Thomas Nilsson and Wilhelm Laurén.

Reporting and internal controls

All documentation concerning principles and methods for reporting and internal controls and follow-up are collected in Nobia's Financial & Administration Manual.

In 2004 processes for securing the efficiency of internal controls were strengthened. A control schedule for identifying, defining and following up critical areas has been produced in consultation with the company's auditors and was followed up in 2004.

The Board ensures the quality of reporting through demands for strict internal controls. Nobia's joint reporting system is the basis of fast and efficient internal control. Monthly accounts are consolidated and verified. The annual budgets and forecasts are updated three times a year. These forecasts are further complemented with quarterly and monthly forecasts.

Example of other parameters in internal control procedures include:

- accounting routines adapted to the business unit's specific activity
- reporting systems that provide easy-to-interpret information
- monthly accounts followed up by the senior management team, with deviations from budget followed up systematically
- controls and division of responsibility are clearly assigned and mean that no single individual is responsible for a transaction's reporting throughout the financial reporting system
- ogically constructed authorisation rights
- checks, inventories, etc. are performed continually or monthly
- monthly reports are sent to the business unit manager, the Group management team and the Board.

Each business unit manager is ultimately responsible for ensuring sound internal practices and the finance manager at each unit is responsible for following up and ensuring that Nobia's accounting procedures and principles are followed daily. These procedures can be found in the aforementioned manual.

Group management

Group management, see page 61, meets every month. In addition, there is a larger group called the Advisory Board, which meets four times a year. This group consists of all the business unit managers. Its meetings are followed up by local meetings where the Vice President Operations, CEO and CFO meet the management group for each business unit three times per year.

Group management aims to maintain close contacts with each business unit in order to support and provide assistance and tools for improving efficiency, marketing, business development and internal exchange of expertise.

Remuneration to senior managers

All senior managers in the management group are offered a basic salary and a variable bonus comprising a maximum of 30 per cent of annual salary when individual targets are met. For the CEO and two other members of Group management this bonus comprises 50 per cent of annual salary. The Group management members have also been offered the opportunity to subscribe for warrants as part of the warrant scheme described in note 4. The remuneration and benefits of senior managers is reported in note 4 on page 48.

Auditors

Öhrlings PricewaterhouseCoopers AB were elected in 1996 as the company's auditors and they have held this assignment ever since. The auditor in charge is Robert Barnden, authorised public accountant. The interaction of the auditors with the Board is described above. Nobia's purchase of services from Öhrlings PricewaterhouseCoopers, in addition to auditing services, is presented in note 6 on page 50.

8-year summary

SEK m	1997	1998	1999	2000	2001	2002	2003	2004
Income statement								
Net sales	3,316	3,977	4,049	4,102	8,283	9,594	9,273	11,337
Change in per cent	–3	20	2	1	102	16	–3	22
Gross profit	873	1,082	1,176	1,325	3,170	3,865 [1)]	3,586	4,319
Operating profit	79	110	132	261	537	725	565	868
Financial income	3	3	3	9	15	11	14	13
Financial expenses	–45	–59	–51	–50	–138	–130	–79	–136
Profit/loss after financial items	**37**	**54**	**84**	**220**	**414**	**606**	**500**	**745**
Tax on profit/loss for the year	–34	–33	–83	–115	–160	–198	–162	–247
Minority interest	–	–	–	0	0	0	0	–1
Profit/loss for the year	**3**	**21**	**1**	**105**	**254**	**408**	**338**	**497**
Balance sheet								
Fixed assets	910	1,052	1,000	1,975	3,719	3,308	3,783	3,881
Inventories	371	385	447	614	1,178	1,107	1,208	1,147
Receivables	395	498	608	835	1,159	1,021	1,315	1,490
Liquid funds	157	160	135	221	362	293	154	616
Total assets	**1,833**	**2,095**	**2,190**	**3,645**	**6,418**	**5,729**	**6,460**	**7,134**
Shareholders' equity	324	375	351	1,363	1,776	2,589	2,667	2,459
Minority interest	–	–	–	5	6	6	6	7
Non-interest-bearing provisions	123	83	89	378	467	285	266	209
Interest-bearing provisions	13	25	56	79	74	91	87	850
Non-interest-bearing liabilities	699	798	905	1,025	1,714	1,443	1,580	1,775
Interest-bearing liabilities	674	814	789	795	2,381	1,315	1,854	1,834
Total shareholders' equity and liabilities	**1,833**	**2,095**	**2,190**	**3,645**	**6,418**	**5,729**	**6,460**	**7,134**
Net debt, excl. pensions	517	655	654	522	2,004	1,007	1,676	1,195
Capital employed	1,011	1,214	1,196	2,242	4,237	4,001	4,614	5,150
Key figures								
Operating margin, %	2.4	2.7	3.3	6.4	6.5	7.6	6.1	7.7
Operating profit before amortisation of goodwill	80	116	138	270	588	788	625	963
Operating margin before amortisation of goodwill, %	2.4	2.9	3.4	6.6	7.1	8.2	6.7	8.5
Profit/loss after financial items in % of net sales	1.1	1.3	2.1	5.4	5.0	6.3	5.4	6.6
Turnover rate of capital employed, times	3.4	3.6	3.4	3.4	2.3	2.3	2.2	2.3
Return on capital employed, %	8.4	10.2	11.2	22.2	15.5	17.9	14.6	18.5
Return on shareholders' equity, %	0.9	6.0	0.0	17.2	16.2	18.7	13.0	19.6
Debt/equity ratio excl. pension, %	160	175	186	38	113	39	63	48
Equity/assets ratio, %	17.7	17.9	16.0	37.5	27.8	45.3	41.4	34.6
Cash flow before investments	–121	127	126	156	551	513	439	1,010
Investments	101	87	74	87	226	269	294	370
Earnings per share after dilution	0.09 [2)]	0.64 [2)]	0.03 [2)]	2.90 [2)]	5.15 [2)]	7.53	5.84	8.59
Employees								
Average no. of employees	3,092	3,529	3,334	3,003	5,343	5,790	5,571	6,052
Net sales per employee, SEK 000s	1,072	1,127	1,214	1,366	1,550	1,657	1,665	1,873
Salaries and other remuneration	718	825	825	818	1,672	1,814	1,742	1,914

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 of key figures

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.

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.


Invita

Annual General Meeting

The shareholders of Nobia AB are invited to attend the Annual General Meeting at 5 p.m. on Wednesday, 27 April 2005 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 15 April 2005.
2. notify the Company of their intention to attend the meeting no later than 4 p.m. on Thursday, 21 April 2005.

Notification regarding attendance at the Annual General Meeting may be provided in writing to Nobia AB, Box 70376, SE-107 24 Stockholm, Sweden or by phone to +46 (0) 8 440 16 00, by fax to +46 (0) 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 Friday 15 April 2005, when registration must be completed.

Payment of dividends

The record date for entitlement to receive dividends is proposed for Monday 2 May 2005. Payment will be through VPC and is expected to take place on Friday 6 May 2005.

Future financial reports

27 April	Q1 report
	Annual General Meeting
19 July	Q2 report
27 October	Q3 report

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