

nobia

Interim Report January – March 2004

29 April 2004

Key figures	January - March		Jan.-Dec.	April-March
	2004	2003	2003	2003/04
Net sales, SEK m	2,813	2,346	9,273	9,740
Operating profit before depreciation, SEK m (EBITDA)	289	240	872	921
Operating profit before goodwill amortisation, SEK m (EBITA)	220	179	625	666
Operating profit, SEK m (EBIT)	197	164	565	598
Operating margin before goodwill amortisation, %	7.8	7.6	6.7	6.8
Operating margin, %	7.0	7.0	6.1	6.1
Profit after financial items, SEK m	165	148	500	517
Profit after tax, SEK m	111	98	338	351
Earnings per share, after dilution, SEK	1.92	1.70	5.84	6.08
Return on capital employed, %			14.6	13.8
Return on shareholders' equity, %			13.0	14.0

First quarter 2004 compared with first quarter 2003

- Net sales rose 20 per cent to SEK 2,813 million (2,346)
- Organic growth for the Group was 9 per cent
- EBITA rose 23 per cent to SEK 220 million (179)
- EBITA margin expanded to 7.8 per cent (6.6) excluding sale of property 2003
- Profit after financial items rose by 11 per cent to SEK 165 million (148)
- Profit after tax climbed by 13 per cent to SEK 111 million (98)
- Earnings per share after full dilution increased by 13 per cent to SEK 1.92 (1.70)
- High organic growth in all business areas
- Gower now integrated with Nobia and developing according to plan

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Nobia Group, January – March 2004

THE GROUP

Summary

Sales progressed favourably as Nobia's continued market investments and good market growth resulted in strong organic growth. Net sales rose by 20 per cent to SEK 2,813 million (2,346). Organic growth, i.e. the increase in net sales adjusted for currency effects and for comparable units, was 9 per cent. Organic growth for the UK operation was 5 per cent and for the Nordic operation, 13 per cent. The Continental European operation broke recent trends and recorded organic growth of 13 per cent thanks to increased exports and stabilisation of sales in Germany and the Netherlands. Flat-pack products accounted for 22 per cent of Nobia' sales during the first quarter.

The Group's operating profit before goodwill amortisation climbed by 23 per cent to SEK 220 million (179) and earnings per share after dilution increased by 13 per cent to SEK 1.92 (1.70). The increase in profit was mainly due to higher volumes, a higher average order value and increased cost efficiency. The first quarter 2003 included profit from property sales by SEK 24 million. Excluding this profit, the operating profit before goodwill amortisation climbed 42 per cent. The integration and development of Gower is proceeding according to plan. The acquisition had a positive impact on earnings per share.

The operating margin before amortisation of goodwill rose to 7.8 per cent (7.6).

Market development in the first quarter of 2004 compared with the first quarter of 2003

It is estimated that demand increased by 4 per cent in the UK, by 6 per cent in the Nordic market and remained unchanged in Germany and the Netherlands.

Net sales and results

Net sales rose by 20 per cent to SEK 2,813 million (2,346). Gower contributed SEK 329 million. Adjusted for currency effects amounting to SEK -61 million, net sales increased by 9 per cent for comparable units, i.e. excluding Gower, which was acquired in December 2003, and also excluding Goldreif, which is being closed down.

The operating profit climbed by 20 per cent to SEK 197 million (164). The operating profit was boosted by increased sales volumes, higher average order values and greater cost-efficiency in all business areas. The closure of Goldreif, the German business unit, and the acquisition of Gower of the UK contributed to the favourable growth in profit. Higher amortisation of goodwill relating to the Gower acquisition had a negative impact on profit. Excluding goodwill amortisation, the operating profit climbed 23 per cent to SEK 220 million (179).

The operating margin was 7.0 per cent (7.0). The operating margin excluding goodwill amortisation was 7.8 per cent (7.6). The first quarter 2003 included profit from the sale

of property within Magnet amounting to SEK 24 million. Excluding property sales, the operating margin before goodwill amortisation in Q1 2003 was 6.6 per cent.

Financial items amounted to SEK -32 million (-16). The net interest expense was SEK -24 million (-16). Interest charges grew due to the financing of loans relating to the acquisition of Gower. As a result of implementing the Financial Accounting Standards Council's recommendation RR29, Remuneration to employees, Nobia is reporting, in financial items, the net of the expected return on plan assets and the interest on pension liabilities. In the first quarter this net figure was SEK -8 million and does not affect the cash flow.

The profit after financial items rose by 11 per cent to SEK 165 million (148).

The tax cost for the period amounted to SEK -54 million (-50), which represents a tax rate of 32.7 per cent (33.8). Excluding non-deductible amortisation of Group goodwill the tax rate was 28.7 per cent (30.7).

The profit after tax amounted to SEK 111 million (98), which represents earnings per share after dilution of SEK 1.92 (1.70).

Cash flow and investments

Cash flow after investments amounted to SEK 12 million (-85). The improvement in cash flow was due to the improvement in operating profit and a lower seasonal build-up of working capital compared with the same period last year.

Investments in fixed assets amounted to SEK 60 million (62) and relate primarily to investment in capacity at HTH and to store investments at Magnet.

Financial position

The Group's capital employed amounted to SEK 5,186 million, compared with SEK 4,614 million at the end of 2003. Currency effects, mainly due to the strengthening of the British and Norwegian currencies since the end of last year, led to a rise in capital employed of SEK 258 million. The transition to RR29 resulted in an increase in capital employed of SEK 221 million in the form of a deferred tax receivable for the pension liability.

Net debt at the end of the period amounted to SEK 1,791 million, compared with SEK 1,676 at the start of the year. The change in net debt comprises an increase due to pension payments amounting to SEK 25 million and currency effects amounting to SEK 107 million, as well as a decrease equalling the net cash flow from operations amounting to SEK 17 million.

Provisions for pension amounted to SEK 881 million at the end of the period, compared with SEK 87 million at the start of the year. As a result of the implementation of RR29, which came into force on 1 January 2004, the Group's reported pension obligations rose by SEK 738 million. Pension obligations rose by a further SEK 56 million in the first quarter. The change was mainly attributable to an increase due to currency effects amounting to SEK 67 million, and a decrease following pension payments amounting to SEK 25 million.

The translation effect on shareholders' equity amounted to SEK 70 million. At the end of the period shareholders' equity stood at SEK 2,331 million, compared with SEK 2,667 million at the end of the year. The effect on shareholders' equity of the introduction of RR29 amounted to SEK -517 million.

The equity/assets ratio at the end of the first quarter was 31.9 per cent, compared with 41.4 per cent at the start of the year. The debt/equity ratio was 77 per cent, compared with 63 per cent at the start of the year. The changes were mainly due to the introduction of RR29.

At the end of the quarter available credit amounted to SEK 1,092 million, excluding liquid assets.

BUSINESS REGIONS

The UK operation

Net sales amounted to SEK 1,368 million (1,008), up 36 per cent. This includes SEK 329 million from the Gower business unit, which was acquired in December 2003. Excluding currency effects and comparing comparable units only, i.e. not Gower, sales rose by 5 per cent. The first quarter of the year is the strongest season of the year in the UK.

Sales of kitchen, storage and bedroom interiors climbed by 9 per cent compared with the first quarter of 2003, adjusted for currency effects and for comparable units only. Sales of joinery products fell by 4 per cent and sales of bathroom interiors fell by 13 per cent. Strong growth in the DIY segment continued. During the first quarter flat-pack products accounted for 33 per cent of sales.

Organic growth was 3 per cent for fitted kitchens and was driven mainly by the continued high average order value and by increased sales volumes. Within the framework of the ongoing store renovation programme in the Magnet business unit, four newly renovated stores were opened during the period ahead of the January sales, of which three are in central London. The stores that have been renovated are performing well and had a positive effect on sales of fitted kitchens during the first quarter. This programme includes the upgrading of around 150 stores during the period 2004-2006.

The operating profit before amortisation of goodwill amounted to SEK 129 million (111). The profit was boosted by the consolidation of Gower and by higher sales volumes, increased average order value and greater cost efficiency. Increased investments in Magnet's store network had a positive impact on the average order value and on the sales volume. The integration of the Gower business unit is proceeding according to plan.

The operating margin amounted to 9.4 per cent (11.0). The operating profit for Q1 2003 included profit of SEK 24 million from the sale of property. Excluding this amount, the operating margin was 9.4 per cent (8.6). The operating margin for the C.P. Hart

bathroom operation improved compared with the final quarter last year but was lower than the first quarter last year.

The Nordic operation

Net sales amounted to SEK 961 million (879), a climb of 9 per cent. Excluding currency effects the increase was 13 per cent. Sales were up in all the Nordic countries, with the fastest rate of increase in Denmark. Increases came from both the renovation and the new building segments. The driving forces continue to be higher average order value including more accessory sales alongside higher volumes.

Demand in the new building segment, which weakened towards the end of last year in Sweden and Norway, picked up strength during the first quarter. Sales of flat-pack products continued to increase and accounted for around 5 per cent of sales in the Nordic operation. Two new DIY stores were opened in Denmark during the period. Deliveries to Electrolux Home also started during the period.

The operating profit before amortisation of goodwill climbed by 16 per cent to SEK 93 million (80). The operating margin before amortisation of goodwill in the Nordic operation was 9.7 per cent (9.1). The operating profit and margin were positively affected by the greater sales volume for both fitted and flat-pack kitchens, increased average order value and improved cost-efficiency. Currency effects mainly attributable to the weakening of the Norwegian krona had a negative impact of SEK 13 million compared with the corresponding quarter of 2003.

A programme of measures at the Norwegian business unit Norema has resulted in improved product quality and delivery reliability, which had a positive effect on sales and profit. Norema is reporting positive earnings for the first quarter.

The Continental European operation

Net sales amounted to SEK 511 million (479), an increase of 7 per cent. Excluding currency effects and comparing comparable units, i.e. excluding the Goldreif business that is being closed down, the increase was 13 per cent, which is a significant improvement. The rise is explained by increased exports to the UK and South Europe, higher project sales to the US and Asia and a stabilisation of sales in Germany and the Netherlands.

The operating profit before amortisation of goodwill amounted to SEK 23 million (9). The operating margin was 4.5 per cent (1.9). The operating profit and margin were boosted by greater volumes, which led to improved capacity utilisation, continued reduced costs for product supply and the closure of the Goldreif business unit.

The closure of Goldreif is proceeding according to plan and no further effects on earnings are expected to arise.

After the end of the period Poggenpohl signed an agreement to acquire three stores in London. Operations at these stores will be consolidated in the accounts as of the second quarter. These acquisitions are expected to boost the operating profit and operating margin for the Continental European operation.

Parent company

The parent company is involved in Group-wide activities and owns the subsidiaries. The loss after net financial items was SEK -8 million (-3).

Employees

At the end of the period the Group had 6,183 employees, compared with 6,192 at the start of 2004.

Accounting principles

This interim report has been drawn up in accordance with recommendation RR 20, Interim reports, of the Swedish Financial Accounting Standards Council.

As of 1 January 2004, Nobia has implemented the Swedish Financial Accounting Standards Council's recommendation RR29 on remuneration to employees. Following the recommendation means that defined-benefit pension plans in all subsidiaries will be reported according to the same principles. In Nobia's financial reports up to 2003 these plans were reported according to local rules and statutes in each country. In accordance with the transition rules for RR29 an opening liability is established based on 1 January 2004. This opening liability exceeds the liability reported on 31 December 2003, which was based on different principles, by SEK 738 million. As of 1 January 2004 this excess amount has increased provisions for pensions. The net reduction of shareholders' equity will amount to SEK 517 million, taking into account deferred tax. In accordance with the transition rules for RR29 Nobia has not recalculated previous years' results using the new recommendation.

Apart from this exception, the same accounting principles and calculation methods have been used in this report as were used in the most recent annual report.

For definitions of key figures and ratios, please see Nobia's 2003 annual report.

Stockholm, 29 April 2004

Fredrik Cappelen
President and CEO

Nobia AB corporate registration no. 556528-2752

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

The report for the January – June period will be published on 22 July 2004.

Nobia is Europe's leading kitchen interiors company. The Group operates in a number of European markets under strong brand names. Nobia's own specialist kitchen stores and franchise stores are responsible for most of the Group's sales. Nobia is leading the consolidation of the European kitchen market and creating profitable growth by making efficiency improvements and acquisitions, taking an industrial approach. The Group had sales of SEK 9.3 billion in 2003 and has around 6 200 employees. Nobia is listed on the Attract40 segment of Stockholmsbörsen's O-list.

Gower · HTH · Invita · Magnet · Marbodol · Myresjökök · Norema · Novart · Optifit · Poggenpohl · Pronorm · Sigdal

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Income statement

SEK m	January-March		Jan.-Dec.	April-March
	2004	2003	2003	2003/04
Net sales	2,813	2,346	9,273	9,740
Cost of goods sold ¹⁾	- 1,730	-1,374	-5,627	-5,983
Gross profit	1,083	972	3,646	3,757
Selling and administrative expenses ¹⁾	-860	-815	-3,057	-3 102
Other income/expenses	-3	22	36	11
Operating profit before goodwill amortisation	220	179	625	666
Goodwill amortisation	-23	-15	-60	-68
Operating profit ²⁾	197	164	565	598
Net financial items	-32	-16	-65	-81
Profit after financial items	165	148	500	517
Taxes	-54	-50	-162	-166
Minority shares in profit for the period	0	0	0	0
Profit after tax	111	98	338	351
Total depreciation	92	76	307	323
Operating margin excl. goodwill amortisation, %	7.8	7.6	6.7	6.8
Operating margin, %	7.0	7.0	6.1	6.1
Return on capital employed, %			14.6	13.8
Return on shareholders' equity, %			13.0	14.0

Data per share

EPS before dilution, SEK	1.92	1.70	5.86	6.09
EPS after dilution, SEK	1.92	1.70	5.84	6.08
EPS excl. goodwill amortisation before dilution, SEK	2.32	1.96	6.90	7.27
EPS excl. goodwill amortisation after dilution, SEK	2.32	1.96	6.89	7.25
No. of shares before dilution	57,669,220	57,669,220	57,669,220	57,669,220
Average no. of shares before dilution	57,669,220	57,669,220	57,669,220	57,669,220
No. of shares after dilution	57,856,171	57,669,220	57,859,227	57,772,317
Average no. of shares after dilution	57,856,171	57,669,220	57,780,058	57,763,726

1) Reclassification of historical values January-March 2003, for cost of goods sold and selling expenses.

2) The operating profit for January-December 2003 includes Goldreif close-down costs of SEK 98 million.

Balance sheet

SEK m	31 March		31 Dec.
	2004	2003	2003
Assets			
<i>Fixed assets</i>			
Goodwill	1,694	1,021	1,619
Other intangible fixed assets	28	29	27
Tangible fixed assets	2,147	2,046	2,059
Deferred tax	272	34	24
Other financial fixed assets	59	45	54
Total fixed assets	4,200	3,175	3,783
<i>Current assets</i>			
Inventories	1,310	1,133	1,208
Accounts receivable, trade	1,327	1,058	1,050
Other receivables	342	229	265
Cash and bank balances	149	242	154
Total current assets	3,128	2,662	2,677
Total assets	7,328	5,837	6,460
Shareholders' equity, provisions and liabilities			
Shareholders' equity	2,331	2,625	2,667
Minority interests	6	6	6
Provision for pensions, interest-bearing	881	96	87
Deferred tax	208	138	199
Other provisions	58	115	67
Total provisions	1,147	349	353
Long-term liabilities, interest-bearing	1,894	1,274	1,741
Current liabilities, interest-bearing	74	22	113
Current liabilities, non-interest-bearing	1,876	1,561	1,580
Current liabilities	1,950	1,583	1,693
Total shareholders' equity, provisions and liabilities	7,328	5,837	6,460

Balance sheet-related key figures

	31 March		31 Dec.
	2004	2003	2003
Equity/assets ratio, %	31.9	45.1	41.4
Debt/equity ratio, %	77	39	63
Net debt ¹⁾ , SEK m	1,791	1,033	1,676
Capital employed, closing balance, SEK m	5,186	4,023	4,614

1) Net debt excluding provisions for pensions

Statement of changes in equity – the Group

SEK m	31 March		31 Dec.
	2004	2003	2003
Opening balance	2,667	2,589	2,589
Effect of changes in accounting principle	-517	-	-
Restated opening balance	2,150	2,589	2,589
Currency translation differences	70	-62	-137
Total change in shareholders' equity not reported in the income statement	70	-62	-137
Net profit for the year	111	98	338
Dividend	-	-	-130
Warrant premiums	-	-	7
Closing balance	2,331	2,625	2,667

Accumulated currency translation differences recognised directly in equity was SEK -1 million (4).

Cash flow statement

SEK m	January-March		Jan.-Dec.	April-March
	2004	2003	2003	2003/04
Current activities				
Operating profit	197	164	565	598
Depreciation	92	76	307	323
Adjustment for items not included in the cash flow	-2	-33	-39	-8
Interest and tax	-32	-43	-185	-174
Change in working capital	-182	-224	-209	-167
Cash flow from operating activities	73	-60	439	572
Investment activities				
Investments in fixed assets	-60	-62	-294	-292
Acquisition of subsidiaries		-	-907	-907
Other items included in investment activities	-1	37	115	77
Cash flow from investing activities	-61	-25	-1,086	-1,122
Financing activities				
Changes in loans and pension liabilities	-17	34	665	614
Warrant premiums			7	7
Dividend			-130	-130
Cash flow from financing activities	-17	34	542	491
Cash flow for the period	-5	-51	-105	-59
Opening balance, liquid funds	154	293	293	242
Cash flow for the period	-5	-51	-105	-59
Effects of exchange rate changes on liquid funds	0	0	-34	-34
Closing balance, liquid funds	149	242	154	149

Analysis of net debt

SEK m	January-March		Jan.- Dec.
	2004	2003	2003
Opening balance	1,676	1,007	1,007
Translation differences	107	-53	-86
Cash flow from operating activities including investments etc.	8	79	-275
Acquisition of subsidiaries			907
Dividend			130
Warrant premiums			-7
Closing balance	1,791	1,033	1,676

Net sales, operating income and operating margin per region*

SEK m	Net sales			
	Jan.-March		Jan.-Dec.	April-March
	2004	2003	2003	2003/04
UK operation	1,368	1,008	3,848	4,208
Nordic operation	961	879	3,592	3,674
Continental European operation	511	479	1,920	1,952
Other and Group adjustments	-27	-20	-87	-94
Group	2,813	2,346	9,273	9,740

SEK m	Operating income			
	Jan.-March		Jan.-Dec.	April-March
	2004	2003	2003	2003/04
UK operation	129	111	297	315
Nordic operation	93	80	424	437
Continental European operation	23	9	83	97
Close-down costs Goldreif	-	-	-98	-98
Goodwill amortisation	-23	-15	-60	-68
Other and Group adjustments	-25	-21	-81	-85
Group	197	164	565	598

%	Operating margin			
	Jan.-March		Jan.-Dec.	April-March
	2004	2003	2003	2003/04
UK operation	9.4	11.0	7.7	7.5
Nordic operation	9.7	9.1	11.8	11.9
Continental European operation	4.5	1.9	4.3	5.0
Group	7.0	7.0	6.1	6.1

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

Net sales and profit per region
Quarterly figures

SEK m	2004		2003		
	I	IV	III	II	I
Net sales					
UK operation	1,368	980	931	929	1,008
Nordic operation	961	938	753	1,022	879
Continental European operation	511	481	475	485	479
Other and Group adjustments	-27	-22	-15	-30	-20
Group	2,813	2,377	2,144	2,406	2,346
Operating profit					
UK operation	129	65	78	43	111
Nordic operation	93	110	85	149	80
Continental European operation	23	32	27	15	9
Close-down costs Goldreif	-	-3	-95	-	-
Goodwill amortisation	-23	-17	-14	-14	-15
Other and Group adjustments	-25	-19	-22	-19	-21
Group	197	168	59	174	164
Operating margin, %					
UK operation	9.4	6.6	8.4	4.6	11.0
Nordic operation	9.7	11.7	11.3	14.6	9.1
Continental European operation	4.5	6.7	5.7	3.1	1.9
Group	7.0	7.1	2.8	7.2	7.0