nobia

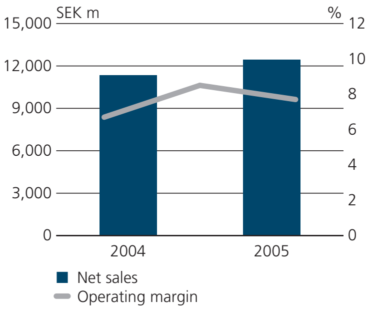
ANNUAL REPORT **2005**

Nobia continued to invest in its store network in 2005. The attractive kitchen offering in Group-owned stores and franchise stores was the basis for a sales trend better than market average.

This is Nobia

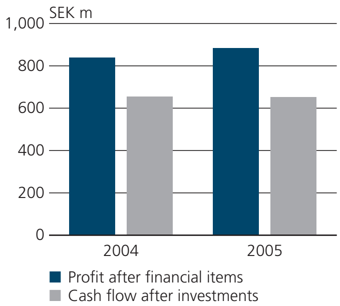
Nobia is Europe's leading kitchen company. The Group operates in a number of European markets under strong brand names. Nobia's own specialist kitchen stores and franchise stores are responsible for most of the Group's sales. Nobia is leading the consolidation of the European kitchen market and generates profitable growth by making efficiency

NET SALES AND OPERATING MARGIN



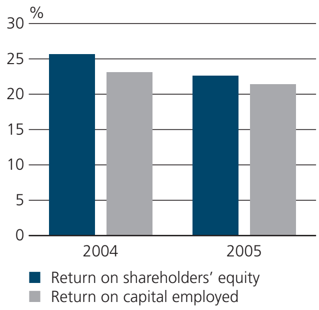
Net sales climbed by 10 per cent and reached SEK 12.4 billion in 2005.

PROFIT AND CASH FLOW



The profit after financial items increased by 5 per cent and reached SEK 885 million in 2005. Cash flow increased to SEK 652 million.

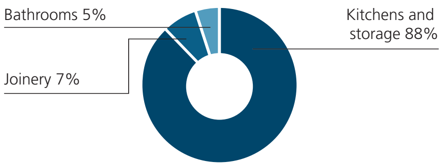
EARNING CAPACITY



Return on shareholders' equity and capital employed was 22.6 and 21.4 per cent respectively.

improvements and acquisitions through an industrial approach. The Group reported sales of SEK 12.4 billion in 2005 and has around 7,700 employees. Nobia is listed among Attract 40 companies on the Stockholm Stock Exchange's O-list.

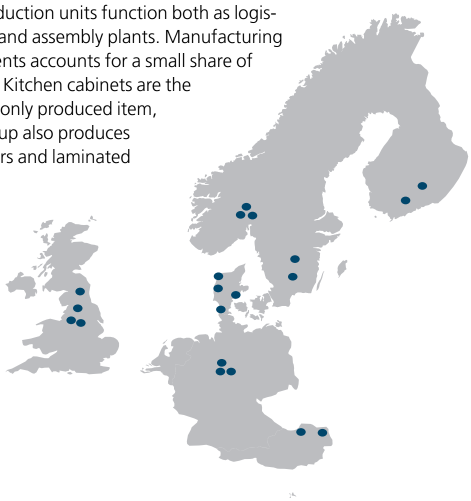
SHARE OF SALES PER PRODUCT



18 per cent of the Group's sales in 2005 were from flat-pack products.

NOBIA'S PRODUCTION UNITS

Nobia's production units function both as logistics centres and assembly plants. Manufacturing of components accounts for a small share of production. Kitchen cabinets are the most commonly produced item, but the Group also produces cabinet doors and laminated worktops.



- Earnings per share after dilution climbed 8 per cent to SEK 11.01 (10.23).
- Profit after tax increased by 8 per cent to SEK 641 million (593).
- Profit after financial items rose by 5 per cent to SEK 885 million (840).
- Net sales climbed 10 per cent to SEK 12,442 million (11,337).
- Organic growth was 3 per cent.
- Operating profit (EBIT) was SEK 954 million (930).
- The operating margin was 7.7 per cent (8.2).
- Operating cash flow climbed to SEK 652 million (634).
- The Board proposes to increase the dividend to SEK 3.50 per share (3.00).
- In February 2006 the Group acquired Hygena Cuisines, the leading kitchen interiors chain in France.

YEAR IN SUMMARY AND KEY INDICATORS

Key figures	2005	2004	Change
Net sales, SEK m	12,442	11,337	10%
Operating profit before depreciation, SEK m (EBITDA)	1,263	1,212	4%
Operating profit, SEK m (EBIT)	954	930	3%
Operating margin, %	7.7	8.2	
Profit after financial items, SEK m	885	840	5%
Profit for the year, SEK m	641	593	8%
Earnings per share, after full dilution, SEK	11,01	10,23	8%
Dividend per share, SEK	3.50 [1]	3.00	
Debt/equity ratio, %	36	47	
Return on capital employed, %	21.4	23.1	
Return on shareholders' equity, %	22.6	25.7	
Sales in channels controlled by Nobia (own stores, franchise stores and direct sales), %	68	70	
Number of stores (own and franchise)	557	546	

[1] Board proposal.

Growth and improved earnings

In 2005 we continued to strengthen the Group's positions and improve the efficiency of our operations. Our organic growth was higher than the overall growth of virtually all the markets where we are present. This was mainly due to continued investments in our store network, which has meant a generally more attractive offer to customers. The effects have been obvious and they pave the way for continued positive earnings development. In early 2006, we acquired Hygena Cuisines, the leading kitchen interiors chain in France. This acquisition significantly reinforces our position in continental Europe.

The kitchen market has developed favourably in recent years, as the kitchen has become the central point in the home. Increased interest in design and home decorating has contributed to this development and meant that the value of the European kitchen market has increased steadily. We see no change in this trend. On the contrary, we expect the market to improve as buying a new kitchen becomes both easier and more affordable. Buying power is governed by financial factors such as disposable income and interest rates, as well as by psychological factors such as future expectations.

Development in the Nordic region has been strong. Our organic growth was around 13 per cent, which is considerably higher than the kitchen market overall. Our growth is attributable to our attractive product range and to increased investments in our store network. During 2005, we refurbished 77 stores, which had a significant impact on sales. We also extended our partnerships with key players in the market, including the new construction sector. In Finland, Novart began selling flat-pack kitchen units. Two DIY stores have been opened and in coming years there are plans to open about ten more stores in Finland.

During 2005, demand declined in both the UK and Continental Europe. These two regions currently account for around 60 per cent of our sales. To counter declining sales, we have been working for some time with rationalisation measures and store investments. It is satisfying to see these efforts rewarded in the form of a lower drop in sales than the market overall and a strengthening of our market positions. This confirms we are using the right methods.

Earnings growth and acquisitions

Nobia's profit after financial items reached SEK 885 million in 2005, a rise of about 5 per cent on the previous year. Net sales climbed by 10 per cent to reach SEK 12.4 billion. Half of the rise in sales was due to acquisitions and 3 per cent was due to organic growth. This division reflects the focus of our growth strategy, namely our ability to combine acquisitions with organic growth. In 2005, we acquired EWE-FM, Austria's leading kitchen company. The impact on our earnings per share was positive and the acquisition strengthens our presence in continental Europe. It also helps us achieve our financial targets and other business goals.

Earnings per share is our most important financial indicator. We have set a target of increasing profits by 12 per cent per year over a business cycle. In 2005, earnings per share were SEK 11.01 (10.23), a rise of 8 per cent. Between 2001 and 2005 we have achieved average profit growth of 16 per cent per year. The return on capital employed was 21.4 per cent and our cash flow is strong, rising from SEK 634 million to SEK 652 million.

A strong balance sheet gives us financial freedom of action to continue the consolidation of the fragmented European kitchen market. It enabled the strategically important acquisition of Hygena Cuisines in February 2006, which strengthens our position in the continental European market even further.

Increased Group co-ordination of product costs

Between 2000 and 2005, net sales climbed from SEK 4 billion to SEK 12.4 billion. In addition to acquired and organic growth, our progress has also included the introduction of a well-defined organisation model, decentralised profit responsibility, increased efficiency via streamlining and the integration of the kitchens business. The next phase of development began in 2005 with focus on key areas of synergies and reduced product costs. As our newly acquired businesses are integrated in coming years, we will start to reap synergy benefits, which will facilitate considerable savings. Because most kitchens are assembled using similar components, better co-ordination will

boost our competitiveness. It requires shared classifications and a joint database, which was introduced in stages in 2005. By the end of the year, we were able to exert much greater control and begin a systematic review of our product range. We are reviewing our supply chain, which will result in fewer suppliers and a stronger concentration on purchases from low-cost countries. This work will take several years to complete, but it will lead to reduced costs and ensure a more competitive offer to our customers.

Measures implemented on weaker markets

To counter weaker market demand in the UK, we implemented a number of measures during the year. The change to order-based production at Magnet continued and contributed to increased cost-efficiency. Investments were made at our Darlington plant and we expect new production to come on stream there in the second half of 2006. It will mean reduced tied-up capital, reduced costs and greater flexibility because we will be able to adapt our range more quickly. During the year, we also refurbished 24 stores. The results were obvious – in 2005 refurbished stores generated our strongest sales growth. We have also focused on service and product range, giving Trade, our concept for professional customers, a more defined profile. We have also made staff reductions at both Magnet and Gower.

On the continent, the kitchen markets in Germany, Austria and the Netherlands showed weak development. We focused on rationalisation and productivity improvements. A new working hours agreement in Germany meant we could extend working time at one of our business units. The integration of EWE-FM in Austria continues and the company is now supplying components to Pronorm in Germany. To strengthen our market coverage, Poggenpohl has opened three wholly-owned stores in Germany and Switzerland.

Stronger distribution network

We usually say that the battle for customers is won in the store. A kitchen is a high-involvement product, so attractive sales outlets with a comprehensive service offering are important for us. By this I mean a kitchen offer in a specialised store with broad market coverage. During the year, 101 stores, both franchised and Group-owned, were refurbished to inspire customers in their kitchen choice. By the end of the year, Nobia had a total of 557 wholly-owned or franchised stores. Along with direct sales to new construction projects, these stores accounted for 70 per cent of our sales. Following the acquisition of Hygena Cuisines in France, the number of specialist kitchens stores, wholly-owned or franchised, has increased to 695. They now account for around 75 per cent of sales.

Meanwhile, we wish to continue strengthening our collaboration with partners in the furniture, building materials and DIY sectors, where we see strong opportunities for growth.

Continuous development

In 2006, we will strengthen our organisation by collecting our business units in three regions headed by regional managers. This will maximise the effect of our growth plans and our co-ordination projects for product supply.

The future development of Nobia is ultimately about people – about the entrepreneurship, creativity and commitment of our staff. This represents an enormous strength and it made 2005 into a favourable year for us, despite weaker demand and significant one-off costs. In the future, we will spend even more resources on staff development, for instance through more internal training, but we will also look to increase integration within the Group. Integration presents exciting career challenges for our people, and this helps Nobia to develop even further. Together we have created the right conditions to reach our overall objective – of making Nobia the largest, most successful kitchen company in Europe.

Stockholm, March 2006

Fredrik Cappelen

Business overview

UK business

Share of Group

Sales

40%

Operating profit

27%

Average no. of employees

36%

Operating profit SEK m

255

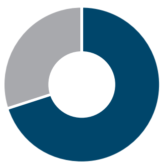
Nordic business

Share of Group

Sales

38%

Operating profit



70%

Average no. of employees

40%

Operating profit SEK m

672

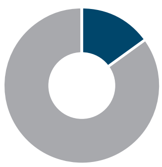
Continental European business

Share of Group

Sales

22%

Operating profit



15%

Average no. of employees

24%

Operating profit SEK m

145

Group total

Sales	Average no. of employees
12,442 SEK m	6,573

Operating profit SEK m[1)]

954

1) The Group total includes other activities not a part of the business areas.

The Magnet business unit manufactures interiors for kitchens, bathrooms and bedrooms for the middle segment. Products are sold through Magnet's own store network. Magnet also distributes joinery products and runs a bathroom business through the C.P. Hart chain. Interior Solutions sells flat-pack kitchens to a UK multiple retailer. Gower is the UK's leading supplier of flat-pack kitchens to multiple retailers.

Read more about the UK business on pages 26-27.

Brands

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

Read more about the Nordic business on pages 28-29.

Brands

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 middle segment. Optifit focuses 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 segment. Hygena Cuisines, the French store chain, was acquired in February 2006.

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

Brands


Gower


Invita

The Nobia share and shareholders

Price trend and turnover

Nobia's share price rose by 46 per cent from SEK 110 on 30 December 2004 to SEK 161 on 30 December 2005. During the same period, the Affärsvärlden General Index rose by 33 per cent and Stockholm Stock Exchange's index for manufacturers of durable consumer goods and services (SX25 Consumer Discretionary) rose by approximately 27 per cent. The highest and lowest prices during the year were SEK 162 and SEK 105 respectively. The total market capitalisation as of 30 December 2005 was SEK 9,286 million. A total of 50,420,152 Nobia shares were traded on the Stockholm Stock Exchange in 2005. The turnover rate, or number of shares traded in relation to the total number of shares in the Company, was 87 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 January 2006, Nobia was listed on the Stockholm Stock Exchange's "Attract40" segment, which comprises the 40 most liquid shares on the O-list. During 2005 Nobia was listed in the "Others" segment of the O-list.

Share facts

Nobia AB's share capital amounts to SEK 57,679,720 distributed over 57,679,720 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

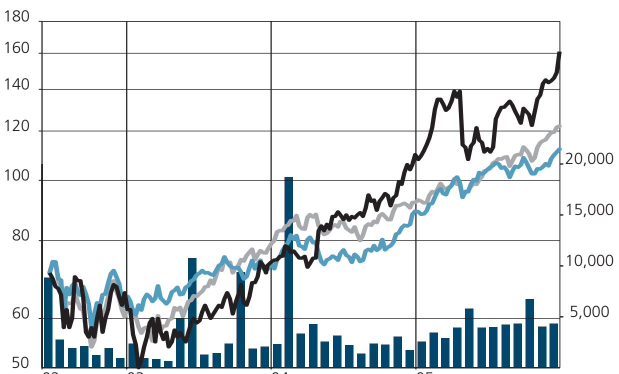
On 30 December 2005, Nobia had 5,436 shareholders. The ten largest owned 48.5 per cent of the capital and votes. Foreign owners held 28.5 per cent of the share capital and Swedish institutional shareholders owned 59.9 per cent. The seven

Nobia's ten largest owners, 30 December, 2005

	No. of shares	Share of capital and votes, %	Accumulated share, %
Öresund	4,508,900	7.8	7.8
Robur fonder	4,132,171	7.2	15.0
If Skadeförsäkring	3,639,700	6.3	21.3
Säkl	3,284,000	5.7	27.0
Columbia	2,755,000	4.8	31.8
AMF pension fonder	2,753,400	4.8	36.6
HQ fonder	2,086,038	3.6	40.2
Tredje AP fonden	1,751,381	3.0	43.2
Skandia Liv	1,549,200	2.7	45.9
Didner & Gerge aktiefond	1,500,000	2.6	48.5
Total	**27,959,790**	**48.5**	

Source: VPC/SIS Ownership Data Corp.

Share price trend



Data per share

	2001	2002	2003	2004	2005
Earnings per share before dilution, SEK	5.47	7.83	5.86	10.27	11.1
Earnings per share after dilution, SEK	5.15	7.53	5.84	10.23	11.01
Dividend per share, SEK	–	2.25	2.25	3.00	3.50 [1]
Yield, %	–	3.5 [3]	3.0 [2]	2.7 [4]	2.2 [5]
P/E ratio	–	9 [3]	13 [2]	11 [4]	15
Shareholders' equity per share, SEK	38	45	46	44	55

[1] Board proposal
[2] Price on 30 Dec. 2003: SEK 75.00
[3] Price on 30 Dec. 2002: SEK 64.50
[4] Price on 30 Dec. 2004: SEK 110.00
[5] Price on 30 Dec. 2005: SEK 161.00

members of Nobia's Group management had combined holdings of 1,301,000 Nobia shares at the end of the year, which is equivalent to 2.2 per cent of the capital and votes. Nobia's Board members held 746,050 shares in the Company at the end of the year, which is equivalent to 1.3 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. Ninety-one people acquired a total of 774,600 warrants to subscribe for new shares in Nobia AB. The subscription price was set at SEK 70.50 and the warrants were issued on 22 May 2005. 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. At the end of 2005, 10,500 warrants had been exercised to subscribe for new shares.

During 2005, in accordance with a decision made at the AGM, a performance-related staff warrants scheme was established. The total number of warrants is 610,000. In brief, the scheme operates as follows. Employees must remain with the company until 31 May 2008. The number of subscription warrants is dependent on the annual profit increase per share. If this is below 5 per cent, no warrants will be issued. On a rising scale up to 15 per cent the number of warrants issued rises to 100 per cent. The subscription price is set at SEK 124.70.

Share repurchase

At the beginning of 2006, Nobia owned none of its own shares.

Dividend policy

The Board's intention is for Nobia to pay a dividend equivalent on average to 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 2005 financial year, the Board proposes a dividend of SEK 3.50 per share, which is equivalent to 32 per cent of the net earnings for the year or SEK 202 million.

Analysis

The following securities brokers and banks have presented analyses of Nobia: ABG Sundal Collier, Carnegie Investment Bank, Enskilda Securities, Hagströmer & Qviberg, Swedbank and Handelsbanken.

Ownership structure, 30 December, 2005

	No. of shares	No. of shareholders	% of shares	% of shareholders
1–500	725,221	3,314	1.3%	61.0%
501–1,000	875,413	1,021	1.5%	18.8%
1,001–2,000	646,761	395	1.1%	7.3%
2,001–5,000	999,635	290	1.7%	5.3%
5,001–10,000	1,013,671	129	1.8%	2.4%
10,001–20,000	1,158,277	78	2.0%	1.4%
20,001–50,000	2,545,756	78	4.4%	1.4%
50,001–100,000	3,307,452	45	5.7%	0.8%
100,001–	46,407,534	86	80.5%	1.6%
	57,679,720	**5,436**	**100.0%**	**100.0%**

Change in share capital

Year	Transaction	Change in shares amount	Change in share capital	Total share capital	Total no. of shares	Nominal value
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
2005	New issue	10,500	10,500	57,679,720	57,679,720	1

1) Refers to Poggenpohl acquisition.

2) Refers to Norema/Invita acquisition.

Creating value for customers and owners

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 (EBIT) 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 at least 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 earnings 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 2001–2005, the average rate of increase was 16 per cent compared with the target of 12 per cent. In 2005 growth was 8 per cent.

Earnings per share after full dilution, 2001–2005

	2001	2002	2003	2004	2005
Earnings per share, SEK[1]	6.18	8.69	6.88	10.23	11.01
Annual change, %		41	–21	49	8
Average annual growth[2]		*41*	*6*	*18*	*16*

[1] EPS before goodwill amortisation, 2001–2003.
[2] Starting from 2001.

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 when evaluating acquisitions. The required return on investment in company acquisitions is determined 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 2001–2005, is shown in the table below. The average sales growth over the period was 11 per cent.

Sales growth %, 2002–2005

	2002	2003	2004	2005
Organic change, %	–2	3	11	3
Acquisitions, disposals and exchange rate effects, %	18	–6	11	7
Total growth, %	**16**	**–3**	**22**	**10**
Average annual growth [1]	*16*	*6*	*11*	*11*

[1] Starting from 2001.

Margin improvements

Development of the operating margin (EBIT) per business region is presented in the table below.

EBIT margin per business region %, 2002–2005

	2002	2003	2004	2005
UK	9.7	7.7	6.7	5.1
Nordic	12.1	11.8	13.4	14.1
Continental Europe	3.3	4.3	6.3	5.3
The Nobia Group	**8.2[1]**	**6.7[1]**	**8.2**	**7.7**

[1] Operating margin before goodwill amortisation.

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

Return on capital employed, %

	2004	2005
Return on capital employed	23.1	21.4
Return on shareholders' equity	25.7	22.6

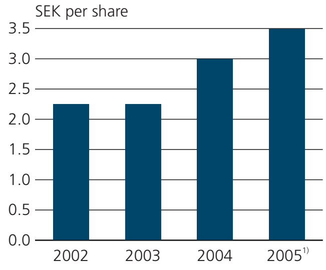
Nobia observes extreme caution when implementing its target for the operating margin so that all business opportunities with a high capital turnover rate and return on capital, but relatively lower profit margins, are optimised. The business units are controlled with targets for sales, operating profit, operating margin and tied-up capital. The target figures are 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 %, 2001–2005

	2001	2002	2003	2004	2005
Debt/equity ratio	113	39	63	47	36
Debt/equity ratio, including pensions	117	42	66	80	65

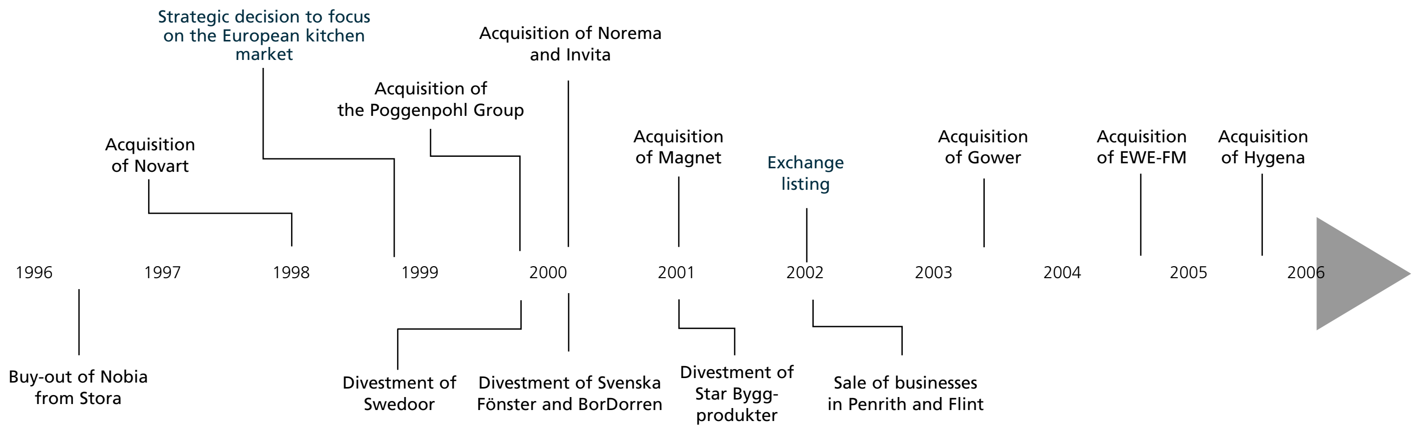
DIVIDEND



1) According to the Board's proposal.

Since 2002, the dividend per share has increased on average by 16 per cent.

NOBIA'S DEVELOPMENT



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

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

3. Low product costs

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

4. Profitable growth

- Organic growth
- Growth through acquisitions

1. Decentralised responsibility for profitability

Nobia builds and organises its business on the basis of a decentralised responsibility for each respective brand and its entire 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 kitchens is mainly a local business. Success in this market is based on having a presence close to the customers. Nobia's organisation, which is structured according to brand and decentralised, provides the conditions to successfully implement a multi-channel strategy, in addition to achieving efficient business control.

Nobia's sales are underpinned by strong, local brands that are marketed either in the Group's own stores, in co-operation with distributors or franchise holders or through other sales channels. The organisation must create proximity to the local markets and strengthen relations with the end customers. Nobia's business is therefore run through decentralised business units, with each unit having independence in decision-making and responsibility for its own organisation and results.

Responsibility for the value chain

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 – from material procurement to customer sales. All 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.

Another key factor regarding competitiveness is the ability of the business units to exert influence in specialised kitchen stores to affect the business offer in the various customer segments and sales channels.

The relationship between Group management and the business units is based on clear division of responsibility. In brief, this means that Group management has responsibility for the overall business concepts, strategies and long-term financial goals. Within this framework, the business units have considerable freedom to develop their brands.

Transparency enhances control

In this internal co-operation, Group management takes responsibility for business development and synergy issues between the business units and makes internal comparisons and know-how exchange easier. The joint information system developed by Nobia is very important in this context. The system enables comprehensive analysis because many key indicators are available for each business unit. All goals are established jointly by each business unit and Group management. Possibilities to compare performance enables for healthy competition between the units. The starting points are past profitability, Group-wide goals and the improvement potential identified through benchmarking. 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, marketing and purchasing. This is clearly apparent from the cost reductions that have been achieved through increased co-ordination in recent years.

Knowledge exchange is also linked to benchmarking. Benchmarking focuses on financial information and on key performance indicators (KPI), which are key figures concerning, for example, the cost and the amount of time spent per unit in production, delivery reliability or stock turnover rate.

In 2006, Nobia will strengthen its organisation by gathering all business units into three regions headed by regional managers. The aim is to enhance our performance both in terms of growth and co-ordination. This organisation is described in further detail on pages 22–23.

2. Multi-channel strategy

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

At the end of 2005, Nobia had 557 such stores. Following the acquisition of Hygena in February 2006, the total number has risen to 695 wholly-owned or franchised stores. They now account for around 75 per cent of total sales and enable Nobia to exert strong influence in the most significant of sales channels. Nobia thereby has an impact on decisive aspects of the sales process and can 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 is one of the best-known kitchen brands worldwide. HTH is an example of a regional brand, while Magnet, Marbodal and Sigdal are examples of national kitchen brands. Most of Nobia's brands are currently ranked one or two in their markets due to consistent, long-term efforts in which the various concepts and brands are integrated in the sales channels.

Apart from the strong brands, having a presence in different sales channels is crucial to reach the various customer segments, especially as customers often choose the sales channel before selecting a brand. In addition to specialised kitchen studios, DIY chains are important for Nobia's business units. For some business units, direct sales to construction companies are significant. In the German market, which is one of the largest in Europe, it is common for retailers to be organised in purchasing organisations that manage the contacts with kitchens suppliers.

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. At the end of 2005, around 70 per cent of Nobia's sales were through sales channels where Nobia had a strong influence. These channels consisted of the

Myresjökök

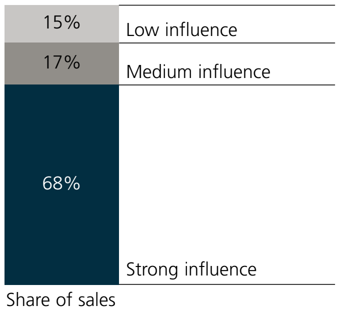
557 specialised kitchen studios operated by Nobia or franchise holders, as well as ex-factory direct sales.

In addition, numerous strategic partners have exclusive agreements with Nobia. The business units are also working actively in other sales channels to improve service content and thereby their co-operation with retailers. The business units are endeavouring to gradually expand their offer to the end customers. Specialised kitchen studios offering an increasingly broader range also mean increased average order values, which boost Nobia'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 unit takes total responsibility for the store's or 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 and for direct sales to the building trade.

NOBIA'S INFLUENCE OVER STORES



Influence over encounters with the customer has a major effect on the sales process and average order value. 68 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.

Nobia's brands in different channels

In Europe, kitchen interiors are sold through many different channels. Experience shows that consumers often choose the sales channel before selecting a brand. Success requires a broad range of brands connected to many offers in all the sales channels. Nobia currently focuses on five sales channels – specialised kitchen studios, furniture stores, multiple retailers and direct sales. The most expansive channels are specialised kitchen studios and multiple retailers (DIY chains).

	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			●	●	●	
Hygena[1)]	●					

1) In February 2006, Nobia acquired French kitchen retailer Hygena.

The store – key point in winning the customer

The store is the key point in contacts with customers. By having attractive stores in prime business locations, Nobia's business units can communicate and inspire while making the buying process simpler for the customer. Improvements in the form of new store openings, relocations and refurbishments are implemented continually to develop Nobia's dynamic store network.

"The battle for customers is won in the store." Nobia uses this phrase to emphasise the key importance of the store in today's kitchen market. At the end of 2005, Nobia had 557 stores in its own network, including franchises. Following the acquisition of Hygena in February 2006 the number of stores rose to 695. Nobia's multi-channel strategy, with different brands marketed in various channels to provide broad market coverage, is the basis for all retail operations.

Looking to the future

The ability to influence different phases of the customer's buying process is a crucial factor. It includes everything from marketing and store exposure with active sales staff providing ideas, solutions and drawings, to financing and installation service. Follow-up is also important in order to make sure that store offers match changing consumption patterns. Adaptations can entail adding more service or associated services, or broadening the range – for example the inclusion of appliances, or accessories such as lighting, handles and worktops – or completely new concepts. Poggenpohl's Studio Concept, which was launched at three additional stores in 2005, is one example of concept development.

Inspiration. Stores provide ideas and inspiration when selecting a new kitchen.

Another is Marbodal's partnership with Electrolux Home, which resulted in the development of a completely new kitchen concept called Sentens for the chain. Kitchens are a new product for Electrolux Home and at the end of 2005, there were 72 stores throughout Sweden selling Sentens.

Even though the adjustment and development of offers varies between business units, the final goal is the same – to create inspiring stores offering attractive and richly varied kitchen solutions.

Many new start-ups

New stores are opened continually in order to develop the store network. Since 2000, an average of 10 wholly-owned stores, including franchises, have been established each year. The Novart business unit in Finland opened two new stores in 2005 devoted to flat-pack sales only. This concept is called Nettokeittöt, and Novart intends to open a number of additional stores over the coming years. In Finland, Novart has also continued the expansion of its KeittiöMaailma concept, which brings together all brands in a single store. At the end of 2005, there were two such stores in Finland. Meanwhile, the establishment of specialist Marbodal stores continues in Sweden. Two new franchises were opened in 2005.

Upgrading stores

In addition to rolling out new stores, Nobia relocates and refurbishes existing ones. In the UK, Nobia plans to upgrade about 150 stores by 2008. In 2005, a total of 24 stores were refurbished or relocated. In the Nordic region, HTH refurbished or started up 16 stores. Six of these stores were DIY stores, which is HTH's concept for flat-pack sales.

Personal service. Active sales staff help customers to choose among a wealth of options.

Planning. Plans, drawings and other practical issues are part of the sales process.

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 product range and more production-efficient designs. These types of efficiency improvements will be achieved while maintaining the breadth and diversity of Nobia's offering to its customers.

Within Nobia, product costs represent nearly two thirds of the Group's sales. The gradual reduction of these costs is an important goal and a continuous process. This work has resulted in an increasing amount of purchasing being handled via central agreements, while shared purchasing procedures are being developed for more product categories. Meanwhile, cabinet frames are being standardised and the range of worktops being harmonised throughout the Group. Co-ordination of component production has been improved among the business units. The overall result has contributed to a reduction in product costs.

To further reduce supply chain costs, Nobia has expanded purchasing to new geographical markets, mainly in Asia and Eastern Europe. One of the Group's purchasing goals is to attain large, global volumes within selected product categories. By utilising these economies of scale, purchasing costs can be reduced even further.

The components used in Nobia's own production go through a make/buy analysis. This is an overall assessment that reveals what will be most cost-effective; to purchase components from an external supplier or manufacture them within the Group. If the decision is to manufacture, it is concentrated as much as possible to a single plant to gain from economies of scale. One example of this concentration is the HTH subsidiary, Implast, which manufactures laminated worktops for most of Nobia's business units in the Nordic region, and Marbodal, which supplies cabinet doors and carcasses to several business units within the Group.

Systematic cost reductions

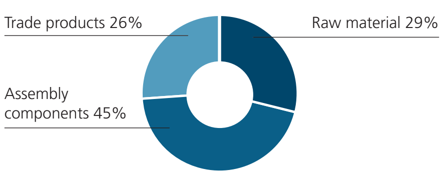
Large-scale production and economies of scale within purchasing and production are given high priority. At the same time, the offer from the business units must be characterised by both breadth and diversity. Systematic reviews of product categories are performed to maintain the right balance. These reviews shall result in clear strategies for reducing costs. In 2005, for example, the knobs and handles category was subject to such a review. It resulted in a significant reduction in the number of suppliers. The overall number of knobs and handles within the Group will be reduced considerably. However, the range offered by each business unit will be as extensive as before, and customers will be offered between 50 and 100 different models and finishes.

Similar reviews will be performed in future for other product categories. Each category has a purchaser with responsibility to sign agreements for the Group. All categories have savings targets that are followed up regularly. Reducing costs also involves increasing the amount of purchases, directly or indirectly, from low-cost countries. The same applies to some of Nobia's production, with manufacturing of solid wood cabinet fronts for the entire Group now carried out in Lithuania.

More efficient production

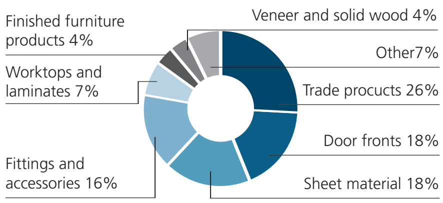
Kitchen manufacturing is largely a logistical flow. Most of Nobia's business units are only assembly units based on assembly-to-order. Assembly is thus the definitive final link in the logistics chain through to delivery to the customer. At this stage, economies of scale and capital intensity are relatively low. Component production is, however, capital-intensive and economies of scale are large. This is why Nobia is increasingly concentrating its component production to specialised units. An increasing number of these units use lean manufacturing,

PURCHASES PER PRODUCT CATEGORY



Raw materials, i.e. chipboard, are processed and refined. Assembly components include articles such as hinges. Trade products are finished items, such as white goods.

PURCHASES PER PRODUCT GROUP



which means systematic improvements of flows and processes in order to boost efficiency.

Plans for improving production efficiency also include more order-based production, which will be implemented at Magnet's plant in Darlington during 2006

The Group-wide standard for carcasses, K 20, is central in the process of co-ordinating and streamlining production. The greatest benefit of 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 region 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. Increased standardisation offers great potential for Nobia. The aim, therefore, is that the business units will start to use even more joint product platforms and standard modules in their production.

4. Profitable growth

Nobia generates growth 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 opportunities for Nobia, which aims to continue to lead the consolidation of the European kitchen market.

Nobia will achieve organic growth through:
- continually developing and strengthening Nobia's brands and distribution channels
- continually updating and adapting the store network in line with new trends and purchasing behaviour
- developing and co-ordinating the product range
- new partnerships and co-operation in distribution and sales
- raising the average order value through increased sales of accessories and service.

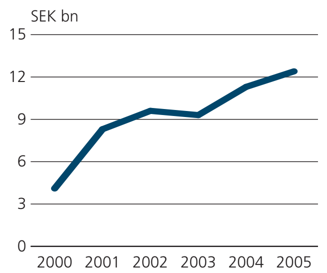
Proven acquisition model

Growth will also be achieved through acquisitions. There are 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 in managing and integrating international businesses
- earnings and profitability improvements achieved in acquired companies.

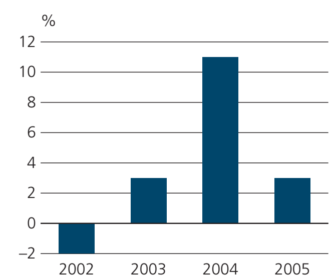
Clear criteria

The acquisition strategy involves Nobia strengthening its positions in existing markets, in addition to establishing 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.

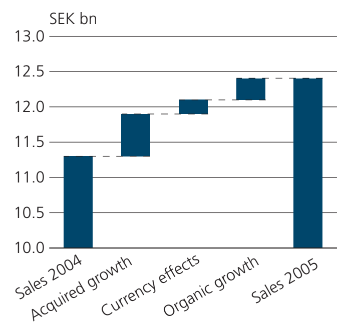
SALES GROWTH



ANNUAL ORGANIC GROWTH



SALES ANALYSIS



Growing interest in kitchens

The kitchen market has developed positively in recent years. An important factor behind this trend is the rise of the kitchen as the home's focal point and the greater interest in design and interior decorating. Increasing customer demands have been the driving force behind the greater specialisation of sales channels and the mounting need for brand profiling. Kitchens with a high design content in the upper segment are, along with flat-pack solutions, today's fastest growing segments.

Lifestyle trends that reflects a greater interest in the home and interior decorating have contributed to the increased value of the European kitchen market in recent years. The role of the kitchen has also changed. Previously, the kitchen was quite a small space with simple and practical functions. Over time, the kitchen has become the home's focal point and somewhat of a status symbol – a status symbol in which design and decorating trends have increased in importance.

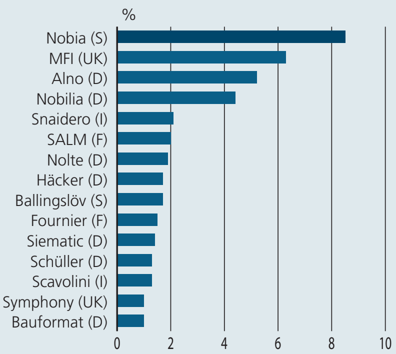
Increased order value

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 individualised kitchens, as well as specially designed products and accessories. Furthermore, customers are willing to spend a larger portion of their disposable income on their kitchen, 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. This confirms the importance of specialised kitchens stores that offer a broad range.

The market in figures

Three types of buyers 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 more significant than the demand from new construction. In the countries where Nobia is active, the renovation market accounts for an average of 70 per cent of demand and the new construction market for the remaining 30 per cent.

NOBIA IS THE MARKET LEADER IN EUROPE

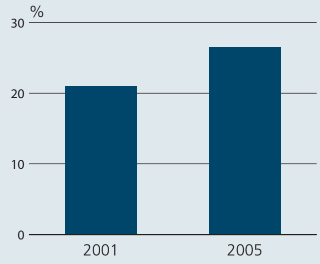


Source: Csil and Nobia.
Figures are for 2005 and exclude IKEA.

Nobia is Europe's leading kitchen manufacturer with an estimated market share of just under 9 per cent. Following the acquisition of Hygena in France, Nobia's market share is estimated to be around 10 per cent.

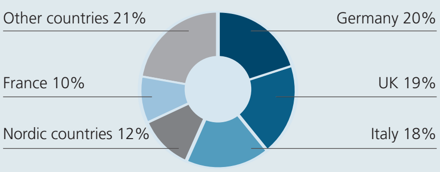
CONSOLIDATION OF THE EUROPEAN KITCHENS MARKET

The kitchen market in Europe is still fragmented. Most manufacturers are small and operate mainly in local markets. The industry is however being consolidated gradually.



Over the past five years, the joint market share of the five largest kitchen companies has risen from 21 to 27 per cent.

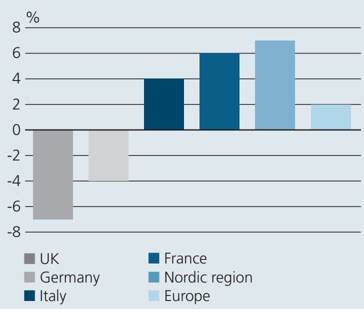
THE EUROPEAN KITCHEN MARKET – GEOGRAPHIC DISTRIBUTION



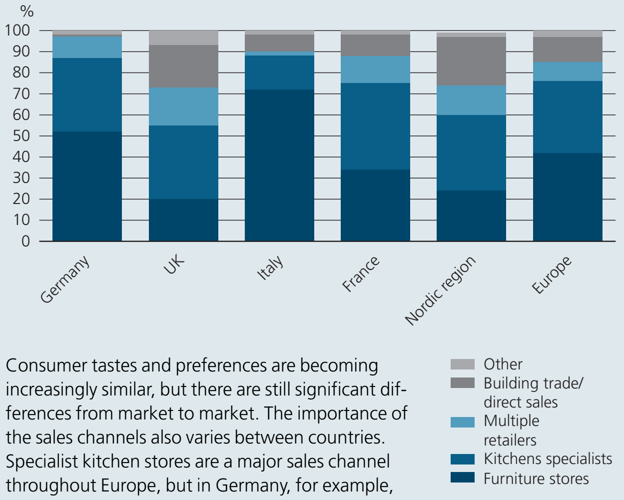
In 2005, sales in the European kitchen market totalled approximately EUR 12 billion (calculated in producer prices).

GROWTH PER MARKET 2005

The total European market for kitchens is estimated to have grown by 2 per cent in 2005. Markets in France and the Nordic region, and Sweden and Denmark especially, reported strong growth. Demand fell in the UK and Germany, however.



DISTRIBUTION CHANNELS



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. Specialist kitchen stores are a major sales channel throughout Europe, but in Germany, for example, furniture stores are an important outlet for kitchens. In the Nordic region and the UK, multiple retailers are important channels.

The kitchen market in 2005

UK – fall in demand

The UK kitchen market is the second largest in Europe and sales in 2005, measured in producer prices, was about EUR 2.2 billion.

During the year, demand fell by 6–7 per cent, mainly due to a slowdown in the housing market, which led to fewer house transactions. The markets for bathrooms and storage also faltered. Through brands such as Magnet and Gower, Nobia's market share in the UK is around 15 per cent. Magnet is the market leader for rigid kitchens in the middle segment. Gower is the market-leading supplier of flat-pack kitchens to multiple retailers in the UK.

Nordic region – growth continues

The kitchen market in the Nordic region is worth about EUR 1.4 billion, measured in producer prices. In recent years, growth has averaged at around 5 per cent per year. In 2005 growth was estimated at 7 per cent. Growth was driven by continued strong demand in the new construction segment in both Sweden and Norway. Development was also favourable in the renovation segment. The market in Denmark progressed strongly, while the Finnish market was unchanged compared with 2004. Nobia's share of sales in the new construction segment is larger in the Nordic region than in other markets. The company is the market leader in all the Nordic countries. The overall market share for the entire region is around 34 per cent.

Continental Europe – demand remains weak

Nobia's Continental European business was mainly attributable to three countries in 2005 – Germany, the Netherlands and Austria. Germany is the largest single market. Development in Continental Europe has been weak for several years. In 2005 the decline in this market is estimated at 4 per cent. This trend stems mainly from generally weaker demand for consumer products. Many manufacturers have been forced to restructure their operations. Nobia's market share is around 3 per cent in Germany, 10 per cent in the Netherlands and 19 per cent in Austria.


Optifit

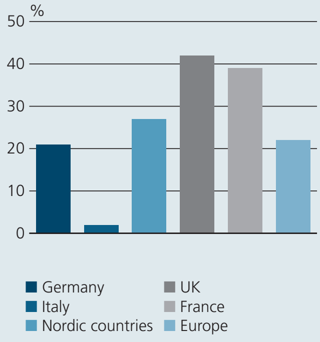
Nobia's main markets	Sales	Market share
Denmark	SEK 1,550 m	37%
Finland	SEK 771 m	33%
The Netherlands	SEK 333 m	10%
Norway	SEK 1,382 m	39%
UK	SEK 5,170 m	15%
Sweden	SEK 1,018 m	27%
Germany	SEK 842 m	3%
Austria	SEK 510 m	19%

Growth in flat-pack kitchens

In the UK and France, for example, flat-pack kitchens constitute more than 40 per cent of the total market. The Nordic market's estimated share is 30 per cent, while in Germany, flat-pack kitchens account for 20 per cent of the market.

Nationwide DIY chains as well as furniture stores – where kitchens make up a significant portion of the product range – are the most important channels for flat-pack 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 distribution channel for European kitchen manufacturers. This has special implications, as many of the DIY chains have a pan-European strategy and are often seeking close partnerships with strong, long-term suppliers.

FLAT-PACK KITCHENS



The European market for flat-pack kitchens is growing rapidly. Nobia estimates that this segment currently accounts for 20–25 per cent of the total European market, expressed in value as a percentage of kitchen interiors, excluding accessory sales. However, the size of the flat-pack kitchen segment varies considerably between different countries.

Optimising our development resources

Nobia's organisation and human resource activities help attain the goals set in the Group's strategy. Organisational changes were put in place at the start of 2006 in order to emphasise regional responsibility for co-ordination and business development. This will boost efficiency in key areas such as growth, lower product costs and a better operating margin. The focus within human resources will be on internal recruitment. This will improve the continuity of Nobia's development and open up career opportunities.

Previously, the Group's support within business development focused on the individual business units. The adaptation of Nobia's organisation will instead link responsibility to a geographic region and all the units in that region. This will enable greater leverage of the development potential in each main market. At Group level, three people will be responsible for support to each business area: the UK, Nordic and Continental European respectively. Responsibility will include development of the existing business and initiatives that can strengthen the Group's positions in a region, such as activities to reduce costs or boost marketing.

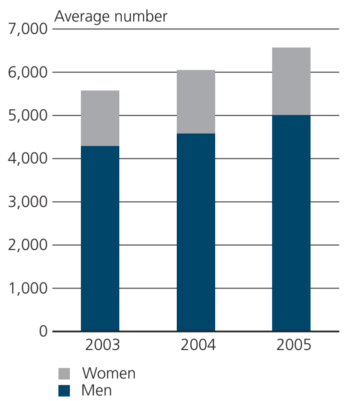
Local responsibility

Development of human resources reflects Nobia's decentralised organisation, in which local responsibility is a vital principle. This applies to areas such as recruitment, skills development, activities for well-being and the working environment. It is also the business units that ensure Nobia's overall values permeate everyday work and are enforced via Group guidelines, which increase in importance as the Group becomes more integrated. At the start of 2005, policies concerning staff development were revised and extended.

At the corporate level, personnel work mainly concerns the senior executives as well as the development of middle managers. Prioritised areas 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.

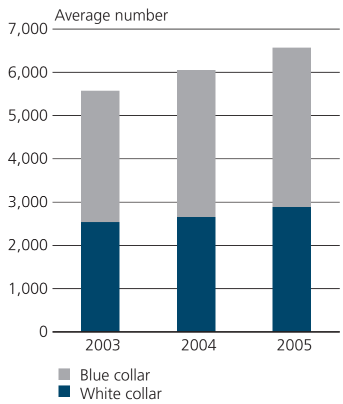
Flexibility and development within the Group is promoted both through external recruitment, as well as by increasing the number of existing employees appointed to senior positions. The background for this is that internal recruitment contributes to increased continuity, as staff with knowledge of the business and the company culture earn promotions and utilise their networks within Nobia. By focusing more on internal recruitment, the Group is able to offer more attractive careers for its own people. An increasing number of tailored skills development projects, including contributions from external specialists, are being implemented for senior managers.

AVERAGE NUMBER OF EMPLOYEES, NUMBER OF WOMEN/MEN



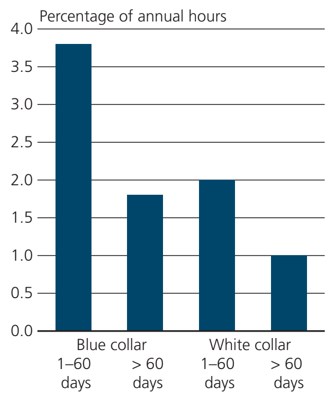
The average number of employees increased by about 9 per cent between 2004 and 2005 to reach 6,573, mainly attributable to acquisitions.

DIVISION BLUE COLLAR/ WHITE COLLAR WORKERS



In 2005, 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.

Extensive survey

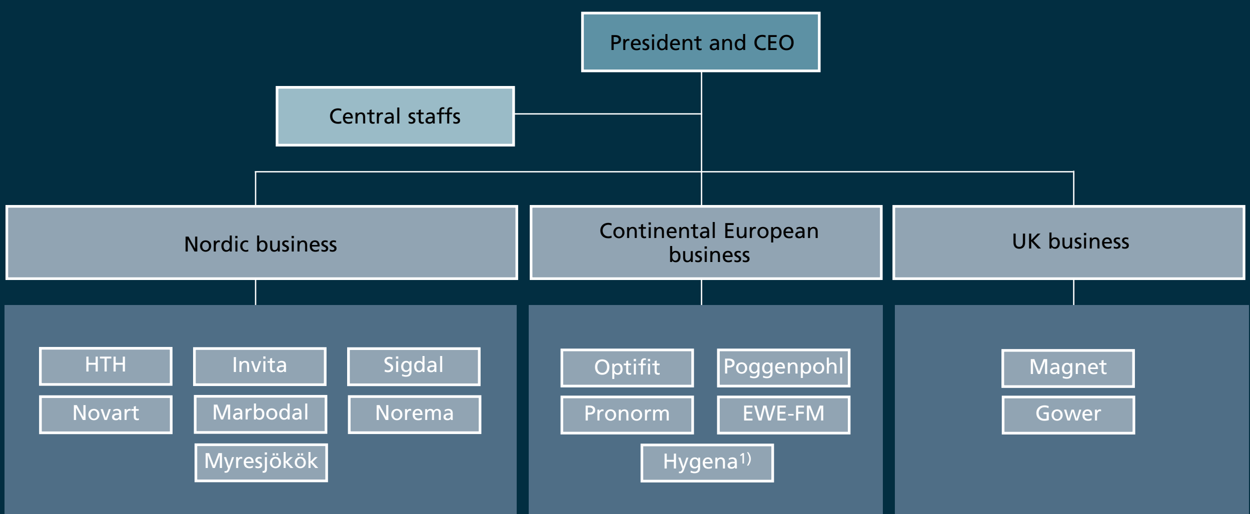
Nobia has been carrying out an extensive survey of the Group's senior managers. In 2005, this was extended to include 150 top-rank managers. The survey is performed in close consultation with business unit managers and results in an action plan for management and skills provision. This plan facilitates preparation for future changes. A number of different qualities are assessed, such as strategic thinking, result-orientation and the ability to communicate. Feedback is given to all the managers who take part in the assessment in the form of personal development reviews. As part of the process, Nobia also identifies future leaders.

Programme for leadership development

Nobia has a special management development programme for staff in middle management expected to enter senior positions. It is called the Nobia Management Programme and 20 persons from various business units participated in 2005. The programme lasts for about one year and is based on several meetings with specific themes such as leadership, finance or business strategy. A large part of the work is done in project groups, in which participants solve concrete, operations-based problems.


Marbodal

NOBIA'S ORGANISATION



Nobia operates via 14 business units that have a clearly defined responsibility for profits. The focus on kitchens provides many opportunities for exchanging knowledge and implementing best practice. This is supported by a shared reporting system.

1) From February 2006 the French business unit, Hygena, is included in the Continental European business.

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 indicators that are applied to both internal and external comparisons.

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.

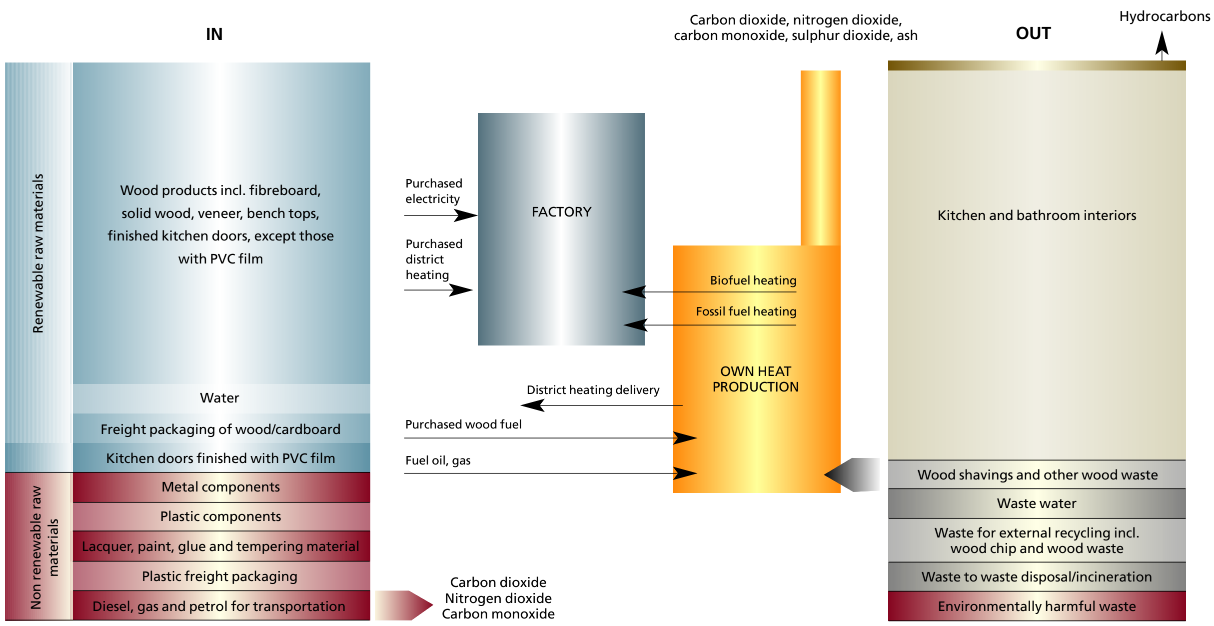
Reducing environmental impact

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 are linked to this system.

With respect to organic solvents, Nobia's business units already use a large amount of water-based 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 EU requirements for 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 treatments, emissions of wood dust, wood shavings and noise from wood processing, as well as emissions of flue gases and ash from boiler rooms for heating. In the countries where Nobia has manufacturing plants, permits are required for one or more of these forms of environmental impact. All plants fulfil the conditions that are established in their respective countries.

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.

Systematic reporting

A number of energy and material balance indicators are prepared for all of the production units. 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 various key figures. These are then used for both internal and external comparisons, and form the basis for quantifiable environmental goals. Each individual business unit determines goals and strategies for their specific business based on the guidelines in Nobia's environmental policy.

Additional environmental certification

Acquiring environmental certification ensures that respect for the environment is incorporated into all of the company's manufacturing and business processes, while improving the environmental performance of the business. In 2005, Invita, uno form and Implast in Denmark obtained ISO 14001 certification. At the end of 2005, 15 of the Group's 18 production units had thus obtained ISO 14001 certification and / or were registered according to the EU's Eco-Management and Audit Scheme (EMAS). The certified plants constituted 85 per cent of the Group's total sales.

Emissions and waste management

Invita increased production of painted components by 17 per cent in 2005. The use of solvents, however, increased by just 10 per cent, due to more efficient use of material and reduced repeat painting. Several components have been transferred to the UV line, where only a very small amount of solvents are used. By sorting at source, Magnet in Darlington has reduced the amount of landfill waste by 16 per cent. Gower in Halifax and Morley have also reduced waste volumes per thousand produced panels by 22 per cent.

Responsible production

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

Key figures	2005	2004[1]	Förändring, %
Environmental management systems			
Businesses with certified environmental management systems, % of Group sales[2]	85	81	5
Greenhouse gases			
Greenhouse gas emissions from transportation of products and personnel, Kg/cabinet	2.20	2.02	9
Greenhouse gas emissions from heating and manufacturing, Kg/cabinet	6.70	5.96	12
Volatile organic compounds			
VOC emissions, kg/100 lacquered fronts	8.47	9.74	–13
Energy			
Electricity, KWh/cabinet	9.42	8.67	9
Packaging material			
Material use, kg/cabinet	1.26	1.24	2
Percentage of renewable packaging material, %	73	73	0

1) 2004 figures are adjusted using data from EWE-FM, which joined the Group in 2005, in order to make comparable figures representative.
2) Manufacturing prices.

Directors' report

Nobia AB, corporate registration no. 556528-2752

The Group in 2005

Nobia is Europe's largest kitchen company. In January 2005, the acquisition of the leading Austrian kitchen manufacturer, EWE-FM, was finalised and the company was integrated in the Group during the year. In March 2005, Poggenpohl acquired a store in Switzerland.

Net sales for the Group climbed by 10 per cent and organic growth, for comparable units and adjusted for currency effects, was 3 per cent. Net sales for the UK business, for comparable units and excluding currency effects, fell by 5 per cent. Investment in the store network continued according to plan. A special initiative has been focused on large stores located centrally in major cities and the stores that have been renovated have produced favourable results. Organic sales growth was 13 per cent for the Nordic business. Two important factors behind the strong sales growth, in addition to general market growth, was extended co-operation with key customers and the ongoing store investments. Organic growth for Nobia's Continental European business was 3 per cent. Higher exports were the main driver behind the increase.

The Group opened a total of 28 new stores during the year, of which eight are DIY stores, and refurbished 101 stores. At the end of the year, the total number of wholly-owned or franchised stores was 557.

Net sales and results

For the full year, net sales rose by 10 per cent to reach SEK 12,442 million (11,337). Acquired units contributed sales of SEK 654 million in 2005 and SEK 33 million in 2004. For comparable units and adjusted for currency effects, sales increased by 3 per cent.

Operating profit amounted to SEK 954 million (930), including costs of SEK 30 million for the action programme carried out at the UK business during the year.

The operating profit rose for both the Nordic and Continental European businesses. Due to lower sales volumes the operating profit of the UK business declined.

Operating profit was bolstered by the consolidation of acquired units and includes a positive currency effect of SEK 18 million arising from the translation of profits from foreign subsidiaries into SEK.

The operating margin was 7.7 per cent (8.2). Excluding costs of SEK 30 million for the UK action programme, the operating margin for the current year is 7.9 per cent.

Financial items amounted to SEK -69 million (-90). The improvement in financial items is mainly due to lower net debt compared with 2004.

The profit after financial items was up 5 per cent on 2004 at SEK 885 million (840).

The tax cost for the period was SEK -244 million (-247), which represents a tax rate of 27.6 per cent (29.4).

Profit after tax climbed to SEK 641 million (593), which represents earnings per share after dilution of SEK 11.01 (10.23). The acquisition of EWE-FM had a positive impact on earnings per share.

The UK business – store improvements boost sales

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

Demand in the UK market is estimated to have fallen by around 6–7 per cent in 2005 compared with 2004.

Net sales reached SEK 5,037 million (5,295), which meant a decline of 5 per cent. Excluding currency effects and for comparable items, sales of kitchens, bathrooms and joinery fell by a total of 5 per cent.

The fall in sales is primarily due to the consumer segment and covers both rigid and flat-pack products. Sales to professional customers in the Trade segment within Magnet were on a par with 2004. Higher sales for kitchen interiors were offset by lower sales for joinery products.

Investment in the store network has progressed according to plan. The investment programme has focused on larger stores located in major city centres, and has had a significant impact on the sales of refurbished stores.

The operating profit fell to SEK 255 million (355). This included SEK 30 million in costs for a completed action programme, which was reported during the second quarter. Lower sales volumes, mainly in the consumer segment, affected the operating profit negatively. The gross margins for rigid and flat-pack kitchens improved. The completed action programme boosted profits from Q3 onwards. Higher overheads impacted negatively on results.

The operating margin fell to 5.1 per cent (6.7). Excluding costs for the action programme, the margin was 5.7 per cent.

More store refurbishments

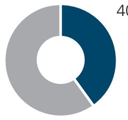
Magnet works with three different types of stores: kitchen stores focused on consumers, specialist trade stores for the small-scale building trade, and combined stores for both consumers and professionals.

During 2005, Magnet refined its store concept. The Trade concept for professional customers was given a stronger profile with greater focus on competitive prices and extended customer service. A dozen or so Trade stores were refurbished. A new store concept was also introduced for the consumer segment, based on experience-oriented buying patterns. During 2005, 24 stores were renovated in accordance with this new concept. At the end of the year, Magnet owned 204 stores. Five of these are part of the C.P. Hart business, which is a retailer of bathroom products. At mid-year, the C.P. Hart kitchen activities were transferred to the Poggenpohl organisation. This activity, which has sales of around SEK 50 million per year, is now a part of the Continental European business.

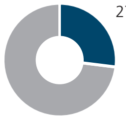
The transition of Magnet's plant in Darlington to order-based production continued in 2005 and is expected to be completed during the first half of 2006. Production of doors at Magnet's plant in Keighley was closed according to plan.

The UK business

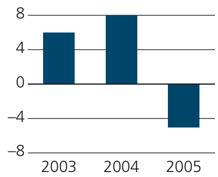
SHARE OF GROUP'S SALES



SHARE OF GROUP'S OPERATING PROFIT



GROWTH IN ORGANIC SALES

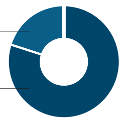


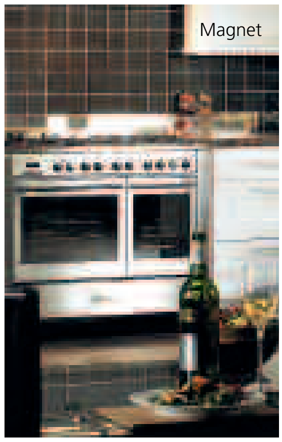
Key figures	2005	2004	Change
Net sales, SEK m	5,037	5,295	-5%
Operating profit, SEK m (EBIT)	255	355	-28%
Operating margin, %	5.1	6.7	
Operating capital [1]	1,326	1,329	
Return on operating capital, %	19	27	
Investments	237	171	
Average no. of employees	2,344	2,413	
No. of own stores	204	213	

	2005				2004			
Quarter	IV	III	II	I	IV	III	II	I
Net sales, SEK m	1,300	1,223	1,307	1,207	1,250	1,341	1,336	1,368
Operating profit, SEK m	74	59	42	80	63	78	92	122
Operating margin, %	5.7	4.8	3.2	6.6	5.0	5.8	6.9	8.9

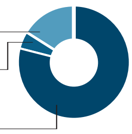
1) Information about total assets has been replaced with information about operating capital, which is more relevant in this context.

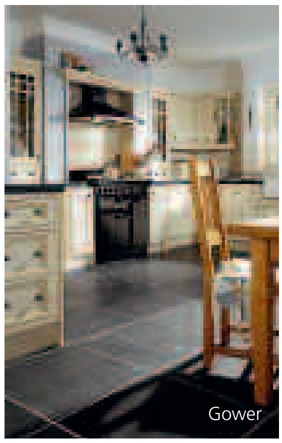
SHARE OF SALES PER BUSINESS UNIT



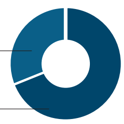


SHARE OF SALES PER PRODUCT





SHARE OF RIGID/ FLAT-PACK PRODUCTS



1) Kitchens, storage, and joinery products.

The Nordic business – strong 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 is estimated to have grown by 7 per cent for the year.

Net sales rose 16 per cent to SEK 4,769 million (4,116) and organic growth was 13 per cent. Sales climbed in all Nordic countries, with the fastest pace of growth in Sweden, Norway and Denmark driven by rising demand and sales in the new-build sector. Sales of accessories, primarily white goods, continued to increase their share of sales. Two important factors behind the strong growth, in addition to general market growth, were extended co-operation with key customers and the ongoing store investments.

The refurbishment and opening of stores contributed to the sales increase in the consumer segment. A total of 20 new stores, including eight DIY stores, were opened during the year and 77 stores were refurbished. The first two DIY stores were opened in Finland. Through the partnership with Electrolux Home, 17 new Sentens kitchen exhibitions were opened, and 72 Electrolux Home stores now offer this concept. Marbodal supplies products for the Sentens range. Nobia has a total of 333 specialist kitchens stores, wholly owned and franchised, in the Nordic region.

Operating profit increased by 22 per cent to SEK 672 million (551). The operating margin climbed to 14.1 per cent (13.4). Both the operating profit and operating margin were positively affected by increased volumes. Currency effects, mainly in Q4, also boosted profits.

More new stores

The extension and refurbishment of the store network in the Nordic region continues. During the autumn, Myresjökök opened its second store in Sweden and signed new agreements with several of Sweden's leading construction companies. As a result, investments will be made in 2006 that will increase capacity and improve the working environment in the company's production plants. Marbodal opened two new kitchen

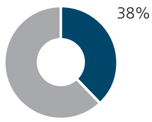
stores in Stockholm as part of the franchise concept. Six new kitchen departments were also opened as part of the company's DIY concept, which is marketed in building materials stores in Sweden.

Invita relocated four of its showrooms in Denmark. HTH opened 10 new showrooms, bringing the total to 131. HTH further developed its DIY concept in the Danish market. In 2005, a representation office was opened in Shanghai, China. In 2005, HTH produced more than one million kitchen cabinets in a year for the first time. The company also invested in increased distribution capacity in its Ølgod plant. In Norway, Sigdal invested in improved logistics for its goods reception area at the plant in Nedre Eggedal.

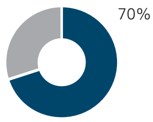
In Finland, Novart has opened two new so-called KeittiöMaailma concept stores, which bring together all brands under one roof. Novart also established two Nettokeittiöt stores selling flat-pack kitchens only.

The Nordic business

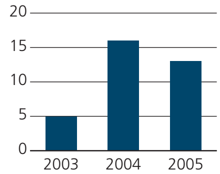
SHARE OF GROUP'S SALES



SHARE OF GROUP'S OPERATING PROFIT



GROWTH IN ORGANIC SALES

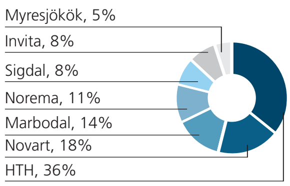


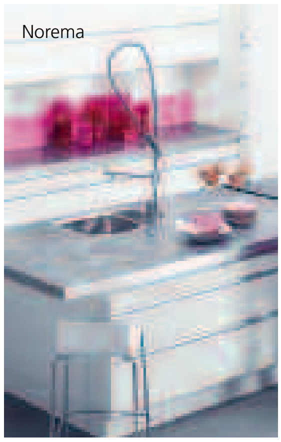
Key figures	2005	2004	Change
Net sales, SEK m	4 769	4 116	16%
Operating profit, SEK m (EBIT)	672	551	22%
Operating margin, %	14,1	13,4	
Operating capital [1]	778	751	
Return on operating capital, %	86	73	
Investments	143	156	
Average no. of employees	2 623	2 511	
No. of own stores	333	319	

	2005				2004			
Quarter	IV	III	II	I	IV	III	II	I
Net sales, SEK m	1,287	1,039	1,381	1,062	1,116	890	1,149	961
Operating profit, SEK m	190	137	225	120	171	113	174	93
Operating margin, %	14.8	13.2	16.3	11.3	15.3	12.7	15.1	9.7

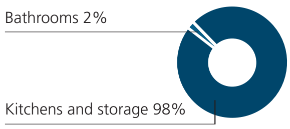
[1] Information about total assets has been replaced with information about operating capital, which is more relevant in this context.

SHARE OF SALES PER BUSINESS UNIT

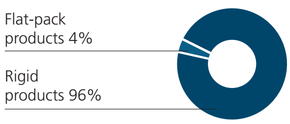


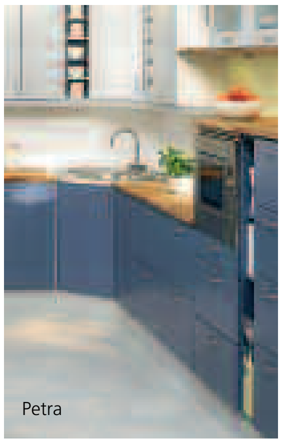


SHARE OF SALES PER PRODUCT



SHARE OF RIGID/ FLAT-PACK PRODUCTS





The Continental European business – improved operating profit

Nobia's Continental European business comprises the Optifit, Pronorm, Poggenpohl and EWE-FM business units. The most important markets for Nobia in 2005 were Germany, the Netherlands and Austria. Exports outside Continental Europe, including intra-Group sales, accounted for 25 per cent of total net sales in 2005. As of February 2006, the French business unit Hygena, is a part of the Continental European business.

In Germany, the Netherlands and Austria it is estimated that demand has fallen by around 4 per cent in 2005.

Net sales climbed 35 per cent to SEK 2,747million (2,031). Adjusted for currency effects and for comparable units, organic growth was 3 per cent. The main reason for the sales increase was continued higher exports to Asia and the UK. EWE-FM was integrated according to plan.

Poggenpohl is one of the world's best-known kitchen brands, with sales in more than 60 countries. In 2005, Poggenpohl's Studio Concept was introduced in a further 43 stores. The concept ensures brand uniformity worldwide. By the end of the year, the concept had reached more than 330 stores. Outside the main markets of Germany and the Netherlands, sales in the region take place in countries that include Switzerland, France, Belgium and Luxembourg.

Operating profit rose by 13 per cent to SEK 145 million (128). The operating margin was 5.3 per cent (6.3). Profits from acquired units and higher sales volumes impacted positively on the operating profit.

New concept

During the year Poggenpohl launched PlusModo, a new kitchen concept developed in co-operation with the Spanish designer, Jorge Pensi. PlusModo is described as "a powerful poetic dialogue between presentation and concealment." Poggenpohl also received a number of awards during the year, including the Good Design Award 2005 and Superbrand Germany 2005, which ranks the strongest brands on the German market. Poggenpohl has entered an agreement with Porsche Design Group to develop a kitchen concept to be ready in 2007.

Pronorm, the German business unit, has initiated co-operation with EWE-FM, which will enable Pronorm to offer customers an additional 40 cabinet fronts. Pronorm opened a new showroom in 2005, enabling a comprehensive presentation of the company's product range.

Significant exports

In 2005, sales outside Continental Europe accounted for 25 per cent of total sales. The US, Asia and the UK are the key export markets, with the US remaining the largest. Export successes have continued in Asia, mainly to China. At the end of the second quarter, the C.P. Hart kitchen business was moved to the Poggenpohl organisation. This business, which reports sales of around SEK 50 million, is therefore now a part of the Continental European business.

Group cash flow and financial position

Cash flow after investments, but before corporate acquisitions, rose to SEK 652 million (634) for 2005, despite a higher level of

investment than the preceding year. Working capital fell during the year by SEK 78 million. The total fall in working capital for 2004-2005 was SEK 124 million. The fall was mainly attributable to the UK business. Cash flow including acquisitions amounted to SEK 335 million (603).

Investments in fixed assets amounted to SEK 472 million (370) during the year. Investments were higher compared with the previous year, mainly due to continued store investments and the change to order-based production within Magnet in the UK. Investments to increase capacity were also implemented in the Nordic business.

The Group's capital employed was SEK 4,613 million, compared with SEK 4,391 million at year-end 2004. Currency effects, due to the weakening of Swedish krona, have boosted capital employed by SEK 273 million.

Net debt at the end of the year amounted to SEK 1,143 million, compared with SEK 1,195 million at year-end 2004.

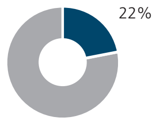
Company acquisitions, dividends and currency effects increased net debt by a total of SEK 600 million, of which currency effects resulting from the weak SEK amounted to SEK 104 million. Cash flow from the business reduced net debt by SEK 651 million.

Provisions for pensions, which are part of deductible items in capital employed, amounted to SEK 915 million at the end of the period, compared with SEK 850 million at year-end 2004. The increase is mainly attributable to currency effects.

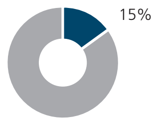
The translation effect on equity amounted to an increase of SEK 158 million due to currency changes. Equity at the

The Continental European business

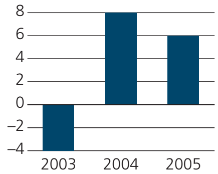
SHARE OF GROUP'S SALES



SHARE OF GROUP'S OPERATING PROFIT



GROWTH IN ORGANIC SALES

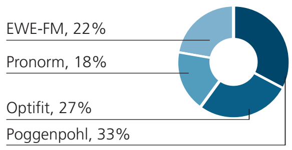


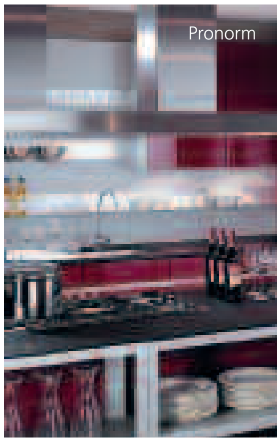
Key figures	2005	2004	Change
Net sales, SEK m	2,747	2,031	35%
Operating profit, SEK m (EBIT)	145	128	13%
Operating margin, %	5.3	6.3	
Operating capital [1]	614	429	
Return on operating capital, %	24	31	
Investments	88	42	
Average no. of employees	1,586	1,111	
No. of own stores	20	14	

	2005				2004			
Quarter	IV	III	II	I	IV	III	II	I
Net sales, SEK m	737	691	704	615	509	500	511	511
Operating profit, SEK m [1]	40	42	45	18	32	36	38	22
Operating margin, % [1]	5.4	6.1	6.3	3.0	6.3	7.2	7.4	4.3

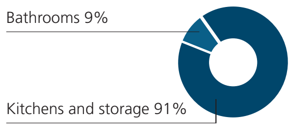
[1] Information about total assets has been replaced with information about operating capital, which is more relevant in this context.

SHARE OF SALES PER BUSINESS UNIT

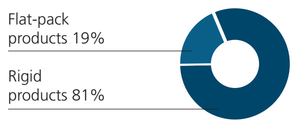


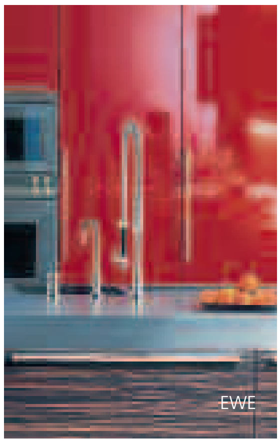


SHARE OF SALES PER PRODUCT



SHARE OF RIGID/ FLAT-PACK PRODUCTS





end of the period was SEK 3,184 million, compared to SEK 2,557 million at year-end 2004. During the year, SEK 174 million was paid out in dividends, of which SEK 1 million was a dividend to minority owners of subsidiaries.

The equity/assets ratio at the end of the year was 40 per cent, compared with 35 per cent at the start of the year.

The debt/equity ratio was 36 per cent at the end of the year compared to 47 per cent at the beginning of 2005. Including provisions for pensions, the debt/equity ratio was 65 per cent at year-end (80).

Available credit on 31 December was SEK 2,002 million.

Employees

The average number of employees in 2005 was 6,573, compared to 6,052 at the previous year. The headcount increased for the Nordic and Continental European businesses and declined for the UK business. The increase for both the Group as a whole and for the Continental European business is mainly attributable to the acquisition of EWE-FM.

Environment

In Sweden, the Group's operations at Marbodal AB and Myresjökök AB require permits under the Environmental Code. The Group's operations that require permits mainly affect the external environment through noise and emissions to air in conjunction with processes for finishing wood products.

Effects of transition to IFRS 2005

From 1 January 2005, Nobia reports its financial information in accordance with International Financial Reporting Standards (IFRS) as approved by the European Union. Comparable figures from 2004 have been recalculated in accordance with IFRS and the changed classification of pensions. A comparison of new and old accounting principles is made in Note 33 of this annual report.

The areas where transition to IFRS entails significant differences for Nobia are the reporting of company acquisitions, minority interests and financial instruments. For Nobia, the transition to IFRS has not had any significant impact on the company's income statement and balance sheets except for reporting of goodwill. In accordance with IFRS, goodwill is no longer amortised on a straight-line basis but will instead be tested regularly for impairment.

The effects of the adoption of IFRS as reported in the 2004 annual report and the interim reports for the first three quarters of 2005 have been preliminary. IFRS has been subject to continuous review and approval by the EU. Nobia's 2005 annual report is produced in accordance with the IFRS principles approved as of 31 December 2005. Those IFRS principles that have been changed have not affected Group reporting, which means that those effects previously described as preliminary can now be considered to be final.

Parent company

The parent company is involved in Group-wide activities and owns the subsidiaries. The profit after net financial items was SEK 206 million (259) and consists mainly of dividends from subsidiaries. The profit for the year was SEK 214 million (263).

Events after the end of the business year

In February 2006, Nobia acquired Hygena Cuisines, one of the leading kitchen retailers in France. Hygena has annual sales of around SEK 1.8 billion and a market share of approximately 11 per cent in terms of kitchens sold. The company has 900 employees and 138 wholly-owned stores. Hygena does not have its own production. The company will be included in the Group's accounts from the date of acquisition. For further details, see Note 34.

Future outlook

The demand for kitchen interior products normally follows the same business cycle as other consumer capital goods. The market comprises consumer purchases for home improvements, which account for most of the demand, and a market for professional new building and renovation projects. The growth in demand consists partly of volume growth, and partly of value growth in the form of increased order value and service. The trend towards increased order value within Nobia has been clear over the past five 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 2005

The Board's activities are described on page 64.

Proposed appropriation of profit

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

Profit brought forward, SEK	195,622,813
Profit for the year, SEK	213,896,433
Total SEK	**409,519,246**

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

Dividend to shareholders, SEK 3.50 per share	201,879,020
To be carried forward	207,640,226
Total SEK	**409,519,246**

The Board of Directors proposes a dividend for the 2005 financial year of SEK 3.50 per share (3.00). The proposed dividend is equivalent to 32 per cent of the net earnings for the year (attributable to parent company shareholders) in the Group.

The proposed record date for the dividend is Monday, 3 April 2006, which means that the final day for trading, including the dividend, is 29 March. If the Annual General Meeting agrees to the proposal, the dividend should be paid out via VPC on Thursday, 6 April 2006.

Board announcement regarding proposed dividend

Following the proposed dividend to shareholders, the equity/assets ratio for the Parent Company is 93 per cent and for the Group, 39 per cent. The equity/assets ratio and liquidity are assessed to be secure against the background of the profitability of the parent company and Group.

In making this assessment, the Board has considered all known conditions that can have significance for the parent company's and Group's financial position. The acquisition of Hygena in February 2006 was included in the assessment.

Consolidated income statement

SEK m	Note	2005	2004
Net sales	3	12,442	11,337
Cost of goods sold	4,6,7,8,23	–7,579	–6,923
Gross profit		**4,863**	**4,414**
Selling expenses	4,6,7,8,23	–3,214	–2,828
Administrative expenses	4,5,6,7,8,23	–715	–672
Other operating profit		97	104
Other operating expenses	7	–76	–85
Share in profit of associated companies after tax		–1	–3
Operating profit		**954**	**930**
Financial income	9	13	13
Financial expenses	9	–82	–103
Profit after financial items		**885**	**840**
Tax on profit for the year	10,24	–244	–247
Net profit for the year	22	**641**	**593**
Net profit for the year attributable to:			
Parent company shareholders		640	592
Minority interest		1	1
Net profit for the year		**641**	**593**

Share data

	Note	2005	2004
Earnings per share, before dilution, SEK [1]	21	11.10	10.27
Earnings per share, after dilution, SEK [1]	21	11.01	10.23
No. of shares, before dilution	21	57,679,720	57,669,220
Average no. of shares, before dilution	21	57,673,928	57,669,220
No. of shares, after dilution	21	58,143,803	57,915,278
Average number of shares, after dilution	21	58,138,011	57,915,278
Dividend per share, SEK	22	3.50 [2]	3.00

Performance analysis

	Net sales		Operating profit		Operating margin	
SEK m	2005	2004	2005	2004	2005	2004
UK business	5,037	5,295	255	355	5.1%	6.7%
Nordic business	4,769	4,116	672	551	14.1%	13.4%
Continental European business	2,747	2,031	145	128	5.3%	6.3%
Other Group adjustments	–111	–105	–118	–104		
Reported values	**12,442**	**11,337**	**954**	**930**	**7.7%**	**8.2%**

[1] Earnings per share attributable to parent company shareholders.
[2] In accordance with Board proposal.

Comments on the income statement

Net sales increased by 10 per cent to SEK 12,442 million (11,337). For comparable units and adjusted for currency effects, net sales increased by 3 per cent. Acquired units contributed SEK 654 million (33). The table below shows the comparative values.

The Group	Sales analysis	
SEK m	2005	2004
Reported values	12,442	11,337
Acquired units	–654	–33
Goldreif	–	–15[1]
Currency effects	–190	–
Comparable values	**11,598**	**11,289**

[1] Operations terminated in 2004.

Operating profit amounted to SEK 954 million (930). Operating profit included costs of SEK 30 million for the action programme carried out at the UK business during the year.

The operating profit rose both in the Nordic and Continental European businesses. Due to lower sales, operating profit fell for the UK business. Operating profit was positively influenced by the consolidation of the acquired units.

Overall, currency effects had an impact of SEK 18 million (–33) on the operating profit.

The operating margin amounted to 7.7 per cent (8.2). Excluding costs for the action programme carried out at the UK business, the operating margin rose to 7.9 per cent.

The net amount of financial income and costs was SEK –69 million (–90). Net interest expense was SEK –69 million (–89). The rise in the net interest expense was mainly due to lower net debt compared with 2004.

Profit after financial items was up by 5 per cent to SEK 885 million (840).

Tax cost for the period amounted to SEK –244 million (–247), which is equivalent to a tax rate of 27.6 per cent (29.4).

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

SEK m	2005	2004
Current tax	–248	–203
Deferred tax	4	–44
Tax on profit for the year	**–244**	**–247**

Performance-based key data

	2005	2004
Earnings per share, after dilution, SEK	11.01	10.23
Return on capital employed, %	21.4	23.1
Return on equity, %	22.6	25.7

EARNINGS CAPACITY

Quarterly data[1)] per business region

SEK m	2005 IV	2005 III	2005 II	2005 I	2004 IV	2004 III	2004 II	2004 I
Net sales								
UK business	1,300	1,223	1,307	1,207	1,250	1,341	1,336	1,368
Nordic business	1,287	1,039	1,381	1,062	1,116	890	1,149	961
Continental European business	737	691	704	615	509	500	511	511
Other and Group adjustments	–33	–23	–25	–30	–25	–24	–29	–27
Group	**3,291**	**2,930**	**3,367**	**2,854**	**2,850**	**2,707**	**2,967**	**2,813**
Operating profit								
UK business	74	59	42	80	63	78	92	122
Nordic business	190	137	225	120	171	113	174	93
Continental European business	40	42	45	18	32	36	38	22
Other and Group adjustments	–34	–28	–31	–25	–30	–22	–27	–25
Group	**270**	**210**	**281**	**193**	**236**	**205**	**277**	**212**
Operating margin, %								
UK business	5.7	4.8	3.2	6.6	5.0	5.8	6.9	8.9
Nordic business	14.8	13.2	16.3	11.3	15.3	12.7	15.1	9.7
Continental European business	5.4	6.1	6.3	3.0	6.3	7.2	7.4	4.3
Group	**8.2**	**7.2**	**8.3**	**6.8**	**8.3**	**7.6**	**9.3**	**7.5**

[1)] Source: published interim reports which, except for the Q3 report, were not audited.

C.P. Hart

Consolidated balance sheet

ASSETS, SEK m	Note	31 Dec. 2005	31 Dec. 2004
Intangible fixed assets	11		
Goodwill		1,975	1,645
Other intangible fixed assets		33	28
		2,008	**1,673**
Tangible fixed assets	12		
Buildings and land		1,419	1,257
Investments in progress and advance payments		38	45
Machinery and other technical equipment		706	545
Equipment, tools, fixtures and fittings		290	246
		2,453	**2,093**
Financial fixed assets			
Other long-term receivables	13	53	43
Investments in associated companies	14	3	0
Deferred tax asset	24	206	163
		262	**206**
Total fixed assets		**4,723**	**3,972**
Inventories			
Raw materials and consumables		387	390
Work in progress		151	148
Finished goods		74	105
Merchandise		641	504
		1,253	**1,147**
Current receivables			
Tax receivables		26	32
Accounts receivable, trade		1,262	1,057
Derivative financial instruments	16	6	–
Other receivables		43	66
Prepaid expenses and accrued income	17	354	335
		1,691	**1,490**
Cash and cash equivalents	18	251	616
Total current assets		**3,195**	**3,253**
Total assets		**7,918**	**7,225**
Of which, interest-bearing items		286	639

EQUITY AND LIABILITIES, SEK m	Note	31 Dec. 2005	31 Dec. 2004
Capital and funds attributable to parent company shareholders			
Share capital	19	58	58
Other capital contributions	19	1,391	1,389
Other reserves	20	120	–38
Retained earnings		1,608	1,141
		3,177	**2,550**
Minority interests		7	7
Total equity		**3,184**	**2,557**
Provisions for guarantees		19	19
Provisions for pensions	23	915	850
Deferred tax liabilitiy	24	186	151
Other provisions	25	82	39
Liabilities to credit institutions (R)	26	1,101	1,568
Other liabilities (R)		51	208
Total long-term liabilities		**2,354**	**2,835**
Liabilities to credit institutions (R)	26	2	2
Overdraft facility (R)	18	148	56
Other liabilities (R)		127	–
Advances from customers		150	106
Trade creditors		857	769
Tax liabilities		142	88
Derivative financial instruments	16	7	–
Other liabilities		375	303
Accrued expenses and deferred income	27	572	509
Total current liabilities		**2,380**	**1,833**
Total equity and liabilities		**7,918**	**7,225**
Of which, interest-bearing items (R)		1,429	1,834

Change in equity – Group

SEK m	Note	Attributable to parent company shareholders Share capital	Other capital contributions	Other reserves	Retained earnings	Total	Minority interests	Total equity
Opening balance, 1 Jan 2004		**58**	**1,389**		**679**	**2,126**	**6**	**2,132**
Currency translation differences	20			–38		–38		–38
Total transactions reported directly in equity		**–**	**–**	**–38**	**–**	**–38**	**–**	**–38**
Net profit for the year					592	592	1	593
Dividend	22				–130	–130		–130
Closing balance, 31 Dec 2004		**58**	**1,389**	**–38**	**1,141**	**2,550**	**7**	**2,557**
Opening balance, 1 Jan 2005		**58**	**1,389**	**–38**	**1,141**	**2,550**	**7**	**2,557**
Currency hedge reserve after tax	20			7		7		7
Adjusted opening balance, 1 Jan 2005		**58**	**1,389**	**–31**	**1,141**	**2,557**	**7**	**2,564**
Currency translation differences	20			158		158	0	158
Currency hedge reserve after tax	20			–7		–7	–	–7
Total transactions reported directly in equity		**–**	**–**	**151**	**–**	**151**	**0**	**151**
Net profit for the year					640	640	1	641
Employee warrants scheme:	19							
– Value of employee services			1			1		1
– Payment for issued shares		0	1			1		1
Dividend	22				–173	–173	–1	–174
Closing balance, 31 Dec 2005		**58**	**1,391**	**120**	**1,608**	**3,177**	**7**	**3,184**

Comments on the balance sheet

Goodwill

At the end of 2005, goodwill amounted to SEK 1,975 million (1,645). The carrying value of goodwill relates to the following acquisitions:

SEK m	2005
Acquisition of Novart 1998	87
Acquisition of Norema/Invita 2000	181
Acquisition of the Poggenpohl Group 2000	143
Acquisition of Magnet 2001	579
Acquisition of Gower 2003	755
Acquisition of EWE-FM 2005	197
Other acquisitions 2004-2005	33
Total	**1,975**

Goodwill is allocated to cash-generating units at the time of acquisition, and is valued regularly by discounting future cash flows using a weighted average capital cost after tax per cash-generating unit. The estimated recovery value is then compared with the reported value including goodwill.

A cash-flow forecast is estimated using the assessment of future income and operating costs based on historic trends, market conditions and planned measures. Other key components in the cash-flow forecast include investment requirements and the demand for operating capital.

The weighted average capital cost is calculated using the Group's debt/equity ratio target and costs for borrowed capital and for equity. The cost for equity is determined based on the assumption that all investors require at least the same return as for risk-free government bonds with the addition of a risk premium to cover the risk assumed by investing in Nobia shares. The risk premium is based on the long-term historical return on the stock market and Nobia's risk profile. The return requirement for Nobia's debt-financed capital is also calculated using the return on risk-free government bonds plus a borrowing margin based on estimated company-specific risk.

The Group's weighted capital cost before tax in 2005 was 9.9 per cent (10.2) based on an average tax rate of 30 per cent. The capital cost after tax is affected by different tax rates in different countries and for 2005 is estimated at between 6.7 and 7.0 per cent (6.7 to 7.2), depending on the tax rate. For investment in Sweden, the return requirement is 7.0 per cent (7.2) after tax, which means that investments must generate unrestricted cash flow, i.e. cash flow after payment of operating costs and tax but before interest costs, equivalent to at least 7.0 (7.2) per cent of the total amount of basic investments in order to be profitable.

The value of goodwill in the Group on 31 December 2005 has been tested and no impairment of goodwill is considered necessary.

It is the company's assessment that reasonable changes in annual growth, operating margin, discount rates and other assumptions shall not have a major effect that would reduce the recovery value below the reported value for goodwill.

Financing

Net debt fell and amounted to SEK 1,143 million (1,195) at the end of the period. The change in net debt was mainly attributable to net cash flow from the business, amounting to SEK 651 million, minus dividends of SEK 174 million and acquisitions of SEK 322 million. In addition, net debt rose by SEK 104 million as a result of the weaker Swedish krona.

The change in net debt is shown in the table below.

Analysis of net debt

	January–December	
SEK m	2005	2004
Opening balance	1,195	1,676
Translation differences	104	–10
Cash flow from current operations including investments	–651	–632
Acquisition of subsidiaries	322	31
Dividend	174 1)	130
New share issue/warrant premiums	–1	–
Closing balance	**1,143**	**1,195**

1) Including a dividend of SEK 1 million to minority owners of a subsidiary.

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

Net debt components

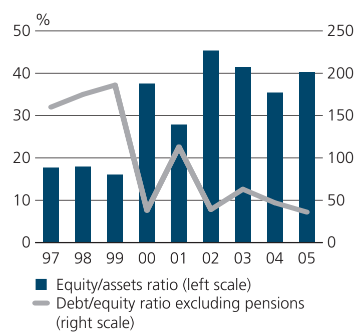
SEK m	2005	2004
Bank loans, etc.	1,378	1,781
Leasing	51	53
Cash/bank balances	–251	–616
Other financial receivables	–35	–23
Total	**1,143**	**1,195**

Changed classification of pension liabilities

For 2005, Nobia reports the net sum of discounted interest on pension liabilities and the expected return on associated plan assets as part of the operating profit.

In order to adapt the classification of pension liabilities to standard practice, from 1 January 2006, Nobia will report the net sum of discounted interest on pension liabilities and the expected return on associated plan assets as part of net financial items instead of the operating profit. If the net sum of interest and expected return for 2005 had been reported as part of net financial items, the operating profit for 2005 would have improved by around SEK 40 million and net financial items would have been reduced by the same amount. The change will thus not affect Nobia's profit after financial items. As a consequence, pension liabilities will now be included in net debt. If pension liabilities had been included in net debt at the end of 2005, it would have been SEK 915 million higher.

EQUITY/ASSETS RATIO AND DEBT/EQUITY RATIO



Consolidated cash flow statement

SEK m	Note	2005	2004
Current activities			
Operating profit		954	930
Depreciation		309	282
Adjustment for items not included in the cash flow, etc.		11	–29
Interest received		13	13
Interest paid		–82	–102
Income tax paid		–191	–150
Cash flow from operating activities before changes in working capital		**1,014**	**944**
Changes in stock		15	11
Changes in receivables		48	–100
Changes in operating liabilities		59	155
Change in pensions		–44	–20
Cash flow from operating activities		**1,092**	**990**
Investing activities			
Investments in tangible fixed assets		–452	–357
Investments in intangible fixed assets		–20	–13
Sale of tangible fixed assets		33	18
Acquisition of subsidiaries	30	–317	–31
Acquisition of associated companies		–2	–
Increase/decrease in short-term financial investments		1	–4
Cash flow from investing activities		**–757**	**–387**
Financing activities			
Loans raised		–	375
New share issue		1	0
Dividend		–174	–130
Amortisation of liabilities		–627[1]	–338
Increase/decrease in short-term financial liabilities		85	–42
Cash flow from financing activities		**–715**	**–135**
Cash flow for the year		**–380**	**468**
Opening balance, cash and cash equivalents		**616**	**154**
Effects of exchange-rate changes on cash and cash equivalents		15	–6
Closing balance, cash and cash equivalents		**251**	**616**

[1] Including a dividend of SEK 1 million to minority owners of a subsidiary.

The profit after tax was SEK 641 million (593). The difference between operating profit, on which the cash flow statement is based, and profit after tax represents a tax expense of SEK –244 million (–247) and a net financial expense of SEK –69 million (–90).

The cash flow from operating activities before changes in working capital amounted to SEK 1,014 million (944). Adjustments for items that do not affect the cash flow amounting to SEK 11 million (–29) are distributed as indicated in the table below.

Adjustment for items not included in the cash flow

SEK m	2005	2004
Capital gain on fixed assets	–41	–57
Other	52	28
Total	**11**	**–29**

The cash flow from operating activities, including change in working capital, amounted to SEK 1,092 million (990). The decrease in working capital was SEK 78 million (–46) and was mainly due to the UK business.

Investments in fixed assets amounted to SEK 472 million (370). The increased investments are mainly the result of the continued store investment programme and the change to order-based production at the UK business unit, Magnet. Investments have also been made to increase capacity in the Nordic business. Other investment items, excluding acquisitions and sale of businesses, resulted in a positive cash flow of SEK 32 million (14).

The operating cash flow, i.e. the cash flow excluding acquisitions and disposal of operations, amounted to SEK 652 million (634).

The parent company

Parent company's income statement

SEK m	Note	2005	2004
Net sales		37	31
Administrative expenses	4,5,8,23	–67	–44
Operating loss		**–30**	**–13**
Profit from shares in Group companies		235	272
Financial income	9	3	1
Financial expenses	9	–2	–1
Profit after financial items		**206**	**259**
Tax on profit for the year	10	8	4
Net profit for the year		**214**	**263**

Parent company's cash flow statement

SEK m	2005	2004
Current activities		
Operating loss	–30	–13
Dividend received	235	112
Interest received	3	1
Interest paid	–2	–1
Cash flow from operating activities before changes in working capital	**206**	**99**
Changes in liabilities	73	53
Changes in receivables	–133	–35
Cash flow from operating activities	**146**	**117**
Investing activities		
Other long-term receivables	1	–1
Shares and participations	–8	0
Provisions for pensions	0	1
Cash flow from investing activities	**–7**	**0**
Financing activities		
Warrant premiums	1	–
Group contributions	33	13
Dividend paid	–173	–130
Cash flow from financing activities	**–139**	**–117**
Cash flow for the year	**0**	**0**
Opening balance, cash and cash equivalents	**0**	**0**
Effects of exchange-rate changes on cash and cash equivalents	–	–
Closing balance, cash and cash equivalents	**0**	**0**

Parent company's balance sheet

SEK m	Note	31 Dec. 2005	31 Dec. 2004
ASSETS			
Fixed assets			
Financial fixed assets			
Investments in Group companies	13, 15	1,374	1,370
Investments in associated companies	14	4	0
Other long-term receivables		0	1
Total fixed assets		**1,378**	**1,371**
Current assets			
Current receivables			
Receivables from Group companies		911	779
Accrued income and prepaid expenses		1	0
Cash and cash equivalents	18	0	0
Total current assets		**912**	**779**
Total assets		**2,290**	**2,150**
EQUITY, PROVISIONS AND LIABILITIES			
Equity			
Restricted equity			
Share capital	19	58	58
Statutory reserve		1,671	1,670
		1,729	**1,728**
Unrestricted equity			
Retained earnings		196	81
Profit for the year		214	263
		410	**344**
Total equity		**2,139**	**2,072**
Provisions for pensions	23	**1**	**1**
Current liabilities			
Accounts payable, trade		10	1
Liabilities to Group companies		123	56
Other liabilities		7	7
Accrued expenses and deferred income	27	10	13
Total current liabilities		**150**	**77**
Total equity and liabilities		**2,290**	**2,150**
Pledged assets	28	–	–
Contingent liabilities	29	1,340	1,792

Change in parent company's equity

SEK m	Note	Share capital	Statutory reserve 1)	Unrestricted equity	Total equity
Opening balance 2004		**58**	**1,670**	**201**	**1,929**
Group contribution received				16	16
Tax effect, Group contribution received				–4	–4
Group contribution paid				–3	–3
Tax effect, Group contribution paid				1	1
Net profit for the year				263	263
Dividend	22			–130	–130
Equity, 31 Dec. 2004		**58**	**1,670**	**344**	**2,072**
Group contribution received				33	33
Tax effect, Group contribution received				–9	–9
Net profit for the year				214	214
Employee warrants scheme					
– value of employee services				1	1
Share issue		0	1		1
Dividend	22			–173	–173
Equity, 31 Dec. 2005		**58**	**1,671**	**410**	**2,139**

1) The statutory reserve for the parent company comprises SEK 1,390 million (1,389) of allocated equity.

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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 2005, expressed in SEK and after offsetting flows in the opposite direction, amounted to SEK 1,638 million, of which SEK 957 million was hedged. At the end of 2005, the hedged volume was SEK 687 million.

Credit risk

Nobia is active in many markets and in many distribution channels. Depending on the distribution channel, the customer base consists of both professional users and individual 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 fluctuations 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 fluctuations have on profits. In addition, currency contracts are entered into to avoid exposure. With the current debt/equity ratio and currency distribution of capital employed, around 33 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 used in each country for the purpose of optimising the Group's tax situation. Nobia's financial currency exposure policy does not involve hedging of equity.

	Capital employed per currency	Interest-bearing liabilities excl. pensions per currency
SEK	225	0
EUR	1,317	313
GBP	2,155	792
DKK	524	250
USD	76	18
NOK	287	55
Other	29	1
Total	**4,613**	**1,429**

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 2005, the fixed-interest rate term was 2-3 months. At the end of the year Nobia had hedged GBP 38 million through interest-rate swaps, which conclude in December 2006. At the end of the year this comprised around 66 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 2005 was SEK –2 million.

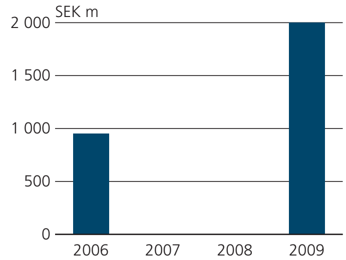
Borrowing risk

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. The syndicate 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 local banking facilities and a small number of local loans. The table below shows the maturity of all of Nobia's loans.

Year of maturity, SEK m	2006	2007	2008	2009	2010
Loans and credit commitments	826 [1)]	–	–	2,000	0

[1)] Of which, SEK 852 million refers to extendible 364-days' credit, which does not however constitute a binding commitment from the lender.

MATURITY STRUCTURE
CREDIT COMMITMENTS



Note 1 continued

Commercial exposure	USD	EUR	NOK	CHF	GBP	SEK	DKK
Currency contracts							
2006, local currencies	14	25	199	5	5	0	0
Total, SEK m[1)]	**112**	**234**	**234**	**33**	**74**	**0**	**0**
Market value, SEK m	–3	1	2	1	0	0	0
Average hedging rate	7.664	9.41	1.182	6.153	9.420	–	–
Net flows							
2005, local currencies	9	–69[3)]	424	13	14	172	–3
Net flows SEK m[2)]	65	–637[3)]	492	76	193	172	–3
Hedged volume, SEK m[2)]	67	407	314	50	119	0	0

[1)] Flows re-stated at closing rate, SEK.
[2)] Re-stated using average rate in 2005.
[3)] In addition EUR 29 million is flows into DKK, corresponding to SEK 269 million.
Note that SEK is not always one of the currencies in the contract. The value in SEK should therefore be seen as a volume indicator.

Note 2 Accounting principles

Nobia's consolidated accounts are prepared in accordance with International Financial Reporting Standards, IFRS, as approved by the European Union up to 31 December 2005, and in accordance with RR30 "Additional accounting rules for Groups" and the Annual Accounts Act.

The effects of the adoption of IFRS as reported in the 2004 annual report and the interim reports for the first three quarters of 2005 have been preliminary and based on IAS/IFRS standards valid in 2005. The standards changed and introduced within the EU up to 31 December 2005 had no effects on Nobia other than those reported as preliminary.

The consolidated financial statements were prepared in accordance with the purchase method of accounting, except for certain financial items, including derivative financial instruments, which are valued at their fair value. More details are included in the descriptions of the accounting principles for each item below.

Comparable values for 2004 are re-stated with consideration to the adoption of IFRS.

The net amount of discounted interest on pension debts and the expected return on associated plan assets are reported in 2005 as part of the operating profit. As a consequence, pension debts for 2005 are a deductible item when calculating capital employed. Comparable figures for 2004 are re-stated using the classification principle used in 2005 when the aforementioned net interest in the 2004 annual report is reported among financial items.

The annual report of the parent company, Nobia AB, is prepared in accordance with the Swedish Annual Accounts Act and recommendation RR 32 of the Swedish Financial Accounting Standards Council, "Reporting by legal entities".

Application of standards or additions that come into effect on 1 January 2006 or later

In 2005, the IASB changed the rules for IAS 19 "Employee benefits", which enables an alternative method for reporting actuarial profit and loss so that they can be included in equity. This rule comes into effect on 1 January 2006, but application before this date is encouraged. The Group has decided not to implement this alternative.

IAS 39 "Amendment issued to IAS 39 for cash flow hedges of forecast intragroup transactions" came into effect on 1 January 2006, but earlier adoption is encouraged. Nobia has chosen to apply this amendment for 2005. Other standards for which early adoption is encouraged have not affected Nobia's 2005 accounts.

After 31 December 2005, the EU adopted new accounting standards and decided to change and extend certain existing standards. The new accounting standards and decisions about changes that may affect Nobia are IAS 1 "Presentation of Financial Statements", IAS 21 "The Effects of Changes in Foreign Exchange Rates" and IFRS 7 "Financial Instruments: Disclosures". For IAS 21, the date for implementation is 1 January 2006, and for IAS 1 and IFRS 7, the date is 1 January 2007. None of these additions or changes are expected to have any accounting effect on Nobia, but more detailed information will be required.

Key accounting estimates and assumptions

In order to produce accounts in accordance with reliable accounting practices, company executives and the Board of Directors must make assessments and assumptions that affect the reporting of income and expense items, assets and liabilities and other information. Actual outcomes can differ from initial assessments. The areas where estimates and assumptions involve a risk for adjustments in reported values for assets and liabilities in the coming financial year, are as follows:

Assumptions for impairment testing regarding goodwill

The Group regularly tests goodwill for impairment in accordance with the accounting principles described for Intangible assets on page 45. The assumptions and tests made for expected cash flows and discount rates in the form of a weighted average capital cost are described in the comments on the balance sheet on page 38. Forecasts for future cash flows are based on the best possible assessments of future income and operating costs.

Assumptions concerning income tax

The Group is liable for tax in different countries and assessments are therefore made to establish Group allocations for income tax. Liabilities for anticipated tax audit issues are reported based on assessments of how additional tax liabilities will arise. The probability that tax assets can be recovered through future taxable income is also assessed. See also the accounting principles described under Taxes, on page 45.

Cash flow

The cash flow statement has been prepared according to the indirect method. The reported cash flow includes only those transactions entailing the receipt and payment of funds.

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 or has another form of controlling influence.

The consolidated financial statements have been prepared in accordance with the purchase method of accounting. The subsidiaries' acquired equity is

Note 2 continued

determined as the difference between the fair value of identifiable assets, acquired liabilities and future commitments based on a market assessment at the time of acquisition. The acquired subsidiaries' equity is eliminated in its entirety, which means that the Group's equity therefore consists only 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 from the day the Group takes over control of decision-making within the company, with amounts concerning the period after acquisition.

Subsidiaries disposed of are included in the consolidated financial statements up to the day when the Group ceases to have a controlling influence within the company.

The effects of all Intra-Group transactions, including income, costs, receivables and liabilities and Group contributions are eliminated in their entirety. Intra-Group profits are eliminated in their entirety, without consideration of minority shares.

Translation of foreign subsidiaries

The financial statements of subsidiaries are presented in the local currency used in the country where the company is active. SEK is used for the Group accounts and as working currency of the parent company. This means that results and financial position for all Group companies that have a different working currency are translated into SEK. Foreign subsidiaries' assets and liabilities are translated at the closing day rate and 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. 2005	31 Dec. 2004	2005	2004
DKK	1.26	1.21	1.25	1.23
EUR	9.43	9.00	9.28	9.13
GBP	13.73	12.71	13.58	13.46
NOK	1.18	1.09	1.16	1.09
USD	7.95	6.61	7.48	7.35

Accounting for investments in associated companies

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 other reserves. The Group's unrestricted profit is reduced by the accumulated portion of losses in associated companies. Unrealised intra-Group profit is eliminated with the profit share due to the Group.

Profit shares in associated companies are reported on separate lines in the consolidated income statement and consolidated balance sheet. Shares in associated companies' profits are reported after tax.

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 businesses.

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 asset. This applies to both accumulated loss carryforwards at the time of acquisition and losses arising thereafter.

Valuation is based on the tax rate applying on the closing day. Deferred tax is booked in the balance sheet as financial fixed assets or provisions. The income tax liability is reported as a current receivable or liability. The tax for the year is made up of current tax and deferred tax.

If the actual outcome differs from the amount first reported, the difference affects the allocations for current tax and deferred tax in the period when this calculation is made.

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 represents the amount by which the consolidated acquisition value of shares in the acquired company exceeds the value of the subsidiary's net assets as stated in the acquisition analysis.

In accordance with IFRS 3, from 1 January 2004, goodwill is no longer amortised on a straight-line basis, but is, instead, tested regularly for impairment. Goodwill is allocated to cash-generating units, which are generally equivalent to business units, and is assessed regularly by discounting anticipated cash flow with a weighted average capital cost per cash-generating unit. Anticipated cash flow is calculated using estimates for future revenues and operating costs based on, among other factors, historic performance, market conditions and planned measures. For a description of the method and the assumptions applied in conjunction with impairment testing, see the comments on the Balance sheet concerning Goodwill on page 38.

Other intangible assets, primarily patents and licences, are amortised at the rate of 20–33 per cent per year. The amortisation period is determined based on the estimated useful life of the asset.

Note 2 continued

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 2005. The Group does not carry out research and development on any significant scale.

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 is reported at the start of the leasing period as the lower of the leasing object's fair value and the current value of minimum leasing fees. Financial leasing agreements are reported in the balance sheet as fixed assets and financial liabilities respectively. Future leasing payments are specified according to amortisation of the liabilities and financial costs in order that interest, equivalent to a fixed-interest rate charge, is reported in the accounting period in which respective liability is reported. 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 are 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 maturity dates 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.

Receivables and liabilities in foreign currencies

Receivables and liabilities in foreign currencies are valued at the closing day rate.

Nobia uses hedge accounting for intra-Group currency flows to the extent that they qualify for hedge accounting in accordance with IAS 39. Hedge accounting means that the unrealised profits and losses that arise when assessing the market value of the hedging instrument and that meet the conditions for hedge accounting, are reported under equity.

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. Impairment is performed if a lasting decline in value is noted. Short-term financial holdings are reported at their acquisition value, which is mainly 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. Cash and cash equivalents are valued at their fair value.

Financial liabilities

All transactions are reported on the settlement day.

Derivative financial 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.

Nobia uses hedge accounting for intra-Group currency flows to the extent that they qualify for hedge accounting in accordance with IAS 39. Hedge accounting means that the unrealised profits and losses that arise when assessing the market value of the hedging instrument and that meet the conditions for hedge accounting, are reported under equity.

Transaction exposure

Hedging of currency flows

Accounts receivable, trade, and trade creditors in foreign currencies are valued at the closing rate. Currency hedging transactions in the form of forward contracts relating to future flows of foreign currency impact on profits as they mature.

Hedging of fixed interest rates

The Group uses an interest-rate swap agreement to guard against fluctuations in interest rates.

Any differences in interest rates to be paid or received due to interest-rate swaps are reported under the item 'Interest expenses and similar items'.

Provisions and other commitments

Provisions are reported on the balance sheet among current and long-term liabilities, 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.

Employee benefits

Pensions

Pension obligations are reported in the consolidated accounts in accordance with IAS 19 "Employee benefits", which Nobia has applied since 2004.

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

The Group's defined-benefit pension plans define the amount of pension benefit that an employee, or former employee, will receive after retirement based upon their salary and the number of years of service. Pension obligations for defined-benefit plans are reported according to common principles and calculation methods and are calculated with consideration for future salary increases and inflation, among other factors. The Group carries the risk that the promised benefit will be paid.

There are both funded and unfunded defined-benefit plans within the Group. Funded plans are financed on the basis of contributions paid primarily to pension funds.

Concerning defined-benefit plans, the pension cost and pension commitment are calculated using the so-called Projected Unit Credit method. This method allocates the cost of pensions at the rate at which the employees perform services for the company that increase their entitlement to future benefit. This calculation is performed annually by independent actuarial assessors. The company's obligations are valued at the current value of expected future cash

Note 2 continued

outflows using a discount interest rate corresponding to interest on high-quality corporate bonds or government bonds.

Actuarial profits and losses can arise during assessment of the current value of commitments and the fair value of plan assets. Such gains and losses arise either because the fair value is different to the previous assumption, or the assumption has changed. The portion of accumulated actuarial gains and losses at the end of last year in excess of the greater of 10 per cent defined-benefit obligation or 10 per cent of the fair value of plan assets is charged or credited to income over employees' expected average remaining period of service.

For funded plans, the Group reports pension obligations in the consolidated balance sheet as a liability comprising the net amount of the estimated current value of the obligation and the fair value of plan assets. Funded plans having net assets, i.e. plans with assets exceeding the pension commitment, are reported as financial fixed assets.

In 2005, Nobia reports the net amount of discounted interest on pension liabilities and the expected return on related plan assets as a portion of operating profit. Comparable figures for 2004 are restated in accordance with this principle, as the net interest was reported in the 2004 annual report among financial items. The effects of this change were explained in the 2004 annual report and in the interim reports published in 2005.

In defined-contribution plans the company pays fixed contribution into a separate legal entity.

The parent company reports defined-benefit pension plans in accordance with the law on safeguarding of pension commitments and instructions from Sweden's Financial Supervisory Authority.

Other long-term remuneration

The Group operates schemes for remuneration in connection with anniversaries and to employees with long service.

Other long-term remuneration is reported in the consolidated accounts in accordance with IAS 19 "Employee Benefits".

When establishing the current value of a commitment and the fair value of the plan assets, actuarial profit and loss may arise. Unlike reporting of benefit-defined pension plans, actuarial profit and loss is reported immediately.

Warrants scheme

The Group's costs for employee warrants are reported in accordance with IFRS 2 "Share-based payment". The cost is calculated based on the warrant's theoretical value adjusted with regard to disposition right infringements and employee turnover, and they are distributed over the scheme's lifetime. In countries where employee warrants might give rise to costs in the form of social security fees, the Group sets up a reserve for social security costs that follows share price trends during the term.

Note 3 Net sales by geographic market

	Group	
SEK m	2005	2004
Sweden	1,018	881
Denmark	1,550	1,317
Norway	1,382	1,156
Finland	771	716
Total Nordic region	**4,721**	**4,070**
UK	5,170	5,356
Germany	842	810
Austria	510	42
Netherlands	333	338
Other, Europe	464	393
Total Europe	**12,040**	**11,009**
North America	196	217
Other, world	206	111
Group	**12,442**	**11,337**

Note 4 Salaries, other remuneration and social security contribution

Of the cost of goods sold and sales and administrative costs, the following are amounts for salaries, other remuneration and social security contributions:

	2005		2004	
SEK m	Salaries and other remuneration	Soc. sec. contrib. (of which pension costs)	Salaries and other remuneration	Soc. sec. contrib. (of which pension costs)[1]
Subsidiaries in:				
Sweden	195	85	172	77
		(16)		(16)
Denmark	447	42	438	37
		(31)		(26)
Norway	175	34	151	35
		(10)		(6)
Finland	93	57	93	55
		(22)		(21)
Germany	355	73	347	74
		(4)		(6)
Austria	136	28	–	–
		(18)		(–)
UK	674	84	656	65
		(63)		(55)
France	2	1	2	1
		(0)		(0)
USA	33	6	29	5
		(0)		(0)
Switzerland	10	2	12	2
		(0)		(1)
Total subsidiaries	**2,120**	**412**	**1,900**	**351**
		(164)		**(131)**
Parent company	**20**	**12**	**14**	**10**
		(5)		**(6)**
Group	**2,140**	**424**	**1,914**	**361**
		(169)		**(137)**

[1] Previously reported pension costs are adjusted for changes in pension classifications. The net sum of discounted interest on pension liabilities and the expected return on plan assets, previously reported under net financial items, have reduced the operating costs.

Total remuneration costs for employees are as follows:

SEK m	2005	2004
Salaries, other remuneration and social security contributions	2,395	2,138
Pension costs – defined-contribution plans	94	51
Pension costs – defined-benefit plans	71	79
Costs for special employer's contribution and tax on returns	4	7
Costs for allocated subscription warrants 2003–2008 (Note 19)	1	3
Costs for allocated employee warrants 2005–2009 (Note 19)	2	–
Total costs for employees	**2,567**	**2,278**

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

Note 4 continued

Salaries and other remuneration, Board and CEO:

SEK m	2005	2004
Parent company		
Board and CEO	11	7
Other employees	11	9
Total parent company	**22**	**16**
Subsidiaries		
Board and CEO	63	33
Other employees	2,057	1,867
Total subsidiaries	**2,120**	**1,900**
Group	**2,142**	**1,916**

Senior management remuneration

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. Board members appointed by the AGM receive a fixed fee of SEK 280,000 per Board member and the Chairman receives SEK 700,000, a total of SEK 2,380,000. 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 person per year.

CEO

The CEO received SEK 5,282,358 in salary in the 2005 financial year and a bonus related to the 2005 results of SEK 2,312,500.

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 occupational 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 2005, the cost was SEK 1,463,982. 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 six people in 2005, received salaries during the financial year amounting to SEK 12,459,129 and bonuses based on the 2005 results of SEK 2,439,000. At the beginning of 2006, the management group consisted of six 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 fixed annual salary, and 50 per cent for the CEO and members of Group management employed in UK. 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

Warrant scheme 2003–2008

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 at a price of SEK 70.50. The warrant premium is SEK 10.20. Those subscribing for warrants and still employed on 22 May 2005 had the entitlement to receive compensation equivalent to 40 per cent of the warrant premium. The warrants can be exercised to subscribe for shares during the period 22 May 2005 to 22 May 2008. In 2005, 10,500 warrants were used for share subscriptions, which means that a maximum of 764,100 warrants remain. If all warrants are exercised, the number of shares in the Company will be increased by 764,100 shares, which is equivalent to a dilution of around 1.3 per cent of all of the shares. On full utilisation of the remaining warrants the number of subscription warrants and the acquisition price are as follows:

Subscription warrants 2003–2008	Number	Acquisition price, SEK
CEO	40,000	408,000
Other management	88,000	897,600
Other employees	636,100	6,488,220
Total	**764,100**	**7,793,820**

Warrant scheme 2005–2009

At the 2005 Annual General Meeting, a decision was made in accordance with the Board's proposal to implement a rewards scheme in the form of a performance-related employee warrants scheme for 146 individuals comprising a total of 610,000 warrants. Employee warrants entitle employees to acquire shares in Nobia AB during the period from 31 May 2008 to 1 March 2009 at a fixed exercise price of SEK 124.70. The entitlement to exercise the warrants is granted to employees still employed by Nobia at the time of utilisation and is related to the development of the earnings per share for the Nobia Group during the financial years 2005 to 2007. Full subscription is obtained when the average annual increase of earnings per share for the three-year period is at least 15 per cent. If this increase in earnings per share is below 5 per cent no warrants will be issued. The annual increase in earnings per share will determine the number of warrants to be received. In the event of maximum profit increase and full utilisation, the number of subscription warrants and the acquisition price will be as follows:

Employee warrants 2005–2009	Number
CEO	22,500
Other management	85,000
Other employees	502,500
Total	**610,000**

All previous schemes have been completed.

Note 5 Remuneration to auditors

	Group		Parent Company	
SEK m	2005	2004	2005	2004
Auditing, Öhrlings PricewaterhouseCoopers AB	9	8	0	0
Other assignments besides auditing[1)], Öhrlings PricewaterhouseCoopers AB	4	2	0	0

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

Note 6 Depreciation per activity

SEK m	2005	2004
Cost of goods sold	–139	–139
Selling expenses	–115	–81
Administrative expenses	–55	–62
Total depreciation	**–309**	**–282**

In addition to reported depreciation, no write-downs have been carried out in 2005.

Note 7 Breakdown per type of costs

SEK m	2005	2004
Raw materials	–4,940	–4,518
Remuneration costs for employees (Note 4)	–2,567	–2,278
Depreciation and write-downs (Note 6)	–309	–282
Freight	–546	–460
Operational leasing, primarily stores	–480	–408
Other costs	–2,742	–2,562
Total costs by type	**–11,584**	**–10,508**

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	2005	2004	2005	2004
Paid during the year	480	408	0	0
Fall due for payment 2005	–	434	–	–
Fall due for payment 2006	491	370	0	0
Fall due for payment 2007	438	333	0	0
Fall due for payment 2008	397	312	0	0
Fall due for payment 2009	349	283	0	0
Fall due for payment 2010	307	–	0	0
Fall due for payment later	1,550	1,490	0	0

The above amounts include renewed lease contracts of SEK 187 million (129).

The nominal value, SEK 187 million of premises that are sublet, where the remaining duration exceeds one year, breaks down as follows:

	Group	
SEK m	2005	2004
Fall due for payment 2005	–	35
Fall due for payment 2006	48	28
Fall due for payment 2007	37	21
Fall due for payment 2008	32	15
Fall due for payment 2009	24	11
Fall due for payment 2010	17	–
Fall due for payment later	29	19

Note 9 Financial income and expenses

	Group		Parent Company	
SEK m	2005	2004	2005	2004
Profit from shares in Group companies				
Dividends	–	–	235	272
Write-down	–	–	–	0
Financial income				
Interest income, current	13	13	0	0
Exchange-rate fluctuation	0	0	3	1
Financial expenses				
Interest expense	–82	–103[1)]	–2	–1
Exchange-rate fluctuation	0	0	0	0
Total	**–69**	**–90**	**236**	**272**

1) Previously reported interest expenses have been adjusted due to changed classification of pensions. Interest expenses include the net sum of pension provisions and the expected return on associated plan assets, have reduced expenses.

Note 10 Tax on profit for the year

	Group		Parent Company	
SEK m	2005	2004	2005	2004
Current tax	–248	–203	–1	–
Deferred tax	4	–44	9	4
Total tax on profit for the year	**–244**	**–247**	**8**	**4**

The deferred tax receivable for the year is mainly attributable to the dissolving of the tax reserve and the change in loss carry-forwards.

Tax expense accounted for 27.6 per cent (29.4) of profits before tax. The difference between accounted tax expense (27.6 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 equity.

%	2005	2004
Local tax rates in Sweden	28.0	28.0
Different local tax rates	1.2	2.1
Taxes relating to earlier periods	–0.7	2.5
Other non-deductible/tax exempt items	–1.0	–3.2
Other	0.1	0.0
Group's tax expense	**27.6**	**29.4**

Tax-exempt items include capital gains on the sale of fixed assets that are offset against non-assessed loss carry-forwards. This reduced the Group's tax rate by 1.0 per cent.

Note 24 explains the calculation of deferred tax liabilities and assets.

Note 11 Intangible fixed assets

Goodwill, SEK m	Group 2005	Group 2004
Opening reported values	1,645	1,619
Corporate acquisitions	202	50
Translation differences	128	–24
Closing reported value	**1,975**	**1,645**

Other intangible assets, SEK m	Group 2005	Group 2004
Opening acquisition value	127	119
Investments for the year	20	13
Sales and scrapping	–5	–4
Corporate acquisitions	21	–
Reclassifications	1	–
Translation differences	6	–1
Closing accumulated acquisition value	**170**	**127**
Opening amortisation	99	92
Sales and scrapping	–5	–4
Amortisation for the year	18	12
Corporate acquisitions	20	–
Translation differences	5	–1
Closing accumulated amortisation	**137**	**99**
Opening impairment	0	0
Closing accumulated impairment	**0**	**0**
Planned residual value, 31 Dec	**33**	**28**
Of which		
Software	16	16
Brands	9	9
Other	8	3
Planned residual value, 31 Dec	**33**	**28**

Note 12 Tangible fixed assets

Buildings, SEK m	Group 2005	Group 2004
Opening acquisition value including write-up amount	1,720	1,673
Investment for the year	111	84
Sales and scrapping	–52	–36
Corporate acquisitions	128	–
Reclassifications	–4	16
Translation differences	97	–17
Closing acquisition value including write-up amount	**2,000**	**1,720**
Opening depreciation	649	594
Sales and scrapping	–19	–12
Corporate acquisitions	73	–
Reclassifications	–8	–4
Depreciation for the year	82	77
Translations differences	36	–6
Closing depreciation	**813**	**649**
Planned residual value, 31 Dec	**1,187**	**1,071**

The above includes financial leasing according to the table below:

	Accumulated acquisition value		Accumulated depreciation	
SEK m	2005	2004	2005	2004
Buildings	51	51	8	8

Land and land improvements, SEK m	Group 2005	Group 2004
Opening acquisition value including write-up amount	212	227
Investments for the year	6	2
Sales and scrapping	–22	–18
Corporate acquisitions	42	–
Reclassifications	10	2
Translation differences	13	–1
Closing acquisition value including write-up amount	**261**	**212**
Opening depreciation	26	25
Depreciation for the year	1	1
Translation differences	2	0
Closing depreciation	**29**	**26**
Planned residual value, 31 Dec	**232**	**186**
Tax assessment for property in Sweden	**72**	**73**
Residual value	**75**	**80**

Bank loans are secured via mortgages for buildings and land within the Group amounting to SEK 9 million (9).

Note 12 continued

Investments in progress, SEK m	Group 2005	Group 2004
Opening balance	45	10
Investments started during the year	29	63
Investments completed during the year	–47	–27
Corporate acquisitions	4	–
Translation differences	2	–1
Closing balance	**33**	**45**

Machines and other technical equipment, SEK m	Group 2005	Group 2004
Opening acquisition value	2,002	2,030
Investments for the year	190	126
Sales and scrapping	–98	–142
Corporate acquisitions	150	–
Reclassifications	9	8
Translation differences	120	–20
Closing acquisition value including write-up amount	**2,373**	**2,002**
Opening depreciation and write-downs	1,457	1,482
Sales and scrapping	–92	–128
Corporate acquisitions	105	–
Reclassifications	–12	1
Depreciation for the year	125	116
Translation differences	84	–14
Closing depreciation and write-downs	**1,667**	**1,457**
Planned residual value, 31 Dec	**706**	**545**

Equipment, tools, fixtures and fittings, SEK m	Group 2005	Group 2004
Opening acquisition value	607	555
Investments for the year	110	82
Sales and scrapping	–50	–60
Corporate acquisitions	46	–
Reclassifications [1]	17	39
Translation differences	41	–9
Closing acquisition value	**771**	**607**
Opening depreciation and write-downs	361	339
Sales and scrapping	–30	–47
Corporate acquisitions	38	–
Reclassifications	3	–
Depreciation for the year	86	76
Translation differences	23	–7
Closing depreciation and write-downs	**481**	**361**
Planned residual value, 31 Dec	**290**	**246**

[1] 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.

Advance payment for fixed assets, SEK m	Group 2005	Group 2004
Opening balance	0	3
Expenses during the year	5	–
Corporate acquisitions	1	–
Reclassifications	–1	–3
Closing balance	**5**	**0**

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

Note 13 Financial fixed assets

Investments in Group companies, SEK m	Parent Company 2005	Parent Company 2004
Opening acquisition value	1,370	1,370
Acquisition of subsidiaries [1]	4	–
Closing acquisition value	**1,374**	**1,370**

[1] Acquisition of subsidiaries, see Note 15.

Other long-term receivables, SEK m	Group 2005	Group 2004
Deposits	15	13
Long-term loans to retailers	14	15
Financial leasing receivable	9	8
Other interest-bearing receivables	12	–
Other	3	7
Total	**53**	**43**

Note 14 Investments in associated companies

	Group		Parent Company	
SEK m	2005	2004	2005	2004
Opening balance	0	3	0	0
Proportion of the year's profit/loss	–1	–3	0	0
Acquisitions	2	–	4	0
Capital contribution	2 [1]	–	–	–
Translation differences	0	0	0	0
Closing balance	**3**	**0**	**4**	**0**

[1] Including reclassification of SEK 1 million in previous year.

Note 14 continued

The Group's shares in the key associated companies, all of which are unlisted, are as follows:

	Registered in	Ownership, %	Share 2005, SEK m	Share 2004, SEK m
UAB Domingos Durelés	Lithuania	45.0%	2	1
HTH Expert w Kuchni sp Z	Poland	44.7%	0	–1
HTH Schweiz AG	Switzerland	33.0%	1	
Total			**3**	**0**

The Group has not reported losses for HTH Expert w Kuchni sp Z, amounting to SEK 1 million (2). Unreported accumulated losses amount to SEK 3 million (2).

Note 15 Investments in Group companies

Nobia AB's shares and participations in operational Group companies, %. Dormant companies are not included in the table below.

	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**		
HTH Køkkener A/S		**Ølgod**	**100**		
HTH Kök Svenska AB	556187-3190	Helsingborg	100		
HTH Køge A/S		Køge	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**		
Kitchen Sense (Surrey) Ltd		Darlington	100		
Flint Properties Ltd		Darlington	100		
Magnet (Retail) Ltd		Darlington	100		
The Penrith Joinery Company Ltd		Darlington	100		
Gower Group Ltd		**Halifax**	**100**		
Charco Ninety-Nine Ltd		Halifax	100		
Myresjökök AB	**556048-3256**	**Älmhult**	**100**	**30,000**	**77**
Poggenpohl Möbelwerke GmbH		**Herford**	**98.57**	**6**	**532**
Poggenpohl Group UK Ltd		London	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		
Huber Design AG		Zürich	100		

Note 15 continued

	Corp. reg. no.	Reg. office	Share of equity, %	No. of shares	Book value
Poggenpohl AB	556323-2551	Stockholm	100		
Poggenpohl A/S		Copenhagen	100		
Möbelwerkstätten Josef Ritter GmbH		Herford	100		
Poggenpohl Forum GmbH		Herford	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		
Nobia Beteiligungs-GmbH		Wels	100 1)		2 1)
Nobia Liegenschafts- und Anlagenverwaltungs-GmbH		Wels	100 1)		1 1)
EWE Küchen GmbH		**Wels**	**100**		
FM Küchen GmbH		**Linz**	**100**		
EWE Kuchyne CZ S.r.o		Prague	100		
Other					1
Total					**1,374**

1) The company is owned to 1 per cent by Nobia AB and to 99 per cent by the subsidiary, Nobia NBI AB. The details concern the 1 per cent holding.

A complete specification that meets all legal requirements accompanies the annual report sent to the Swedish Companies Registration Office. This specification can be obtained from Nobia AB, Communications department, Box 70376, 107 24 Stockholm.

Note 16 Derivative financial instruments

SEK m	The Group Book value 2005	Fair value 2005
Forward currency agreements, transaction exposure – assets	6	6
Forward currency agreements, transaction exposure – liabilities	–5	–5
Forward currency agreements, transaction exposure – Net	**1**	**1**
Interest rate swap agreements, transaction exposure – assets	0	0
Interest rate swap agreements, transaction exposure – liabilities	–2	–2
Interest rate swap agreements, transaction exposure – Net	**–2**	**–2**

Unrealised profit and loss in equity for currency hedging contracts as of 31 December 2005 will be returned to the income statement at different times within 12 months of the closing date.

For information about currency hedging contracts and interest rate swaps, see Note 1.

Note 17 Prepaid expenses and accrued income

SEK m	Group 2005	2004
Prepaid rent	48	45
Bonus from suppliers	77	68
Prepaid bank charges	16	14
Insurance policies	9	10
Accrued income from property sales and rent agreements	93	107
Other	111	91
Total	**354**	**335**

Note 18 Liquid funds

	Group		Parent Company	
SEK m	2005	2004	2005	2004
Cash and cash equivalents	251	616	0	0

The Group's unused credit facilities, which are not included in the liquid funds, totalled SEK 278 million (347) at the end of the year. In addition to bank overdraft facilities, the Company has unused credit commitments of SEK 1,724 million (1,257). Liquid funds on 31 December 2004 include SEK 306 million in an escrow account concerning the acquisition of EWE-FM, which was completed on 3 January 2005.

Note 19 Share capital

	No. of shares	Ordinary shares, SEK m	Other capital contribution, SEK m	Total share capital, SEK m
As of 1 January 2004	**57,669 220**	**58**	**1,389**	**1,447**
As of 31 December 2004	**57,669 220**	**58**	**1,389**	**1,447**
Employee warrants scheme				
– value of employee's service			1	1
– payment in issued shares	10,500	0	1	1
As of 31 December 2005	**57,679 720**	**58**	**1,391**	**1,449**

The quota value (earlier the nominal value) is SEK 1.
All shares have been fully paid for.
Nobia owns 0 (0) of its own class A shares.

Warrants scheme 2003–2008

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.

Those subscribing for warrants and still employed on 22 May 2005 had the entitlement to receive compensation equivalent to 40 per cent of the warrant premium of SEK 10.20, calculated using the Black and Scholes model. Key input data used for the model was the share price of SEK 56.33 on the allocation date, the above-mentioned subscription price, the predicted volatility of the share price of 35 per cent, the duration of the warrants and annual risk-free interest at 4.01 per cent. The volatility assumption is based on future assessments and the historic volatility of Nobia's shares.

The consolidated income statement for 2005 includes a charge of SEK 1 million concerning accrued expenses for repayment of 40 per cent of the received warrant premium and for payroll overheads on estimated benefits. The repayment was realised in 2005 and amounted to SEK 3.5 million, of which SEK 3 million was reported as an expense in 2004.

Warrants scheme 2005-2009

At the 2005 Annual General Meeting, a decision was made in accordance with the Board's proposal to implement a rewards scheme in the form of a performance-related employee warrants scheme comprising a total of 610,000 warrants and 146 members of staff.

The fair value of the warrants allocated in 2005 (warrants scheme 2005-2009), calculated using the Black & Scholes model, was SEK 15.20. Key input data used for the model was the share price of SEK 113.32 on the allocation date, the above-mentioned subscription price, the predicted volatility of the share price of 24 per cent, the duration of the warrants and annual risk-free interest at 2.71 per cent. The volatility assumption is based on future assessments and the historic volatility of Nobia's shares.

The consolidated income statement for 2005 includes a charge of SEK 2 million concerning expenses, including social security overheads on estimated benefits.

The changes in the number of outstanding share warrants and their weighted average exercise price are as follows:

	2005		2004	
SEK m	Average exercise price, SEK per share	No. of warrants	Average exercise price, SEK per share	No. of warrants
As of 1 January	70.50	774,600	70.50	774,600
Allocated	124.70	610,000		
Utilised	70.50	–10,500		
As of 31 December	**94.56**	**1,374,100**	**70.50**	**774,600**

Of the 1,374,100 outstanding warrants (774,600), 774,600 (0) were capable of being utilised. Utilised warrants in 2005 resulted in 10,500 shares (0) being issued at a price of SEK 70.50 each.

Outstanding share warrants at the end of the year have the following maturities and exercise prices.

		Shares	
Maturity	Exercise price	2005	2004
22 May 2008	70.50	764,100	774,600
1 March 2009	124.70	610,000	–
		1,374,100	**774,600**

Note 20 Other reserves

Details of the changes in equity are provided on pages 38 and 54.

SEK m	Translation differences	Hedging reserve	Total
Opening balance, 1 January 2004	–	–	–
Exchange rate differences when translating subsidiaries	–38		–38
Closing balance, 31 December 2004	**–38**	**–**	**–38**
Hedging reserve after tax		7	7
Adjusted opening balance, 1 January 2005	**–38**	**7**	**–31**
Exchange rate differences when translating subsidiaries	158		158
Hedging reserve after tax	–	–7	–7
Closing balance, 31 December 2005	**120**	**0**	**120**

Note 21 Earnings per share

Earnings per share before dilution

Earnings per share before dilution are calculated by dividing the earnings attributable to parent company shareholders by the weighted average number of outstanding ordinary shares during the period.

	2005	2004
Earnings attributable to parent company shareholders, SEK m	640	592
Weighted average number of outstanding ordinary shares before dilution	57,673,928	57,669,220
Earnings per share before dilution, SEK per share	11.10	10.27

Earnings per share after dilution

To calculate earnings per share after dilution, the weighted average number of outstanding ordinary shares are adjusted for the dilution effect of all potential ordinary shares. These potential ordinary shares are attributable to the warrants that were subscribed for in May 2003 by senior executives and the employee warrants allocated to senior executives in 2005. See also Notes 4 and 19.

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 based on the average for the year has been used. For the 2003-2008 scheme the fair value per share was SEK 129.42, and for the 2005-2009 scheme, SEK 132.13. A discount rate of 5.0 per cent was used for both schemes.

	2005	2004
Weighted average number of outstanding ordinary shares	57,673,928	57,669,220
Warrants scheme (2005 and 2003)	464,083	246,058[1)]
Weighted average number of outstanding ordinary shares after dilution	58,138,011	57,915,278
Earnings per share after dilution, SEK per share	11.01	10.23

1) Refers to the 2003–2008 warrants scheme

Note 22 Dividend per share

At the Annual General Meeting on 29 March 2006, a dividend for 2005 of SEK 3.50 per share, totalling SEK 202 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 equity for the 2006 financial year. The dividend for 2004 amounted to SEK 174 million, including SEK 1 million to minority shareholders in a subsidiary.

Note 23 Provisions for pensions

	Group	
Provision for pensions, SEK m	2005	2004
Defined-benefit pension plans	915	850

Defined-benefit pension plans, Group

Within the Group there are several defined-benefit pension plans, in which the employee's right to remuneration after termination of employment is based upon the salary and the period of service. These plans are to be found primarily in the UK.

Provisions for retirement pensions and family pensions for white collar employees in Sweden are secured on the basis of insurance with Alecta. According to statement URA 42 from the Emergency Issues Task Force of the Swedish Financial Accounting Standards Council this is a defined-benefit plan that covers several employers. As the Group has not had access to information for the 2005 financial year which would make it possible to report this plan as a defined-benefit plan, ITP pension plans secured on the basis of insurance with Alecta are therefore reported as defined contribution plans. Contributions to Alecta pension insurance amounted to SEK 3 million (4). Alecta's surpluses can be distributed to the policy holder and/or the person who is being insured. At the end of 2005 Alecta's surplus in the form of the collective consolidation level amounted to 128 per cent (128). 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 actuarial calculation assumptions, which are not in agreement with IAS 19.

The amounts reported in the consolidated balance sheet have been calculated as follows:

SEK m	2005	2004
Present value of funded obligations	2,464	2,070
Fair value of plan assets	–1,538	–1,276
	926	**794**
Present value of unfunded obligations	109	87
Unrecognised actuarial losses	–120	–31
Net liability on balance sheet	**915**	**850**

The net liability for defined-benefit plans amounting to SEK 915 million (850) is reported in full in the "Provisions for pensions" item on the consolidated balance sheet.

The sums reported on the consolidated income statement are the following:

SEK m	2005	2004
Current service cost	33	45
Interest expense	117	112
Expected return on plan assets	–79	–78
Total pension costs	**71**	**79**

Costs are distributed in the consolidated income statement in the following:

MSEK	2005	2004
Cost of goods sold	5	18
Selling expenses	5	8
Administrative expenses	61	53[1)]
Total pension costs	**71**	**79**

1) Previously reported interest expenses have been adjusted due to changed classification of pensions.

The net sum of discounted interest on pension liabilities and the expected return on plan assets, previously reported as net financial items, have reduced operating expenses.

Note 23 cont.

The actual return on pension plan assets amounted to SEK 229 million (123). Specification of changes in the net debt that are reported on the consolidated balance sheet:

SEK m	2005	2004
Net liability at start of the year according to balance sheet	850	87
Effect of change in accounting principle	–	764
Adjusted net liability at start of the year	**850**	**851**
Net expense recognised in the income statement	71	79
Payments of benefits	–6	–25
Additional contribution from the employer to funded plans	–64	–41
Translation differences	64	–14
Net liability at end of year [1]	**915**	**850**

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

Principal actuarial assumptions at the balance sheet date:

%	2005	2004
Discount rate	4.80	5.30
Expected return on plan assets	5.75	6.15
Future salary increases	3.60	3.95
Future pension increases	2.60	2.70

The total pension costs reported in the consolidated income statement are as follows:

Pension costs, SEK m	2005	2004
Total costs for defined-benefit plans	71	79
Total costs for defined-contribution plans	94	51
Costs for special employer's contribution and tax on returns	4	7
Total pension costs	**169**	**137**

Defined-benefit pension plans, Parent company

	Parent company	
Provision for pensions, SEK m	2005	2004
Statutory provisions for the safeguarding of pension commitments		
FPG/PRI-pensions	1	1

The costs reported in the parent company's income statement as follows:

	Parent company	
Defined-benefit plans, SEK m	2005	2004
Administration costs	1	1

Note 24 Deferred tax

The Group's deferred tax for the year, SEK 4 million (–44), 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 asset/liability:

Deferred tax asset

	Group	
SEK m	2005	2004
Opening balance	163	24
Reclassifications	27	–
Acquisitions	5	0
IAS 19	–	232
Reported tax expense for the period	–24	–59
Reversal of previous year's offset	142	110
Offset for the year, same tax jurisdiction	–133	–142
Translation differences	24	–4
Other changes	2	2
Closing balance	**206**	**163**

Deferred tax liability

	Group	
SEK m	2005	2004
Opening balance	151	199
Reclassifications	27	–
Acquisitions	11	0
Deferred tax income for the period	–28	–15
Reversal of previous year's offset	142	110
Offset this year within tax community	–133	–142
Translation differences	14	–2
Other changes	2	1
Closing balance	**186**	**151**

Note 24 cont.

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

Deferred tax assets and liabilities are offset when there is a legal right to offset for current tax asset and liability, and when deferred tax concerns the same tax authority.

Deferred tax receivable

	Timing differences	Loss carry forward	IAS 19	Other	Legal offset	Total
As of 1 January 2004	**24**	**107**		**3**	**–110**	**24**
Reported in income statement	–5	–59	0	5		–59
Reported in equity			232			232
Acquisition of subsidiaries	0					0
Other	1			1		2
Legal offset					–32	–32
Translation differences	0	–1	–3	0		–4
As of 31 December 2004	**20**	**47**	**229**	**9**	**–142**	**163**
Reported in income statement	–1	–26	6	–3		–24
Reclassification		27				27
Reported in equity				2		2
Acquisition of subsidiaries	5					5
Legal offset					9	9
Translation differences	2	4	18			24
As of 31 December 2005	**26**	**52**	**253**	**8**	**–133**	**206**

Deferred tax liability

	Timing differences	Write-up	Other	Legal offset	Total
Per 1 januari 2004	**126**	**142**	**41**	**–110**	**199**
Reported in income statement	–19	–6	10		–15
Acquisition of subsidiaries			0		0
Other			1		1
Legal offset				–32	–32
Translation differences		–1	–1		–2
As of 31 December 2004	**107**	**135**	**51**	**–142**	**151**
Reported in income statement	–3	–5	–20		–28
Reclassification			27		27
Reported in equity			2		2
Acquisition of subsidiaries		11			11
Other	–21		21		0
Legal offset				9	9
Translation differences	5	6	3		14
As of 31 December 2005	**88**	**147**	**84**	**–133**	**186**

Deferred taxes reported in equity during the year are shown below:

	2005	2004
Reporting of defined-benefit pension plans in accordance with IAS19	–	232
Gross accounting of deferred tax on hedge reserve	0	–
Total	**0**	**232**

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 asset is not considered amounts to SEK 26 million (27).

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 25 Other provisions

	Unutilised rights of tenancy	Guarantee commit-ments	Other long-term emp-loyee benefits	Other	Total
As of 1 January 2005	27	11	–	1	39
Charged to Group income statement					
– Additional allocations	31	11	2	3	47
– Unutilised amount carried forward	–5	–2		–1	–8
Acquisition			40		40
Translation differences	2	1	2	0	5
Utilised during the year	–23	–16		–2	–41
As of 31 December 2005	**32**	**5**	**44**	**1**	**82**

Note 26 Liabilities to credit institutions

Maturity structure, SEK m	2005	2004
Within 1 year	2	2
Between 1 and 5 years	1,101	1,568
Longer than 5 years	0	0
Total	**1,103**	**1,570**

The sum of liabilities to credit institutions includes secured liabilities amounting to SEK 2 million (2).

Mortgages for buildings and land within the Group, worth a total of SEK 9 million (9), have been used as security for bank loans, see Note 12.

Note 27 Accrued expenses and deferred income

	Group		Parent Company	
SEK m	2005	2004	2005	2004
Bonus to customers	74	63	–	–
Accrued salaries	127	111	6	5
Accrued social security payments and pensions	37	34	4	8
Accrued interest	1	2	–	–
Rents	71	55	–	–
Other	262	244	0	0
Total	**572**	**509**	**10**	**13**

Note 28 Pledged assets

	Group		Parent Company	
SEK m	2005	2004	2005	2004
For liabilities to credit institutions				
Chattel mortgages	9	9	–	–
Total pledged assets	**9**	**9**	**–**	**–**

Note 29 Future commitments/Contingent liabilities and undertakings

The Group has contingent liabilities concerning sub-contractor guarantees, pension liabilities, bank guarantees for loans and other guarantees and other considerations that arise in the normal course of business. No significant liabilities are expected to arise through these contingent liabilities. Concerning current tax cases, the company has appealed a decision made by the Tax Authority at the court of appeal. The company has made an assessment and decided not to allocate funds to a reserve concerning this case. The amount involved is not considered to have any significant effect on the company's results or financial position.

In its normal business activities the Group and the parent company have made the following guarantees and contingent liabilities:

	Group		Parent Company	
SEK m	2005	2004	2005	2004
Securities for pension commitments	0	0	10	9
Other contingent liabilities	93	68	1,330	1,783
Total	**93**	**68**	**1,340**	**1,792**

The Group has not identified any commitments other than those taken up in its financial reports.

Note 30 Acquisition of subsidiaries

On 3 January 2005 Nobia acquired 100 per cent of the share capital in Nobia Beteiligungs-GmbH (previously Ing. Pacher Beteiligungs-GmbH) and Nobia Liegenschafts- und Anlagenverwaltungs-GmbH (previously EWE Ing. Pacher & Co. GmbH) hereafter called EWE-FM. EWE-FM is primarily active in Austria.

On 21 March 2005 Nobia acquired 100 per cent of the share capital in a Poggenpohl store in Switzerland.

The purchase sum for previous acquisitions has been adjusted by SEK 11 million.

During 2004 Nobia acquired three kitchens stores in the UK via Poggenpohl.

Acquired net assets and goodwill, SEK m	2005	2004
Purchase sum including acquisition costs	317	53
Additional purchase sum	17	–
Fair value of acquired net assets	–132	–3
Goodwill	**202**	**50**

Goodwill is attributable to the assessed future profit-generating capability.

Note 30 cont.

Assets and liabilities included in the acquisition, SEK m	2005 Fair value	2005 Acquired book value	2004 Fair value	2004 Acquired book value
Liquid assets	0	0	22	22
Tangible fixed assets	155	114	0	0
Intangible fixed assets	1	1	0	1
Financial fixed assets	11	11	–	–
Inventories	42	42	3	4
Receivables	65	65	–6	–8
Liabilities	–94	–94	–16	–16
Other provision	–40	–31		
Guarantee provisions	–1	–4		
Financial debt	–1	–1		
Deferred taxes, net	–6	3	0	0
Acquired net assets	**132**	**106**	**3**	**3**

SEK m	2005	2004
Cash-adjusted purchase sum	317	53
Liquid assets in acquired subsidiaries	0	–22
Change in Group's liquid assets following acquisition	**317**	**31**

Note 31 Related-party transactions

No selling or purchasing of goods was conducted between the parent company and other Group companies in 2005. However, the subsidiaries were invoiced for Group-wide services.

Goods were bought from associated companies during the year. For the closing balance resulting from these purchases, which amounted to SEK 5 million, see Note 14.

Note 32 Average number of employees

Companies in:	2005 Average no. of employees	2005 Of which men	2004 Average no. of employees	2004 Of which men
Sweden	592	480	540	438
Denmark	1,102	820	1,057	771
Norway	463	257	449	262
Finland	497	337	491	331
Germany	974	753	996	776
Austria	465	371	–	–
UK	2,378	1,923	2,428	1,942
France	4	2	4	2
USA	75	42	67	38
Switzerland	23	16	20	13
The Group	**6,573**	**5,001**	**6,052**	**4,573**

	2005 Number on closing day	2005 Of which men	2004 Number on closing day	2004 Of which men
Board members	66	85%	61	92%
CEOs and other senior executives	98	95%	99	94%
The Group	**164**	**91%**	**160**	**93%**

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

	2005 Number on closing day	2005 Of which men	2004 Number on closing day	2004 Of which men
Board members	10	80%	10	80%
CEOs and other senior executives	7	100%	7	100%
Parent Company	**17**	**88%**	**17**	**88%**

A la Carte

Note 33 Adoption of International Financial Reporting Standards (IFRS)

From 1 January 2005 Nobia will prepare its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) that have been adopted by the European Union (EU).

The date for transition to IFRS is 1 January 2004, which entails that comparison figures from 2004 be restated in accordance with IFRS regulations as required by IFRS 1. IAS 39 and 32 concerning financial instruments are applied from 2005 forward, which implies that the balance on 31 December 2004 has not been affected by the latter regulations.

The effects of the transition to IFRS on the incomes statements, balance sheets, cash flow statements and key indicators are presented below.

Transition regulations

IFRS 1 "First-time adoption of IFRS" contains regulations regarding the transition from previously applied accounting principles to IAS/IFRS. IFRS 1 also includes optional transition rules to be used the first time a company reports according to IFRS. The optional transition rules that Nobia has chosen to apply are as follows:

Company acquisitions and goodwill

Nobia has chosen to apply the exemption provided in IFRS 1 whereby no adjustments need be made for acquisitions made prior to 2004.

Translation differences

In its transition to IFRS Nobia has chosen to apply the exemption provided in IFRS 1 whereby accumulated exchange rate differences arising from the translation of foreign subsidiaries into SEK, the Group's currency, are re-set to zero per 1 January 2004. Accumulated translation differences up to 1 January 2004 are therefore not reported separately but are included on each line for restricted and unrestricted reserves. Accumulated translation differences are reported separately under equity from 1 January 2004.

Employee benefits

Nobia has chosen to apply the exemption provided in IFRS 1 whereby all accumulated actuarial profit and loss is reported on the balance sheet on the transition to IFRS on 1 January 2004, rather than these figures being divided into recognised and unrecognised portions from the initiation of the pension plans to the time at which IFRS are adopted.

Other exemptions permitted in IFRS 1 are not applicable to Nobia.

Financial instruments

For Nobia the primary change resulting from transition to IAS 39 is that the market value of the financial assets and liabilities that are hedged is reported in the balance sheet. Nobia hedges its commercial currency exposure within the framework of the financial policy established by the Board. Furthermore the Group hedges its interest rate risks via derivatives.

In line with Nobia's previous accounting principles, the derivatives which were used as hedging instruments and were held until maturity were not valued at market rates. On the introduction of IFRS and IAS 39, forward exchange agreements that were outstanding per 1 January 2005 were valued at the market rate, and the net sum of unrealised exchange rate profits and losses was allocated to a currency hedge reserve under equity. Nobia applies hedge accounting for internal currency flows within the Group if such flows meet the requirements of IAS 39 regarding the application of hedge accounting and if the currency risk has an impact on the consolidated profit.

Effects of IFRS on the Income Statement for 2004

SEK m	Note	Former accounting principles	Effect of transition to IFRS	According to IFRS
Cost of goods sold	a	–7,018	95	–6,923
Gross profit		**4,319**	**95**	**4,414**
Operating profit [1]		**835**	**95**	**930**
Profit after financial items		**745**	**95**	**840**
Minority participations in profit for the year	c	–1	1	0
Profit for the year		**497**	**96**	**593**

[1] The previously reported operating profit is adjusted for the amended classification of pensions. The net worth of the discounted interest on pension liabilities and expected return on associated plan assets, previously reported as net financial items, had negative impact on the operating profit of SEK 33 million. The reclassification of pensions has mainly affected the operating profit in the UK business.

Effects of IFRS on key ratios in the Income Statement for 2004

	Note	Former accounting principles	According to IFRS
Operating margin, % [1]	a	7.4	8,2
Return on capital employed, % [1]	a	21.0	23.1
Return on equity, % [1, 2]	a	22.0	25.7
Earnings per share, before dilution, SEK [1, 3]	a	8.62	10.27
Earnings per share, after dilution, SEK [1, 3]	a	8.59	10.23

[1] The previously reported operating profit is adjusted for the amended classification of pensions. The net worth of the discounted interest on pension liabilities and expected return on associated plan assets, previously reported as net financial items, had negative impact on the operating profit of SEK 33 million. The reclassification of pensions has mainly affected the operating profit in the UK business.

[2] Return on equity refers to the profit for the year attributable to the parent company's shareholders as a percentage of the average equity with deduction for minority interests.

[3] Earnings per share attributable to the parent company's shareholders, i.e. after deduction for the minority interest of the profit after tax. Even prior to the introduction of IFRS the EPS was the part of the profit that was attributable to the parent company's shareholders.

Note 33 cont.

Effects of IFRS on the balance sheet 2004

Assets, SEK m	Note	1 January 2004 Former accounting principles	1 January 2004 Effect of transition to IFRS	1 January 2004 According to IFRS	31 December 2004 Former accounting principles	31 December 2004 Effect of transition to IFRS	31 December 2004 According to IFRS
Goodwill	a	1,619	–	1,619	1,554	91	1,645
Deferred tax asset	b	24	223	247	163	–	163
Total fixed assets		**3,783**	**223**	**4,006**	**3,881**	**91**	**3,972**
Total assets		**6,460**	**223**	**6,683**	**7,134**	**91**	**7,225**

Equity and liabilities, SEK m	Note	1 January 2004 Former accounting principles	1 January 2004 Effect of transition to IFRS	1 January 2004 According to IFRS	31 December 2004 Former accounting principles	31 December 2004 Effect of transition to IFRS	31 December 2004 According to IFRS
Unrestricted reserves	a,b	272	–541	–269	–97	–4	–101
Net profit for the year	a	338		338	497	95	592
Total unrestricted equity		**610**	**–541**	**69**	**400**	**91**	**491**
Minority interests	c	–	6	6	–	7	7
Total equity		**2,667**	**–535**	**2,132**	**2,459**	**98**	**2,557**
Minority interests	**c**	**6**	**–6**	**–**	**7**	**–7**	**–**
Provisions for guarantees	d	31	–31	–	19	–19	–
Provisions for pensions	d	87	–87	–	850	–850	–
Deferred tax liabilities	d	199	–199	–	151	–151	–
Other provisions	d	36	–36	–	39	–39	–
Total provisions		**353**	**–353**	**–**	**1,059**	**–1,059**	**–**
Provisions for guarantees	d	–	31	31	–	19	19
Provisions for pensions	b,d	–	851	851	–	850	850
Deferred tax liabilities	d	–	199	199	–	151	151
Other provisions	d	–	36	36	–	39	39
Total long-term liabilities		**–**	**1,117**	**1,117**	**–**	**1,059**	**1,059**
Total equity and liabilities		**6,460**	**223**	**6,683**	**7,134**	**91**	**7,225**

Effects of IFRS on key ratios in the balance sheet 2004

SEK m	Note	Former accounting principles	Effect of transition to IFRS	According to IFRS
Equity/assets ratio, %	a	34.6		35.4
Debt/equity ratio, % 1)	a	48		47
Net debt including pension provisions, SEK m 1)		1,195		1,195
Capital employed, closing balance SEK m 1)	a	4,300	91	4,391

1) 2004's values are adjusted for reclassification of pensions. Pensions are now part of a deductible in capital employed.

Effects of IFRS on the cash flow statement

SEK m	Note	Former accounting principles	Effect of transition to IFRS	According to IFRS
Operating profit 1)	a	835	95	930
Amortisation	a	377	–95	282
Cash flow from current activities before changes to operating capital		**944**	**–**	**944**

1) The previously reported operating profit for 2004 has been adjusted for the change in classification of pensions. The net amount of the discounted interest on pension liabilities and expected return on associated plan assets, previously reported in net financial items, has negatively impacted the operating profit. As a result of the reclassification concerning pensions, the pension payments are made up of a deduction item when calculating cash flow for current activities.

Note 33 cont.

Note a) Goodwill

The accounting rules for surplus value in the form of goodwill in company acquisitions have been changed. Acquisitions completed in 2004 and after shall be re-calculated in accordance with IFRS 3 "Business Combinations". These new rules mean that a more detailed break-down shall be made of the surplus values in the acquisition. During the transition to the new rules, Nobia will apply the voluntary exemptions in accordance with IFRS 1. As a result no adjustments will be made for acquisitions made before 2004.

Goodwill will no longer be amortised on a straight-line basis according to IFRS 3. Instead the value of goodwill relating to cash-generating units shall be tested for impairment each year on 31 December. Page 38 provides details of the break-down of goodwill among cash-generating units along with the assessments and assumptions made when testing for an impairment requirement. The goodwill values that existed in the Nobia Group on 31 December 2004 have been tested and it has been established that no indications of impairments were found.

Previously reported goodwill depreciation was reported among "Cost of sold goods" in the gross profit under operating profit. In the balance sheet the value of goodwill as of 1 January 2004 has been adjusted for depreciation of goodwill made in 2004.

Note b) Pensions

From 1 January 2004 Nobia is applying IAS 19 "Employee benefits" in its consolidated accounts. In accordance with IAS 19 the opening value of pension liabilities on 1 January 2004 has been adjusted, after deductions for deferred tax, directly under equity.

On the transition to IFRS Nobia is applying the option permitted in IFRS 1 whereby all accumulated actuarial profit and loss is reported on the balance sheet on the adoption of IFRS on 1 January 2004, instead of distributing these items in a reported part and unreported part from the start of the pension plan up to the time of the transition to IFRS.

Provisions for pensions in accordance with IFRS rules

Balance sheet, SEK m	Former accounting principles 1 Jan 2004	Effect of transition to IFRS 2004	According to IFRS
Deferred tax receivables	24	223	247
Total assets	**6,460**	**223**	**6,683**
Unrestricted equity	272	–541	–269
Provisions for pensions	87	764	851
Total equity and liabilities	**6,460**	**223**	**6,683**

Note c) Minority interests

Minority interests are now disclosed within equity and shall not be deducted from the profit/loss, in accordance with IAS 1 "Presentation of Financial Statements". Minority interests shall, however, be disclosed separately under equity. In the profit/loss after tax for the period it shall be specified which amount is attributable to the parent company's shareholders and which amount accrues to the minority interests. Earnings per share, before and after dilution, are reported as previously with regard to earnings attributable to the parent company's shareholders.

Note d) Provisions

Long-term provisions are now reported as part of long-term liabilities.

Note 34 Events after the closing date

Company acquisition

In the middle of February 2006, Nobia acquired 100 per cent of Hygena Cuisines, a kitchen interiors company in France. The kitchen retailer sells kitchens under the Hygena brand. The company has approximately 900 employees and 138 wholly-owned stores. The purchase sum is around SEK 1,150 million and is free of debt and excluding cash funds in the acquired company.

The acquired net assets are worth SEK 160 million. A preliminary acquisition analysis will report on the allocation of excess value in the Q1 interim report in 2006.

As far as we are aware this annual report is produced in accordance with good accounting practices for listed companies, the submitted information is in accordance with true conditions and nothing of significance has been omitted that would alter the picture of the Group created by this annual report.

Stockholm, 2 March 2006

Hans Larsson
Chairman of the Board

Stefan Dalbo | 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 2 March 2006

Öhrlings PricewaterhouseCoopers AB

Robert Barnden
Authorised Public Accountant

Audit report

To the annual meeting of the 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 2005 (page 26–62). The board of directors and the managing director are responsible for these accounts and the administration of the company as weIl as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. 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 and significant estimates made by the board of directors and the managing director when preparing the annual accounts and consolidated accounts as weIl 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 Iiability, 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 have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit of 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, 2 March 2006

Öhrlings PricewaterhouseCoopers AB

Robert Barnden
Authorized Public Accountant

Corporate governance

This report is unaudited.

The Swedish Code of Corporate Governance was introduced on 1 July 2005 and Nobia began applying it from that date. The basic principle of the code is comply or explain. Nobia does not follow the code with regard to an audit committee, as explained below, nor for internal control. With regard to internal control, Nobia submits only a description of how control is organised, with reference to the statement made by the Swedish Corporate Governance Board in December 2005.

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 amounted on 31 December 2005 to SEK 57,679,720 divided between 57,679,720 shares. The lot value (formerly nominal value) is 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 2005 Annual General Meeting

The 2005 AGM was held on 27 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 nomination committee's proposals of eight Board members without deputy members, the fees for Board members and the Chairman of the Board and Board members. All existing Board members were 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 nomination 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 nomination committee shall be to make proposals to the AGM concerning the composition of the Board and, as necessary, auditors and their fees. Furthermore, the nomination committee shall make proposals to the AGM for decisions regarding principles for appointing the nomination committee and chairman for the AGM. Details of the members of the nomination committee and how proposals may be made can be found at www.nobia.se and in the report for the third quarter. Minutes of the AGM are available at www.nobia.se

The 2004 AGM had 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.

Nomination committee

The members of the nomination committee in 2005/2006 were Erik Törnberg, Öresund (committee chairman); KG Lindvall, Robur; Kerstin Hessius, Third AP fund; Fredrik Palmstierna, SäkI, and, following agreement from other members of the Board, 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 the company's strategies and priorities and an assessment of the Board. The Board's size and composition, its experience and skills, were discussed. 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, as well as two representatives and two deputies appointed by the employees. Board members are presented on page 68. 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 2005 financial year, the Board held eight 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 2005, 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.

An evaluation of the Board and its working methods was carried out by consultants during the year. A follow-up was performed and measures implemented on the basis of the assessment. The results were presented to the Company's nomination 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. 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 are 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 2005 this meant that the scope and focus of the audit was established at the August Board meeting to include, among other items, a special assessment of the risk perspective regarding internal verification. One of the decisions made concerned special audit procedures for the self-assessment that the company performs each year regarding internal control.

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 2006 Board meeting was on the audit of the annual accounts.

Remuneration committee

The Board appoints a remuneration committee, which up to the 2006 AGM comprises Hans Larsson (Chairman), Thomas Nilsson and Wilhelm Laurén. 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, and a model for assessing the CEO. The committee makes proposals to the AGM regarding principles for remuneration and other employment terms for company managers. The committee met seven times during the year.

Group management

Group management, see page 70, meets every month under the leadership of the CEO. Three people in the team are responsible for the business areas (UK, Nordic and Continental European). In addition, there is a larger group called the Advisory Board, which meets several times a year. This group consists of all the business unit managers and Group management. Its meetings are followed up by local meetings at which the Executive 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 members of Group management employed in the UK 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 47.

Auditors

Öhrlings PricewaterhouseCoopers AB were elected in 2003 as the company's auditors and they have held this assignment since 1996. 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 5 on page 49.

Report on internal controls concerning financial reporting

The report on internal control concerning financial reporting has been produced in accordance with the intentions in the

Swedish Code of Corporate Governance, chapter 3.7.2 with regard to the statement on the Board's reporting on internal controls in 2005 that the Swedish Corporate Governance Board published in December 2005.

Consequently, reporting on internal control does not include statements about how well this control works. Neither has the report been checked by the company's auditors.

Control environment and steering documents

The basis for internal control for financial reporting is the control environment that comprises the company's organisation, decision-making procedures, authority and responsibility, as documented in steering documents such as internal policies, guidelines, manuals and codes. Examples include the division of responsibility between the Board and the CEO, instructions for verification rights and instructions for accounting and reports.

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

Each business unit manager is ultimately responsible for effective internal control and the finance manager at each unit is responsible for follow-up and ensuring that Nobia's accounting procedures and principles are followed daily. These instructions are included in the aforementioned manual.

Risk management

The company has introduced methods for risk assessment and risk management to ensure that the risks to which the company is exposed are managed using the established procedures.

The risks identified concerning financial reporting are managed in the company's control structure and are monitored continually. One of the tools used is self-assessment, which is executed and evaluated annually, and is checked specially by the company's auditors. The company has introduced routines for special controls concerning IFRS requirements.

Financial information

The company has introduced information and communication channels in order to support the accuracy and sufficiency of financial reporting, for example through steering documents in the form of internal policies, guidelines, manuals and codes regarding the financial reporting performed by employees.

The company follows up that these steering documents are adhered to and measures the efficiency of control structures. Additional monitoring is made of the company's information and communication channels in order to ensure their suitability for financial reporting. Furthermore, the company has developed checklists to ensure that the obligation to inform in financial reports is fully adhered to.

Board follow-up

The outcome of the company's processes for risk assessment and risk management is addressed each year by the Board and constitutes the basis for ensuring that it covers all key areas and provides balanced guidance for various decision-makers. The Board receives monthly financial reports and each Board meeting addresses the company's and Group's financial situation.

The company's internal control staff, which are an integrated part of the central financial staff, have performed verifications concerning internal control, and they work according to a plan approved by the Board. The results of these verifications, measures taken and their status, have been reported to the Board.

Marbodal

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 Biolight International. Vice Chairman of Svenska Handelsbanken.
Other Board memberships include Holmen.
Previous employment: MD Swedish Match, Esselte and Nordstjernan.
Previous chairman of, among others, NCC, Bilspedition/BTL and Sydsvenska Kemi.
Holding in Nobia:130,000 shares.

FREDRIK CAPPELEN
Born 1957, B.Sc. Business Administration.
Board member since 1996.
President and CEO of Nobia.
Board assignments: Board member of Danske Trælast, Munksjö and Aktiemarknadsbolagens förening.
Previous employment: MD Kaukomarkkinat Oy Germany, MD Kaukomarkkinat International Sweden and Norway and marketing director of Stora Finepaper.
Holding in Nobia: 339,700 shares, 40,000 subscription warrants and 22,500 employee warrants.

STEFAN DAHLBO
Born 1959, B.Sc. Business Administration.
Board member since 2004, independent.
Vice MD of Investment Öresund.
Board assignments: Chairman of Klövern.
Board member of Custos, Hagströmer & Qviberg, and Fabege.
Previous employment: MD Hagströmer & Qviberg, MD Hagströmer & Qviberg Fond- and Kapitalförvaltning. Alfred Berg Fondkommission.
Holding in Nobia AB: 8,800 shares.

BODIL ERIKSSON
Born 1963, commercial education, language studies and RMI-Berghs. Board member since 2003, independent.
Communications Director, SCA.
Board assignments: Board member of Hemtex and Oriflame Cosmetics S.A.
Previous employment: Vice President Axfood, Communications Director Volvo Cars.
Holding in Nobia: 300 shares.

WILHELM LAURÉN
Born 1943, B.Sc. Economics. Board member since 1996, independent. Member of remuneration committee.
Board assignments: Chairman of Swedestart Life Science kb, Elektrokoppar Holding and Elpress. Other Board memberships include Ostnor.
Previous employment: Vice President and CFO Fläktgruppen and Vice President ABB.
Holding in Nobia: 30,000 shares.

HARALD MIX
Born 1960, B.Sc Mathematics and Economics, MBA. Board member since 1996, independent. Partner of Altor Equity Partners.
Board assignments: Board member of Aalborg Industries, Carlssons skola, Dynapac, Ferrosan, Lindorff Group and Sverige Amerika Stiftelsen.
Previous employment: Vice President Industri Kapital.
Holding in Nobia: 200,000 shares.

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

INGRID OSMUNDSEN
Born 1961, Bachelor of Arts. Board member since 2004, independent.
Previous employment: Purchasing manager Meier & Frank, business area manager Nike Eastern Europe , purchasing manager Nike Retail, Sweden manager Lindex AB, MD Wedins Skor and Accessoarer.
Holding in Nobia: 350 shares.

PER BERGSTRÖM
Born 1960. Employee representative since 2000. Employed at Marbodal AB since 1976.
Holding in Nobia AB: 200 shares.

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.

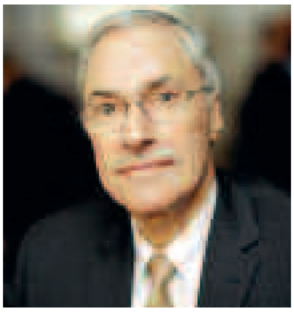
PATRIK PERSSON
Born 1973. Deputy board member, employee representative since 2003. Employed at Myresjökök AB since 1992.
Holding in Nobia: 0.

Auditors

ÖRHLINGS PRICEWATERHOUSE-COOPERS AB
Auditor in charge: Authorised Public Accountant
ROBERT BARNDEN
Born 1946. Auditor for Nobia since 1996. Other auditing assignments: SCA and Seco Tools, deputy auditor for Ericsson and AcandoFrontec.

Group management

FREDRIK CAPPELEN
Born 1957, B.Sc. Business Administration. President and CEO of Nobia AB since 1995. Joined Nobia in 1995. Board assignments: Board member of Danske Trælast, Munksjö and Aktiemarknadsbolagens förening. Previous employment: MD Kaukomarkkinat Oy Germany, MD Kaukomarkkinat International Sweden and Norway and marketing director of Stora Finepaper.
Holding in Nobia: 339,700 shares, 40,000 subscription warrants and 22,500 employee warrants.



PREBEN BAGER
Born 1948. Executive Vice President Operations with responsibility for the UK business and business unit manager at Magnet since 2004. Joined HTH in 1989.
Previous employment: MD Domino Furniture, sales manager Bianca Yachts, MD Danica Køkkener and business unit manager at HTH.
Holding in Nobia: 475,200 shares, 27,000 subscription warrants and 15,000 employee warrants.

BO JOHANSSON
Born 1965. Executive Vice President Supply Chain (production, purchasing and logistics) since 2005. Joined Nobia in 2005. Previous employment: Production manager and sales manager Swedform Metall, business development manager Europe and global accounts Flextronics Enclosures Europe and sales director Europe Flextronics International.
Holding in Nobia: 7,600 shares and 15,000 employee warrants.

JAN JOHANSSON
Born 1962, B.Sc. Business Administration. CFO since 2004. Joined Nobia in 1995. Previous employment: Various positions within finance within the Stora Group and Group controller of Nobia.
Holding in Nobia: 18,680 shares, 7,000 subscription warrants and 15,000 employee warrants.

PETER PETERSSON
Born 1951, B.Sc. Business Administration. Executive Vice President Operations with responsibility for the Continental European business. Joined Nobia in 1995. Previous employment: HR director Stena Line, Business consultant Impact, Vice President business development/human resources and communications at Nobia and business unit manager at various Nobia units, most recently at Norema. Holding in Nobia: 134,400 shares, 27,000 subscription warrants and 15,000 employee warrants.

LENNART RAPPE
Born 1944, B.Sc. Business Administration. Executive Vice President since 2000. EVP, Mergers and Acquisitions since 2004. Joined Nobia in 1999. Previous employment: Vice MD Esab AB, CFO at VME Group, Volvo Trucks, Spectra-Physics AB and Nobia.
Holding in Nobia: 133,720 shares, 27,000 subscription warrants and 15,000 employee warrants.

EGIL WOLD
Born 1947. Executive Vice President Operations with responsibility for the Nordic business since 2006. Joined Nobia in 1995. Previous employment: Various positions within HTH in Norway and Sweden since 1981, marketing director Sigdal, head of Swedoor's and Nobia's business in Norway and business unit manager for Sigdal.
Holding in Nobia: 191,700 shares, 27,000 subscription warrants and 10,000 employee warrants.

Business unit managers

PER ANDERSSON,
Born 1948. Business unit manager Myresjökök since 1988. Employed by Myresjökök since 1988.
Holding in Nobia: 3,030 shares, 27,000 subscription warrants and 10,000 employee warrants.

GLENN ANDRESEN,
Born 1966. Business unit manager Sigdal since 2006. Joined Sigdal in 2003.
Holding in Nobia: 3,000 employee warrants.

LEO BRECKLINGHAUS,
Born 1959. Business unit manager Optifit since 2003. Employed by Optifit since 2000.
Holding in Nobia: 1,500 shares, 27,000 subscription warrants and 10,000 employee warrants.

ELMAR DUFFNER,
Born 1960. Business unit manager Poggenpohl since 2003. Employed by Optifit 1999.
Holding in Nobia: 11,450 shares, 27,000 subscription warrants and 10,000 employee warrants.

MARTIN ELGOOD,
Born 1967. Business unit manager Gower since 2000. Employed by Gower since 1992.
Holding in Nobia: 15,000 employee warrants.

HEINZ HACHMEISTER,
Born 1953. Business unit manager Pronorm since 2004. Employed by Pronorm since 1984.
Holding in Nobia: 10,000 employee warrants.

JORMA LEHTOVUORI,
Born 1952. Business unit manager Novart since 1992. Employed by Novart since 1985.
Holding in Nobia: 5,000 shares, 10,000 subscription warrants and 10,000 employee warrants.

LEIF NYGÅRD,
Born 1949. Business unit manager Invita since 1974. Employed by Invita since 1974.
Holding in Nobia: 42,940 shares, 27,000 subscription warrants and 10,000 employee warrants

ANDERS REUTHAMMAR,
Born 1949. Business unit manager Marbodal since 1997. Employed by Marbodal since 1997. Holding in Nobia: 80,000 shares, 27,000 subscription warrants and 10,000 employee warrants.

KAJ SJØVOLD,
Born 1958. Business unit manager Norema since 2004. Employed by Norema since 2004. Holding in Nobia: 10,000 employee warrants.

DANIEL SOUISSI,
Born: 1949. Business unit manager Hygena, which was acquired by Nobia in February 2006.

HENNING STORM,
Born 1955. Business unit manager HTH since 2005. Employed by HTH since 1981.
Holding in Nobia: 38,700 shares, 15,000 subscription warrants and 10,000 employee warrants.

JOSEF ZOBL,
Born: 1948. Business unit manager EWE-FM since 2006. Joined EWE-FM in 1977.
Holding in Nobia: 5,000 employee warrants.

9-year summary

The 9-year summary presents financial information for 1997–2003 as it was reported in the annual reports for those years. From 1 January 2005 Nobia has presented its consolidated accounts in accordance with IFRS. Figures for 2004 are re-stated in accordance with IFRS and changes to the classification of pensions. A comparison of present and former accounting principles is made in Note 33. For Nobia the transition to IFRS has not had any significant effect on the company's income statements and balance sheets except for reporting of goodwill. In accordance with IFRS, goodwill shall no longer be amortised on a straight-line basis, but will instead be tested regularly for impairment.

SEK m	1997	1998	1999	2000	2001	2002	2003	2004 [1]	2005
Income statement									
Net sales	3,316	3 ,977	4,049	4,102	8,283	9,594	9,273	11,337	12,442
Change in per cent	–3	20	2	1	102	16	–3	22	10
Gross profit	873	1,082	1,176	1,325	3,170	3,865 [2]	3,586	4,414	4,863
Operating profit	79	110	132	261	537	725	565	930	954
Financial income	3	3	3	9	15	11	14	13	13
Financial expenses	–45	–59	–51	–50	–138	–130	–79	–103	–82
Profit after financial items	**37**	**54**	**84**	**220**	**414**	**606**	**500**	**840**	**885**
of which, goodwill amortisation	–1	–6	–6	–9	–51	–63	–60	–	–
Tax on profit for the year	–34	–33	–83	–115	–160	–198	–162	–247	–244
Minority interest	–	–	–	0	0	0	0		
Net profit for the year	**3**	**21**	**1**	**105**	**254**	**408**	**338**	**593**	**641**
Net profit for the year attributable to:									
Parent company shareholders								592	640
Minority interests								1	1
Net profit for the year								**593**	**641**
Balance sheet									
Fixed assets	910	1,052	1,000	1,975	3,719	3,308	3,783	3,972	4,723
Inventories	371	385	447	614	1,178	1,107	1,208	1,147	1,253
Receivables	395	498	608	835	1,159	1,021	1,315	1,490	1,691
Liquid assets	157	160	135	221	362	293	154	616	251
Total assets	**1,833**	**2,095**	**2,190**	**3,645**	**6,418**	**5,729**	**6,460**	**7,225**	**7,918**
Equity	324	375	351	1,363	1,776	2,589	2,667	2,557	3,184
Minority interest	–	–	–	5	6	6	6		
Non-interest-bearing provisions	123	83	89	378	467	285	266		
Interest-bearing provisions	13	25	56	79	74	91	87		
Non-interest-bearing liabilities	699	798	905	1,025	1,714	1,443	1,580	2,834	3,305
Interest-bearing liabilities	674	814	789	795	2,381	1,315	1,854	1,834	1,429
Total equity and liabilities	**1,833**	**2,095**	**2,190**	**3,645**	**6,418**	**5,729**	**6,460**	**7,225**	**7,918**
Net debt	517	655	654	522	2,004	1,007	1,676	1,195	1,143
Net debt, including pensions	530	680	710	601	2,078	1,098	1,763	2,045	2,058
Capital employed	1,011	1,214	1,196	2,242	4,237	4,001	4,614	4,391	4,613
Key figures									
Operating margin, %	2.4	2.7	3.3	6.4	6.5	7.6	6.1	8.2	7.7
Operating profit before amortisation of goodwill	80	116	138	270	588	788	625		
Operating margin before amortisation of goodwill, %	2.4	2.9	3.4	6.6	7.1	8.2	6.7		
Profit after financial items in % of net sales	1.1	1.3	2.1	5.4	5.0	6.3	5.4	7.4	7.1
Turnover rate of capital employed, times	3.4	3.6	3.4	3,.4	2.3	2.3	2.2	2.5	2.8
Return on capital employed, %	8.4	10.2	11.2	22.2	15.5	17.9	14.6	23.1	21.4
Return on equity, %	0.9	6.0	0.0	17.2	16.2	18.7	13.0	25.7	22.6
Debt/equity ratio, %	160	175	186	38	113	39	63	47	36
Debt/equity ratio including pension, %	164	181	202	44	117	42	66	80	65
Equity/assets ratio, %	17.7	17.9	16,0	37.5	27.8	45.3	41.4	35.4	40.2
Cash flow before investments	–121	127	126	156	551	513	439	990	1,092
Investments	101	87	74	87	226	269	294	370	472
Earnings per share after dilution	0.09 [3]	0.64 [3]	0.03 [3]	2.90 [3]	5.15 [3]	7.53	5.84	10.23	11.01
Employees									
Average no. of employees	3,092	3,529	3,334	3,003	5,343	5,790	5,571	6,052	6,573
Net sales per employee, SEK 000s	1,072	1,127	1,214	1,366	1,550	1,657	1,665	1,873	1,893
Salaries and other remuneration	718	825	825	818	1,672	1,814	1,742	1,914	2,140

[1] Figures for 2004 are re-stated to take into account the transition to IFRS and changes in the classification of pensions.

[2] Reclassification of historical values for the cost of goods sold and selling expenses.

[3] 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 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
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 capital at business area level excludes all consolidated excess value.

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 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 equity. Equity has been adjusted for capital increases and reductions.

Return on operating capital
Operating profit as a percentage of the operating capital.

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

Annual General Meeting

The shareholders of Nobia AB are invited to attend the Annual General Meeting at 5 p.m. on Wednesday, 29 March 2006 at Södra Paviljongen, Vasagatan 1, 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 Thursday 23 March 2006.
2. notify the Company of their intention to attend the meeting no later than 4 p.m. on Thursday, 23 March 2006.

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) 8503 826 49. Notification may also be in the form of an e-mail to ingrid.yllmark@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 Thursday 23 March 2006, when registration must be completed.

Payment of dividends

The record date for entitlement to receive dividends is proposed for Monday 3 April 2006, which means that the final day for trading, including the dividend, is 29 March. Payment will be through VPC and is expected to take place on Thursday, 6 April 2006.

Future financial reports

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

Addresses

C.P. Hart
Unit 40, Charles Park
Claire Causeway
Crossways
Dartford
DA2 6QA
UK
Tel. +44 20 7902 1000
Fax +44 1322 422101
www.cphart.co.uk

EWE Küchen GmbH
Dieselstraße 14
A-4600 Wels
Austria
Tel. +43 7242 237 0
Fax +43 7242 237 221
www.ewe.at

FM Küchen GmbH
Galgenau 30
A-4240 Freistadt
Austria
Tel. +43 7942 701 0
Fax +43 7942 701 51
www.fm-kuechen.at

Gower Furniture Ltd
Holmfield Industrial Estate
Halifax
West Yorkshire
HX2 9TN
UK
Tel. +44 1422 232 200
Fax +44 1422 243 988
www.gower-kitchens.co.uk

HTH Køkkener A/S
Industrivej 6
DK-6870 Ølgod
Denmark
Tel. +45 75 24 47 77
Fax +45 75 24 63 02
www.hth.dk

Hygena Cuisines
350, rue des Clauwiers
BP 106
F-59471 Seclin
France
Tel. +33 3 20 16 66 00
Fax +33 3 20 16 66 05
www.hygena.fr

Invita Køkkener A/S
Fabriksvej 20
DK-7441 Bording
Denmark
Tel. +45 77 88 70 00
Fax +45 77 88 70 01
www.invita.dk

Magnet Ltd
Allington Way
Yarm Road Business Park
Darlington, Co Durham
DL1 4XT
GB
Tel. +44 1325 469441
Fax +44 1325 744014
www.magnet.co.uk

Marbodal AB
522 81 Tidaholm
Tel. 0502-170 00
Fax 0502-173 20
www.marbodal.se

Marlin Badmöbel GmbH
Jaka-Straße 3
DE-32351Stemwede-Wehden
Germany
Tel. +49 5773 88 222
Fax +49 5773 88 150
www.marlinbad.de

Myresjökök AB
Box 603
343 24 Älmhult
Tel. 0476-557 00
Fax 0476-152 82
www.myresjokok.se

Norema AS
Bergermoen
NO-3520 Jevnaker
Norway
Tel. +47 61 31 60 00
Fax +47 61 31 61 01
www.norema.no

Novart Oy
Box 10
FI-155 61 Nastola
Finland
Tel. +358 3 887 711
Fax +358 3 887 7450
www.novart.fi

Optifit Jaka Möbel GmbH
Jaka-Straße 3
DE-32351 Stemwede-Wehdem
Germany
Tel. +49 5773 88 0
Fax +49 5773 88 144
www.optifit.de

Poggenpohl Möbelwerke GmbH
Poggenpohlstraße 1
DE-32051 Herford
Germany
Tel. +49 52 21 38 10
Fax +49 52 21 38 12 08
www.poggenpohl.de

Pronorm Einbauküchen GmbH
Höferweg 28
DE-32602 Vlotho
Germany
Tel. +49 57 33 97 90
Fax +49 57 33 97 93 00
www.pronorm.de

Sigdal Kjøkken AS
Postboks 633
NO-1411 Kolbotn
Norway
Tel. +47 66 82 23 00
Fax +47 66 82 23 40
www.sigdal.com

uno form
Fabriksvej 7
DK-9640 Farsø
Denmark
Tel. +45 98 63 29 44
Fax +45 98 63 29 55
www.unoform.dk

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E U R O P E ' S

L E A D I N G

K I T C H E N

C O M P A N Y

nobia

Visiting address: Klarabergsviadukten 70 A5, Stockholm, Sweden
PO Box 70376 • 107 24 Stockholm Sweden • Tel.+46 8 440 16 00 • Fax +46 8 503 826 49
www.nobia.se