nobia

# Financial Statement
# January – December 2005

**7 February 2006**

| **Key figures** | **October-December 2005** | **October-December 2004** | **January-December 2005** | **January-December 2004** |
|---|---|---|---|---|
| Net sales, SEK m | 3,291 | 2,850 | 12,442 | 11,337 |
| Operating profit before depreciation, SEK m (EBITDA) | 354 | 307 | 1,263 | 1,212 |
| Operating profit, SEK m (EBIT) | 270 | 236 | 954 | 930 |
| Operating margin, % | 8.2 | 8.3 | 7.7 | 8.2 |
| Profit after financial items, SEK m | 257 | 215 | 885 | 840 |
| Profit after tax, SEK m | 186 | 159 | 641 | 593 |
| Earnings per share, after dilution, SEK | 3.20 | 2.73 | 11.01 | 10.23 |
| Return on capital employed, % | | | 21.4 | 23.1 |
| Return on equity, % | | | 22.6 | 25.7 |
| Dividend, SEK | | | 3.50 *) | 3.00 |

- Earnings per share after dilution rose by 8 per cent to SEK 11.01 (10.23)
- The profit after tax rose by 8 per cent to SEK 641 million (593)
- The profit after financial items climbed by 5 per cent to SEK 885 million (840). In Q4 the profit after financial items climbed by 19 per cent to SEK 257 million (215)
- Net sales climbed by 10 per cent to reach SEK12,442 million (11,337). In Q4 sales climbed by 15 per cent to reach SEK 3,291 million (2,850)
- Organic growth was 3 per cent for the full year and 3 per cent in Q4
- The operating profit (EBIT) reached SEK 954 million (930). The operating profit rose in Q4 by 14 per cent to reach SEK 270 million (236)
- The operating margin was 7.7 per cent (8.2) for the full year and 8.2 per cent (8.3) for Q4
- Cash flow climbed to SEK 652 million (634)
- The Board proposes a dividend of SEK 3.50 per share (3.00)

*) Board proposal

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

***Nobia Group January – December 2005***

## *SUMMARY*


***Organic growth and improved profits in a somewhat weaker market***

Estimates suggest that demand in the UK market has fallen by around 6-7 per cent in 2005 compared with 2004. Nobia's organic growth was negative at 5 per cent. Investments 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. Changes are being made at the Darlington plant, where completion of a transition to order-based production is expected in the first half of 2006.

Development on the Nordic markets remained strong. Demand in 2005 is estimated to have been 7 per cent higher than in 2004. Organic sales growth, meanwhile, was 13 per cent for the Nordic business. Two important factors behind the strong sales growth, in addition to general market growth, were extended co-operation with key customers and the ongoing store investments.

In our key markets in continental Europe – i.e. Germany, the Netherlands and Austria – we estimate that demand has fallen by around 4 per cent in 2005 compared with 2004. Meanwhile organic growth for Nobia's Continental business was around 3 per cent. Higher exports were the main driver behind the increase.

For the full year, net sales climbed 10 per cent to reach SEK 12,442 million (11,337) and the Group's organic growth reached 3 per cent. Organic growth in Q4 was also 3 per cent. The operating profit (EBIT) for the full year reached SEK 954 million (930), including a cost of SEK 30 million for the action programme in the UK market. The operating profit climbed in both the Nordic and Continental European businesses, but fell in the UK business due to a weaker market. The Group's operating profit in Q4 rose to SEK 270 million (236).

Store investments continued throughout the year with the aim of boosting market shares in all business areas. For the Group as a whole, 28 new stores were opened, of which 8 were DIY stores. A total of 101 stores were refurbished. At year-end, Nobia had a total of 557 wholly owned or franchise stores.

The profit after financial items was up 5 per cent at SEK 885 million (840). Work aimed at freeing up capital in the business has succeeded and cash flow after investments, but before the acquisition of subsidiaries, improved to reach SEK 652 million (634). Return on shareholders' equity amounted to 22.6 per cent for the full year (25.7).

Earnings per share were up by 8 per cent to SEK 11.01 (10.23). In the period 2001-2005 the average increase in earnings per share was 16 per cent per year, compared with the target average of 12 per cent per year.

## Net sales and results

*Net sales* rose by 10 per cent to SEK 12,442 million (11,337). Adjusted for comparable units[1)] and for currency effects, sales climbed by 3 per cent. Acquired units contributed SEK 654 million (33).

The table below illustrates the comparison.

| Group | | **Net sales** |
|---|---|---|
| | | **January-December** |
| SEK m | **2005** | **2004** |
| Reported amount | 12,442 | 11,337 |
| Acquired units | -654 | -33 |
| Goldreif | - | -15 |
| Currency adjustment | -190 | - |
| Comparable amounts | 11,598 | 11,289 |

*The operating profit* was SEK 954 million (930). Results included 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 Europe businesses. Due to lower sales volumes, the operating profit of the UK business declined. The 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 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 to last year.

*The profit after financial items* was up 5 per cent on last year 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).

*The 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 the profit.

*Return on capital employed* amounted to 21.4 per cent (23.1).

*Q4 2005*

*Net sales* rose by 15 per cent to SEK 3,291 million (2,850) compared with the same quarter last year. Acquired units contributed SEK 175 million (5). Adjusted for currency effects, organic growth in sales for comparable units was 3 per cent. Despite continued weak demand in the UK, the sales decline was countered by positive development within the Trade segment, which is Magnet's sales channel to professional customers.

*The operating profit* climbed to SEK 270 million (236). All businesses reported improved operating profits thanks in part to the consolidation of acquired units. The operating profit also included a positive currency effect of SEK 11 million arising from the translation of profits from foreign subsidiaries into SEK.

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[1)] Excluding EWE-FM, which was acquired as of January 1, 2005, the German business unit, Goldreif, which was divested in 2004, three Poggenpohl stores acquired during 2004 and a further Poggenpohl store, which was acquired in 2005.

*The operating margin* was 8.2 per cent (8.3). The operating margin improved in the UK business to 5.7 per cent (5.0), but dropped in the Continental European businesses to 5.4 per cent (6.3) compared with Q4 in 2004. The operating margin for the Nordic business remained high at 14.8 per cent (15.3).

### Cash flow and investments

*Cash flow after investments,* but before corporate acquisitions, rose to SEK 652 million (634) for the full year, despite a higher level of investment than last year. Working capital fell during the year to 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.

*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

### Financial position

*The Group's capital employed* was SEK 4,613 million compared to 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* rose at the end of the year was SEK 1,143 million compared to 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 to SEK 850 million at year-end 2004. The change is mainly attributable to currency effects.

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

*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, recognised as working liability, the debt/equity ratio was 65 per cent at year-end.

## BUSINESS REGIONS

### The UK business

*Net sales* reached SEK 5,037 million (5,295), which meant a decline of 5 per cent. Excluding currency effects, sales for comparable units fell by 5 per cent[2)].

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

[2] Adjusted for the transfer of the kitchens business at C.P. Hart to Poggenpohl, which organisationally belongs to the Continental European business.

Within the framework of the ongoing store investment programme at Magnet, 24 refurbished stores were re-opened during the year, out of a total of 204 stores. Sales have increased in the stores that have undergone the refurbishment programme.

*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 kitchen interiors, both rigid and flat-pack, improved. The completed action programme boosted profits from Q3 on. 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.

*Q4 2005*

Sales were up by 4 per cent to SEK 1,300 million (1,250). Excluding currency effects, sales for comparable units fell by 3 per cent, which was a lower decline than in preceding quarters. During the quarter sales of kitchens to professional customers in the Trade segment increased, while sales of fitted kitchens in the consumer segment remained weak compared with the same quarter in 2004.

The operating profit was SEK 74 million (63). The operating margin rose to 5.7 per cent from 5.0 per cent in the same quarter last year.

**The Nordic business**

*Net sales* rose 16 per cent to SEK 4,769 million (4,116). Excluding currency effects the rise 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.

The refurbishment and opening of stores contributed to the sales climb 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. In total, there are 333 wholly owned or franchise stores in the Nordic region.

*The 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.

*Q4 2005*

Sales rose by 15 per cent to SEK 1,287 million (1,116). Organic growth was 10 per cent. Growth in Finland and Norway was lower in Q4 than during previous quarters.

The operating profit climbed by 11 per cent to SEK 190 million (171). Currency effects impacted positively on the operating profit. The operating margin was 14.8 per cent (15.3).

**The Continental European business**

*Net sales* climbed 35 per cent to SEK 2,747million (2,031). Acquired units contributed SEK 684 million (41). Adjusted for currency effects and for comparable units[3)], organic growth was 3 per cent. The main reason for the sales increase was continued higher exports to Asia and the UK.

*The 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.

*Q4 2005*

Sales rocketed by 45 per cent to SEK 737 million (509). Organic growth was 2 per cent. The climb in organic growth was primarily due to higher exports to Asia. Acquired units contributed SEK 191 million (7).

The operating profit was SEK 40 million compared with SEK 32 million for the same quarter last year. The improvement was mainly due to higher volumes and the contribution from acquired units. The operating margin was 5.4 per cent (6.3). The cost of staff redundancies impacted on the operating profit in Q4.

During Q4, an agreement was reached concerning extended working hours at one plant in Germany from 35 hours a week to 37.5 hours starting in 2006.

[3)] Excluding EWE-FM, which was acquired as of January 1, 2005, the German business unit, Goldreif, which was divested in 2004, three Poggenpohl stores acquired during 2004 and a further Poggenpohl store, which was acquired in 2005. Also adjusted for the kitchen business at C.P. Hart (which organisationally belongs to the UK business) that has been transferred to Poggenpohl.

## 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). The profit was primarily due to dividends from subsidiaries.

## Employees

At the end of the period, the Group had 6,778 employees, compared with 6,254 at year-end 2004. The increase is mainly attributable to the acquisition of EWE-FM.

## Proposed dividend

The Board proposes that the dividend for 2005 be SEK 3.50 per share (3.00), an increase of 17 per cent compared with last year. The proposed dividend corresponds to 32 per cent of the net profit for the year (attributable to the parent company's shareholders) and amounts in total to SEK 202 million.

## AGM

The Annual General Meeting will be held on 29 March 2006 in Södra Paviljongen, Vasagatan 1, Stockholm.
The proposed record date for the right to receive the dividend is 3 April 2006.Payment of the dividend via VPC is expected to be 6 April 2006.
The Annual Report is planned to be published on www.nobia.se on 2 March and in printed form on 14 March.
Interim reports in 2006 will be published on 27 April, 19 July and 26 October.

## Nomination committee

Information about the composition and working procedures of the nominations committee is available at www.nobia.se. Details about the nomination committee's proposals to the AGM will be included in the notification about the AGM.

## Accounting principles

This interim report has been prepared in accordance with IAS 34 "Interim Financial Reporting," and the Swedish Financial Accounting Standards Council's recommendation RR 31 "Interim reporting for Groups" and, with regard to the parent company, RR 32 "Reporting for legal entities".

From 1 January 2005, Nobia's consolidated accounts are being prepared in accordance with IFRS as approved by the European Union, EU, up to 31 December 2005. Comparable figures from 2004 have been recalculated in accordance with IFRS 1 "First-time adoption of IFRS."

In recent years Swedish accounting principles have been gradually adapted to IFRS and Nobia has therefore already applied IFRS principles to a large extent. The areas where transition to IFRS entails more 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 and based upon IAS/IFRS standards valid in 2005. The standards that have been changed and introduced within the EU up to 31 December 2005 have not had any effects on Nobia other than those reported as preliminary.

The Nobia Group's financial assets and liabilities are primarily classified as assets and liabilities set at their acquisition value. The financial assets and liabilities given a market value are primarily those assets and liabilities reported as hedged.

Within the framework of the finance policy established by the Board, Nobia hedges its commercial currency exposure. Nobia applies hedging accounting for intra-Group currency flows if they meet the criteria that IAS 39 sets for the application of hedging accounting and if the currency risk affects consolidated results. IAS 39 is being applied for the first time from 1 January 2005 without any requirement for recalculation of the 2004 figures for comparison. Hedging accounting means that unrealised profit and loss arising when hedging instruments are given a market value, and which meets the conditions for hedging accounting, is reported under shareholders' equity.

Supplement 1 presents details of how the transition to IFRS has affected Nobia's accounts and explains how comparable figures for 2004 have been recalculated.

From 2005 Nobia will report the net sum of discounted interest on pension provisions and the expected return on associated plan assets as part of the operating profit/loss. Up to 2004 this net sum has been reported under financial items.

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

With exception of the above adaptations to IFRS, Nobia has applied the same accounting principles and calculation methods for the consolidated accounts as used in the most recent Annual Report.

For definitions of key figures, see Nobia's Annual Report for 2004. As reported in Nobia's 2004 Annual Report and above, the classification of pension liabilities has changed from 2005.

Stockholm 7 February 2006

Fredrik Cappelen
President and CEO

Nobia AB, corporate reg. no. 556528-2752.

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

The Interim Report for January-March 2006 will be submitted on 27 April 2006.

## Income statement

| SEK m | October-December 2005 | 2004 | January-December 2005 | 2004 |
|---|---|---|---|---|
| Net sales | 3,291 | 2,850 | 12,442 | 11,337 |
| Cost of goods sold | -2,002 | -1,763 | -7,579 | -6,923 |
| **Gross profit** | **1,289** | **1,087** | **4,863** | **4,414** |
| Selling and administrative expenses | -1,018 | -874 | -3,929 | -3,500 |
| Other operating income/expenses | -1 | 25 | 21 | 19 |
| Share of loss/profit of associates | 0 | -2 | -1 | -3 |
| **Operating profit** | **270** | **236** | **954** | **930** |
| Net financial items | -13 | -21 | -69 | -90 |
| **Profit after financial items** | **257** | **215** | **885** | **840** |
| Taxes | -71 | -56 | -244 | -247 |
| **Profit after tax** | **186** | **159** | **641** | **593** |
| | | | | |
| **Profit after tax attributable to:** | | | | |
| Parent company's shareholders | 186 | 158 | 640 | 592 |
| Minority interests | 0 | 1 | 1 | 1 |
| Profit after tax | 186 | 159 | 641 | 593 |
| | | | | |
| Total depreciation | 84 | 71 | 309 | 282 |
| Operating margin, % | 8.2 | 8.3 | 7.7 | 8.2 |
| Return on capital employed, % | | | 21.4 | 23.1 |
| Return on equity, % | | | 22.6 | 25.7 |
| | | | | |
| **Data per share** | | | | |
| EPS before dilution, SEK[1)] | 3.22 | 2.75 | 11.10 | 10.27 |
| EPS after dilution, SEK[1)] | 3.20 | 2.73 | 11.01 | 10.23 |
| Number of shares before dilution | 57,679,720 | 57,669,220 | 57,679,720 | 57,669,220 |
| Average number of shares before dilution | 57,679,720 | 57,669,220 | 57,673,928 | 57,669,220 |
| Number of shares after dilution | 58,205,646 | 57,984,290 | 58,143,803 | 57,915,278 |
| Average number of share after dilution | 58,205,646 | 57,984,290 | 58,138,011 | 57,915,278 |

[1)] EPS relating to shareholders in parent company

## Balance sheet

| ASSETS, SEK m | 31 Dec 2005 | 31 Dec 2004 |
|---|---|---|
| *Intangible fixed assets* | | |
| Goodwill | 1,975 | 1,645 |
| Other intangible fixed assets | 33 | 28 |
| | 2,008 | 1,673 |
| *Tangible fixed assets* | | |
| 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 | 53 | 43 |
| Shares in associated companies | 3 | 0 |
| Deferred tax receivable | 206 | 163 |
| | 262 | 206 |
| **Total fixed assets** | **4,723** | **3,972** |
| Inventories | 1,253 | 1,147 |
| *Current receivables* | | |
| Accounts receivable, trade | 1,262 | 1,057 |
| Other receivables | 429 | 433 |
| | 1,691 | 1,490 |
| Cash and bank balances | 251 | 616 |
| **Total current assets** | **3,195** | **3,253** |
| **Total assets** | **7,918** | **7,225** |

## Balance sheet, cont.

| EQUITY AND LIABILITIES, SEK m | 31 Dec 2005 | 31 Dec 2004 |
|---|---|---|
| *Capital and reserves attributable to parent company shares* | | |
| Share capital | 58 | 58 |
| Share premium reserve | 1,391 | 1,389 |
| Translation differences | 120 | -38 |
| Other reserves | 0 | 0 |
| Retained earnings | 1,608 | 1,141 |
| | 3,177 | 2,550 |
| Minority interests | 7 | 7 |
| **Total equity** | **3,184** | **2,557** |
| *Long-term liabilities* | | |
| Provision for pensions | 915 | 850 |
| Deferred tax liabilities | 186 | 151 |
| Other provisions | 101 | 58 |
| Other long-term liabilities, interest bearing | 1,152 | 1,776 |
| **Total long-term liabilities** | **2,354** | **2,835** |
| *Current liabilities* | | |
| Current liabilities, interest-bearing | 277 | 58 |
| Current liabilities, non-interest-bearing | 2,103 | 1,775 |
| **Total current liabilities** | **2,380** | **1,833** |
| **Total equity and liabilities** | **7,918** | **7,225** |

## Key figures relating to the balance sheet

| | | |
|---|---|---|
| Equity/assets ratio, % | 40 | 35 |
| Debt/equity ratio, % | 36 | 47 |
| Debt/equity ratio including provisions for pensions, % | 65 | 80 |
| Net debt, SEK m | 1,143 | 1,195 |
| Net debt including provisions for pensions, SEK m | 2,058 | 2,045 |
| Capital employed, closing balance, SEK m | 4,613 | 4,391 |

## Changes in consolidated equity

| SEK m | Attributable to parent company shareholders | | | | | | Minority interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium reserve | Translation differences | Other reserves | Retained earnings | Total | | |
| **Opening balance 2004** | **58** | **1,389** | | | **679** | **2,126** | **6** | **2,132** |
| Currency translation differences | | | -38 | | | -38 | | -38 |
| **Transactions reported under equity, total** | **-** | **-** | **-38** | **-** | **-** | **-38** | **-** | **-38** |
| Net profit for the period | | | | | 592 | 592 | 1 | 593 |
| Dividend | | | | | -130 | -130 | | -130 |
| **Closing balance 2004** | **58** | **1,389** | **-38** | **-** | **1,141** | **2,550** | **7** | **2,557** |
| | | | | | | | | |
| **Opening balance 2005** | **58** | **1,389** | **-38** | **-** | **1,141** | **2,550** | **7** | **2,557** |
| Currency hedge reserve after tax | | | | 7 | | 7 | | 7 |
| **Adjusted opening balance 2005** | **58** | **1,389** | **-38** | **7** | **1,141** | **2,557** | **7** | **2,564** |
| Currency translation differences | | | 158 | | | 158 | | 158 |
| Currency hedge reserve after tax | | | | -7 | | -7 | 0 | -7 |
| **Transactions reported under equity, total** | **-** | **-** | **158** | **-7** | **-** | **151** | **0** | **151** |
| | | | | | | | | |
| Net profit for the period | | | | | 640 | 640 | 1 | 641 |
| Employee warrants scheme | | | | | | | | |
| - Value of employee services | | 1 | | | | 1 | | 1 |
| - Payment of issued shares | 0 | 1 | | | | 1 | | 1 |
| Dividend | | | | | -173 | -173 | -1 | -174 |
| **Closing balance 2005** | **58** | **1,391** | **120** | **0** | **1,608** | **3,177** | **7** | **3,184** |

## Cash flow statement

| SEK m | | Oct-Dec 2005 | Oct-Dec 2004 | Jan-Dec 2005 | Jan-Dec 2004 |
|---|---|---|---|---|---|
| **Current activities** | | | | | |
| Operating profit | | 270 | 236 | 954 | 930 |
| Depreciation | | 84 | 71 | 309 | 282 |
| Adjustment for items not included in the cash flow | | 4 | -46 | 11 | -29 |
| Interest and tax | | -144 | -92 | -260 | -239 |
| Changes in working capital | | 62 | 212 | 78 | 46 |
| **Cash flow from operating activities** | | **276** | **381** | **1,092** | **990** |
| **Investment activities** | | | | | |
| Investments in tangible fixed assets | | -169 | -148 | -472 | -370 |
| Acquisition of subsidiaries | Note 1 | 1 | -1 | -317 | -31 |
| Other items included in investment activities | | 12 | 11 | 32 | 14 |
| **Cash flow from investment activities** | | **-156** | **-138** | **-757** | **-387** |
| **Financing activities** | | | | | |
| Changes in loan debt | | -78 | 261 | -542 | -5 |
| New share issue | | - | - | 1 | - |
| Dividend | | - | - | -174[1)] | -130 |
| **Cash flow from financing activities** | | **-78** | **261** | **-715** | **-135** |
| **Cash flow for the period excluding exchange rate differences in liquid funds** | | **42** | **504** | **-380** | **468** |
| **Opening balance, liquid funds** | | | | **616** | **154** |
| **Cash flow for the period** | | | | **-380** | **468** |
| **Effects of exchange rate changes in liquid funds** | | | | **15** | **-6** |
| **Closing balance, liquid funds** | | | | **251** | **616** |

## Analysis of net debt

| SEK m | Jan-Dec 2005 | Jan-Dec 2004 |
|---|---|---|
| Opening balance | 1,195 | 1,676 |
| Translation differences | 104 | -10 |
| Cash flow from current activities including investments etc. | -651 | -632 |
| Acquisition of subsidiaries | 322 | 31 |
| Dividend | 174[1)] | 130 |
| New share issue | -1 | - |
| **Closing balance** | **1,143** | **1,195** |

[1)] Including a dividend of SEK 1 million to minority shareholders in subsidiaries.

**Note 1 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 jointly known as 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.

Purchase sums for previous acquisitions have been adjusted by SEK 11 million.

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

| **Acquired net assets and goodwill, SEK m** | |
|---|---|
| Purchase amount including acquisition costs | 317 |
| Additional purchase amount | 17 |
| Fair value of acquired net assets | -132 |
| **Goodwill** | **202** |

| **Assets and liabilities included in acquisition, SEK m** | **Fair value** | **Acquired book value** |
|---|---|---|
| Liquid assets | 0 | 0 |
| Tangible fixed assets | 155 | 114 |
| Intangible fixed assets | 1 | 1 |
| Other shares and participations | 11 | 11 |
| Inventories | 42 | 42 |
| Accounts receivable | 65 | 65 |
| Liabilities | -94 | -94 |
| Other provisions | -40 | -31 |
| Provisions for guarantees | -1 | -4 |
| Financial liabilities | -1 | -1 |
| Deferred tax, net | -6 | 3 |
| **Acquired net assets** | **132** | **106** |

| | |
|---|---|
| Cash-adjusted purchase amount including acquisition costs | 317 |
| Liquid assets in acquired subsidiaries | 0 |
| **Change in Group’s liquid assets following acquisition** | **317** |

## Net sales, operating profit and operating margin per business region

| **Net sales**, SEK m | Oct-Dec 2005 | Oct-Dec 2004 | Jan-Dec 2005 | Jan-Dec 2004 |
|---|---|---|---|---|
| UK business | 1,300 | 1,250 | 5,037 | 5,295 |
| Nordic business | 1,287 | 1,116 | 4,769 | 4,116 |
| Continental European business | 737 | 509 | 2,747 | 2,031 |
| Other and Group adjustments | -33 | -25 | -111 | -105 |
| **Group** | **3,291** | **2,850** | **12,442** | **11,337** |

| **Operating profit**, SEK m | Oct-Dec 2005 | Oct-Dec 2004 | Jan-Dec 2005 | Jan-Dec 2004 |
|---|---|---|---|---|
| UK business | 74 | 63 | 255 | 355 |
| Nordic business | 190 | 171 | 672 | 551 |
| Continental European business | 40 | 32 | 145 | 128 |
| Other and Group adjustments | -34 | -30 | -118 | -104 |
| **Group** | **270** | **236** | **954** | **930** |

| **Operating margin, %** | Oct-Dec 2005 | Oct-Dec 2004 | Jan-Dec 2005 | Jan-Dec 2004 |
|---|---|---|---|---|
| UK business | 5.7 | 5.0 | 5.1 | 6.7 |
| Nordic business | 14.8 | 15.3 | 14.1 | 13.4 |
| Continental European business | 5.4 | 6.3 | 5.3 | 6.3 |
| **Group** | **8.2** | **8.3** | **7.7** | **8.2** |

Business regions are defined according to where products are made and distributed.

## Net sales, operating profit and operating margin per business region
## Quarterly data

| Net sales, SEK m | 2005 IV | III | II | I | 2004 IV | III | II | I |
|---|---|---|---|---|---|---|---|---|
| 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, SEK m | 2005 IV | III | II | I | 2004 IV | III | II | I |
|---|---|---|---|---|---|---|---|---|
| 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, % | 2005 IV | III | II | I | 2004 IV | III | II | I |
|---|---|---|---|---|---|---|---|---|
| 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** |

Business regions are defined according to where products are made and distributed.

**Supplement 1 to the Interim Report for January-December 2005**
**Transition to International Financial Reporting Standards (IFRS)**

In line with a decision taken within the EU, all listed companies shall report their consolidated accounts in accordance with the international accounting principles established by the International Accounting Standards Board, IASB. These international principles are presented in standards called IAS and IFRS. The EU shall approve IASB standards before they obtain legal force.

From 1 January 2005 Nobia's accounting principles comply with International Financial Reporting Standards (IFRS) as intended for application within the EU up to 31 December 2005. The effects of the transition to IFRS on the balance sheets and income statements, cash flow statements and key indicators are presented below.

IFRS 1 "First-time adoption of IFRS" contains rules for the transition from other principles previously used to IAS/IFRS. IFRS 1 also includes special voluntary transition rules to be used the first time a company reports according to IAS/IFRS. The optional transition rules that Nobia has chosen to apply are explained under section headings below.

The transition date for IFRS is 1 January 2004, which means that comparable figures from 2004 are restated using IFRS rules in accordance with IFRS 1. IAS 39 and 32 concerning financial instruments are applied from 2005 and onward, which means that the balance on 31 December 2004 has not affected the latter rule.

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 upon IAS/IFRS standards valid in 2005. The standards that have been changed and introduced within the EU up to 31 December 2005 have not had any effects on Nobia other than those reported as preliminary.

*Company acquisitions and 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. In the 2004 Annual Report on page 39 there are 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.

*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 (EPS), before and after dilution, are reported as previously with regard to earnings attributable to the parent company's shareholders.

*Financial instruments*

In accordance with IAS 39, all financial assets and liabilities, including hedging instruments in the form of derivatives, shall be reported depending on how they are classified, either at their market value or their acquisition cost. For assets and liabilities reported at market value the profit/loss arising from reassessment shall be reported in the income statement or under equity, depending on whether hedge accounting is observed or not.

For Nobia the main change in the transition to IAS 39 is that the market value of financial assets and liabilities that is hedged is entered on 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 that were used as hedging instruments and were held until maturity were not valued at market rates. On the introduction of IFRS and IAS 39, outstanding currency hedging contracts on 1 January 2005 were valued at the market rate and the net sum of unrealised rate profits and losses was allocated to a currency hedge reserve under equity. Nobia applies hedging accounting for intra-Group currency flows if they meet the criteria that IAS 39 sets for the application of hedging accounting and if the currency risk affects consolidated results.

IAS 39 and IAS 32 concerning financial instruments are being applied from 1 January 2005 without a requirement for restatement of the 2004 figures for comparison.

*Translation differences*

The overall translation difference in shareholders' equity shall, in accordance with IAS 21 "The effects of Changes in Foreign Exchange Rates", be reported separately and, in the event of a future sale of the subsidiary, be returned to the income statement as a part of the sale. On the transition to IFRS Nobia is making the optional exemptions sanctioned in IFRS 1 which enables the accumulated rate differences arising from the recalculation of foreign subsidiaries into SEK, the Group's currency, to be re-set to zero on 1 January 2004. Accumulated translation differences from 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 shareholders' equity from 1 January 2004.

*Remuneration to employees*

From 1 January 2004 Nobia is applying in its consolidated accounts the Swedish Financial Accounting Standards Council's recommendation RR 29 "Remuneration to employees". RR 29 is in accordance with IAS 19 "Employee Benefits". In line with IAS 19 Nobia amortises actuarial profit and loss, i.e. the differences that arise due to changed actuarial assumptions, over the average remaining employment period to the extent that this difference lies outside the so-called "corridor". The "corridor" represents 10 per cent of the higher of the value of total pension assets and pension liabilities. On the transition to IFRS Nobia is applying the option 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, instead of the division of these figures in a recognised part and unrecognised part from the start of the pension plans up to the point of adoption of IFRS.

## Effects of IFRS on the Income Statement for 2004

| SEK m | Jan-Mar | Apr-Jun | Jul-Sep | Oct-Dec | Jan-Dec |
|---|---|---|---|---|---|
| **Operating profit (EBIT)** | | | | | |
| According to former accounting principles | 197 | 260 | 190 | 221 | 868 |
| Change in classification of pensions[1)] | -8 | -8 | -9 | -8 | -33 |
| Operating profit before effects of IFRS | 189 | 252 | 181 | 213 | 835 |
| Adjustment for former goodwill amortisation [2)] | 23 | 25 | 24 | 23 | 95 |
| **Adjusted operating profit (EBIT)** | **212** | **277** | **205** | **236** | **930** |
| | | | | | |
| **Profit after financial items** | | | | | |
| According to former accounting principles | 165 | 226 | 162 | 192 | 745 |
| Adjustment for former goodwill amortisation | 23 | 25 | 24 | 23 | 95 |
| **Adjusted profit after financial items** | **188** | **251** | **186** | **215** | **840** |
| | | | | | |
| **Profit after tax** | | | | | |
| According to former accounting principles | 111 | 149 | 102 | 135 | 497 |
| Adjustment for former goodwill amortisation | 23 | 25 | 24 | 23 | 95 |
| Adjustment for minority interests[3)] | 0 | 0 | 0 | 1 | 1 |
| **Adjusted profit after tax** | **134** | **174** | **126** | **159** | **593** |

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

| | Jan-Mar | Apr-Jun | Jul-Sep | Oct-Dec | Jan-Dec |
|---|---|---|---|---|---|
| **Operating margin, %** | | | | | |
| According to former accounting principles | 7.0 | 8.8 | 7.0 | 7.8 | 7.7 |
| Operating margin after reclassification of pensions[1)] | 6.7 | 8.5 | 6.7 | 7.5 | 7.4 |
| **Adjusted operating margin** | **7.5** | **9.3** | **7.6** | **8.3** | **8.2** |
| | | | | | |
| **Return on capital employed, %** | | | | | |
| According to former accounting principles | | | | | 18.5 |
| Return on capital employed after adjustment for IAS 19 OB 2004[4)] | | | | | 18.0 |
| Return on capital employed after reclassification of pensions [5)] | | | | | 21.0 |
| **Adjusted return on capital employed** | | | | | **23.1** |
| | | | | | |
| **Return on equity, % [6)]** | | | | | |
| According to former accounting principles | | | | | 19.6 |
| Return on equity after adjustment for IAS 19 OB 2004[4)] | | | | | 22.0 |
| **Adjusted return on equity** | | | | | **25.7** |
| | | | | | |
| **EPS before dilution, SEK [7)]** | | | | | |
| According to former accounting principles | 1.92 | 2.58 | 1.77 | 2.34 | 8.62 |
| **Adjusted EPS before dilution** | **2.32** | **3.02** | **2.19** | **2.75** | **10.27** |
| | | | | | |
| **EPS after dilution, SEK [7)]** | | | | | |
| According to former accounting principles | 1.92 | 2.57 | 1.76 | 2.33 | 8.59 |
| **Adjusted EPS after dilution** | **2.32** | **3.00** | **2.18** | **2.73** | **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, has negatively impacted the operating profit. The reclassification of pensions has mainly affected the operating profit in the UK business.
2) Previously reported goodwill depreciation was included in "Cost of sold goods" in the gross profit within operating profit.
3) Profit after tax is now reported before deductions for minority interests. The profit after tax is specified separately concerning the part of the profit attributable to the parent company's shareholders and minority interests respectively.
4) As of 1 January 2004, Nobia is implementing the Swedish Financial Accounting Standards Council's recommendation RR 29 on remuneration to Employees. In accordance with RR29/IAS 19 the opening provisions for pensions on 1 January 2004 were adjusted, after deduction for deferred tax, directly against equity.
5) As a result of reclassification of pensions the pension liabilities now constitute a deduction when calculating capital employed.
6) 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.
7) EPS 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.

## Effects of IFRS on the balance sheet 2004

| Assets, SEK m | 2004<br>1 Jan | 31 March | 30 Jun | 30 Sep | 31 Dec | 2005<br>1 Jan |
|---|---|---|---|---|---|---|
| **Goodwill** | | | | | | |
| According to former accounting principles | 1,619 | 1,694 | 1,677 | 1,613 | 1,554 | 1,645 |
| Adjustment for former goodwill amortisation | - | 24 | 48 | 70 | 91 | - |
| **Adjusted goodwill value** | **1,619** | **1,718** | **1,725** | **1,683** | **1,645** | **1,645** |
| | | | | | | |
| **Total assets** | | | | | | |
| According to former accounting principles | 6,460 | 7,328 | 7,293 | 7,085 | 7,134 | 7,225 |
| Adjustment for deferred tax etc. according to IAS 19[1)] | 223 | - | - | - | - | - |
| Adjustment for former goodwill amortisation | - | 24 | 48 | 70 | 91 | - |
| Unrealised exchange gains[2)] | - | - | - | - | - | 10 |
| **Adjusted total assets** | **6,683** | **7,352** | **7,341** | **7,155** | **7,225** | **7,235** |

| Equity and liabilities, SEK m | 2004<br>1 Jan | 31 March | 30 Jun | 30 Sep | 31 Dec | 2005<br>1 Jan |
|---|---|---|---|---|---|---|
| **Equity** | | | | | | |
| According to former accounting principles | 2,667 | 2,331 | 2,320 | 2,385 | 2,459 | 2,557 |
| Adjusted for effects of IAS 19[1)] | -541 | - | - | - | - | - |
| Adjustment for former goodwill amortisation | - | 24 | 48 | 70 | 91 | - |
| Adjusted for minority interests[3)] | 6 | 6 | 6 | 6 | 7 | - |
| Provision to hedge reserve[2)] | - | - | - | - | - | 7 |
| **Adjusted total equity** | **2,132** | **2,361** | **2,374** | **2,461** | **2,557** | **2,564** |
| | | | | | | |
| **Total long-term liabilities** | | | | | | |
| According to former accounting principles | 1,741 | 1,894 | 1,767 | 1,597 | 1,776 | 2,835 |
| Adjusted pension provisions according to IAS 19[1)] | 764 | - | - | - | - | - |
| Adjustment for provisions [4)] | 353 | 1,147 | 1,133 | 1,110 | 1,059 | - |
| Deferred tax on provision to hedge reserve[2)] | - | - | - | - | - | 3 |
| **Adjusted total long-term liabilities** | **2,858** | **3,041** | **2,900** | **2,707** | **2,835** | **2,838** |
| | | | | | | |
| **Total equity and liabilities** | | | | | | |
| According to former accounting principles | 6,460 | 7,328 | 7,293 | 7,085 | 7,134 | 7,225 |
| Adjusted for effects of IAS 19[1)] | 223 | - | - | - | - | - |
| Adjustment for former goodwill amortisation | - | 24 | 48 | 70 | 91 | - |
| Provision to hedge reserve[2)] | - | - | - | - | - | 10 |
| **Adjusted total equity and liabilities** | **6,683** | **7,352** | **7,341** | **7,155** | **7,225** | **7,235** |

1) As of 1 January 2004, Nobia is implementing the Swedish Financial Accounting Standards Council's recommendation RR 29 on remuneration to Employees. In accordance with RR29/IAS 19 the opening provisions for pensions on 1 January 2004 were adjusted, after deduction for deferred tax, directly against equity.
2) Provision for unrealised exchange gains on forward agreements on 1 January 2005 concerning hedge accounting according to IAS 39. Provisions for the hedge reserve in equity after consideration is taken for deferred tax liability. Deferred tax liability is part of provisions in long-term liabilities.
3) The minority interest of equity is now reported on its own as part of equity instead of previously on its own outside equity.
4) Long-term provisions are now reported as a part of long-term liabilities.

## Effects of IFRS on key ratios in balance sheet 2004

| | 31 March | 30 Jun | 30 Sep | 31 Dec |
|---|---|---|---|---|
| **Equity/assets ratio, %** | | | | |
| According to former accounting principles | 31.9 | 31.9 | 33.7 | 34.6 |
| **Adjusted equity/assets ratio** | **32.1** | **32.3** | **34.4** | **35.4** |
| | | | | |
| **Debt/equity ratio, %** | | | | |
| According to former accounting principles[1)] | 77 | 73 | 62 | 48 |
| **Adjusted debt/equity ratio** | **76** | **71** | **60** | **47** |
| | | | | |
| **Net debt, SEK m** | | | | |
| Formerly reported net debt including pension provisions | 2,672 | 2,570 | 2,343 | 2,045 |
| Change in classification of pensions[1)] | -881 | -876 | -862 | -850 |
| Effects of IFRS | - | - | - | - |
| **Adjusted net debt** | **1,791** | **1,694** | **1,481** | **1,195** |
| | | | | |
| **Capital employed, closing balance SEK m** | | | | |
| According to former accounting principles | 5,186 | 5,066 | 4,876 | 5,150 |
| Change in classification of pensions[1)] | -881 | -876 | -862 | -850 |
| Adjustment for former goodwill amortisation | 24 | 48 | 70 | 91 |
| **Adjusted capital employed** | **4,329** | **4,238** | **4,084** | **4,391** |

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

## Effects of IFRS on the cash flow statement for 2004

| SEK M | Jan-March | April-June | July-Sept | Oct-Dec | Jan-Dec |
|---|---|---|---|---|---|
| **Current activities** | | | | | |
| Operating profit | | | | | |
| According to former accounting principles | 197 | 260 | 190 | 221 | 868 |
| Change in classification of pensions [1)] | -8 | -8 | -9 | -8 | -33 |
| Operating profit before effects of IFRS | 189 | 252 | 181 | 213 | 835 |
| Adjustment for former goodwill amortisation | 23 | 25 | 24 | 23 | 95 |
| **Adjusted operating profit** | **212** | **277** | **205** | **236** | **930** |
| | | | | | |
| Amortisation | | | | | |
| According to former accounting principles | 92 | 96 | 95 | 94 | 377 |
| Adjustment for former goodwill amortisation | -23 | -25 | -24 | -23 | -95 |
| **Adjusted amortisation** | **69** | **71** | **71** | **71** | **282** |
| | | | | | |
| Adjustment for items not included in the cash flow | | | | | |
| According to former accounting principles | -2 | -8 | 2 | -54 | -62 |
| Change in classification of pensions[1)] | 8 | 8 | 9 | 8 | 33 |
| **Adjusted items not included in the cash flow** | **6** | **0** | **11** | **-46** | **-29** |
| | | | | | |
| Change in working capital | | | | | |
| According to former accounting principles | -182 | 10 | 26 | 212 | 66 |
| Change in classification of pensions[1)] | -25 | 5 | 0 | 0 | -20 |
| **Adjusted change in working capital** | **-207** | **15** | **26** | **212** | **46** |
| | | | | | |
| **Cash flow from current activities** | | | | | |
| According to former accounting principles | 73 | 302 | 254 | 381 | 1,010 |
| Change in classification of pensions[1)] | -25 | 5 | 0 | 0 | -20 |
| **Adjusted cash flow from current activities** | **48** | **307** | **254** | **381** | **990** |
| | | | | | |
| **Financing activities** | | | | | |
| Change to debt | | | | | |
| According to former accounting principles | -17 | -70 | -199 | 261 | -25 |
| Change in classification of pensions[1)] | 25 | -5 | 0 | 0 | 20 |
| **Adjusted change to debt** | **8** | **-75** | **-199** | **261** | **-5** |
| | | | | | |
| **Cash flow from financing activities** | | | | | |
| According to former accounting principles | -17 | -200 | -199 | 261 | -155 |
| Change in classification of pensions[1)] | 25 | -5 | 0 | 0 | 20 |
| **Adjusted cash flow from financing activities** | **8** | **-205** | **-199** | **261** | **-135** |

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.