

Capital Markets Day 2008:

Braking and accelerating

The financial crisis and economic downturn are impacting demand for kitchens. Nobia is implementing capacity adjustments to adapt the company to a weaker market, while at the same time investing in new concepts for developing its offering towards new customer groups. These were the issues discussed at Nobia's Capital Markets Day in London on Wednesday.

The European kitchen market has weakened. Customers are delaying their renovation decisions. At the same time, activity in the new-builds segment is declining. It is not currently possible for anyone to predict how extensive and long-lasting the downturn will be.

"Our starting point is to approach a market in decline through such measures as capacity adjustments and the consolidation of production units. We are also honing our offering in the various sales channels and are continuing to develop the store network, although at a slower pace than previously," says Preben Bager, President and CEO.

To better prepare for weaker demand, Nobia restructured its organisation in the autumn, resulting in fewer and larger business units. The number of business units has changed from 14 to eight. This will enable better co-ordination in production, purchasing and administration. Nobia has initiated programmes in all of its business units to enhance the efficiency of the operations and reduce costs. The company is also slowing its pace in establishing new stores. As part of its work to better utilise economies of scale and optimise use of production capacity, the Forssa plant in Finland will be closed. As a result, production of Nobia's three brands in Finland will be concentrated to the Nastola plant. The consolidation is planned to be fully implemented during 2009. The restructuring of production is expected to result in nonrecurring costs and new investments totalling approximately SEK 40 million. Annual savings of approximately SEK 17 million are expected to be generated from 2010.

The trend of kitchens becoming increasingly similar in Europe presents opportunities for enhanced cost efficiency in the supply chain. Product harmonisation and purchasing co-ordination between Nobia's business units and brands is a high-priority area. An increasingly large portion of the total purchasing volume will be outsourced to low-cost countries, including China.

In parallel with the adjustments to a weaker market, Nobia is focusing aggressively on new concepts for new customer groups and on continuing the expansion of its store network, although at a slower pace than previously. For example, HTH launched a new concept and product programme in the Norwegian flat-pack kitchen market in the economy segment. The new concept will not only provide customers with the opportunity to have their kitchen delivered as a flat pack at a lower price, but customers can also use a 3D design program on the Internet to customise their kitchen. Another example is exporting successful brand concepts to other countries, as started this year with the French brand Hygena in Spain.

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Nobia is a Group of about twenty strong kitchen brands. Sales of complete kitchen solutions are conducted mainly in Europe through various channels, such as nearly 700 specialised kitchen studios, other retailers and B2B customers, as well as directly to the construction sector. Annual net sales total approximately SEK 16 billion and the Group employs about 9,000 people. The Nobia share is listed on the OMX Nordic Exchange in Stockholm, short name NOBI.