

ANNUAL REPORT 2002



Ballingslöv®

Contents

Introduction	1	Environment and personnel	26	Accounting principles and notes	37
President's comments	10	Risk management and policies	27	Audit Report	52
Business concept, goals and strategies	14	The Ballingslöv share	28	Board of Directors	53
The 2002 financial year	15	Directors' report	30	Five year summary	54
Market and trends	16	Proposed allocation of profits	32	Definitions	56
Ballingslöv's offers	20	Income statement	33	Annual General Meeting	57
The operation	22	Balance sheet	34	Addresses	57
		Cash flow statement	36		

Ballingslöv in brief

Ballingslöv is one of the leading manufacturers of kitchen fittings in Scandinavia and Great Britain. Its products are characterised by sophisticated design, considerable freedom of choice and high quality. Our brands are Ballingslöv, SweNova, ABT, Drømmekjøkkenet, JKE Design, DFI, Danlamin and Paula Rosa. Production takes place in our own plants in Sweden, Denmark and Great Britain.

The year in brief

Net sales during 2002 amounted to SEK 1159.6 M (1233.9), a reduction of 6.0 %. Excluding exchange rate effects, sales fell by approximately 5 %. Operating income (EBIT) rose to SEK 119.1 M (111.9). This is an increase of 6.4 %. The operating margin before goodwill amortisation amounted to 12.3 % (11.0), which slightly exceeds our long-term margin target (12.0 %).

	GROUP	
	2002	2001
Net sales, SEK m	1 159.6	1 233.9
Operating income before goodwill amortization, SEK m (EBITA)	142.2	135.2
Operating margin before goodwill amortization, %	12.3	11.0
Operating income, SEK m (EBIT)	119.1	111.9
Operating margin, %	10.3	9.1
Income after financial items, SEK m	99.4	84.9
Net income, SEK m	64.5	53.5
Net income per share, SEK	6.61	6.11
Net income per share, excluding goodwill, SEK	8.98	8.78
Return on equity, %	16.3	17.3
Debt/equity ratio, x	0.8	1.2
Equity/assets ratio, %	42.8	33.6

Important events

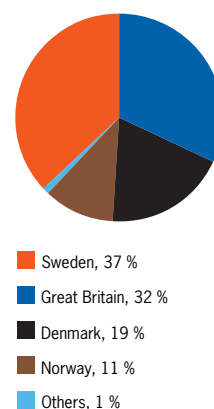
2002

- ▶ Continued good growth in Scandinavia.
- ▶ Strengthened market positions in several geographical areas in Scandinavia.
- ▶ Decline in Great Britain in terms of both sales and income.
- ▶ The launch of new products and new catalogue material.
- ▶ Stock exchange listing on 19 June 2002.
- ▶ Group integration extended, with particular success in the field of the purchasing.

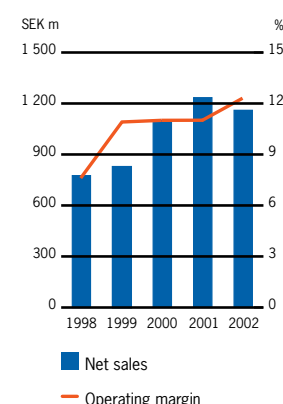
2003

- ▶ Acquisition of the Danish kitchen manufacturer MultiForm A/S in February 2003. MultiForm is a well known brand of high quality products.

Net sales per geographic market



Net sales and operating margin before goodwill amortization



* Actual financial development for the years 1998-2000 is based on accounts which have not been fully audited.

Ballingslöv – the heart of the home

It is not that many years since the kitchen was a fairly anonymous place. A room for preparing food, which looked pretty much the same in most homes.

Today, all that has changed. The kitchen is now the heart of the home, a place where people live, read, eat, work, study, talk and – above all – spend time together. With increasingly open layouts, the kitchen is becoming the hub of all activity in the home.

As the importance of the kitchen grows, there is also increasing interest in planning and fitting out the kitchen. The modern person wants a kitchen that is adapted to his or her needs, lifestyle and taste. The need to satisfy requests for individual solutions as regards both function and design is becoming increasingly important. This is why more and more people are opting for a personalised, high quality kitchen and are therefore prepared to invest a greater proportion of their income in kitchen fittings.

The task for us at Ballingslöv is to satisfy the demands for high quality, good functionality, sophisticated design and considerable potential for individual customer solutions. With a solid background of craftsmanship, combined with modern manufacturing technology, renowned designers, a broad range of models and – not least – a well developed market organisation, we are well equipped to meet all the various demands our customers may make.

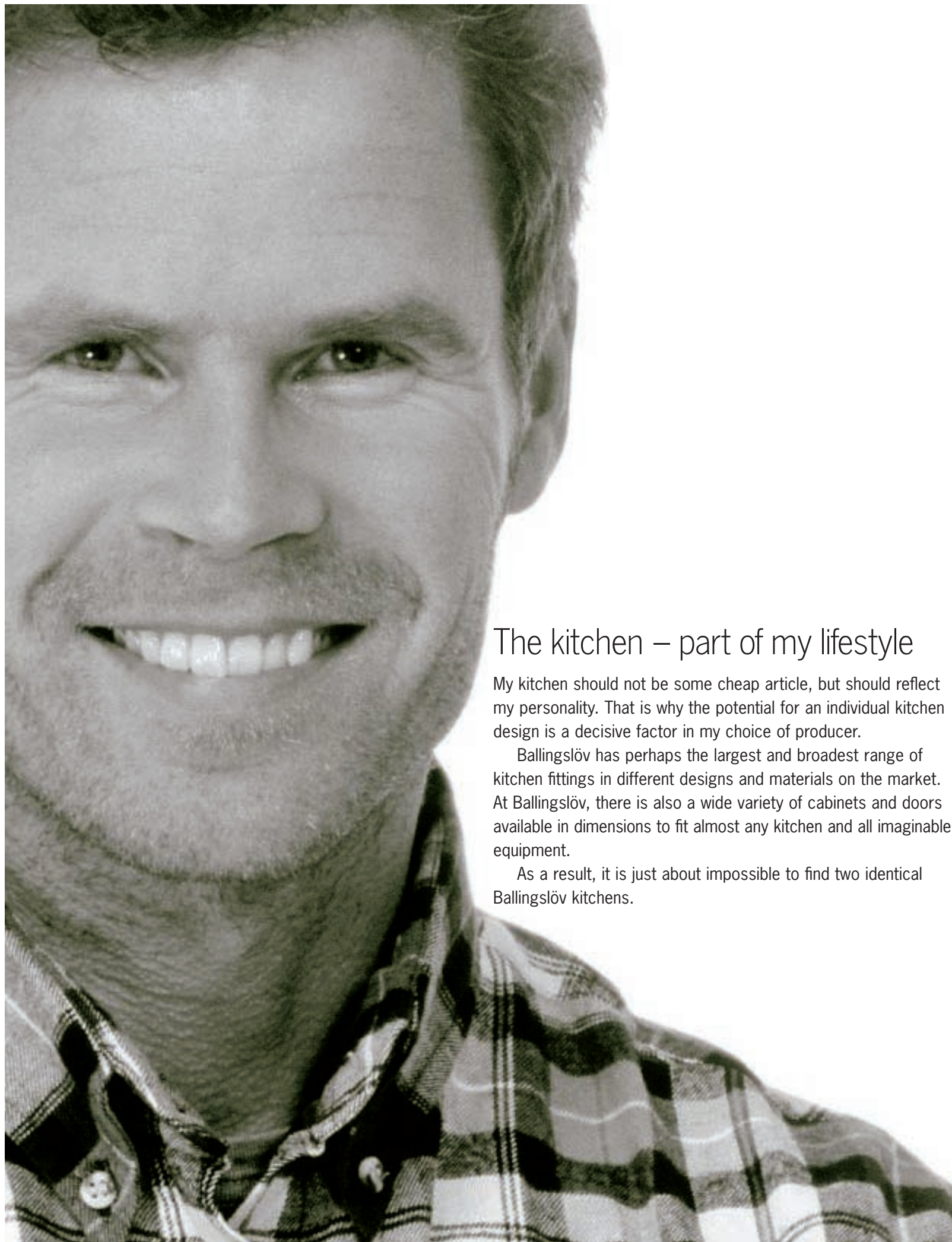




Quality thinking since 1929

For more than seven decades, carefully selected timber has been processed by experienced and meticulous craftsmen to make kitchen fittings of the finest quality. We are now assisted by modern 'carpenters' – advanced robots that produce high quality kitchen fittings extremely cost effectively.

Now that the level of interest in high quality kitchens is increasing, it is not surprising that fittings made of solid wood are in the greatest demand. Neither is it surprising that Ballingslöv has the broadest range of kitchen doors in solid wood. After all, we have actually been doing this since 1929.



The kitchen – part of my lifestyle

My kitchen should not be some cheap article, but should reflect my personality. That is why the potential for an individual kitchen design is a decisive factor in my choice of producer.

Ballingslöv has perhaps the largest and broadest range of kitchen fittings in different designs and materials on the market. At Ballingslöv, there is also a wide variety of cabinets and doors available in dimensions to fit almost any kitchen and all imaginable equipment.

As a result, it is just about impossible to find two identical Ballingslöv kitchens.







Design that lives up to stringent demands

In the face of stiff competition for customers, good design is one of Ballingslöv's most important weapons. Prominent, renowned designers such as Jonas Lindvall (pictured) and Elisabeth Rosenlund are responsible for creating Ballingslöv's kitchen fittings that meet the stringent demands of our customers.

Ballingslöv's extensive range includes traditional kitchens, avant garde kitchens and timeless kitchens. They all share excellent design and the fact that, even when they have many years under the belt, they never feel outdated.

Face to face meetings decisive

Many of our dreams and desires can be seen in our choice of kitchen or bathroom. This is why the selection of fittings and equipment is so important. Ballingslöv's retailers play perhaps the most important role in this decision. During the face to face meeting with the customer, the salesperson must ascertain the customer's wishes and translate these into a kitchen or bathroom that lives up to his or her expectations. For this reason, Ballingslöv has built up an extensive network of independent retailers and builders possessing a very high level of expertise and the potential to display Ballingslöv's large product range.





Dear Shareholder!

On 19 June 2002 Ballingslöv made its debut as a listed company on the Stockholm Stock Exchange's O list. This made Ballingslöv one of the few Swedish newcomers during a year that was to turn out to be one of the more depressing years on the stock exchange for a long time.

However, although the stock exchange has been at a low ebb and the economic situation has continued in much the same tone, Ballingslöv's operations have developed positively in 2002. The interest in high-quality, tailored kitchens has continued to increase, and our organic growth in the Scandinavian countries has surpassed the market trend within the most important sector, renovation and rebuilding. In total, the Ballingslöv Group's net income in 2002 has increased by 20.6 % to SEK 64.5 million (53.5).

Instead of presenting the President's review of the past year in the traditional way, I would like to take you on a short 'journey' through Ballingslöv's 74 year history. On the next page I will therefore be relating some of the milestones in our history, important steps in Ballingslöv's evolution towards the prominent manufacturer of kitchen and bathroom fittings that we are today. Each look back in history is also a starting point for summing up the efforts and causes for rejoicing that have dominated the business during the past year. And – not least – the ambitions and expectations we have for 2003.



NILS-ERIK DANIELSSON, PRESIDENT AND CEO



Nils-Erik Danielsson in conversation with
production personnel at Ballingslöv AB



Tradition and renewal



Out on our own for many years

A new window for a house in the village, that was Albin Svensson's first order when he founded Ballingslöv's Träförädling on 25 March 1929. Ballingslöv continued to grow under his leadership, and in time began to specialise in the manufacture of kitchen fittings.

Some years after Electrolux acquired Ballingslöv in 1974, we also began to grow by buying out other companies in the sector. 1989 saw the acquisition of the worktop manufacturer DFI in Denmark, the British company KWP was purchased in 1990, and in 2000 the Danish kitchen manufacturer JKE was incorporated into the Ballingslöv Group. In February 2003 the Danish kitchen manufacturer Multifarm was acquired.

In the future, too, Ballingslöv plans to carry out acquisitions in the Nordic region and Great Britain that will complement either the product range or the distribution channels.

The first modular kitchen

Until the beginning of the 1940s, Ballingslöv worked with all forms of joinery. In 1941, however, Ballingslöv's founder Albin Svensson had a far sighted idea and began manufacturing ready assembled modules that could be put together according to the customers' wishes. The modular, standardised kitchen was an instant success and laid the foundations for modern serial production. Today, sales in the Nordic region are dominated by households wanting to renovate or rebuild their kitchens (the RRE segment). Thanks to the considerable breadth and variety of the product range, combined with the strong

retailer networks in Sweden, Denmark and Norway, Ballingslöv is one of the three largest kitchen manufacturers on



all the Scandinavian markets. The trend towards more custom designed and personalised kitchen fittings has also benefited Ballingslöv, which has a large range of kitchen doors in solid wood, for example. This has resulted in an increase in the proportion of exclusive kitchens sold, and the value of Ballingslöv's products has increased by 20 % over the last three years. Additional kitchen ranges of high design quality will be launched in 2003, coinciding with an increase in the number of retailers, with particular focus on specialised kitchen showrooms.

First with the latest

The 1960s was the decade of new innovations, with the introduction of kitchens with moveable shelves, plastic drawers and laminated surface mounted doors with magnetic catches. Then, as now, Ballingslöv was a pioneer within



kitchen development. Solid particle board kitchen cabinets, cabinets painted on the inside and

Möbelfakta (the Swedish Furniture Institute's surface durability rating system) for kitchens are just some of the innovations which Ballingslöv was first to introduce over the years. In the same way, the manufacturing process has continued to improve, both in respect of productivity and quality.

Ballingslöv's kitchens are tested to withstand significant stresses. Our drawers can withstand a load of 30 kg when pulled out, for example, and are sold with a ten year guarantee. The largest and most modern production plant in the Group is the 40 000 m² factory in Ballingslöv. In the Ballingslöv plant, genuine craftsmanship is combined with the latest robot technology. In order to satisfy the demands of today's customer-orientated production even better, a comprehensive investment programme is being implemented during 2001–2003 that will further improve our flexibility, productivity and delivery service. The Group's objectives for 2003 include the creation of a common product platform for the Group's Scandinavian operation.

1929

1941

1960

President's comments

Debut in Great Britain

For the first time in Ballingslöv's history, the Group made an acquisition outside the Nordic region with the purchase of the British kitchen manufacturer Kingfisher Wood Products Ltd in 1990. The business consists of a full service concept including joinery works, white goods and installation services. During the period 1999–2002, Ballingslöv invested more than SEK 30 million in the plant in Storrington, 100 km south of London, which produced a total of 150 000 cabinets in 2002. The kitchen fittings are sold under the brand name Paula Rosa, and the accumulated sales in Great Britain during the year represented 32 % of Ballingslöv's turnover. In 2002, the British operation was hit by profitability problems as a result of factors such as delayed installation service and long delivery times for white goods. Increased focus on the installation service, a strengthened marketing organisation and a reduction in the number of white goods suppliers are some of the measures that will be given the highest priority in 2003.



Stockholm Stock Exchange's MD Kerstin Hessius and Nils-Erik Danielsson at the Stock Exchange on the day the shares were listed, 19 June 2002.

To the Stock Exchange

After 24 years within the Electrolux Group and with the last four years under the ownership of the private equity company EQT, Ballingslöv took the step of become a listed company in June 2002. An important reason for the stock exchange launch, apart from further increasing brand awareness, was to strengthen the Group's potential for making acquisitions, including using its own shares as a means of payment. In conjunction with the launch, a new share issue was also carried out. All in all, this improved Ballingslöv's potential to actively contribute to the restructuring of the northern European kitchen and bathroom markets. There was considerable interest in Ballingslöv's shares, and the issue was oversubscribed six times. In total, Ballingslöv now has around 1 700 shareholders.

Despite a year characterised by weak economic activity, Ballingslöv continued to record positive growth in 2002. The net income increased by 20.6 % to SEK 64.5 million (53.5), while the cash flow from current operations also improved to SEK 96.6 million (63.0). The operating margin before goodwill amortisation has increased to 12.3 % (11.0).

The main priority in 2003 will be the work on improving profitability and cash flow in the British operation, as well as continuing the organic growth in the Nordic region, for example by gradually extending the distribution system.

1990

2002

Business concept, goals and strategies

Focus on product breadth, design and quality

BUSINESS CONCEPT

Ballingslöv's business concept is to develop, manufacture and market a broad range of products for fitting out kitchens, bathrooms and storage solutions. The range is distinguished by well known brands, sophisticated design and high quality.

VISION

Through its brands, extensive distribution network, competent personnel and a broad range of high quality, well designed products, Ballingslöv will be one of the leading kitchen manufacturers in Europe.

BUSINESS STRUCTURE

The business is organised according to Ballingslöv's core markets: Scandinavia and Great Britain. The business model differs between Scandinavia and Great Britain with regard to market segment, product mix, service content and distribution channels.

STRATEGY

Ballingslöv works according to a number of strategic guidelines:

- ▶ To constantly invest in and develop our brands.
- ▶ To offer products through a well established, independent distribution network with competent sales staff and a high level of service to the end customer.
- ▶ Through systematic product development, to constantly offer a broad range of products combining high quality and sophisticated design.
- ▶ To improve the Group's efficiency through increased coordination, integration and benchmarking within purchasing, product development, production and IT.
- ▶ To attract and retain skilled personnel by offering a developing workplace.
- ▶ Acquisitions to take place with geographic focus primarily on the Nordic region and Great Britain, and to be complementary in respect of product range or distribution channel.

FINANCIAL OBJECTIVES

ORGANIC GROWTH

The average organic growth over a trade cycle should amount to at least 5 percent annually.

Over the last four year period, Ballingslöv's average organic growth amounted to 4.1 percent, excluding exchange rate effects.

OPERATING MARGIN

The operating margin before goodwill amortisation (EBITA) should amount to at least 12 percent.

Ballingslöv's operating margin before goodwill amortisation amounted to 12.3 percent in 2002.

INTEREST COVERAGE RATIO

The interest coverage ratio should exceed 4.0 times.

Ballingslöv's interest coverage ratio amounted to 5.0 times in 2002.

EQUITY/ASSETS RATIO

The equity/assets ratio should amount to at least 30 percent.

As at 31 December 2002, the equity/assets ratio amounted to 42.8 percent.

The 2002 financial year

Continued positive income trend

NET SALES

Consolidated net sales during 2002 amounted to SEK 1 159.6 million (1 233.9), a reduction of 6.0 %. Excluding exchange rate effects, sales fell by approximately 5 %.

Net sales in Scandinavia amounted to SEK 793.8 million (765.4) and in Great Britain to 365.8 million (468.5). The development in sales is estimated to have been slightly higher than the market trend in Scandinavia and below the market trend in Great Britain.

INCOME

The Group's operating income before amortisation of goodwill amounted to SEK 142.2 million (135.2), an increase of 5.2 % on the previous year. The operating margin before goodwill amortisation amounted to 12.3 %, which is slightly above our target of a margin of 12.0 %.

Operating income before amortisation of goodwill in Scandinavia amounted to SEK 131.7 million (108.0) and in Great Britain to SEK 10.5 million (27.2). Income after financial items amounted to SEK 99.4 million (84.9), an increase of 17.1 % on the previous year. Net income amounted to SEK 64.5 million (53.5), an increase of 20.6 % on the previous year. Exchange rate effects have had a slight negative effect on income.

The positive earnings trend is attributable, among other things, to high capacity utilisation in the Scandinavian factories, as well as to reduced costs that

have been achieved through ongoing coordination measures within the Group. In addition, the product and sales mix has continued to develop favourably.

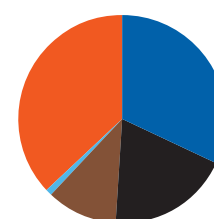
IMPORTANT EVENTS

- ▶ Continued good growth in Scandinavia.
- ▶ Decline in Great Britain in terms of both growth and income.
- ▶ Strengthened market positions in several geographical areas in Scandinavia.
- ▶ The launch of new products and new catalogue material.
- ▶ Stock exchange listing in June.
- ▶ Group integration extended, with particular success in the field of the purchasing.

PRIORITIES FOR 2003

- ▶ Effectively integrate the Danish kitchen manufacturer Multiform A/S, which was acquired in February 2003.
- ▶ Increase the number of retailers, in particular the number of kitchen showrooms in centres of population.
- ▶ Increase the training resources aimed at retailers.
- ▶ Carry out acquisitions that supplement our operation in terms of product range or distribution channel. The geographic focus is the Nordic region and Great Britain.
- ▶ Further integrate the operations and increase use of 'best practice' within product development, production, purchasing and IT.
- ▶ Improve profitability and cash flow in the British operation.
- ▶ Streamline the production process through various structural measures.

Net sales per geographic market



INCOME AND PROFIT 1998-2002

SEK m	RESULT				PRO FORMA					
	2002	%	2001	%	2000	%	1999	%	1998	%
Net sales	1 159.6	-	1 233.9	-	1 100.4	-	988.8	-	931.1	-
Operating income before goodwill amortisation (EBITA)	142.2	12.3 %	135.2	11.0 %	121.5	11.0 %	107.8	10.9 %	78.6	8.4 %
Operating income (EBIT)	119.1	10.3 %	111.9	9.1 %	99.4	9.0 %	86.0	8.7 %	56.9	6.1 %
Income after financial items	99.4	8.6 %	84.9	6.9 %	71.9	6.5 %	60.8	6.1 %	30.9	3.3 %
Net income	64.5	-	53.5	-	43.5	-	34.5	-	19.3	-

New demands driving developments

SCANDINAVIA AND GREAT BRITAIN THE PRINCIPAL MARKETS

Ballingslöv is mainly active in Sweden, Denmark, Norway and Great Britain. The majority of sales are generated from the Swedish and the British operations.

The Scandinavian market for kitchen fittings has a producer value of more than SEK 5 billion, of which Sweden is responsible for approximately 40 %, and Denmark and Norway for approximately 30 % each. Ballingslöv's approximate market share amounts to 20 %, 10 % and 7 % respectively on these markets.

The producer value of the British market for kitchen fittings amounts to SEK 9–10 billion. Ballingslöv's market share in Great Britain is approximately 3 %.



The worktop, here made of solid wood, normally corresponds to around 15 % of the total price of the kitchen.

facturers. The producer value totals around SEK 1 billion. Svedbergs (Sweden), Vedum (Sweden), Dansani (Denmark), and Foss (Norway) are some of the largest manufacturers in Scandinavia. Many kitchen manufacturers also include bathroom fittings in their range. IKEA, which uses subcontractors, is also a significant player.

WORKTOPS

Around 17 % of Ballingslöv's total sales come from worktops. The worktop is normally responsible for approximately 15 % of the total kitchen price. Design, material and function are all important driving forces on the market, as is the level of delivery service.

FROM PRODUCER GOODS TO CONSUMER PRODUCTS

Since the middle of the 1990s, the importance of the kitchen in the home has changed. The kitchen now plays a more central role, and has become a place not only for preparing food but above all for spending time. This has resulted in increased interest in tailored kitchen solutions, and in a greater proportion of consumers' disposable income being spent on kitchen fittings. Additional factors driving developments include a general increase in interest in interior decoration and design, and the fact that the end customers in the new construction market can now influence the choice of kitchen fittings to a greater extent.

For Ballingslöv, these developments have meant increased demand for kitchens in exclusive materials. Design and individual tailoring have also become increasingly central to the trend.

In financial terms, the developments have meant that, over the past three years, the value of Ballingslöv's products has increased on average by approximately 20 %, or more than 6 % annually, thanks to a more favourable product mix.

One example of this is the fact that the proportion of wooden kitchen fittings has increased in recent years.

ONE OF THE TEN LARGEST IN EUROPE

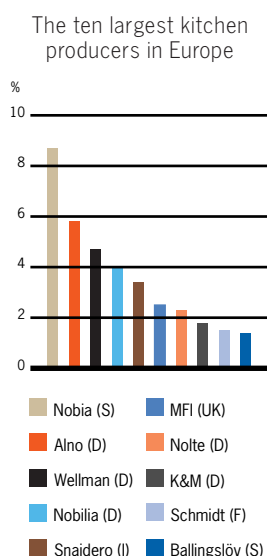
The European kitchen fittings sector covers just over 2 000 producers with a total of around 70 000 employees. Germany, Great Britain and Italy are the largest producer countries. Of the ten largest manufacturers of kitchen fittings in Europe, five are German and two Swedish, of which Ballingslöv is one.

The export share for the European kitchen fittings companies is relatively low, averaging out at 10–15 %. However, international trade is on the increase, due in part to the overcapacity that exists in Central Europe, mainly in Germany.

The European market is also characterised by increased consolidation. The importance of economies of scale, combined with limited organic growth and the sector's focus on the domestic market, has been like a catalyst for acquisition activities among the producers.

BATHROOM FITTINGS – FRAGMENTED SCANDINAVIAN MARKET

In the field of bathroom fittings, Ballingslöv is only active in Scandinavia. The market is relatively fragmented, and is dominated by national manu-



Market and trends

STABLE DEMAND

Sales of kitchen fittings correlate largely with the general demand on the consumer goods market, which in turn is affected by interest rate levels, disposable income, GNP growth, unemployment levels and the consumers' belief in the future. Demand for kitchen fittings on the European market expressed in real prices has been stable since the rapid growth at the end of the 1980s.

The demand for bathroom fittings is largely influenced by the same factors as the kitchen market.

CUSTOMERS IN TWO MAIN SEGMENTS

The market for kitchen and bathroom fittings tends to be divided up into new construction and RRE (renovation and rebuilding). Generally speaking, the RRE segment represents 70–80 % of the market at national level.

The RRE segment has historically been the segment that Ballingslöv has principally focused on, and over 60 % of sales come from this market segment.

The RRE segment's share of the total market has increased in recent years. This means that kitchen fitting manufacturers, for example in comparison with traditional building companies, are generally less sensitive to fluctuations in the general economic situation.

RETAILER NETWORK IMPORTANCE

The retailer network is a key factor for manufacturers of kitchen and bathroom fittings. A well developed retailer network with attractive display

premises and skilled personnel constitutes a significant competitive edge.

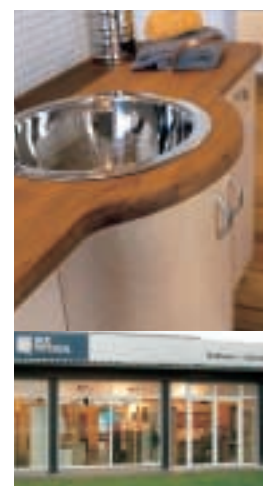
One of the single most important competitive advantages in the struggle for the best retailers is the broad product range. This provides the retailers with the potential to attract various customer segments and to offer freedom of choice for the customer, at the same time as giving the retailer the logistical benefits of only having one supplier.

In Europe, kitchen fittings are sold to the consumers via three main sales channels: furniture stores, kitchen showrooms and builders merchants.

Kitchen showrooms specialise in the sale of kitchen fittings. The level of expertise among their personnel is generally slightly higher than through other sales channels. In the Scandinavian markets, the importance of kitchen showrooms is greatest in Denmark and Norway. The significance of kitchen showrooms is generally on the increase, especially in the big cities.

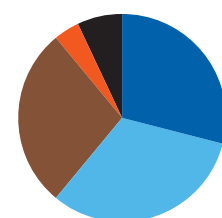
Builders merchants principally sell building materials, but frequently also offer other products, including kitchens and bathroom fittings. Builders merchants are an important sales channel on the Scandinavian markets, particularly in Sweden where they have often created separate sections (known as shop-in-shop) for the sale of kitchen and bathroom fittings.

Other sales channels include white goods stores, heating, ventilation and sanitation stores, ironmongers, house manufacturers as well as direct sales to building contractors.



JKE Design A/S has a well profiled chain of exclusive stores for kitchens and bathrooms in Denmark.

Net sales divided by distribution channel



Kitchen showrooms, 32 %
Builders merchants, 29 %
Building contractors, 28 %
Other, 7 %
House factories, 4 %

MARKETS FOR KITCHENS, BATHROOMS AND WORKTOPS

KITCHENS

The value of the European market for kitchen fittings is estimated to amount to approximately SEK 100 billion in terms of producer value, corresponding to approximately 4.2 million kitchens. The market in Scandinavia is estimated to amount to around SEK 5 billion in producer value, and to around SEK 10 billion in Great Britain.

BATHROOMS

The total value of the market for bathroom fittings in Scandinavia is estimated at approximately SEK 1 billion in producer value. This value does not include other bathroom products such as sanitaryware, shower walls, cabinets and baths.

WORKTOPS

The Scandinavian market for worktops amounts to SEK 800–900 million measured in producer value. Worktop manufacturers often form part of kitchen fittings groups. Otherwise, the sector structure in this niche is fragmented.

Market and trends

	Market size	
Sweden	<p>The kitchen fittings market has sales of SEK 2 billion in producer value, divided into more than 100 000 kitchens sold. The RRE segment, which constitutes approximately 80 % of the market, has increased steadily in recent years, while new construction has remained constant. The market for bathroom fittings has sales of approximately SEK 400 million in producer value. Many of the kitchen manufacturers, including Ballingslöv, also sell bathroom fittings.</p>	
Denmark	<p>The kitchen fittings market is estimated to have sales of around SEK 1.5 billion in producer value, divided into more than 70 000 kitchens sold annually. RRE, which constitutes approximately 80 % of the market, has reported weak growth in recent years.</p> <p>On the Danish market, design plays a prominent role. Danish kitchen fittings are generally distinguished by a relatively high level of design with influences from the continent.</p> <p>The Danish market for bathroom fittings is estimated to have sales of around SEK 300 million in producer value. Many of the major players are also kitchen fittings manufacturers.</p>	 
Norway	<p>The kitchen market is estimated to have sales of approximately SEK 1.6 billion in producer value, divided into around 80 000 kitchens sold. After a few years of decline, primarily within the new construction sector, the market has improved since 1996. Compared with Sweden and Denmark, the new construction segment in Norway represents a greater share of the total market.</p> <p>The market for bathrooms fittings is estimated to have sales of approximately SEK 300 million in producer value.</p>	 
Great Britain	<p>The kitchen fittings market's producer value amounts to around SEK 10 billion. In total, some 700 000 kitchens are sold annually. The market is characterised by a relatively large proportion of factory assembled low price kitchens, known as flat packs, which represent more than 50 % of total sales.</p> <p>Ballingslöv mainly operates within the private new construction segment, which constitutes around 15 % of the total British market.</p> <p>The British boom in recent years has entailed growing demand for kitchen fittings, both within the RRE and the new construction segment.</p>	

Market and trends

	Sales channels	Market position and competitors	Prospects
	Builders merchants are the dominant distribution channel for kitchen fittings. Some 700 builders merchants are responsible for 35–40 % of the sales of kitchen fittings. The remaining sales are divided between kitchen showrooms, white goods stores, building goods stores, furniture stores, house manufacturers as well as direct sales to building contractors. From a European perspective, the Swedish kitchen sector is distinguished by a high degree of consolidation.	Ballingslöv, Marbodal (owned by Nobia) and IKEA are the three leading brands in Sweden. Together they make up two-thirds of the Swedish market. Within bathroom fittings, Svedbergs and Vedum are the market leaders. Ballingslöv is number five on the Swedish market.	According to Prognoscentret (the Forecast Centre), kitchen sales within the RRE segment will increase by 2–3% during 2003 compared with 2002. The Swedish Construction Federation expects the number of new homes being built to remain at roughly the same level in 2003 as in 2002.
	Sales of kitchen fittings to the consumer are dominated by kitchen showrooms, which are responsible for more than half of sales. These are usually franchise companies or owned by producers. Builders merchants are responsible for around 25 % of sales.	The Danish kitchen manufacturing industry is consolidated. Ballingslöv is the third largest producer with a market share of approximately 10 % for kitchen fittings. The largest producer on the Danish market is Nobia, with a market share of around 40 %. Dansani is the leading player on the bathroom market.	In terms of value, the market is expected to increase by around 2–3% in 2003.
	The new construction segment in Norway constitutes a larger share of the overall market, compared with Sweden and Denmark. Kitchen showrooms, which have increased in importance in recent years, are the dominant retail channel.	Norway is one of the largest importers in Europe in relation to its size, with an import quota of approximately 40 % of total kitchen consumption. Ballingslöv is the second largest player, with a market share of approximately 8 %. The leading player within bathroom fittings is Foss.	According to Prognoscentret, the market situation is expected to remain favourable during 2003, and a growth rate in terms of value of around 3–4% is predicted for both new construction and the RRE segment.
	Kitchen retailers are mainly kitchen showrooms, furniture stores and builders merchants. On the British kitchen market, certain manufacturers such as market leaders MFI and Magnet (owned by Nobia) have their own distribution networks.	The British kitchen manufacturing industry has a relatively small export/import share, corresponding to approximately 7 % of production. The sector is relatively consolidated, with the ten largest producers being responsible for approximately 70 % of total sales. Many of the producers belong to industrial groups or major companies with diversified production. The private new construction segment, in which Ballingslöv is primarily active, is dominated by three players: Symphony, Moores and Ballingslöv through the Paula Rosa brand. Together, these three are responsible for almost 70 % of the new construction segment. Ballingslöv has a strong position in southern and central England, while Symphony and Moores are well established right across England.	During 2003, the new construction segment is expected to remain at roughly the same level as in 2002, according to Construction Forecast & Research.

Ballingslöv's offers

The breadth provides strength

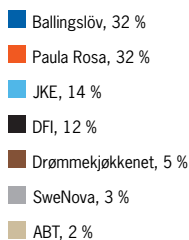
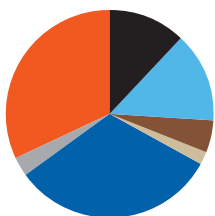


Ballingslöv's production takes place in our own plants in Sweden, Denmark and Great Britain.



Bathroom fittings represent a small proportion of Ballingslöv's sales.

Net sales divided by brand



Ballingslöv works with a variety of strong brands aimed at varied target groups. Both product ranges and working methods vary to some extent between the markets on which we are active. The kitchen fittings from Ballingslöv's Swedish factory are marketed under the brand name Ballingslöv in Sweden, ABT in Denmark and Drømmekjøkkenet in Norway. We also sell kitchen and bathroom fittings from JKE Design and worktops from DFI on all of these markets. In Denmark, we also sell worktops from Danlamin. In Sweden, we also sell kitchen fittings under the SweNova brand name. Bathroom fittings are marketed under the Ballingslöv brand in the Scandinavian countries. In Great Britain, we sell kitchen fittings from Paula Rosa.

BALLINGSLÖV, ABT, DRØMMEKJØKKENET AND SWENOVA

The manufacture of kitchen fittings with Ballingslöv, ABT, Drømmekjøkkenet and SweNova brands takes place in Ballingslöv in Skåne, southern Sweden. In Sweden, Ballingslöv is one of the leading kitchen companies, with a market share of around 20 %.

Ballingslöv's range is one of the most advanced on the market. Breadth and flexibility ensure considerable potential for individual customisation, and are two of our main competitive tools. Well trained retailers enable us to satisfy the requirements of each individual customer request. The broad range is also an important factor when it comes to signing up new, in particular, exclusive retailers, above all with regard to exclusive distribution agreements.

The focus of the range is from the medium level upwards. The typical customers usually belong to the over 40 age group. There is no significant difference between the target groups for Ballingslöv in Sweden, Norway and Denmark.

Characteristic of Ballingslöv's kitchens is the significant proportion of the kitchen doors that are manufactured from solid wood. Ballingslöv offers wooden doors in ash, birch, beech, oak, pine and cherry. Ballingslöv's sound knowledge in the area gives us an important competitive edge, especially as the demand for kitchens with wooden doors has increased steadily

over the past decade. Within the brands manufactured in Ballingslöv, four to five new kitchen fittings ranges are launched every year.

Kitchen fittings from SweNova, which are only marketed in Sweden, hold a position similar to that of Ballingslöv with regard to quality and design. SweNova is sold through around 60 retailers.

BATHROOM FITTINGS

Ballingslöv's bathroom fittings hold a corresponding position to that of its kitchens when it comes to quality and design. Bathroom fittings correspond to less than 10 % of Ballingslöv's total sales.

PAULA ROSA

Paula Rosa is our brand in Great Britain and, with approximately 15 % of the private new construction market, is one of the leading manufacturers in Great Britain, representing 32 % of Ballingslöv's sales.

Paula Rosa is creating a distinctive image for itself through a relatively high design content. Paula Rosa usually launches between three and five new kitchen ranges a year. Newly developed kitchen ranges from Paula Rosa are gradually being given a more continental profile in order to adapt to changes in customer preferences in Great Britain.

JKE DESIGN

JKE Design, one of Denmark's leading kitchen manufacturers, was acquired by Ballingslöv in 2000. Almost two-thirds of sales are to customers in Denmark, a third to Norway and, as yet, only a small proportion to Sweden. Market shares are 6–7 % in Denmark and 3–4 % in Norway. JKE Design's sales correspond to 14 % of Ballingslöv's sales.

JKE Design's mission is characterised by high quality and modern design, and like kitchen fittings from Ballingslöv, it is positioned within the medium price segment upwards. JKE's kitchens, which are mainly manufactured in wood and laminate, are characterised by considerable flexibility, enabling customers to combine the products in many different ways. Two to three new kitchen ranges are launched annually.

Ballingslöv's offers

JKE's intention is to extend the product range in the future. JKE Design's bathroom fittings hold a similar position to that of their kitchens in terms of quality, product range and design. Bathroom fittings from JKE Design are sold in Denmark and Norway through JKE's kitchen retailers.

DFI

DFI is responsible for 70 % of Ballingslöv's sales of worktops. Sales correspond to 12 % of Ballingslöv's total turnover. DFI has a very broad product range, with prices from medium level upwards.

The range is primarily made up of laminated tops and worktops in solid wood. DFI offers considerable potential for individual customisation. Approximately half the worktops are made of solid wood. Worktops in solid wood are a popular and growing segment. DFI also sells worktops made of steel, composite materials and terrazzo/concrete which have a small but growing market share.

DANLAMIN

Danlamin's worktops are only sold on the Danish market and represent approximately 15 % of Ballingslöv's worktop sales. Danlamin has a narrower product range than DFI and in terms of price is positioned at the medium level. The worktops are mainly manufactured in laminate. The company's customers are mainly builders merchants.

DESIGN AND PRODUCT DEVELOPMENT

A central part of Ballingslöv's strategy is to offer a broad product range combining sophisticated design with high quality. Product development takes place mainly at subsidiary level in order to suit each brand's specific customer base. However, Ballingslöv is endeavouring to coordinate the design work in order to reduce the number of product platforms.

In line with the fact that Ballingslöv's products are increasingly becoming consumer goods, the approach to product development has also changed. Design and function are now two of the most important competitive tools. Successful design is of great importance for sales, and Ballingslöv therefore cooperates effectively and in great depth with external architects and designers. The product development work is led by product advisory boards within the manufacturing subsidiaries. These consist of five to ten people from the company management, production, sales and purchasing departments.

MARKETING

Ballingslöv works through several channels for marketing, with the aim of increasing brand awareness and strengthening the brand profiles.

The product catalogue is an important part of the marketing work on all markets. In Sweden, the catalogue 'Köksmagasinet' (The Kitchen Magazine) is issued once a year with a circulation of 150 000–200 000 copies. In addition to advertising in the daily and trade press, Ballingslöv also uses television and radio advertising, as well as sports sponsorship. The use of the Internet as an information and marketing channel to customers is on the increase and is expected to gain further significance in the future. Trade fairs and industry exhibitions are another important marketing channel.

SALES AND DISTRIBUTION

Ballingslöv sells primarily via independent retailers, which deal with the end customers, but also to building contractors. In Stockholm, Oslo and Bergen, Ballingslöv owns four kitchen showrooms which, however, will be converted to franchise showrooms in the long term. Ballingslöv has no intention of pursuing retail activities in future.

Ballingslöv is continually expanding and developing its distribution network by establishing new retailers in attractive business locations and increasing the proportion of exclusive retailers. The broad product range is an important competitive advantage here. This provides the retailers with the potential to attract various customer segments, at the same time as giving the retailer the logistical and knowledge based benefits of only having one supplier.

Ballingslöv also has a comprehensive training programme that includes CAD technology. This means that the retailer can quickly present kitchen solutions, directly for the customer.

Attractive kitchen displays are another important competitive device. Ballingslöv's kitchen displays are created in close cooperation with interior architects and designers, and are replaced every two years. There are currently around 1 500 kitchen displays at Scandinavian retailers.

Ballingslöv's Scandinavian distribution system comprises around 1 600 local retailers, mainly kitchen showrooms and builders merchants. The majority of the retailers in Scandinavia sell Ballingslöv's kitchen fittings exclusively. The British operation sells to a network of approximately 300 building contractors as well as some 50 independent retailers.



Ballingslöv invests heavily in catalogue material, which forms an important part of the company's marketing. The handbook 'Köksinredaren' was awarded the education prize in the Svenska Publishing-Priset 2001 competition.

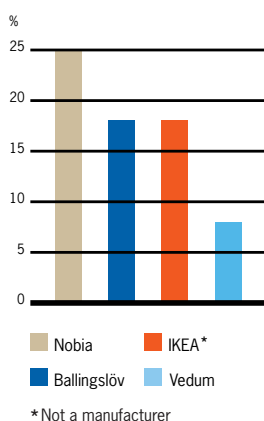
The operation

Long experience inspires trust



Doors made of solid wood and wood laminated frames are becoming increasingly popular, and constitute a significant proportion of Ballingslöv's sales.

Estimated market share on the Swedish kitchen fittings market measured by value



In Scandinavia, sales are conducted under the brand names Ballingslöv and SweNova in Sweden, ABT in Denmark and Drømmekjøkkenet in Norway. JKE Design and DFI are marketed in all three countries. The majority of sales goes to the RRE segment. The retailer network comprises a total of around 450 kitchen retailers and approximately 100 bathroom retailers, as well as an approximate additional 1 200 worktop retailers. A large proportion of the retailers are exclusive.

SWEDEN

In Sweden, the product range extends from the medium level upwards. The brands are Ballingslöv, SweNova, DFI and, since autumn 2001, JKE Design. A relatively large proportion of the sales is made up of kitchens with wooden doors. This segment has increased steadily in recent years. Ballingslöv offers wooden doors in ash, birch, beech, oak, pine and cherry. Ballingslöv's long experience of manufacturing kitchens made of wood ensures good competitiveness in this area.

Retailer network

In Sweden, Ballingslöv sells mainly through builders merchants, which represent the dominant retailer channel for kitchens. Kitchen showrooms are increasing in importance. As a result, Ballingslöv has also strengthened its position within this channel in recent years.

Kitchen fittings under the Ballingslöv brand are sold through a network totalling around 250 retailers. A small proportion of the sales in Sweden, barely 5 %, is made up of direct sales to building contractors. The SweNova brand is sold through 60 retailers. Worktops from DFI are sold through approximately 450 retailers in Sweden, of which more than 200 are also retailers of kitchen fittings from Ballingslöv. A proportion DFI's worktops are sold to other kitchen manufacturers in Sweden. DFI's market share in Sweden is approximately 12 %.

Since 2001, Ballingslöv has also been marketing the JKE Design brand on the Swedish market. At present JKE Design is sold through ten kitchen

showrooms in Sweden. Within a couple of years, it is intended that the number of kitchen showrooms selling JKE Design's products will have increased to between 20 and 25. This expansion should take place in southern Sweden, as well as in Stockholm, Gothenburg and Malmö.

Bathroom fittings under the Ballingslöv brand, as well as being sold through kitchen retailers, are also available via approximately 100 bathroom fitting outlets in Sweden.

Around 80 % of the retailers of kitchen fittings from Ballingslöv in Sweden are exclusive. Sales primarily take place to the RRE segment. Ballingslöv is endeavouring to expand the retailer network, above all with exclusive retailers. The kitchen showrooms in centres of population are an important channel in this respect, as they have become increasingly sophisticated with regard to product displays, creative solutions and emphasis on complete kitchen systems.

Working for customers

It is important for Ballingslöv to be close to the end customers. We are therefore trying to tie retailers closer to us. This takes place for example by developing the concepts for training sales personnel, exposure, exhibitions, displays, showroom system design, etc. Showroom exposure and a high level of expertise among retailers are important in order to further strengthen the quality perception and brand awareness of kitchen fittings from Ballingslöv.

Since 1997, kitchen fittings from Ballingslöv's Swedish factory have been quality certified in accordance with ISO 9001 and environmentally certified in accordance with ISO 14001. Some building contractors only purchase certified goods, making the certifications important. They also contribute to raising the quality reputation of the brand.

Production Sweden

Manufacturing in Sweden takes place in Ballingslöv, near Hässleholm in Skåne. Doors, cabinet frames, accessories and worktops are manufactured here. The plant covers an area of 40 000 m². The pro-

The operation

duction process combines depth and flexibility, which means that the factory has the capacity to manufacture Ballingslöv's broad product range.

The factory uses a single shift five day week. However, production is controlled in such a way that the factory can operate two and three shifts in certain areas when demand is particularly high. Capacity utilisation in 2002 was around 80 %, which means that, without investment, the current plant can cope with an increase in capacity of 15–20%.

Delivery times vary due to the broad product range and the products' high degree of customisation, and are usually between two and six weeks.

Planned investments

The production equipment is generally of a very high technical level. An ongoing investment programme for the period 2001–2003 in the region of SEK 70 million should improve delivery service, productivity and flexibility in Ballingslöv's factory, in order to meet the demands of today's customer-oriented production as well as to further raise product quality.

These investments relate to areas such as surface treatment equipment, edge machining and multi-function equipment, with the aim of reducing standing times and eliminating bottlenecks in production. By the end of 2002, investments corresponding to approximately SEK 40 million out of the ongoing programme had been implemented.

RETAILERS SWEDEN

BALLINGSLÖV – KITCHEN FITTINGS

250 retailers, mainly builders merchants. 5 % of sales are made up of direct sales to building contractors.

BALLINGSLÖV – BATHROOM FITTINGS

Approximately 100 bathroom fittings outlets as well as via kitchen retailers.

SWENOVA – KITCHEN FITTINGS

60 retailers.

DFI – WORKTOPS

Approximately 450 retailers, of which more than 200 are also retailers of kitchen fittings from Ballingslöv.

JKE DESIGN – KITCHEN AND BATHROOM FITTINGS

10 retailers.

NORWAY

In Norway, the brands Drømmekjøkkenet, JKE Design and DFI are marketed. Drømmekjøkkenet, which is the Norwegian brand name for kitchens manufactured by Ballingslöv, is sold through 47 retailers in Norway.

Retailer network

Specialised kitchen showrooms are the dominant sales channel on the Norwegian market.

Approximately 90 % of Ballingslöv's sales under the Drømmekjøkkenet brand in Norway take place via kitchen showrooms, while the builders merchants' share of sales amounts to around 10 %. Approximately 60 % of retailers of Drømmekjøkkenet are exclusive. The retailer network in Norway has grown steadily, and Drømmekjøkkenet's market share in the country has increased to 3–4 % from a level of less than 1 % a few years ago.

Kitchen fittings from JKE Design are sold through approximately 45 retailers. Ballingslöv also own kitchen showrooms in Oslo and Bergen which market products from JKE Design. In Norway, the bathroom products from JKE Design are sold through the kitchen retailers.

Approximately 65 % of sales under the JKE Design brand comes from the kitchen showrooms, and approximately 35 % from builders merchants. Approximately half the kitchen fittings retailers are exclusive. JKE Design's market share in Norway is estimated at 3–4 %.

Worktops from DFI are sold through 160 retailers in Norway. DFI's market position in Norway has been strengthened in recent years, and its market share now amounts to 6–7%.

RETAILERS NORWAY

DRØMMEKJØKKENET – KITCHEN FITTINGS

47 retailers.

JKE DESIGN – KITCHEN AND BATHROOM FITTINGS

45 retailers.

DFI – WORKTOPS

160 retailers.

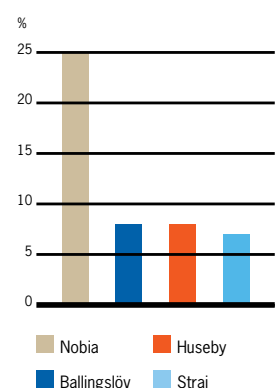
BALLINGSLÖV – BATHROOM FITTINGS

Sold through Drømmekjøkkenet's retailers.



Craftsmanship combined with modern production technology are important factors behind Ballingslöv's high quality.

Estimated market share on the Norwegian kitchen fittings market measured by value



The operation

DENMARK

In Denmark, the brands ABT, JKE Design, DFI and Danlamin are marketed. In Denmark Ballingslöv manufactures the kitchen and bathroom fittings that are sold under the brand name JKE Design in Denmark, Norway and Sweden.

Retailer network

Specialised kitchen showrooms are the dominant sales channel on the Danish market. Around 45 % of sales are made via kitchen showrooms, while approximately 25 % go via builders merchants.

ABT, which is the Danish brand name for kitchen fittings manufactured by Ballingslöv's Swedish factory, is sold through approximately 25 retailers in Denmark.

Kitchen fittings from JKE Design are sold via 30 retailers, primarily kitchen showrooms, all on an exclusive basis. JKE Design is sold primarily to private individuals in the RRE segment and has a market share in Denmark of approximately 7%. The bathroom products from JKE Design are sold through the kitchen retailers.

Worktops from DFI are sold through a retailer network of approximately 500 distributors, predominantly to kitchen showrooms and builders merchants.

In Denmark, DFI's market share, including Danlamin, is approximately 20 %.

The Danlamin brand, which is positioned in a lower price segment than DFI, is sold exclusively through builders merchants – approximately 250 outlets. However, the majority of these purchase relatively small volumes. A launch of Danlamin in Sweden and Norway is being evaluated.

Production Denmark

The production of kitchen and bathroom carpentry products in Denmark takes place in JKE's 7 000 m² factory in Jerslev, north of Ålborg. The manufacture of doors and worktops is contracted, which means

that JKE's factory offers a lower degree of refinement than Ballingslöv's Swedish factory. JKE produced approximately 90 000 cabinets in 2002. JKE normally has a delivery time of three to four weeks.

The manufacture of worktops takes place in DFI's factory in Herning. The plant covers an area of approximately 8 000 m². The factory is designed for optimum flexibility in order to make possible a very broad range of customised worktops. At present, production operates in two shifts, five days a week. In 2002, DFI produced around 150 000 linear metres of worktops.

The increase in income that has been recorded in Herning in recent years is a result of factors such as strengthened market adaptation, organisational changes and investments in new production equipment.

As a result, the standard of the plant in Herning is generally high.

RETAILERS DENMARK

ABT – KITCHEN FITTINGS

Approximately 25 retailers.

JKE DESIGN – KITCHEN AND BATHROOM FITTINGS

Around 30 retailers, primarily kitchen showrooms, all on an exclusive basis.

DFI – WORKTOPS

Around 500 distributors, predominantly kitchen showrooms and builders merchants.

DANLAMIN – WORKTOPS

Approximately 250 outlets, all within builders merchants.

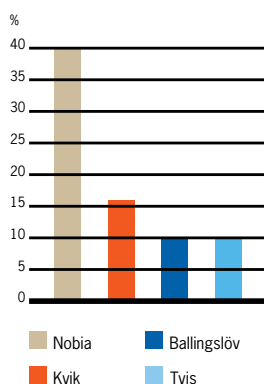
BALLINGSLÖV – BATHROOM FITTINGS

Sold through ABT's retailers.



Ballingslöv produces a broad range of worktops in materials such as solid wood, laminate, steel, concrete, granite, etc.

Estimated market share on the Danish kitchen fittings market measured by value



The operation

GREAT BRITAIN

Ballingslöv's British operation Kingfisher Wood Products Ltd works under the brand name Paula Rosa, and encompasses the manufacture and sale of kitchens, as well as retail operations for white goods and installation services in a one-stop-shop concept.

Paula Rosa is positioned in the price segment from medium level upwards, and is sold mainly to the private new construction segment which represents 90 % of the British operation's sales. Sales to the RRE segment have increased in significance, and now make up the remaining 10 % of sales.

Via subcontractors, Paula Rosa also offers installation services. Demand for these services has increased in recent years. Today, about 75 % of Paula Rosa's deliveries include installation services. A high degree of service and a complete range are important competitive advantages in the new construction segment.

Of the sales in 2002, 13 % derived from retailers of white goods and 15 % from installation services. Since the beginning of 2003, the white goods have mainly been purchased from one supplier.

Strong market position

Paula Rosa's market share for kitchen fittings in Great Britain stands at around 3 %. In the private new construction segment, it is approximately 15 %. Paula Rosa's position is strong in southern England, where the market share within new construction amounts to around 30 %.

In addition to sales to building contractors, Paula Rosa has in recent years sold to private individuals within the RRE segment via independent kitchen showrooms. Just over 10 % of the sales go via this channel, which is expected to continue to increase in importance.

Customer base

The customer base within private new construction comprises around 300 private building contractors, mainly in central and southern England. Sales to the RRE segment take place through approximately 50 independent kitchen showrooms.

Production

Production takes place at kwp's factory in Storrington, West Sussex. The plant covers an area of approximately 18 000 m². The degree of refinement is lower than at Ballingslöv's factory in Sweden. Approximately 60 % of the doors are purchased from external suppliers.

Investments amounting to approximately SEK 30 million in the period 1999–2002 has significantly improved the status of the plant. kwp produced a total of 150 000 cabinets in 2002, equivalent to 14 000–15 000 kitchens.

Measures for improving the level of delivery service

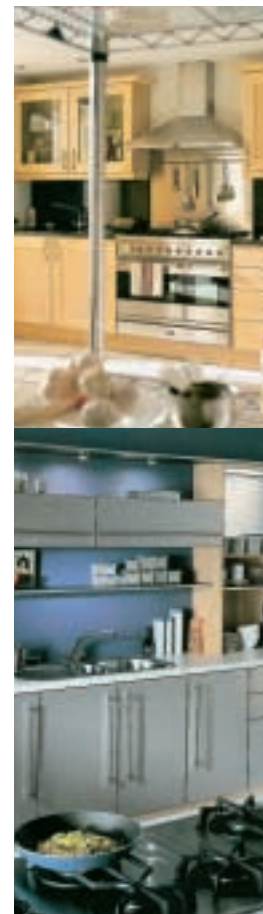
The level of delivery service was approximately 90 % in 2002, which is not satisfactory. The causes included long delivery times for white goods and delayed installation service.

The aim is for the level of delivery service to achieve 95 % in 2003. This is of considerable significance, as more and more building contractors are demanding a package solution comprising kitchen fittings, white goods and installation. A number of measures are in progress for increasing both productivity and the degree of delivery service, including improved control of processes, the training of personnel, investments in IT systems and increased focus on installation service.

Other measures include the work on product range rationalisation which, in addition to reducing the number of white goods suppliers, also includes other purchased product groups. By mid-2003, a new ERP system is expected to be implemented, which will rationalise administrative procedures.

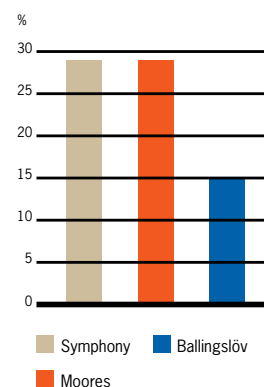
The future

The strategy for the British operation includes doubling the number of retailers and generating approximately 20 % of sales via this channel within two to three years.



Ballingslöv's brand in Great Britain – Paula Rosa – is positioned from the medium price level upwards.

Estimated market share in the British new construction segment measured by value



Environment and personnel

Expertise a key factor

ENVIRONMENT

We satisfy the environmental requirements by a clear margin in all the countries we are currently active in.

Care for the environment and adapting our operations so that they are in harmony with sustainable development are important issues for Ballingslöv. The environmental aspects therefore weigh heavily as we gradually improve our production plants. At the same time, Ballingslöv sees the work of reducing the operation's environmental impact as a sales argument and a way to further increase the attractiveness of what we are offering our customers. Through active environmental work and by positioning Ballingslöv as an environmentally friendly company, we can strengthen our market positions in the long term.

It is our intention that all units within Ballingslöv should work towards ecologically sustainable development. The environmental work is mainly carried out at unit level. The aim is for Ballingslöv's environmental impact to be limited, within a reasonable financial framework. The environmental work should be an integral part of day to day operations, and as a result be a continuous process of change.

Ballingslöv's Swedish factory is quality certified in accordance with ISO 9001 and environmentally certified in accordance with ISO 14001.

PERSONNEL

Our aim is to offer customers individually tailored, high quality kitchen and bathroom fittings, and this entails ever increasing demands on Ballingslöv's personnel. A customer-orientated company culture, where the personnel are committed, involved and have a firm understanding of the customers' wishes, is therefore a key factor for Ballingslöv.

Within Ballingslöv there is a strong tradition of craftsmanship as well as great technical expertise regarding the advanced manufacturing machines that are used in production. Many of our employees have very long experience of manufacturing our

products. At the same time as a growing proportion of production is being carried out with increasingly sophisticated and automated manufacturing machines, the manufacture of our more exclusive products still require expert craftsmanship. Knowledge, accuracy and experience are decisive for quality throughout our production.

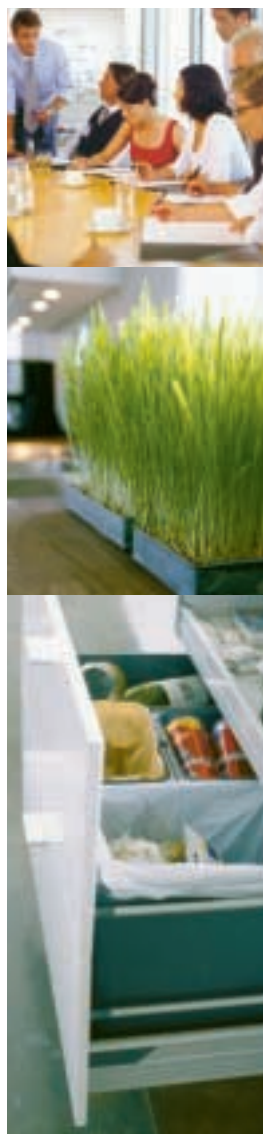
The combined knowledge of our personnel is important when it comes to utilising the capacity that our modern production plants have to offer. All employees are therefore given continual training in technology, IT, management and sales, as required. In a developed system, production personnel can gradually learn additional elements of the manufacturing process. This method ensures increased combined production expertise and also means that the manufacturing process is less vulnerable in the event of an individual employee's absence.

At the end of 2002, Ballingslöv had a total of 821 employees, 357 in Sweden, 256 in Great Britain and 208 in Denmark.

Examples of targeted training efforts during the year include the management training initiative for departmental managers that was carried out in Sweden. The efforts ahead of 2003 also include activities for increasing the level of customer orientation within the organisation.

PERSONNEL AGE STRUCTURE 2002

Age	Share
16-25	10 %
26-35	25 %
36-45	29 %
46-55	21 %
56+	15 %
Total	100 %
of which men	75 %
of which women	25 %



Consideration for both employees and the environment is important to Ballingslöv.

Risk management and policies

CURRENCY EXPOSURE AND POLICY

Around 65–70% of Ballingslöv's invoicing is denominated in foreign currencies, mainly in GBP, DKK and NOK. Purchasing takes place mainly in EUR, SEK, DKK and GBP. Ballingslöv's income is therefore affected by changes in exchange rates.

Net currency exposure, i.e. the relationship between the amount flowing in and out in each currency, amounts to approximately EUR 6.6 million (SEK 60.5 million) (net outflow), NOK 74.2 million (SEK 87.9 million) (net inflow) and DKK 17.5 million (SEK 21.3 million) (net inflow). Thus Ballingslöv has an overall currency exposure of approximately SEK 170 million, equivalent to approximately 15 % of net sales.

Ballingslöv's financial policy aims to minimise the financial risks that Ballingslöv is exposed to in a cost effective manner, as well as to secure sufficient liquidity for day to day operations. Financial risks will be minimised in the first place through internal measures such as matching flows, the choice of invoicing currency and balancing currency risks in investments/liabilities, and secondly with the aid of financial instruments. Of the net flows six to twelve months ahead, 45–75 % is hedged. Hedging above 75 % can only take place using financial instruments. Forward contracts are dealt with by the relevant subsidiary, while other financial instruments such as currency options may only be dealt with by the Group's Financial Director. However, trading with forward contracts always takes place with the approval of the Group's Financial Director. An example showing the effects of changes in the most significant currencies for Ballingslöv can be found under the heading 'Sensitivity analysis' in this section.

GOODWILL AND BRANDS

As at 31 December 2002, the consolidated goodwill asset amounted to SEK 350.7 million. Goodwill is depreciated linearly over 20 years, giving an annual goodwill amortisation of approximately SEK 22.3 million. The 20 year depreciation period is justified by the fact that company acquisitions and restructuring are a long term strategy and that the acquisitions include important brands for Ballingslöv.

The goodwill asset is entered in Ballingslöv International's and KWP's accounts. The total acquisition value for the Group's goodwill is SEK 436.9 million. Goodwill is depreciated in SEK, DKK and GBP, and consequently the total annual goodwill depreciation may vary somewhat in the consolidated accounts as a result of currency changes.

In addition to goodwill, the Group has intangible assets in the form of brands entered in Ballingslöv AB's accounts. At 31 December 2002, this item amounted to SEK 0.4 million and was depreciated linearly over five years with an annual brand depreciation of SEK 0.8 million. The brand was capitalised in the balance sheet in conjunction with Ballingslöv International AB (then Ballingslöv Holding AB) buying out the operation from Electrolux in 1998.

SENSITIVITY ANALYSIS

Ballingslöv's income is affected by factors such as changes in sales volumes, price trends for input material as well as the trends affecting Ballingslöv's most important currencies, i.e. DKK, NOK and EUR. The table below describes how pre-tax income is affected by changes to the most important parameters. The reported effects are based on conditions in 2002, and should give an indication of how income after net financial items is affected in the event of an isolated change to each parameter.¹⁾

The table only presents transaction effects of exchange rate changes, and not accounting effects as a result of changes in exchange rates during the Group's consolidation.

Effect on income

PARAMETER	CHANGE	BEFORE TAX, SEK m
Net sales	+/- 1 %	+/- 4.0
Purchasing expenses	+/- 1 %	-/+ 4.0
Salary expenses	+/- 1 %	-/+ 3.0
DKK/SEK	+/- 1 %	+/- 0.2
NOK/SEK	+/- 1 %	+/- 0.7
EUR/SEK	+/- 1 %	-/+ 0.6
Interest rate level	+/- 1 %-unit	-/+ 3.0

1) For example, an increase in the NOK/SEK rate, i.e. a strengthening of the Norwegian crown relative to the Swedish crown, will have a positive impact on Ballingslöv's income, as the company has a net inflow of Norwegian crowns.

The Ballingslöv share

Ballingslöv's shares were listed on the Stockholm Stock Exchange O-list on 19 June 2002 following a new issue of 1 250 000 shares. The sales price was SEK 64 per share. An established unit of trading comprises 200 shares.

SHARE CAPITAL

Ballingslöv's share capital amounts to SEK 21 451 516 divided between 10 725 758 shares. Each share entitles the owner to one vote, and each person entitled to vote may vote at the annual general meeting corresponding to the total number of shares he or she owns and represents, with no limitation as regards voting entitlement. All shares have the same entitlement to a share in Ballingslöv's assets and income.

PRICE TRENDS AND TURNOVER

Ballingslöv's market value at the year end amounted to SEK 589.9 million. The price of the shares has fallen by 13.4 % since being listed on 19 June 2002. During the corresponding period, Affärsvärlden's General index has fallen by 18.2 %. During the year, the highest closing value was SEK 68 on 2 July 2002 and the lowest closing value was SEK 49 on 9 and 10 October 2002, measured from the last payment.

During 2002, 4 944 634 Ballingslöv shares were sold, corresponding to 46.1 % of capital and votes. The shares were traded on every trading day, with an average turnover per trading day of 37 745 shares. The rate of turnover, i.e. the share's liquidity on the Stockholm Stock Exchange, amounted on average to 47 % during the period July–December 2002, compared with an average of 64 % for the O-list.

SHAREHOLDERS

Between 1974 and 1998, Ballingslöv was a wholly owned subsidiary of AB Electrolux. The ownership structure changed in July 1998, when the investors behind the venture capital fund EQT

Scandinavia I acquired Ballingslöv. In conjunction with the spread of ownership and the listing on the stock exchange in 2002, Ballingslöv gained some 1 200 shareholders.

The number of shareholders at the year end amounted to approximately 1 700, corresponding to an increase of 41.7 %. The ten largest shareholders represent 58.7 % of the capital and votes, while foreign shareholders represent 11.7 %. Institutions and share funds hold 60.8 % of the shares and private individuals 27.5 %.

Out of the total number of shares 32.3 % or 3 460 563 were directly registered. The proportion of agent registered shares amounted to 67.7 % at the year end, or 7 265 195 shares. The largest shareholders at the year end can be seen from the table on the next page.

DIVIDEND POLICY

The Board of Directors intends to distribute approximately 50% of income after tax over a business cycle. However, consideration will be given in this respect to the company's financial position, cash flow, investment need and expected future profitability.

PROPOSED DIVIDEND

Ballingslöv's Board of Directors propose a dividend of SEK 2.50 per share for the fiscal year.

Based on the share price at the end of the year, the proposed dividend means a direct return of 4.5 %.

SHAREHOLDER VALUE

With the aim of increasing the turnover of Ballingslöv's shares and thereby providing current and future shareholders with the conditions for valuing the company fairly, the Group management is working continuously to develop and improve the financial information as well as to participate actively in meetings with share investors, the media and analysts.

BROKER'S HOUSES THAT FOLLOW THE SHARES

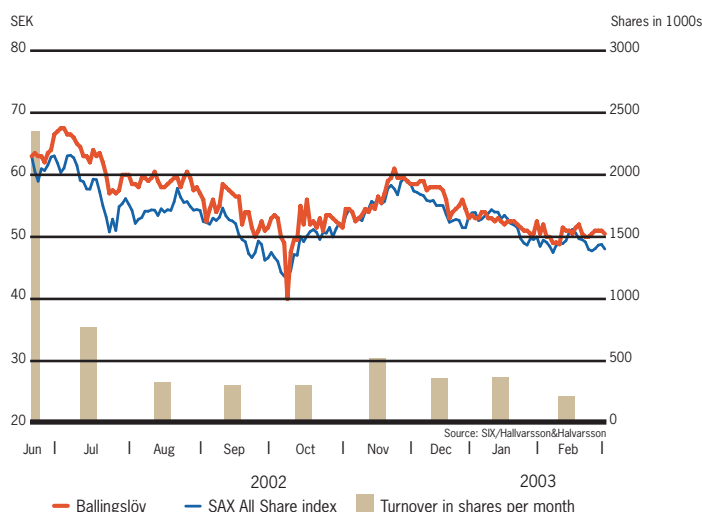
Alfred Berg/ABN-AMRO

Nordea Securities

Swedbank Markets

Hagströmer & Qviberg

Share price trends



The Ballingslöv share

Change in share capital 1998–2002

TIME	EVENT	CHANGE IN THE NUMBER OF SHARES	TOTAL NUMBER OF SHARES	INCREASE IN SHARE CAPITAL, SEK	TOTAL SHARE CAPITAL, SEK	SHARE FACE VALUE, SEK
May 1998	Formation of the company	100 000	100 000	100 000	100 000	1.0
Aug 1998	New issue	17 400 000	17 500 000	17 400 000	17 500 000	1.0
Nov 1998	Issue of convertible debentures	–	–	–	–	–
Nov 1998	Issue of debenture loans together with option to subscribe for new shares	–	–	–	–	–
May 2002	Consolidation of shares 1:2	–8 750 000	8 750 000	–	17 500 000	2.0
June 2002	New issue	1 250 000	10 000 000	2 500 000	20 000 000	2.0
July 2002	Conversion of debentures	308 138	10 308 138	616 276	20 616 276	2.0
July 2002	Utilisation of options	417 620	10 725 758	835 240	21 451 516	2.0

The major shareholders, 31.12.02

SHAREHOLDER	NUMBER OF SHARES	PROPORTION OF CAPITAL AND VOTES
EQT Scandinavia I	1 982 496	18.5 %
Stena AB	1 125 000	10.5 %
AMF Pension	795 000	7.4 %
Odin fonder	502 450	4.7 %
SHB/SPP fonder	409 000	3.8 %
Svolder	354 600	3.3 %
Industrivärden	350 000	3.3 %
SEB fonder*	287 274	2.7 %
Skandia*	251 800	2.3 %
Lannebo fonder	241 700	2.3 %
Subtotal	6 299 320	58.7 %

Total no. of shares 10 725 758

* Also investors behind EQT Scandinavia I

The restriction that was placed on EQT Scandinavia I in conjunction with the introduction on the stock exchange regarding the sale of shares in Ballingslöv ceased on 26 February 2003. The restriction that was placed on parts of the management and board of directors regarding the sale of shares in Ballingslöv ceased to 50 % on 26 February 2003.

Key indicators per share

	RESULT		PRO FORMA		
	2002	2001	2000	1999	1998
Earnings per share, SEK	6.61	6.11	4.97	3.94	2.21
Earnings per share, excluding goodwill, SEK	8.98	8.78	7.50	6.43	4.69
Dividend per share, SEK*	2.50	–	–	–	–
Shareholders' equity per share, SEK	41.44	39.55	31.04	26.57	22.03
Number of shares at year end, millions**	10.73	8.75	8.75	8.75	8.75

* Board's proposal for allocation of income

** after reverse split

Distribution of holdings of Ballingslöv shares

NO. OF SHARES	NO. OF SHAREHOLDERS	% OF NO. OF SHAREHOLDERS	NO. OF SHARES	% OF SHARE CAPITAL AND VOTES
1–1 000	1 360	78.5	514 106	4.7
1 001–10 000	268	15.5	889 889	8.4
10 001–100 000	80	4.6	2 892 444	26.9
100 001–1 000 000	24	1.4	5 304 319	49.5
>1 000 001	1	<0.1	1 125 000	10.5
Total	1 733	100	10 725 758	100

Price data

	2002
Listed price on 31/12, SEK	55.00
Market value on 31/12, SEK m	589.9
Highest price paid during the year, SEK	68.00
Lowest price paid during the year, SEK	49.00
Direct return on 31/12, %	4.5
P/E number on 31/12, x	8.3
P/E number excl. goodwill on 31/12, x	6.1

Directors' report

GROUP

The Ballingslöv Group is one of the leading manufacturers of kitchen furniture in Scandinavia and the United Kingdom. The company's products, which are manufactured in factories in Sweden, Denmark and the United Kingdom, are characterised by their sophisticated design, the wide choice available and superior quality.

SALES AND INCOME

Net sales

Ballingslöv's net sales decreased in 2002 by 6.0 % to SEK 1 159.6 million compared with SEK 1 233.9 million in the previous year. The fall in sales was entirely attributable to operations in the United Kingdom.

Income

In 2002, operating income increased by 6.4 % to SEK 119.1 million (SEK 111.9 million) corresponding to 10.3 % (9.1 %) of net sales. Income after financial items increased by 17.1 % to SEK 99.4 million (SEK 84.9 million) corresponding to 8.6 % (6.9 %) of net sales. Net income increased by 20.6 % to SEK 64.5 million (SEK 53.5 million) corresponding to SEK 6.61 (SEK 6.11) per share, calculated on average number of shares during the period.

Key data

SEK MILLION (IF NOTHING TO THE CONTRARY STATED)	2002	CHANGE	2001
Net sales	1 159.6	-6.0 %	1 233.9
Operating income before goodwill amortization (EBITA)	142.2	+5.2 %	135.2
Operating margin before goodwill amortization (EBITA), %	12.3	-	11.0
Operating income (EBIT)	119.1	+6.4 %	111.9
Operating margin, %	10.3	-	9.1
Income after financial items	99.4	+17.1 %	84.9
Net income	64.5	+20.6 %	53.5
Net income per share, SEK	6.61	-	6.11
Average number of shares during the period, millions	9.76	-	8.75
Dividend per share, SEK (proposed)	2.50	-	0
Return on equity, %	16.3	-	17.3
Interest coverage ratio, multiple	5.0	-	3.7
Debt equity ratio, multiple	0.8	-	1.2
Equity/assets ratio, %	42.8	-	33.6
Net investments	47.8	-	27.2
Average number of employees	816	-	861

NET SALES

EBITA

	2002	2001	2002	2001
Scandinavia	793.8	765.4	131.7	108.0
United Kingdom	365.8	468.5	10.5	27.2
Total	1 159.6	1 233.9	142.2	135.2

OPERATIONS DURING THE YEAR

In the renovation segment, the company's primary segment, the Swedish market increased by a few percentage points compared with the previous year. The new construction market has shown some improvement compared with the previous year. The Norwegian market was somewhat weaker in both the renovation and new construction segments. In Denmark, the renovation segment was slightly weaker than in the preceding year while the new construction segment was in parity with the previous year.

Sales in the Scandinavian market, which increased by approximately 4 %, are estimated to have involved organic growth which is somewhat higher than the market trend in general within the most important market segment (renovation – single-family homes).

Extending our distribution system in Scandinavia has progressed according to plan, with preference being given to exclusive distributors.

In the Scandinavian operation, operating margin before goodwill amortisation improved to 16.6 % (14.1%).

Generally speaking, the UK market has developed positively although slow processing of building permits and, to some extent, a shortage of undeveloped land have led to a fall in the production of single-family homes, the company's primary market segment.

In 2002, the Group's operations in the UK developed significantly less favourably than anticipated and invoicing as well as income has abated. During autumn 2001, a strong increase in orders received led to delivery problems as well as insufficient installation capacity. This resulted in delayed building projects which affected customer relations and resulted in lower demands in 2002.

Measures adopted to improve delivery service and demand included boosting installation operations, rationalising the product programme and consolidating the number of suppliers used, particularly white goods suppliers. Cost cutting measures included a reduction of approximately 45 personnel in 2002. We expect to see the full effect of this ongoing programme of measures in the second and third quarters of 2003.

During the year, all the companies launched new products which were well received by the market.

In 2002, the Ballingslöv Group's good level of profitability improved despite weak development in the United Kingdom. Among its achievements, the Group was able to exceed its target for operating margin before goodwill amortisation of 12 %. High capacity utilisation in the Scandinavian factories and reduced costs through ongoing co-ordination measures within the Group have formed an important driving force in the development of profitability. Furthermore, the product and sales mix has continued to develop favourably.

Directors' report

FINANCIAL POSITION

Shareholders' equity

As at 31 December 2002, consolidated shareholders' equity amounted to SEK 444.7 million (SEK 346.1 million), which corresponds to SEK 41.44 (SEK 39.55) per share.

CHANGE IN SHAREHOLDERS' EQUITY, SEK m

Opening shareholders' equity	346.1
New share issue, net etc.	50.1
Exchange differences	-16.0
Net income for the year	64.5
Shareholders' equity at the end of the year	444.7

Equity/assets ratio improved to 42.8 % (33.6 %). Our aim is for the equity/assets ratio to exceed 30 %.

Debt/equity ratio

The debt/equity ratio, i.e. interest-bearing liabilities divided by shareholders' equity improved to 0.8 (1.2).

Interest coverage ratio

The interest coverage ratio, i.e. income after net financial items plus financial expenses divided by financial expenses improved to 5.0 (3.7). The Group's aim is for the interest coverage ratio to exceed 4.0.

Liquid assets

At the close of the year, liquid assets amounted to SEK 73.1 million (SEK 29.1 million) corresponding to 6.3 % (2.4) of sales. The increase in liquid assets is due to improvements in cash flow from current operations and the new share issue that took place in conjunction with the listing of the company on the stock exchange. At the close of the year, available credit and liquid assets amounted to SEK 168 million. Through various factors, including reduced net liabilities and an improved equity/assets ratio, it was possible for the average rate of interest on consolidated loans to be cut.

Inventories and current receivables

Inventories amounted to SEK 147.8 million (SEK 145.4 million) and current receivables to SEK 254.3 million (SEK 267.4 million) which corresponded to 12.7 % (11.8 %) and 21.9 % (21.7 %) of net sales.

Return on equity

The return on shareholders' equity amounted to 16.3 % (17.3 %).

CASH FLOW

Cash flow from current operations improved significantly to SEK 96.6 million (SEK 63.0 million). Cash flow from current operations in Scandinavia amounted to SEK 78.8 million (SEK 69.1 million) and in the United Kingdom to SEK 17.8 million (SEK -6.1 million). Improvements in cash flow from current operations was chiefly due to improved operating income and lower net interest income/expense.

Investments

The Group's net investments during the year amounted to SEK 47.8 million (SEK 27.2 million). These investments corresponded to 4.1% (2.2 %) of consolidated net sales and related primarily to surface coating equipment and a new drilling line at Ballingslöv AB, building and IT investments at Dansk Formpladeindustri A/S, and IT investments at Kingfisher Wood Products Ltd.

PERSONNEL

In 2002, the average number of employees totalled 816 (861) of which 366 (359) work in Sweden. At the close of the year, the number of employees was 821 (832). During the year, salaries and remuneration amounted to SEK 248.8 million (SEK 265.0 million).

CHANGES WITHIN THE GROUP

Divestments

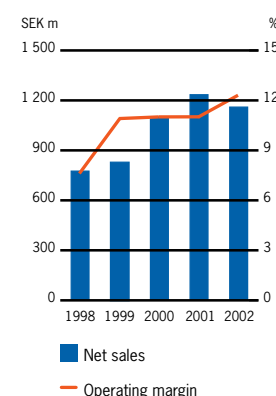
On 1 October 2002, the shares in the dormant company PH i Stockholm AB and a segment (PH) of Bad & Kökshuset i Stocksund AB were divested. During the period 1 January 2002 to 30 September 2002, the PH segment of Bad & Kökshuset had net sales of SEK 9.1 million. On 31 December 2002, the remaining operations in Bad & Kökshuset i Stocksund AB were divested. In 2002, this part of Bad & Kökshuset showed net sales of SEK 5.4 million.

Acquisitions

In February 2003, the Danish kitchen manufacturer Multiform A/S, whose product programme is in the higher quality price bracket, was acquired.

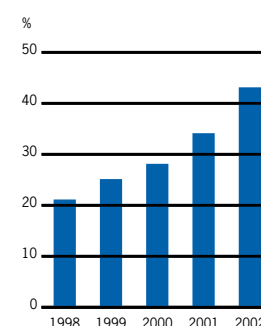
Multiform A/S has sales of approximately sek 50 million and 40 employees.

Net sales and operating margin before goodwill amortization

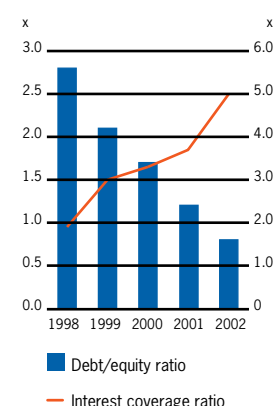


* Actual financial development for the years 1998-2000 is based on accounts which have not been fully audited.

Equity/assets ratio (pro forma 1998-2000)

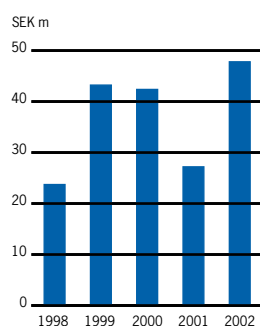


Debt equity/interest coverage (pro forma 1998-2000)

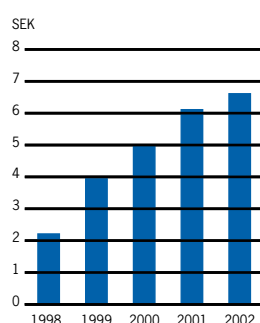


Directors' report

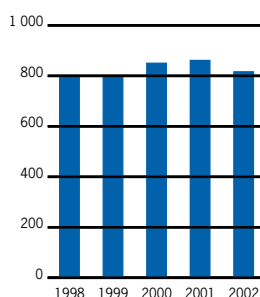
Net investments, SEK million
(pro forma 1998-2000)



Net income per share, SEK
(pro forma 1998-2000)



Number of employees
(pro forma 1998-2000)



PARENT COMPANY

The parent company conducts no operations of its own and had no employees during the year.

THE BOARD'S WORK DURING THE YEAR

Ballingslöv's Board of Directors consists of five members appointed at the AGM, without deputies, and two members appointed by the employees' organisations. Other salaried employees of the Group participate in board meetings in a reporting capacity.

During the year, four board meetings were held, of which one was connected with a company visit to Denmark. In addition, the board held four meetings on separate matters. Throughout the year, the board held regular reviews of the Group's income and financial position as well as dealing with questions concerning acquisitions and divestments, investments and the strategic aim and direction of the Group.

The board has adopted a formal work plan which includes the following requirements:

- ▶ That 4-6 meetings should ordinarily be held each year.
- ▶ That reports from the company's auditors should be processed at least once a year.
- ▶ That the company's business plan should be discussed at a board meeting.
- ▶ That the board's working methods and decision making routines should be evaluated once a year.

The formal work plan also includes detailed instructions for the Chief Executive Officer explaining which matters require the approval of the board and which financial and other reports should be dealt with by the board. The work plan also stipulates the monetary levels at which each decision making body within the Group is entitled to approve investments in plants, etc.

The board has also adopted a financial policy which is to apply to the Group which, among other items, deals with foreign exchange risks, external borrowing and cash management. The policy defines risks within each area and methods for dealing with them. In addition, through the policy, the board issues instructions concerning the size of financial risk the Group is capable of handling and the distribution of responsibility within the Group.

Preparation of election of directors

The following applies to the nomination process for board members to be proposed by a group of major shareholders for election at the AGM in 2003. In spring 2003 Fredrik Åtting, EQT Partners AB, Tor Marthin,

AMF Pension and Lars-Åke Helgesson, the chairman of the board, evaluated the composition of the board and the need for special board competence. The result of the preparation work is stated in the official summons to the AGM.

LICENSING AND REPORTING OBLIGATIONS

The company owns a manufacturing plant in Sweden which is responsible for approximately 40 % of the total manufacturing value in the Group. For operational purposes, the plant is required to hold a licence issued by the relevant public authorities. This licence mainly covers the maximum values or limits for discharging waste into the atmosphere as well as noise levels. No significant injunctions relating to the Swedish Environmental Code were issued during the year.

Manufacturing units in other countries adapt operations, seek the necessary licences and report to the authorities in accordance with relevant local legislation.

Proposed allocation of profits

GROUP

According to the balance sheet, the Group's non-restricted equity amounts to SEK 277 528 thousand. A transfer of cash to restricted reserves is not required.

PARENT COMPANY

The following profits are at the disposal of the Annual

General Meeting:

Profit brought forward, SEK	242 891 958
Net profit for the year, SEK	53 122 646
	296 014 604

The Board of Directors and the Chief Executive Officer propose that the profits be appropriated as follows

that a dividend of SEK 2.50 per share be paid to the shareholders	26 814 395
that the remaining amount be carried forward	269 200 209
	296 014 604

INCOME AND FINANCIAL POSITION

The income of the Group and parent company operations as well as the position at the end of the financial year are presented in the following income statements and balance sheets with accompanying notes. If nothing to the contrary is stated, all amounts are given in SEK thousands.

Income statement

SEK THOUSAND	NOTE	GROUP		PARENT COMPANY	
		2002	2001	2002	2001
Net sales	2	1 159 641	1 233 911		
Cost of goods sold		-749 761	-806 816		
Gross profit		409 880	427 095		
	3				
Selling expenses		-230 038	-248 709		
Administrative expenses	4, 5	-58 770	-64 846	-1 025	-101
R&D expenses		-2 183	-1 628		
Other operating income		235	-		
Operating income		119 124	111 912	-1 025	-101
Result from financial investments					
Result from participations in Group companies	27			104 227	103 583
Interest income and similar income/loss items	6	5 024	4 750	2 505	907
Interest expense and similar income/loss items	7	-24 697	-31 817	-12 984	-24 046
Total result from financial investments		-19 673	-27 067	93 748	80 444
Income after financial items		99 451	84 845	92 723	80 343
Appropriations	28			-18 000	-15 700
Tax on income for the year	8	-34 952	-31 186	-21 600	-14 838
Minority shares in net income/loss		23	-150		
Net income for the year		64 522	53 509	53 123	49 805
Earnings per share		6.61	6.11		

Balance sheet

		GROUP		PARENT COMPANY	
SEK THOUSAND	NOTE	31.12.2002	31.12.2001	31.12.2002	31.12.2001
ASSETS					
Fixed assets					
Intangible fixed assets					
Goodwill and brand	9	351 125	389 996		
Tangible fixed assets					
Buildings and land	10	112 677	115 789		
Plant and machinery	11	70 489	55 634		
Equipment	12	25 480	16 163		
Construction in progress	13	2 552	10 006		
		211 198	197 592		
Financial fixed assets					
Prepaid capital expenses	14	734	837	733	837
Participations in subsidiaries	29			525 937	530 789
Deferred taxes recoverable	15	1 539	1 047	–	291
Other long-term receivables		960	117		
		3 233	2 001	526 670	531 917
Total fixed assets		565 556	589 589	526 670	531 917
Current assets					
Inventories etc.					
Raw materials and consumables		67 366	69 376		
Work in progress		34 587	32 732		
Finished products and goods for resale		45 871	43 165		
Advance payments to suppliers		–	115		
		147 824	145 388		
Current receivables					
Accounts receivable - trade		200 082	189 556		
Receivables from Group companies				126 979	72 911
Tax claims		11 472	–		
Other current receivables		4 961	4 145	60	755
Prepaid expenses and accrued income	16	37 746	73 389	121	–
		254 261	267 090	127 160	73 666
Short-term investments					
		–	251		
Cash and bank balances		73 100	29 146	17 139	900
Total current assets		475 185	441 875	144 299	74 566
TOTAL ASSETS		1 040 741	1 031 464	670 969	606 483

Balance sheet

		GROUP		PARENT COMPANY	
SEK THOUSAND	NOTE	31.12.2002	31.12.2001	31.12.2002	31.12.2001
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity	17				
Restricted equity					
Share capital		21 452	17 500	21 452	17 500
Share premium reserve				93 327	2 891
Restricted reserves		145 680	56 642	3 500	3 500
		167 132	74 142	118 279	23 891
Non-restricted equity					
Non-restricted reserves		213 006	218 473	242 892	244 066
Net income for the year		64 522	53 509	53 123	49 805
		277 528	271 982	296 015	293 871
Total shareholders' equity		444 660	346 124	414 294	317 762
Minority interests		343	466		
Untaxed reserves	30			55 527	37 527
Provisions					
Provision for pensions and similar commitments	18	31 158	28 086		
Deferred tax	19	34 118	28 252		
Provision for guarantee undertakings	20	4 610	4 098		
Total provisions		69 886	60 436		
Long-term liabilities					
Bank overdraft		29 395	33 982		
Liabilities to credit institutions		273 379	302 504	146 746	168 436
Convertible debenture loans	22	–	8 681	–	10 228
Other long-term liabilities		–	1 575	–	1 575
Total long-term liabilities		302 774	346 742	146 746	180 239
Current liabilities					
Liabilities to Group companies				11 110	4 928
Liabilities to credit institutions		36 994	55 747	36 964	55 043
Advance payments from customers		190	1 146		
Accounts payable - trade		87 745	122 490	77	9
Tax liability		10 512	7 167	4 284	7 069
Other current liabilities		36 034	23 855	100	1 280
Accrued expenses and prepaid income	23	51 603	67 291	1 867	2 626
Total current liabilities		223 078	277 696	54 402	70 955
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1 040 741	1 031 464	670 969	606 483
Pledged assets	24	775 295	817 066	525 832	530 583
Contingent liabilities	25, 31	37 495	14 691	70 207	47 126

Cash flow statement

		GROUP		PARENT COMPANY	
SEK THOUSAND	NOTE	2002	2001	2002	2001
Current operations					
Income before financial items		119 124	111 912	-1 025	-101
Depreciation		47 973	50 760		
Other items not affecting liquidity		3 876	4 136		
		170 973	166 808	-1 025	-101
Interest received		6 198	3 973	802	115
Group subsidies and dividends received				47 773	93 177
Interest paid		-26 301	-35 681	-11 586	-17 261
Income tax paid		-29 433	-31 796	-18 396	-18 148
Cash flow before changes in working capital		121 437	103 304	17 568	57 782
Change in inventories		-6 047	-4 394		
Change in other current receivables		13 233	-53 236	5 705	-5 525
Change in other current liabilities		-31 995	17 329	-5 070	3 950
Cash flow from current operations		96 628	63 003	18 203	56 207
Investment operations					
Investments in intangible fixed assets		-316	-10		
Investments in tangible fixed assets		-46 739	-32 138		
Sold tangible fixed assets		630	4 965		
Investments in financial fixed assets		-1 472	-	-800	
Investments in subsidiary companies	26	-	37	-252	-106
Sale of financial fixed assets		138	199	100	-
Change in short-term investments		-	-251		
Cash flow from investment operations		-47 759	-27 198	-952	-106
Financing operations					
Amortization of liability		-39 041	-56 645	-38 374	-55 201
Change in bank overdraft facility		-2 955	11 020		
Dividend to minority		-100	-100		
Issue settlement		97 122	-	97 122	-
Issue expenses		-14 926	-	-14 926	-
Buy-back of options and convertibles		-44 834	-	-44 834	-
Cash flow from financing operations		-4 734	-45 725	-1 012	-55 201
Cash flow for the year		44 135	-9 920	16 239	900
Liquid assets at the beginning of the year		29 146	38 486	900	-
Exchange difference in liquid assets		-181	580		
Liquid assets at the end of the year		73 100	29 146	17 139	900

Notes, applying to both the Parent company and the Group

Note 1 Accounting principles and supplementary information

The annual accounts have been prepared in accordance with the Annual Accounts Act and the recommendations and pronouncements of the Swedish Financial Accounting Standards Council. The accounting principles remain unchanged since the financial year 2001, provided nothing to the contrary is stated below.

Revenue recognition

Revenue recognition of sold goods takes place on delivery of the goods to the customer. In cases where a sales contract includes delivery of goods as well as installation work, revenue recognition of the goods takes place on delivery while revenue recognition of the installation work takes place during the period when the work is executed.

Consolidated accounts

The consolidated accounts include subsidiaries in which the parent company, directly or indirectly, holds more than 50 % of the votes.

Fifty per cent of Inredet HK AB is owned by the parent company but as Ballingslöv International AB has a controlling influence through ownership, delivery agreements and board representation, the company is accounted for as a subsidiary.

The consolidated accounts have been prepared in accordance with the acquisition accounting method which means that subsidiaries' equity on acquisition, determined as the difference between the actual value of the assets and liabilities, is eliminated in its entirety. Thus, only that part of subsidiaries' equity due following acquisition is included in consolidated equity.

If the consolidation acquisition value of shares exceeds the value of the subsidiary's net assets shown in the acquisition analysis, the difference amounts to goodwill on consolidation. The depreciation period is set at 20 years in the light of the long-term and strategic character of the acquisition. Depending on the nature of the acquisition, amortisation of goodwill is reported under the entries cost of goods sold or administrative expenses.

All subsidiary companies are classified as independent units. Therefore, Ballingslöv International AB uses the current method for the translation of annual accounts for foreign subsidiaries. This involves translating the assets and liabilities of foreign subsidiaries at the rates in force on the balance sheet date. Income and expenses are calculated in accordance with average rates for the year. Translation differences are posted directly to consolidated equity.

Since 2001, bank loans in foreign currencies used to finance subsidiary acquisitions have been reported as so called hedge loans. This means that loans in foreign currencies are viewed as a security measure taken by the parent company to even out the changes in value of net investments in subsidiaries that occur as a result of fluctuations in exchange rates. Exchange rate differences on a loan are posted directly to equity to the corresponding part of translation differences for the subsidiary arising during the year.

Intra-group profit resulting from sales within the Group has been eliminated.

Minority shares in net income for the year are reported in the consolidated income statement. Minority shares in subsidiary capital are reported in a separate entry in the consolidated balance sheet.

Income tax

Income tax carried as an expense includes tax to be paid or received in the current year, adjustments to the previous year's tax and changes in deferred tax.

All tax claims are assessed at a nominal amount in accordance with fiscal regulations and tax rates that have been approved or announced and will, almost certainly, be established by law.

The associated tax effects of items accounted for in the income statement are also reported in the latter.

Deferred tax is calculated in accordance with the balance sheet method on all temporary differences that arise between reported and written-down values of assets and liabilities.

continue from p. 37

Temporary differences exist in cases where the respective reported written down values of assets and liabilities do not coincide.

Appropriations and untaxed reserves are reported in the parent company accounts according to their fiscal import due to the connection between accounting and taxation. Deferred tax of 28% is included.

Receivables

Receivables are shown to the amount that, according to individual assessment, is calculated to be paid.

Receivables and liabilities in foreign currencies

Receivables and liabilities in foreign currencies are assessed in accordance with the rates in force on the balance sheet date. In cases where hedging measures are taken, e.g. forward cover, forward rates are used. Exchange gains and exchange losses on receivables and liabilities relating to operations have been reported in operating income.

Inventories

Inventories are assessed, using the first in first out principle, at the lowest acquisition value and the actual value on the balance sheet date. Work in progress and finished goods are assessed at the opening acquisition value of the materials, other direct costs accrued for the goods and appropriate overhead charges for indirect costs.

Fixed assets

Tangible and intangible fixed assets are estimated at their acquisition value and written off systematically over the estimated period of use. The following depreciation periods apply:

	No. of years
Goodwill	20
Brands	5
Buildings and land improvements	20–40
Motor vehicles	5
Computer equipment	3–5
Plant and machinery	5–10
Equipment	5–10

Research and development

Expenditure for research and development work is ordinarily carried as an expense as and when it arises.

Leasing agreements

The Group has a small number of financial leasing agreements for company cars. These do not amount to a significant sum and are, therefore, on the whole, reported as operational leasing. Operational leasing fees are carried as an expense in the period to which they relate.

Cash flow statement

The cash flow statement is prepared in accordance with the indirect method described in the Swedish Financial Accounting Standards Council's recommendation RR 7. Reported cash flow only includes transactions resulting in cash receipts and payments.

Reported cash flow is divided into

- ▶ current operations
- ▶ investment operations
- ▶ financing operations

Cash and bank balances are included as liquid assets.

Provisions for guarantee undertakings

The Group records as provisions for guarantee undertakings concerning Ballingslöv AB, the scheduled obligation to repair and replace goods still covered by warranty on the balance sheet date. The calculation of provisions is based on historical data of actual repairs and replaced goods.

Raising of capital expenses

Raising of capital expenses are carried as an expense in the period to which they relate.

Note 2 Net sales by market area

GROUP	2002	2001
Scandinavia	784 143	763 162
Europe, excl Scandinavia	370 112	467 086
Other markets	5 386	3 663
Total	1 159 641	1 233 911

Intragroup deliveries amounted to SEK 42 065 thousand (SEK 42 166 thousand), which have been eliminated in their entirety. Intragroup deliveries are priced according to market conditions.

Note 3 Depreciation, write-downs and write-backs

In total, consolidated profit was charged with depreciation amounting to SEK 47 973 thousand (SEK 50 760 thousand), of which SEK 13 875 thousand (SEK 13 941 thousand) concerns goodwill on consolidation. Amortisation costs for goodwill on consolidation are included in the entry cost of goods sold.

Note 4 Audit fees

GROUP	2002	2001
Audit assignments	1 211	753
Other assignments	3 507	769
Total	4 718	1 522

PARENT COMPANY	2002	2001
Audit assignments	50	–
Other assignments	1 570	–
Total	1 620	0

Fees for other assignments for the parent company and the Group include SEK 1 570 thousand for remuneration for auditing prospectuses etc. connected with stock exchange quotation. These costs have been charged against shareholders' equity as new share issue expenses.

The audit assignment involves auditing the annual accounts, accounting records, the administration of the Board of Directors and Chief Executive Officer. Other duties that are within the remit of the company auditors are, guidance or any other assistance given as a result of observations made during the performance of an audit of this kind, or the implementation of other such duties. All other work is classified as other assignments.

Note 5 Average number of employees, salaries, other remuneration and social security contributions

Average number of employees, divided into men and women, totals

GROUP	2002	2001
Subsidiaries in Sweden		
Men	280	282
Women	86	77
Total	366	359
Subsidiaries abroad		
Denmark		
Men	143	162
Women	45	49
Total	188	211

Notes

continue from p. 39

NORWAY	2002	2001
Norway		
Men	1	1
Women	5	3
Total	6	4
England		
Men	177	198
Women	79	89
Total	256	287
TOTAL FOR GROUP	816	861
PARENT COMPANY		
The parent company has no employees, hence no salaries were paid.		
GROUP	2002	2001
Salaries and remuneration to the boards and chief executive officers		
Subsidiaries in Sweden (Of which bonus payment SEK 720 thousand (SEK 658 thousand))	2 910	2 832
Subsidiaries in Denmark	2 497	2 725
Subsidiaries in Norway	404	371
Subsidiaries in England	1 634	1 466
Total	7 445	7 394
Other employees		
Subsidiaries in Sweden	88 911	83 707
Subsidiaries in Denmark	70 457	67 994
Subsidiaries in Norway	1 286	700
Subsidiaries in England	80 748	105 168
Total	241 402	257 569
Total salaries and remuneration	248 847	264 963
Total statutory and contractual social security contributions	41 881	44 128
Pension expenses		
Subsidiaries in Sweden (of which for the Board and CEO SEK 1 177 thousand (SEK 979 thousand))	7 432	6 260
Subsidiaries in Denmark (of which for the Board and CEO SEK 57 thousand (SEK 132 thousand))	4 414	5 359
Subsidiaries in Norway (of which for the Board and CEO SEK 20 thousand (SEK 24 thousand))	49	49
Subsidiaries in England (of which for the Board and CEO SEK 202 thousand (SEK 106 thousand))	10 358	12 423
Total pension expenses (of which for the Board and CEO SEK 1 456 thousand (SEK 1 241 thousand))	22 253	24 091
TOTAL SALARIES, REMUNERATION, SOCIAL SECURITY CONTRIBUTIONS AND PENSION EXPENSES FOR THE GROUP	312 981	333 182

Notes

Fees and remuneration

Fees paid to the Board of the Group for the period up to the Annual General Meeting in 2003 have been fixed at SEK 250 thousand, of which the Chairman of the Board receives SEK 100 thousand. No agreement has been made concerning future severance pay for the Chairman of the Board or the members of the Board.

In 2002, the Chief Executive Officer received a salary and other remuneration totalling SEK 2 345 thousand, of which a bonus of SEK 720 thousand was paid. Other benefits include the use of a company car. The retirement age for the CEO is 65 years and provision for a pension is made partly in the form of an individually signed occupational retirement annuity and partly by entering an amount as a liability to cover the cost of an additional pension. For 2002, a retirement annuity of SEK 247 thousand was set aside and, for the additional pension, an amount totalling SEK 922 thousand was entered as a liability.

The CEO has a period of notice of 24 months if employment is terminated by the company, which is a change compared with 2001. The period of notice is 6 months if terminated at the CEO's request. No agreement has been made concerning severance pay.

In 2002, salaries and other benefits totalling SEK 5 491 thousand were paid to the senior executives of the Group (six people). The executives' retirement age is 60 - 65 years. The senior executives have a period of notice of 6 - 12 months if employment is terminated by the company and 3 - 6 months if terminated at their own request. No agreement has been made concerning severance pay for any of the senior executives.

Remuneration paid to the CEO is decided by the Board. Remuneration paid to other senior executives is decided by the CEO.

Note 6 Other interest income and similar income/loss items

GROUP	2002	2001
Interest income on current receivables	4 567	4 528
Exchange rate differences	457	–
Realisation income on sales	–	222
Total	5 024	4 750
PARENT COMPANY	2002	2001
Interest income on current receivables	923	115
Exchange rate differences	1 582	792
Total	2 505	907

Note 7 Interest expense and similar income/loss items

GROUP	2002	2001
Interest expense	–22 500	–30 330
Exchange rate differences	–1 268	–1 487
Bank expenses	–929	–
Total	–24 697	–31 817
PARENT COMPANY	2002	2001
Interest expense	–10 787	–16 487
Exchange rate differences	–1 268	–6 935
Bank expenses	–929	–624
Total	–12 984	–24 046
Of which concerning Group companies	–	–42

Note 8 Tax on income for the year

GROUP	2002	2001
Current tax	-25 027	-25 393
Deferred tax	-9 925	-5 793
Total	-34 952	-31 186
Schedule of total tax for the Group:		
Income before tax	99 451	84 845
Tax in accordance with current tax rate of 28%	-27 846	-23 757
Tax effect of non-deductible expenses	-839	-312
Tax effect of goodwill amortisation	-3 885	-3 911
Tax effect of goodwill amortisation abroad	-2 421	-2 405
Tax effect of income abroad	39	-801
Total tax	-34 952	-31 186
PARENT COMPANY		
	2002	2001
Current tax	-17 130	-14 793
Deferred tax	-4 470	-45
Total	-21 600	-14 838
Schedule of current tax:		
Income before tax	74 723	64 643
Tax in accordance with current tax rate of 28%	-20 922	-18 100
Tax effect of non-deductible expenses	-706	-77
Tax effect of tax exempt dividends and shareholders' contributions	319	3 384
Tax effect of deductible issue expenses	4 179	-
Total current tax	-17 130	-14 793

Note 9 Goodwill and brands

GROUP	31.12.2002	31.12.2001
Opening acquisition value	459 872	438 998
Changes for the year		
Capitalised expenditure	–	10
Through acquisition of assets and liabilities	317	–
Sales and disposals	–4 539	–
Re-classifications	–136	–
Transfer of associated companies to subsidiaries	–	231
Translation differences	–14 558	20 633
Closing accumulated acquisition value	440 956	459 872
Opening amortisation	–69 876	–44 299
Changes for the year		
Sales and disposals	530	–
Amortisation	–23 078	–23 331
Translation differences	2 593	–2 246
Closing accumulated amortisation	–89 831	–69 876
CLOSING RESIDUAL VALUE ACCORDING TO PLAN	351 125	389 996

Reported sales and disposals refer to write-down of Bad och Kökshuset i Stocksund AB's goodwill. This has been written down to 0 due to the fact that the company's operations have been sold.

The write-down of SEK 1 670 thousand has been charged against income, which is included as a cost of goods sold.

Note 10 Buildings and land

GROUP	31.12.2002	31.12.2001
Opening acquisition value	163 358	152 482
Changes for the year		
Re-classifications	–	–115
Redistribution from constructions in progress	1 422	–
Purchases	5 451	8 144
Sales and disposals	–	–4 250
Translation differences/ adjustments	–5 923	7 097
Closing accumulated acquisition value	164 308	163 358
Opening depreciation	–47 569	–42 886
Changes for the year		
Depreciation	–4 605	–3 718
Translation differences/ adjustments	543	–965
Closing accumulated depreciation	–51 631	–47 569
CLOSING RESIDUAL VALUE ACCORDING TO PLAN	112 677	115 789
Tax assessment value or equivalent (of which land SEK 3 581 thousand (SEK 4 657 thousand))	67 846	63 702

Note 11 Plant and machinery

GROUP	31.12.2002	31.12.2001
Opening acquisition value	281 829	275 048
Changes for the year		
Re-classifications	-469	-
Redistribution from constructions in progress	7 386	-
Purchases	24 100	9 187
Sales and disposals	-230	-5 011
Translation differences/ adjustments	-1 519	2 605
Closing accumulated acquisition value	311 097	281 829
Opening depreciation	-226 195	-213 895
Changes for the year		
Sales and disposals	138	4 981
Depreciation	-15 125	-17 149
Translation differences/ adjustments	574	-132
Closing accumulated depreciation	-240 608	-226 195
CLOSING RESIDUAL VALUE ACCORDING TO PLAN	70 489	55 634

Note 12 Equipment

GROUP	31.12.2002	31.12.2001
Opening acquisition value	54 796	47 639
Opening acquisition value in acquired companies	-	510
Changes for the year		
Purchases	15 365	5 878
Sales and disposals	-1 326	-1 199
Redistribution from constructions in progress	60	-
Re-classifications	-4 272	-
Translation differences/ adjustments	-1 561	1 968
Closing accumulated acquisition value	63 062	54 796
Opening depreciation	-38 633	-31 595
Opening depreciation in acquired companies	-	-446
Changes for the year		
Sales and disposals	787	514
Depreciation	-5 165	-6 022
Re-classifications	4 827	-
Translation differences/ adjustments	602	-1 084
Closing accumulated depreciation	-37 582	-38 633
CLOSING RESIDUAL VALUE ACCORDING TO PLAN	25 480	16 163

Note 13 Constructions in progress

GROUP	31.12.2002	31.12.2001
Opening accrued expenses	10 006	1 031
Accrued expenses during the year	1 427	8 929
Redistribution implemented during the year	-8 868	-
Translation differences	-13	46
Closing accumulated acquisition value	2 552	10 006

Note 14 Financial fixed assets

GROUP	31.12.2002	31.12.2001
Opening acquisition value	3 864	5 738
Purchases or other gains		
Raising of capital expenses	800	–
Change in deferred tax claims	492	192
Long-term receivables	810	–
Sales or other reduction		
Sales	–139	–199
Change in raising of capital expenses	–2 700	–
Use of Alecta funds or transferred to current receivables	–	–1 407
Transfer of associated companies to subsidiaries	–	–475
Re-classification	174	–
Translation difference/ adjustments	–1	15
Closing accumulated acquisition value	3 300	3 864
Depreciation		
Opening accumulated depreciation	–1 863	–1 323
Depreciation for the year	–904	–540
Change in raising of capital expenses	2 700	–
Closing accumulated amortisation	–67	–1 863
CLOSING RESIDUAL VALUE ACCORDING TO PLAN	3 233	2 001
PARENT COMPANY	31.12.2002	31.12.2001
Opening acquisition value	533 780	533 719
Purchases or other gains		
Shares in subsidiaries	–	106
Raising of capital expenses	800	–
Sales or other reduction		
Write down of shares in subsidiaries	–2 413	–
Write down of estimated purchase price in subsidiaries	–2 339	–
Change in deferred tax claims	–291	–45
Changes in raising of capital expenses	–2 700	–
Shares in subsidiaries	–100	–
Closing accumulated acquisition value	526 737	533 780
Depreciation		
Opening accumulated depreciation	–1 863	–1 323
Depreciation for the year	–904	–540
Change in raising of capital expenses	2 700	–
Closing accumulated amortisation	–67	–1 863
CLOSING RESIDUAL VALUE ACCORDING TO PLAN	526 670	531 917

Prepaid raising of capital expenses are written off over five years, which is based on the parent company's repayment period for loans from credit institutions.

Notes

Note 15 Deferred tax recoverable

GROUP	31.12.2002	31.12.2001
Fixed assets		
Buildings	-473	-490
Provision		
Provisions for pensions	1 504	1 246
Subsidiaries' deficit deduction	508	291
Total	1 539	1 047
PARENT COMPANY	2002	2001
Provisions		
Shareholders' contribution paid to subsidiaries	-	291
Total	-	291

Note 16 Prepaid expenses and accrued income

GROUP	31.12.2002	31.12.2001
Prepaid insurance	2 605	5 178
Prepaid rent	2 079	1 858
Accrued interest income	121	-
Prepaid exhibition expenses	226	588
Other items	7 857	3 976
Accrued income	24 858	61 789
Total	37 746	73 389
PARENT COMPANY	31.12.2002	31.12.2001
Accrued interest income	121	-
Total	121	0

Note 17 Changes in equity

GROUP	31.12.2002	31.12.2001
Restricted equity		
Share capital		
Amount at the beginning of the year according to adopted balance sheet	17 500	17 500
New share issue	3 952	-
Amount at the end of the year	21 452	17 500
Restricted reserves		
Amount at the beginning of the year according to adopted balance sheet	56 642	32 096
Share premium reserve	90 436	-
Adjustment of restricted and non-restricted equity	-1 398	24 546
Amount at the end of the year	145 680	56 642
Total restricted equity at the end of the year	167 132	74 142

Notes

GROUP	31.12.2002	31.12.2001
Non-restricted equity		
Amount at the beginning of the year according to adopted balance sheet	271 982	221 851
Effect of change to accounting principle concerning deferred tax	–	855
Adjusted opening balance	271 982	222 706
Effect of redemption of share option scheme connected with new share issue	–44 167	–
Exchange rate difference	–16 207	20 313
Adjustment of restricted and non-restricted equity	1 398	–24 546
Net income for the year	64 522	53 509
Total non-restricted equity at the end of the year	277 528	271 982
PARENT COMPANY	31.12.2002	31.12.2001
Restricted equity		
Share capital		
Amount at the beginning of the year according to adopted balance sheet	17 500	17 500
New share issue	3 952	–
Amount at the end of the year	21 452	17 500
Share premium reserve		
Amount at the beginning of the year according to adopted balance sheet	2 891	2 891
New share issue	90 436	–
Amount at the end of the year	93 327	2 891
Statutory reserve		
Amount at the beginning of the year according to adopted balance sheet	3 500	3 500
Amount at the end of the year	3 500	3 500
Total restricted equity at the end of the year	118 279	23 891
Non-restricted equity		
Amount at the beginning of the year according to adopted balance sheet	293 871	247 753
Effect of change to accounting principle concerning deferred tax	–	336
Adjusted opening balance	293 871	248 089
Effect of redemption of share option scheme connected with new share issue	–46 139	–
Group contribution paid	–6 722	–5 588
Tax effect of group contribution	1 882	1 565
Net income for the year	53 123	49 805
Total non-restricted equity at the end of the year	296 015	293 871

The share capital consists of 10 725 758 A shares with a nominal value of SEK 2. In the previous year, the share capital consisted of 17 100 490 A shares with a nominal value of SEK 1 and 399 510 B shares with a nominal value of SEK 1.

Note 18 Provisions for pensions and similar commitments

GROUP	31.12.2002	31.12.2001
Provisions for FPG/PRI pensions	25 785	23 635
Other pensions and similar commitments	5 373	4 451
Total	31 158	28 086

Pension accounts have been rendered in accordance with the accounting principles that apply in each country.

As at 31 December 2002, the pension assets intended to cover the pension obligations of the British subsidiary, Kingfisher Wood Products Ltd, fell short of the pension provisions by SEK 52 827 thousand (SEK 36 979 thousand deferred tax taken into account) (previous year, SEK 14 218 thousand deferred tax taken into account). Consequently, the pension provisions of the British subsidiary have been calculated in compliance with new British accounting standards and with the presumption based on British practice. This difference has been reported in the consolidated balance sheet as a contingent liability (Note 25).

For the benefit of the Chief Executive Officer, Ballingslöv AB has entered into a pension obligation that is entered as a liability on a continuous basis. As at the balance sheet date, provisions amounted to SEK 5 373 thousand (SEK 4 451 thousand).

Note 19 Deferred tax liability

GROUP	31.12.2002	31.12.2001
Tax effect of excess depreciation on fixed assets	15 224	15 045
Tax effect on untaxed reserves	19 217	13 396
Other tax liabilities	-323	-189
Total	34 118	28 252

Note 20 Provisions for guarantee undertakings

GROUP	31.12.2002	31.12.2001
Opening value	4 098	3 355
Provisions for the year	512	743
Total	4 610	4 098

Note 21 Long-term liabilities

GROUP

The Group have bank overdraft facilities granted, translated at the rate in force on the balance sheet date of SEK 116 360 thousand (SEK 95 799 thousand), of which SEK 29 395 thousand (SEK 33 982 thousand) had been used as at 31 December 2002.

Of other long-term liabilities, SEK 271 664 thousand (SEK 312 760 thousand) will fall due within five years of the balance sheet date and the remaining SEK 1 715 thousand (SEK 0 thousand) will fall due after six years or more.

PARENT COMPANY

All the parent company's long term liabilities will fall due within five years of the balance sheet date.

Note 22 Convertible debenture loans

In November 1998, convertible debenture loans and share option schemes were offered to senior executives of the Group.

The first convertible debenture loan was a maximum of SEK 7 800 thousand. On full conversion, the number of shares increased by 600 000. The second convertible debenture loan was a maximum of SEK 3 003 thousand. On full conversion, the number of shares increased by 231 000.

The option schemes were for a total of 5 440 000 options (an equal number of shares). The option premium paid in connection with the issuing of options could amount to a maximum of SEK 2 891 thousand and has been reported under equity as a share premium reserve. See Note 17 for additional information.

In connection with admission to the stock exchange on 19 June 2002, the debenture loans and option schemes were redeemed. The result of the redemption was that, of the debenture loans, the number of shares increased by 308 138 at a nominal value of SEK 2 per share and, of the option schemes, the number of shares increased by 417 620 at a nominal value of SEK 2 per share.

Note 23 Accrued expenses and prepaid income

GROUP	31.12.2002	31.12.2001
Accrued interest expense	4 092	5 515
Accrued salaries	8 348	7 073
Accrued holiday pay	15 147	18 253
Accrued social security contributions	11 941	10 284
Other items	12 075	26 166
Total	51 603	67 291
PARENT COMPANY	31.12.2002	31.12.2001
Accrued interest expense	1 867	2 626
Total	1 867	2 626

Note 24 Pledged assets

GROUP	31.12.2002	31.12.2001
For own provisions and liabilities		
Property mortgages	43 282	27 655
Floating charges	4 250	4 250
Shares in subsidiaries incl security in debenture	727 763	785 161
Total	775 295	817 066
PARENT COMPANY	31.12.2002	31.12.2001
For own provisions and liabilities		
Shares in subsidiaries	525 832	530 583
Total	525 832	530 583

Note 25 Contingent liabilities

GROUP	31.12.2002	31.12.2001
Pension commitments, see also Note 18	37 495	14 691
Total	37 495	14 691

PARENT COMPANY	31.12.2002	31.12.2001
Guarantee commitment for subsidiaries	70 207	47 126
Total	70 207	47 126

Note 26 Acquisition of subsidiaries

During the previous year, the company acquired JKE Design i Stockholm AB. The total value of the acquired assets and liabilities, purchase price and effect on the liquid assets of the Group was as detailed below:

	31.12.2002	31.12.2001
Other current assets	–	–141
Provisions	–	3
Current liabilities	–	34
Total purchase price	0	–104
Liquid assets in the acquired company	–	141
Total cash flow attributable to investments in subsidiaries	0	37

Note 27 Result from participations in Group companies

PARENT COMPANY	2002	2001
Dividends from subsidiaries	100	11 923
Group subsidies from subsidiaries	105 500	91 500
Shareholders' contribution, paid	–	–1 040
Shareholders' contribution, received	1 040	1 200
Write-down of stocks and shares in Bad & Kökshuset i Stocksund AB	–2 413	–
Total	104 227	103 583

Note 28 Appropriations

PARENT COMPANY	2002	2001
Transfer to tax allocation reserve	–18 000	–15 700
Total	–18 000	–15 700

Note 29 Shares in subsidiaries

	CORPORATE IDENTITY NO.	REGISTERED OFFICE
Ballingslöv AB	556028-1429	Hässleholm, Sweden
Dansk Formplade Industri A/S	57 41 71 10	Herning, Denmark
Kingfisher Wood Products Ltd	34 71 086	Storrington, England
JKE Design A/S	63 27 10 12	Jerslev, Denmark
Bad & Kökshuset i Stocksund AB	556542-6482	Stockholm, Sweden
JKE Design i Stockholm AB	556583-9916	Stockholm, Sweden
Inredet HK AB	556468-2259	Stockholm, Sweden
Subsidiaries to JKE Design A/S		
JKE Design Oslo AS	96 44 18 470	Oslo, Norway
JKE Design Bergen AS	98 47 33 763	Bergen, Norway

Notes

	SHARE OF EQUITY %	NO. OF SHARES	RECORDED VALUE
Ballingslöv AB	100	90 000	139 624
Dansk Formplade Industri A/S	100	1	63 957
Kingfisher Wood Products Ltd	100	9 533 000	180 743
JKE Design A/S	100	1 000	140 787
Bad & Kökshuset i Stocksund AB	100	1 000	246
JKE Design i Stockholm AB	100	1 000	105
Inredet HK AB	50	500	475
Total			525 937

Note 30 Untaxed reserves

PARENT COMPANY	31.12.2002	31.12.2001
Tax allocation reserves	55 527	37 527
Total	55 527	37 527
Deferred tax in untaxed reserves amounts to	15 548	10 508

Note 31 Operational leasing

GROUP	2002	2001
Leasing expenses	12 384	7 374
Future payment commitments of the Group for operational leasing contracts.		
2003	2 800	
2004	3 116	
2005	2 653	
2006	2 243	
2007	1 095	
2008 and later	28 362	
Rent expenses:		
(Of which for subletting premises SEK 0 thousand (SEK 1 319 thousand))	7 865	6 256

The parent company has no operational leasing agreements or expenses for renting premises.

Ballingslöv, 14 March 2003

Lars-Åke Helgesson
CHAIRMAN OF THE BOARD

Rainer Alfström

Fredrik Åtting

Svend Holst-Nielsen

Ronny Nilsson

Håkan Eriksson

Nils-Erik Danielsson
CHIEF EXECUTIVE OFFICER

My audit report was published on 17 March 2003.

Åke Christiansson
AUTHORIZED PUBLIC ACCOUNTANT

Audit report

TO THE GENERAL MEETING OF THE SHAREHOLDERS OF BALLINGSLÖV INTERNATIONAL AB (PUBL)
Corporate identity number 556556-2807

I have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the president and CEO of Ballingslöv International AB (publ) for the financial year 2002. These accounts and the administration of the company are the responsibility of the board of directors and the managing director. My responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on my audit.

I conducted my audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director, as well as evaluation the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for my opinion concerning discharge from liability, I examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. I 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. I believe that my audit provides a reasonable basis for my opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and, thereby, give a true and fair view of the company's and the group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden.

I recommend to the general meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit 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.

Ballingslöv, 17 March 2003

Åke Christiansson

AUTHORIZED PUBLIC ACCOUNTANT

Board of Directors and auditors



Board of directors, from left: Lars-Åke Helgesson, Rainer Alfström, Ronny Nilsson, Nils-Erik Danielsson, Mats Tullgren, Fredrik Åtting, Håkan Eriksson, Svend Holst-Nielsen and Lisbeth Klint.

MEMBERS OF THE BOARD OF DIRECTORS APPOINTED AT THE ANNUAL GENERAL MEETING

CHAIRMAN

Lars-Åke Helgesson

Lars-Åke Helgesson
Born 1941. Board member since 1998.

Chief Executive Officer of Marinus Företagskapital i Bromma AB.

Other significant board assignments: chairman of the board of Generic Systems Sweden AB, Gothenburg Research Institute, Handelshögskolan in Gothenburg, Svensk Hus i Göteborg AB and Translink Holding AB, board member of Brittisk-Svenska Handelskammaren, Crane AB, Industriens Utredningsinstitut, Kungl. Ingenjörsvetenskapsakademien, LKAB and Styrelseakademien Sverige.

Shareholdings in Ballingslöv: 77 000 shares

MEMBERS OF THE BOARD OF DIRECTORS

Rainer Alfström

Rainer Alfström
Born 1934. Board member since 1998.

Other significant board assignments: chairman of the board of Rabattvaruhuset i Stockholm AB, board member of Citata Inter AB, Compatec AB, EHL Elektriska Hushållsapparater AB, Electrolux Talouskoneet Oy, The Ingemar Stenmark Foundation Fjällvinden Fund, Kotimaiset Oy and ServLines utvecklingsfond.

Shareholdings in Ballingslöv: 11 538 shares

Nils-Erik Danielsson

President and CEO
Born 1944. Board member since 1998.

Other significant board assignments: board member of Anders Skooghs Byggnads AB, Bröderna Skooghs Förvaltnings AB, Kabe Husvagnar

AB, Sydsvenska Industri- och Handelskammaren AB and NB Bil AB.

Shareholdings in Ballingslöv: 204 680 shares

Svend Holst-Nielsen

Born 1940. Board member since 1998.

Other significant board assignments: chairman of the board of Dometic International AB, HemoCue AB, Lindab AB, Spendrups AB, Sydsvenska Industri- och Handelskammaren and Unilever AB, board member of Besthand AB, Bilia AB, Lunds universitet, S Reg AB and Wallgrund AB (Walleniusrederierna).

Shareholdings in Ballingslöv: 19 250 shares

Fredrik Åtting

Fredrik Åtting
Born 1968. Board member since 1998.
Partner in EQT Partners AB.
Other significant board assignments: board member of

Dometic International AB, HemoCue AB and Bewator Group AB.
Shareholdings in Ballingslöv: 10,000 shares

MEMBERS OF THE BOARD OF DIRECTORS APPOINTED BY THE EMPLOYEES

Håkan Eriksson.

Born 1967. Board member (employee representative) since 1999.

Shareholdings in Ballingslöv: 0 shares

Ronny Nilsson.

Born 1956. Board member (employee representative) since 1998.

Shareholdings in Ballingslöv: 0 shares

Lisbeth Klint.

1956. Deputy board member (employee representative) since 1999.

Shareholdings in Ballingslöv: 0 shares

Mats Tullgren.

Born 1949. Deputy board member (employee representative) since 2001
Shareholdings in Ballingslöv: 0 shares

AUDITORS

ORDINARY

Åke Christiansson.

Born 1954. Authorised public accountant Öhrlings Price-waterhouseCoopers. Auditor at Ballingslöv since 1998.

DEPUTY

Bengt Nilsson.

Born 1957. Authorised public accountant Öhrlings Price-waterhouseCoopers. Deputy auditor at Ballingslöv since 1998.

Five year summary

Income statement

SEK m	RESULT		PRO FORMA		
	2002	2001	2000	1999	1998
Net sales	1 159.6	1 233.9	1 100.4	988.8	931.1
Operating income before depr. (EBITDA)	167.1	162.7	146.9	131.8	103.6
Operating income before GW amort. (EBITA)	142.2	135.2	121.5	107.8	78.6
Operating income (EBIT)	119.1	111.9	99.4	86.0	56.9
Income for the period	64.5	53.5	43.5	34.5	19.3
Income for the period excl. GW amort.	87.6	76.8	65.7	56.3	40.9
EBITDA margin, %	14.4	13.2	13.3	13.3	11.1
EBITA margin, %	12.3	11.0	11.0	10.9	8.4
EBIT margin, %	10.3	9.1	9.0	8.7	6.1

Balance sheet

SEK m	RESULT		PRO FORMA		
	2002	2001	2000	1999	1998
Goodwill and brands	351.1	390.0	394.9	400.0	429.0
Tangible and financial fixed assets	214.4	199.6	191.0	173.7	159.4
Total fixed assets	565.5	589.6	585.9	573.7	588.4
Operating assets	402.1	412.8	339.5	292.6	268.8
Liquid assets	73.1	29.1	39.2	81.3	84.1
Total current assets	475.2	441.9	378.7	373.9	352.9
TOTAL ASSETS	1 040.7	1 031.5	964.6	947.6	941.3
Shareholders' equity and minority interest	445.0	346.6	272.0	232.8	193.0
Interest bearing liabilities & provisions	370.9	430.6	458.5	488.0	535.8
Non-interest bearing liabilities & provisions	224.8	254.3	234.1	226.8	212.5
Total liabilities	595.7	684.9	692.6	714.8	748.3
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES	1 040.7	1 031.5	964.6	947.6	941.3

Five year summary

Cash flow statement

SEK m	RESULT		PRO FORMA		
	2002	2001	2000	1999	1998
Operating income	119.1	111.9	99.4	86.0	56.9
Depreciation	48.0	50.8	47.6	45.8	46.6
Other items not affecting liquidity	3.8	4.1	3.7	3.6	2.3
Net financial items	-20.1	-31.7	-27.5	-25.2	-26.0
Tax	-29.4	-31.8	-44.1	-22.1	-14.4
Cash flow before change in working capital	121.4	103.3	79.1	88.1	65.4
Change in working capital	-24.8	-40.3	-35.2	-10.3	18.2
Cash flow from current operations	96.6	63.0	43.9	77.8	83.6
Cash flow from investment operations	-47.8	-27.2	-42.3	-43.2	-23.6
Cash flow from financing operations	-4.7	-45.7	-54.6	-54.0	-49.3
Cash flow for the period	44.1	-9.9	-53.0	-19.4	10.7

Key data, five years

	RESULT		PRO FORMA		
	2002	2001	2000	1999	1998
Returns					
Return on equity, %	16.3	17.3	17.3	16.2	–
Return on capital employed, %	15.6	15.5	14.3	12.5	–
Return on total capital, %	12.0	11.7	10.8	9.6	–
Capital structure					
Interest coverage ratio, mutiple	5.0	3.7	3.3	3.0	1.9
Debt/equity ratio, mutiple	0.8	1.2	1.7	2.1	2.8
Net debt including pension provisions, SEK m	297.8	401.5	419.3	406.7	451.7
Equity/assets ratio, %	42.8	33.6	28.2	24.6	20.5
Investments					
Net investments, SEK m	47.8	27.2	42.3	43.2	23.6
The Ballingslöv share					
Earnings per share, SEK	6.61	6.11	4.97	3.94	2.21
Earnings per share, excluding goodwill, SEK	8.98	8.78	7.50	6.43	4.69
Personnel					
Average number of employees	816	861	850	800	793

DEFINITIONS

Return on equity

Profit/loss after full tax as a percentage of average equity.

Return on operational capital employed

Profit/loss after net financial items plus financial expenses as a percentage of average operational capital employed. The term operational capital employed refers to the balance sheet total less non-interest bearing liabilities including deferred tax liabilities.

Return on total capital

Income after net financial items plus financial expenses as a percentage of the average balance sheet total.

Gross margin (EBITDA margin)

Operating income before depreciation as a percentage of net sales for the period.

Gross income margin

Income after cost of goods sold after amortisation of group goodwill and other intangible fixed assets (attributable to cost of goods sold) as a percentage of net sales for the period.

Gross profit margin

Income after cost of goods sold as a percentage of net sales for the period.

Shareholders' equity per share

Shareholders' equity divided by the number of shares outstanding on the balance sheet date.

Net liabilities

Net interest-bearing liabilities and provisions minus interest-bearing assets including liquid assets.

P/E ratio

Share price divided by earnings per share.

P/E ratio excluding goodwill

Share price divided by earnings per share with reversed goodwill amortisation and amortisation of other intangible fixed assets.

Interest coverage ratio

Income after net financial items plus financial expenses divided by financial expenses.

Operating margin (EBIT margin)

Operating income after depreciation as a percentage of net sales for the period.

Operating margin before goodwill amortisation (EBITA margin)

Operating income after depreciation excluding goodwill amortisation and amortisation of other intangible fixed assets as a percentage of net sales for the period.

Debt/equity ratio

Interest-bearing liabilities divided by shareholders' equity.

Equity/assets ratio

Shareholders' equity including minority shareholding as a percentage of the balance sheet total.

Dividend per share

Total amount distributed divided by the total number of shares.

Earnings per share

Net profit for the year divided by average number of shares.

Earnings per share excluding goodwill

Net profit for the year with reversed goodwill amortisation and amortisation of other intangible fixed assets divided by the average number of shares.

Profit margin

Profit after financial items as a percentage of net sales for the period.

Average shareholders' equity

Shareholders' equity at the opening and closing of the financial year divided by two.

Average operational capital employed

Operational capital employed at the opening and closing of the financial year divided by two.

Average total capital employed

Total capital employed at the opening and closing of the financial year divided by two.

Market value

Share price at the close of the financial year multiplied by the number of shares.

Yield

Dividend as a percentage of share price at the close of the year.

Dividend share

Dividend as a percentage of earnings per share at the close of the year.

Ballingslöv Annual General Meeting

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on
Wednesday 16 April 2003, at 17.00
on the premises of Ballingslöv AB in Ballingslöv.

Before the meeting, there will be an opportunity for visitors to be conducted
round the factory and to view a product presentation at 15.30.

REGISTRATION AND NOTIFICATION

Shareholders who wish to take part in the Annual General Meeting must

- ▶ be registered in the share register kept by VPC AB
(Swedish Securities Register Centre) no later than 4 April 2003.
- ▶ notify the company of their intention to attend the AGM
by post to the following address:
Ballingslöv International AB (publ),
for the attention of Ingela Ekman, SE-281 87 Ballingslöv, Sweden,
or by telephone: +46 451-46 117, or by fax: +46 451-46 283,
or by e-mail: ingela.ekman@ballingslov.se
no later than Monday 14 April 16.00.
Notification by telephone can be made on weekdays between 9.00 and 16.00.
When notifying the company, shareholders must give their name, address, per-
sonal identity number/corporate identity number and day-time telephone number.

Shareholders who wish to be represented by a proxy must send the necessary
authorisation with their application. Representatives of a legal person must produce
a copy of the certificate of incorporation or similar authorisation documents disclosing
the name of the person authorised to sign for the company.

Nominee shareholders must temporarily register the shares in their own name at
VPC AB to ensure their entitlement to vote at the meeting. Re-registration of this
kind must be completed no later than 4 April and the nominee notified to this
effect well in advance of the aforementioned date.

DIVIDEND

The Board of Directors proposes a dividend fixed at SEK 2.50 per share for the
financial year 2002. Wednesday 23 April is proposed as the record date for the
right to receive payment of dividends. Payment is expected to be made through
VPC on 28 April 2003, provided the Board's proposal is accepted by the AGM.

ADDRESSES

Ballingslöv International AB Corp. id. no. 556556-2807

Group Head Office
281 87 Ballingslöv
Tel: +46 451 460 00
Fax: +46 451 462 83
info@ballingslov.se
www.ballingslov.se

Ballingslöv AB

Head Office
Ballingslöv AB
281 87 Ballingslöv
Tel: +46 451 460 00
Fax: +46 451 462 99

Sales Offices
Ballingslöv AB
Box 36
125 21 Älvsjö
Tel: +46 8 647 43 40
Fax: +46 8 647 43 49

Drømmekjøkkenet AS
PO-Boks 254
Heimdal
7474 Trondheim
Norge
Tel: +47 72 88 94 94
Fax: +47 72 88 99 83
dromme@online.no
www.drommekjokkenet.no

ABT Køkken & Bad
Skovbrynet 11
8800 Viborg
Danmark
Tel: +45 86 60 34 32
Fax: +45 86 60 24 32
www.abt.dk

Dansk Formpladeindustri A/S

Head Office
Hammershusvej 1
7400 Herning
Danmark
Tel: +45 97 22 25 22
Fax: +45 97 21 68 65
info@dfi-as.dk
www.dfi-as.dk

Sales Offices
Danlamin
Bavne Alle 6A
8370 Hadsten
Danmark
Tel: +45 86 91 49 88
Fax: +45 86 91 49 33
danlamin@danlamin.dk
www.danlamin.dk

Kingfisher Wood Products Ltd

Head Office
Water Lane, Storrington
West Sussex
RH20 3DS
England
Tel: +44 19 03 74 33 22
Fax: +44 19 03 74 21 40
info@paularosa.com
www.paularosa.com

JKE Design A/S

Head Office
Gl. Klæstrupvej 75
9740 Jerslev
Danmark
Tel: +45 96 46 82 00
Fax: +45 98 83 17 38
info@jke-design.dk
www.jke-design.dk

Sales Offices
JKE Design Oslo AS
Bygdøyalle 34
0265 Oslo 2
Norge
Tel: +47 22 43 44 70
Fax: +47 22 43 42 90

JKE Design Stockholm AB
Sveavägen 109
11350 Stockholm
Tel: +46 8 330 710
Fax: +46 8 331 710

JKE Design Bergen AS
Postboks 2466
Solheimsvik
5054 Bergen
Norge
Tel: +47 55 20 73 00
Fax: +47 55 20 73 01



Ballingslöv®

Ballingslöv International AB (publ), SE-281 87 Ballingslöv, Sweden
Phone: +46 451 46 000. Fax: +46 451 46 283. Email: info@ballingslov.se Internet: www.ballingslov.se