

Ballingslöv International AB (publ)

Corporate identity number 556556-2807

Interim report, January-September 2003

- Net sales during the period increased by 3% to SEK 882.0 M (856,2)
- Net income for the period increased by 3% to SEK 45.9 M (44.8)
- Earnings per share totalled SEK 4.28 (4.75). Average number of shares 10.73 million (9.44)
- Operating income before amortisation of goodwill - SEK 102.8 M (102.6) corresponding to an operating margin before goodwill amortisation of 11.7% (12.0)
- Cash flow from operations improved to SEK 62.4 M (48.1)
- Organic growth of comparable units in Scandinavia was more than 7% which is estimated to be better than the general market growth
- The improvement program in operation in Great Britain are continuing according to schedule. Positive results are gradually being achieved as expected

	Group					
	Q 3 2003	Q 3 2002	Q 1-3 2003	Q 1-3 2002	Full-year 2002	Oct/Sep 2002/03
Net sales, SEK M	270.6	244.7	882.0	856.2	1 159.6	1 185.4
Operating income before depreciation, SEK M	29.4	30.2	122.9	123.2	167.1	166.8
EBITDA-margin, %	10.9	12.3	13.9	14.4	14.4	14.1
Operating income before goodwill amortization, SEK M (EBITA)	22.4	23.5	102.8	102.6	142.2	142.4
Operating margin before goodwill amortization (EBITA-margin), %	8.3	9.6	11.7	12.0	12.3	12.0
Operating income, SEK M	17.0	17.7	86.2	85.2	119.1	120.1
Operating margin (EBIT-margin), %	6.3	7.2	9.8	10.0	10.3	10.1
Income before taxes, SEK M	11.5	13.9	72.1	69.6	99.4	101.9
Net income for the period, SEK M	6.3	8.5	45.9	44.8	64.5	65.6
Earnings per share, SEK	0.59	0.80	4.28	4.75	6.61	6.14
Earnings per share, excluding goodwill, SEK	1.09	1.34	5.82	6.59	8.98	8.21

President's comments

Ballingslöv has experienced a continuous positive development of sales in the Scandinavian operation. Organic growth of comparable units was more than 7%. The Scandinavian operation made an operating margin before goodwill and amortization of 14.8% (17.0). Increased activities in marketing and sales have had a negative impact on margins.

Integration of Multiform A/S (acquired at the beginning of 2003) is progressing according to plan.

The improvement program in Great Britain is executed according to plan and evidence of success is recognized. Most importantly is the improvement in delivery service where a highly competitive level of performance has been achieved and stabilized. Gradual improvements are recognized in other targeted areas as objectives are achieved. During the third quarter, order intake has been higher than the third quarter last year, however parts of newly booked order are not due for delivery until 2004.

Costs related to the pre-termination of the former MD's contract, approximately SEK 1,0 M, is charged to the accounts during the third quarter.

Cash flow from operations has had a positive development compared to the same period last year.

Market trends

Scandinavia

In the new-construction as well as the RRE segment, the Swedish market has grown by approximately 5% compared with last year. The relatively low interest rate and a continuous high interest in kitchens among consumers are driving forces behind increased demand.

Market growth Norway is estimated to be equivalent to last year.

A positive market development is estimated for Denmark. Driving forces are the same as for the Swedish market.

Great Britain

In total, the market in Great Britain noted a marginal positive trend. Lack of land and slow processing of building permits resulted in a downturn in the production of privately-built, single-family homes which is Ballingslöv's primary market segment.

Outlook – end of 2003

The market is expected to be stable and develop in the same pace as for the corresponding period last year.

Financial accounts

Net sales

Consolidated net sales during the period were SEK 882.0 M (856.2). Exchange rate variations had a negative effect on sales of approximately SEK 25.0 M.

Net sales in Scandinavia were SEK 655.9 M (573.8) and in Great Britain SEK 226.1 M (282.4). The development of sales is estimated to have been higher than market average in Scandinavia and lower in Great Britain.

Income

The Group's operating income before amortisation of goodwill during the period was SEK 102.8 M (102.6). Operating margin before goodwill amortisation was 11.7%. Operating income before amortisation of goodwill in Scandinavia was SEK 97.4 M (97.6) and in Great Britain SEK 5.4 M (5.0).

Variations in exchange rates have had a negative impact on income before tax by approximately SEK 3.0 M (most of which occurred during Q3).

Income before tax for the period was SEK 72.1 M (69.6), an increase of 4% compared with the corresponding period of last year. Net income during the period was SEK 45.9 M (44.8), an increase of 3% compared with the corresponding period of the previous year.

High utilization in the Scandinavian plants and continuous integration work contributes to the result. Increased expenses for marketing and sales have had a negative impact on the result.

Tax authorities are conducting a tax audit of Ballingslöv AB related to fiscal year 2001. Tax authorities disagree with Ballingslöv AB regarding tax deductions made during 2001. The amount of additional tax charges (based on the assessment made by tax authorities) is approximately SEK 4.0 M. Ballingslöv AB will not accept this and will appeal if necessary. No reservation has been to cover for the exposure as of Sept. 30, 2003.

Cash flow

Group cash flow from operations during the period was SEK 62.4 M (48.1) of which the Scandinavian operation contributed with SEK 39.1 M (44.3) and operations in Great Britain with SEK 23.3 M (3.8).

Net investments and depreciation

The Group's net investments during the period amounted to SEK 31.2 M (36.6). These investments are primarily related to sprinkler systems at Ballingslöv AB and JKE Design A/S, IT investments at Kingfisher Wood Products Ltd and the acquisition of Multiform A/S. Depreciation according to plan regarding tangible fixed assets amounted to SEK 20.1 M (20.6). Amortisation of goodwill and brands according to plan was SEK 16.6 M (17.4).

Liquidity and financial position

At the end of the period, the Group's liquid assets amounted to SEK 41.0 M compared with SEK 73.1 M at the beginning of the year. Net debt at the end of the period was SEK 291.5 M compared with SEK 297.8 M at the beginning of the year. Net Debt has decreased by SEK 43.8 M compared with Sept. 30, 2002.

The consolidated equity/assets ratio was 43.4% at the end of the period, compared with 42.8% at the beginning of the year. Our target is an equity/assets ratio in excess of 30%.

Available credits and liquid assets amounted to SEK 190.0 M at the end of the period.

The interest coverage ratio was 5.8 (4.8) at the end of the period compared with 5.0 at the beginning of the year. Our target is an interest coverage ratio in excess of 4.0 measured over a 12-month period.

The Ballingslöv share

At the end of the period, the number of outstanding shares totalled 10,725,758. The average number of shares during the period was 10,725,758 (9,438,343). At the end of the period, the company had no holdings of its own shares.

Parent company

The parent company conducts no operations of its own and thus reported no net sales during the period. The Parent Company reported a loss after tax of SEK 2,4 M (loss: 5.9).

Personnel

At the end of the period, Ballingslöv had 869 employees – 39 of whom were added due to acquisition during 2003 – an increase of 48 employees from the beginning of the year. Average number of employees during the period was 860 (816).

Nomination Committee

The four largest shareholders, representing 41.4% of shares, have appointed a nomination committee with the task to present nominees to board of directors at the general meeting 2004.

Members of the committee

<i>Lars-Åke Helgesson</i>	<i>Chairman of the Board, Ballingslöv Int. AB</i>
<i>Bert-Åke Eriksson</i>	<i>Stena Sessan</i>
<i>Sten Kottmeier</i>	<i>AMP pension (incl. fonds)</i>
<i>Salah Osseiran</i>	<i>Fairford Scandinavia</i>
<i>Stefan Roos</i>	<i>SHB fonder</i>

Accounting principles

This interim report was prepared in accordance with recommendation RR 20 (Interim Reports) issued by the Swedish Financial Accounting Standards Council. The valuation and classification principles remain unchanged since the annual report for 2002. Recommendations effected 2003 have not resulted in any change of accounting principles.

Ballingslöv, September 29, 2003

Ballingslöv International AB (publ)

Nils-Erik Danielsson
President and CEO

This interim report has not been subject to review by the company's auditors.

Future reporting dates

Year-end report for fiscal year 2003	17 February 2004
Annual report for fiscal year 2003	March 2004
Annual general meeting	15 April 2004

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Interim report Januari-September 2003

FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED INCOME STATEMENT

SEK M	Q 3 2003	Q 3 2002	Q 1-3 2003	Q 1-3 2002	Full-year 2002
Net sales	270.6	244.7	882.0	856.2	1 159.6
Cost of goods sold	-175.3	-159.3	-569.6	-552.4	-749.7
Gross profit	95.3	85.4	312.4	303.8	409.9
Selling expenses	-59.9	-52.3	-177.4	-171.5	-230.0
Administrative expenses	-17.9	-15.2	-47.0	-46.6	-58.8
Other operating income and expenses (including R&D expenses)	-0.5	-0.2	-1.8	-0.5	-2.0
Operating income	17.0	17.7	86.2	85.2	119.1
Interest income and similar income/loss items	1.2	1.0	3.5	2.9	5.0
Interest expense and similar income/loss items	-6.7	-4.8	-17.6	-18.5	-24.7
Income after financial items	11.5	13.9	72.1	69.6	99.4
Tax on income for the period	-5.3	-5.5	-26.3	-24.9	-34.9
Minority shares in net income/loss	0.1	0.1	0.1	0.1	0.0
Net income for the period	6.3	8.5	45.9	44.8	64.5
Income was charged with:					
Depreciation of tangible assets amounting to	7.0	6.7	20.1	20.6	24.9
Amortization of intangible assets amounting to	5.4	5.8	16.6	17.4	23.1

CONDENSED CONSOLIDATED BALANCE SHEETS

SEK M	30.09.03	30.09.02	31.12.02
ASSETS			
Intangible fixed assets	323.5	363.1	351.1
Tangible fixed assets	217.1	207.0	211.2
Financial fixed assets	3.1	2.7	3.2
Total fixed assets	543.7	572.8	565.5
Inventories etc	151.0	150.6	147.8
Current receivables	280.3	257.8	254.3
Cash and bank balances	41.0	61.5	73.1
Total current assets	472.3	469.9	475.2
Total assets	1 016.0	1 042.7	1 040.7
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	440.3	429.0	444.7
Minority interests	0.3	0.3	0.3
Provisions	72.5	62.1	69.9
Long-term liabilities	262.8	328.9	302.7
Current liabilities	240.1	222.4	223.1
Total liabilities	575.4	613.4	595.7
Total shareholders' equity and liabilities	1 016.0	1 042.7	1 040.7
The above liabilities include:			
Interest-bearing liabilities and provisions	332.5	396.8	370.9
Non interest-bearing liabilities and provisions	242.9	216.6	224.8

CONDENSED CONSOLIDATED CASH-FLOW STATEMENTS

SEK M	Q 3 2003	Q 3 2002	Q 1-3 2003	Q 1-3 2002	Full-year 2002
<i>Current operations</i>					
Income before financial items	17.0	17.7	86.2	85.2	119.1
Depreciation and other items not affecting liquidity	13.2	13.1	39.0	40.0	51.8
Net interest income/expenses	-3.4	-6.8	-10.9	-17.7	-20.1
Tax paid	-4.4	-3.9	-16.0	-20.4	-29.4
Cash flow from current operations before changes in working capital	22.4	20.1	98.3	87.1	121.4
Changes in working capital	-11.8	4.1	-35.9	-39.0	-24.8
Cash flow from current operations	10.6	24.2	62.4	48.1	96.6
Cash flow from investment operations	-5.5	-11.8	-31.2	-36.6	-47.8
Cash flow from financing operations	2.5	-54.5	-63.4 Not 1	21.0	-4.7
Cash flow for the period	7.6	-42.1	-32.2	32.5	44.1
Liquid assets at the beginning of the period	33.4	103.6	73.1	29.1	29.1
Exchange rate difference in liquid assets			0.1	-0.1	-0.1
Liquid assets at end of period	41.0	61.5	41.0	61.5	73.1
Not 1 Changes in loans	-36.4				
Dividends	-27.0				
Total	-63.4				

Key Data

	Q 1-3 2003	Q 1-3 2002	Full-year 2002
Gross margin including goodwill amortization, %	35.4	35.5	35.3
EBITDA-margin, %	13.9	14.4	14.4
Operating margin before goodwill amortization (EBITA), %	11.7	12.0	12.3
Operating margin (EBIT) %	9.8	10.0	10.3
Income margin %	8.2	8.1	8.6
Interest coverage ratio, multiple	5.1	4.8	5.0
Debt/equity ratio, multiple	0.8	0.9	0.8
Net debt, including pension provisions, SEK M	291.5	335.3	297.8
Equity/assets ratio %	43.4	41.2	42.8
Average number of employees	860	816	816

Data per share

	Q 3 2003	Q 3 2002	Q 1-3 2003	Q 1-3 2002	Full-year 2002
Earnings per share, SEK	0.59	0.80	4.28	4.75	6.61
Earnings per share, excluding goodwill, SEK	1.09	1.34	5.82	6.59	8.98
Shareholders equity per share, SEK			41.00	40.13	41.44
Dividend per share	0	0	2.50	0	2.50
Average number of shares during period, millions	10.73	10.69	10.73	9.44	9.76
Number of shares at end of period, millions*	10.73	10.69	10.73	10.69	10.73

* Adjusted after reverse split

(Definitions of key figures according to Annual report 2002)

CHANGES IN SHAREHOLDERS' EQUITY

SEK M	30.09.03	30.09.02	31.12.02
Shareholders' equity at beginning of period	444.7	346.1	346.1
Translation differences	-23.3	-12.0	-16.0
Other	0.0	0.0	0.0
New issue	0.0	50.1	50.1
Dividends	-27.0		
Net income for the period	45.9	44.8	64.5
Shareholders' equity at end of period	440.3	429.0	444.7

NET SALES BY SUBSIDIARY

SEK M	Q 1-3 2003	Q 1-3 2002	Full year 2002
Ballingslöv AB, Sv	376.4	356.9	497.4
JKE Design A/S, Dk	135.7	121.7	167.4
Dansk Formpladeindustri A/S, Dk	110.2	97.9	134.9
Kingfisher Wood Products Ltd, Uk	226.1	282.4	365.8
Multiform A/S, Dk	43.5	0.0	0.0
Retail operations and eliminations	-9.9	-2.7	-5.9
Total	882.0	856.2	1 159.6

SALES, INCOME BY MARKET AREA

	Scandinavia			Great Britain			Group		
	Q 1-3 2003	Q 1-3 2002	Full-year 2002	Q 1-3 2003	Q 1-3 2002	Full-year 2002	Q 1-3 2003	Q 1-3 2002	Full-year 2002
Net sales, SEK M	655.9	573.8	793.8	226.1	282.4	365.8	882.0	856.2	1 159.6
Sales growth, %	14.3	4.7	3.7	-19.9	-17.0	-21.9	3.0	-3.6	-6.0
Operating income before depreciation, SEK M (EBITDA)	113.2	113.3	150.2	9.7	9.9	16.9	122.9	123.2	167.1
EBITDA-margin, %	17.3	19.7	18.9	4.3	3.5	4.6	13.9	14.4	14.4
Operating income before goodwill amortization, SEK M (EBITA)	97.4	97.6	131.7	5.4	5.0	10.5	102.8	102.6	142.2
Operating margin before goodwill amortization (EBITA-margin), %	14.8	17.0	16.6	2.4	1.8	2.9	11.7	12.0	12.3

NET SALES AND INCOME BY MARKET AREA - QUARTERLY DATA

SEK M	Q 3 2003	Q 2 2003	Q 1 2003	Q 4 2002	Q 3 2002	Q 2 2002	Q 1 2002
Net sales							
Scandinavia	193.8	246.8	215.3	220.0	164.1	218.9	190.8
Great Britain	76.8	74.5	74.8	83.4	80.6	96.8	105.0
Group	270.6	321.3	290.1	303.4	244.7	315.7	295.8
Operating income before amortization of goodwill (EBITA)							
Scandinavia	21.0	47.6	28.8	34.1	26.4	47.2	24.0
Great Britain	1.4	3.9	0.1	5.5	-2.9	3.2	4.7
Group	22.4	51.5	28.9	39.6	23.5	50.4	28.7
Operating income before amortization of goodwill (%)							
Scandinavia	10.8	19.3	13.4	15.5	16.1	21.6	12.6
Great Britain	1.8	5.2	0.1	6.6	-3.6	3.3	4.5
Group	8.3	16.0	10.0	13.1	9.6	16.0	9.7