

# Ballingslöv International AB (publ)

Id number 556556-2807

## YEAR-END STATEMENT

January-December 2006

- Net sales increased by 22 percent\*) to SEK 2 274.1 M (1 870.9)
- Organic growth was 11 percent
- Net income for the period increased by 69 percent to SEK 144.6 M (85.4)
- Earnings per share increased by 69 percent to SEK 13.29 (7.96)
- Operating income increased by 52 percent to SEK 229.9 M (151.2) corresponding to an operating margin of 10.1 percent (8.1)
- Cash flow from current operations was SEK 262.7 M (138.0)

	Q 4 2006	Q 4 2005	Full year 2006	Full year 2005
Net sales, SEK M	632.2	558.2	2 274.1	1 870.9
Operating income before depreciation, SEK M (EBITDA)	85.8	69.0	295.7	204.1
EBITDA-margin, %	13.6	12.4	13.0	10.9
Operating income, SEK M (EBIT)	69.2	56.4	229.9	151.2
Operating margin (EBIT-margin), %	10.9	10.1	10.1	8.1
Income before taxes, SEK M	60.3	42.6	202.2	118.0
Net income for the period, SEK M	43.1	33.5	144.6	85.4
Earnings per share, SEK	4.02	3.12	13.48	7.96

Note: Non-recurring cost for termination of Svane Kökkenet has impacted last year annual report by SEK 48 M at EBIT level, SEK 59 M before tax and SEK 43 M at net profit level.

\*) Kvik was not part of the group in Q1 2005

## **Market Areas**

### ***Scandinavia***

The market in Scandinavia has continued to be good and better compared to last year. This is valid to both fourth quarter and for the full year. The new construction segment as well as the renovation segment have developed well and especially the new construction segment.

Demand has been pushed by low interest rate, increased employment, increased prices for real estate and a strong focus on kitchen, bath and storage products among consumers.

The development of the distribution channels, including new retailers as well as up-grading of current retailers has high priority in all subsidiaries. During the year about 50 new establishment and 35 major up-grades have been accomplished.

The Danish subsidiary Kvik follows its establishment plan in Netherlands and Belgium. By the end of 2006 there were 6 retailers in Netherland and 2 in Belgium. During the first quarter 2007 the first retailer in Spain (Barcelona) will be established. The growth for the flat-pack segment has continued to be strong.

Continuous extensive development of competence, contribute to very professional advices in the Group distribution network.

### Geisler

In November 2006 the Geisler Group was acquired with head quarter and head factory in Nykøbing Mors on Jutland. Geisler has a turnover of approximately SEK 220 M and 210 employees.

The Geisler Group is one of the leading manufacturers of custom made work tops for the kitchen- and bathroom industry. The product range covers work tops in laminate, solid wood, steel, granite, concrete, glass and composite materials. The customers are manufacturers and dealers for the kitchen- and bath room industry in Scandinavia.

Part of the Ballingslöv Group for many years is the work top company dfi A/S located in Herning on Jutland with an estimated turnover of SEK 190 M. dfi has 130 employees.

With the acquisition of Geisler Ballingslöv will establish a product line with an estimated turnover initially of more SEK 400 M. 340 people will work in the product line. In the work top industry this will be one of the largest operators in Europe.

Geisler and dfi's combined business volume will strengthen the competitive power via synergies in purchasing, production, sales and organization. The co-ordination of the companies has followed the plan. The top management is appointed, management in purchase and financials are co-ordinated, some changes in production are implemented and product programme is generally established. The co-ordination is estimated to be completed in October 2007.

The purchase price amounts approximately to SEK 200 M for a debt free company. Added to this can be a smaller earn out based on the financial performance 2007-2008. The acquisition is fully financed by bank loans.

The acquisition is expected to give a positive impact on EPS during 2007. The acquisition is consolidated in the Ballingslöv books as per November 2006.

### 3BO

At the turn of year 2006/2007 the company 3BO A/S was acquired with head quarter and factory just outside Hillerød on the north of Zealand.

In the fiscal year 2006 3BO A/S had a turnover of approximately SEK 150 M with an operating margin of 15 percent. 3BO A/S employs 60 people.

3BO A/S develops, manufacture and distribute sliding-door wardrobes and shower walls. The products are sold through kitchen stores and builders merchants primarily on the Scandinavian market.

3BO A/S has a good growth and both product ranges – sliding-door wardrobes and shower walls – fit well to Ballingslöv business concept to supply flexible products for kitchen, bathroom and storage for consumers with high expectations on design and quality.

Synergy effects can be made both in purchasing and sales. The analysis regarding this is generally fulfilled and some implementations are already done.

The purchase price is divided into a fixed amount and a limited variable part based on the development of the financial result for 3BO A/S 2007-2008. The acquisition is fully financed by bank loans and is expected to give a positive impact on EPS during 2007.

Through the acquisitions of Geisler and 3BO the Ballingslöv Group has strengthened its product offerings and developed its distribution system. Synergies will be made both in sales/income and costs.

The co-ordination has so far been good and according to our plans.

### **Great Britain**

The demand in Ballingslöv's primary market segment, new construction of privately-built single family homes, has continued to be weak. During the year new customers have been acquired, primarily due to strong delivery performance. Despite of this the sales has decreased due to consolidations among customers. At the turn of the year 2006/ 2007 we have regained our position as supplier to some of the important customers which improves the situation 2007.

The order value (per kitchen) has increased as the product mix includes relatively more white goods and installation services.

## **Financial accounts**

### **Net sales and operating margin – fourth quarter**

Consolidated net sales increased by 13 percent to SEK 632.2 M (558.2). Organic growth, including fully owned subsidiaries at the end of the year, was 7 percent.

Consolidated operating income was SEK 69.2 M (56.4), an increase by 23 percent. Operating margin was 10.9 percent (10.1).

In the Scandinavian operation, net sales increased by 20 percent to SEK 567.9 M (474.4). The organic growth was 11 percent.

The operating income in Scandinavia was SEK 68.2 M (57.3), an increase by 19 percent and corresponding to an operating margin of 12.1 percent (12.1).

In UK, net sales decreased by approximately 23 percent to SEK 64.3 M (83.8). Operating income was SEK 1.0 M (-0.9) corresponding to an operating margin of 1.6 Percent (-1.1).

### **Net sales and earnings January - December**

Consolidated net sales was SEK 2 274.1 M (1 870.9), an increase by 22 percent. Organic growth, including fully owned subsidiaries at the end of the year, was 11 percent.

Consolidated operating income was SEK 229.9 M (151.2). Operating margin was 10.1 percent (8.1).

Net sales in Scandinavia was SEK 1 980.4 M (1 539.3), an increase by 29 percent. The organic growth was 16 percent.

The operating income in Scandinavia was SEK 216.6 M (138.1), corresponding to an operating margin of 10.9 percent (9.0).

Like in previous periods, the result in the Scandinavia operation has been positively impacted by high level of utilization in the factories and the continuous work for group coordination and synergies. Coordination of direct material purchasing provides the bulk of financial benefits from group coordination but also coordination of indirect purchases are contributing. Spending on marketing, sales and development of distribution channels has generally been slightly higher than last year. The result has been negatively effected by increased cost for raw material and weakened Norwegian krona.

In UK, net sales decreased by approximately 11 percent to SEK 293.7 M (331.6). Operating income was SEK 13.3 M (13.1) corresponding to an operating margin of 4.5 percent (4.0). Despite of less sales, the operating margin has been maintained due to continuous rationalizations.

Income before tax was SEK 202.2 M (118.0), an increase by 71 percent. Net income was SEK 144.6 M (85.4) an increase by 69 percent.

### **Cash flow**

Group cash flow from operations during the year was SEK 262.7 M (138.0) of which the Scandinavian operation contributed with SEK 249.0 M (104.9) and operation in Great Britain with SEK 13.7 M (33.1).

Cash flow in Scandinavia has improved due to improved income and decreased capital tied up. In UK, cash flow last year was impacted by reduction of capital tied in operation (accounts receivable in particular). In 2006 the level has been stabilized and strengthened.

### **Net investments and depreciation**

The Group's net investments during the year were SEK 293.9 M (415.6).

The investments are primarily related to the acquisition of Geisler Group, additions in Kvik and production equipment in Ballingslöv AB. Depreciation according to plan regarding tangible fixed assets amounted to SEK 51.5 M (41.4). Amortization of intangible assets was SEK 14.3 M (11.5).

### **Liquidity and financial position**

At the year end, the Group's liquid assets amounted to SEK 273.5 M compared with SEK 146.0 M at the beginning of the year. Net debt at the end of the period was SEK 847.5 M compared with SEK 762.1 M at the beginning of the year. Net liability has increased by SEK 116.6 M during the fourth quarter.

The consolidated equity/assets ratio was 29.9 percent at the end of the period, compared with 30.8 percent at the beginning of the year .

Available credits and liquid assets amounted to SEK 653.5 M at the end of the year.

## **Employees**

At the end of the period, Ballingslöv had 1 382 employees an increase by 269 compared to the beginning of the year, whereof from acquired company 206 employees. Average number of employees during period was 1 187 (1 133).

Erik Hantoft has been appointed as MD for the Swedish Ballingslöv AB effective December 1, 2006. Erik Hantoft has previous experience as MD at Modulsystem AB.

## **Parent company**

The parent company conducts no operations of its own and thus reported no net sales during the period. The Parent Company reported an income after tax of SEK 61.6 M (4.6).

## **The Ballingslöv share**

At the end of the year, the number of outstanding shares totaled 10,725,758. The average number of shares during the year was 10,725,758 (10,725,758). At the end of the year, the company had no holdings of its own shares.

## **Accounting principles**

This interim report adheres to IAS 34 Interim Financial Reporting and RR 31 "delårsrapportering för koncerner". Accounting principles and computation are consistent with the annual report. The new/up-dated IFRS-standards that are mandatory as of Jan. 1, 2006 have had no impact on Ballingslöv Group's profit and loss account nor on the balance sheet, cash flow or equity (for more details see the annual report for 2005).

## **Dividend proposals**

The Board of Directors proposes that the dividend for the 2006 fiscal year be set at SEK 4.50 per share. The proposed dividend utilises SEK 48,3 M and constitutes approximately 33 percent of the net income for the year.

## **Annual General Meeting**

The Annual General Meeting will take place at 17.00 on Tuesday April 17, 2007 in the company's premises in Ballingslöv. Friday April 20 is the proposed record date for entitlement to receive dividends. It is anticipated that payment will be made via VPC on Wednesday April 25. The Annual Report for 2006 will be available in the beginning of April.

Ballingslöv February 12, 2007

Ballingslöv International AB (publ)

Board of Directors

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

## **Future reporting dates**

Annual report fiscal year 2006	Beginning of April, 2007
Annual General Meeting	April 17, 2007
Interim report, January-March	April 27, 2007
Interim report, January-June	August 21, 2007

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## Year-End Statement January-December 2006

### FINANCIAL STATEMENTS CONDENSED CONSOLIDATED INCOME STATEMENT

SEK M	Q 4 2006	Q 4 2005	Full year 2006	Full year 2005
Net sales	632.2	558.2	2 274.1	1 870.9
Cost of goods sold	-404.3	-357.7	-1 450.1	-1 226.4
<b>Gross profit</b>	<b>227.9</b>	<b>200.5</b>	<b>824.0</b>	<b>644.5</b>
Selling expenses	-122.8	-105.5	-458.3	-369.8
Administrative expenses	-33.6	-31.3	-132.0	-121.8
Other operating income and expenses (including R&D expenses)	-2.3	-7.3	-3.8	-1.7
<b>Operating income</b>	<b>69.2</b>	<b>56.4</b>	<b>229.9</b>	<b>151.2</b>
Interest income and similar income/loss items	3.1	-1.3	11.4	6.9
Interest expense and similar income/loss items	-12.0	-12.5	-39.1	-40.1
<b>Income after financial items</b>	<b>60.3</b>	<b>42.6</b>	<b>202.2</b>	<b>118.0</b>
Tax on income for the period	-17.2	-9.1	-57.6	-32.6
<b>Net income for the period</b>	<b>43.1</b>	<b>33.5</b>	<b>144.6</b>	<b>85.4</b>
Earnings per share	4.02	3.12	13.48	7.96
Income was charged with:				
Depreciation of tangible assets amounting to	11.7	9.2	51.5	41.4
Amortization of intangible assets amounting to	4.9	3.4	14.3	11.5

### CONDENSED CONSOLIDATED BALANCE SHEETS

SEK M	31.12.06	31.12.05
<b>ASSETS</b>		
Intangible fixed assets	889.5	769.3
Tangible fixed assets	477.7	394.5
Financial fixed assets	43.7	30.6
<b>Total fixed assets</b>	<b>1 410.9</b>	<b>1 194.4</b>
Inventories etc	219.4	202.6
Current receivables	298.9	296.0
Cash and bank balances	273.5	146.0
<b>Total current assets</b>	<b>791.8</b>	<b>644.6</b>
<b>Total assets</b>	<b>2 202.7</b>	<b>1 839.0</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
Shareholders' equity	658.2	566.5
Minority interests	0.1	0.1
Provisions	225.2	228.4
Long-term liabilities	1 011.6	777.5
Current liabilities	307.6	266.5
<b>Total liabilities</b>	<b>1 544.4</b>	<b>1 272.4</b>
<b>Total shareholders' equity and liabilities</b>	<b>2 202.7</b>	<b>1 839.0</b>
The above liabilities include:		
Interest-bearing liabilities and provisions	1 121.0	908.0
Non interest-bearing liabilities and provisions	423.4	364.3
<b>Net debt</b>	<b>847.5</b>	<b>762.1</b>

## CONDENSED CONSOLIDATED CASH-FLOW STATEMENTS

SEK M	Q 4 2006	Q 4 2005	Full year 2006	Full year 2005
<i>Current operations</i>				
Income before financial items	69.2	56.4	229.9	151.3
Depreciation and other items not affecting liquidity	1.1	41.3	50.1	98.4
Net interest income/expenses	-8.4	-4.1	-18.8	-16.5
Tax paid	-11.2	-33.3	-65.0	-58.6
<b>Cash flow from current operations before changes in working capital</b>	<b>50.7</b>	<b>60.3</b>	<b>196.2</b>	<b>174.6</b>
<b>Changes in working capital</b>	<b>95.3</b>	<b>-24.5</b>	<b>66.5</b>	<b>-36.6</b>
<b>Cash flow from current operations</b>	<b>146.0</b>	<b>35.8</b>	<b>262.7</b>	<b>138.0</b>
<b>Cash flow from investment operations</b>	<b>-245.3</b>	<b>-8.2</b>	<b>-293.9</b>	<b>-415.6</b>
<b>Cash flow from financing operations</b>	<b>218.1</b>	<b>-2.7</b>	<b>158.3</b>	<b>357.8</b> <sup>1)</sup>
<b>Cash flow for the period</b>	<b>118.8</b>	<b>24.9</b>	<b>127.1</b>	<b>80.2</b>
Liquid assets at the beginning of the period	152.6	120.3	146.0	65.7
Exchange rate difference in liquid assets	2.1	0.8	0.4	0.1
<b>Liquid assets at end of period</b>	<b>273.5</b>	<b>146.0</b>	<b>273.5</b>	<b>146.0</b>
1) Cash flow from financing operations				
Dividend, parent company:			-37.5	-34.8
Additional purchase price, Kvik			-31.2	
Dividend, acquired company (anticipated in the acquisition):				-22.8
Change of loan:			213.9	401.4
Increased utilization of bank overdraft facility:				1.3
Decreased utilization of bank overdraft facility:			-1.3	-4.8
Acquired liquid assets:			14.4	17.1
Other:				0.4
			<b>158.3</b>	<b>357.8</b>

## Key Data

	Full year 2006	Full year 2005
Gross margin including goodwill amortization, %	36.2	34.4
EBITDA-margin, %	13.0	10.9
Operating margin (EBIT) %	10.1	8.1
Income margin %	8.9	6.3
Interest coverage ratio, multiple	6.2	3.9
Debt/equity ratio, multiple	1.7	1.6
Net debt, including pension provisions, SEK M	847.5	762.1
Return on capital employed, %	15.6	12.3
Return on equity, %	23.7	16.3
Equity/assets ratio %	29.9	30.8
Average number of employees	1 187	1 125

## Data per share

	Q 2006	Q 2005	Full year 2006	Full year 2005
Earnings per share, SEK	4.02	3.12	13.48	7.96
Shareholders equity per share, SEK			61.36	52.81
Dividend per share			4.50	3.50
Average number of shares during period, millions	10.73	10.73	10.73	10.73
Number of shares at end of period, millions	10.73	10.73	10.73	10.73

\* 2006 refers to proposal from the board of directors

(Definitions of key figures according to Annual report 2005)

## CHANGES IN SHAREHOLDERS' EQUITY

SEK M	31.12.06	31.12.05
Shareholders' equity at beginning of period	566.6	493.4
Translation differences/currency differences	-34.9	40.8
Pensions	2.7	-8.9
Hedging of net investment	16.7	-9.2
Dividends	-37.5	-34.9
Minority interests	0.1	0.1
Net income for the period	144.6	85.4
Shareholders' equity at end of period	<b>658.3</b>	<b>566.6</b>

## SALES, INCOME BY MARKET AREA

	Scandinavia		Great Britain		Group	
	Full year 2006	Full year 2005	Full year 2006	Full year 2005	Full year 2006	Full year 2005
Net sales, SEK M	1 980.4	1 539.3	293.7	331.6	2 274.1	1 870.9
Sales growth, %	28.7	57.2	-11.4	4.0	21.6	44.1
Operating income before depreciation, SEK M (EBITDA)	272.3	181.0	23.4	23.1	295.7	204.1
EBITDA-margin, %	13.7	11.8	8.0	7.0	13.0	10.9
Operating income, SEK M (EBIT)	216.6	138.1	13.3	13.1	229.9	151.2
Operating margin (EBIT-margin), %	10.9	9.0	4.5	4.0	10.1	8.1

## NET SALES AND INCOME BY MARKET AREA - QUARTERLY DATA

SEK M	Q 4 2006	Q 3 2006	Q 2 2006	Q 1 2006	Q 4 2005	Q 3 2005	Q 2 2005	Q 1 2005
<i>Net sales</i>								
Scandinavia	567.9	450.2	500.3	462.0	474.4	390.4	436.4	238.1
Great Britain	64.3	70.1	76.7	82.6	83.8	82.4	89.9	75.5
Group	<b>632.2</b>	<b>520.3</b>	<b>577.0</b>	<b>544.6</b>	<b>558.2</b>	<b>472.8</b>	<b>526.3</b>	<b>313.6</b>
<i>Operating income (EBIT)</i>								
Scandinavia	68.2	40.8	62.4	45.2	57.3	36.3	17.4	27.1
Great Britain	1.0	3.2	5.5	3.6	-0.9	5.2	6.3	2.5
Group	<b>69.2</b>	<b>44.0</b>	<b>67.9</b>	<b>48.8</b>	<b>56.4</b>	<b>41.5</b>	<b>23.7</b>	<b>29.6</b>
<i>Operating margin (EBIT) (%)</i>								
Scandinavia	12.0	9.1	12.5	9.8	12.1	9.3	4.0	11.4
Great Britain	1.6	4.6	7.2	4.4	-1.1	6.3	7.0	3.3
Group	<b>10.9</b>	<b>8.5</b>	<b>11.8</b>	<b>9.0</b>	<b>10.1</b>	<b>8.8</b>	<b>4.5</b>	<b>9.4</b>