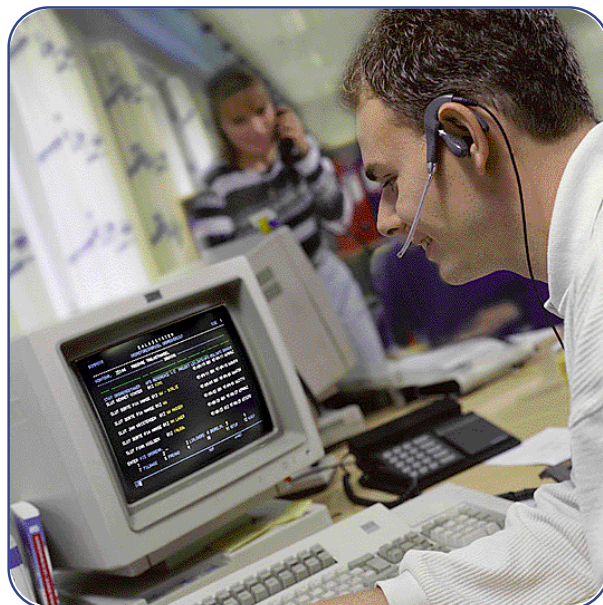


## Interim Report January – September 1998



- Turnover amounted to 7,544 MSEK, an increase of 11 per cent compared with the corresponding period of the previous year.
- The result after net financial items was MSEK 169 (142).
- The operating result improved in Sweden, Norway, Finland and Poland. The result in Denmark declined.
- Polish operations are now wholly owned.
- Dahl acquired three heating & sanitation wholesalers in Poland and one in Estonia. Two tool wholesalers were acquired in Denmark.



# Interim Report January – September 1998

Dahl is the Nordic countries' leading wholesale and trading company in the market for heating & sanitation/ water & sewer supply and pipe products for industry. Dahl's sales for the full year 1997 amounted to MSEK 9,375. Dahl has a leading position in Denmark, Norway, Sweden and Poland, and a strong position in the Finnish market. Dahl has outlets in over 240 locations, thereby offering both customers and suppliers unequalled accessibility.

## Sales and result during the period

Turnover rose by 11 per cent to MSEK 7,544. Growth was strong in Poland and Finland. Sales in Poland were up 88 per cent, of which 24 per cent comprised organic growth. Sales in Denmark and Norway were favourable. Sales in Denmark increased by 11 per cent, of which 8 per cent was attributable to acquisitions. Swedish sales improved successively over the period. The acquisitions in Denmark, Poland and Estonia contributed sales of approx. MSEK 325.

The result after net financial items rose to MSEK 169 (142). The increase is mainly explained by improved earnings in Sweden, where the result for the previous year was charged with items affecting comparability of MSEK 37. Price pressure in Denmark had a negative impact on the result. The Group's operating margin was 3.0 (2.9) per cent. The operating margin excluding items affecting comparability was 3.4 per cent in 1997.

Capital employed at the end of the period amounted to MSEK 2,630 (2,368). The increase in capital utilisation is linked to sales growth, non-recurring effects of the central warehouse project in Norway and the acquisitions in Poland and Denmark.

## Third quarter sales and result

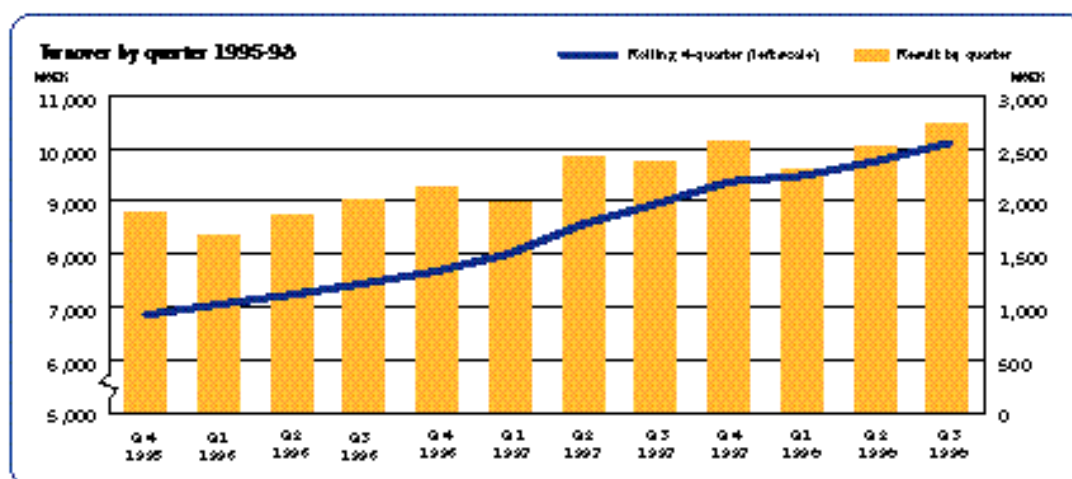
Sales increased to MSEK 2,746, or by 15 per cent compared with the third quarter of 1997. Sales growth was strong in Poland and Finland. Sales in Sweden rose by 11 per cent, on par with market growth. Sales in Denmark and Norway rose by 12 and 11 per cent, respectively.

The result after net financial items was MSEK 94 (100). The high investment level led to increased depreciation and lower net financial items. The robust construction market and ongoing efficiency programs bolstered earnings in Sweden. The result in Denmark was adversely affected by rising price pressure.

## Projects – Investments

A number of future-oriented projects focusing on improved logistics efficiency and investments in IT were launched in 1997. Distribution via central warehouses, which has worked well in Denmark, is being gradually implemented in Norway, Sweden and Finland.

In Norway, Sweden and Poland projects are underway to install new IT systems and PC networks. The IT systems will go into operation during the first



half of 1999. Year 2000 adjustments are expected to be completed in early 1999.

Investment in existing operations has been traditionally high, but will be cut back to a lower level as a consequence of these projects.

### Denmark

Sales in Denmark rose by 11 per cent to MDKK 1,957. The acquisition of tool wholesalers in autumn 1997 and spring 1998 boosted sales by MDKK 133. The operating result amounted to MDKK 116 (125). Competition intensified as the competitors opened new outlets, creating pressure on margins. The third quarter result was MDKK 49 (61).

The tool wholesalers OPVærktøj & Værktøjsmaskiner and Maskinkompagniet Odense with a combined annual turnover of MDKK 100 were acquired during the period. The companies complement SCS Industriværktøj which was acquired in September 1997.

### Norway

Sales in Norway improved to MNOK 1,785 (1,609). Economic uncertainty is expected to adversely affect the construction market. The operating result increased to MNOK 84 (72). The result for the third quarter was MNOK 34 (30).

The new central warehouse outside Oslo made its first deliveries in June. Productivity and delivery reliability at the end of the period were satisfactory. Costs and capital tied up in central warehouses are higher than normal during the start-up period. The phase-out of regional distribution centers will continue into the second quarter of 1999.

### Sweden

Sales in Sweden amounted to MSEK 2,020 (1,958). Market development in the second and third quarters was positive.

The operating result rose to MSEK 0 (-35). Items affecting comparability of MSEK 37 for the integration of Skoogs' heating & sanitation division were charged against the result in the first nine months of 1997. Productivity gains in the third quarter increased the result by MSEK 9 to MSEK 12.

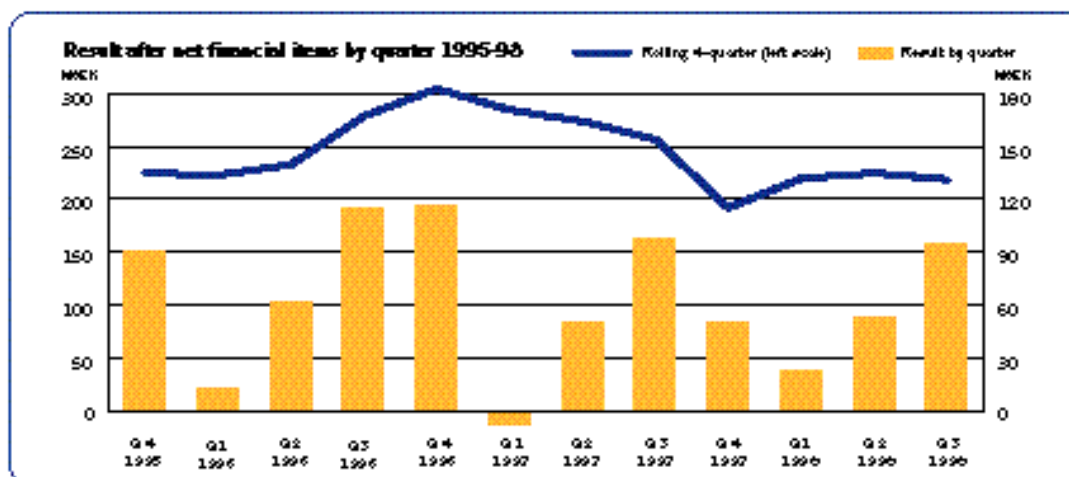
The phase-out of distribution centers for the change-over to central warehouses and other cost-cutting measures are expected to provide annual savings of at least MSEK 50 in addition to the rationalisation achieved through the integration of Skoogs' heating and sanitation division last year.

### Finland

Sales continued to develop favourably and amounted to MFIM 609 (514). The operating result increased to MFIM 9 (6). Although a gradual improvement was noted during the period, margins in the Finnish market remain low.

In May deliveries were started from the new central warehouse outside Helsinki, which is now in full operation. The new central warehouse is increasing delivery capacity in Finland.

LVI-Dahl, which is responsible for Dahl's operations in Estonia, acquired the Estonian heating & sanitation wholesaler Vennad. The company is established in Tallinn and Viljand and has annual turnover of MEEK 15 (corresponding to MSEK 8).



## Poland

Sales in Poland rose to MPLN 226 (120), corresponding to MSEK 500. The increase for comparable units was 24 per cent. The operating result was MPLN 7 (5).

The heating & sanitation wholesalers Arsanit, Terma and SK Instalator, with annual turnover of approx. MPLN 100, were acquired during the period. After acquisitions and the establishment of new outlets Dahl is now represented in 30 locations, compared with 21 outlets at year-end 1997. Annual sales amount to more than MSEK 700.

Aproject for installation of a new IT system was started during the spring. Dahl increased its holding in Polish operations by 25 per cent to 100 per cent.

## Financial position

The cash flow after investments amounted to MSEK -225 (-188). Investments in capital employed and fixed assets totalled MSEK 447 (353) and included net investments in fixed assets of MSEK 232 (121). These investments primarily comprise equipment for the central warehouses, new IT systems and acquisitions. The cash flow excluding investments related to acquisitions amounted to MSEK -72 (-139).

Interest-bearing net debt at the end of the period totalled MSEK 1,316 (1,118). The equity/assets ratio at the end of the period was 31 (35) per cent and the debt/equity ratio was 100 (89) per cent.

## Currency and policy change

As of 1 October 1998, currency exposure in the form of equity in foreign subsidiaries is not hedged.

## Average exchange rates

|         |           | 1998<br>Q 1-3 | 1997<br>Q 1-3 | %    |
|---------|-----------|---------------|---------------|------|
| Denmark | (DKK/SEK) | 1.17          | 1.17          | 0.0  |
| Norway  | (NOK/SEK) | 1.05          | 1.09          | -3.7 |
| Finland | (FIM/SEK) | 1.46          | 1.49          | -2.0 |
| Poland  | (PLN/SEK) | 2.26          | 2.38          | -5.0 |

The strengthening of the Swedish krona reduced turnover by approx. MSEK 125 and the result after net financial items by MSEK 4.

## 1998 forecast

Favourable market development in Sweden, Finland and Poland is predicted for the fourth quarter. Activity in Denmark is expected to remain stable and low growth is awaited in Norway throughout the remainder of the year.

Sweden is expected to show continued improvement in earnings.

## The Dahl share

The closing price of the Dahl share on 30 September was SEK 99 in Stockholm and DKK 80.5 in Copenhagen. The price fluctuated between SEK 97 /DKK 66 and SEK 166 /DKK 144 during the period.

The 15 per cent price fall since year-end 1997 should be compared with Affärsvärlden's general index, which fell by 4 per cent over the same period.

## Parent Company

Turnover in the Parent Company amounted to MSEK 5 (12) and the result after net financial items was MSEK 35 (13). Investments totalled MSEK 0 (0).

## Financial information

### 10 February 1999

Preliminary Report for 1998

Stockholm, 23 October 1998

Dahl International AB (publ)



Per-Olof Söderberg  
President & CEO

*This report has not been subject to special examination by the company's auditors.*

**Statement of Income**

|                                         | Full year<br>1995 | Full year<br>1996 | Full year<br>1997 | 1996<br>Q 1-3 | 1997<br>Q 1-3 | 1998<br>Q 1-3 |
|-----------------------------------------|-------------------|-------------------|-------------------|---------------|---------------|---------------|
| MSEK                                    |                   |                   |                   |               |               |               |
| Net sales                               | 6,828             | 7,701             | 9,375             | 5,593         | 6,811         | 7,544         |
| Operating expenses                      | -6,547            | -7,367            | -9,064            | -5,366        | -6,596        | -7,335        |
| Items affecting comparability           |                   |                   | -70               |               | -37           |               |
| Other operating income                  | 20                | 33                | 18                | 14            | 17            | 19            |
| <i>Operating result</i>                 | 301               | 367               | 259               | 241           | 195           | 229           |
| Financial income and expense            | -71               | -61               | -67               | -52           | -53           | -60           |
| <i>Result after net financial items</i> | 230               | 306               | 192               | 189           | 142           | 169           |
| Minority interest                       | 1                 | -1                | -1                | -1            | -2            | 0             |
| <i>Result before tax</i>                | 231               | 305               | 191               | 188           | 140           | 169           |
| Group contributions                     | -100              |                   |                   |               |               |               |
| Tax                                     | -79               | -88               | -112              | -62           | -70           | -62           |
| <i>Net result for the period</i>        | 52                | 217               | 79                | 126           | 70            | 107           |

**Balance Sheet**

|                                                   | 31 December |       |       | 30 September |       |       |
|---------------------------------------------------|-------------|-------|-------|--------------|-------|-------|
| MSEK                                              | 1995        | 1996  | 1997  | 1996         | 1997  | 1998  |
| <b>Assets</b>                                     |             |       |       |              |       |       |
| <b>Fixed assets</b>                               |             |       |       |              |       |       |
| Goodwill                                          | 222         | 291   | 272   | 208          | 283   | 301   |
| Other fixed assets                                | 207         | 353   | 397   | 240          | 386   | 491   |
| <i>Total fixed assets</i>                         | 429         | 644   | 669   | 448          | 669   | 792   |
| <b>Current assets</b>                             |             |       |       |              |       |       |
| Goods for resale                                  | 971         | 1,200 | 1,237 | 989          | 1,204 | 1,450 |
| Accounts receivable, trade                        | 1,082       | 1,260 | 1,339 | 1,479        | 1,633 | 1,820 |
| Other current assets                              | 150         | 64    | 99    | 70           | 71    | 95    |
| Short-term investments, cash and bank             | 52          | 89    | 52    | 25           | 49    | 29    |
| <i>Total current assets</i>                       | 2,255       | 2,613 | 2,727 | 2,563        | 2,957 | 3,394 |
| <i>Total assets</i>                               | 2,684       | 3,257 | 3,396 | 3,011        | 3,626 | 4,186 |
| <b>Shareholders' equity and liabilities</b>       |             |       |       |              |       |       |
| Shareholders' equity                              | 594         | 1,251 | 1,259 | 1,157        | 1,250 | 1,314 |
| Interest-bearing liabilities                      | 1,221       | 984   | 1,044 | 807          | 1,167 | 1,345 |
| Non-interest bearing liabilities                  | 869         | 1,022 | 1,093 | 1,047        | 1,209 | 1,527 |
| <i>Total shareholders' equity and liabilities</i> | 2,684       | 3,257 | 3,396 | 3,011        | 3,626 | 4,186 |

**Key Ratios**

|                                            | Full year<br>1995 | Full year<br>1996 | Full year<br>1997 <sup>1</sup> | 1996<br>Q 1-3 | 1997 <sup>1</sup><br>Q 1-3 | 1998<br>Q 1-3 |
|--------------------------------------------|-------------------|-------------------|--------------------------------|---------------|----------------------------|---------------|
| MSEK                                       |                   |                   |                                |               |                            |               |
| Operating margin, %                        | 4.4               | 4.8               | 3.5                            | 4.3           | 3.4                        | 3.0           |
| Return on equity - standard tax, %         | 21.7              | 23.5              | 11.9                           | —             | —                          | —             |
| Return on capital employed, % <sup>2</sup> | 19.9              | 21.0              | 15.0                           | —             | —                          | —             |
| Debt/equity ratio - net, %                 | 197               | 72                | 79                             | 68            | 89                         | 100           |
| Earnings per share (SEK) <sup>3</sup>      | 7.31              | 10.43             | 7.16                           | 6.11          | 5.14                       | 5.14          |

<sup>1)</sup> Key ratios for 1997 are calculated excluding items affecting comparability.

<sup>2)</sup> 1996 calculated excluding capital in Skoogs' heating and sanitation division, which was acquired on 31 December 1996.

<sup>3)</sup> Calculated on 20,800,000 shares. Calculated on the average number of shares, earnings per share in 1996 would have been SEK 11.67.

**Cash Flow**

|                                                   | Full year<br>1995 | Full year<br>1996 | Full year<br>1997 | 1996<br>Q 1-3 | 1997<br>Q 1-3 | 1998<br>Q 1-3 |
|---------------------------------------------------|-------------------|-------------------|-------------------|---------------|---------------|---------------|
| MSEK                                              |                   |                   |                   |               |               |               |
| Result before tax                                 | 231               | 305               | 191               | 188           | 140           | <b>169</b>    |
| Amortisation of goodwill                          | 39                | 42                | 57                | 31            | 41            | <b>44</b>     |
| Other depreciation according to plan              | 57                | 55                | 73                | 40            | 54            | <b>71</b>     |
| Tax                                               | -79               | -88               | -112              | -62           | -70           | <b>-62</b>    |
| <i>Cash flow before change in working capital</i> | 248               | 314               | 209               | 197           | 165           | <b>222</b>    |
| Change in working capital, existing units         | -107              | 24                | -32               | -207          | -222          | <b>-144</b>   |
| Investments in working capital, acquisitions      | -380              | -216              | -67               | -             | -10           | <b>-71</b>    |
| <i>Cash flow after change in working capital</i>  | -239              | 122               | 110               | -10           | -67           | <b>7</b>      |
| Investments in fixed assets, existing units       | -67               | -117              | -158              | -84           | -115          | <b>-202</b>   |
| Investments in fixed assets, acquisitions         | -200              | -234              | -40               | -29           | -39           | <b>-82</b>    |
| Sale of fixed assets, net                         | 90                | 33                | 44                | 9             | 33            | <b>52</b>     |
| <i>Cash flow after investments</i>                | -416              | -196              | -44               | -114          | -188          | <b>-225</b>   |

**Net turnover**

|                | Full year<br>1995 | Full year<br>1996 | Full year<br>1997 | 1996<br>Q 1-3 | 1997<br>Q 1-3 | 1998<br>Q 1-3 |
|----------------|-------------------|-------------------|-------------------|---------------|---------------|---------------|
| Denmark (MDKK) | 2,138             | 2,263             | 2,430             | 1,662         | 1,761         | <b>1,957</b>  |
| Norway (MNOK)  | 1,755             | 1,986             | 2,205             | 1,455         | 1,609         | <b>1,785</b>  |
| Sweden (MSEK)  | 1,719             | 2,149             | 2,699             | 1,564         | 1,958         | <b>2,020</b>  |
| Finland (MFIM) | 233               | 511               | 708               | 362           | 514           | <b>609</b>    |
| Poland (MPLN)  | -                 | 39                | 180               | -             | 120           | <b>226</b>    |

**Operating result**

|                | Full year<br>1995 | Full year<br>1996 | Full year<br>1997 | 1996<br>Q 1-3 | 1997<br>Q 1-3 | 1998<br>Q 1-3 |
|----------------|-------------------|-------------------|-------------------|---------------|---------------|---------------|
| Denmark (MDKK) | 166               | 166               | 179               | 110           | -125          | <b>116</b>    |
| Norway (MNOK)  | 82                | 121               | 118               | 85            | 72            | <b>84</b>     |
| Sweden (MSEK)  | 44                | 79                | -80               | 46            | -35           | <b>0</b>      |
| Finland (MFIM) | -11               | 2                 | 7                 | 2             | 6             | <b>9</b>      |
| Poland (MPLN)  | -                 | 1                 | 6                 | 1             | 5             | <b>7</b>      |



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