

DAHL INTERNATIONAL AB (PUBL)

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DAHL PRELIMINARY REPORT 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 1998 amounted to MSEK 10,431. 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

In 1998 net sales rose to MSEK 10,431, an increase of 11 percent compared with the preceding year. Sales in Denmark and Norway were strong early in the year, but gradually declined. In Sweden sales increased by 3 per cent, on a level with market development. Growth in Finland was favourable. Sales in Poland improved by 77 per cent, of which 17 per cent comprised organic growth. However, in the fourth quarter market growth stagnated in Poland. Acquisitions in Denmark, Poland and Estonia contributed sales of approximately MSEK 500.

ACQUISITIONS DURING 1998

Company/date	Annual sales at acquisition date
Arsanit, Poland, April 98	MPLN 71
Terma, Poland, April 98	MPLN 7
SK Instalator, Poland, Sept. 98	MPLN 12
OP Værktøj, Denmark, Jan. 98	MDKK 60
Maskinkompagniet, Denmark, May 98	MDKK 40
Viholm Værktøj, Denmark, Nov. 98	MDKK 22
Vennad, Estonia, July 98	MEEK 15

The result after net financial items was MSEK 262 (192), an increase primarily attributable to improved earnings in Sweden. The 1997 result in Sweden was charged with items affecting comparability of MSEK 70. The earnings trend was positive in Finland, although the result in Denmark and Norway was somewhat lower than in the preceding year. A high level of investment led to lower net financial items and higher depreciation than in 1997.

The operating margin was 3.3 per cent (2.8). In 1997 the operating margin excluding items affecting comparability was 3.5 per cent.

Working capital at the end of the period amounted to MSEK 2,428 (2,252). The increased use of capital is

explained by a sales increase, accumulation of stock in connection with the changeover to central warehouses, acquisitions and a high level of investment.

PROJECTS - INVESTMENTS

During the past two years a number of future-oriented ventures were launched in order to improve efficiency in logistics and IT projects. Distribution via central warehouses, which has been successful in Denmark, was established in Norway, Sweden and Finland during 1998.

In all countries, projects are underway to install new IT system and PC networks. The IT systems, which are aimed at enhancing efficiency and ensuring a secure transition to the year 2000, will go into operation during 1999.

In pace with the completion of these projects, the high rate of investment should fall.

FOURTH QUARTER

Sales rose by 13 per cent to MSEK 2,887 compared with the fourth quarter of 1997. Sales increased in Denmark, Finland and Poland. The increase in Denmark and Poland can be attributed primarily to acquired sales. The market downturn was clearly evident in Norway, where sales were lower than in 1997.

The result after net financial items was MSEK 93 (50). The result in Sweden improved by MSEK 60 over the fourth quarter of 1997, which was charged with items affecting comparability of MSEK 33. The lower earnings in Norway are mainly explained by weak market development.

DENMARK

Sales in Denmark increased to 2,674 (2,430), of which the acquisition of tool wholesalers contributed around MDKK 170. Market growth weakened in the second half of the year. The operating result amounted to MDKK 170 (179). The establishment of new outlets by competitors led to price pressure and therefore also lower margins than in 1997. Return on capital employed was 34 (37) per cent. The fourth quarter result amounted to MDKK 54 (54).

Verktøygrossisterna O P Værktøj, Maskinkompagniet and Viholm Værktøj, with combined annual sales of MDKK 122, were acquired during the year. These companies complement SCS Industriværktøj, which was acquired in September 1997.

NORWAY

Sales in Norway rose to MNOK 2,365 (2,205), an increase of 7 per cent. Sales declined towards the end of the year. Economic uncertainty is expected to have a negative impact on the construction market in 1999. The operating result amounted to MNOK 113 (118) and return on capital employed was 22 (23) per cent. Fourth quarter earnings deteriorated to MNOK 29 (46) largely due to a feeble market.

Measures are being taken to adapt costs to the lower volumes. The changeover to central warehouses has progressed according to plan and will boost productivity in 1999.

SWEDEN

In 1998 the Swedish market rallied, which meant that sales in the Swedish operations rose by 3 per cent to MSEK 2,780. The market shares were stable during the year.

The operating result amounted to MSEK 15 (-80). Items affecting comparability of MSEK 70 were charged to the result for 1997. Productivity was improved in 1998, although more slowly than planned. Further rationalisation measures will therefore be introduced in 1999. Return on capital employed was 2 (-) percent. The fourth quarter result was MSEK 15 (-45). Items affecting comparability of MSEK 33 were charged to the fourth quarter result in 1997.

FINLAND

Sales in Finland showed substantial growth and totalled MFIM 842 (708), an increase of 19 per cent over the preceding year. The operating result improved and amounted to MFIM 12 (7). Margins in the Finnish market remain low, but show a slight upward trend. Return on capital employed was 10 (6) per cent. The result for the fourth quarter was MFIM 3 (1).

Through vigorous growth, Dahl has consolidated its number two position in the market. The new central warehouse in Helsinki is boosting delivery capacity.

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

POLAND

Sales in Poland improved to MPLN 318 (180), corresponding to MSEK 700. The sales increase for comparable units was 17 per cent. Market development was considerably weaker than anticipated at the end of the year. The operating result amounted to MPLN 8 (6). The fourth quarter result was MPLN 1 (1).

During the year three heating & sanitation wholesalers were acquired with combined annual sales of MPLN 90. At year-end Dahl was established in 30 (21) locations. During the year Dahl increased its holding in Tadmar from 75 to 100 per cent. After acquisitions and new establishments, annual sales amount to approximately MSEK 800.

FINANCIAL POSITION

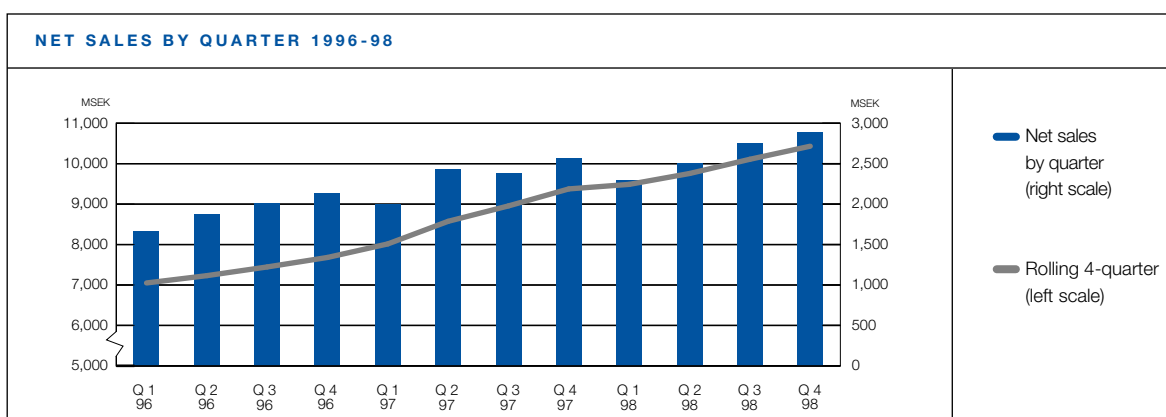
The cash flow after investments was MSEK 109 (-44). Investments in working capital and fixed assets totalled MSEK 222 (253), of which net investments in fixed assets amounted to MSEK 285 (154). Investments in fixed assets excluding goodwill corresponded to 2.1 per cent of net sales, which is a high level for Dahl.

The cash flow excluding investments in working capital and fixed assets for acquired units amounted to MSEK 291 (63).

Interest-bearing net debt at the end of the period totalled MSEK 1,046 (992). The equity/assets ratio at year-end was 36 (37) per cent and the debt/equity ratio was 76 (79) per cent.

CURRENCIES - CHANGE OF POLICY

With effect from 1 October 1998, currency exposure in the form of shareholders' equity in foreign subsidiaries is not hedged.



Country	Exchange rate	1998	1997	%
Denmark	(DKK/SEK)	1.19	1.16	2.6
Norway	(NOK/SEK)	1.05	1.08	-2.8
Finland	(FIM/SEK)	1.49	1.48	0.7
Poland	(PLN/SEK)	2.27	2.33	-2.6

The change in average currency rates had only a marginal effect on sales and result after net financial items.

TAX

The Group's unutilised loss carryforwards, attributable to the Swedish operations, amount to more than MSEK 344 (390).

The negative result in Sweden in 1997 meant that tax on consolidated earnings was abnormally high.

FUTURE OUTLOOK - 1999 FORECAST

Continued positive market development is anticipated in Sweden and Finland. The Danish market is expected to slacken in 1999. In Norway a sharp market decline is predicted. In the short term, the Polish market is expected to be weak.

Sweden is expected to show further improvement in earnings, while the result in Norway will be impacted by a sagging market.

DIVIDEND

The Board proposes that the shareholders be paid a dividend of SEK 4.00 (3.00) per share, corresponding to a total of MSEK 83. This comprises 48 per cent of the result after tax and is in line with the established dividend policy.

THE DAHL SHARE

The closing price of the Dahl share on 31 December 1998 was SEK 80 (116) in Stockholm and DKK 60 (101) in Copenhagen. The price during the period fluctuated between SEK 71/DKK 56 and SEK 166/DKK 144.

In 1999 the Affärsvärlden General Index rose by 10 per cent.

PARENT COMPANY

Net sales in the Parent Company amounted to MSEK 0 (9) and the result after net financial items was MSEK 170 (315). Investments totalled MSEK 60 (136).

NOMINATION OF BOARD MEMBERS AND AUDITORS

In order to activate and simplify the procedures for nomination of Board members and auditors and establishment of fees prior to the 1999 Annual General Meeting, the Board has appointed Board Chairman Thomas Mossberg, Executive Vice President of Ratos, as a contact person for these matters.

All shareholders are encouraged to submit their views and proposals to Thomas Mossberg, Dahl International AB, Box 1661, SE- 111 96 Stockholm, Sweden.

FINANCIAL INFORMATION

March 1999-03

1998 Annual Report – distributed to all shareholders

20 April 1999

Interim Report January – March 1999

16 July 1999

Interim Report January – June 1999

20 October 1998

Interim Report January – September 1999

The Annual General Meeting will be held at 4 p.m. on 20 April 1999 at Berns Salonger, Berzelii Park, Stockholm.

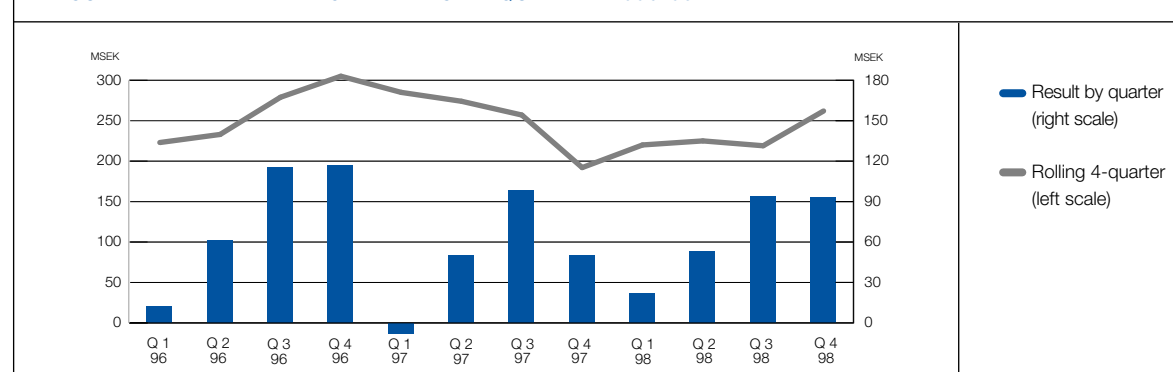
Dahl's Annual Report for 1998 can be ordered from Dahl International AB (publ), Box 1661, SE-111 96 Stockholm, or by telephone +46-8-700 18 20.

Stockholm, 10 Februari 1999

Dahl International AB (publ)

The Board of Directors

RESULT AFTER NET FINANCIAL ITEMS BY QUARTER 1996-98



STATEMENT OF INCOME (MSEK)	1994	1995	1996	1997	1998
Net sales	5,149	6,828	7,701	9,375	10,431
Operating expenses	-4,937	-6,547	-7,367	-9,064	-10,098
Items affecting comparability				-70	
Other operating income	12	20	33	18	11
Operating result	224	301	367	259	344
Financial income and expense	-61	-71	-61	-67	-82
Result after net financial items	163	230	306	192	262
Minority interest		1	-1	-1	0
Result before tax	163	231	305	191	262
Group contributions	-107	-100			
Shareholders' contributions	50				
Tax	-44	-79	-88	-112	-90
Net result for the year	62	52	217	79	172

BALANCE SHEET PER 31 DECEMBER	1994	1995	1996	1997	1998
Assets					
Fixed assets					
Goodwill	129	222	291	272	294
Other fixed assets	217	207	353	397	514
Total fixed assets	346	429	644	669	808
Current assets					
Goods for resale	702	971	1,200	1,237	1,396
Accounts receivable, trade	907	1,082	1,260	1,339	1,401
Other current assets	112	150	64	99	89
Short-term investments, cash and bank balances	429	52	89	52	134
Total current assets	2,150	2,255	2,613	2,727	3,020
Total assets	2,496	2,684	3,257	3,396	3,828
Shareholders' equity and liabilities					
Shareholders' equity	551	594	1,251	1,259	1,382
Interest-bearing liabilities	1,142	1,221	984	1,044	1,180
Non-interest-bearing liabilities	803	869	1,022	1,093	1,266
Total shareholders' equity and liabilities	2,496	2,684	3,257	3,396	3,828

KEY RATIOS	1994	1995	1996	1997	1998
Operating margin, %	4.4	4.4	4.8	2.8	3.3
Return on shareholders' equity - full tax, %	22.9	26.6	23.5	6.3	13.0
Return on capital employed, % *	18.7	19.9	21.0	11.8	14.7
Equity/assets ratio, %	22.1	22.1	38.4	37.1	36.1
Debt/equity ratio - net, %	129	197	72	79	76
Interest coverage ratio	2.8	3.1	5.7	3.9	3.8
Earnings per share **	7.68	9.82	11.67	3.80	8.27

* Calculated excluding equity in Skoogs' heating & sanitation division, which was acquired on 31 December 1996.

** Calculated on 20,800,000 shares. Based on the average number of shares, earnings per share in 1996 would amount to SEK 10.43.

CASH FLOW	1994	1995	1996	1997	1998
Result before tax	163	231	305	191	262
Amortisation of goodwill	25	39	42	57	59
Other depreciation according to plan	49	57	55	73	102
Tax	-44	-79	-88	-112	-89
Cash flow before change in working capital	193	248	314	209	331
Change in working capital, existing units	-75	-107	24	-32	155
Investments in working capital, acquired units	-91	-380	-216	-67	-92
Cash flow after change in working capital	27	-239	122	110	394
Investments in fixed assets, existing units	-41	-67	-117	-158	-261
Investments in fixed assets, acquired units	-29	-200	-234	-40	-90
Sale of fixed assets, net	12	90	33	44	66
Cash flow after investments	-31	-416	-196	-44	109

SALES	1994	1995	1996	1997	1998
Denmark (MDKK)	1,977	2,138	2,263	2,430	2,674
Norway (MNOK)	1,164	1,755	1,986	2,205	2,365
Sweden (MSEK)	1,454	1,719	2,149	2,699	2,780
Finland (MFIM)	–	233	511	708	842
Poland (MPLN)	–	–	39	180	318

OPERATING RESULT	1994	1995	1996	1997	1998
Denmark (MDKK)	122	166	166	179	170
Norway (MNOK)	66	82	121	118	113
Sweden (MSEK)	27	44	79	-80	15
Finland (MFIM)	–	-11	2	7	12
Poland (MPLN)	–	–	1	6	8



D A H L ' S P R E L I M I N A R Y R E P O R T F O R 1 9 9 8

Sales rose by 11 per cent in 1998. Swedish operations are now showing positive earnings and the result in Finland has improved.

Net sales in 1998 rose to MSEK 10,431, an increase of 11 per cent compared with the preceding year. Sales in existing units in Denmark and Norway were strong early in the year, but gradually declined thereafter. Sales in Sweden increased by 3 per cent, which was on par with market development. Growth in Finland was favourable. Polish sales improved by 77 per cent, of which 17 per cent comprised organic growth. However, in the fourth quarter market growth stagnated in Poland. Acquisitions in Denmark, Poland and Estonia contributed sales of MSEK 500.

The result after net financial items was MSEK 262 (192), an increase primarily attributable to improved earnings in Sweden. The 1997 result in Sweden was charged with items affecting comparability of MSEK 70. The earnings trend was positive in Finland. In Denmark and Norway, the result was somewhat lower than in the previous year. A high rate of investment led to decreased net financial items and higher depreciation than in 1997. The fourth quarter result amounted to MSEK 93 (50). The result in Sweden improved by MSEK 60 over the fourth quarter of 1997, which was charged with items affecting comparability of MSEK 33.

During the year Dahl acquired three heating & sanitation wholesalers in Poland and one in Estonia. Three tool wholesalers were acquired in Denmark. In addi-

tion, in 1998 Dahl acquired the remaining 25 per cent of Tadmar, which means that the Polish operations are now wholly owned.

The Board proposes a dividend of SEK 4.00 (3.00) per share.

Sustained market growth is anticipated in Sweden and Finland. The Danish market is expected to slacken in 1999. In Norway a sharp market decline is predicted. In the short term, the Polish market is expected to be weak.

Sweden is expected to show further improvement in earnings, while the result in Norway will be impacted by a sagging market.

"It is gratifying that the Swedish operations are now on the right track with improved earnings. Our position as the leading player in our markets gives us reason to greet the future with confidence", comments Dahl's President P-O Söderberg.

Dahl's 1998 Preliminary Report is attached.



For further information, please contact President P-O Söderberg or Financial Director Mats Norberg, telephone: +46-8-700 18 20.

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