

Ballingslöv International AB (publ)

Interim report, January - September 2002

- Continued positive earnings development - net income for the period increased by 30.6 % to SEK 44.8 M (34.3)
- Operating income before goodwill amortisation increased by 10.1% to SEK 102.6 M (93.2) corresponding to an operating margin before goodwill amortisation of 12.0% (10.5)
- Improvement in cash flow from current operations to SEK 48.1 M (4.1)
- Net sales decreased by 3.6% to SEK 856.2 M (888.8)
- The organic growth in Scandinavia amounted to approximately 5% which is believed to be better than the market trend in general
- The action programme in Great Britain is now beginning to produce an increase in the number of orders received and a reduction in costs

	Group					
	Q 3 2002	Q 3 2001	Q 1-3 2002	Q 1-3 2001	Full-year 2001	Oct-sept 2001/02
Net sales, SEK M	244.7	280.6	856.2	888.8	1.233.9	1.201.3
Operating income before depreciation, SEK M	30.2	30.1	123.2	115.8	162.7	170.1
EBITDA-margin, %	12.3	10.7	14.4	13.0	13.2	14.2
Operating income before goodwill amortization, SEK M	23.5	22.6	102.6	93.2	135.2	144.6
Operating margin before goodwill amortization (EBITA-margin), %	9.6	8.1	12.0	10.5	11.0	12.0
Operating income, SEK M	17.7	16.7	85.2	75.8	111.9	121.3
Operating margin (EBIT-margin), %	7.2	6.0	10.0	8.5	9.1	10.1
Income before taxes, SEK M	13.9	9.4	69.6	56.0	84.9	98.5
Net income for the period, SEK M	8.5	5.1	44.8	34.3	53.5	64.0
Earnings per share, SEK	0.80	0.58	4.75	3.92	6.11	
Earnings per share, excluding goodwill, SEK	1.34	1.26	6.59	5.91	8.78	

President's comments

Ballingslöv has continued to develop favourably in Scandinavia during 2002. Organic growth in this area amounted to approximately 5% which, in the most important market segment (RRE-single-family homes), is better than the market trend in general. We have continued to extend our distribution system according to plan, preferably with exclusive distributors. The operating margin before goodwill in Scandinavia has increased to 17.0% (13.5).

In Great Britain, on the other hand, development was less favourable than expected and our invoicing trend has been negative (-17.0%). During autumn 2001, orders received by the British operation exceeded available production capacity. This caused delivery problems in our own production as well as that of our subcontractors during late autumn 2001 and spring 2002. These delivery problems have had a negative effect on demand. An action programme is being implemented to improve delivery service and increase demand.

Notable measures being introduced in Great Britain include a strengthened market organisation and installation operations which came into effect mid-year. We are also working on reducing the number of white goods suppliers from around ten to one or two main suppliers. The impact of the action programme has started to become evident both in the increased order intake and reduced costs. As a consequence, a positive earnings trend is anticipated in the final quarter of the year.

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

Cash flow developed positively during the period in Scandinavia as well as the British operations.

The profitability of the Group has continued to develop positively and we have reached our target of an operating margin before goodwill amortisation of 12%.

Market trend

Scandinavia

In the RRE segment, the Swedish market was on a par with the preceding year. The new-construction market has shown something of an improvement in performance over the corresponding period in the preceding year.

The Norwegian market was somewhat weaker in both the RRE and new-construction segments.

In Denmark, the RRE segment was slightly weaker than in the preceding year while the new-construction segment was in parity with the previous year.

Great Britain

Taken as a whole, the market in Great Britain noted a generally positive trend. The lack of land and slow processing of building permits resulted in a slight downturn in production of privately-built, single-family homes, which is Ballingslöv's primary market segment.

Financial accounts

Net sales

Consolidated net sales during the period amounted to SEK 856.2 M (888.8), a reduction of 3.6% compared with the corresponding period during the preceding year. Exchange rate effects were marginal. The target for annual organic growth is a minimum of 5% over a business cycle.

Net sales in Scandinavia amounted to SEK 573.8 M (548.3) and in Great Britain SEK 282.4 M (340.5). 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 during the period amounted to SEK 102.6 M (93.2) an increase of 10.1% on the corresponding period of the previous year. Operating margin before goodwill amortisation over the past 12 months amounted to 12.0% which is in line with our target. Operating income before amortisation of goodwill in Scandinavia totalled SEK 97.6 M (74.0), and in Great Britain SEK 5.0 (19.2).

Income before tax for the period amounted to SEK 69.6 M (56.0), an increase of 24.3% compared with the corresponding period of the preceding year. Net income during the period totalled SEK 44.8 M (34.3), an increase of 30.6% compared with the corresponding period of the previous year.

The positive earnings trend is attributable, among other things, to good capacity utilisation in the Scandinavian factories and to reduced costs through ongoing co-ordination measures within the Group. In addition, our product and sales mix has continued to develop favourably.

Cash flow

Group cash flow from current operations during the period amounted to SEK 48.1 M (4.1). Cash flow from current operations in Scandinavia amounted to SEK 36.5 M (12.8) and to SEK 11.6 M (-8.7) from operations in Great Britain. The improvement in cash flow from current operations was due to improved operating income and a relative improvement in the development of working capital.

Net investments and depreciation

The Group's net investments during the period amounted to SEK 36.6 M (16.5). These investments related primarily to surface-coating equipment, a new drilling line at Ballingslöv AB, and building investments in Dansk Formpladeindustri A/S. Planned depreciation amounted to SEK 20.6 M (22.6). Amortisation of goodwill and brands according to plan was charged against earnings to the value of SEK 17.4 M (17.4).

Liquidity and financial position

At the close of the period, the Group's liquid assets amounted to SEK 61.5 M, compared with SEK 29.1 M at the beginning of the year. The increase in liquid assets is mainly 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. Net debt at the end of the period amounted to SEK 335.3 M, compared with SEK 401.5 M at the beginning of the year. Compared with 30 September 2001, net debt decreased by SEK 128.3 M.

The consolidated equity/assets ratio was 41.2% at the end of the period, compared with 33.6% at the beginning of the year. Our target is an equity/assets ratio in excess of 30%.

At the end of the period, available credit and liquid assets amounted to SEK 155 M.

The interest coverage ratio was 4.8 compared with 3.7 at the beginning of the year. Our target is that the interest coverage ratio shall exceed 4.0.

The Ballingslöv share

At the close of the period, there were 10.687.358 outstanding shares. 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 sales during the period. The Parent Company reported a loss after tax of SEK 5.9 M (loss: 17.9).

Personnel

At the close of the period, Ballingslöv had 810 employees, a decrease of 22 people since the beginning of the year. The average number of employees during the period was 816 (846).

Future prospects

The market trend for the remainder of the current year is expected to be stable and in parity with the previous year.

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 2001. The recommendations that were issued on 1 January 2002 by the Swedish Accounting Standards Council have not resulted in any change of accounting principles.

Ballingslöv, 15 November 2002

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 2002	26 February 2003
Annual report for fiscal year 2002	28 March 2003
Annual general meeting	16 April 2003

For additional information, please contact Nils-Erik Danielsson phone +46 (0)451-46101
mobile +46 (0)708-946101

Interim report Januari-September 2002

FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED INCOME STATEMENT

SEK M	Q 3 2002	Q 3 2001	Q 1-3 2002	Q 1-3 2001	Full-year 2001
Net sales	244.7	280.6	856.2	888.8	1.233.9
Cost of goods sold	-159.3	-190.6	-552.4	-590.4	-806.8
Gross profit	85.4	90.0	303.8	298.4	427.1
Selling expenses	-52.3	-54.7	-171.5	-174.1	-248.7
Administrative expenses	-15.2	-18.2	-46.6	-47.5	-64.9
Other operating income and expenses (including R&D expenses)	-0.2	-0.4	-0.5	-1.0	-1.6
Operating income	17.7	16.7	85.2	75.8	111.9
Interest income and similar income/loss items	1.0	0.2	2.9	0.5	4.8
Interest expense and similar income/loss items	-4.8	-7.5	-18.5	-20.3	-31.8
Income after financial items	13.9	9.4	69.6	56.0	84.9
Tax on income for the period	-5.5	-4.4	-24.9	-21.6	-31.2
Minority shares in net income/loss	0.1	0.1	0.1	-0.1	-0.2
Net income for the period	8.5	5.1	44.8	34.3	53.5
Income was charged with:					
Depreciation of tangible assets amounting to	6.7	7.5	20.6	22.6	27.5
Amortization of intangible assets amounting to	5.8	5.9	17.4	17.4	23.3

CONDENSED CONSOLIDATED BALANCE SHEETS

SEK M	30.09.02	30.09.01	31.12.01
ASSETS			
Intangible fixed assets	363.1	409.0	390.0
Tangible fixed assets	207.0	195.5	197.6
Financial fixed assets	2.7	4.3	2.0
Total fixed assets	572.8	608.8	589.6
Inventories etc	150.6	143.1	145.4
Current receivables	257.8	283.4	267.4
Cash and bank balances	61.5	10.7	29.1
Total current assets	469.9	437.2	441.9
Total assets	1.042.7	1.046.0	1.031.5
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	429.0	340.6	346.1
Minority interests	0.3	0.4	0.5
Provisions	62.1	55.3	60.4
Long-term liabilities	328.9	425.6	346.8
Current liabilities	222.4	224.1	277.7
Total liabilities	613.4	705.0	684.9
Total shareholders' equity and liabilities	1.042.7	1.046.0	1.031.5
The above liabilities include:			
Interest-bearing liabilities and provisions	396.8	474.3	430.6
Non interest-bearing liabilities and provisions	216.6	230.7	254.3

CONDENSED CONSOLIDATED CASH-FLOW STATEMENTS

SEK M	Q 3 2002	Q 3 2001	Q 1-3 2002	Q 1-3 2001	Full-year 2001
<i>Current operations</i>					
Income before financial items	17.7	16.7	85.2	75.8	111.9
Depreciation and other items not affecting liquidity	13.1	14.3	40.0	42.5	54.9
Net interest income/expenses	-6.8	-12.4	-17.7	-24.2	-31.7
Tax paid	-3.9	-5.4	-20.4	-24.2	-31.8
Cash flow from current operations before changes in working capital	20.1	13.2	87.1	69.9	103.3
Changes in working capital	4.1	-18.5	-39.0	-65.8	-40.3
Cash flow from current operations	24.2	-5.3	48.1	4.1	63.0
Cash flow from investment operations	-11.8	-6.9	-36.6	-16.5	-27.2
Cash flow from financing operations	-54.5	-24.2	21.0 Not 1	-16,8	-45.7
Cash flow for the period	-42.1	-36.4	32.5	-29.2	-9.9
Liquid assets at the beginning of the period	103.6	46.5	29.1	38.5	38.5
Exchange rate difference in liquid assets		0.6	-0.1	1.4	0.5
Liquid assets at end of period	61.5	10.7	61.5	10.7	29.1
Not 1					
New share issue	95.5				
Issue expenses, paid	-15.0				
Repurchase of options and convertibles	-41.4				
Changes in loans	-18.0				
Dividends to minority interests	-0.1				
Total	21.0				

Key Data

	Q 1-3 2002	Q 1-3 2001	Full-year 2001
Gross margin including goodwill amortization, %	35.5	33.6	34.6
EBITDA-margin, %	14.4	13.0	13.2
Operating margin before goodwill amortization (EBITA), %	12.0	10.5	11.0
Operating margin (EBIT) %	10.0	8.5	9.1
Income margin %	8.1	6.3	6.9
Interest coverage ratio, multiple	4.8	3.8	3.7
Debt/equity ratio, multiple	0.9	1.4	1.2
Net debt, including pension provisions, SEK M	335.3	463.6	401.5
Equity/assets ratio %	41.2	32.6	33.6
Average number of employees	816	846	861

Data per share

	Q 3 2002	Q 3 2001	Q 1-3 2002	Q 1-3 2001	Full-year 2001
Earnings per share, SEK	0.80	0.58	4.75	3.92	6.11
Earnings per share, excluding goodwill, SEK	1.34	1.26	6.59	5.91	8.78
Shareholders equity per share, SEK			40.13	38.93	39.55
Dividend per share	0	0	0	0	0
Average number of shares during period, millions	10.69	8.75	9.44	8.75	8.75
Number of shares at end of period, millions*	10.69	8.75	10.69	8.75	8.75

* Adjusted after reverse split

CHANGES IN SHAREHOLDERS' EQUITY

SEK M	30.09.02	30.09.01	31.12.01
Shareholders' equity at beginning of period	346.1	271.4	271.4
Translation differences	-12.0	35.6	20.3
Other	0.0	-0.7	0.9
New issue			
Share capital 1.937.358 shares at SEK 2 per share	3.9		
Ongoing new share issue	0.1		
Share premium reserve	101.1		
Share issue expenses	-10.7		
Repurchase of options and convertible programs	-44.3		
Net income for the period	44.8	34.3	53.5
Shareholders' equity at end of period	429.0	340.6	346.1

NET SALES BY SUBSIDIARY

SEK M	Q 1-3 2002	Q 1-3 2001	Full year 2001
Ballingslöv AB, Sw	356.9	331.9	466.5
JKE Design A/S, Dk	121.7	123.2	169.8
Dansk Formpladeindustri A/S, Dk	97.9	93.9	126.9
Kingfisher Wood Products Ltd, Uk	282.4	340.5	468.5
Retail operations and eliminations	-2.7	-0.7	2.2
Total	856.2	888.8	1.233.9

SALES, INCOME BY MARKET AREA

	Scandinavia		Great Britain		Group		
	Q 1-3 2002	Q 1-3 2001	Q 1-3 2002	Q 1-3 2001	Q 1-3 2002	Q 1-3 2001	Full-year 2001
Net sales, SEK M	573.8	548.3	282.4	340.5	856.2	888.8	1.233.9
Sales growth, %	4.7	11.2	-17.0	21.4	-3.6	14.9	13.6
Operating income before depreciation, SEK M	113.3	91.6	9.9	24.2	123.2	115.8	162.7
EBITDA-margin, %	19.7	16.7	3.5	7.1	14.4	13.0	13.2
Operating income before goodwill amortization, SEK M	97.6	74.0	5.0	19.2	102.6	93.2	135.2
Operating margin before goodwill amortization (EBITA-margin), %	17.0	13.5	1.8	5.6	12.0	10.5	11.0
Operating income, SEK M	86.6	63.0	-1.4	12.8	85.2	75.8	111.9
Operating margin (EBIT-margin), %	15.1	11.5	-0.5	3.8	10.0	8.5	9.1

DEFINITIONS OF KEY FIGURES

Debt/equity ratio

Interest-bearing liabilities divided by shareholders' equity.

Dividend per share

Total dividend paid divided by total number of shares.

Earnings per share

Income after tax divided by the average number of shares.

Earnings per share, excluding goodwill

Income after tax, with reversed goodwill amortisation and amortisation of other intangible fixed assets, divided by the average number of shares.

Equity/assets ratio

Shareholders' equity including minority interests as a percentage of total assets.

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.

Interest coverage ratio

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

Net debt

The net of interest-bearing liabilities and provisions less interest-bearing assets, including liquid assets.

Operating margin (EBIT margin)

Operating profit after depreciation and amortisation as a percentage of net sales for the period.

Operating margin before depreciation and amortisation (EBITDA margin)

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

Operating margin before goodwill amortisation (EBITA margin)

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

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.

Income margin

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

Shareholders' equity per share

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