

# Ballingslöv International AB (publ)

Corporate identity number 556556-2807

## INTERIM REPORT

### January-September 2004

- Net sales increased by appr. 6 percent to SEK 938.6 M (882.0). Organic growth (changes in exchange rates unaccounted) was 7 percent for the group and 9 percent in Scandinavia
- Net income for the period increased by 19 percent to SEK 54.5 M (45.9). Excluding provision for restructuring costs associated to the subsidiary in UK of SEK 5.0 M, net income for the period was SEK 59.4 M
- Net income per share increased by 19 percent to SEK 5.08 (4.28). Excluding provision in the subsidiary in UK, earnings per share was SEK 5.54
- Operating income before goodwill amortization was SEK 111.2 M (102.8) corresponding to an operating margin before goodwill amortization of 11.8 percent (11.7). Provision in UK unaccounted, operating income before goodwill amortization was SEK 116.2 M corresponding to an operating margin before goodwill amortization of 12.4 percent
- Cash flow from current operations increased to SEK 74.0 M (62.4)

	Group						
	Q 3 2004	Q 3 2003	Q 1-3 2004	Q 1-3 2003	Full-year 2003	Full-year 2002	Oct/Sept 2003/2004
Net sales, SEK M	283.0	270.6	938.6	882.0	1 204.5	1 159.6	1 261.1
Operating income before depreciation, SEK M	35.1	29.4	132.8 (137,8)	122.9	168.3	167.1	178.2 (183,2)
EBITDA-margin, %	12.4	10.9	14.1 (14,7)	13.9	14.0	14.4	14.1 (14,5)
Operating income before goodwill amortization, SEK M (EBITA)	27,7 <sup>1)</sup>	22.4	111,2 <sup>1)</sup> (116,2)	102.8	140.0	142.2	148.4 (153,4)
Operating margin before goodwill amortization (EBITA-margin), %	9.8	8.3	11.8 (12,4)	11.7	11.6	12.3	11.8 (12,2)
Operating income, SEK M	20,9 <sup>1)</sup>	17.0	91,0 <sup>1)</sup> (96,0)	86.2	118.1	119.1	122.9 (127,9)
Operating margin (EBIT-margin), %	7.3	6.3	9.7 (10,2)	9.8	9.8	10.3	9.7 (10,1)
Income before taxes, SEK M	17.9	11.5	83.0 (88,0)	72.1	99.6	99.4	110.5 (115,5)
Net income for the period, SEK M	12,4 <sup>1)</sup>	6.3	54,5 <sup>1)</sup> (59,4)	45.9	64.5	64.5	73.1 (78,0)
Earnings per share, SEK	1.16	0.59	5.08 (5,54)	4.28	6.01	6.61	6.81 (7,27)
Earnings per share, excluding goodwill, SEK	1.43	1.09	6.60 (7,05)	5.82	8.05	8.98	8.83 (9,28)

( ) = before reconstruction cost Great Britain

1) = adoption to IAS 19 (compensation to employees) has had a negativ impact on EBITA and EBIT by SEK 2.7 M.

In the third quarter the negativ impact on net income was SEK 1.9 M. Accumulated 2004 the effect is SEK 0.0 M (zero)

## **Markets**

### ***Scandinavia***

The market in Sweden is estimated to have grown compared to last year in new-construction as well as in the renovation segment. Low interest rate and a continuous high level of consumer attention on kitchens and baths are key drivers behind the demand.

The Norwegian and Danish markets are also estimated to have improved over last year.

Organic growth (exchange losses unaccounted) was 9 percent. Operating margin before goodwill amortization was 14.7 percent (14.8). Exchange losses (primarily associated to the decline of NOK) unaccounted, operating margin before goodwill amortization was 15.6 percent

### **Svane Køkkenet**

Ballingslöv group, which acquired Svane, by the end of the first quarter 2004, including brand, franchise concept and all other immaterial rights, will through it's subsidiary Ballingslöv AB in Sweden, supply the Svane retail-chain with all cabinets and doors for all ranges of kitchens and baths offered by Svane. The annual production value of this is estimated to SEK 250 M. Deliveries will commence during the second quarter of 2005.

Ramp-up investments at Ballingslöv AB, including manufacturing capacity, hiring staff, processes improvement etc., progress according to plan.

Ramp-up costs are estimated to SEK 5-10 M of which SEK 1.5 M has been charged to the accounts during the period. The remaining cost is expected to be distributed throughout the last quarter of 2004 and the first two quarters of 2005.

Related to Svane, net profit per share is estimated to have a positive development in 2005.

### ***Great Britain***

The demand in our primary market segment, new production of privately-built single family homes, is estimated to have been unchanged compared to the same period last year.

The improvement program that started in the beginning of the second quarter aiming at cost reduction and increased focus on the primary market segment has made progress according to plan and contributed to improved earnings in the second and third quarter compared to last year

## **Financial accounts**

### ***Net sales and operating margin before goodwill amortization – third quarter***

Consolidated net sales increased during the third quarter by 5 percent to SEK 283.0 M (270.6).

Consolidated operating income before goodwill amortization was SEK 27.7 M (22.4), an increase of 24 percent. Operating margin before goodwill amortization was 9.8 percent (8.3). Excluding a negative IAS-effect of SEK 2.7 M, associated to the subsidiary in UK, the consolidated operating income before goodwill amortization was SEK 30.4 M corresponding to a margin of 10.7 percent.

The Scandinavian operation increased net sales by 4 percent to SEK 202.2 M (193.8). Operating income before goodwill amortization for the Scandinavian operation was SEK 23.2 M (21.0) corresponding to a margin of 11.5 percent (10.8). The result has been impacted by ramp-up costs associated to Svane by approximately SEK 0.5 M

The operating income in UK increased net sales by approximately 5 percent to SEK 80.8 M (76.8). Operating income before goodwill amortization was SEK 4.5 M (1.4) corresponding to an operating margin before goodwill amortization of 5.6 percent (1.8). The adjustment to IAS regarding pension funds unaccounted, operating income before goodwill amortization was SEK 7.2 M corresponding to a margin of 8.9 percent

### ***Net sales and earnings – January - September***

Consolidated net sales for the first 9 months of 2004 was SEK 938.6 M (882.0), an increase of 6 percent. Exchange losses affected net sales by approximately SEK 7 M.

Net sales in Scandinavia was SEK 709.6 M (655.9) and in UK SEK 229.0 M (226.1). Growth is estimated to have been in line with general market development in Scandinavia and UK.

Consolidated operating income before goodwill amortization was SEK 111.2 (102.8) and with provisions related to operations in UK unaccounted, SEK 116.2 M (102.8) Operating margin before goodwill amortization was 11.8 percent (11.7) and with provisions related to operations in UK unaccounted, 12.4 percent (11.7).

Operating income before goodwill amortization for the Scandinavian operation was SEK 104.5 M (97.4) and for the operation in UK SEK 6.7 M (5.4). Provisions for UK unaccounted, operating income before goodwill amortization was SEK 11.7 M (5.4)

Fluctuations in exchange rates have had a negative impact on operating income before goodwill amortization by SEK 7 M.

Income before tax was SEK 83.0 M (72.1), an increase by 15 percent compared to last year. Provision related to operations in UK unaccounted, income before tax was SEK 88.0 M, an increase by 22 percent. Net income was SEK 54.5 M (45.9), an increase by 19 percent compared to last year. Provision related to operations in UK unaccounted, net income was SEK 59.4 M, an increase by 29 percent.

Continuous strong development of sales, product-mix and utilization of manufacturing capacity in Scandinavia as well as group synergies has contribute to the result for the period. Increased costs related to energy and raw materials have had negative impact on the result for the period.

Profit in operations in UK has improved due to positive effects from the cost reduction program initiated in the beginning of April.

### ***Cash flow***

Cash flow from current operations during the period was SEK 74.0 M (62.4). Cash flow from current operations in Scandinavia was SEK 75.6 M (39.1) and SEK -1.6 M (23.3) in UK.

Cash flow is stronger than last year due to improved operating income and improved working capital ratio in operations in Scandinavia

### ***Net investments and depreciation***

Net investment during the period was SEK 30.8 M (31.2). Investments are primarily related to manufacturing equipment at Ballingslöv AB and IT at Kingfisher Wood Products Ltd. Depreciation according to plan of fixed assets was SEK 21.6 ( 20.1) and amortization according to plan of intangible assets was SEK 20.2 M (16.6).

### ***Liquidity and financial position***

At end of the period, Ballingslöv group's liquid assets amounted to SEK 62.3 M, compared with SEK 68.8 M at the beginning of the year. Net debt at the end of the period was SEK 290.4 M, compared with SEK 239.4 M at the beginning of the year. Net debt has been negatively affected during the period by SEK 64.5 M due to adoption to accounting rule RR29 (IAS 19), compensation to employees (for further information see section "accounting principles). Compared with Sept. 30, 2003, net debt has decreased by SEK 1.1 M. Net debt, consequences of RR29 unaccounted, has declined by SEK 65.6 M compared to Sept. 30, 2003

Ballingslöv group's equity/assets ratio was 42.9 percent at the end of the period, compared with 46.1 percent at the beginning of the year. Due to adoption to RR29, equity/debt ratio has been negatively impacted by 4.1 percent.

At the end of the period, available credit and liquid assets amounted to SEK 227.3 M.

### ***Employees***

At the end of the period, Ballingslöv group had 889 employees, an increase of 5 compared to the beginning of the year. Average number of employees during the period was 888 (860)

### ***Parent company***

The parent company conducts no operations of its own and thus reported no net sales for the period. The parent company reported a loss after tax of SEK -2.9 M (-2.4).

### ***The Ballingslöv share***

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

### **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 2003 with the exception for accounting in accordance with RR29 issued by the Swedish Financial Accounting Standards Council Recommendations. Recommendations effected by January 1, 2004 have been fully adopted.

Ballingslöv group has adapted to accounting principles related to RR29 – Compensation to employees. By December 31, 2003, accounted provision for pensions in the group was SEK 33.5 M. Adjustments, in order to adhere with RR29, during first three quarters of 2004, equity has been negatively affected by SEK 42.4 M taken fluctuations of exchange rates and deferred taxes into consideration. Total provision for pensions as of Sept. 30, 2004 was SEK 94.6 M in the group.

Adoption to RR29 has had a negative impact on the result in the third quarter by SEK 2.7 M. Accumulated 2004, the effect on the result after adoption to RR29 is SEK 0.0 M (zero)

Financial consequences following adherence to RR29 are primarily related to the British operation.

Ballingslöv, October 26, 2004

Ballingslöv International AB (publ)

Nils-Erik Danielsson  
CEO and President

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

### **Future reporting dates**

Year-end report for fiscal year 2004

February 11, 2005

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## Interim report Januari-September 2004

### FINANCIAL STATEMENTS

#### CONDENSED CONSOLIDATED INCOME STATEMENT

SEK M	Q 3 2004	Q 3 2003	Q 1-3 2004	Q 1-3 2003	Full-year 2003	Oct/Sept 2003/2004
Net sales	283.0	270.6	938.6	882.0	1 204.5	1 261.1
Cost of goods sold	-183.3	-175.3	-606.1	-569.6	-775.3	-811.8
<b>Gross profit</b>	<b>99.7</b>	<b>95.3</b>	<b>332.5</b>	<b>312.4</b>	<b>429.2</b>	<b>449.3</b>
Selling expenses	-56.4	-59.9	-178.7	-177.4	-243.5	-244.8
Administrative expenses	-19.6	-17.9	-56.9	-47.0	-65.6	-75.5
Other operating income and expenses (including R&D expenses)	-0.1	-0.5	-0.9	-1.8	-2.0	-1.1
Items affecting comparability	-2.7		-5.0			-5.0
<b>Operating income</b>	<b>20.9</b>	<b>17.0</b>	<b>91.0</b>	<b>86.2</b>	<b>118.1</b>	<b>122.9</b>
Interest income and similar income/loss items	0.9	1.2	2.4	3.5	3.1	2.0
Interest expense and similar income/loss items	-3.9	-6.7	-10.4	-17.6	-21.6	-14.4
<b>Income after financial items</b>	<b>17.9</b>	<b>11.5</b>	<b>83.0</b>	<b>72.1</b>	<b>99.6</b>	<b>110.5</b>
Tax on income for the period	-5.5	-5.3	-28.5	-26.3	-35.2	-37.4
Minority shares in net income/loss	0.0	0.1	0.0	0.1	0.1	0.0
<b>Net income for the period</b>	<b>12.4</b>	<b>6.3</b>	<b>54.5</b>	<b>45.9</b>	<b>64.5</b>	<b>73.1</b>
1) Items affecting comparability:						
Effect pensioncost IAS 19	-2.7		0.0			
Provision action program Great Britain			-5.0			-5.0
Earnings per share before and after dilution			5.08	4.28	6.01	6.81
Income was charged with:						
Depreciation of tangible assets amounting to	7.4	7.0	21.6	20.1	28.3	29.8
Amortization of intangible assets amounting to	6.8	5.4	20.2	16.6	21.9	25.5

#### CONDENSED CONSOLIDATED BALANCE SHEETS

SEK M	30.09.04	30.09.03	31.12.03
<b>ASSETS</b>			
Intangible fixed assets	328.4	323.5	321.6
Tangible fixed assets	204.9	217.1	222.4
Financial fixed assets	7.1	3.1	3.8
<b>Total fixed assets</b>	<b>540.4</b>	<b>543.7</b>	<b>547.8</b>
Inventories etc	156.7	151.0	153.2
Current receivables	288.8	280.3	238.3
Cash and bank balances	62.3	41.0	68.8
<b>Total current assets</b>	<b>507.8</b>	<b>472.3</b>	<b>460.3</b>
<b>Total assets</b>	<b>1 048.2</b>	<b>1 016.0</b>	<b>1 008.1</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Shareholders' equity	449.9	440.3	464.4
Minority interests	0.2	0.3	0.2
Provisions	128.0	72.5	83.1
Long-term liabilities	216.4	262.8	233.6
Current liabilities	253.7	240.1	226.8
<b>Total liabilities</b>	<b>598.1</b>	<b>575.4</b>	<b>543.5</b>
<b>Total shareholders' equity and liabilities</b>	<b>1 048.2</b>	<b>1 016.0</b>	<b>1 008.1</b>
The above liabilities include:			
Interest-bearing liabilities and provisions	352.7	332.5	308.2
Non interest-bearing liabilities and provisions	245.4	242.9	235.3
Net debt	290.4	291.5	239.4

## CONDENSED CONSOLIDATED CASH-FLOW STATEMENTS

SEK M	Q 3 2004	Q 3 2003	Q 1-3 2004	Q 1-3 2003	Full-year 2003
<i>Current operations</i>					
Income before financial items	20.9	17.0	91.0	86.2	118.1
Depreciation and other items not affecting liquidity	14.2	13.2	44.8	39.0	55.9
Net interest income/expenses	-4.1	-3.4	-9.4	-10.9	-17.7
Tax paid	-7.5	-4.4	-22.0	-16.0	-25.4
<b>Cash flow from current operations before changes in working capital</b>	<b>23.5</b>	<b>22.4</b>	<b>104.4</b>	<b>98.3</b>	<b>130.9</b>
Changes in working capital	24.8	-11.8	-30.4	-35.9	-2.9
<b>Cash flow from current operations</b>	<b>48.3</b>	<b>10.6</b>	<b>74.0</b>	<b>62.4</b>	<b>128.0</b>
Cash flow from investment operations	-15.4	-5.5	-30.8	-31.2	-43.4
Cash flow from financing operations	-21.3	2.5	-50.6	-63.4	-89.0
<b>Cash flow for the period</b>	<b>11.6</b>	<b>7.6</b>	<b>-7.4</b>	<b>-32.2</b>	<b>-4.4</b>
Liquid assets at the beginning of the period	50.5	33.4	68.8	73.1	73.1
Exchange rate difference in liquid assets	0.2		0.9	0.1	0.1
<b>Liquid assets at end of period</b>	<b>62.3</b>	<b>41.0</b>	<b>62.3</b>	<b>41.0</b>	<b>68.8</b>

## Key Data

	Q 1-3 2004	Q 1-3 2003	Full-year 2003
Gross margin including goodwill amortization, %	35.4 (35,4)	35.4	35.6
EBITDA-margin, %	14.1 (14,7)	13.9	14.0
Operating margin before goodwill amortization (EBITA), %	11.8 (12,4)	11.7	11.6
Operating margin (EBIT) %	9.7 (10,2)	9.8	9.8
Income margin %	8.8 (9,4)	8.2	8.3
Interest coverage ratio, multiple	9.0 (9,5)	5.1	5.6
Debt/equity ratio, multiple	0.8 (0,8)	0.8	0.7
Net debt, including pension provisions, SEK M	290.4	291.5	239.4
Return on capital employed, %			15.3
Return on equity, %			14.2
Equity/assets ratio %	42.9 (43,4)	43.4	46.1
Average number of employees	888	860	868

## Data per share

	Q 3 2004	Q 3 2003	Q 1-3 2004	Q 1-3 2003	Full-year 2003
Earnings per share, SEK	1.16 (1,18)	0.59	5.08 (5,54)	4.28	6.01
Earnings per share, excluding goodwill, SEK	1.43 (1,44)	1.09	6.60 (7,05)	5.82	8.05
Shareholders equity per share, SEK			41.93 (42,39)	41.00	43.28
Dividend per share			2.75	2.50	2.75
Average number of shares during period, millions	10.73	10.73	10.73	10.73	10.73
Number of shares at end of period, millions	10.73	10.73	10.73	10.73	10.73

(Definitions of key figures according to Annual report 2003)

( ) = before reconstruction cost Great Britain

## CHANGES IN SHAREHOLDERS' EQUITY

SEK M	30.09.04	30.09.03	31.12.03
Shareholders' equity at beginning of period	464.4	444.7	444.7
Translation differences	1.9	-23.3	-17.8
Effect pensioncost IAS 19	-41.4		
Dividends	-29.5	-27.0	-27.0
Net income for the period	54.5	45.9	64.5
Shareholders' equity at end of period	<b>449.9</b>	<b>440.3</b>	<b>464.4</b>

## NET SALES BY SUBSIDIARY

SEK M	Q 1-3 2004	Q 1-3 2003	Full-year 2003
Ballingslöv AB, Sv	401.8	376.4	523.0
JKE Design A/S, Dk	156.9	135.7	186.8
Dansk Formpladeindustri A/S, Dk	122.5	110.2	151.1
Kingfisher Wood Products Ltd, Uk	229.0	226.1	302.9
Multiform A/S, Dk	47.8	43.5	56.3
Retail operations and eliminations	-19.4	-9.9	-15.6
Total	<b>938.6</b>	<b>882.0</b>	<b>1 204.5</b>

## SALES, INCOME BY MARKET AREA

	Scandinavia			Great Britain			Group		
	Q 1-3 2004	Q 1-3 2003	Full-year 2003	Q 1-3 2004	Q 1-3 2003	Full-year 2003	Q 1-3 2004	Q 1-3 2003	Full-year 2003
Net sales, SEK M	709.6	655.9	901.6	229.0	226.1	302.9	938.6	882.0	1 204.5
Sales growth, %	8.2	14.3	13.6	1.3	-19.9	-17.2	6.4	3.0	3.9
Operating income before depreciation, SEK M (EBITDA)	121.9	113.2	154.9	10.9 (15,9)	9.7	13.4	132.8 (137,8)	122.9	168.3
EBITDA-margin, %	17.2	17.3	17.2	4.8 (6,9)	4.3	4.4	14.1 (14,7)	13.9	14.0
Operating income before goodwill amortization, SEK M (EBITA)	104.5	97.4	133.0	6.7 (11,7)	5.4	7.0	111.2 (116,2)	102.8	140.0
Operating margin before goodwill amortization (EBITA-margin), %	14.7	14.8	14.8	2.9 (5,1)	2.4	2.3	11.8 (12,4)	11.7	11.6

( ) = before restruction cost Great Britain



NET SALES AND INCOME BY MARKET AREA - QUARTERLY DATA

SEK M	Q 3 2004	Q 2 2004	Q 1 2004	Q 4 2003	Q 3 2003	Q 2 2003	Q 1 2003	Q 4 2002	Q 3 2002	Q 2 2002
<i>Net sales</i>										
Scandinavia	202.2	272.4	235.0	245.7	193.8	246.8	215.3	220.0	164.1	218.9
Great Britain	80.8	79.3	68.9	76.8	76.8	74.5	74.8	83.4	80.6	96.8
<b>Group</b>	<b>283.0</b>	<b>351.7</b>	<b>303.9</b>	<b>322.5</b>	<b>270.6</b>	<b>321.3</b>	<b>290.1</b>	<b>303.4</b>	<b>244.7</b>	<b>315.7</b>
<i>Operating income before amortization of goodwill (EBITA)</i>										
Scandinavia	23.2	48.9	32.4	35.6	21.0	47.6	28.8	34.1	26.4	47.2
Great Britain	4.5	7.5	-5.3 (-0,3)	1.6	1.4	3.9	0.1	5.5	-2.9	3.2
<b>Group</b>	<b>27.7</b>	<b>56.4</b>	<b>27.1 (32,1)</b>	<b>37.2</b>	<b>22.4</b>	<b>51.5</b>	<b>28.9</b>	<b>39.6</b>	<b>23.5</b>	<b>50.4</b>
Great Britain before effects according to IAS 19	7.2	6.2	-6.7 (-1,7)							
<i>Operating income before amortization of goodwill (%)</i>										
Scandinavia	11.5	18.0	13.8	14.5	10.8	19.3	13.4	15.5	16.1	21.6
Great Britain	5.6	9.5	-7.7 (-0,4)	2.1	1.8	5.2	0.1	6.6	-3.6	3.3
<b>Group</b>	<b>9.8</b>	<b>16.0</b>	<b>8.9 (10,6)</b>	<b>11.5</b>	<b>8.3</b>	<b>16.0</b>	<b>10.0</b>	<b>13.1</b>	<b>9.6</b>	<b>16.0</b>
Great Britain before effects according to IAS 19	8.9	7.8	-9.7 (-2,5)							

( ) = before restruction cost Great Britain