

Ballingslöv International AB (publ)

Id number 556556-2807

INTERIM REPORT

January-June 2006

- Net sales increased by 34 percent^{*)} to SEK 1121.6 M (839.9).
- Net income for the period increased by 212 percent to SEK 75.3 M (24.1)
- Earning per share increased by 212 percent to 7.02 (2.25)
- Operating income increased by 119 percent to SEK 116.7 M (53.3) corresponding to an operating margin of 10.4 percent (6.3)
- Cash flow from current operations was SEK 81.8 M (14.2)

	Group					
	Q 2 2006	Q 2 2005	Q 1-2 2006	Q 1-2 2005	Full-year 2005	July/June 2005/2006
Net sales, SEK M	577.0	526.3	1 121.6	839.9	1 870.9	2 152.6
Operating income before depreciation, SEK M (EBITDA)	84.2	42.0	148.9	80.1	204.1	272.9
EBITDA-margin, %	14.6	8.0	13.3	9.5	10.9	12.7
Operating income, SEK M (EBIT)	67.9	23.7	116.7	53.3	151.2	214.6
Operating margin (EBIT-margin), %	11.8	4.5	10.4	6.3	8.1	10.0
Income before taxes, SEK M	63.4	9.8	105.8	37.6	118.0	186.2
Net income for the period, SEK M	45.7	4.7	75.3	24.1	85.4	136.6
Earnings per share, SEK	4.26	0.44	7.02	2.25	7.96	12.73

Note: Costs for cancellation of the Svane project has impacted the result for 2005 (and Jan-June 2005) by the following; SEK 48 M at EBIT, SEK 58 M at result before tax and SEK 43 M at net profit level.

*) The Kvik company was not included in the Group figures during the first quarter 2005

Market areas

Scandinavia

The market in Scandinavia has continued to be strong in both renovation and new construction segment. As pointed out in previous reporting, low interest rates and a continuous strong interest for home interior (kitchens and baths) among consumers is still strong driver in the market.

New product introductions made by several of the Group's brands have had positive feedback from the market.

The continuous drive to develop the distribution channels is ongoing at all subsidiaries according to plan and includes new openings as well renovations of current distributors. In 2005, 40 new establishments were opened and 20 stores went through major renovations. These numbers are estimated to be higher in 2006.

The Danish subsidiary Kvik is running on schedule regarding the establishments in Benelux, currently including 4 stores in the Netherlands and 2 in Belgium

Great Britain

The demand in our primary segment, new construction of single family homes, is continue to be weak. Estimates made by major house builders (i.e. customers) indicate a gradual improvement of market conditions by the end of the year

Order value per kitchen has increased because white goods and installation has become a more significant portion of total contracts with customers

Financial accounts

Net sales and income – second quarter

Consolidated net sales increased by 10 percent to SEK 577.0 M (526.3) Organic growth was approximately 9 percent.

Consolidated operational income was SEK 67.9 M (23.7), an increase with 186 percent. Operating margin was 11.8 percent (4.5)

Net sales in Scandinavia increased by 15 percent to SEK 500.3 M (436.4). Organic growth was 14 percent.

Operating income in Scandinavia was SEK 62.4 M (17.4) an increase by 259 percent corresponding to an operating margin of 12.5 percent (4.0 percent).

In Great Britain sales were down by 15 percent to SEK 76.7 (89.9). Operating income was SEK 5.5 M (6.3) corresponding to a margin of 7.2 percent (7.0).

Net sales and income – January - June

Consolidated net sales increased by 34 percent to SEK 1121.6 M (839.9). Organic growth was approximately 14 percent based on the Group's current holdings.

Consolidated operational income was SEK 116.7 M (53.3). Operating margin was 10.4 percent (6.3).

Net sales in Scandinavia increased by 43 percent to SEK 962.3 M (674.5). Organic growth was 17 percent.

Operating income in Scandinavia was SEK 107.6 M (44.5) corresponding to an operating margin of 11.2 percent (6.6).

Net sales in Great Britain was SEK 159.3 M (165.4), a decrease of 3.7 percent

Operating income in Great Britain was SEK 9.1 M (8.8) corresponding to an operating margin of 5.7 percent (5.3).

Income in the Scandinavian operation has been positively influenced by the increase in sales and a high level of supply chain utilization as well as capitalization of group synergies including effective purchasing of direct and indirect supply. Increased rates of electricity/fuel, marketing and development of the distribution network have had a negative impact on income.

In Great Britain, in spite of a minor decrease in sales, income has been stable due to continuous successful rationalizations.

Income before tax was SEK 105.8 M (37.6) and increase of 181 percent. Net income was SEK 75.3 M (24.1) an increase of 212 percent.

Cash flow

Group cash flow from operations during the period was SEK 81.8 M (14.2) of which the Scandinavian operation contributed with SEK 72.1 M (3.8) and operation in Great Britain with SEK 9.7 M (10.4).

Cash flow in Scandinavia has improved due to an improved income and less working capital.

Net investments and depreciation

The Group's net investment during the period was SEK 35.6 M (392.0). Depreciation according to plan regarding tangible fixed assets amounted to SEK 25.9 M (22.1). Amortization of intangible assets was SEK 6.3 M (4.7).

Liquidity and financial position

At the end of the period, the Group's liquid assets amounted to SEK 122.9 M compared with SEK 146.0 M at the beginning of the year. Net debt at the end of the period was SEK 742.8 M compared with SEK 762.1 M at the beginning of the year. Net debt has decreased by SEK 10.8 M during the second quarter.

The consolidated equity/assets ratio was 31.7 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 265.0 M at the end of the period.

Employees

At the end of the period, Ballingslöv had 1147 employees an increase by 1 compared to the beginning of the year. Average number of employees during period was 1136 (1119).

Henrik Ljung has been recruited for a position as CFO for the group. Henrik's current position is CFO at Sardus (publ). He will join Ballingslöv Group in October.

Parent company

The parent company conducts no operations of its own and thus reported no net sales during the period. The Parent Company reported a loss after tax of SEK -1.1 M (-16.3).

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 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 has 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

Ballingslöv, Aug. 16, 2006

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

Interim report; January-September 2006

October 25, 2005

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

Interim report January-June 2006

FINANCIAL STATEMENTS CONDENSED CONSOLIDATED INCOME STATEMENT

SEK M	Q 2 2006	Q 2 2005	Q 1-2 2006	Q 1-2 2005	Full-year 2005	July/June 2005/2006
Net sales	577.0	526.3	1 121.6	839.9	1 870.9	2 152.6
Cost of goods sold	-360.3	-359.1	-711.1	-568.2	-1 226.4	-1 369.3
Gross profit	216.7	167.2	410.5	271.7	644.5	783.3
Selling expenses	-110.2	-107.6	-223.2	-165.0	-369.8	-428.0
Administrative expenses	-35.0	-40.1	-66.0	-57.6	-121.8	-130.2
Other operating income and expenses (including R&D expenses)	-3.6	4.2	-4.6	4.1	-1.7	-10.4
Items affecting comparability ¹⁾				0.1	0.0	-0.1
Operating income	67.9	23.7	116.7	53.3	151.2	214.6
Interest income and similar income/loss items	3.8	3.7	6.5	4.6	6.9	8.8
Interest expense and similar income/loss items	-8.3	-17.6	-17.4	-20.3	-40.1	-37.2
Income after financial items	63.4	9.8	105.8	37.6	118.0	186.2
Tax on income for the period	-17.7	-5.1	-30.5	-13.5	-32.6	-49.6
Net income for the period	45.7	4.7	75.3	24.1	85.4	136.6
1) Items affecting comparability: Effect pensioncost IAS 19/RR 29				0.1		-0.1
Earnings per share	4.26	0.44	7.02	2.25	7.96	12.73
Income was charged with:						
Depreciation of tangible assets amounting to	13.2	14.9	25.9	22.1	41.4	45.2
Amortization of intangible assets amounting to	3.1	3.4	6.3	4.7	11.5	13.1

CONDENSED CONSOLIDATED BALANCE SHEETS

SEK M	30.06.06	30.06.05	31.12.05
ASSETS			
Intangible fixed assets	759.3	762.4	769.3
Tangible fixed assets	400.5	379.7	394.5
Financial fixed assets	39.6	10.9	30.6
Total fixed assets	1 199.4	1 153.0	1 194.4
Inventories etc	204.6	213.3	202.6
Current receivables	367.0	406.0	296.0
Cash and bank balances	122.9	67.1	146.0
Total current assets	694.5	686.4	644.6
Total assets	1 893.9	1 839.4	1 839.0
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	600.4	497.3	566.5
Minority interests	0.2	0.1	0.1
Provisions	224.6	204.4	228.4
Long-term liabilities	739.4	776.7	777.5
Current liabilities	329.3	360.9	266.5
Total liabilities	1 293.3	1 342.0	1 272.4
Total shareholders' equity and liabilities	1 893.9	1 839.4	1 839.0
The above liabilities include:			
Interest-bearing liabilities and provisions	865.7	904.7	908.1
Non interest-bearing liabilities and provisions	427.6	437.3	364.3
Net debt	742.8	837.6	762.1

CONDENSED CONSOLIDATED CASH-FLOW STATEMENTS

SEK M	Q 2 2006	Q 2 2005	Q 1-2 2006	Q 1-2 2005	Full-year 2005
<i>Current operations</i>					
Income before financial items	67.9	23.7	116.7	53.3	151.2
Depreciation and other items not affecting liquidity	14.7	33.6	31.9	44.9	98.5
Net interest income/expenses	-5.2	-3.3	-7.8	-6.9	-16.5
Tax paid	-30.6	-9.3	-41.3	-17.4	-58.6
Cash flow from current operations before changes in working capital	46.8	44.7	99.5	73.9	174.6
Changes in working capital	6.0	-18.1	-17.7	-59.7	-36.6
Cash flow from current operations	52.8	26.6	81.8	14.2	138.0
Cash flow from investment operations	-15.7	-355.1	-35.6	-392.0	-398.5
Cash flow from financing operations	-64.8	358.5	-70.2	380.5	340.7 ¹⁾
Cash flow for the period	-27.7	30.0	-24.0	2.7	80.2
Liquid assets at the beginning of the period	149.7	38.4	146.0	65.7	65.7
Exchange rate difference in liquid assets	0.9	-1.3	0.9	-1.3	0.1
Liquid assets at end of period	122.9	67.1	122.9	67.1	146.0

1) Cash flow from financing operations

Dividend, parent company:			-37.5	-34.8	-34.8
Additional purchase price, Kvik			-31.2		
Dividend, acquired company (anticipated in the acquisition):				-22.5	-22.8
Change of loan:				404.5	401.4
Increased utilization of bank overdraft facility:				20.3	1.3
Decreased utilization of bank overdraft facility:				-3.6	-4.8
Acquired liquid assets:				17.8	
Other:			-1.5	-1.2	0.4
			-70.2	380.5	340.7

Key Data

	Q 1-2 2006	Q 1-2 2005	Full-year 2005
Gross margin including goodwill amortization, %	36.6	32.3	34.4
EBITDA-margin, %	13.3	9.5	10.9
Operating margin (EBIT) %	10.4	6.3	8.1
Income margin %	9.4	4.5	6.3
Interest coverage ratio, multiple	7.1	2.9	3.9
Debt/equity ratio, multiple	1.4	1.8	1.6
Net debt, including pension provisions, SEK M	742.8	837.6	762.1
Return on capital employed, %			12.3
Return on equity, %			16.3
Equity/assets ratio %	31.7	27.0	30.8
Average number of employees	1 136	1 119	1 125

Data per share

	Q 2 2006	Q 2 2005	Q 1-2 2006	Q 1-2 2005	Full-year 2005
Earnings per share, SEK	4.26	0.44	7.02	2.25	7.96
Shareholders equity per share, SEK			55.97	46.36	52.81
Dividend per share					3.50
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 2005)

CHANGES IN SHAREHOLDERS' EQUITY

SEK M	30.06.06	30.06.05	31.12.05
Shareholders' equity at beginning of period	566.6	496.0	493.4
Translation differences/currency differences	-10.1	10.2	40.8
Pensions			-8.9
Hedging of net investment	6.1		-9.2
Dividends	-37.5	-34.8	-34.9
Minority interests	0.2	1.9	0.1
Net income for the period	75.3	24.1	85.4
Shareholders' equity at end of period	600.6	497.4	566.6

SALES, INCOME BY MARKET AREA

	Scandinavia			Great Britain			Group		
	Q 1-2 2006	Q 1-2 2005	Full-year 2005	Q 1-2 2006	Q 1-2 2005	Full-year 2005	Q 1-2 2006	Q 1-2 2005	Full-year 2005
Net sales, SEK M	962.3	674.5	1 539.3	159.3	165.4	331.6	1 121.6	839.9	1 870.9
Sales growth, %	42.7	32.9	57.2	-3.7	11.6	4.0	33.5	28.1	44.1
Operating income before depreciation, SEK M (EBITDA)	134.8	66.5	181.0	14.1	13.6	23.1	148.9	80.1	204.1
EBITDA-margin, %	14.0	9.9	11.8	8.9	8.2	7.0	13.3	9.5	10.9
Operating income, SEK M (EBIT)	107.6	44.5	138.1	9.1	8.8	13.1	116.7	53.3	151.2
Operating margin (EBIT-margin), %	11.2	6.6	9.0	5.7	5.3	4.0	10.4	6.3	8.1

NET SALES AND INCOME BY MARKET AREA - QUARTERLY DATA

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