

Ballingslöv International AB (publ)

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INTERIM REPORT

January-September 2006

- Net sales increased by 25 percent*) to SEK 1 641.9 M (1 312.7)
- Net income for the period increased by 96 percent to SEK 101.5 M (51.9).
- Earning per share increased by 96 percent to SEK 9.46 (4.84).
- Operating income increased by 70 percent to SEK 160.7 M (94.8) corresponding to an operating margin of 9.8 percent (7.2)
- Cash flow from current operation was SEK 116.7 M (102.2)

	Group					
	Q 3 2006	Q 3 2005	Q 1-3 2006	Q 1-3 2005	Full-year 2005	Oct/Sept 2005/2006
Net sales, SEK M	520.3	472.8	1 641.9	1 312.7	1 870.9	2 200.1
Operating income before depreciation, SEK M (EBITDA)	61.0	55.0	209.9	135.1	204.1	278.9
EBITDA-margin, %	11.7	11.6	12.8	10.3	10.9	12.7
Operating income, SEK M (EBIT)	44.0	41.5	160.7	94.8	151.2	217.1
Operating margin (EBIT-margin), %	8.5	8.8	9.8	7.2	8.1	9.9
Income before taxes, SEK M	36.1	37.8	141.9	75.4	118.0	184.5
Net income for the period, SEK M	26.2	27.8	101.5	51.9	85.4	135.0
Earnings per share, SEK	2.44	2.59	9.46	4.84	7.96	12.58

Note: Cost for termination of Svane Kökkenet has impacted last year interim and annual report by SEK 48 M at ebit level, SEK 59 M before tax and SEK 43 M at net profit level.

*Kvik was not part of the group in Q1 2005

Market Areas

Scandinavia

The market in Sweden is estimated have continued strong in the third quarter in the new construction segment as well as in the renovation segment. The unusual nice weather in July had a slightly negative impact on customer visits to retailers and sales in July.

The initiative to develop the distribution channels, including new openings of retailers as well as up-grades of current, is running according to plan in all subsidiaries. During 2006, an estimated 50 new establishment and 35 major up-grades has been accomplished.

The Danish subsidiary Kvik is progressing according to plan on its establishments of retailer in Netherlands and Belgium. By the end of 2006 there will be 7 retailers in Netherlands and 2 in Belgium.

Great Britain

The demand in our primary segment, new construction of single family homes, is continue to be weak.

The order value (per kitchen) has increased as the product mix includes relatively more white goods and installation services.

Financial accounts

Net sales and operating income – third quarter 2006

Consolidated net sales during the period increased by 10 percent to SEK 520.3 M (472.8). Organic growth was approximately 11 percent.

The Group's operating income for the period was SEK 44.0 M (41.5), an increase by 6 percent. Operating margin was 8.5 percent (8.8).

Net sales in Scandinavia increased by 15 percent to SEK 450.2 M (390.4). Organic growth was approximately 17 percent.

Operating income in Scandinavia was SEK 40.8 M (36.3) and increase of 12 percent and corresponding to an operating margin of 9.1 percent (9.3).

In UK net sales decreased by approximately 15 percent to SEK 70.1 M (82.4). Operating income was SEK 3.2 M (5.2) corresponding to an operating margin of 4.6 percent (6.3).

Net sales and operating income – First nine months 2006

Consolidated net sales during the period increased by 25 percent to SEK 1 641.9 M (1 312.7). Organic growth was approximately 13 percent based on Ballingslöv Group's current portfolio of subsidiaries.

The Group's operating income for the period was SEK 160.7 M (94.8). Operating margin was 9.8 percent (7.2).

Net sales in Scandinavia was SEK 1 412.5 M (1 064.9) an increase of 33 percent. Organic growth was approximately 17 percent based on Ballingslöv Group's current portfolio of subsidiaries.

Operating income in Scandinavia was SEK 148.4 M (80.8) corresponding to an operating margin of 10.5 percent (7.6).

In UK net sales was SEK 229.4 M (247.8) a decrease of 7 percent.

Operating income in UK was SEK 12.3 M (14.0) corresponding to a margin of 5.4 percent (5.6)

Like in previous periods, the result in the Scandinavia operation has been positively impacted by high utilization and the continuous strive for group coordination and synergies. Coordination of direct material provides the bulk of the financial benefits from group coordination but also coordination of indirect purchases are contributing. Spending on marketing, sales and development of distribution channels is generally slightly higher than last year.

Operation in UK has, in spite of less sales, maintained its margin due to continuous rationalizations.

Income before tax was SEK 141.9 (75.4), an increase of 88 percent. Net income was SEK 101.5 (51.9) an increase of 96 percent.

Cash flow

Group cash flow from operations during the period was SEK 116.7 M (102.2) of which the Scandinavian operation contributed with SEK 106.0 M (74.8) and operation in Great Britain with SEK 10.7 M (27.4).

Cash flow in Scandinavia has improved due to improved income. In UK, cash flow for the equivalent period last year was impacted by reduction of capital tied in operation (accounts receivable in particular). In 2006 the level has been stabilized.

Net investments and depreciation

The Group's net investments during the period were SEK 48.6 M (407.4). Depreciation according to plan regarding tangible fixed assets amounted to SEK 39.8 M (32.2). Amortization of intangible assets was SEK 9.4 M (8.1).

Liquidity and financial position

At the end of the period, the Group's liquid assets amounted to SEK 152.6 M compared with SEK 146.0 M at the beginning of the year. Net debt at the end of the period was SEK 730.9 M compared with SEK 762.1 M at the beginning of the year. Net liability has decreased by SEK 11.9 M during the third quarter.

The consolidated equity/assets ratio was 32.5 percent at the end of the period, compared with 30.8 percent at the beginning of the year and 27.0 percent by mid year.

Available credits and liquid assets amounted to SEK 293 M at the end of the period.

Employees

At the end of the period, Ballingslöv had 1 175 employees an increase by 29 compared to the beginning of the year. Average number of employees during period was 1 142 (1 120).

Henrik Ljung has been appointed CFO effective October 1, 2006. Henrik Ljung has previous experience as CFO at Sardus (publ)

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 -6.9 M (-14.3).

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 have 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, October 25, 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

Year-End statement 2006

February 12, 2007

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Interim report January-September 2006

FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED INCOME STATEMENT

SEK M	Q 3 2006	Q 3 2005	Q 1-3 2006	Q 1-3 2005	Full-year 2005	Oct/Sept 2005/2006
Net sales	520.3	472.8	1 641.9	1 312.7	1 870.9	2 200.1
Cost of goods sold	-334.7	-300.5	-1 045.8	-868.7	-1 226.4	-1 403.5
Gross profit	185.6	172.3	596.1	444.0	644.5	796.6
Selling expenses	-112.3	-99.3	-335.5	-264.3	-369.8	-441.0
Administrative expenses	-32.4	-32.9	-98.4	-90.5	-121.8	-129.7
Other operating income and expenses (including R&D expenses)	3.1	1.4	-1.5	5.6	-1.7	-8.8
Operating income	44.0	41.5	160.7	94.8	151.2	217.1
Interest income and similar income/loss items	1.8	3.6	8.3	8.2	6.9	7.0
Interest expense and similar income/loss items	-9.7	-7.3	-27.1	-27.6	-40.1	-39.6
Income after financial items	36.1	37.8	141.9	75.4	118.0	184.5
Tax on income for the period	-9.9	-10.0	-40.4	-23.5	-32.6	-49.5
Net income for the period	26.2	27.8	101.5	51.9	85.4	135.0
Earnings per share	2.44	2.59	9.46	4.84	7.96	12.58
Income was charged with:						
Depreciation of tangible assets amounting to	13.9	10.1	39.8	32.2	41.4	49.0
Amortization of intangible assets amounting to	3.1	3.4	9.4	8.1	11.5	12.8

CONDENSED CONSOLIDATED BALANCE SHEETS

SEK M	30.09.06	30.09.05	31.12.05
ASSETS			
Intangible fixed assets	759.7	755.6	769.3
Tangible fixed assets	400.4	360.7	394.5
Financial fixed assets	41.3	9.7	30.6
Total fixed assets	1 201.4	1 126.0	1 194.4
Inventories etc	203.2	212.8	202.6
Current receivables	384.3	356.0	296.0
Cash and bank balances	152.6	120.3	146.0
Total current assets	740.1	689.1	644.6
Total assets	1 941.5	1 815.1	1 839.0
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	630.4	519.2	566.5
Minority interests	0.3	0.3	0.1
Provisions	226.2	201.9	228.4
Long-term liabilities	745.3	761.9	777.5
Current liabilities	339.3	331.8	266.5
Total liabilities	1 310.8	1 295.6	1 272.4
Total shareholders' equity and liabilities	1 941.5	1 815.1	1 839.0
The above liabilities include:			
Interest-bearing liabilities and provisions	883.5	876.5	908.1
Non interest-bearing liabilities and provisions	427.3	419.1	364.3
Net debt	730.9	756.2	762.1

CONDENSED CONSOLIDATED CASH-FLOW STATEMENTS

SEK M	Q 3 2006	Q 3 2005	Q 1-3 2006	Q 1-3 2005	Full-year 2005
<i>Current operations</i>					
Income before financial items	44.0	41.5	160.7	94.8	151.2
Depreciation and other items not affecting liquidity	17.1	12.3	49.0	57.2	98.5
Net interest income/expenses	-2.6	-5.5	-10.4	-12.4	-16.5
Tax paid	-12.5	-7.9	-53.8	-25.3	-58.6
Cash flow from current operations before changes in working capital	46.0	40.4	145.5	114.3	174.6
Changes in working capital	-11.1	47.6	-28.8	-12.1	-36.6
Cash flow from current operations	34.9	88.0	116.7	102.2	138.0
Cash flow from investment operations	-13.0	-15.4	-48.6	-407.4	-398.5
Cash flow from financing operations	10.4	-20.0	-59.8	360.5	340.7¹⁾
Cash flow for the period	32.3	52.6	8.3	55.3	80.2
Liquid assets at the beginning of the period	122.9	67.1	146.0	65.7	65.7
Exchange rate difference in liquid assets	-2.6	0.6	-1.7	-0.7	0.1
Liquid assets at end of period	152.6	120.3	152.6	120.3	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:				398.5	401.4
Increased utilization of bank overdraft facility:				11.8	1.3
Decreased utilization of bank overdraft facility:				-4.8	-4.8
Acquired liquid assets:				17.8	
Other:			8.9	-5.5	0.4
			-59.8	360.5	340.7

Key Data

	Q 1-3 2006	Q 1-3 2005	Full-year 2005
Gross margin including goodwill amortization, %	36.3	33.8	34.4
EBITDA-margin, %	12.8	10.3	10.9
Operating margin (EBIT) %	9.8	7.2	8.1
Income margin %	8.6	5.7	6.3
Interest coverage ratio, multiple	6.2	3.7	3.9
Debt/equity ratio, multiple	1.4	1.7	1.6
Net debt, including pension provisions, SEK M	730.9	756.2	762.1
Return on capital employed, %			12.3
Return on equity, %			16.3
Equity/assets ratio %	32.5	28.6	30.8
Average number of employees	1 142	1 120	1125

Data per share

	Q 3 2006	Q 3 2005	Q 1-3 2006	Q 1-3 2005	Full-year 2005
Earnings per share, SEK	2.44	2.59	9.46	4.84	7.96
Shareholders equity per share, SEK			58.78	48.42	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	30.09.06	30.09.05	31.12.05
Shareholders' equity at beginning of period	566.6	496.0	493.4
Translation differences/currency differences	-7.0	6.1	40.8
Pensions			-8.9
Hedging of net investment	6.8		-9.2
Dividends	-37.5	-34.8	-34.9
Minority interests	0.3	0.3	0.1
Net income for the period	101.5	51.9	85.4
Shareholders' equity at end of period	630.7	519.5	566.6

SALES, INCOME BY MARKET AREA

	Scandinavia			Great Britain			Group		
	Q 1-3 2006	Q 1-3 2005	Full-year 2005	Q 1-3 2006	Q 1-3 2005	Full-year 2005	Q 1-3 2006	Q 1-3 2005	Full-year 2005
Net sales, SEK M	1 412.5	1 064.9	1 539.3	229.4	247.8	331.6	1 641.9	1 312.7	1 870.9
Sales growth, %	32.6	50.1	57.2	-7.4	8.2	4.0	25.1	39.9	44.1
Operating income before depreciation, SEK M (EBITDA)	190.0	113.7	181.0	19.9	21.4	23.1	209.9	135.1	204.1
EBITDA-margin, %	13.5	10.7	11.8	8.7	8.6	7.0	12.8	10.3	10.9
Operating income, SEK M (EBIT)	148.4	80.8	138.1	12.3	14.0	13.1	160.7	94.8	151.2
Operating margin (EBIT-margin), %	10.5	7.6	9.0	5.4	5.6	4.0	9.8	7.2	8.1

NET SALES AND INCOME BY MARKET AREA - QUARTERLY DATA

SEK M	Q 3 2006	Q 2 2006	Q 1 2006	Q 4 2005	Q 3 2005	Q 2 2005	Q 1 2005
<i>Net sales</i>							
Scandinavia	450.2	500.3	462.0	474.4	390.4	436.4	238.1
Great Britain	70.1	76.7	82.6	83.8	82.4	89.9	75.5
Group	520.3	577.0	544.6	558.2	472.8	526.3	313.6
<i>Operating income (EBIT)</i>							
Scandinavia	40.8	62.4	45.2	57.3	36.3	17.4	27.1
Great Britain	3.2	5.5	3.6	-0.9	5.2	6.3	2.5
Group	44.0	67.9	48.8	56.4	41.5	23.7	29.6
<i>Operating margin (EBIT) (%)</i>							
Scandinavia	9.1	12.5	9.8	12.1	9.3	4.0	11.4
Great Britain	4.6	7.2	4.4	-1.1	6.3	7.0	3.3
Group	8.5	11.8	9.0	10.1	8.8	4.5	9.4