

# Ballingslöv International AB (publ)

## Interim report, January – June 2002

- Net sales increased by 0.5% to SEK 611.5 M (608.2).
- Operating income before amortization of goodwill increased by 12.0% to SEK 79.1 M (70.6), corresponding to an operating margin before goodwill amortization of 12.9% (11.6).
- Profit before tax rose by 19.5% to SEK 55.7 M (46.6).
- Net income for the period amounted to SEK 36.3 M (29.2), an increase of 24.3%.
- Cash flow from current operations amounted to SEK 23.9 M (9.4).
- The market during the period is estimated to have been slightly weaker, compared with the corresponding six months of 2001.
- The Ballingslöv share was listed on the O-list of Stockholmsbörsen (Stockholm Exchange) on June 19, 2002.

	Scandinavia		Great Britain		Group		
	Q 1-2 2002	Q 1-2 2001	Q 1-2 2002	Q 1-2 2001	Q 1-2 2002	Q 1-2 2001	Full-year 2001
Net sales, SEK M	409.7	388.4	201.8	219.8	611.5	608.2	1 233.9
Sales growth, %	5.5	11.6	-8.2	13.4	0.5	12.2	13.6
Operating income before depreciation, SEK M	81.8	68.1	11.2	17.6	93.0	85.7	162.7
EBITDA-margin, %	20.0	17.5	5.6	8.0	15.2	14.1	13.2
Operating income before goodwill amortization, SEK M	71.2	56.3	7.9	14.3	79.1	70.6	135.2
Operating margin before goodwill amortization (EBITA-margin), %	17.4	14.5	3.9	6.5	12.9	11.6	11.0
Operating income, SEK M	63.8	49.0	3.7	10.1	67.5	59.1	111.9
Operating margin (EBIT-margin), %	15.6	12.6	1.8	4.6	11.0	9.7	9.1

### Significant events during the period

In February 2002, the Board of Directors decided that a listing process should be started with the aim of listing the company on Stockholmsbörsen before the end of June 2002.

On May 14, 2002, following the listing process, which had progressed according to plan, Stockholmsbörsen's Listing Committee approved the company's application for a listing on the O-list.

Ballingslöv's listing attracted major interest and the basic offering was subscribed more than six times.

The company's share was listed on the O-list of Stockholmsbörsen on June 19, 2002. The share is traded under the symbol "BALL."

## **Market**

### ***Scandinavia***

In the RRE segment, the Swedish market was on a par with the preceding year, or slightly weaker. The new-construction market also remained at the same level as in the corresponding period of 2001.

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 first half of 2001.

### ***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 houses, which is Ballingslöv's primary market segment.

## **President's comments**

Ballingslöv continued to develop favourably in Scandinavia during the first half of 2002. Organic growth in this area amounted to 5.5%, which should be slightly better than the market development in general. The new product range has been well received by the market and have consolidated our market positions.

In Great Britain, the development was less favourable than expected and our invoicing fell with 8.2%. Order intake in the British activities increased during the autumn 2001 more than available production capacity. This caused delivery problems in own production as well as with sub-suppliers during late autumn 2001 – spring 2002. The delivery problems have affected the demand negatively. Measures are underway to improve delivery service and increase demand.

Notable measures being introduced in Great Britain include:

- Strengthened market organisation and installation operations since mid-year.
- Number of household appliances suppliers reduced from around 10 to just a couple.
- New IT system under implementation, scheduled to be ready during second half of this year.

Organic growth for the Group as a whole was 0.5%.

Operating income before goodwill amortization in the Group rose by 12.0%.

## Financial accounts

### **Net sales**

Consolidated net sales during the period amounted to SEK 611.5 M (608.2), an increase of 0.5%, compared with the corresponding period during the preceding year. Exchange rate effects were marginal.

Net sales in Scandinavia amounted to SEK 409.7 M (388.4) and in Great Britain SEK 201.8 M (219.8). The sales development is estimated to have been slightly higher than the market in Scandinavia and slightly below the market trend in Great Britain.

### **Income**

The Group's operating income before amortization of goodwill during the period amounted to SEK 79.1 M (70.6), up 12.0% on the corresponding period of 2001. Operating income before amortization of goodwill in Scandinavia totalled SEK 71.2 M (56.3) and in Great Britain SEK 7.9 M (14.3).

Income before tax for the period amounted to SEK 55.7 M (46.6), an increase of 19.5%, compared with the corresponding period of the preceding year. Net income during the period totalled SEK 36.3 M (29.2), an increase of 24.3% compared with the corresponding six months of 2001.

### **Cash flow**

Group cash flow from current operations during the period amounted to SEK 23.9 M (9.4). Cash flow from current operations in Scandinavia amounted to SEK 23.1 M (10.2) and to SEK 0.8 M (-0.8) from operations in Great Britain. The change in cash flow from current operations was mainly due to the increase in operating income.

### **Net investments and depreciation**

The Group's net investments during the period amounted to SEK 24.8 M (9.6). These investments related primarily to surface-coating equipment and a new drilling line at Ballingslöv AB. Planned depreciation amounted to SEK 13.9 M (15.1). Amortization of goodwill and brands according to plan was charged against earnings in an amount of SEK 11.6 M (11.5).

### **Liquidity and financial position**

On June 30, 2002, the Group's liquid funds amounted to SEK 103.6 M, compared with SEK 29.1 M on January 1. The increase was mainly due the new share issue that took place in conjunction with the listing. Net debt at the end of the period amounted to SEK 333.6 M, compared with SEK 401.5 M on January 1.

The consolidated equity/assets ratio was 37.1% on June 30, compared with 33.6% at the beginning of the year.

### **The Ballingslöv share**

On June 30, 2002, 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 4.3 M (loss: 8.9).

### **Personnel**

On June 30, 2002, Ballingslöv had 823 employees, a decrease of nine persons since the beginning of the year. The average number of employees during the period was 815 (843).

***Future prospects***

The market trend for the remainder of the current year is difficult to assess. The negative stock-market climate could have a certain adverse impact on general propensity to consume and thus on our products as well. On the other hand, positive demand-influencing factors include the low level of unemployment and interest rates and the continued high price of housing.

***Accounting principles***

This interim report was prepared in accordance with recommendation RR 20 (Interim Reports) issued by the Swedish Financial Accounting Standards Council. The accounting and valuation principles are unchanged compared to the annual report 2001. The recommendations that were issued on January 1, 2002 by the Swedish Accounting Standards Council have not resulted in any change of accounting principles.

Ballingslöv, August 27, 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***

Interim report, January – September 2002  
Year-end report for fiscal year 2002  
Annual Report for fiscal year 2002  
Annual General Meeting

November 15, 2002  
February 2003  
March 2003  
April 2003

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## Interim report Januari - June 2002

**FINANCIAL STATEMENTS****CONDENSED CONSOLIDATED INCOME STATEMENTS**

SEK M	Q 2 2002	Q 2 2001	Q 1-2 2002	Q 1-2 2001	Full-year 2001
Net sales	315.7	326.1	611.5	608.2	1 233.9
Cost of goods sold	-195.7	-203.3	-393.1	-399.8	-806.8
<b>Gross profit</b>	<b>120.0</b>	<b>122.8</b>	<b>218.4</b>	<b>208.4</b>	<b>427.1</b>
Selling expenses	-62.5	-68.3	-119.2	-119.4	-248.7
Administrative expenses	-14.2	-12.8	-31.4	-29.3	-64.9
Other operating income and expenses (including R&D expenses)	1.3	-0.3	-0.3	-0.6	-1.6
<b>Operating income</b>	<b>44.6</b>	<b>41.4</b>	<b>67.5</b>	<b>59.1</b>	<b>111.9</b>
Interest income and similar income/loss items	1.8	0.2	1.9	0.3	4.8
Interest expense and similar income/loss items	-6.3	-6.5	-13.7	-12.8	-31.8
<b>Income after financial items</b>	<b>40.1</b>	<b>35.1</b>	<b>55.7</b>	<b>46.6</b>	<b>84.9</b>
Tax on income for the period	-12.9	-12.2	-19.4	-17.2	-31.2
Minority shares in net income/loss	0.1	-0.1	0.0	-0.2	-0.2
<b>Net income for the period</b>	<b>27.3</b>	<b>22.8</b>	<b>36.3</b>	<b>29.2</b>	<b>53.5</b>
<i>Income was charged with:</i>					
Depreciation of tangible assets amounting to	6.1	7.6	13.9	15.1	27.5
Amortization of intangible assets amounting to	5.8	5.9	11.6	11.5	23.3

**CONDENSED CONSOLIDATED BALANCE SHEETS**

SEK M	30.06.02	30.06.01	31.12.01
<b>Assets</b>			
Intangible fixed assets	363.9	401.4	390.0
Tangible fixed assets	199.8	191.5	197.6
Financial fixed assets	1.6	3.8	2.0
<b>Total fixed assets</b>	<b>565.3</b>	<b>596.7</b>	<b>589.6</b>
Inventories etc.	147.7	139.0	145.4
Current receivables	299.8	263.6	267.4
Cash and bank balances	103.6	46.5	29.1
<b>Total current assets</b>	<b>551.1</b>	<b>449.1</b>	<b>441.9</b>
<b>Total assets</b>	<b>1 116.4</b>	<b>1 045.8</b>	<b>1 031.5</b>
<b>Shareholders' equity and liabilities</b>			
<b>Shareholders' equity</b>	<b>413.4</b>	<b>322.4</b>	<b>346.1</b>
Minority interests	0.4	0.5	0.5
Provisions	61.1	57.2	60.4
Long-term liabilities	352.1	382.9	346.8
Current liabilities	289.4	282.8	277.7
<b>Total liabilities</b>	<b>702.6</b>	<b>722.9</b>	<b>684.9</b>
<b>Total shareholders' equity and liabilities</b>	<b>1 116.4</b>	<b>1 045.8</b>	<b>1 031.5</b>
<i>The above liabilities include:</i>			
Interest-bearing liabilities and provisions	437.2	482.9	430.6
Noninterest-bearing liabilities and provisions	265.4	240.0	254.3

## CONDENSED CONSOLIDATED CASH-FLOW STATEMENTS

SEK M	Q 2 2002	Q 2 2001	Q 1-2 2002	Q 1-2 2001	Full-year 2001
<i>Current operations</i>					
Income before financial items	44.6	41.4	67.5	59.1	111.9
Depreciation and other items not affecting liquidity	12.4	14.1	26.9	28.2	54.9
Net interest income/expense	-2	-3.5	-10.9	-11.8	-31.7
Tax paid	-7.3	-9.9	-16.5	-18.8	-31.8
<b>Cash flow from current operations before changes in working capital</b>	<b>47.7</b>	<b>42.1</b>	<b>67.0</b>	<b>56.7</b>	<b>103.3</b>
<b>Changes in working capital</b>	<b>-14.8</b>	<b>-10.3</b>	<b>-43.1</b>	<b>-47.3</b>	<b>-40.3</b>
<b>Cash flow from current operations</b>	<b>32.9</b>	<b>31.8</b>	<b>23.9</b>	<b>9.4</b>	<b>63.0</b>
<b>Cash flow from investment operations</b>	<b>-13.4</b>	<b>-6.5</b>	<b>-24.8</b>	<b>-9.6</b>	<b>-27.2</b>
<b>Cash flow from financing operations</b>	<b>69.2</b>	<b>-0.5</b>	<b>75.5</b> <sup>Not 1</sup>	<b>7.4</b>	<b>-45.7</b>
<b>Cash flow for the period</b>	<b>88.7</b>	<b>24.8</b>	<b>74.6</b>	<b>7.2</b>	<b>-9.9</b>
Liquid assets at the beginning of the period	14.9	21.2	29.1	38.5	38.5
Exchange-rate difference in liquid assets		0.5	-0.1	0.8	0.5
<b>Liquid assets at end of period</b>	<b>103.6</b>	<b>46.5</b>	<b>103.6</b>	<b>46.5</b>	<b>29.1</b>

Not 1	New share issue	95.5
	Issue expenses, paid	-7.2
	Repurchase of options and convertibles	-41.4
	Changes in loans	28.7
	Dividends to minority interests	-0.1
	<b>Total</b>	<b>75.5</b>

## Key Data

	Q 1-2 2002	Q 1-2 2001	Full-Year 2001
Gross margin including goodwill amortization, %	35.7	34.3	34.6
EBITDA-margin, %	15.2	14.1	13.2
Operating margin before goodwill amortization (EBITA), %	12.9	11.6	11.0
Operating margin (EBIT), %	11.0	9.7	9.1
Income margin, %	9.1	7.7	6.9
Interest coverage ratio, multiple	5.1	4.6	3.7
Debt/equity ratio, multiple	1.1	1.5	1.2
Net debt, including pension provisions, SEK M	333.6	436.4	401.5
Equity/assets ratio, %	37.1	30.9	33.6
Average number of employees	815	843	861

## DATA PER SHARE

	Q 2 2002	Q 2 2001	Q 1-2 2002	Q 1-2 2001	Full-year 2001
Earnings per share, SEK	3.08	2.57	4.12	3.32	6.11
Earnings per share, excluding goodwill, SEK	3.74	3.24	5.44	4.62	8.78
Shareholders equity per share, SEK			38.68	36.85	39.55
Dividend per share	0	0	0	0	0
Average number of shares during period, millions	8.86	8.75	8.80	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	30.06.02	30.06.01	31.12.01
Shareholders' equity at beginning of period	346.1	271.4	271.4
Translation differences	-19.1	22.0	20.3
Other	0	-0.2	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	36.3	29.2	53.5
Shareholders' equity at end of period	413.4	322.4	346.1

# NET SALES BY SUBSIDIARY

SEK M	Q 1-2 2002	Q 1-2 2001	Full year 2001
Ballingslöv AB	257.4	237.8	466.5
JKE	85.4	84.1	169.8
DFI	68.4	66.5	126.9
KWP	201.8	219.8	468.5
Retail operations and eliminations	-1.5	0	2.2
<b>Total</b>	<b>611.5</b>	<b>608.2</b>	<b>1 233.9</b>

## **DEFINITIONS OF KEY FIGURES**

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### **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 amortization and amortization 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 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 as a percentage of net sales for the period.

### **Operating margin before depreciation and amortization (EBITDA margin)**

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

### **Operating margin before goodwill amortization (EBITA margin)**

Operating profit after depreciation, excluding goodwill amortization and amortization 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 amortization and amortization 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.