

# Ballingslöv International AB (publ)

ID number 556556-2807

## INTERIM REPORT

### Third quarter 2007 (Q 3)

- Net sales increased by 33 percent<sup>\*)</sup> to SEK 693.6 M (520.3). Organic growth was 17 percent based on the Group's current structure
- Net income for the period increased by 68 percent to SEK 44.0 M (26.2)
- Earnings per share increased by 68 percent and amounted to 4.10 (2.44)
- Operating income increased by 60 percent to SEK 70.3 M (44.0) corresponding to an operating margin of 10.1 percent (8.5)
- Cash flow from current operations amounted to SEK 76.5 M (34.9)

### January-September 2007

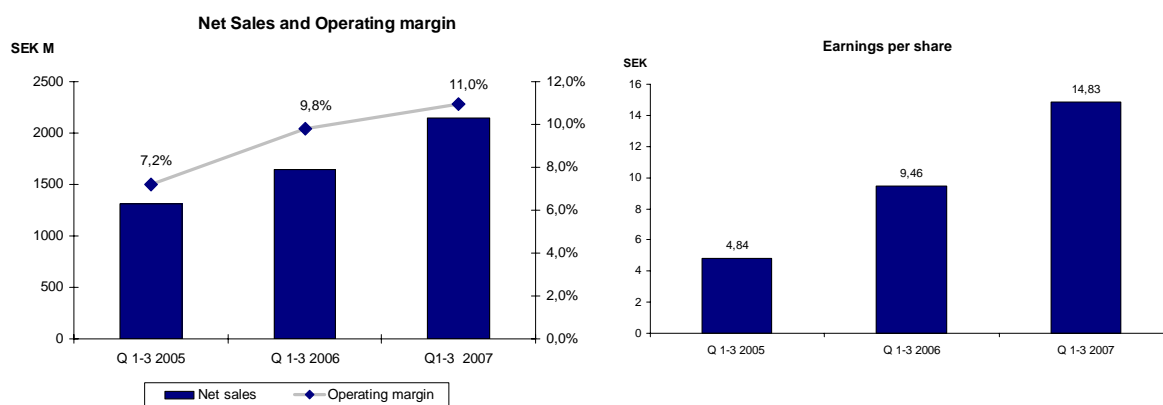
- Net sales increased by 31 percent<sup>\*)</sup> to SEK 2 143.5 M (1 641.9). Organic growth was 15 percent based on the Group's current structure
- Net income for the period increased by 57 percent to SEK 159.1 M (101.5)
- Earnings per share increased by 57 percent and amounted to 14.83 (9.46)
- Operating income increased by 46 percent to SEK 235.2 M (160.7) corresponding to an operating margin of 11.0 percent (9.8)
- Cash flow from current operations amounted to SEK 167.7 M (112.7)

\*)

Geisler A/S was consolidated in the Group as from November 2006.  
3BO A/S was consolidated in the Group as from January 2007

## Ballingslöv Group in summary

	Q 3 2007	Q 3 2006	Q 1-3 2007	Q 1-3 2006	Full year 2006	Oct/Sept 2006/2007
Net sales, SEK M	693.6	520.3	2 143.5	1 641.9	2 274.1	2 775.7
Operating income before depreciation, SEK M (EBITDA)	93.5	61.0	301.9	209.9	296.0	388.0
EBITDA-margin, %	13.5	11.7	14.1	12.8	13.0	14.0
Operating income, SEK M (EBIT)	70.3	44.0	235.2	160.7	229.9	304.4
Operating margin (EBIT-margin), %	10.1	8.5	11.0	9.8	10.1	11.0
Income before taxes, SEK M	60.0	36.1	202.3	141.9	202.2	262.6
Net income for the period, SEK M	44.0	26.2	159.1	101.5	144.7	202.3
Earnings per share, SEK	4.10	2.44	14.83	9.46	13.49	18.86



## Market Areas

### ***Nordic Region***

The market for the nine month period has continued to show stable growth, while during the third quarter especially for the new construction segment in Sweden and Denmark has shown somewhat weaker development. Continuing strong economic growth during the period with low interest rate, increased employment combined with strong interest in designed kitchen, bathrooms and storage have been important factors to support the demand.

Growth in the flat-pack segment has continued to be strong.

The growth of the distribution network continues according to plan in all subsidiaries and among others Kvik will open 19 new shops during 2007 and renovate 11 shops. Ballingslöv AB has during September opened three new concept shops (Jönköping, Bromma, Lund) and has now 34 concept shops in Sweden.

### ***UK***

The demand in our market segment, new construction of privately built small homes, has roughly been stable.

Our British company continues with its positive development and has strengthened its market position.

### ***Group integration - acquired companies***

#### Worktops

The integration between the worktop companies dfi and Geisler, - Geisler was acquired November 2006 -, continues according to plan. The work with brand related matters, the joint product range and sales promotion material is finalized and will be launched during the fourth quarter 2007. Reallocation of production between the factories is also finalized and will mean both rationalization in production and improved customer service. Joint organization for sales and administration has, for a while, been in force. At the year end 2007/2008 the two companies will be merged into one company.

Worktop products have been more and more important components in the kitchen, because of new materials and new designs that continuously are launched. The product area is expected to continue its good growth.

#### Storage products

3BO A/S was acquired in the beginning of January 2007. 3 BO develops, manufactures and distributes sliding-door wardrobes and shower walls. Sales and distributions take place through kitchen shops and builders merchants primarily in the Scandinavian market.

The integration of 3BO in the Group has proceeded in a satisfactory way and the synergies are expected to materialize according to plans e.g. on the income side through distribution of 3BOs products via the Group's existing distribution system in Sweden, Denmark and Norway.

## Financial accounts

### **Net sales and operating income third quarter**

Net sales increased during the third quarter by 33 percent to SEK 693.6 M (520.3). Organic growth was approximately 17 percent based on the Group's current structure.

Operating income was SEK 70.3 M (44.0) an increase by 60 percent. Operating margin was 10.1 percent (8.5).

Net sales in the Nordic region increased by 33 percent to SEK 601.0 M (450.2). The organic growth was approximately 15 percent.<sup>1)</sup>

Operating income in the Nordic region was SEK 63.3 M (40.8), an increase by 55 percent corresponding to an operating margin of 10.5 percent (9.1). Operating income in the Nordic region has been positively affected by the sales growth, Group integration, work with integration, rationalization and high utilization of production capabilities. The income has been negatively affected by higher raw material prices and start-up costs related to new shops.

Net sales in UK increased during the third quarter by 32 percent to SEK 92.6 M (70.1). Operating income amounted to SEK 7.0 M (3.2) corresponding to an operating margin of 7.6 percent (4.6). Improved productivity, competitive delivery precision and strengthened sales work and sales organization have positively affected sales and income.

<sup>1)</sup> Net sales and operating income from other Europe are included in the Nordic region by SEK 14.5 M (9.9) and SEK 0.3 M (-1.6).

### **Net sales and income January-September**

Net sales during the period was SEK 2 143.5 M (1 641.9) an increase by 31 percent. Organic growth was approximately 15 percent based on the Group's current structure.

Operating income was SEK 235.2 M (160.7) an increase by 46 percent. Operating margin was 11.0 percent (9.8).

Income before tax for the period was SEK 202.3 M (141.9), an increase by 43 percent compared to the same period last year. Net income for the period was SEK 159.1 M (101.5), an increase by 57 percent compared to the same period last year. The net income after tax has been positively effected by changed corporate income tax in Denmark. The tax rate is changed from 28 percent to 25 percent with effect from 1 January 2007. The effect on the net income after tax as a one off item amounted to SEK 7.7 M, booked in the second quarter.

Net sales in Nordic region increased by 34 percent to SEK 1 886.5 M (1 412.5). The organic growth was approximately 16 percent.<sup>2)</sup>

Operating income in Nordic region was SEK 217.9 M (148.4), an increase by 47 percent corresponding to an operating margin of 11.6 percent (10.5). Operating income in the Nordic region has been positively affected by the sales growth, Group integration, rationalization and high utilization of production capabilities. The income has been affected negatively by higher raw material prices, start-up costs related to new shops and changes in currency.

Net sales in UK increased by 12 percent to SEK 257.0 M (229.4). Operating income was SEK 17.3 M (12.3), an increase by 41 percent and corresponding to an operating margin of 6.7 percent (5.4). Improved productivity, stable and competitive delivery precision and strengthened sales work and sales organization have positively affected sales and income.

<sup>2)</sup> Net sales and operating income from other Europe are included in the Nordic region by SEK 49.3 M (23.3) and SEK -3.0 M (-4.5). Operating income has been affected by different start-up costs related to new shops, marketing etc.

**Cash flow**

The cash flow from operations during the period was SEK 167.7 M (112.7). Cash flow from the Nordic region was SEK 169.1 M (102.0) and in UK SEK -1.4 M (10.7). In UK the cash flow has been affected by increased working capital related to higher sales.

**Net investments and depreciation**

The net investments during the period amounted to SEK 201.0 M (48.6) whereof for the acquisition of 3BO SEK 130.3 M and tangible fixed assets SEK 65.4 M (49.6). Depreciation according to plan regarding tangible fixed assets amounted to SEK 48.8 M (39.8). Amortization of intangible assets amounted to SEK 17.9 M (9.4) whereof amortization of intangible assets related to acquisitions amounted to SEK 12.0 M (4.7).

**Liquidity and financial position**

At the end of period, the Group's liquid assets amounted to SEK 198.2 M, compared to SEK 273.6 M at the beginning of the year. Net debt included provisions for pensions amounted to SEK 956.8 M, compared to 847.4 M at the beginning of the year. During the nine month period the net debt has increased by SEK 109.4 M.

The consolidated equity/assets ratio was 31.4 percent at the end of the period, compared to SEK 30.0 percent at the beginning of the year.

Available credit facilities and liquid assets amounted to SEK 531 M at the end of the period.

**Employees**

The Group had 1 505 employees at the end of the period, an increase by 123 persons compared to the beginning of the year whereof 68 employees from acquired companies. Average number of employees during the period was 1 476 (1 142).

**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 profit after tax of SEK 73.2 M (60.7).

**The Ballingslöv share**

At the end of the period, the number of outstanding shares amounted to 10.725.758. The average number of shares during the period was 10.725.758 (10.525.758). 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 and revised IFRS-principles adopted by EU in force from 1 January 2007 have no significant impact on the Group's account.

**Risk and related factors**

The Group and the parent company's risks and related factors include risks associated with the business in the form of raw material price risks, product risks, insurance risks and legal risks. In addition there are other financial risks such as financing risks, liquidity risks, interest risks, currency risks, credit and counterparty risks.

A detailed description of the Group's financial risk management is provided in Ballingslöv International's Annual Report for 2006 (pages 48-50, Note 3)

Ballingslöv October 24, 2007

**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 Statement: January - December 2007

February 8, 2008

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## Interim report January-September 2007

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

SEK M	Q 3 2007	Q 3 2006	Q 1-3 2007	Q 1-3 2006	Full year 2006	Oct/sept 2006/2007
Net sales	693.6	520.3	2 143.5	1 641.9	2 274.1	2 775.7
Cost of goods sold	-456.4	-334.7	-1 385.1	-1 045.8	-1 450.1	-1 789.4
<b>Gross profit</b>	<b>237.2</b>	<b>185.6</b>	<b>758.4</b>	<b>596.1</b>	<b>824.0</b>	<b>986.3</b>
Selling expenses	-123.0	-112.3	-394.2	-335.5	-458.3	-517.0
Administrative expenses	-43.4	-32.4	-125.5	-98.4	-131.9	-159.0
Other operating income and expenses (including R&D expenses)	-0.5	3.1	-3.5	-1.5	-3.9	-5.9
<b>Operating income</b>	<b>70.3</b>	<b>44.0</b>	<b>235.2</b>	<b>160.7</b>	<b>229.9</b>	<b>304.4</b>
Interest income and similar income/loss items	3.8	1.8	9.3	8.3	11.3	12.3
Interest expense and similar income/loss items	-14.1	-9.7	-42.2	-27.1	-39.0	-54.1
<b>Income after financial items</b>	<b>60.0</b>	<b>36.1</b>	<b>202.3</b>	<b>141.9</b>	<b>202.2</b>	<b>262.6</b>
Taxes	-16.0	-9.9	-43.2	-40.4	-57.5	-60.3
<b>Net income for the period</b>	<b>44.0</b>	<b>26.2</b>	<b>159.1</b>	<b>101.5</b>	<b>144.7</b>	<b>202.3</b>
Earnings per share	4.10	2.44	14.83	9.46	13.49	18.86
Income was charged with:						
Depreciation of tangible assets amounting to	16.5	13.9	48.8	39.8	51.0	60.0
Amortization of intangible assets amounting to	6.7	3.1	17.9	9.4	15.1	23.6
whereof from acquisitions	4.6	1.6	12.0	4.7	8.4	15.7

**CONDENSED CONSOLIDATED BALANCE SHEETS**

SEK M	30.09.07	30.09.06	31.12.06
<b>ASSETS</b>			
Intangible fixed assets	1 041.7	759.7	890.1
Tangible fixed assets	500.8	400.4	476.8
Financial fixed assets	36.7	41.3	33.8
<b>Total fixed assets</b>	<b>1 579.2</b>	<b>1 201.4</b>	<b>1 400.7</b>
Inventories etc	255.9	203.2	219.4
Current receivables	438.0	384.3	297.9
Cash and bank balances	198.2	152.6	273.6
<b>Total current assets</b>	<b>892.1</b>	<b>740.1</b>	<b>790.9</b>
<b>Total assets</b>	<b>2 471.3</b>	<b>1 941.5</b>	<b>2 191.6</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Shareholders' equity	776.9	630.4	658.0
Minority interests	0.1	0.3	0.1
Provisions	221.8	226.2	214.8
Long-term liabilities	1 046.1	745.3	949.9
Current liabilities	426.4	339.3	368.8
<b>Total liabilities</b>	<b>1 694.3</b>	<b>1 310.8</b>	<b>1 533.5</b>
<b>Total shareholders' equity and liabilities</b>	<b>2 471.3</b>	<b>1 941.5</b>	<b>2 191.6</b>
The above liabilities include:			
Interest-bearing liabilities and provisions	1 155.0	883.5	1 121.0
Non interest-bearing liabilities and provisions	539.3	427.3	412.5
Net debt	956.8	730.9	847.4

## CONDENSED CONSOLIDATED CASH-FLOW STATEMENTS

SEK M	Q 3 2007	Q 3 2006	Q 1-3 2007	Q 1-3 2006	Full year 2006
<i>Current operations</i>					
Income before financial items	70.3	44.0	235.2	160.7	229.9
Depreciation and other items not affecting liquidity	21.6	17.2	63.5	49.0	50.1
Net interest income/expenses	-12.0	-2.7	-27.4	-14.4	-22.8
Tax paid	-8.9	-12.5	-34.5	-53.8	-58.8
Cash flow from current operations before changes in working capital	<b>71.0</b>	<b>46.0</b>	<b>236.8</b>	<b>141.5</b>	<b>198.4</b>
Changes in working capital	<b>5.5</b>	<b>-11.1</b>	<b>-69.1</b>	<b>-28.8</b>	<b>60.3</b>
Cash flow from current operations	<b>76.5</b>	<b>34.9</b>	<b>167.7</b>	<b>112.7</b>	<b>258.7</b>
Cash flow from investment operations	<b>-17.8</b>	<b>-13.0</b>	<b>-201.0</b>	<b>-48.6</b>	<b>-279.5</b>
Cash flow from financing operations <sup>1)</sup>	<b>-37.2</b>	<b>10.3</b>	<b>-43.0</b>	<b>-55.8</b>	<b>147.9</b>
Cash flow for the period	<b>21.5</b>	<b>32.2</b>	<b>-76.3</b>	<b>8.3</b>	<b>127.1</b>
Liquid assets at the beginning of the period	178.1	122.9	273.6	146.0	146.0
Exchange rate difference in liquid assets	-1.4	-2.5	0.9	-1.7	0.5
Liquid assets at end of period	<b>198.2</b>	<b>152.6</b>	<b>198.2</b>	<b>152.6</b>	<b>273.6</b>

## 1) Cash flow from financing operations

Dividend, parent company:			-48.3	-37.5	-37.5
Additional purchase price, Kvik:			-27.5	-27.2	-27.2
Dividend, acquired company (anticipated in the acquisition):					
Change of loan:			32.8		213.9
Increased utilization of bank overdraft facility:				8.9	
Decreased utilization of bank overdraft facility:					-1.3
			<b>-43.0</b>	<b>-55.8</b>	<b>147.9</b>

## Key Data

	Q 1-3 2007	Q 1-3 2006	Full year 2006
Gross margin including goodwill amortization, %	35.4	36.3	36.2
EBITDA-margin, %	14.1	12.8	13.0
Operating margin (EBIT) %	11.0	9.8	10.1
Income margin % (before tax)	9.4	8.6	8.9
Interest coverage ratio, multiple	5.8	6.2	6.2
Debt/equity ratio, multiple	1.5	1.4	1.7
Net debt, including pension provisions, SEK M	956.8	730.9	847.5
Return on capital employed, %			15.6
Return on equity, %			23.7
Equity/assets ratio %	31.4	32.5	30.0
Average number of employees	1 476	1 142	1 187

## Data per share

	Q 3 2007	Q 3 2006	Q 1-3 2007	Q 1-3 2006	Full year 2006
Earnings per share, SEK	4.10	2.44	14.83	9.46	13.49
Shareholders equity per share, SEK					61.33
Dividend per share					4.50
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



## CHANGES IN SHAREHOLDERS' EQUITY

SEK M	30.09.07	30.09.06	31.12.06
Shareholders' equity at beginning of period	658.1	566.6	566.6
Translation differences/currency differences	17.2	-7.0	-36.8
Pensions			9.1
Hedging of net investment	-9.1	6.8	12.0
Dividends	-48.3	-37.5	-37.5
Minority interests		0.3	
Net income for the period	159.1	101.5	144.7
Shareholders' equity at end of period	<b>777.0</b>	<b>630.7</b>	<b>658.1</b>

## SALES, INCOME BY MARKET AREA

	Nordic			Great Britain			Group		
	Q 1-3 2007	Q 1-3 2006	Full year 2006	Q 1-3 2007	Q 1-3 2006	Full year 2006	Q 1-3 2007	Q 1-3 2006	Full year 2006
Net sales, SEK M	1 886.5	1 412.5	1 980.4	257.0	229.4	293.7	2 143.5	1 641.9	2 274.1
Sales growth, %	33.6	32.6	28.7	12.0	-7.4	-11.4	30.5	25.1	21.6
Operating income before depreciation, SEK M (EBITDA)	277.2	190.0	272.6	24.7	19.9	23.4	301.9	209.9	296.0
EBITDA-margin, %	14.7	13.5	13.8	9.6	8.7	8.0	14.1	12.8	13.0
Operating income, SEK M (EBIT)	217.9	148.4	216.6	17.3	12.3	13.3	235.2	160.7	229.9
Operating margin (EBIT-margin), %	11.6	10.5	10.9	6.7	5.4	4.5	11.0	9.8	10.1

## NET SALES AND INCOME BY MARKET AREA - QUARTERLY DATA

SEK M	Q 3 2007	Q 2 2007	Q 1 2007	Q 4 2006	Q 3 2006	Q 2 2006	Q 1 2006
<i>Net sales</i>							
Nordic	601.0	662.3	623.2	567.9	450.2	500.3	462.0
Great Britain	92.6	90.8	73.6	64.3	70.1	76.7	82.6
Group	<b>693.6</b>	<b>753.1</b>	<b>696.8</b>	<b>632.2</b>	<b>520.3</b>	<b>577.0</b>	<b>544.6</b>
<i>Operating income (EBIT)</i>							
Nordic	63.3	85.5	69.1	68.2	40.8	62.4	45.2
Great Britain	7.0	7.7	2.6	1.0	3.2	5.5	3.6
Group	<b>70.3</b>	<b>93.2</b>	<b>71.7</b>	<b>69.2</b>	<b>44.0</b>	<b>67.9</b>	<b>48.8</b>
<i>Operating margin</i>							
Nordic	10.5	12.9	11.1	12.0	9.1	12.5	9.8
Great Britain	7.6	8.5	3.5	1.6	4.6	7.2	4.4
Group	<b>10.1</b>	<b>12.4</b>	<b>10.3</b>	<b>10.9</b>	<b>8.5</b>	<b>11.8</b>	<b>9.0</b>

## PARENT COMPANY CONDENSED INCOME STATEMENT

Mkr	Q 3 2007	Q 3 2006	Q 1-3 2007	Q 1-3 2006	Full year 2006
Administrative expenses	-1.9	-2.1	-6.6	-5.2	-3.0
Operating income	<b>-1.9</b>	<b>-2.1</b>	<b>-6.6</b>	<b>-5.2</b>	<b>-3.0</b>
Profit/loss from shares in Group companies	19.5		104.4	67.6	101.5
Interest income and similar income/loss items	0.2	-1.4	0.3	7.9	19.2
Interest expense and similar income/loss items	-4.2	-4.6	-37.0	-12.3	-18.0
Income after financial items	<b>13.6</b>	<b>-8.1</b>	<b>61.1</b>	<b>58.0</b>	<b>99.7</b>
Year-end allocations					71.1
Taxes	1.6	2.3	12.1	2.7	-30.8
Net income for the period	<b>15.2</b>	<b>-5.8</b>	<b>73.2</b>	<b>60.7</b>	<b>140.0</b>

## PARENT COMPANY CONDENSED BALANCE SHEETS

Mkr	30.09.07	30.09.06	31.12.06
<b>ASSETS</b>			
Tangible fixed assets	0.2		
Financial fixed assets	1 171.7	879.9	1 041.4
Total fixed assets	<b>1 171.9</b>	<b>879.9</b>	<b>1 041.4</b>
Current receivables	20.8	35.2	0.1
Receivables from Group companies	47.7	78.4	143.3
Cash and bank balances	34.0	15.4	84.5
Total current assets	<b>102.5</b>	<b>129.0</b>	<b>227.9</b>
Total assets	<b>1 274.4</b>	<b>1 008.9</b>	<b>1 269.3</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Shareholders' equity	<b>546.4</b>	<b>443.9</b>	<b>522.1</b>
Minority interests	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Untaxed reserves		71.2	
Long-term liabilities	717.6	483.4	670.4
Current liabilities	10.4	10.4	76.8
Total liabilities	<b>728.0</b>	<b>565.0</b>	<b>747.2</b>
Total shareholders' equity and liabilities	<b>1 274.4</b>	<b>1 008.9</b>	<b>1 269.3</b>