

Press release

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The Danske Trælast Group retained profit level in stagnant market

The Danske Trælast Group, the largest retailer and distributor of building materials in the Nordic Region, generated 2003 turnover of DKK 15.1 billion and posted an operating profit of DKK 699 million before amortisation of goodwill and costs related to the change of owners. Adjusted for losses on the sale of real property, this is the Group's best results ever. In spite of intensified price competition and the resulting fall in margins, the Group was able to increase its gross profit and reach yet another record-high cash flow.

Group CEO satisfied with performance

"Overall, we are satisfied with our performance, in view of the market conditions," comments Danske Trælast's President & CEO, Steen Weirsøe. "With the wisdom of hindsight, we realise that we were too optimistic when we set our expectations for the activity level at the beginning of the year. Unfortunately, the market was flat with a low activity level in the building sector. Not least for that reason, I am pleased with the efficiency measures we have implemented. They have helped us outperform the market in general and ensure that we will see a sharp increase in earnings when the building markets improve. Moreover, we saw our constant focus on optimising capital employment bear fruit."

Unfavourable market conditions

At the beginning of the year, the Group forecast market growth of approximately 3% in the Nordic region. However, this forecast was not met, as the estimated market growth was only 1-2%, with the lowest growth in Sweden. The four Nordic countries saw a major downturn in non-residential building activity, whereas residential building projects and the market for repair and maintenance improved. Management believes, that the Group is retaining its approximately 10% share of the Nordic market.

Including sales in new, acquired and closed stores, the Group achieved sales growth in all countries except for Sweden, where the building market declined.

The Group succeeded in increasing gross profit in spite of the unfavourable market conditions. This was achieved through a change in the customer mix, as the Group's sales to consumers increased, while wholesale turnover from sales to industry and retailers declined. Furthermore, the Group is now beginning to see the results of the strengthening of the buying function at division level as well as at Group level.

Record-breaking performance in several divisions

Profit before amortisation of goodwill and interest (EBITA) was DKK 699 million in 2003 compared with DKK 713 million in 2002, when profit on the sale of real property, etc. was DKK 19 million higher. This represents a DKK 5 million increase adjusted for property sales. Profit accounted for 4.7% of turnover, corresponding to the forecast at the beginning of the year of 4.6%-4.9%. The special costs related to the Group's change of owners are not included in the results.

The divisions DDT Detail and Starkki have seen a steady increase in profits in recent years, and 2003 was a year of record-high results in Starkki. Beijer Byggmaterial reaped the fruits of recent years' hard work and new initiatives and reported its best results ever – even in a year of falling turnover. Neumann Bygg enjoyed the effects of efficiency improvements, and the Norwegian division is already now meeting the performance targets for 2005. Following its record-high performance in 2002, Silvan reported slightly lower results in 2003, primarily due to the performance in Sweden, but still the results were the second-best ever. Wholesale was affected by the continuing major restructuring of the division, which had an adverse effect on performance, which was also affected by the weak market conditions in the furniture industry. Irrespective of this, the profit of the Wholesale Division was on a level with the previous year.

Record-high cash flow

The year 2003 also saw the effect of the Group's focus on reducing adjusted capital employed feed through to the divisions. The effect was convincing: the free cash flow before acquisitions and interest outperformed the 2002 record of DKK 0.9 billion and reached DKK 1.0 billion, which exceeded all our expectations. All divisions generated good cash flows.

Change of financial year

The Group has changed its financial year. The figures above are unaudited figures for the 2003 calendar year, and the financial year is now being changed to run from 1 February to 31 January. The printed annual report for the thirteen months to 31 January 2004 will be released in Q2 2004.

Focus on efficiency, Nordic buying and growth

The Danske Trælast Group is successfully continuing the efforts under the previously announced 2002+ Group strategy. In recent years, the main focus has been on enhancing efficiency and closing down unprofitable operations. The implementation of the three efficiency plans for staff efficiency, cost efficiency and capital efficiency have led to clear improvements. A number of the efforts made in 2003 to improve efficiency will have further effect on profit in 2004. Furthermore, efforts to enhance buying and increase growth will be strengthened as announced in our press release dated 17 February 2004.

About Danske Trælast

The DT Group is the largest retailer and distributor of building materials in the Nordic region. The Group has approximately 7,000 employees, and the 225 outlets focus on sales and distribution to a broad customer base ranging from large, international contractors via skilled craftsmen and consumers to retailers and industry. The activities are organised in three main fields: Builders' merchants (DDT Detail, Starkki, Beijer Byggmaterial and Neumann Bygg), DIY stores (Silvan and Cheapy) and wholesale activities. Consolidated annual turnover is DKK 15 billion. Danske Trælast was delisted from the Copenhagen Stock Exchange in the summer of 2003 following a takeover by a number of equity funds managed by UK-based CVC Capital Partners.

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Summary consolidated financial information is attached to this press release.

Summary consolidated financial information

Summary profit and loss account

DKKkm	2003	2002
Turnover	15,090	14,878
Gross profit	3,739	3,663
EBITA	699	713
Gross margin	24.8%	24.6%
EBITA margin	4.6%	4.8%

Highlights by division

DKKkm	Stores	Turnover		
	Year-end 2003	2003	2002	Growth
DDT Detail	78	5,700	5,456	4.5%
Starkki	17	3,004	2,874	4.5%
Beijer Byggmaterial	51	2,692	2,737	(1.6)%
Neumann Bygg	9	651	658	(1.1)%
Silvan	48	1,917	1,846	3.8%
Wholesale	11	1,069	1,535	(30.3)%
Other and elimination	11	57	(228)	
Total Danske Træløst	225	15,090	14,878	1.4%

DKKkm	Profit *)				Adjusted capital employed			
	2003	2002	Change	2003 profit in % of turnover	2003	2002	Change	2003 profit in % of adjusted capital employed
DDT Detail	286	280	6	5,0%	732	839	-107	39%
Starkki	131	122	9	4,4%	160	178	-18	82%
Beijer Byggmaterial	82	79	3	3,0%	295	376	-81	28%
Neumann Bygg	23	19	4	3,6%	73	87	-14	30%
Silvan	100	117	-17	5,2%	283	307	-24	35%
Wholesale	32	33	-1	3,0%	211	267	-56	15%
Property gains, etc.	-5	14	-19					
Other and elimination	50	49	1		50	69	-19	
Total Danske Træløst	699	713	-14	4,6%	1.804	2.123	-319	33%

*For the divisions: adjusted operating profit. For the Group: profit before amortisation of goodwill and interest (EBITA) Definitions are stated in the Group's Annual Report 2002.