BONG

HALF-YEARLY REPORT JANUARY-JUNE 1999
for
BONG LJUNGDAHL AB

- **NORDIC MARKET LEADERSHIP NOW ESTABLISHED**
- **TURNOVER INCREASED BY 20 %**
- **STRUCTURAL MEASURES GIVE CONTINUED HEALTHY PROFIT GROWTH**
- **PROFIT AFTER NET FINANCIAL ITEMS INCREASED TO SKr 44 MILLION (15)**
- **EARNINGS PER SHARE AFTER TAX: SKr 4.80 (1.65)**

THE MARKET

As was reported for the first quarter, conditions on the Group's main markets remained generally relatively favourable during the second quarter. In Sweden, which is the Group's largest individual market, a high level of activity and firm demand were the main features. On the other Nordic markets, demand was stable, with minor variations, although the competitive situation in Denmark and Norway intensified as a result of stepped-up activity by international competitors.

Through the acquisition of the Finnish operation, the position as Nordic market leader has now been established and the focus of the Group is now directed towards further expansion in the rest of Europe.

From a European perspective, our view remains that in the long term the envelope market will grow in volume by around 2-3 per cent per year. This growth is being generated mainly by sustained strong expansion in the product segments related to direct mail advertising. In line with this, there is a trend towards higher value added products in larger formats.

SALES AND RESULT

The Group's net turnover increased by more than 20 per cent to SKr 641 million (531). This increase is largely due to the acquisition of the Finnish business. For comparable units, the increase was just over 3 per cent. Currency fluctuations have only had a marginal effect on turnover.

The operating profit for the first half of the year rose by SKr 32 million to SKr 53 million (21). The most important factor behind this improvement is that the structural measures carried out within the Scandinavian units have now had their full effect. Over and above this, the acquisition in Finland and further rationalisation of production in Sweden that began towards the end of the previous financial year, also made a contribution to the healthy improvement in earnings. The cost of the changes made to the Swedish business, which amounted to SKr 6 million, has been taken against the result. Capital gains of a corresponding amount were generated by the sale of retired production equipment.

The integration of the Finnish business is continuing largely as planned. The remaining measures are for the most part concentrated on certain rationalisation investments and on the relocation of the stockholding function, which is planned for late this autumn.

The operating profit for the second quarter, which is normally weaker than the first quarter for seasonal reasons, was SKr 23 million. This may be compared with SKr 8 million for the corresponding quarter of last year.

Increases in paper prices were announced during the second quarter which come into effect at the start of the second half of the year. Adjustments made to selling prices are expected to provide full compensation for the higher raw material costs. Further increases in paper prices cannot be excluded during the autumn.

The profit after net financial items for the January-June period almost tripled and amounted to SKr 44 million, which may be compared with SKr 15 million for the previous year (excluding capital gains of SKr 7 million). The acquisition of the Finnish business has involved an increase of some SKr 2 million in the Group’s interest costs.

Envelopes Sweden has continued to develop strongly. The effects of rationalisation measures, in combination with stronger market positions, generated a substantial improvement in earnings. Relatively favourable market conditions also contributed to this strong performance. Turnover amounted to SKr 267 million (259).

The Group’s *Danish envelopes* division generated a significant improvement in its result thanks to further development towards higher added value products coupled with continual rationalisation measures. A stepped-up foreign presence on the market has led to some intensification of the competitive situation. Turnover amounted to SKr 92 million (97).

Envelopes Norway’s business has made good progress. Productivity improvements in both production and printing have generated a useful increase in earnings. The remaining sheet-based production capacity has now been transferred to the unit in Nybro, which is the Group’s centre for sheet and special production. This brought a further slight reduction in the cost level. The Norwegian market is also subject to a slight increase in international activity. Turnover amounted to SKr 90 million (97).

The most important aspects of the integration into the Group of *the Finnish envelope business*, the extensive transfer of sheet production to Nybro and the relocation of printing activities to Tampere, have now been completed as planned. The remaining measures primarily involve some rationalisation investments, and the relocation of the stockholding function from Helsinki to Tampere, which is expected to be completed late this autumn. A slight weakening of the market was noted at the beginning of the second quarter. Turnover amounted to SKr 94 million.

The first stages in the new business plan for *Envelopes Belgium* are now being implemented and, together with the earlier investments to raise productivity, they are already generating an improvement in the result. Envelopes Belgium’s turnover amounted to SKr 87 million (72).

The transfer of the business in *Poland* to new, purpose-designed premises is expected to be completed by the end of the third quarter. This will establish an important pre-condition for further expansion by the Group’s Polish company. Turnover in local currency rose by some 14 per cent during the reporting period, which is estimated to be broadly in line with market growth. The result was positive and at about the same level as last year’s. Turnover amounted to SKr 15 million (14).

LIQUID FUNDS AND FINANCING

Closing liquid funds amounted to SKr 42 million (December 31st 1998: 36) and net debt decreased by SKr 34 million to SKr 284 million during the period.

The equity ratio was 39 per cent (38) and debt-equity ratio was 0.67 (0.58).

CAPITAL EXPENDITURE

The Group continued its high level of capital expenditure. Fixed investments during the period amounted to SKr 62 million and were largely concentrated on the modernisation and technical upgrading of the machinery and equipment at the envelope units. As a result of the ongoing process of structural change, old equipment has been retired and sold for SKr 19 million.

During the coming years, the level of capital expenditure within the existing structure is expected to be significantly lower.

EMPLOYEES

The average number of employees in the Group is 1,152 (1,028). This increase is attributable to the acquisition of the Finnish business in 1998. Since the end of 1998 the average number of employees has fallen by 88.

PARENT COMPANY

The parent company's business now consists of the administration of operative subsidiary companies and Group management functions.

OUTLOOK

The structural programme which was completed in 1998, and the additional measures initiated in 1999, continue to give, even though at a decreasing rate, improved results. Provided that conditions on the Group's main markets remain relatively stable, we still expect that the Group's profit for the year as a whole will be considerably improved compared with the previous year..

Kristianstad, August 12th 1999

BONG LJUNGDAHL AB (publ.)

Lennart Pihl
President and CEO

REPORT ON AUDITORS' EXAMINATION

We have performed a general examination of this half-yearly report during the course of which we complied with the recommendation issued by the Association of Swedish Authorised Public Accountants FAR.

A general examination is considerably less detailed than an audit. No facts have emerged to indicate that the interim report does not satisfy the requirements laid down in the Swedish Stock Market and Annual Accounts acts.

Kristianstad, August 12th 1999

Anders Lundin	Göran Tidström
Authorised public accountant	Authorised public accountant

Öhrlings PricewaterhouseCoopers

Next financial report
Thursday, October 28th 1999 Interim report: January-September 1999

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INTERIM REPORT BONG LJUNGDAHL GROUP

SUMMARY PROFIT AND LOSS ACCOUNT (SKr million)	Jan-June 1999	Jan-June 1998	Jan-Dec 1998
Net turnover	640,8	530,6	1095.3
Operating costs	-587,7	-509,4	-1039.1
Operating profit	53,1	21,2	56.2
Capital gain on sale of subsidiary	-	7,0	7.0
Net financial items	-8,9	-6,5	-15.4
Profit after net financial items	44,2	21,7	47.8
Tax	-9,8	-3,2	-7.5
Net profit after tax	34,4	18,5	40.3

SUMMARY BALANCE SHEET (SKr million)	June 30t 1999	December 31t, 1998
Fixed assets	640,3	628.3
Receivables	204,2	198.4
Stocks	188,0	200.7
Liquid funds	41,7	36.1
Total assets	1 074,2	1063.5
Equity	421,7	405.2
Interest-bearing provisions	76,4	78.2
Interest-free provisions	81,1	77.6
Interest-bearing liabilities	255,8	282.5
Interest-free liabilities	239,2	220.0
Total equity and liabilities	1 074,2	1063.5

FINANCIAL RATIOS	Jan-June 1999	Jan-June 1998	Jan-Dec 1998
KRONOR PER SHARE			
Earnings after standard tax	4,44	1,52/2,24 1)	4.16/4.87 1)
Ditto after full tax	4,80	1,65/2,64 1)	4.32/5.70 1)
Equity	61,10	53,64	58.80
RATIOS			
Operating margin	8,3%	4,0%	5.1%
Profit margin	6,9%	2,8%/4,1% 1)	3.7%/4.4% 1)
Return on equity	15%	6%/8% 1)	7%/9% 1)
Return on capital employed	14%	7%	9%
Debt-equity ratio	0,67	0,58	0.78
Equity ratio	39%	42%	38%
Capital employed, SKr million	753,8	612,4	765.9
Net interest-bearing debt, SKr million	283,7	217,1	317.3
Average number of shares (after full conversion)	7,164,840	6,990,140	7,066,721

1) Including capital gain on sale of the Labels division (Nova Print)

QUARTERLY COMPARISONS GROUP (SKr million)

	Q 2/99	Q 1/99	Q 4/98	Q 3/98	Q 2/98	Q 1/98	Q 4/97*	Q 3/97*	Q 2/97*	Q 1/97*
Net turnover	302,6	338.2	336.4	228.4	255.3	275.3	272.8	225.9	268.3	275.8
Operating costs	-280,0	-307.7	-312.2	-217.6	-247.0	-262.4	-265.3	-220.6	-268.8	-267.4
Operating profit/loss	22,6	30.5	24.2	10.8	8.3	12.9	7.5	5.3	-0.5	8.4
Capital gain on sale of subsidiary company	-	-	-	-	-	7.0	-	-	-	-
Net financial items	-4,2	-4.7	-5.3	-3.6	-2.6	-3.9	-3.4	-3.2	-3.1	-3.3
Result after net financial items	18,4	25.8	18.9	7.2	5.7	16.0	4.1	2.1	-3.6	5.1

*) Pro forma including Ljungdahls and excluding Labels division

CASH FLOW ANALYSIS: GROUP (SKr million)

	Jan.-June. 1999	Jan.-June. 1998
Operating profit	53,1	21,2
Net financial items	-9,0	-6,5
Tax paid	-11,1	-2,1
Depreciation	32,5	29,1
	65,5	41,7
Change in working capital	26,6	-14,0
Cash flow from current operations	92,1	27,7
Capital expenditure, etc	-44,8	-24,0
Acquisitions/divestments, etc	-	31,4
Cash flow after investments, etc	47,3	35,1