

YEAR END RELEASE 1999 FOR BONG LJUNGDAHL AB

- ◆ **NET TURNOVER INCREASED BY 12% TO SKR 1.223 MILLION (1.095)**
- ◆ **PROFIT AFTER NET FINANCIAL ITEMS INCREASED BY MORE THAN 80 % TO SKR 75 MILLION (41)**
- ◆ **EARNING PER SHARE AFTER TAX: SKR 7.83 (4.32)**
- ◆ **EUROPE'S LARGEST ENVELOPE COMPANY FORMED BY ACQUISITION OF BAUWENS-GROUP. SUBSTANTIAL SYNERGIES EXPECTED, AND STRONG PLATFORM FOR FURTHER EXPANSION ESTABLISHED**
- ◆ **BOARD PROPOSES DIVIDEND INCREASE TO SKR 2.60 PER SHARE (2.10)**

MARKETS

Demand on the Group's main markets in the Nordic region remained relatively stable in 1999 as a whole. The slacker period on the Swedish market in the third quarter was followed by renewed growth towards the end of the year. The activities of international competitors, mainly in Denmark and Norway, have intensified the competitive situation somewhat. In Belgium and adjacent markets, the main features were a healthy volume trend in combination with relatively stiff price competition.

Earlier assessments of sustainable volume growth on the European envelope market of some 2-3 % per year, remain unchanged. This growth is mainly generated by a continued strong increase in direct mail-related product segments, reflected in a tendency towards more highly processed products.

SALES AND RESULT

The Group's net turnover increased by 12 % to SKr 1,223 million (1,095), and is largely due to the acquisition of the Finnish business in October, 1998.

The operating profit improved by SKr 36 million to SKr 92 million (56). The operating margin was 7.5 % (5.1). The full effect of already completed structural measures within the Scandinavian envelope business, the acquisition of the Finnish business and some impact from further rationalisation within the Swedish envelope units, are the main factors behind the improved profit. In the Binder division in Sweden, intensifying pressure on prices, in combination with too low a level of capacity utilisation, has resulted in a severely weakened situation, particularly towards the end of the financial year.

A decision was made in September 1999 to relocate binder production from Kristianstad to the Group's unit in Danzig, Poland. This measure, which is being taken to adapt the Group's binder activities to the prevailing competitive climate and market conditions, will lead to a reduction of some fifty in the work force at the Kristianstad unit. A decision has also been made to concentrate the printed envelope activities within Envelope Sweden at Kristianstad, which will lead to a reduction of thirty in the numbers employed at the unit in Nybro. The changes are expected to be fully implemented by the end of June 2000, and they will further improve the efficiency of the business, mainly as a result of a total reduction of around fifty in the work force. The SKr 12 million cost of implementing these changes has been taken direct against the result. Capital gains of a corresponding amount have been generated by the sale of retired equipment.

The fourth quarter operating profit amounted to SKr 24 million (24). The Envelope division continued its positive development and increased operating profit by SKr 3 million in the fourth quarter. A weaker order intake and intensifying pressure on prices in the Binder division caused a deterioration of SKr 3 million, in relation to the corresponding quarter in the previous year.

Net financial costs for the whole year amounted to SKr 17 million (cost 15). As a result of acquisitions interest costs increased by just under SKr 3 million. The profit after net financial items amounted to SKr 75 million, which may be compared with SKr 41 million (excluding capital gains of SKr 7 million) in the previous year.

Envelopes Sweden

The Swedish envelope business made further very good progress. A stronger market position and a significantly improved operating margin as a result of completed and ongoing rationalisation projects have generated a substantial increase in profits. A wide-ranging investment programme at Nybro, the Group's unit for special products, has now been completed; this involved the extensive upgrading of the technical level and capacity. Envelopes Sweden's turnover amounted to SKr 517 million (496).

Envelopes Denmark

A more visible presence by foreign companies has resulted in some intensification of the competitive conditions on the Danish market. Further successful ventures within the envelope printing business have, however, more than offset the slightly lower volume of deliveries. The result for the year as a whole is far better than in the previous year. Turnover amounted to DKr 151 million (163).

Envelopes Norway

The effects of the acquisition of PDC printing company, in combination with some cost adjustments, have strengthened the Group's position. The result is markedly better than last year's, despite the slightly weaker market situation in the second half-year. Turnover amounted to NKr 165 million (176).

Envelopes Finland

The far-reaching structuring programme initiated in connection with the acquisition of the Finnish business in the autumn in 1998 with the object of integrating this unit into Bong's structural model was completed according to plan by the end of 1999. The cost of integration, which involved a reduction in the work force from 226 (October 1998) to 165 at the end of 1999, amounted to SKr 10 million, which is well in line with the estimate and the provisions made at the time of acquisition. Turnover amounted to FMk 121 million.

Envelopes Belgium

The Belgian envelope business has experienced healthy volume growth. Capital expenditure has gradually created a more effective business structure and enabled the unit to strengthen its position. Although result moved in the right direction it has not yet reached a satisfactory level. Turnover increased to BFr 734 million (683).

Envelopes Poland

The Group's Polish business is making further relatively good progress. The re-location to new, more suitable premises has now been completed, which is an important pre-condition for further expansion on the Polish market. The result is now positive and improving. Turnover increased in pace with market growth to Zlotys 14 million (12).

Binders

A weaker order intake within the Swedish binder business resulted in serious under-utilisation of available capacity. This situation, combined with intensifying pressure on prices, had a relatively serious adverse effect on the result, especially during the fourth quarter. The decision to re-locate the Swedish production activities to the Group's facility in Danzig will lead to a significant reduction in costs and thus close alignment to prevailing market conditions. The Binder division's turnover amounted to SKr 70 million (65).

ACQUISITION OF BAUWENS-GROUP

An agreement was reached on January 17th 2000 for an acquisition of Wolf Bauwens/R Schmidt Group (Bauwens). The new Group will be the largest envelope manufacturer in Europe with a turnover of some SKr 2.5 billion and 1,800 employees. The aggregate production volume amounts to some 15 billion envelopes, which corresponds to 15 % of the European market. The acquisition will create a structurally strong and internationally well positioned group. A position of unchallenged market leadership in northern Europe provides the Group with useful opportunities for further development and expansion in a changing European envelope industry. The companies complement each other very well in both geographical and product terms. The acquisition is expected to generate synergies in the region of SKr 40-60 million in purchasing, production co-ordination and investment. The synergies are expected to show through gradually from the second half of 2000 and to have their full effect towards the end of 2001.

The purchase price, excluding transaction and integration costs, amounts to some SKr 500 million. As one element in the financing of the acquisition, an Extraordinary General Meeting of Bong Ljungdahl AB, held on February 8th 2000, resolved in favour of issuing 1,634,651 shares to Michael Wolf-Bauwens, the owner of Bauwens. This issue corresponds to 19.0 % of capital and votes in Bong after the acquisition. The new shares are entitled to dividend as of the 1999 financial year. The transaction is expected to be finalised by the end of February 2000. Bauwens will be consolidated with effect from January 1st, 2000.

ACQUISITION OF PDC KONVOLUTTER

In the third quarter Bongs acquired PDC Konvolutter. This transaction is one stage in the Group's policy of integrating forwards along the value chain. Together with existing capacity, it will put the Group in a position of market leadership on the growing market for printed envelopes in Norway. PDC Konvolutter, which has a turnover of SKr 37 million and 25 employees, has been consolidated as of September 1st, 1999.

LIQUID FUNDS AND FINANCING

Closing liquid funds amounted to SKr 30 million (36) and net debt to SKr 316 million (317). The equity ratio was 40 % (38) and the debt equity ratio 0.73 (0.78).

CAPITAL EXPENDITURE

An extensive investment programme, concentrating on the modernisation and technical upgrading of the machinery at the envelope units, was completed at the end of 1999 as planned. Excluding acquisitions, capital expenditure amounted to SKr 188 million (77). As a result of completed and current structural changes, retired equipment was sold for SKr 28 million. Investments in the existing structure during the coming few years are expected to be at significantly lower levels.

EMPLOYEES

The average number of employees was 1,132 (1,078). The increase is attributable to the acquisition of the Finnish business in 1998 and of PDC in 1999. The number of employees in the Group has declined by 115 since the end of 1998.

PARENT COMPANY

The parent company's business now consists of administering the operating subsidiary companies and Group management functions. Profit after net financial items amounted to SKr 33 million (22).

SURPLUS FUNDS FROM SPP

Some SKr 13 million of the excess insurance funds held by SPP have been allocated to companies within the Bong Ljungdahl Group. As the date when and the conditions on which these funds will be made available has not yet been decided, their effect has therefore not been taken into the consolidated accounts.

YEAR 2000

The Bong Ljungdahl Group has not experienced any disturbances in connection with the transition to the new millennium.

DIVIDEND

The Board has decided to recommend to the Annual General Meeting that a dividend of SKr 2:60 per share (2.10) be paid for 1999. The new shares issued in connection with the acquisition of Bauwens are entitled to dividend as of the 1999 financial year.

OUTLOOK

Conditions are considered to be favourable for continued improvement within the existing Group structure. This assessment is based on the assumption that conditions will remain reasonably stable on the Group's main markets and that the Group can take full advantage of the effects of the structural measures and rationalisation projects that were initiated in 1999.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at the Yllan Trade Fair Centre, Kristianstad, at 5 p.m. on May 8th 2000.

Kristianstad, February 23rd 2000.

BONG LJUNGDAHL AB (publ)

Board

For further information please contact:

Lennart Pihl, Managing Director and Group Chief Executive of Bong

Telephone: +46 44 20 70 50 or mobile +46 70 594 68 66

Financial information

Monday, May 8th 2000

Interim report January-March 2000/AGM

Thursday, August 17th 2000

Interim report January-June 2000

Friday, October 27th 2000

Interim report January-September 2000

YEAR-END REPORT 1999 BONG LJUNGDAHL GROUP

SUMMARY PROFIT AND LOSS ACCOUNT (MSEK)	Jan-Dec 1999	Jan-Dec 1998
Net turnover	1 222,9	1 095,4
Operating costs	-1 130,7	-1 039,2
Operating profit	92,2	56,2
Capital gain on sale of subsidiary company	-	7,0
Net financial items	-17,2	-15,4
Profit after net financial items	75,0	47,8
Tax	-18,9	-7,5
Net profit after tax	56,1	40,3

SUMMARY BALANCE SHEET (MSEK)	1999-12-31	1998-12-31
Fixed assets	681,5	628,3
Receivables	202,3	198,4
Stocks	168,9	200,7
Cash and bank	29,8	36,1
Total assets	1 082,5	1 063,5
Equity	433,7	405,2
Interest-bearing provisions	74,8	78,2
Non-interest bearing provisions	92,1	77,6
Interest-bearing liabilities	278,8	282,5
Non-interest bearing liabilities	203,1	220,0
Total equity and liabilities	1 082,5	1 063,5

FINANCIAL RATIOS	Jan-Dec 1999	Jan-Dec 1998
SEK PER SHARE		
Earnings per share after standard tax	7,54	4,16/4,87 ¹⁾
Ditto after full tax	7,83	4,32/5,70 ¹⁾
Equity	62,77	58,80
RATIOS		
Operating margin	7,5%	5,1%
Profit margin	6,1%	3,7%/4,4% ¹⁾
Return on equity	12%	7%/9% ¹⁾
Return on capital employed	12%	9%
Debt-equity ratio	0,73	0,78
Equity ratio	40%	38%
Interest cover	4,9	3,2
Capital employed, MSEK	787,3	765,9
Net interest-bearing debt, MSEK	315,8	317,3

Average number of shares (after full conversion) 7 164 840 7 066 721

1) Including capital gain on sale of Label Division (Nova Print)

QUARTERLY COMPARISONS GROUP (MSEK)

									*)	*)	*)	*)
	4/1999	3/1999	2/1999	1/1999	4/1998	3/1998	2/1998	1/1998	4/1997	3/1997	2/1997	1/1997
Net turnover	316,6	265,5	302,6	338,2	336,4	228,4	255,3	275,3	272,8	225,9	268,3	275,8
Operating costs	-292,0	-251,0	-280,0	-307,7	-312,2	-217,6	-247,0	-262,4	-265,3	-220,6	-268,8	-267,4
Operating profit	24,6	14,5	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	-	-	-	-
Financial net	-4,6	-3,7	-4,2	-4,7	-5,3	-3,6	-2,6	-3,9	-3,4	-3,2	-3,1	-3,3
Profit after net financial items	20,0	10,8	18,4	25,8	18,9	7,2	5,7	16,0	4,1	2,1	-3,6	5,1
*) Proforma including Ljungdahl Group and excluding Label division												

CASH FLOW ANALYSIS GROUP (MSEK)

	Jan-Dec 1999	Jan-Dec 1998
Operating profit	92,2	56,3
Net financial items	-17,2	-15,4
Tax paid	-15,2	-8,2
Depreciations	65,1	59,6
Other items not affecting liquid funds	-12,7	-
	112,2	92,3
Change in working capital	21,1	-2,9
Cash flow from operations	133,3	89,4
Investments, acquisitions, divestments etc.	-120,0	-127,2
Cash flow after investments, etc	13,3	-37,8