# BONG LJUNGDAHL AB

## INTERIM REPORT JANUARY-JUNE 2000

- **NET TURNOVER INCREASED TO SKr 1,176 MILLION (641)**
- **OPERATING PROFIT MORE THAN DOUBLED AND INCREASED BY SKr 59 MILLION TO SKR 112 MILLION *) (53)**
- **PROFIT AFTER NET FINANCIAL ITEMS INCREASED BY SKR 36 MILLION TO SKR 80 MILLION *) (44)**
- **INTEGRATION OF BAUWENS PROCEEDING ACCORDING TO PLAN**

***) A refund of SKr 11 million from the SPP pension insurance company's surplus funds is included in the result.**

*Bong is a fast growing international envelopes company. The Group has turnover of some SKr 2.5 billion, approximately 1,800 employees and an annual production of some 15 billion envelopes at its factories in Sweden, Denmark, Norway, Finland, Germany, Great Britain, Ireland, Belgium, Poland and Estonia. In recent years, Bong has played an active part in the current process of restructuring in the European envelope industry and sees useful potential for further expansion. The acquisition of Bauwens in January 2000 was an important step in this process, which has made Bong one of Europe's leading envelope companies.*

### TURNOVER AND RESULT

Turnover for the January-June 2000 period increased by SKr 535 million to SKr 1,176 million (641). Of the increase, SKr 535 million is attributable to the acquisition of Bauwens and SKr 20 million, equivalent to just over 3 per cent, to organic growth within the former Bong structure, whereas currency fluctuations had the effect of reducing turnover by SKr 20 million.

Operating profit amounted to SKr 112 million (53), and the operating margin was 9.5 per cent (8.3). The considerable improvement in the result is largely due to the extremely good progress made by newly acquired units, and to generally strong markets during the first quarter and early weeks of the second quarter. During the second quarter, SKr 11 million was recognised in income, being the discounted current value of the repayment to the Group of surplus pension funds by the SPP pension insurance company. Excluding this refund, the operating profit increased by SKr 48 million, or 90 per cent. The operating profit for the second quarter, which tends to be rather weaker than the first quarter owing to seasonal factors, amounted to SKr 23 million (excluding repayment of the pension fund surplus) (18). The much lower growth rate than in the first quarter was partly due to a slight slackening in demand in the later part of the reporting period, and partly to additional costs incurred on the structural changes made to the Swedish and Polish businesses.

Profit after net financial items amounted to SKr 80 million (44). Earnings per share after tax and full conversion amounted to SKr 5.77 (4.80). In this connection, the placement of just over 1.6 million shares in part payment for Bauwens made a full impact during the entire January-June 2000 period.

**MARKETS, SALES, PURCHASING**
The envelopes market is showing continued growth and, particularly at the beginning of the period, was rather strong. Demand in Germany and Britain in particular is developing well. Bong has further increased its share of the market in Britain and Poland, while in the Nordic countries and Germany it has maintained its already strong position. Markets have remained intensely competitive with prices still under great pressure.

Generally, demand for fine paper, the Group's most important input material, is at present very strong, and from time to time, material has been in short supply. Paper producers have consequently had to raise their prices sharply on several occasions, and further price increases have been announced. During the first half of the year, the Bong Group was more or less able to compensate for this by raising prices to its customers, although after some delay. However, conditions are somewhat uncertain and it is hard to make any forecasts.

**INTEGRATION OF BAUWENS**
The process of co-ordinating newly acquired units with the Group's existing operations is continuing according to plan. A new organisational structure has been introduced, purchasing and capital expenditure have been co-ordinated and, the autumn of 2000 will see a number of changes in the production sections starting to be implemented with the object of reducing the number of production units. All in all, the measures are expected to give rise to cost reductions of around SKr 40-60 million. These are expected to show through successively as of the second half of 2000 and have their full effect towards the end of 2001.

**LIQUID FUNDS AND FINANCING**
Closing liquid funds amounted to SKr 71 million (42) and net debt to SKr 1,016 million (284). The acquisition of Bauwens resulted in an increase of some SKr 700 million in the Group's net debt.

Closing equity amounted to SKr 593 million, of which the shares issued in connection with the acquisition contributed just over SKr 137 million, after deduction of issue costs. The closing equity ratio was 27 per cent (39) and the debt/equity ratio was 1.71 (0.67).

**FIXED CAPITAL EXPENDITURE**
Capital expenditure during the period on machinery, equipment and buildings, excluding assets acquired via company acquisitions, amounted to SKr 65 million (62), a level which, relatively seen, is considerably lower than recent years and in line with plans. Of the year's total, investments of SKr 17 million were financed by means of leasing.

**EMPLOYEES**
The average number of employees was 1,877 (1,152), of whom almost 700 joined the Group along with acquired units.

**PARENT COMPANY**
The parent company's business consists of the administration of the operative subsidiary companies and the provision of Group management functions. The result for the period after financial items was a loss of SKr 13 million (loss 10).

**OUTLOOK**
Demand for the Group's main products is at present relatively good, even though it slackened slightly during the second quarter. The sharply rising price of paper could cause pressure for further increases in selling prices which may tend to further moderate demand. However, given the new Group's strong position on the large North European market, the potential for cost reductions and the generally sound progress being made by the acquired units, the prospect of a further improvement in the result during the year must be regarded as bright.

Kristianstad, August 17, 2000.

BONG LJUNGDAHL AB (publ)

Lennart Pihl
President

*REPORT ON AUDITORS' EXAMINATION*
We have carried out a general examination of this interim report, in which we followed recommendations issued by the Association of Swedish Authorised Public Accountants, FAR.

A general examination is considerably more limited than an audit. No facts have emerged which suggest that the interim report does not satisfy the conditions in the Stock Market Act and the Annual Accounts Act.

Kristianstad, August 14, 2000

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| Anders Lundin | Göran Tidström |
| Authorised public accountant | Authorised public accountant |

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## QUARTERLY ACCOUNTS BONG LJUNGDAHL GROUP JAN-JUNE 2000

| SUMMARY PROFIT AND LOSS (MSEK) | Jan-June 2000 | Jan-June 1999 | Jan-Dec 1999 |
|---|---|---|---|
| Net turnover | 1 176,4 | 640,8 | 1 222,9 |
| Operating costs | -1 053,5 | -584,0 | -1 123,2 |
| Operating profit before depreciation of goodwill | 122,9 | 56,8 | 99,7 |
| Depreciation of goodwill | -11,0 | -3,7 | -7,5 |
| Operating profit | 111,9 | 53,1 | 92,2 |
| Net financial items | -32,2 | -8,9 | -17,2 |
| Profit after net financial items | 79,7 | 44,2 | 75,0 |
| Tax | -28,9 | -9,8 | -18,9 |
| Net profit after tax | 50,8 | 34,4 | 56,1 |

| SUMMARY BALANCE SHEET (MSEK) | 2000-06-30 | 1999-06-30 | 1999-12-31 |
|---|---|---|---|
| Fixed assets | 1 427,8 | 640,3 | 681,5 |
| Receivables | 360,1 | 204,2 | 202,3 |
| Stocks | 354,7 | 188,0 | 168,9 |
| Liquid funds | 70,5 | 41,7 | 29,8 |
| Total assets | 2 213,1 | 1 074,2 | 1 082,5 |
| Equity | 593,0 | 421,7 | 433,7 |
| Interest-bearing provisions | 75,3 | 76,4 | 74,8 |
| Non interest-bearing provisions | 203,8 | 81,1 | 92,1 |
| Interest-bearing liabilities | 1 036,7 | 255,8 | 278,8 |
| Non interest-bearing liabilities | 304,3 | 239,2 | 203,1 |
| Total equity and liabilities | 2 213,1 | 1 074,2 | 1 082,5 |

| FINANCIAL RATIOS | Jan-June 2000 | Jan-June 1999 | Jan-Dec 1999 |
|---|---|---|---|
| KRONOR PER SHARE | | | |
| Earnings after tax | 5,77 | 4,80 | 7,83 |
| Equity | 69,22 | 61,10 | 62,77 |
| RATIOS | | | |
| Operating margin before depreciation of goodwill | 10,4% | 8,9% | 8,2% |
| Operating margin | 9,5% | 8,3% | 7,5% |
| Profit margin | 6,8% | 6,9% | 6,1% |
| Return on equity | 17% | 15% | 13% |
| Return on capital employed | 14% | 14% | 12% |
| Debt-equity ratio | 1,71 | 0,67 | 0,73 |
| Equity ratio | 27% | 39% | 40% |
| Interest cover | 3,4 | 5,5 | 4,9 |
| Capital employed, MSek | 1 705,0 | 753,8 | 787,3 |
| Net interest bearing debt, MSek | 1 016,0 | 283,7 | 315,8 |
| Average number of shares (after full conversion) | 8 799 491 | 7 164 840 | 7 164 840 |

**QUARTERLY COMPARISONS GROUP (MSEK)**

| | 2/2000 | 1/2000 | 4/1999 | 3/1999 | 2/1999 | 1/1999 | 4/1998 | 3/1998 | 2/1998 | 1/1998 |
|---|---|---|---|---|---|---|---|---|---|---|
| Net turnover | 547,6 | 628,8 | 316,6 | 265,5 | 302,6 | 338,2 | 336,4 | 228,4 | 255,3 | 275,3 |
| Operating costs | -498,6 | -565,9 | -292,0 | -251,0 | -280,0 | -307,7 | -312,2 | -217,6 | -247,0 | -262,4 |
| Operating profit | 49,0 | 62,9 | 24,6 | 14,5 | 22,6 | 30,5 | 24,2 | 10,8 | 8,3 | 12,9 |
| Capital gain on sale of subsidiary company | - | - | - | - | - | - | - | - | - | 7,0 |
| Net financial items | -15,0 | -17,2 | -4,6 | -3,7 | -4,2 | -4,7 | -5,3 | -3,6 | -2,6 | -3,9 |
| Results after net financial items | 34,0 | 45,7 | 20,0 | 10,8 | 18,4 | 25,8 | 18,9 | 7,2 | 5,7 | 16,0 |

**CASH FLOW ANALYSIS GROUP (MSEK)**

| | Jan-June 2000 | Jan-June 1999 | Jan-Dec 1999 |
|---|---|---|---|
| Operating profit | 111,9 | 53,1 | 92,2 |
| Net financial items | -28,2 | -9,0 | -17,2 |
| Tax paid | -20,7 | -11,1 | -15,2 |
| Depreciation | 58,9 | 32,5 | 65,1 |
| Other items not affecting liquidity | -7,8 | - | -12,7 |
| | 114,1 | 65,5 | 112,2 |
| Change in working capital | -31,8 | 26,6 | 21,1 |
| Cash flow from current operations | 82,3 | 92,1 | 133,3 |
| Investments etc. | -70,8 | -44,8 | -98,3 |
| Acquisitions | -301,3 | - | -21,8 |
| Cash flow after capital expenditure etc. | -289,8 | 47,3 | 13,2 |