BONG

Kristianstad, 3 August 2007
Press Release

- **Bong downgrades full-year forecast due to delayed effects of ongoing price increases and integration of RCT in Germany**
- **Bong takes additional measures to restore profitability in German operations**
- **Bong appoints new management for its UK operations**
- **Bong forms joint venture in Poland – the factory in Warsaw is closed**

Adjustment of full-year forecast

In the second quarter, Bong announced new price increases in all markets to offset fast-rising fine paper prices. However, the new envelope prices did not come through until the latter part of the quarter, particularly in the fiercely competitive German market, where the paper price increase also has been dramatic. Combined with delays in the integration of the acquired RCT in Germany, this meant that the Group's second quarter earnings were substantially lower than anticipated. The preliminary adjusted operating profit, i.e. excluding one-time items, was SEK 3 million (20) for the second quarter and SEK 27 million (44) for the first half of the year.

In light of these factors, Bong no longer expects adjusted pre-tax profit for the full year 2007 to exceed the figure for 2006, as indicated in the interim report for the first quarter of 2007. However, Bong anticipates a clearly positive pre-tax profit for the full year 2007 and predicts that the second half of the year will be significantly stronger than the first.

In addition, second quarter earnings include positive and negative one-time items of approximately SEK -8 million attributable to the integration of RCT in Germany and additional measures to cut costs in the German operations, as well as costs related to the change of management at Bong UK and the closure of the factory in Warsaw.

The interim report for the second quarter and first half of 2007 will be released as planned on 13 August, at which time the customary teleconference will be held.

Additional measures in German operations

The year-on-year profit decrease for the first half of 2007 is mainly explained by a declining gross margin in the German company.

“In the midst of efforts to integrate RCT, fine paper prices have started to rise rapidly” says Bong’s President and CEO Anders Davidsson. ”We were late in introducing price hikes, which had a tangible impact on our gross margin, especially in the second quarter. We have learnt from our mistake and are now working according to a clearly defined principle: we would rather lose volume than be unable to compensate for higher paper prices.”

The integration of RCT has taken time and proven more challenging than anticipated by the German management.

”We have carried out a very large-scale integration project on an extremely ambitious time schedule,” says Bong’s President and CEO Anders Davidsson. ”At the same time, the German operations have helped us to achieve savings in other parts of the Group, mainly Ireland and Belgium, by taking over production from these units.”

In order to quickly reverse the earnings trend, the number of staff in the German operations will be further reduced in addition to the already ongoing price increases.

New management for Bong UK

Mark Cooper, 44 years old, has been appointed as the new Managing Director of Bong UK after a successful career at Avery Dennison, one of the world’s leading label companies. Aside from devoting his energies to continued improvement of Bong UK’s earnings, Mr. Cooper will be an important member of the Bong Group Leadership Team.

Furthermore, a new sales director will be appointed after the summer to fill this previously vacant position.

New joint venture in Poland – factory in Warsaw closed

At the end of June, Bong signed a joint venture agreement with Liston, one of Poland’s foremost envelope printers with some distribution of specialised envelopes and ProPac products on the Polish market. In recent years, Bong has lost money in Poland, partly due to the high cost situation and insufficient productivity in Warsaw. Starting in the third quarter, Bong and Liston will conduct joint manufacturing, printing and sales in the Polish market through a joint company called ”Bong – a world of envelopes”. As a result of the merger, Bong has closed its factory in Warsaw, all of the employees have been made redundant and manufacturing has been moved to Liston’s facility in Poznan.

”The merger with Liston will considerably improve our scope for profitability in Poland,” says Bong’s President and CEO Anders Davidsson.

\- - - - -

For additional information contact Anders Davidsson, President and CEO of Bong Ljungdahl AB.
Telephone (switchboard) 46 (0)44 20 70 00, (direct) +46 (0)44 20 70 80, (mobile) +46 (0)70 545 70 80.

Bong is one of Europe's leading envelope companies. The Group has annual sales of approximately SEK 2 billion, some 1,400 employees and an annual manufacturing capacity of around 15 billion envelopes at its factories in Sweden, Norway, Denmark, Finland, Poland, Germany, Belgium, the UK, Russia, Estonia and Lithuania.
Bong has a very strong market position, particularly in Northern Europe, and conducts sales and marketing in thirteen European countries through its own sales organisations. Bong is expanding rapidly in its ProPac line of packaging solutions. The Group sees attractive opportunities for further expansion and development. Bong is a publicly listed company and its shares are quoted on the OMX Nordic Stock Exchange in Stockholm.