



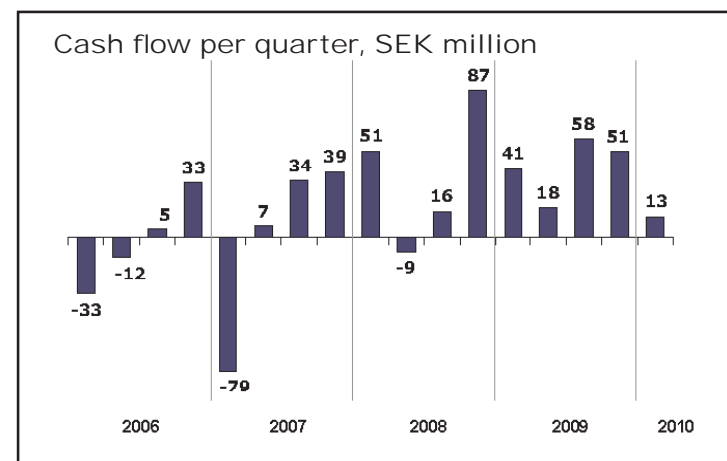
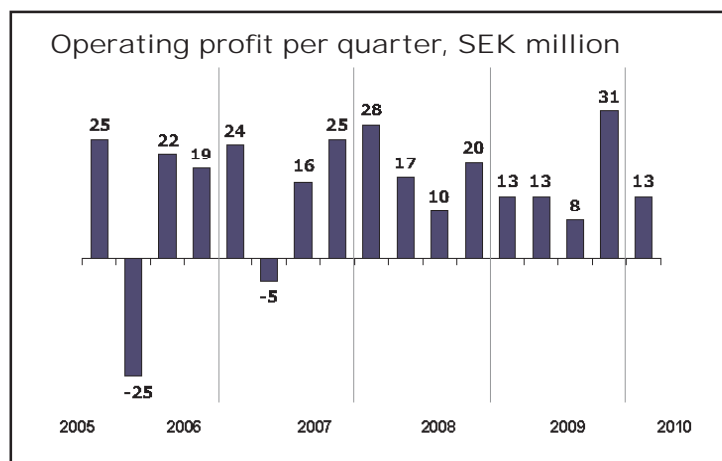
## Interim report January – March 2010

# Interim report, January – March 2010

*“At fixed exchange rates, we recorded growth of 2.5% compared to the first quarter of 2009,” says Bong’s President and CEO Anders Davidsson. “Tyvek® sales have got off to a good start in all markets and order intake for our ProPac products gives us reason to feel optimism for the second half of the year. At the same time, we have a short-term challenge in rising prices for fine paper, which we are now working to pass on to our customers.”*

January – March 2010

- Net sales of SEK 501 million (520)
- ProPac sales of SEK 76 million (60)
- Operating profit of SEK 13 million (13)
- Profit after tax of SEK 5 million (3)
- Cash flow after investments of SEK 13 million (41)
- Earnings per share: 0.32 (0.22)
- Acquisition of Tycon in Luxembourg
- The Board’s dividend proposal 1 SEK per share (1)



Bong is a leading European provider of specialised packaging and envelope products and offers solutions for distribution and packaging of information, advertising materials and lightweight goods. Two important growth areas in the Group are the ProPac packaging concept and Russia. The Group has annual sales of approximately SEK 2 billion and some 1,200 employees in 12 countries. Bong has a strong market position, particularly in Northern Europe, and the Group sees attractive opportunities for further expansion and development. Bong is a public limited company and its shares are quoted on the NASDAQ OMX Nordic Stock Exchange Stockholm (Small Cap).

## MARKET AND INDUSTRY

The European envelope market continued to stabilise in the first quarter of 2010 and a higher level of activity was noted in several markets, particularly during March. For the first quarter of 2010 the European Envelope Manufacturers Association (FEPE) reports a volume decrease of approximately 1% compared to 2009. The market for Direct Mail envelopes remained weak.

In Russia and Eastern Europe, a visible recovery was noted from the prior year's low levels. The assessment is that these markets have grown by 5-10% compared to the first quarter of 2009.

The packaging market, in which Bong is active with its ProPac range, is significantly larger and more multifaceted than the envelope market. Market statistics for the niches where Bong is active are unavailable or difficult to obtain. Bong's assessment is that demand for packages such as those used in e-commerce, mail order and the retail trade have been positively affected by the recent market upswing and these are expected to have strong growth potential over time.

## SALES AND PROFIT JANUARY – MARCH 2010

Consolidated sales for the first quarter reached SEK 501 million (520). The weakening Euro rate had a negative impact on the Group's sales. Excluding foreign exchange effects, consolidated sales were up by 2.5% compared to 2009. On a like-for-like basis, sales excluding foreign exchange effects grew by approximately 2%, while ProPac sales measured in the same manner grew by 24%.

Order intake for ProPac, primarily gift bags for delivery in the second half of the year, was strong during the quarter.

Operating profit was SEK 13 million (13). The new

exclusive Tyvek® agreement started to have a tangible effect on the Group's sales in the first quarter and made a positive contribution to earnings. At the same time, profit for the quarter was charged with costs of SEK -3 million for restructuring in the Nordic countries and Belgium. The Finnish harbour workers' strike in March also gave rise to extra costs of around SEK -1 million for Bong due to redistribution of paper between Group units. The change in finished product inventories affected profit in an amount of around SEK 1 million (0). Net financial items totalled SEK -7 million (-9), profit before tax was SEK 6 million (4) and profit after tax amounted to SEK 5 million (3).

## HIGHER PAPER PRICES

Prices for uncoated fine paper, which is Bong's largest input material, are increasing. Due to the shortage situation that has arisen in the market, among other things following the earthquake in Chile and the Finnish harbour workers' strike in combination with a certain recovery in demand, all players in the paper market have raised their prices and thereafter announced additional price hikes.

It is normally possible for Bong to pass on price increases for paper, with a certain delay.

## CASH FLOW AND CAPITAL EXPENDITURE

Cash flow after investing activities was SEK 13 million (41). Despite the build-up of inventories of Tyvek® products and higher volumes in a number of markets, working capital rose only marginally by SEK 2 million.

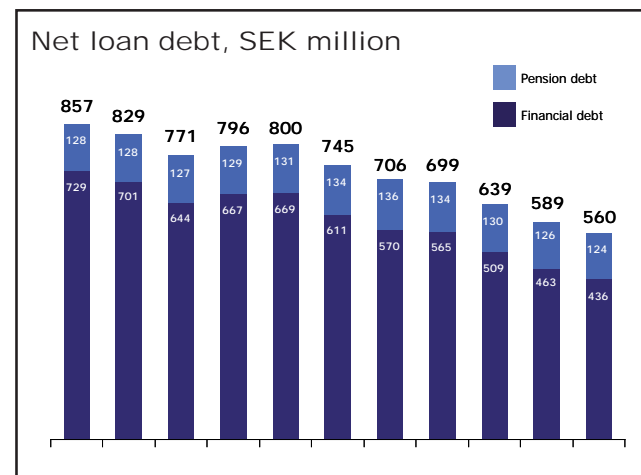
Investing activities during the first quarter amounted to SEK 9 million, a figure that includes the acquisition of the wholly owned Tycon in Luxembourg and the associated company Image Envelopes in the UK.

## FINANCIAL POSITION

Cash and cash equivalents at 31 March 2010 totalled SEK 120 million (SEK 74 million at 31 December 2009). Unutilised credits at 31 March 2010 amounted to SEK 228 million. Total available cash and cash equivalents thus amounted to SEK 348 million.

Consolidated equity at 31 March 2010 amounted to SEK 576 million (SEK 598 million at 31 December 2009). Translation of the net assets of foreign subsidiaries to Swedish kronor and changes in the fair value of derivative instruments reduced consolidated equity by SEK 27 million.

The interest-bearing net loan debt decreased during the period by SEK 29 million to SEK 560 million (SEK 589 million at 31 December 2009). Translation of net loans in foreign currency to Swedish kronor reduced the Group's net loan debt by SEK 16 million.



After a new credit procurement, the bank overdraft facilities in Nordea and SEB that were taken up in 2007 were replaced by a new credit agreement as of 31 March 2010. The new agreement with Nordea and Swedbank runs for three years.

## EMPLOYEES

The average number of employees during the period was 1,220 (1,233). The number of employees at 31 March 2010 was 1,236 (1,223). Figures include the acquired Tycon, from 2010.

## PARENT COMPANY

The activities of the Parent Company include administration of operating subsidiaries and Group management functions. Net sales are reported at SEK 0 million (0) and the period's profit before tax was SEK 3 million (-26).

## ACQUISITIONS

As announced in separate press releases, Bong has carried out two acquisitions in 2010:

### *Acquisition of Tycon in Luxembourg*

As announced on 1 February 2010, Bong acquired Tycon's production unit in Luxembourg, as per the 1st March. The 100% acquisition of the company with 20 employees, is related to the exclusive licence agreement signed between Bong and Dupont in the autumn of 2009 for conversion of Tyvek® material into envelopes and packaging solutions. Tycon is specialised in this type of conversion. The acquisition made a positive contribution to Bong's earnings in the first quarter.

### *Acquisition of Image Envelopes*

As announced in a press release on 18 December 2009, Bong acquired 50% of the British specialist envelope manufacturer Image Envelopes Ltd at the beginning of January 2010. Bong has an option to increase its stake in the company over the next three years.

Image Envelopes delivers products to the British Direct Mail market and has an annual sales of over GBP 2.5 million. Image Envelopes is reported as an associated company in the Group.

## SUBSEQUENT EVENTS

### *Acquisition of remaining shares in Voet*

In April 2010 Bong acquired an additional 12% of the shares in Netherlands-based Voet International Packaging Solutions V.O.F. Following the acquisition, the company is a wholly owned subsidiary.

## OPPORTUNITIES AND RISKS

The risks arising in Bong's operations are related primarily to market development and different types of financial risk. For further information, see Bong's annual report and website [www.bongljungdahl.se](http://www.bongljungdahl.se).

## ACCOUNTING POLICIES

This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting, and the Swedish Annual Accounts Act. The applied accounting policies correspond to those used in the annual report for 2009 and should be read together with these. For a description of the new amendments, revisions, interpretations and standards effective for periods beginning on or after 1 January 2010, see Bong's annual report for 2009.

One of these changes is that the Group applies IFRS 3 (revised), "Business Combinations" as of 1 January 2010. Among other things, the revised standard states that all consideration paid to acquire an operation must be reported at fair value on the acquisition date, while subsequent contingent consideration is classified as a liability which is then remeasured with recognition of changes in profit or loss. All acquisition-related transaction costs are expensed. None of the new or changed standards and interpretations has had any significant impact on the company's financial statements.

Kristianstad, May 18, 2010

BONG LJUNGDAHL AB

Anders Davidsson  
President and CEO

This interim report has not been subject to special review by the company's independent auditors.

### *Presentation of the report*

The interim report will be presented at a teleconference starting at 10:00 a.m. on 19 May 2010. The telephone number to the teleconference is +46 (0) 8 5052 0110. Pictures for the teleconference will be available on our website [www.bongljungdahl.se](http://www.bongljungdahl.se) by 8:00 a.m., at the latest.

### *For additional information contact*

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### **Financial calendar:**

- Interim report January-June, August 25, 2010
- Interim report January-September, November 11, 2010
- Year-end report 2010, February 2011



INTERIM REPORT 31 MARCH 2010

**CONSOLIDATED PROFIT AND  
LOSS ACCOUNTS IN SUMMARY  
(SEK M)**

	Jan - Mar 2010	Jan - Mar 2009	Apr/2009- Mar/2010	Jan - Dec 2009
Net sales	501.3	520.1	1,895.9	1,914.7
Cost of goods sold	-395.2	-403.7	-1,502.1	-1,510.6
Gross profit	106.0	116.4	393.8	404.1
Selling expenses	-50.4	-56.6	-182.1	-188.4
Administrative expenses	-41.6	-45.9	-151.9	-156.2
Other operating income and expenses	-0.9	-0.7	5.5	5.7
Operating profit	13.2	13.1	65.3	65.3
Net financial items	-6.7	-8.9	-32.5	-34.8
Profit before tax	6.5	4.2	32.8	30.5
Income tax	-1.8	-1.3	-6.8	-6.2
Profit after tax	4.7	2.9	26.0	24.3
Profit for the period attributable to non-controlling interests	0.5	1.0	2.1	2.6
Basic earnings per share, SEK	0.32	0.22	1.74	1.65
Diluted earnings per share, SEK	0.32	0.22	1.73	1.63
Average number of shares, basic	13,128,227	13,128,227	13,128,227	13,128,227
Average number of shares, diluted	13,230,227	13,332,227	13,230,227	13,230,227

**STATEMENTS OF COMPREHENSIVE INCOME  
(SEK M)**

	Jan - Mar 2010	Jan - Mar 2009	Apr/2009- Mar/2010	Jan - Dec 2009
Profit after tax	4.7	2.9	26.0	24.3
<b>Other comprehensive income</b>				
<b>Income and expense recognised directly in equity</b>				
Cash flow hedges	-7.6	-18.6	8.7	-2.3
Hedging of net investments	23.3	-10.1	46.5	13.1
Translation differences	-43.5	20.6	-111.3	-47.2
Revaluation reserve on acquisitions of shares in subsidiaries			5.6	5.6
Income tax relating to components of other comprehensive income	0.9	3.7	-10.4	-7.7
<b>Other comprehensive income after tax</b>	-26.8	-4.4	-60.9	-38.5
<b>Total comprehensive income</b>	-22.1	-1.5	-34.9	-14.2
<b>Total comprehensive income attributable to:</b>				
Owners in Parent Company	-21.9	-2.8	-37.8	-18.7
Non-controlling interests	-0.2	1.3	3.0	4.5

**CONSOLIDATED BALANCE SHEETS  
IN SUMMARY (SEK M)**

	31-Mar-2010	31-Mar-2009	31 Dec 2009
<b>Assets</b>			
Intangible assets	410.2	433.0	416.2
Tangible assets	522.8	608.9	550.4
Financial assets	92.4	107.2	95.6
Inventories	212.9	257.7	207.8
Current receivables	335.3	357.5	313.9
Cash and cash equivalents	120.0	119.3	74.3
<b>Total assets</b>	<b>1,693.6</b>	<b>1,883.7</b>	<b>1,658.2</b>
<b>Equity and liabilities</b>			
Equity	576.0	627.5	598.1
Non-current liabilities	639.9	755.5	605.1
Current liabilities	477.7	500.6	454.9
<b>Total equity and liabilities</b>	<b>1,693.6</b>	<b>1,883.7</b>	<b>1,658.2</b>
1) Of which, goodwill	<b>401.5</b>	<b>430.2</b>	<b>407.9</b>
2) Of which, non-controlling interests	<b>2.9</b>	<b>2.9</b>	<b>2.6</b>
3) Of which, interest-bearing	<b>620.1</b>	<b>726.8</b>	<b>584.5</b>
4) Of which, interest-bearing	<b>59.4</b>	<b>98.1</b>	<b>78.4</b>

**CHANGES IN CONSOLIDATED  
EQUITY (SEK M)**

	Jan-Mar 2010	Jan-Mar 2009
Opening balance for the period	598.1	629.0
Total comprehensive income	-22.1	-1.5
<b>Closing balance for the period</b>	<b>576.0</b>	<b>627.5</b>

**CONSOLIDATED CASH FLOW STATEMENTS**

	Jan - Mar 2010	Jan - Mar 2009	Apr/2009- Mar/2010	Jan - Dec 2009
<b>(SEK M)</b>				
<b>Operating activities</b>				
Operating profit	13.2	13.1	65.3	65.3
Depreciation, amortisation and impairment	20.7	24.3	86.4	90.1
Financial items	-6.7	-8.9	-32.5	-34.8
Paid tax	-1.9	-1.3	-2.7	-2.1
Other non-cash items	-1.6	-19.5	-15.2	-33.1
Cash flow from operating activities before changes in working capital	23.7	7.7	101.3	85.4
Changes in working capital	-1.7	20.7	75.7	98.1
<b>Cash flow from operating activities</b>	<b>21.9</b>	<b>28.4</b>	<b>177.0</b>	<b>183.4</b>
<b>Cash flow from investing activities</b>	<b>-9.2</b>	<b>12.9</b>	<b>-36.7</b>	<b>-14.6</b>
<b>Cash flow after investing activities</b>	<b>12.7</b>	<b>41.3</b>	<b>140.3</b>	<b>168.9</b>
<b>Cash flow from financing activities</b>	<b>35.5</b>	<b>-22.2</b>	<b>-134.6</b>	<b>-192.3</b>
<b>Cash flow for the period</b>	<b>48.2</b>	<b>19.1</b>	<b>5.7</b>	<b>-23.4</b>
Cash and cash equivalents at beginning of period	74.3	99.1	119.3	99.1
Exchange rate difference in cash and cash equivalent	-2.5	1.2	0.8	-1.4
<b>Cash and cash equivalent at end of period</b>	<b>120.1</b>	<b>119.3</b>	<b>120.1</b>	<b>74.3</b>

**KEY RATIOS**

	Jan - Dec 2009	Jan - Dec 2008
Operating profit, %	3.4	3.8
Profit margin, %	1.4	1.0
Return on equity, %	3.57	1.8
Return on capital employed, %	5.5	5.6
Equity/assets ratio, %	36.1	33.6
Net debt/equity ratio, times	0.98	1.18
Net loan debt/EBITDA	3.79	4.40

Capital employed, SEK M	1,261.6	1,472.7
Interest-bearing net loan debt, SEK M	589.2	744.7

**DATA PER SHARE**

	Jan - Dec 2009	Jan - Dec 2008
Basic earnings per share, SEK	1.65	0.80
Diluted earnings per share, SEK	1.63	0.78
Equity per share before dilution, SEK	45.56	47.91
Diluted equity per share, SEK	45.77	48.22

Basic number of shares outstanding at end of period	13,128,227	13,128,227
Diluted number of shares outstanding at end of period	13,230,227	13,332,227
Average number of shares, basic	13,128,227	13,128,227
Average number of shares, diluted	13,230,227	13,332,227

1) The dilution effect is not taken into account when it leads to a better result.

## FINANCIAL OVERVIEW

### Key ratios

	2009	2008	2007	2006	2005
Net sales, SEK M	1,915	1,937	1,991	1,985	1,782
Operating profit, SEK M	65	74	60	40	71
Profit before tax, SEK M	24	10	16	-1	23
Cash flow after investing activities	165	144	1	-7	105
Operating margin, %	3.4	3.8	3.0	2.0	4.0
Profit margin, %	1.4	1.0	0.6	0.1	1.9
Capital rate turnover, times	1.1	1.1	1.1	1.2	1.1
Return on equity, %	3.6	1.8	2.8	neg	4.3
Return on capital employed, %	5.5	5.6	4.9	3.1	5.3
Equity/assets ratio, %	36	34	33	31	34
Net loan debt, SEK M	589	745	829	807	706
Gearing ratio, times	0.98	1.18	1.45	1.50	1.26
Net loan debt/EBITDA, times	3.8	4.4	5.4	5.7	4.1
EBITDA/net financial items, times	4.5	3.1	3.2	3.8	4.6
Average number of employees	1,220	1,270	1,346	1,379	1,280

### Data per share

#### Number of shares

Basic number of shares outstanding at end of period	13,128,227	13,128,227	13,128,227	13,017,298	13,004,986
Diluted number of shares outstanding at end of period	13,230,227	13,332,227	13,428,227	13,651,180	13,651,180
Average basic number of shares	13,128,227	13,128,227	13,079,425	13,006,000	13,004,986
Average diluted number of shares	13,230,227	13,332,227	13,379,425	13,651,180	13,511,180

#### Earnings per share

Basic, SEK	1.65	0.80	1.19	-0.04	1.79
Diluted, SEK	1.63	0.78	1.17	-0.04	1.74

#### Equity per share

Basic, SEK	45.56	47.91	43.54	41.31	43.17
Diluted, SEK	45.77	48.22	43.98	42.30	44.09

#### Other data per share

Dividend, SEK (Board proposal for 2009)		1.00	1.00	1.00	0.00
Quoted market price on the balance sheet date, SEK	21	12	42	68	64
P/E-ratio, times	13	15	36	neg	37
Price/book value before dilution, %	46	25	96	165	148
Price/book value after dilution, %	46	25	96	160	145

<sup>1)</sup> Excluding effect of settlement in a legal dispute

**QUARTERLY DATA**
**GROUP (SEK M)**

	1/2010	4/2009	3/2009	2/2009	1/2009	4/2008	3/2008	2/2008	1/2008	4/2007	3/2007	2/2007
Net sales	501.3	512.9	424.5	457.3	520.1	507.8	440.7	463.0	525.5	517.6	461.0	472.4
Operating expenses	-488.1	-482.2	-416.4	-443.9	-507.0	-487.8	-430.7	-446.3	-498.0	-492.6	-444.7	-477.6
<b>Operating profit</b>	<b>13.2</b>	<b>30.7</b>	<b>8.1</b>	<b>13.4</b>	<b>13.1</b>	<b>20.1</b>	<b>10.0</b>	<b>16.7</b>	<b>27.5</b>	<b>25.0</b>	<b>16.3</b>	<b>-5.2</b>
Net financial items	-6.7	-10.2	-8.1	-7.6	-8.9	-15.4	-12.3	-14.7	-11.8	-10.2	-14.6	-11.5
<b>Profit before tax</b>	<b>6.5</b>	<b>20.4</b>	<b>0.0</b>	<b>5.8</b>	<b>4.2</b>	<b>4.7</b>	<b>-2.3</b>	<b>2.0</b>	<b>15.7</b>	<b>14.8</b>	<b>1.7</b>	<b>-16.7</b>

**PARENT COMPANY PROFIT AND  
LOSS ACCOUNTS IN SUMMARY (SEK M)**

	Jan -Mar 2010	Jan -Mar 2009
Net sales	0.0	0.0
Cost of goods sold	0.0	0.0
Gross profit	0.0	0.0
Administrative expenses	-7.8	-8.6
Other operating income and expenses	3.1	1.2
Operating profit	-4.7	-7.4
Net financial items	8.3	-22.0
Profit before appropriations and tax	3.6	-29.4
Income tax	-0.9	-
<b>Profit after tax</b>	<b>2.7</b>	<b>-29.4</b>

**PARENT COMPANY BALANCE  
SHEETS IN SUMMARY (SEK M)**

	Mar-31 2010	Dec-31 2009
<b>Assets</b>		
Tangible assets	6.6	5.1
Financial assets	1,141.5	1,220.1
Current receivables	109.9	109.1
Cash and cash equivalents	40.3	6.1
<b>Total assets</b>	<b>1,298.3</b>	<b>1,340.4</b>
<b>Equity and liabilities</b>		
Equity	584.6	580.2
Untaxed reserves	0.0	0.0
Provisions	11.7	11.7
Non-current liabilities	502.0	459.2
Current liabilities	200.0	289.3
<b>Total equity and liabilities</b>	<b>1,298.3</b>	<b>1,340.4</b>