BONG LJUNGDAHL AB

INTERIM REPORT JANUARY-SEPTEMBER 2001

- **NET TURNOVER INCREASED BY 6% TO SKR 1,799 MILLION (1,703). DELIVERY VOLUMES FOR COMPARABLE UNITS DECLINED BY 9%.**
- **OPERATING PROFIT (EXCL. ITEMS AFFECTING COMPARABILITY) DECLINED TO SKR 39 MILLION (136)**
- **PROFIT AFTER NET FINANCIAL ITEMS (EXCL. ITEMS AFFECTING COMPARABILITY) DECLINED TO A LOSS OF SKR 12 MILLION (PROFIT OF 87)**
- **SAVINGS AND CAPACITY ADJUSTMENTS ARE CARRIED OUT, WORK FORCE CUT BY SOME ADDITIONAL 100. FULL IMPACT DURING Q1, 2002.**

Bong is a fast growing international envelopes company. The Group has an annual turnover of some SKr 2.5 billion, approximately 1,800 employees and an annual production capacity of some 16 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 ongoing process of restructuring in the European envelope industry and sees useful opportunities for further expansion and development. Bong is a public company and the shares are listed on Stockholmsbörsen's "O" list.

MARKET

The weakening of the market that characterised the first half of the year became more accentuated and widespread in geographical terms during the third quarter. The markets in Great Britain, Norway and Finland, which experienced a relatively strong start to the year, weakened during the third quarter. The slowdown in Germany and Sweden has deepened. Given the current economic situation, customers are adopting a more cautious approach to new sales campaigns and other marketing activities, which has had a marked effect on special products in the direct mail advertising segment. The envelope market in Europe is estimated to have declined by around 4-5 per cent in volume during the January-September period in 2001 in relation to the same period in 2000. The weaker market conditions resulted in a significant shortfall in sales in many of the Group's businesses. Particularly marked were the sales shortfalls on the markets in Sweden and Germany, which account for about 16 per cent and 19 per cent respectively of the Group's total turnover.

Apart from the cyclical slowdown, the far-reaching re-structuring programme carried out during the first half of the year in connection with the integration of newly acquired units resulted in a sharp reduction in capacity and lower service levels, which caused the company to lose market share. Production capacity and service levels are now back at normal levels.

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Market conditions in the immediate future are difficult to foresee, mainly owing to uncertainty about the coming developments in the global economy and the effects of the uncertain situation in the world. In the longer term, previous estimates of sustainable volume growth of 2-3 per cent a year on the European envelope market remain unchanged.

COST CUTTING AND CAPACITY ADJUSTMENTS

An extensive restructuring programme and a number of capacity reductions at the Group's units are being carried out with the aim of adapting the Group to prevailing market conditions. This is involving the shutdown of a number of envelope machines and cancellation of shifts. The programme affects virtually all operations and involves a reduction of 100 in the work force. The cuts have to a large extent been arranged to affect contract employees, which means that they will have an impact fairly soon and will enable the company to return to higher capacity at short notice. The annual effects of the programme are estimated at around SKr 30 million, with full impact from January 2002. The cost of implementing the changes is provisionally estimated to no more than some SKr 5 million and will be charged against profit for the fourth quarter.

TURNOVER AND RESULT, JANUARY-SEPTEMBER 2001

The consolidated turnover for the January-September 2001 period increased by 5.6 per cent to SKr 1,799 million (1,703). Of the increase, some 5 percentage points are attributable to acquired units, 4 percentage points to price increases and 6 percentage points to currency fluctuations. This means that for comparable units, delivery volumes declined by some 9 per cent.

The operating profit (excluding items affecting comparability of SKr 5 million) decreased during the January-September 2001 period to SKr 39 million (136). The operating margin was 2.1 per cent (8.0). The result after net financial items (excluding items affecting comparability) was a loss of SKr 12 million (profit 87) for the period, and the loss per share after tax and full dilution (excluding items affecting comparability) was SKr 1.30 (earnings of SKr 6.18).

As previously announced, the items affecting comparability of SKr 5 million relate to the cost of the cancelled acquisition of the Stronghold Group and the share issue planned to finance it.

The decline in the result is mainly attributable to considerably lower capacity utilisation caused by a general slackening in demand and narrower gross margins owing to last year's extremely large increase in the price of paper, the Group's most important input material.

In addition, the very extensive structuring programme carried out during the first half of the year in connection with the integration of newly acquired units caused serious disturbances to production. The programme has affected most of the Group's units and involved the closure of four factories and the relocation of one-third of the Group's machines. All in all, these measures have had a significantly adverse effect on the Group's productivity and efficiency during the period of adjustment. The integration process is, however, now complete. The planned structure has been achieved and efficiency and productivity are now close to intended levels. It has been possible to reduce the number of employees by the planned 120 or so as a result of the project.

The overheating that characterised the market for fine paper during the previous year, and which led to several sharp price increases, has now reverted to a more balanced situation. Paper prices stabilised during the first half of the year and are now showing a slightly downward trend. It is, however, difficult to assess how they will move in the future.

TURNOVER AND RESULT, THIRD QUARTER 2001

The turnover for the third quarter increased by 4 per cent to SKr 548 million (526), which, after adjustment for acquisitions, price changes and currency fluctuations, corresponds to a decline of some 12 per cent in delivery volumes for comparable units. The weak development in sales is largely an effect of generally slackening conditions. The operating result for the third quarter, traditionally the weakest of the year, declined to a loss of SKr 5 million (35 excluding items affecting comparability). The result after net financial items was a loss of SKr 22 million (18 excluding items affecting comparability).

EVENTS IN THE THIRD QUARTER 2001

Envelop-e®, the Group's new e-business system, was successfully launched for customers in Sweden and Norway during the third quarter. The system is seen as user-friendly and cost-effective, and we expect more customers to sign up and increased use. Preparations are being made to launch the system in the Group's other businesses.

A 50 per cent owned associate company in England, Eurotrade Business Products Ltd, has hitherto handled the marketing of the TYVEK® envelope, a product with special protective features. Bong has notified Eurotrade that it intends to cease this arrangement and intends to canvass the market direct and on own account as of March 31st, 2002. The market for TYVEK® envelopes in Europe is estimated to be worth around SKr 200 million with annual growth of some 5-10 per cent.

LIQUID FUNDS, CASH FLOW AND FINANCING

The Group's closing liquid funds amounted to SKr 49 million (Dec 31st 2000: 70), excluding unutilised credit facilities of some SKr 225 million. The negative cash flow absorbed by current operations during the reporting period was SKr 11 million (positive 77), which is mainly attributable to the poorer result and to the liquidity effects of the now completed structuring measures and the supplementary payment of tax for 2000. The negative cash flow absorbed by current operations during the third quarter was SKr -5 million (negative 6).

The net financial debt amounted to SKr 1,207 million at September 30th 2001 (Dec. 31, 2000: 1,017). Net debt increased by SKr 96 million as a result of the weakening of the Swedish krona.

Closing equity amounted to SKr 681 million (Dec. 31st 2000: 675). The closing equity ratio was 27.0 per cent (Dec. 31st 2000: 28.8) and the net debt/equity ratio was 1.79 (Dec. 31st 2000: 1.51).

FIXED CAPITAL EXPENDITURE

Excluding company acquisitions, capital expenditure during the period amounted to SKr 60 million, of which SKr 14 million was charged during the third quarter (SKr 83 million and SKr 12 million during the corresponding periods last year, excluding property sales of SKr 130 million). Investments during the period were mainly in machinery at the envelope factories. Capital expenditure is now being minimised as far as possible and will decline during the coming quarters.

EMPLOYEES

The average number of employees for the period was 1,864 (1,882), with acquired units accounting for an increase of some 125. The number of employees at the close of the period was 1,833, a reduction by 177 when compared with the same time last year.

PROSPECTS

The recession is deepening and spreading. The weak market conditions, coupled with loss of market share and disturbances in connection with the restructuring programme, have caused a sharp deterioration in the consolidated result.

Completed and planned cost reductions, lower paper prices and improved production will to some extent offset the weak demand. The previous forecast of a considerably poorer result than for last year remains unchanged.

The Group's strong position on the European envelope market, the effects of the now completed restructuring measures, and the potential provided by the further consolidation of the European envelope industry, mean, when seen overall, that Bong's prospects of achieving long-term growth in its sales and earnings are bright.

Kristianstad, November 2nd 2001

Lennart Pihl
Managing Director and Group CEO

This interim report is made up in accordance with the Swedish Financial Accounting Standards Council's Recommendation RR20 Interim reports. The same accounting principles have been applied as for the latest final accounts.

The nine-monthly report has not been subject to specific examination by the company's auditors.

Further information may be obtained from Bong Ljungdahl AB's MD and CEO, Lennart Pihl on +46 44 20 70 00 (switchboard), +46 44 20 70 50 (direct), or +46 70 594 68 66, (mobile)

Next financial report
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INTERIM REPORT SEPTEMBER 30th 2001

SUMMARY CONSOLIDATED PROFIT AND LOSS ACCOUNTS (MSEK)	July-Sept 2001 3 months	July-Sept 2000 3 months	Jan-Sept 2001 9 months	Jan-Sept 2000 9 months	Oct 2000-Sept 2001 12 months	Jan-Dec 2000 12 months
Net turnover	547,8	526,4	1 798,8	1 702,8	2 442,7	2 346,8
Cost of sold products	-471,7	-407,2	-1 467,2	-1 287,5	-1 973,4	-1 793,5
Gross operating profit	76,1	119,2	331,6	415,3	469,3	553,3
Selling costs	-38,6	-43,5	-143,5	-144,5	-191,3	-192,3
Administrative costs	-35,4	-36,9	-131,6	-117,2	-173,9	-159,5
Other operating income and costs	-0,6	2,5	0,3	-0,5	2,4	1,5
Items affecting comparability	-	32,9	-4,5	43,9	-4,5	43,9
Operating profit before depreciation of goodwill	1,5	74,2	52,3	197,0	102,0	246,9
Depreciation of goodwill	-6,5	-6,1	-18,1	-17,0	-23,5	-22,5
Operating profit	-5,0	68,1	34,2	180,0	78,5	224,4
Net financial items	-16,8	-17,3	-50,9	-49,5	-66,0	-64,6
Profit/loss before tax	-21,8	50,8	-16,7	130,5	12,5	159,8
Tax	3,0	-14,5	0,6	-43,4	-6,3	-50,3
Profit/loss after tax	-18,8	36,3	-16,1	87,1	6,2	109,5

SUMMARY CONSOLIDATED BALANCE SHEET (MSEK)	30 Sept 2001	30 Sept 2000	31 Dec 2000
Assets			
Goodwill	474,8	412,8	442,7
Other fixed assets	1 134,5	1 029,2	1 067,6
Inventories	410,5	401,2	395,4
Receivables	440,3	381,9	365,4
Liquid funds	49,2	65,8	70,3
Total assets	**2 509,3**	**2 290,9**	**2 341,4**
Equity and liabilities			
Equity	681,0	640,7	674,5
Interest-bearing provisions	77,4	76,4	74,9
Interest-free provisions	176,0	198,2	176,7
Interest-bearing liabilities	1 201,1	1 040,5	1 031,5
Interest-free liabilities	373,8	335,1	383,8
Total equity and liabilities	**2 509,3**	**2 290,9**	**2 341,4**

FINANCIAL RATIOS		Jan - Sept 2001	2000	Oct 2000-Sept 2001	Jan-Dec 2000
Earnings/loss per share after tax and full conversion excluding items affecting comparability, SEK		-1,30	6,18	1,10	8,75
Ditto including items affecting comparability, SEK		-1,84	10,00	0,73	12,56
Earnings/loss per share after tax but before full conversion excl. items affecting comparability, SEK		-1,49	6,21	1,09	8,82
Ditto including items affecting comparability, SEK		-1,87	10,07	0,72	12,68
Equity after full conversion, SEK		78,78	74,23		78,07
Ditto before full conversion, SEK		78,67	74,07		77,95
Operating margin before depreciation of goodwill,%	1)	3,2	9,0	4,4	8,7
Operating margin, %	1)	2,1	8,0	3,4	7,7
Profit margin, %	1)	-0,7	5,1	0,7	4,9
Return on equity, %	1)	-	-	1,4	12,2
Return on capital employed, %	1)	-	-	4,7	10,7
Equity ratio, %		27,0	28,0		28,8
Net debt-equity ratio, x		1,79	1,61		1,51
Interest cover, x		0,8	3,6		2,7
Capital employed, MSEK		1 959,4	1 757,6		1 780,9
Net interest-bearing debt, MSEK		1 206,8	1 029,0		1 016,5
Number of shares in issue at end of period		8 656 291	8 649 691	8 656 291	8 652 991
Average number of shares after full conversion		8 726 691	8 726 691	8 726 691	8 726 691
Average number of shares before full conversion		8 654 659	8 625 156	8 645 830	8 631 493

1) Excluding items affecting comparability

CHANGE IN CONSOLIDATED EQUITY (MSEK)	Jan - Sept 2001	2000	Jan-Dec 2000
Opening balance for the period	674,5	433,7	433,7
New share issue	-	137,4	137,4
Conversion	0,3	2,3	2,6
Dividend	-26,0	-22,4	-22,4
Translation differences	48,3	2,6	13,8
Profit/loss for the period	-16,1	87,1	109,4
Closing balance for the period	681,0	640,7	674,5

CONSOLIDATED CASH FLOW ANALYSIS (MSEK)	July-Sept 2001 3 months	July-Sept 2000 3 months	Jan-Sept 2001 9 months	Jan-Sept 2000 9 months	Jan-Cec 2000 12 months
Current operations					
Operating profit	-5,0	68,1	34,1	180,0	224,4
Depreciation	37,8	33,7	104,2	92,6	127,7
Financial items	-17,1	-17,1	-51,2	-45,3	-61,1
Tax paid	5,5	3,5	-28,3	-17,2	-12,6
Other items not affecting liquidity	-5,9	-44,0	-35,6	-51,8	-82,3
Cash flow from current operations before change in working capital	15,3	44,2	23,2	158,3	196,1
Change in working capital	-20,2	-49,8	-33,9	-81,6	-42,2
Cash flow from current operations	**-4,9**	**-5,6**	**-10,7**	**76,7**	**153,9**
Investment activities					
Acquisitions/divestments of fixed assets	-14,5	117,4	-60,3	46,6	28,4
Company acquisitions	-	-102,6	-2,3	-403,9	-419,4
Cash flow from investment activities	**-14,5**	**14,8**	**-62,6**	**-357,3**	**-391,0**
Financing activities					
Change in interest-bearing loans	-4,6	-13,4	73,0	342,2	298,1
Dividend	-	-	-26,0	-22,4	-22,4
Cash flow from financing activities	**-4,6**	**-13,4**	**47,0**	**319,8**	**275,7**
Cash flow for the period	**-24,0**	**-4,2**	**-26,3**	**39,2**	**38,6**

QUARTERLY DATA, GROUP

(MSEK)	3/2001	2/2001	1/2001	4/2000	3/2000	2/2000	1/2000	4/1999	3/1999	2/1999	1/1999
Net turnover	547,8	577,8	673,2	644,0	526,4	547,6	628,8	316,6	265,5	302,6	338,2
Operating costs	-546,3	-560,8	-635,0	-594,2	-485,1	-504,7	-559,8	-290,2	-249,0	-278,2	-305,8
Operating profit before depreciation of goodwill	1,5	17,0	38,2	49,8	41,3	42,9	69,0	26,4	16,5	24,4	32,4
Depreciation of goodwill	-6,5	-5,6	-6,1	-5,4	-6,1	-4,9	-6,1	-1,8	-2,0	-1,8	-1,9
Operating profit/loss before items affecting comparability	-5,0	11,4	32,1	44,4	35,2	38,0	62,9	24,6	14,5	22,6	30,5
Items affecting comparability	-	-	-4,5	-	32,8	11,1	-	-	-	-	-
Operating profit/loss	-5,0	11,4	27,6	44,4	68,0	49,1	62,9	24,6	14,5	22,6	30,5
Net financial items	-16,8	-17,3	-16,7	-15,1	-17,2	-15,1	-17,2	-4,6	-3,7	-4,2	-4,7
Profit/loss after net fin.items	-21,8	-5,9	10,9	29,3	50,8	34,0	45,7	20,0	10,8	18,4	25,8
Profit/loss after net financial items, excl. items affecting comparability	-21,8	-5,9	15,4	29,3	18,0	22,9	45,7	20,0	10,8	18,4	25,8