BONG

BONG LJUNGDAHL AB

INTERIM REPORT, JANUARY – JUNE 2002

- **PERSISTENTLY WEAK MARKET PULLS DOWN RESULTS**
- **OPERATING PROFIT* AMOUNTED TO SKr 18 MILLION (44)**
- **CASH FLOW** IMPROVED SIGNIFICANTLY AND AMOUNTED TO SKr 57 MILLION (-54)**
- **SHARE ISSUE FULLY SUBSCRIBED AND BRINGS IN SKr 147 MILLION**
- **NEW COST-REDUCTION PROGRAMME STARTED TO REDUCE ANNUAL COST BASE BY SKR 30-40 MILLION**

	Q2 2002	Q2 2001	Q1-2 2002	Q1-2 2001
Net turnover, SKr million	**531**	**578**	**1,123**	**1,251**
Operating profit/loss, SKr million*	**-4**	**11**	**18**	**44**
Profit/loss after net financial items, SKr million*	**-20**	**-6**	**-14**	**10**
Cash flow after investment activities, SKr million**	**2**	**-63**	**57**	**-54**

* Excluding income affecting comparability of SKr 6 million in respect of capital gains on property sales (Q1-2/2002) and costs of SKr 5 million relating to cancelled acquisition of Stronghold Group (Q1-2/2001).

** Excluding proceeds of SKr 51 million from property sales (Q1-2/2002).

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MARKETS AND SALES

The European market for envelopes has continued to weaken and during the second quarter this tendency has intensified. In several countries, among them Germany, France and the Nordic countries, a 6-8 per cent decline in volume was noted during the first half of 2002 in relation to the corresponding period last year. The general recession, a weaker advertising market, and the weakness of financial markets are among the factors that have increasingly tended to moderate the level of envelope usage. The poorer market conditions in combination with excess capacity and the fragmented structure of the industry in Europe have all led to stiffer competition and greater pressure on prices.

The market downturn is relatively far-reaching even by historical standards, but it is believed to be related to cyclical factors. Available forecasts from external sources for both the European and North American markets, still indicate positive, long-term volume growth.

During the first half of 2002 the Group's sales in the Nordic countries, Germany and England were largely in line with market developments

The trend towards greater internationalisation among our customers has continued. One consequence of this is that large and internationally expanding customers are increasingly entering into central purchasing and delivery agreements for sourcing envelopes for their local units and markets. The Bong Group, by virtue of its size, structure and market coverage, is well placed to benefit from this trend. Several purchase agreements of this type, which would represent a significant potential addition to volumes, are currently being negotiated. A number of international contracts, with delivery planned to start in the second half of 2002, have already been signed, including deliveries on the Continent to one of Europe's largest office products suppliers. This contract is estimated to be worth some Euro 7-8 million per year, of which some Euro 3 million will be additional business.

TURNOVER AND RESULT

The Group's turnover during the first half of 2002 declined by 10 per cent on the same period last year to SKr 1,123 million (1,251). Two percentage points of this decline are attributable to the divested Binder Division, some 3 percentage points to lower prices and changes in product mix, and 7 points to lower volumes. Currency fluctuations boosted turnover by some 2 percentage points.

The consolidated operating profit, excluding items of SKr 6 million affecting comparability in the form of capital gains on property sales, amounted to SKr 18 million (44) for the reporting period. The cost-reduction programme, which was initiated at the end of last year, has been completed according to plan and resulted in lower costs and a slightly improved gross margin, despite stiffer price competition. However, these measures have turned out to be insufficient to offset the effect of the weaker volume trend. The operating margin was 1.6 per cent (3.5) for the January-June 2002 period. A new cost-reduction programme has been initiated with the object of reducing the annual cost base by some SKr 30-40 million. However, its effect during the current year will only be marginal.

During the second quarter of 2002 turnover declined by 8 per cent to SKr 531 million (578), which after adjustment for divestments, changes in price and product mix and currency fluctuations means a volume reduction of just over 3 percentage points on the same period last year. The operating result for the second quarter was a loss of SKr 4 million (profit 11). The decline in the result is due to low capacity utilisation, which in turn was caused by generally slacker demand.

The price of fine paper, the Group's most important input item, remained stable during the period, running at a slightly lower level than the average for 2001.

The result after net financial items (excluding items affecting comparability) was a loss SKr 14 million (profit 10) for the period. The proceeds of SKr 147 million (after costs) of the share issue were received shortly before the end of the reporting period and have therefore not had any effect on the Group's net financial items for the first half of the year.

As already announced, in January 2002 the Group sold its interest in Eurotrade Business Products, the associate company through which Bong's TYVEK® range of envelopes had been marketed. The transaction has only had a marginal effect on the consolidated result. Bong now canvasses the market for these products direct and on own account.

FINANCIAL POSITION

Bong Ljungdahl's share issue, the purpose of which was to strengthen the Group's capital base and make possible further growth and consolidation of the Group's position as a leading player on the European envelope market, was fully subscribed by the end of the subscription period in June 2002. The proceeds of the issue amounted to SKr 147 million (after issue costs). 99.2 per cent of the issue was subscribed to by existing shareholders on the basis of their rights. The number of shares in issue rose by 4,334,995 to a total of 13,004,986.

Since the end of the reporting period subscriptions to Bong Ljungdahl's new convertible programme for Group employees were completed. The issue was 77 per cent taken up, mostly by senior executives, of whom rather more than half work for foreign units. The proceeds of this issue of loan stock amounted to SKr 21 million. In the event of conversion at a conversion price of SKr 61, 346,194 new shares will be issued. The loan may be converted between May 20, 2004 and May 20, 2007.

As of June 30, 2002 an outstanding amount of SKr 5.2 million was repaid back in respect of Bong Ljungdahl AB's 1998/2002 convertible loan stock. During the term of the loan, convertibles corresponding to SKr 4.2 million were converted into 45,200 shares.

Net debt declined during the period by SKr 288 million to SKr 853 million (1,141 as at December 31, 2001). Of the reduction, SKr 108 million are the result of the period's cash flow after investment activities, SKr 147 million to the receipt of the issue proceeds, and SKr 40 million to currency fluctuations. The net debt-equity ratio declined to 1.09 (1.73 as at December 31, 2001). At June 30, 2002 liquid funds amounted to SKr 171 million (43 at December 31, 2001), excluding approved but undrawn credit facilities of SKr 218 million (116 at December 31, 2001).

At the end of June 2002 and after completion of the share issue, the Group's equity amounted to SKr 783 million (658 at December 31, 2001). Translation to Swedish kronor of the value of foreign subsidiaries' net assets reduced the Group's equity by SKr 19 million. The closing equity ratio was 33.7 per cent (28.1 at December 31, 2001).

CASH FLOW

The Group's cash flow improved during the January-June 2002 period by SKr 111 million (excluding the proceeds of property sales of SKr 51 million), and amounted to SKr 57 million (deficit 54) after investment activities and excluding the proceeds of property sales. During the second quarter of 2002 the cash flow amounted to SKr 2 million (deficit 63).

CAPITAL EXPENDITURE

Net capital expenditure for the period, excluding the proceeds of SKr 51 million on property sales, amounted to SKr 0 million (48).

EMPLOYEES
The average number of employees was 1,663 (1,890).

PARENT COMPANY
The activities of the parent company consist of the administration of operating subsidiaries and the provision of Group management functions. The profit for the period after net financial items amounted to SKr 26 million (loss 17). The parent company's equity, including its SKr 31 million interest in untaxed reserves, amounted to SKr 653 million (480 at December 31, 2001). The equity ratio was 62 per cent (56 at December 31, 2001). The average number of employees was 8 (7).

DISPUTES AND LITIGATION
In connection with the acquisition of the Bauwens group, a dispute arose with the former owner concerning certain items in the closing accounts and, in Bong's opinion, the failure by the former owner to fulfil certain contractual obligations. After Bong announced its intention of withholding payment of about Euro 10 million of the purchase price, the dispute has recently been referred to arbitration. As the disputed amount is included in Bong's acquisition balance sheet, there will be no effect on Bong's result or financial position in the event of a negative outcome of the dispute. In the event of a favourable outcome the purchase price stated in the accounts will be reduced by a corresponding amount. Running legal costs are expected to be recoverable in the event of a positive outcome for Bong.

ACCOUNTING PRINCIPLES
This interim report is made up in accordance with the Swedish Financial Accounting Standards Council's recommendation RR 20. Bong has complied with the new recommendations issued by the Swedish Financial Accounting Standards Council, which came into effect on January 1, 2002. The introduction of these recommendations has not resulted in any changes in the information provided.

Otherwise, the same accounting principles and calculation methods are used in the interim report as in the annual report for 2001.

PROSPECTS
There are still no clear signs of a recovery in the international economy, which means that there is reason to expect the market to remain weak for some time to come.

For the longer term, however, we are repeating our earlier forecast of sustainable market growth of 2-3 per cent per year. Consequently, given the Group's strong position on the European envelope market, the completed restructuring measures, and the potential for further consolidation in the European envelope industry, we believe that there are bright prospects for Bong to achieve healthy growth in its sales and earnings in the longer term.

The forecasts provided in this report are unchanged in relation to those provided in the previous report.

Kristianstad, August 16, 2002

Lennart Pihl
Managing Director and CEO

EXAMINATION REPORT
We have made a general examination of this interim report in accordance with FAR's recommendations.

A general examination is significantly less far-reaching than an audit. Nothing has emerged to suggest that this interim report does not satisfy the requirements of the Stock Exchange Act and the Annual Accounts Act.

Kristianstad, August 16, 2002

Dan Andersson	*Anders Lundin*
Authorised public accountant	*Authorised public accountant*

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

Coming financial reports
Interim report January – September 2002: November 1, 2002
Year-end release 2002: February, 2003

Bong is one of Europe's leading envelope companies. The Group has an annual turnover of around 2.4 billion kronor, has about 1,700 employees and a manufacturing capacity of some 15 billion envelopes a year at its production units in Sweden, Denmark, Norway, Finland, Estonia, Poland, Germany, Belgium, England and Ireland. Over the past few years, Bong has carried out a number of acquisitions of companies in the envelope industry and has thus taken an active part in the current process of structural transformation in the industry in Europe. The Group sees attractive opportunities for further expansion and development. Bong is a publicly listed company and its shares are listed on the Stockholm stock exchange "O" list.

BONG LJUNGDAHL
INTERIM REPORT JANUARY-JUNE 2002

CONSOLIDATED PROFIT AND LOSS ACCOUNTS SUMMARY (MSEK)	April-June 2002 3 months	April-June 2001 3 months	Jan-June 2002 6 months	Jan-June 2001 6 months	July 2001-June 2002 12 months	Jan-Dec 2001 12 months
Net turnover	530,8	577,8	1 122,6	1 251,0	2 266,1	2 394,5
Cost of sold products	-428,9	-474,1	-893,7	-1 009,4	-1 840,5	-1 956,2
Gross operating profit	101,9	103,7	228,9	241,6	425,6	438,3
Selling costs	-51,4	-43,7	-100,3	-97,5	-199,8	-197,0
Administrative costs	-47,8	-45,1	-96,3	-89,9	-185,6	-179,2
Other operating income and costs	-0,4	2,1	-0,8	1,0	1,0	2,8
Items affecting comparability	-	-	6,2	-4,5	6,2	-4,5
Operating profit before depr. of goodwill	2,3	17,0	37,7	50,7	47,4	60,4
Depreciation of goodwill	-6,6	-5,6	-13,3	-11,6	-26,4	-24,7
Operating profit/loss	-4,3	11,4	24,4	39,1	21,0	35,7
Net financial items	-15,6	-17,3	-32,1	-34,1	-72,1	-74,1
Profit/loss before tax	-19,9	-5,9	-7,7	5,0	-51,1	-38,4
Tax	6,0	1,2	4,3	-2,4	16,7	10,0
Profit/loss after tax	-13,9	-4,7	-3,4	2,6	-34,4	-28,4

SUMMARY CONSOLIDATED BALANCE SHEET (MSEK)	30 June 2002	30 June 2001	31 Dec 2001
Assets			
Goodwill	427,4	456,2	454,2
Other fixed assets	985,5	1 104,4	1 107,9
Inventories	378,7	412,6	381,2
Receivables	363,6	413,7	352,2
Liquid funds	170,5	72,0	42,9
Total assets	**2 325,7**	**2 458,9**	**2 338,4**
Equity and liabilities			
Equity	782,9	674,5	658,1
Interest-bearing provisions	79,0	76,6	76,9
Interest-free provisions	154,0	182,1	162,4
Interest-bearing liabilities	958,0	1 141,4	1 125,6
Interest-free liabilities	351,8	384,3	315,4
Total equity and liabilities	**2 325,7**	**2 458,9**	**2 338,4**

KEY RATIOS		Jan-June 2002	Jan-June 2001	July 2001-June 2002	Jan - Dec 2001
Earnings per share after tax and full conversion excl. items affecting comparability, SEK	1)	-0,88	0,58	-4,42	-2,41
Dito incl. items affecting comparability, SEK	1)	-0,38	0,26	-3,91	-2,72
Earnings per share after tax but before full conversion, excl. items affecting comparability,SEK	1)	-0,88	0,57	-4,42	-2,45
Ditto incl. items affecting comparability, SEK	1)	-0,38	0,26	-3,91	-2,77
Equity after full conversion, SEK	1)	60,20	66,03	60,20	64,32
Ditto before full conversion	1)	60,20	65,94	60,20	64,23
Operating margin before depr. of goodwill	2)	2,8	4,4	1,8	2,7
Operating margin, %	2)	1,6	3,5	0,7	1,7
Profit markgin, %	2)	-1,2	0,8	-2,5	-1,4
Return in equity, %	2)	-	-	-5,8	-3,8
Return on capital employed, %	2)	-	-	1,2	2,3
Equity ratio, %		33,7	27,4	33,7	28,1
Net debet-equity ratio, x		1,09	1,67	1,09	1,73
Interest cover, x	2)	0,6	1,3	0,2	0,6
Capital employed, MSEK		1 819,9	1 892,4	1 819,9	1 860,6
Net interest-bearing debt, MSEK		852,8	1 126,3	852,8	1 140,6
Number of shares in issue at end of period	3)	13 004 986	8 656 291	13 004 986	8 669 991
Average number of share after full conversion	3)	8 944 696	8 726 691	8 805 839	8 726 691
Average number of shares before full conversion	3)	8 944 696	8 653 824	8 805 839	8 661 598

1) Comparative figures have been adjusted for the new issue of shares by a factor of 0,846
2) Excluding items affecting comparability
3) For the period January-June 2002 with respect to July 2001-June 2002 the issue in progress of 4,334,995 shares (registered in July 2002) has been included in the number of shares in issue at the end of the period and (as a weighted average) in the average number of shares.

CHANGE OF CONSOLIDATED EQUITY (MSEK)	Jan-June 2002	Jan-June 2001	Jan-Dec 2001
Opening balance	658,1	674,5	674,5
New rights issue	147,2	-	-
Conversion	-	0,3	1,6
Dividend	-	-26,0	-26,0
Translation differences	-19,0	23,1	36,3
Result of the period	-3,4	2,6	-28,3
Closing balance	**782,9**	**674,5**	**658,1**

CONSOLIDATED CASH FLOW ANALYSIS (MSEK)	April-June 2002 3 months	April-June 2001 3 months	Jan-June 2002 6 months	Jan-June 2001 6 months	July 2001-June 2002 12 months	Jan-Dec 2001 12 months
Current operations						
Operating profit	-4,3	11,5	24,4	39,1	21,0	35,7
Depreciation	34,6	31,2	71,0	66,4	149,2	144,6
Financial items	-15,6	-17,4	-32,0	-34,1	-70,6	-72,7
Tax paid	-21,3	-25,2	-29,3	-33,8	-22,9	-27,4
Other item not affecting liquidity	-3,8	-16,1	-8,7	-29,7	-24,6	-45,6
Cash flow from current operations before change in working capital	-10,4	-16,0	25,4	7,9	52,1	34,6
Change in working capital	12,1	-25,2	31,5	-13,7	42,3	-2,9
Cash flow from current operations	**1,7**	**-41,2**	**56,9**	**-5,8**	**94,4**	**31,7**
Investment activities						
Acquisition/divestment of fixed assets	0,7	-21,7	51,4	-45,8	35,9	-61,3
Company acquisitions and divestments	-	-0,1	-	-2,3	0,4	-1,9
Cash flow from investment activities	**0,7**	**-21,8**	**51,4**	**-48,1**	**36,3**	**-63,2**
Cash flow after investment activities	**2,4**	**-63,0**	**108,3**	**-53,9**	**130,7**	**-31,5**
Financing activities						
New rights issue	147,2	-	147,2	-	147,2	-
Change in interest-bearing loans	-63,4	87,5	-126,9	77,6	-178,4	26,1
Dividend to shareholders	-	-26,0	-	-26,0	-	-26,0
Cash flow from financing activities	**83,8**	**61,5**	**20,3**	**51,6**	**-31,2**	**0,1**
Cash flow of the period	**86,2**	**-1,5**	**128,6**	**-2,3**	**99,5**	**-31,4**

QUARTERLY DATA
GROUP (MSEK)

	2/2002	1/2002	4/2001	3/2001	2/2001	1/2001	4/2000	3/2000	2/2000	1/2000
Net turnover	530,8	591,8	595,7	547,8	577,8	673,2	644,0	526,4	547,6	628,8
Operating costs	-528,5	-562,5	-587,6	-546,3	-560,8	-635,0	-594,2	-485,1	-504,7	-559,8
Operating profit before depreciation of goodwill	2,3	29,3	8,1	1,5	17,0	38,2	49,8	41,3	42,9	69,0
Depreciation of goodwill	-6,6	-6,7	-6,6	-6,5	-5,6	-6,1	-5,4	-6,1	-4,9	-6,1
Operating profit/loss before items aff. comparability	-4,3	22,6	1,5	-5,0	11,4	32,1	44,4	35,2	38,0	62,9
Items aff. comparability	-	6,1	-	-	-	-4,5	-	32,8	11,1	-
Oerating profit/loss	-4,3	28,7	1,5	-5,0	11,4	27,6	44,4	68,0	49,1	62,9
Capital loss on sale of subsidiary	-	-0,1	-1,6	-	-	-	-	-	-	-
Net financial items	-15,6	-16,4	-21,5	-16,8	-17,3	-16,7	-15,1	-17,2	-15,1	-17,2
Profit/loss after net fin.items	-19,9	12,2	-21,6	-21,8	-5,9	10,9	29,3	50,8	34,0	45,7
Profit/loss after net financial items, excl. items affecting comparability	-19,9	6,1	-21,6	-21,8	-5,9	15,4	29,3	18,0	22,9	45,7