BONG

BONG LJUNGDAHL AB

INTERIM REPORT, JANUARY – SEPTEMBER 2002

- **CONTINUED RECESSION PULL DOWN RESULTS**
- **OPERATING PROFIT*) AMOUNTED TO SKr 4 MILLION (39)**
- **CASH FLOW**) IMPROVED SHARPLY TO SKr 87 MILLION (-73)**
- **STRUCTURING AND COST-REDUCTION PROGRAMME WITH ANNUAL EFFECT OF SKr 35 MILLION TO BE CARRIED OUT DURING Q4, 2002**
- **BONG BOOKS MAJOR ORDER FROM LYRECO FOR MORE THAN 800 MILLION ENVELOPES IN 2003**

SKr million	Q3 2002	Q3 2001	Q1-Q3 2002	Q1-Q3 2001
Net turnover	487	548	1,610	1,799
Operating profit/loss*)	-14	-5	4	39
Profit/loss after net financial items*)	-28	-22	-42	-12
Cash flow after investment activities**)	29	-19	87	-73

*) Excluding income affecting comparability of SKr 6 million in respect of capital gains on property sales (Q1-Q3/2002) and costs of SKr 5 million relating to the cancelled acquisition of the Stronghold Group (Q1-Q3/2001).
**) Excluding proceeds of SKr 51 million from property sales (Q1-Q3/2002).

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MARKETS AND SALES

The European market for envelopes has remained weak and our assessment is that a recovery cannot be expected before next year. In Germany, envelope consumption has declined by 5-6 per cent so far this year owing to the weakness of the economy. In the Nordic region, the market is estimated to have fallen by 3-5 per cent, while in England the market showed greater stability. The excess capacity in the industry and its fragmented structure mean that the slacker demand is putting greater pressure on prices.

Although Bong has largely maintained its market share on the Group's main markets in Germany, England and the Nordic countries so far this year, volumes have declined in line with the dip in the total market.

Bong is retaining its focus on large, international customers. At the end of August Bong finalised a record transaction with Lyreco, the international office supplies chain. All in all, the deal will involve delivery of more than 800 million envelopes in 2003, of which 400 million represent new business for Bong. This corresponds to an increase of some 3-4 per cent in the Group's sales revenue in relation to 2002. The Lyreco order demonstrates that Bong, by virtue of its size, structure and market coverage, is well placed to benefit from the trend towards larger, more international orders on the envelope market. Bong is currently engaged in discussions with several international customers for substantial orders for 2003 and thereafter.

TURNOVER AND RESULT, JANUARY-SEPTEMBER 2002

The Group's turnover during the first nine months of 2002 declined by 11 per cent on the same period last year to SKr 1,610 million (1,799). Two percentage points of this decline are attributable to the divested Binder Division, some 4 percentage points to lower prices and changes in product mix, and 6 points to lower volumes. Currency fluctuations had a favourable effect of about one percentage point on turnover.

The consolidated operating profit before depreciation of goodwill (excluding items of SKr 6 million affecting comparability in the form of capital gains on property sales) amounted to SKr 24 million (57) for the nine-month period. The operating profit (excluding items affecting comparability) amounted to SKr 4 million (39). The downturn in the result is largely attributable to persistently weak and declining demand, which has led to significantly lower capacity utilisation at several of the Group's production units. The prevailing market conditions, combined with excess capacity and the fragmented structure of the industry in Europe have also resulted in greater pressure on prices on the major markets. The cost-reduction programme that was launched at the end of last year has been carried out according to plan and although it resulted in lower costs, it proved insufficient to offset the effect of the deteriorating market conditions. The operating margin (excluding items affecting comparability) was 0.2 per cent (2.1) for the January-September 2002 period.

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 period's financial items amounted to a net cost of SKr 46 million (costs 51). This figure was affected positively by the relatively strong cash flow for the period and by the net proceeds (after issue costs) of SKr 147 million from the share issue carried out at the end of June 2002. The result after net financial items (excluding items affecting comparability) was a loss of SKr 42 million (loss 12).

TURNOVER AND RESULT, JULY-SEPTEMBER 2002

During the third quarter of 2002 turnover declined by 11 per cent to SKr 487 million (548). After adjustment for divestments and currency fluctuations, the decline was just under 8 per cent, of which about 5 percentage points were due to price/mix changes and almost 3 percentage points to lower volumes. The operating result for the third quarter, which tends to be the year's weakest, was a loss of SKr 14 million (loss 5).

STRUCTURING AND COST-REDUCTION PROGRAMME

As already announced, a number of structural changes and a cost-reduction programme have been launched since the end of the reporting period. In Germany, production at two of the facilities is being concentrated at one with the transfer of the business at Erkelenz to the larger and more highly automated factory in Wuppertal, where the head office and central warehouse of the German business are already located. All the envelope machines are being relocated and German production capacity of some 6 billion envelopes per year will be maintained. Sub-contract manufacture at Kohila, Estonia, will be discontinued at the end of the year and all production of consumer-packed envelopes will be transferred to the Group's factory in Torgau, Germany. Fifteen or so administrative positions in Sweden, Norway, Denmark and England are being phased out.

All in all, the programme will reduce our manning requirements by some 70 employees. The annual effect of the measures is estimated at some SKr 35 million, which will show through from 2003. The cost of the programme is estimated at some SKr 30 million, which will be charged against the fourth quarter of 2002.

The measures, which will bring the Group closer into line with prevailing market conditions, are one phase in the continuous process of rationalisation that has so far, including the changes now approved, involved a reduction in the number of production units from 16 to 10.

CASH FLOW

The Group is still focusing intensely on controlling its cash flow, which improved during the January-September 2002 period by SKr 160 million (excluding the SKr 51 million proceeds of property sales), and amounted to SKr 87 million (deficit 73) after investment activities (excluding the proceeds of property sales). Including the proceeds of property sales, the cash flow amounted to SKr 138 million. During the third quarter of the year the cash flow amounted to SKr 29 million (deficit 19).

FINANCIAL POSITION

Bong Ljungdahl's share issue was fully subscribed by the end of the subscription period in June 2002, and generated proceeds amounting 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 priority rights. The number of shares in issue rose by 4,334,995 to 13,004,986 as a result of the issue.

Subscriptions to Bong Ljungdahl's new convertible programme for Group employees were completed in July 2002. The subscription rate was 77 per cent, the majority of subscribers being senior executives, of whom just over half are employed at foreign units. The proceeds of this loan stock issue 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.

Net debt was reduced during the period by SKr 312 million to SKr 829 million (1,141 at December 31, 2001). Of the reduction, SKr 138 million is attributable to the period's cash flow after investment activities, SKr 147 million to the proceeds of the stock issue, and a net amount of SKr 27 million to currency fluctuations and other factors. The net debt-equity ratio declined to 1.07 (1.73 at December 31, 2001). At September 30, 2002 liquid funds amounted to SKr 159 million (43 at December 31, 2001), excluding approved but undrawn credit facilities of SKr 206 million (116 at December 31, 2001).

At the end of September 2002, the Group's equity amounted to SKr 773 million (658 at December 31, 2001). Translation into Swedish kronor of the value of foreign subsidiaries' net assets reduced the Group's equity by SKr 14 million. The closing equity ratio was 33.9 per cent (28.1 at December 31, 2001).

CAPITAL EXPENDITURE

Net capital expenditure for the period, excluding the proceeds of SKr 51 million from property sales, amounted to SKr 4 million (63).

EMPLOYEES

The average number of employees during the period was 1,644 (1,864). At the end of September the number of employees was 1,601.

DISPUTES AND LITIGATION

As already announced, a dispute arose in connection with the acquisition of the Bauwens Group with the former owner of the Group concerning certain items in the acquisition accounts and, in Bong's opinion, the failure by the former owner to fulfil certain contractual obligations. After Bong announced its intention to withhold payment of some 10 MEUR of the purchase price, disputes arose that have 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 of financial position in the event of it losing the case; in the event of a favourable outcome the purchase price stated in the accounts will be reduced by a corresponding amount. Day-to-day 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
As the international economy is still weak, there are grounds for expecting markets to remain weak for some time to come. The approved structuring and cost-reduction programme is intended to strengthen the Group's competitive position and offset the effects of the recession, but, similarly to the additional contracted volumes, the effect will not show through until next year.

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 and planned restructuring measures, and the potential for further consolidation within the European envelope industry, we believe that the prospects of Bong achieving healthy, long-term growth in its sales and earnings are good.

The forecasts provided in this report have not changed from those provided in the previous report.

Kristianstad, November 1, 2002

Lennart Pihl
Managing Director and CEO

This interim 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, +46 44 20 70 50 (direct), or +46 70 594 68 66, (mobile)

Coming financial reports:

Year-end release 2002	*February 27, 2003*
Interim report January – March 2003	*May 9, 2003*

Bong is one of Europe's leading envelope companies. The Group has an annual turnover of around 2.2 billion kronor, has about 1,600 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-SEPTEMBER 2002

CONSOLIDATED PROFIT AND LOSS ACCOUNTS SUMMARY (MSEK)	July-Sept 2002 3 months	July-Sept 2001 3 months	Jan - Sept 2002 9 months	Jan - Sept 2001 9 months	Oct 2001- Sept 2002 12 months	Jan-Dec 2001 12 months
Net turnover	487,3	547,8	1 609,9	1 798,8	2 205,6	2 394,5
Cost of sold products	-414,7	-457,9	-1 317,6	-1 467,2	-1 804,0	-1 956,2
Gross operating profit	72,6	89,9	292,3	331,6	401,6	438,3
Selling costs	-42,3	-46,1	-136,0	-143,5	-192,0	-197,0
Administrative costs	-37,8	-41,7	-131,5	-131,6	-179,1	-179,2
Other operating income and costs	-0,3	-0,6	-1,1	0,3	1,3	2,8
Items affecting comparability	-	-	6,2	-4,5	6,2	-4,5
Operating profit before depr. of goodwill	-7,8	1,5	29,9	52,3	38,0	60,4
Depreciation of goodwill	-6,6	-6,5	-20,0	-18,1	-26,5	-24,7
Operating profit/loss	-14,4	-5,0	9,9	34,2	11,5	35,7
Net financial items	-13,8	-16,8	-45,8	-50,9	-69,0	-74,1
Profit/loss before tax	-28,2	-21,8	-35,9	-16,7	-57,5	-38,4
Tax	12,3	3,0	16,6	0,6	26,0	10,0
Profit/loss after tax	-15,9	-18,8	-19,3	-16,1	-31,5	-28,4

SUMMARY CONSOLIDATED BALANCE SHEET (MSEK)	30 Sept 2002	30 Sept 2001	31 Dec 2001
Assets			
Goodwill	424,6	474,8	454,2
Other fixed assets	981,9	1 134,5	1 107,9
Inventories	358,7	410,5	381,2
Receivables	354,8	440,3	352,2
Liquid funds	159,1	49,2	42,9
Total assets	**2 279,1**	**2 509,3**	**2 338,4**
Equity and liabilities			
Equity	772,5	681,0	658,1
Interest-bearing provisions	80,7	77,4	76,9
Interest-free provisions	155,6	176,0	162,4
Interest-bearing liabilities	925,7	1 201,1	1 125,6
Interest-free liabilities	344,6	373,8	315,4
Total equity and liabilities	**2 279,1**	**2 509,3**	**2 338,4**

KEY RATIOS

		Jan-Sept 2002	Jan-Sept 2001	Oct 2001-Sept 2002	Jan - Dec 2001
Earnings per share after tax and full conversion					
excl. Items affecting comparability, SEK	1)	-2,27	-1,24	-3,61	-2,41
Ditto incl. Items affecting comparability, SEK	1)	-1,84	-1,55	-3,16	-2,72
Earnings per share after tax but before full con-					
version, excl. items affecting comparability, SEK	1)	-2,31	-1,26	-3,64	-2,45
Ditto incl. items affecting comparability, SEK	1)	-1,88	-1,58	-3,19	-2,77
Equity after full conversion, SEK	1)	59,44	66,66	59,44	64,32
Ditto before full conversion, SEK	1)	59,40	66,57	59,40	64,23
Operating margin before depr. of goodwill, %	2)	1,5	3,2	1,4	2,7
Operating margin, %	2)	0,2	2,1	0,2	1,7
Profit margin, %	2)	-2,6	-0,7	-2,9	-1,4
Return on equity, %	2)	-	-	-5,2	-3,8
Return on capital employed, %	2)	-	-	0,6	2,3
Equity ratio, %		33,9	27,0	33,9	28,1
Net debt-equity ratio, x		1,07	1,77	1,07	1,73
Interest cover, x	2)	0,1	0,8	0,1	0,6
Capital employed, MSEK		1 772,8	1 959,4	1 772,8	1 860,6
Net interest-bearing debt, MSEK		828,6	1 206,8	828,6	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 shares after full conversion	3)	10 427 065	8 726 691	9 984 186	8 726 691
Average number of shares before full conversion	3)	10 311 663	8 654 659	9 897 872	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 periods January-September 2002 and October 2001-September 2002 the new issue of 4.334.995 shares (registered in July 2002) has been included in the number of shares at the end of the period and (as weighted average) in the average number of shares.

CHANGE OF CONSOLIDATED EQUITY (MSEK)

	Jan-Sept 2002	Jan-Sept 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	-13,5	48,3	36,3
Result of the period	-19,3	-16,1	-28,3
Closing balance	**772,5**	**681,0**	**658,1**

CONSOLIDATED CASH FLOW ANALYSIS	July-Sept		Jan-Sept		Oct 2001-	Jan-Dec
	2002	2001	2002	2001	Sept 2002	2001
(MSEK)	3 months	3 months	9 months	9 months	12 months	12 months
Current operations						
Operating profit/loss	-14,5	-5,0	9,9	34,1	11,5	35,7
Depreciation	35,4	37,8	106,4	104,2	146,8	144,6
Financial items	-13,8	-17,1	-45,8	-51,2	-67,3	-72,7
Tax paid	12,6	5,5	-16,7	-28,3	-15,8	-27,4
Other items not affecting liquidity	7,7	-5,9	-1,0	-35,6	-11,0	-45,6
Cash flow from current operations before change in working capital	27,4	15,3	52,8	23,2	64,2	34,6
Change in working capital	6,4	-20,2	37,9	-33,9	68,9	-2,9
Cash flow from current operations	**33,8**	**-4,9**	**90,7**	**-10,7**	**133,1**	**31,7**
Investment activities						
Acquisition/divestment of fixed assets	-4,4	-14,5	47,0	-60,3	46,0	-61,3
Company acquisitions and divestments	-		-	-2,3	0,4	-1,9
Cash flow from investment activities	**-4,4**	**-14,5**	**47,0**	**-62,6**	**46,4**	**-63,2**
Cash flow after investment activities	**29,4**	**-19,4**	**137,7**	**-73,3**	**179,5**	**-31,5**
Financing activities						
New rights issue	-	-	147,2	-	147,2	-
Change in interest-bearing loans	-41,7	-4,6	-168,6	73,0	-215,5	26,1
Dividend to shareholders	-	-	-	-26,0	-	-26,0
Cash flow from financimg activities	**-41,7**	**-4,6**	**-21,4**	**47,0**	**-68,3**	**0,1**
Cash flow of the period	**-12,3**	**-24,0**	**116,3**	**-26,3**	**111,2**	**-31,4**

QUARTERLY DATA
GROUP (MSEK)

	3/2002	2/2002	1/2002	4/2001	3/2001	2/2001	1/2001	4/2000	3/2000	2/2000	1/2000
Net turnover	487,3	530,8	591,8	595,7	547,8	577,8	673,2	644,0	526,4	547,6	628,8
Operating costs	-495,1	-528,5	-562,6	-587,6	-546,3	-560,8	-635,0	-594,2	-485,1	-504,7	-559,8
Operating profit/loss before depreciation of goodwill	-7,8	2,3	29,2	8,1	1,5	17,0	38,2	49,8	41,3	42,9	69,0
Depreciation of goodwill	-6,6	-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	-14,4	-4,3	22,5	1,5	-5,0	11,4	32,1	44,4	35,2	38,0	62,9
Items aff. comparability	-	-	6,2	-	-	-	-4,5	-	32,8	11,1	-
Operating profit/loss	-14,4	-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	-13,8	-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	-28,2	-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	-28,2	-19,9	6,0	-21,6	-21,8	-5,9	15,4	29,3	18,0	22,9	45,7