BONG LJUNGDAHL AB

INTERIM REPORT JANUARY-MARCH 2003

- **ECONOMIC CONDITIONS STILL WEAK AND PRICES UNDER INTENSE PRESSURE**
- **OPERATING LOSS OF MSEK 3 (profit 23*)**
- **CASH FLOW OF MSEK 8 (55**)**
- **APPROVED STRUCTURING AND COST-REDUCTION PROGRAMMES COMPLETED AS PLANNED**
- **SALES COMPANY SET UP IN FRANCE**

MSEK	Q 1 2003	Q1 2002	Apr 02-Mar 03	Jan-Dec 2002
Net turnover	**544**	**592**	**2,064**	**2,112**
Operating profit/loss *)	**-3**	**23**	**-45**	**-20**
Profit/loss after net financial items *)	**-16**	**6**	**-100**	**-78**
Cash flow after investment activities **)	**8**	**55**	**72**	**119**

* Excluding income affecting comparability of MSEK 6 in respect of capital gains on property sales (Q1, 2002) and costs of MSEK 140 comprising write-downs of MSEK 110 in the value of goodwill and provisions for restructuring costs of MSEK 30 (Apr 02-Mar 03) and MSEK 134 being the net effect of the above three items (Jan-Dec 2002).
** Excluding proceeds of MSEK 51 on property sales (Q1, 2002 and Jan-Dec 2002).

MARKETS AND SALES

The European envelope market has shown persistent weakness. Even though the total market volume is estimated to have stabilised and fallen only marginally in relation to the first quarter of last year, selling prices and gross margins have declined sharply as a consequence of the slacker demand and serious over-capacity in the industry. However, prices have not deteriorated further since Q4, 2002, and are running at broadly the same level as in that quarter. However, markets that had previously been rather less affected by lower volumes and depressed prices, such as Great Britain, are now being unfavourably affected.

Even though the market as a whole has suffered from slightly declining volumes, Bong's delivery volumes have risen by some 3 per cent, which means increased shares. This is mainly the effect of additional volumes generated by higher sales to major international customers.

During the first quarter, Bong launched its new unit in France (the second largest market in Europe), where a sales company has now been set up and management personnel recruited. The object of this new venture is to strengthen Bong's position on the French market and to use the additional volumes to improve capacity utilisation.

The strategy of focusing on large international customers remains unchanged.

TURNOVER AND RESULT JANUARY-MARCH 2003

During the first three months of 2003, the Group's turnover declined by some 8 per cent on the corresponding period last year to MSEK 544 (592). Almost 9 percentage points of the decline were due to lower prices and mix changes. Higher volumes had a positive effect of some 3 points, while currency fluctuations reduced turnover by some 2 percentage points.

The operating result for the period before depreciation of goodwill was MSEK 2 (29, excluding items of MSEK 6 affecting comparability arising from capital gains on property sales). The operating result was a loss of MSEK 3 (profit 23, excluding items affecting comparability). The decline in the result was entirely attributable to narrower gross margins caused by the prevailing market conditions, which included excess capacity and generally greater pressure on prices on the main markets. The structuring and cost-reduction programmes launched at the end of the previous year have been completed according to plan, and have lowered the cost base. However, these measures were not sufficient to offset the effects of the deteriorating market situation. The operating margin for the period was –0.5 per cent (+3.8, excluding items affecting comparability).

The prices of fine paper, the Groups most important input item, remained stable during the reporting period at a slightly lower level than in the corresponding period last year.

Net financial costs for the period amounted to MSEK 13 (cost 16), and show the favourable effects of the period's cash flow. The result after financial items was a loss of MSEK 16 (profit 6, excluding items affecting comparability).

STRUCTURING AND COST-REDUCTION PROGRAMMES

The structural changes and the cost-reduction programme that were started at the end of last year were completed according to plan during the first three months of the year. The annual effect in the form of lower costs resulting from these rationalisation measures will amount to some MSEK 35, which began to show through during the quarter. The rationalisation measures included concentrating production at the two production facilities in Germany to one unit by relocating the business at Erkelenz to the large, more highly automated facility in Wuppertal, where the head office and main warehouse for the German business are already located. All envelope machines have been relocated and Bong has maintained its annual production capacity in Germany at some 6 billion envelopes. Sub-contract production at Kohila in Estonia was terminated at the turn of the year, and all production of consumer-packed envelopes has been relocated to the Group's factory in Torgau, Germany. On the administrative side, the phasing out of 15 positions in Sweden, Norway, Denmark and England has already been completed.

The measures, which will adapt the Group more closely to prevailing market conditions, are one aspect of a continuous rationalisation programme which, including the recently completed measures, has involved reducing the number of production units from 16 to 10 since the end of 2000. The rationalisation programme will continue and further measures will be taken.

CASH FLOW

The Group's cash flow after investment activities, which continued to be given close attention during the period, remained positive, despite the poor result, and amounted to MSEK 8 for the period (55 excluding proceeds of 51 on property sales).

FINANCIAL POSITION

During the interim period, Bong's net debt declined by MSEK 9 to MSEK 787 (796 at Dec 31, 2002). After adjustment for currency effects and other adjustments of some MSEK 1 the real reduction was MSEK 8, which reflects the positive cash flow of MSEK 8 after investments activities. The net debt-equity ratio rose slightly to 1.32 (1.26 at Dec 31, 2002).

Liquid funds on March 31, 2003 amounted to MSEK 104 (141 on Dec 31, 2002), excluding approved but undrawn credit facilities of MSEK 229 (230 at Dec 31, 2002).

At the end of March 2003, the Group's equity amounted to MSEK 597 (630 at Dec 31, 2002). The translation of the value of the net assets of foreign subsidiaries into Swedish kronor had the effect of reducing the consolidated equity by MSEK 10. The closing equity ratio was 29.9 per cent (Dec 31, 2002: 30.4).

CAPITAL EXPENDITURE

The period's net fixed capital expenditure amounted to MSEK 6 (0 excluding proceeds of MSEK 51 on property sales and company acquisitions and divestments).

EMPLOYEES

The average number of employees during the period was 1,550 (1,676). At the end of March 2003, the Group had 1,546 employees.

ACCOUNTING PRINCIPLES

This interim report is made up in accordance with the Swedish Financial Accounting Standards Council's recommendation RR20 Interim Reports. The same accounting principles and calculation methods have been used as in the latest annual report, with the addition of the Swedish Financial Accounting Standards Council's recommendations that came into effect on January 1, 2003.

The company has one business segment.

PROSPECTS
As there are still no signs of a recovery in international economic conditions, there are grounds for expecting markets to remain weak. The completion of the structuring and cost-reduction programmes will strengthen the Group's competitive position and limit the effects of the recession, but it is still necessary to pay close attention to cost reductions and measures to improve efficiency.

Kristianstad, May 9, 2003

Lennart Pihl
President 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 President and CEO 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-June 2003:	*August 21, 2003*
Interim report January-September 2003:	*November 13, 2003*
Year-end release 2003	*February, 2004*

Bong is one of Europe's leading envelope companies. The Group has an annual turnover of around SEK 2.1 billion, some 1,500 employees and an annual manufacturing capacity of some 15 billion envelopes at its production units in Sweden, Denmark, Norway, Finland, Poland, Germany, Belgium, Britain and Ireland.
Bong has a very strong market position, especially in Northern Europe, and canvasses twelve European countries through its own sales organisations. In recent years, Bong has acquired several 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 Exchanges "O" list.

INTERIM REPORT, JANUARY-MARCH, 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNTS (SUMMARY) (MSEK)	Jan - March 2003 3 months	Jan - March 2002 3 months	Apr 2002- March 2003 12 months	Jan - Dec 2002 12 months
Net turnover	543,6	591,8	2 063,6	2 111,8
Cost of sold products	-447,8	-464,7	-1 734,5	-1 752,0
Gross operating profit	95,8	127,1	329,1	359,8
Selling costs	-49,0	-48,9	-181,0	-181,0
Administrative costs	-43,6	-48,5	-167,1	-171,9
Other operating income and costs	-0,8	-0,4	-1,0	-0,6
Items affecting comparability	-	6,1	-140,4	-133,7
Operating profit/loss before depreciation of goodwill	2,4	35,4	-160,4	-127,4
Depreciation of goodwill	-5,0	-6,7	-24,6	-26,3
Operating profit/loss	-2,6	28,7	-185,0	-153,7
Net financial items	-13,3	-16,5	-54,9	-58,1
Profit/loss before tax	-15,9	12,2	-239,9	-211,8
Tax	-7,0	-1,7	43,0	48,3
Profit/loss after tax	-22,9	10,5	-196,9	-163,5

CONSOLIDATED BALANCE SHEET (SUMMARY) (MSEK)	31 March 2003	31 March 2002	31 Dec 2002
Assets			
Goodwill	297,2	434,4	305,6
Other fixed assets	939,7	1 001,3	987,3
Inventories	312,1	371,3	330,5
Receivables	339,8	364,7	310,3
Liquid funds	104,1	83,3	141,1
Total assets	**1 992,9**	**2 255,0**	**2 074,8**
Equity and liabilities			
Equity	596,8	645,4	630,2
Interest-bearing provisions	81,8	78,4	80,5
Interest-free provisions	152,8	159,0	169,2
Interest-bearing liabilities	817,7	1 024,7	871,5
Interest-free liabilities	343,8	347,5	323,4
Total equity and liabilities	**1 992,9**	**2 255,0**	**2 074,8**

KEY RATIOS

		Jan - March 2003	Jan - March 2002	Apr 2002- March 2003	Jan - Dec 2002
Earnings per share after tax and full conversion					
Excl items affecting comparability, SEK	1),2)	-1,76	0,59	-5,45	-3,50
D:o including items affecting comparability, SEK	1),2)	-1,76	1,02	-16,33	-14,88
Earnings per share after tax but before full					
conversion excl. items affecting comparability, SEK	2)	-1,76	0,59	-5,45	-3,50
D:o including items affecting comparability, SEK	2)	-1,76	1,02	-16,33	-14,88
Equity after full conversion, SEK	2)	46,28	63,09	46,28	48,78
D:o before full conversion	2)	45,89	62,98	45,89	48,46
Operating margin before depreciation of goodwill, %	3)	0,4	4,9	-1,0	0,3
Operating margin, %	3)	-0,5	3,8	-2,2	-0,9
Profit margin, %	3)	-2,9	1,0	-4,8	-3,7
Return on equity, %	3)	-	-	-9,9	-5,7
Return on capital employed, %	3)	-	-	-2,1	-0,8
Equity ratio, %		29,9	28,6	29,9	30,4
Net debt-equity ratio, x		1,32	1,54	1,32	1,26
Interest cover, x	3)	0,1	1,3	-0,6	-0,3
Capital employed, MSEK		1 496,3	1 748,5	1 496,3	1 575,9
Net interest-bearing debt, MSEK		786,7	994,6	786,7	795,6
Number of shares in issue at end of period before conversion		13 004 986	8 669 991	13 004 986	13 004 986
Number of shares in issue at end of period after full conversion		13 351 180	8 726 691	13 351 180	13 351 180
Average number of shares before conversion		13 004 986	8 669 991	12 059 362	11 164 102
Average number of shares after full conversion		13 351 180	8 726 691	12 318 368	10 990 528

1) Dilution effects are not taken into account in event of negative earnings per share.
2) Figures in comparison have been adjusted for rights issue using a conversion factor of 0.846.
3) Excluding items affecting comparability

CHANGE IN CONSOLIDATED EQUITY (MSEK)

	Jan - March 2003	Jan - March 2002	Jan-Dec 2002
Opening balance	630,2	658,1	658,1
Rights issue	-	-	147,2
Translation differences	-10,5	-23,1	-11,6
Result for the period	-22,9	10,4	-163,5
Closing balance	**596,8**	**645,4**	**630,2**

CONSOLIDATED CASH FLOW ANALYSES (MSEK)	Jan - March 2003 3 months	Jan - March 2002 3 months	Apr 2002- March 2003 12 months	Jan - Dec 2002 12 months
Current operations				
Operating profit/loss, including items affecting comparability	-2,6	28,7	-185,0	-153,7
Depreciation and write-downs	32,1	36,4	254,1	258,4
Net financial items	-13,3	-16,4	-55,6	-58,7
Tax paid	-4,2	-8,0	-11,6	-15,4
Other items not affecting liquidity	-1,8	-4,9	13,0	9,9
Cash flow from current operations before change in working capital	10,2	35,8	14,9	40,5
Change in working capital	3,7	19,4	71,0	86,7
Cash flow from current operations	**13,9**	**55,2**	**85,9**	**127,2**
Investment activities				
Acquisition and divestment of fixed assets	-5,8	50,7	-14,0	42,5
Acquisition and divestment of subsidiaries	-	-		-
Cash flow from investment activities	**-5,8**	**50,7**	**-14,0**	**42,5**
Cash flow after investment activities	**8,1**	**105,9**	**71,9**	**169,7**
Financing activities				
Rights issue	-	-	147,2	147,2
Change in interest-bearing loans	-41,7	-63,5	-197,3	-219,1
Cash flow from financing activities	**-41,7**	**-63,5**	**-50,1**	**-71,9**
Cash flow for the period	**-33,6**	**42,4**	**21,8**	**97,8**

QUARTERLY DATA GROUP (MSEK)

	1/2003	4/2002	3/2002	2/2002	1/2002	4/2001	3/2001	2/2001	1/2001
Net turnover	543,6	501,9	487,3	530,8	591,8	595,7	547,8	577,8	673,2
Operating costs	-541,2	-519,2	-495,1	-528,5	-562,6	-587,6	-546,3	-560,8	-635,0
Operating profit/loss before depreciation of goodwill	2,4	-17,3	-7,8	2,3	29,2	8,1	1,5	17,0	38,2
Depreciation of goodwill	-5,0	-6,4	-6,6	-6,7	-6,7	-6,6	-6,5	-5,6	-6,1
Operating profit/loss before items affecting comparability	-2,6	-23,7	-14,4	-4,4	22,5	1,5	-5,0	11,4	32,1
Items affecting comparability		-139,9	-	-	6,2	-	-	-	-4,5
Operating profit/loss	-2,6	-163,6	-14,4	-4,4	28,7	1,5	-5,0	11,4	27,6
Loss on sale of subsidiary		-	-	-	-0,1	-1,6	-	-	-
Net financial items	-13,3	-12,2	-13,8	-15,6	-16,4	-21,5	-16,8	-17,3	-16,7
Profit/loss after net financial items	-15,9	-175,8	-28,2	-20,0	12,2	-21,6	-21,8	-5,9	10,9
Profit/loss after net financial items, excl. items affecting comparability	-15,9	-35,9	-28,2	-20,0	6,0	-21,6	-21,8	-5,9	15,4