



BONG LJUNGAHL AB

INTERIM REPORT JANUARY-SEPTEMBER 2003

- **NET TURNOVER AMOUNTED TO MSEK 1,448 (1,610)**
- **THE RESULT AFTER TAX WAS A LOSS OF MSEK 78 (LOSS 19)**
- **THE LOSS PER SHARE AMOUNTED TO SEK 5.96 (LOSS 1.88)**
- **THE RESULT AFTER NET FINANCIAL ITEMS FOR THE THIRD QUARTER WAS A LOSS OF MSEK 20 (LOSS 28)**
- **THE CASH FLOW AMOUNTED TO MSEK 27 ¹⁾ (138)**
- **FURTHER COST-REDUCTION ACTIONS WILL BE IMPLEMENTED**
- **ANDERS DAVIDSSON NEW PRESIDENT AND CEO AS OF 1 JANUARY 2004**

Million Swedish kronor (MSEK)	Q3 2003	Q3 2002	Q1-3 2003	Q1-3 2002
Net sales	445	487	1,448	1,610
Operating profit/loss	-10	-14	-31	10
Loss after financial items	-20	-28	-66	-36
Cash flow after investment activities	¹⁾ 23	29	¹⁾ 27	138

¹⁾Excluding MSEK 54 (in Q1) and MSEK 45 (in Q 1-3) attributable to the discontinuation of factoring financing.

MARKETS

The European envelope market remains weak and is estimated to have fallen by 3-4 per cent in volume in relation to the same period last year. In addition to this, selling prices and gross margins have declined sharply as a result of lower demand and considerable excess capacity in the industry. The pressure on prices is fairly general and affects virtually the entire European market. There was a not insignificant reduction in capacity in the third quarter as two of our medium-sized European competitors went bankrupt/were placed in liquidation.

TURNOVER AND RESULT, JANUARY-SEPTEMBER 2003

The consolidated turnover for the first nine months of 2003 was some 10 per cent lower than in the same period last year, and amounted to MSEK 1,448 (1,610). Some 6 percentage points of this decline are attributable to lower prices and changes in product mix. Volumes declined by just under 1 percentage point, while currency fluctuations had the effect of reducing turnover by 3 percentage points.

The operating loss (including positive items of MSEK 4.6 affecting comparability) was MSEK 31 (profit 10 including items affecting comparability). The decline in the result is mainly due to narrower gross margins as a result of the persistently weak market with its intense pressure on prices. The restructuring and cost-reduction programmes implemented to date have reduced costs considerably, but not enough to offset the effects of the deteriorating state of the market. The operating margin (excluding items affecting comparability) for the period was -2.5 per cent (0.2).

Turnover decreased during the third quarter of 2003 by 9 per cent to MSEK 445 (487). As in the first half-year period, this was mainly due to lower prices and changes in product mix. The operating result for the third quarter was an improvement on the same period last year, and amounted to a loss of MSEK 10 (loss 14).

Net financial costs for the interim period amounted to MSEK 35 (costs 46) and were favourably affected by the cash flow over the past year and the lower market interest rates. The result after net financial items (including items affecting comparability) was a loss of MSEK 66 (loss 36).

RESTRUCTURING AND COST-REDUCTION PROGRAMMES

The structural changes and cost-reduction programmes launched at the end of last year have been completed. The measures included the concentration of production of two of the three units in Germany into one through the relocation of the activities in Erkelenz to the larger and more highly automated unit in Wuppertal, where the head office and central warehousing facility for the German business are already located. Furthermore, 15 or so administrative positions have been discontinued, mainly in Sweden, Norway, Denmark and England. These rationalisation measures have resulted in annual cost reductions of some MSEK 35.

However, they proved inadequate to offset the negative market developments. An additional result improvement programme was therefore implemented, which reduces the workforce by another 100 or more in the third and fourth quarters. This is expected to be completed by early 2004. Besides the reduction in personnel, the ongoing result improvement programme includes several other measures, such as reduced purchasing costs and selective price increases. All in all, the effect of the programme is estimated at some MSEK 100 on an annual basis.

In view of the continued weakness of the market, a decision has been made to reduce the workforce by a further 70 employees, which is expected to generate additional cost savings of some MSEK 25 per year. This time most of the personnel cuts will be made in Sweden and Germany, where some 50 and 15 people will be affected respectively. The redundancies are expected to be completed during the second quarter of 2004.

This time most of the personnel cuts will be made in Sweden, although they will also affect to varying degrees other countries in which the Group is active. The redundancies are expected to be completed by the second quarter of 2004.

CASH FLOW

During the third quarter the Group's English companies discontinued the use of factoring finance and replaced it with a normal bank loan. It is estimated that this will result in annual savings of some MSEK 3.

The Group's cash flow after investment activities for January-September 2003, excluding the deficit of MSEK 45 on the discontinuation of factoring financing in England, was positive, amounting to MSEK 27 (138). Including the effect of the change in England, the cash flow after investment activities was a deficit of MSEK 18.

The third quarter's cash flow after investment activities, excluding the MSEK 54 deficit on the discontinuation of factoring financing, amounted to MSEK 23 (29). Including this effect the cash flow after investment activities was a deficit of MSEK 31.

FINANCIAL POSITION

Net debt increased by MSEK 1 to MSEK 797 (31 Dec 2002: 796) during the interim period. After currency fluctuations and other adjustments of some MSEK 17, the real increase was MSEK 18 (including the deficit of MSEK 45 on the discontinuation of factoring financing). The net debt-equity ratio rose to 1.52 (Dec 31 2002: 1.26).

On 30 September 2003, liquid funds amounted to MSEK 71 (31 Dec 2002: 141), excluding approved but undrawn credit facilities of MSEK 207 (31 Dec 2002: 230).

At the end of September 2003, the consolidated equity amounted to MSEK 523 (31 Dec 2003: 630). The translation into Swedish kronor of the net asset values of foreign subsidiaries reduced the consolidated equity by MSEK 30. The equity ratio was 28.4 per cent (31 Dec 2002: 30.4).

CAPITAL EXPENDITURE

Net fixed capital expenditure for the period, excluding proceeds of MSEK 31 on property sales, amounted to MSEK 27 (MSEK 4, excluding proceeds of MSEK 51 on property divestments).

EMPLOYEES

The average number of employees during the period was 1,521 (1,644). At the end of September 2003, the Group had 1,484 employees.

LITIGATION

A partial settlement has been negotiated in the current dispute with the former owner of the Bauwens group, whereby an agreement was reached in the second quarter on all items in the acquisition accounts and certain other outstanding claims between the parties. This partial settlement has had a marginally positive effect on the result, reducing net debt by some MSEK 11.

Other disputes, which relate in Bong's opinion to the failure of Bauwens' former owner to fulfil certain contractual obligations, have been referred to arbitration.

Bong still has possession of some MEUR 10, and in the disputes referred to arbitration has put forward additional claims for substantial amounts over and above this sum.

ACCOUNTING PRINCIPLES

This interim financial report has been made up in accordance with recommendation RR20 of the Swedish Financial Accounting Standards Council concerning interim financial reports. The same accounting principles and methods of calculation are used as were employed in the previous annual report, supplemented by recommendations of the Swedish Financial Accounting Standards Council that came into effect on 1 January 2003.

The Company has one business segment.

FUTURE PROSPECTS

The envelope market continues to find itself in a very difficult situation, with no signs of improvement as yet. The restructuring and cost-cutting measures we have taken to date have been insufficient to counter the effects of the recession. We are therefore implementing additional measures with the objective of returning to profitability as quickly as possible.

Kristianstad, 13 November 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, Lennart Pihl, on +46 44 20 70 00, +46 44 20 70 50 (direct), or +46 70 594 68 66 (mobile)

Upcoming financial reports

<i>Year-end release 2003</i>	<i>23 February 2004</i>
<i>Interim report January-March, 2004</i>	<i>4 May 2004</i>
<i>Annual General Meeting</i>	<i>4 May 2004</i>
<i>Interim report January-June, 2004</i>	<i>20 August 2004</i>
<i>Interim report January-September, 2004</i>	<i>8 November 2004</i>

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 restructuring in the industry in Europe. The Group sees attractive opportunities for further expansion and development. Bong is a publicly traded company and its shares are listed on Stockholmsbörsen's "O" list.

INTERIM REPORT, JANUARY-SEPTEMBER 2003

CONSOLIDATED PROFIT AND LOSS

ACCOUNTS (SUMMARY)

(MSEK)	Jul - Sep		Jan - Sep		Oct 2002-	Jan - Dec
	2003	2002	2003	2002	Sep 2003	2002
	3 months	3 months	9 months	9 months	12 months	12 months
Net turnover	444.9	487.3	1 448.2	1 609.9	1 950.2	2 111.8
Cost of sold products	-376.1	-414.7	-1 223.8	-1 317.6	-1 658.3	-1 752.0
Gross operating profit	68.8	72.6	224.4	292.3	291.9	359.8
Selling costs	-38.5	-42.3	-123.0	-136.0	-168.0	-181.0
Administrative costs	-33.6	-37.8	-118.9	-131.5	-159.3	-171.9
Other operating income and costs	-1.5	-0.3	-3.2	-1.1	-2.7	-0.6
Items affecting comparability	-	-	4.6	6.2	-135.3	-133.7
Operating profit/loss before depreciation of goodwill	-4.8	-7.8	-16.1	29.9	-173.4	-127.4
Depreciation of goodwill	-4.9	-6.6	-14.9	-20.0	-21.2	-26.3
Operating profit/loss	-9.7	-14.4	-31.0	9.9	-194.6	-153.7
Net financial items	-10.7	-13.8	-35.2	-45.8	-47.5	-58.1
Profit/loss before tax	-20.4	-28.2	-66.2	-35.9	-242.1	-211.8
Tax	-4.9	12.3	-11.3	16.6	20.4	48.3
Profit/loss after tax	-25.3	-15.9	-77.5	-19.3	-221.7	-163.5

CONSOLIDATED BALANCE SHEET

(SUMMARY) (MSEK)

	30 Sep	30 Sep	31 Dec
	2003	2002	2002
Assets			
Goodwill	280.2	424.6	305.6
Other fixed assets	851.2	981.9	987.3
Inventories	298.3	358.7	330.5
Receivables	343.6	354.8	310.3
Liquid funds	71.0	159.1	141.1
Total assets	1 844.3	2 279.1	2 074.8
Equity and liabilities			
Equity	522.9	772.5	630.2
Interest-bearing provisions	82.3	80.7	80.5
Interest-free provisions	132.2	155.6	169.2
Interest-bearing liabilities	796.9	925.7	871.5
Interest-free liabilities	310.0	344.6	323.4
Total equity and liabilities	1 844.3	2 279.1	2 074.8

KEY RATIOS

		Jan - Sep 2003	Jan - Sep 2002	Oct 2002- Sep 2003	Jan - Dec 2002
Earnings per share after tax and full conversion excl. items affecting comparability, SEK	^{1,2}	-6.21	-2.31	-7.33	-3.50
Ditto incl. items affecting comparability, SEK	^{1,2}	-5.96	-1.88	-17.05	-14.88
Earnings per share after tax but before full conversion excl. items affecting comparability, SEK	²	-6.21	-2.31	-7.33	-3.50
Ditto incl. items affecting comparability,	²	-5.96	-1.88	-17.05	-14.88
Equity after full conversion, SEK	²	40.75	59.44	40.75	48.78
Ditto before full conversion	²	40.21	59.40	40.21	48.46
Operating margin before depreciation of goodwill,%	³	-1.4	1.5	-1.9	0.3
Operating margin, %	³	-2.5	0.2	-3.0	-0.9
Profit margin, %	³	-4.9	-2.6	-5.5	-3.7
Return on equity, %	³	-	-	-16.5	-5.7
Return on capital employed, %	³	-	-	-3,4	-0,8
Equity ratio, %		28.4	33.9	28.4	30.4
Net debt-equity ratio, x		1.52	1.07	1.52	1.26
Interest cover, x	³	-1.0	0.1	-1.2	-0.3
Capital employed, MSEK		1 395.8	1 772.8	1 395.8	1 575.9
Net interest-bearing debt, MSEK		797.0	828.6	796.9	795.6
Number of shares in issue at end of period before conversion		13 004 986	13 004 986	13 004 986	13 004 986
Number of shares in issue at end of period after full conversion		13 351 180	13 351 180	13 351 180	13 351 180
Average number of shares before conversion		13 004 986	10 311 663	13 004 986	10 990 528
Average number of shares after full conversion		13 351 180	10 427 065	13 351 180	11 164 102

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 - Sep 2003	Jan - Sep 2002	Jan-Dec 2002
Opening balance	630.2	658.1	658.1
Rights issue	-	147.2	147.2
Translation differences	-29.8	-13.5	-11.6
Result for the period	-77.5	-19.3	-163.5
Closing balance	522.9	772.5	630.2

**CONSOLIDATED CASH FLOW ANALYSES
(MSEK)**

	Jul - Sept 2003 3 months		2002 3 months		Jan - Sep 2003 9 months		2002 9 months		Oct 2002- Sept 2003 12 months	Jan - Dec 2002 12 months
Current operations										
Operating profit/loss, incl. items affecting comparability	-9.7		-14.5		-31.0		9.9		-194.6	-153.7
Depreciation and write-downs	30.5		35.4		93.8		106.4		245.8	258.4
Net financial items	-10.6		-13.8		-35.2		-45.8		-48.1	-58.7
Tax paid	-0.6		12.6		-9.4		-16.7		-8.1	-15.4
<u>Other items not affecting liquidity</u>	<u>-1.7</u>		<u>7.7</u>		<u>-14.4</u>		<u>-1.0</u>		<u>-3.5</u>	<u>9.9</u>
Cash flow from current operations before change in working capital	7.9		27.4		3.8		52.8		-8.5	40.5
<u>Change in working capital</u>	<u>-32.5</u>		<u>6.4</u>		<u>-26.4</u>		<u>37.9</u>		<u>22.4</u>	<u>86.7</u>
Cash flow from current operations	-24.6		33.8		-22.6		90.7		13.9	127.2
Investment activities										
Acquisition and divestment of fixed assets	-6.5		-4.4		4.2		47.0		-0.3	42.5
Acquisition and divestment of subsidiaries	-		-		-		-		-	-
<u>Cash flow from investment activities</u>	<u>-6.5</u>		<u>-4.4</u>		<u>4.2</u>		<u>47.0</u>		<u>-0.3</u>	<u>42.5</u>
Cash flow after investment activities	-31.1		29.4		-18.4		137.7		13.6	169.7
Financing activities										
Rights issue	-		-		-		147.2		0.0	147.2
<u>Change in interest-bearing loans</u>	<u>21.7</u>		<u>-41.7</u>		<u>-44.5</u>		<u>-168.6</u>		<u>-95.0</u>	<u>-219.1</u>
Cash flow from financing activities	21.7		-41.7		-44.5		-21.4		-95.0	-71.9
Cash flow for the period	-9.4		-12.3		-62.9		116.3		-81.4	97.8

**QUARTERLY DATA
GROUP (MSEK)**

	3/2003	2/2003	1/2003	4/2002	3/2002	2/2002	1/2002	4/2001	3/2001	2/2001	1/2001
Net turnover	444.9	459.7	543.6	501.9	487.3	530.8	591.8	595.7	547.8	577.8	673.2
Operating costs	-449.7	-478.0	-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	-4.8	-18.3	2.4	-17.3	-7.8	2.3	29.2	8.1	1.5	17.0	38.2
<u>Depreciation of goodwill</u>	<u>-4.9</u>	<u>-4.9</u>	<u>-5.0</u>	<u>-6.4</u>	<u>-6.6</u>	<u>-6.7</u>	<u>-6.7</u>	<u>-6.6</u>	<u>-6.5</u>	<u>-5.6</u>	<u>-6.1</u>
Operating profit/loss before items affecting comparability	-9.7	-23.2	-2.6	-23.7	-14.4	-4.4	22.5	1.5	-5.0	11.4	32.1
<u>Items affecting comparability</u>	<u>-</u>	<u>4.6</u>	<u>-</u>	<u>-139.9</u>	<u>-</u>	<u>-</u>	<u>6.2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-4.5</u>
Operating profit/loss	-9.7	-18.6	-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	-	-	-
<u>Net financial items</u>	<u>-10.7</u>	<u>-11.3</u>	<u>-13.3</u>	<u>-12.2</u>	<u>-13.8</u>	<u>-15.6</u>	<u>-16.4</u>	<u>-21.5</u>	<u>-16.8</u>	<u>-17.3</u>	<u>-16.7</u>
Profit/loss after net financial items	-20.4	-29.9	-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	-20.4	-34.5	-15.9	-35.9	-28.2	-20.0	6.0	-21.6	-21.8	-5.9	15.4