BONG LJUNGDAHL AB

YEAR-END REPORT JANUARY - DECEMBER 2003

- **NET SALES REACHED MSEK 1,908 (2,112)**
- **RESULT AFTER TAX REPORTED AT MSEK –139 (–163)**
- **EARNINGS PER SHARE OF SEK –10.71 (–14.88)**
- **CASH FLOW AMOUNTED TO MSEK 31 (170)**
- **OPERATING LOSS 1) FOR THE FOURTH QUARTER OF MSEK –7 (–24)**
- **COST-CUTTING AND ACTION PROGRAMMES GAVE A POSITIVE EFFECT AND LOSSES CONTINUED TO DECLINE IN THE FOURTH QUARTER**
- **THE BOARD PROPOSES THAT NO DIVIDEND BE PAID FOR 2003**

MSEK	Q 4 2003	Q 4 2002	Q 1-4 2003	Q 1-4 2002
Net sales	460	502	1,908	2,112
Operating loss 1)	–7	–24	–42	–20
Loss after financial items 1)	–19	–36	–89	–78
Cash flow after investment activities	50	32	31	170

1) Excluding items affecting comparability in 2003: MSEK –48 in Q 4 and MSEK –43 in Q 1-4.
Excluding items affecting comparability in 2002: MSEK –140 in Q 4 and MSEK –134 in Q 1-4.

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MARKETS
The European envelope market remained weak and shrank in volume for the third consecutive year. Total volumes in Europe are estimated to have fallen by around 3 per cent compared with 2002. Declining demand and still substantial over capacity in the industry contributed to negative price pressure in most European countries.

In 2003 volumes declined by an estimated 3-5 per cent in the Nordic region, around 3 per cent in Germany and approximately 7 per cent in France, while development in the UK was weakly positive with growth of around 1 per cent mainly owing to continued strong development in the direct mail segment. Bong's total volumes fell by close to 1 per cent, which was better than the total market and represented a slight increase in market share, primarily due to the collaboration with Lyreco and strong growth in the French market.

Over capacity in the industry, which rose dramatically during 2001 and 2002, decreased somewhat in 2003 as envelope machinery was sold or taken out of operation and several European envelope manufacturers reduced the number of shifts. Furthermore, total capacity was reduced in the second half of the year when one mid-sized European envelope manufacturer went bankrupt (Van Stolk & Reese in Holland) and one was restructured (Ahlers in Germany) after which both operations were taken over by the Mayer group.

SALES AND RESULT, JANUARY–DECEMBER 2003
Consolidated net sales for the full year 2003 fell by around 10 per cent compared with the preceding year to MSEK 1,908 (2,112). Of the decrease, around 6 percentage points are attributable to lower prices and changes in the product mix. Volumes declined by just under 1 percentage point and currency fluctuations reduced sales by approximately 3 percentage points.

The operating result was MSEK –42, excluding items affecting comparability of MSEK –43, (MSEK –20 excluding items affecting comparability of MSEK–134). The drop in earnings is mainly explained by weaker gross margins caused by a still sluggish market and falling prices. The now completed cost-cutting and action programmes had gradual effects throughout 2003 and generated significant cost savings, particularly in the second half of the year when the result improved over the previous year figure. Items affecting comparability during the year included a capital gain of MSEK 5 on the sale of properties, write-down costs of MSEK –27, mainly relating to the German Erkelenz property and stocks, and restructuring costs of MSEK –21 relating to already advised reduction of employees. The operating margin (excluding items affecting comparability) amounted for the period January-December 2003 to –2.2 per cent (–0.9).

Net financial items amounted to MSEK –47 (–58) and were favourably affected by the Group's strong cash flow and lower market interest rates. The result after net financial items (excluding items affecting comparability) was MSEK –89 (MSEK –78 excluding items affecting comparability).

NET SALES AND RESULT, FOURTH QUARTER 2003
Net sales for the fourth quarter of 2003 were down by 8 per cent compared with the previous year and totalled MSEK 460 (502). As in the first 9 months of the year, the decline was caused by lower prices and changes in the product mix. The operating result for the fourth quarter showed considerable improvement over the same period of the prior year and amounted to MSEK –7 excluding items affecting comparability of MSEK –48 (MSEK –24 excluding items affecting comparability of MSEK –140). Items affecting comparability during the fourth quarter included write-down costs of MSEK –27 and restructuring costs of MSEK –21.

COST-CUTTING AND ACTION PROGRAMMES
The restructuring and cost-cutting programme launched at the end of 2002 was completed according to plan during the first quarter of 2003. Above all, the programme involved the relocation of activities in Erkelenz, Germany, to a larger and more automated facility in Wuppertal. Production is now carried out at two locations in Germany, Wuppertal and Torgau. The estimated annual savings related to the closure of the Erkelenz plant are around MSEK 35. The costs for this structural change amounted to approximately MSEK 30, for which a provision was made in the year-end accounts for 2002.

During 2003, it became necessary to take additional measures and a comprehensive new programme was launched in the second quarter. The programme involved personnel reductions by over 100 employees, mainly in Germany, and several additional measures such as reduced purchasing costs and selective price increases, and is expected to make a positive contribution to earnings of around MSEK 100, all other things being equal. The programme was carried out successively during 2003 and was essentially completed at year-end. The costs for the programme were relatively limited and were expensed as incurred during the second half of the year.

Lastly, a decision was made in November to downsize the personnel by a further 70 employees, mainly in Sweden and Germany. This programme, all other things being equal, is expected to generate savings of approximately MSEK 25 annually. The costs for the programme are estimated at around MSEK 14 and are reported in the consolidated income statement among items affecting comparability for 2003.

CASH FLOW
The Group's cash flow showed continued positive development during the year as a result of cautious investment and successful efforts to reduce working capital. Cash flow after investments amounted to MSEK 31 (170).

Finance factoring in England was discontinued during the third quarter and replaced with a normal bank loan, which was a better and less expensive solution. This change has influenced the cash flow after investments negatively with 45 MSEK.

Fourth quarter cash flow after investment activities amounted to MSEK 50 (32).

FINANCIAL POSITION
Net loan debt decreased by MSEK 44 to MSEK 751 during 2003 (31 Dec 2002: MSEK 796). After currency effects and other adjustments of around MSEK 13, the real decrease was MSEK 31. The net debt/equity ratio rose to 1.61 (Dec 2002: 1.26).

Liquid assets at 31 December totalled MSEK 86 (31 Dec 2002: MSEK 141) excluding granted but unutilised credit facilities of MSEK 213 (31 Dec 2002: MSEK 230).

At the end of December 2003, consolidated shareholders' equity amounted to MSEK 468 (31 Dec 2002: MSEK 630). Translation of the net assets of foreign subsidiaries to SEK has reduced consolidated equity by MSEK 25. The equity ratio was 26.6 per cent (31 Dec 2002: 30.4).

CAPITAL EXPENDITURE
The year's net investments in fixed assets amounted to MSEK 35, excluding proceeds of MSEK 30 on property sales (MSEK 10 excluding property sales of MSEK 52).

EMPLOYEES
The average number of employees during the 2003 was 1,510 (1,642). At the end of December 2003, the Group had 1,467 employees (1,603).

DISPUTES
In the second quarter, a partial settlement was negotiated in the current dispute with the Bauwens group, whereby an agreement was reached for all items in the closing accounts and certain other outstanding claims between the parties. This partial settlement reduced net loan debt by some MSEK 11.

Other disputes with Bauwens have been referred to arbitration proceedings. Bong still withholds some MEUR 10, and in the disputes referred to arbitration has put forward claims for substantial amounts over and above this sum.

PARENT COMPANY
The operations of the Parent Company consist of the administration of operating subsidiaries and the provision of group management functions. The result after net financial items (excluding items affecting comparability of MSEK –7) was MSEK –4 (MSEK 23 excluding a write-down MSEK –110 in the value of shares in subsidiaries).
The year's investments totalled MSEK 244 (MSEK 121) and referred mainly to shares in subsidiaries. Shareholder contributions and new share issues were made to the Group's companies in Germany, for a total of MSEK 49, and Poland, in the amount of MSEK 11. In addition, an intra-group transfer of MSEK 184 was made between the company in Germany and the Parent Company with respect to the shares in the Group's Irish company.
The Parent Company's liquid assets amounted to MSEK 12 (31 Dec 2002: MSEK 30) excluding granted by unutilised credits of MSEK 76 (MSEK 83).

ACCOUNTING PRINCIPLES
This year-end report has been prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation, RR 20 Interim reporting. The same accounting and valuation principles were used as in the most recent annual report, with the addition of the new recommendations of the Swedish Financial Accounting Standards Council that came into effect on 1 January 2003.

The Company has one business segment.

DIVIDEND
In line with the Group's dividend policy and in light of the year's weak result, the Board and the President propose that no dividend be paid for 2003 (SEK 0 per share).

FUTURE OUTLOOK
As yet we see no indication of an upturn in the European envelope market. Although the economy is showing some positive tendencies in the USA, we anticipate a continued weak market 2004. Our single overarching goal for the short term is to restore the company to profitability as quickly as possible.

Kristianstad, 23 February 2004

The Board

EXAMINATION REPORT

We have reviewed this six-month report in accordance with the recommendations of the Swedish Institute of Public Authorised Accountants.

A review is considerably limited in scope compared with an audit. Nothing has come to our attention to cause us to believe that the interim report does not comply with the requirements of the Stock Exchange Act and the Swedish Annual Accounts Act.

Kristianstad, 23 February 2004

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

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Financial calendar:

Interim report January-March 2004	*4 May 2004*
Annual General Meeting	*4 May 2004*
Interim report January-June 2004	*20 August 2004*
Interim report January-September 2004	*8 November 2004*

Bong is one of Europe's leading envelope companies. The Group has an annual turnover of around 2 billion kronor, about 1,500 employees and a manufacturing capacity of some 15 billion envelopes per year at its production units in Sweden, Denmark, Norway, Finland, Poland, Germany, Belgium, Great Britain and Ireland. In recent years Bong has carried out a number of acquisitions in the envelope industry and has thus played an active role in the ongoing structural transformation of the industry in Europe. The Group sees attractive opportunities for further expansion and development. Bong is a publicly listed company and its shares are quoted on the O list of the Stockholm stock exchange.

BONG LJUNGDAHL

YEAR-END REPORT, 31 DECEMBER 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNTS IN SUMMARY (SEK)	Okt - Dec 2003 3 months	Okt - Dec 2002 3 months	Jan - Dec 2003 12 months	Jan - Dec 2002 12 months
Net sales	460,2	501,9	1 908,4	2 111,8
Cost of goods sold	-388,5	-434,4	-1 612,3	-1 752,0
Gross profit	71,7	67,5	296,1	359,8
Selling expenses	-39,5	-45,0	-162,5	-181,0
Administrative expenses	-35,6	-40,3	-154,4	-171,9
Other operating income and expenses	1,3	0,5	-1,8	-0,6
Goodwill amortisation	-4,9	-6,4	-19,8	-26,3
Items affecting comparability	-47,6	-139,9	-43,1	-133,7
Operating profit/loss	-54,6	-163,6	-85,5	-153,7
Net financial items	-11,8	-12,2	-47,1	-58,1
Profit/loss before tax	-66,4	-175,8	-132,6	-211,8
Tax	4,6	31,6	-6,7	48,3
Profit/loss after tax	-61,8	-144,2	-139,3	-163,5

CONSOLIDATED BALANCE SHEET IN SUMMARY (SEK)	31 Dec 2003	31 Dec 2002
Assets		
Goodwill	278,5	305,6
Other fixed assets	831,2	987,3
Inventories	249,8	330,5
Receivables	309,7	310,3
Liquid assets	85,7	141,1
Total assets	**1 754,9**	**2 074,8**
Shareholders' equity and liability		
Shareholders' equity	467,6	630,2
Interest-bearing provisions	81,4	80,5
Non interest-bearing provisions	126,1	169,2
Interest-bearing liabilities	764,8	871,5
Non interest-bearing liabilities	315,0	323,4
Total shareholders' equity and liability	**1 754,9**	**2 074,8**

KEY RATIOS

		Jan - Dec 2003	2002
Earnings per share after tax and full conversion excl. items affecting comparability, SEK	1)	-8,16	-3,50
Ditto incl. items affecting comparability, SEK	1)	-10,71	-14,88
Earnings per share after tax but before full conversion, excl. items affecting comparability,SEK		-8,16	-3,50
Citto incl. items affecting comparability, SEK		-10,71	-14,88
Shareholders' equity after full conversion, SEK		36,60	48,78
Ditto before full conversion, SEK		35,95	48,46
Operating margin before goodwill amortisation, %	2)	-1,2	0,3
Operating margin, %	2)	-2,2	-0,9
Profit margin, %	2)	-4,7	-3,7
Return on shareholders' equity, %	2)	-19,8	-5,7
Return on capital employed, %	2)	-2,7	-0,8
Equity ratio, %		26,6	30,4
Net debt/equity ratio, multiple		1,61	1,26
Interest coverage ratio, multiple	2)	-0,8	-0,3
Capital employed, MSEK		1 313,7	1 575,9
Interest-bearing net loan debt, MSEK		751,3	795,6
Number of shares outstanding at end of period before conversion		13 004 986	13 004 986
Number of shares outstanding at end of period after full conversion		13 351 180	13 351 180
Average number of shares before conversion		13 004 986	10 990 528
Average number of shares after full conversion		13 351 180	11 164 102

1) The dilution effect is not taken into account if it leads to an improved result

2) Excluding items affecting comparability

CHANGES IN CONSOLIDATED EQUITY (MSEK)	Jan-Dec 2003	Jan-Dec 2002
Opening balance	630,2	658,1
New share issue	-	147,2
Adjustment referring to convertible loan	1,6	-
Translation differences	-24,9	-11,6
Net loss for the period	-139,3	-163,5
Closing balance	**467,6**	**630,2**

CONSOLIDATED CASH FLOW ANALYSIS (MSEK)

	Okt - Dec		Jan - Dec	
	2003	2002	2003	2002
	3 months	3 months	12 months	12 months
Operating activities				
Operating profit/loss incl. items affecting comparability	-54,6	-163,6	-85,6	-153,7
Depreciation and write-downs	41,3	152,0	135,1	258,4
Financial items	-11,9	-12,9	-47,1	-58,7
Paid tax	-1,6	1,3	-11,0	-15,4
Other item with no effect on cash flow	-1,4	10,9	-15,8	9,9
Cash flow from operating activities before change in working capital	-28,2	-12,3	-24,4	40,5
Change in working capital	87,1	48,8	60,7	86,7
Cash flow from operating activitites	**58,9**	**36,5**	**36,3**	**127,2**
Investment activitites				
Acquisition and divestment of fixed assets	-9,3	-4,5	-5,1	42,5
Acquisition and divestment of subsidiaries	-	-	-	-
Cash flow from investing activities	**-9,3**	**-4,5**	**-5,1**	**42,5**
Cash flow after investing activities	**49,6**	**32,0**	**31,2**	**169,7**
Financing activities				
New share issue	-	-	-	147,2
Change in interest-bearing loans	-34,7	-50,5	-79,2	-219,1
Cash flow from financing activitites	**-34,7**	**-50,5**	**-79,2**	**-71,9**
Cash flow for the period	**14,9**	**-18,5**	**-48,0**	**97,8**

QUARTERLY DATA GROUP (MSEK)

	4/2003	3/2003	2/2003	1/2003	4/2002	3/2002	2/2002	1/2002	4/2001	3/2001	2/2001	1/2001
Net sales	460,2	444,9	459,7	543,6	501,9	487,3	530,8	591,8	595,7	547,8	577,8	673,2
Operating expenses	-462,3	-449,7	-477,9	-541,2	-519,2	-495,1	-528,5	-562,6	-587,6	-546,3	-560,8	-635,0
Operating profit/loss before goodwill amortisation	-2,1	-4,8	-18,2	2,4	-17,3	-7,8	2,3	29,2	8,1	1,5	17,0	38,2
Goodwill amortisation	-4,9	-4,9	-5,0	-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	-7,0	-9,7	-23,2	-2,6	-23,7	-14,4	-4,4	22,5	1,5	-5,0	11,4	32,1
Items affecting comparability	-47,6	-	4,6		-139,9	-	-	6,2	-	-	-	-4,5
Operating profit/loss	-54,6	-9,7	-18,6	-2,6	-163,6	-14,4	-4,4	28,7	1,5	-5,0	11,4	27,6
Loss on the sales of subsidiaries					-	-	-	-0,1	-1,6	-	-	-
Net financial items	-11,8	-10,7	-11,3	-13,3	-12,2	-13,8	-15,6	-16,4	-21,5	-16,8	-17,3	-16,7
Profit/loss after net financial items	-66,4	-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	-18,8	-20,4	-34,5	-15,9	-35,9	-28,2	-20,0	6,0	-21,6	-21,8	-5,9	15,4