BONG

BONG LJUNGDAHL AB

INTERIM REPORT JANUARY - MARCH 2004

- **NET SALES REACHED MSEK 490 (544)**
- **RESULT AFTER TAX REPORTED AT MSEK –5 (–23)**
- **EARNINGS PER SHARE OF SEK –0.41 (–1.76)**
- **CASH FLOW AMOUNTED TO MSEK 8 (8)**
- **FIRST QUARTER OPERATING PROFIT OF MSEK 5 (-3)**
- **RESULTS OF COMPLETED COST-CUTTING AND ACTION PROGRAMME STARTING TO EMERGE**

MSEK	Q1 2004	Q1 2003	Q2 03-Q1 04	Q1-4 2003
Net sales	490	544	1,855	1,908
Operating profit/loss	5	-3	1) -34	1) -42
Profit/loss after net financial items	-5	-16	1) -79	1) -89
Cash flow after investing activities	8	8	39	31

1) Excluding items affecting comparability of MSEK –43.

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MARKETS

The first quarter of 2004 saw further weakening of the European envelope market relative to the corresponding period of 2003. Volumes in most European countries fell below the year-previous levels and the market continued to suffer from significant excess capacity. The year started on a particularly weak note in France, Germany and Scandinavia, whereas development in the English market remained positive with a steadily growing DM market.

Compared with the first quarter of 2003 the year has started with weak volumes for Bong Ljungdahl, particularly in Germany and Scandinavia. This is partly attributable to lower demand and partly to a more selective sales process aimed at improving profitability.

The German industry was further consolidated through the merger of Blessing and Otto Ficker Kuvert and formation of the new company BLESSOF during the first quarter. Blessing previously focused exclusively on DM envelopes and speciality products, while Otto Ficker Kuvert operated as a full-range manufacturer. The newly formed company has announced plans to specialise its production facilities and estimates its total capacity at around 4 billion envelopes annually. This can be seen as an additional step towards consolidation of the European envelope market, which is beneficial for the industry.

SALES AND RESULT, JANUARY–MARCH 2004

Consolidated net sales for the first 3 months of the year fell by around 10 per cent year-on-year to MSEK 490 (544). Of the decrease, around 8 percentage points are attributable to lower volumes and approximately 2 percentage points to the negative effect of currency fluctuations on sales in SEK. Changes in prices and the product mix had a marginal effect on sales.

Operating profit reached MSEK 5 (–3). The improvement in earnings, which arose in the second half of 2003 and continued into the first quarter of 2004, is a result of the now completed cost-cutting and action programme. Earnings were also boosted by a higher number of business days in the first quarter. The persistently weak economy had an especially strong impact on the Group’s key markets in Scandinavia, Germany and the Benelux countries. The operating margin during the period was 1.1 per cent (–0.5).

Net financial items amounted to MSEK –11 (–13) and were bolstered by the Group’s positive cash flow and lower market interest rates. The result after net financial items was MSEK –5 (–16).

COST-CUTTING AND ACTION PROGRAMME

The previously reported savings through downsizing of staff, mainly in Sweden and Germany, were carried out according to plan in the fourth quarter of 2003 and reached full effect in the first quarter of 2004. Together with the effects of other cost-cutting measures during the previous year, this is expected to reduce fixed costs by around MSEK 50 in 2004 relative to 2003.

The top priority in 2004 will be to improve the Group’s gross margin. Price adjustments and a stronger focus on purchasing and quality will be influential in realising this goal.

Efforts to further streamline operations and reduce fixed costs in production, sales and administration will continue during 2004.

CASH FLOW

The Group’s cash flow showed continued positive development in the first three months of the year as a result of restrictive investment and ongoing steps to reduce working capital. Cash flow after investing activities amounted to MSEK 8 (8).

FINANCIAL POSITION

Net loan debt increased by MSEK 1 during the period to MSEK 752 (31 Dec. 2003: MSEK 751). After currency effects and other adjustments of around MSEK 20, the real decrease was MSEK 19. The net debt/equity was unchanged at 1.61 (31 Dec. 2003: 1.61).

Liquid assets at 31 March 2004 totalled MSEK 70 (31 Dec. 2003: MSEK 86) excluding granted but unutilised credit facilities of MSEK 208 (31 Dec. 2003: MSEK 213).

Consolidated equity at the end of March 2004 amounted to MSEK 468 (31 Dec. 2003: MSEK 468). Translation of the net assets of foreign subsidiaries to SEK has increased consolidated equity by MSEK 12, while recalculation of the pension liability according to the Swedish Financial Accounting Standards Council's recommendation RR 29 has reduced consolidated equity by MSEK 7. The equity ratio at 31 March 2004 was 26.3 per cent (31 Dec. 2003: 26.6 per cent).

CAPITAL EXPENDITURE

The period's net investments in fixed assets amounted to MSEK 13 (6), of which roughly half is attributable to the ongoing relocation of production activities in England.

EMPLOYEES

The average number of employees during the period was 1,420 (1,550). At the end of March 2004 the number of employees in the Group was 1,413 (1,546).

NEW CEO

On 1 January 2004 the company's former Marketing Director and Vice President, Anders Davidsson, took over as the new President and CEO. His salary and terms of employment are essentially the same as for the previous President and CEO.

DISPUTES

Arbitration proceedings relating to the dispute with Bauwens are under way. Bong has outstanding claims of some MEUR 10 and has put forward substantial additional claims in the dispute referred to arbitration.

ACCOUNTING PRINCIPLES

This interim report has been prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation RR 20, Interim reporting. During the quarter, the Swedish Financial Accounting Standards Council's recommendation RR 29, Employee benefits, was applied for the first time. In all other respects, the same accounting and valuation principles were used as in the most recent annual report.

The Group's primary segmentation consists of the envelopes business segment.

KEY EVENTS AFTER THE END OF THE FIRST QUARTER

As previously announced in a press release dated 7 April, Bong has formed a strategic alliance with the French office supply chain Hamelin. The goal is to offer the largest European customers a wide range of products and simpler, more cost-effective solutions and thereby strengthen the Group's competitiveness.

As previously announced in a press release dated 29 April, Bong has signed an agreement to acquire the Finnish envelope company Kirjekuori Oy, with an annual turnover of around MEUR 7. The acquisition will be a valuable complement to the Group's existing operations in Finland and is attractively located close to the fast-growing Russian market.

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, 4 May 2004

BONG LJUNGDAHL AB

Anders Davidsson
President & CEO

This interim report has not been subject to special review by the company's auditors.

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Coming reports:

Interim report January-June 2004	*20 August 2004*
Interim report January-September 2004	*8 November 2004*
Year-end report 2004	*February 2005*

Bong is one of Europe's leading envelope companies. The Group has an annual turnover of approximately SEK 1.9 billion, some 1,500 employees and an annual manufacturing capacity of around 15 billion envelopes in Sweden, Denmark, Norway, Finland, Poland, Germany, Belgium, Great Britain and Ireland. Bong has a very strong market position, particularly in Northern Europe, and conducts sales and marketing in eleven European countries through its own sales organisations. 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.

INTERIM REPORT JANUARY-MARCH 2004

CONSOLIDATED PROFIT AND LOSS ACCOUNTS IN SUMMARY (MSEK)	Jan-March 2004 3 months	2003 3 months	April 2003-March 2004 12 months	Jan-Dec 2003 12 months
Net sales	490,1	543,6	1 854,9	1 908,4
Costs of goods sold	-401,6	-447,8	-1 566,1	-1 612,3
Gross profit	88,5	95,8	288,8	296,1
Selling expenses	-37,7	-49,0	-151,2	-162,5
Administrative expenses	-40,6	-43,6	-151,4	-154,4
Other operating income and expenses	0,2	-0,8	-0,8	-1,8
Goodwill amortisation	-5,0	-5,0	-19,8	-19,8
Items affecting comparability	-	-	-43,1	-43,1
Operating profit/loss	5,4	-2,6	-77,5	-85,5
Net financial items	-10,6	-13,3	-44,4	-47,1
Profit/loss before tax	-5,2	-15,9	-121,9	-132,6
Tax	-0,1	-7,0	0,2	-6,7
Profit/loss after tax	-5,3	-22,9	-121,7	-139,3

CONSOLIDATED BALANCE SHEETS IN SUMMARY (MSEK)	31 March 2004	31 March 2003	31 Dec 2003
Assets			
Intangible assets	285,2	303,4	283,8
Tangible assets	743,7	840,7	742,7
Financial assets	76,0	92,8	83,2
Inventories	259,5	312,1	249,8
Current receivables	343,0	339,8	309,7
Cash and bank	70,5	104,1	85,7
Total assets	**1 777,9**	**1 992,9**	**1 754,9**
Equity and liabilities			
Equity	467,8	596,8	467,6
Provisions	197,9	234,6	207,5
Long-term liabilities	360,1	458,1	389,6
Current liabilities	752,1	703,4	690,2
Total equity and liabilities	**1 777,9**	**1 992,9**	**1 754,9**

KEY RATIOS

		Jan-March 2004	Jan-March 2003	April 2003-March 2004	Jan-Dec 2003
Earnings per share after tax and full conversion incl. items affecting comparability, SEK	1)	-0,41	-1,76	-9,36	-10,71
Ditto excl. items affecting comparability, SEK	1)	-0,41	-1,76	-6,81	-8,16
Earnings per share after tax but before full conversion incl. items affecting poster, SEK		-0,41	-1,76	-9,36	-10,71
Ditto excl. items affecting comparability, SEK		-0,41	-1,76	-6,81	-8,16
Equity after full conversion, SEK		36,62	46,28	36,62	36,60
Ditto before full conversion, SEK		35,97	45,89	35,97	35,95
Operating margin before goodwill amortisation, %	2)	2,1	0,4	-0,8	-1,2
Operating margin, %	2)	1,1	-0,5	-1,9	-2,2
Profit margin, %	2)	-1,1	-2,9	-4,3	-4,7
Return on equity, %	2)	-	-	-17,5	-19,8
Return on capital employed, %	2)	-	-	-2,3	-2,7
Equity ratio, %		26,3	29,9	26,3	26,6
Net debt/equity ratio, times		1,61	1,32	1,61	1,61
Interest coverage ratio, times	2)	0,5	0,1	-0,8	-0,8
Capital employed, MSEK		1 299,6	1 496,3	1 299,6	1 313,7
Interest-bearing net loan debt, MSEK		752,5	786,7	752,5	751,3
Number of shares outstanding at end of period before conversion		13 004 986	13 004 986	13 004 986	13 004 986
Number of shares outstanding 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	13 004 986	12 059 362	13 004 986
Average number of shares after full conversion		13 351 180	13 351 180	12 318 368	13 351 180

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-March 2004	Jan-March 2003	Jan-Dec 2003
Opening balance for the period	467,6	630,2	630,2
Adjustment referring to convertible loan	-	-	1,6
Recalculation of pension liability according to RR29	-7,0	-	-
Translation differences	12,5	-10,5	-24,9
Net loss for the period	-5,3	-22,9	-139,3
Closing balance for the period	**467,8**	**596,8**	**467,6**

CONSOLIDATED CASH FLOW STATEMENTS IN SUMMARY (MSEK)	Jan-March 2004 3 months	Jan-March 2003 3 months	April 2003-March 2004 12 months	Jan-Dec 2003 12 months
Operating activities				
Operating profit/loss including items affecting comparability	5,4	-2,6	-77,6	-85,6
Depreciation and write-downs	30,2	32,1	133,2	135,1
Financial items	-10,6	-13,3	-44,4	-47,1
Paid tax	-4,2	-4,2	-11,0	-11,0
Other items with no effect on cash flow	-5,2	-1,8	-19,2	-15,8
Cash flow from operating activities before change in working capital	15,6	10,2	-19,0	-24,4
Change in working capital	4,1	3,7	61,1	60,7
Cash flow from operating activities	**19,7**	**13,9**	**42,1**	**36,3**
Cash flow from investing activities	**-11,8**	**-5,8**	**-11,1**	**-5,1**
Cash flow after investing activities	**7,9**	**8,1**	**31,0**	**31,2**
Cash flow from financing activities	**-25,3**	**-41,7**	**-62,8**	**-79,2**
Cash flow for the period	**-17,4**	**-33,6**	**-31,8**	**-48,0**
Liquid assets at beginning of period	85,7	141,1	104,1	141,1
Exchange rate difference in liquid assets	2,2	-3,4	-1,8	-7,4
Liquid assets at end of period	**70,5**	**104,1**	**70,5**	**85,7**

QUARTERLY DATA
GROUP (MSEK)

	1/2004	4/2003	3/2003	2/2003	1/2003	4/2002	3/2002	2/2002	1/2002
Net sales	490,1	460,2	444,9	459,7	543,6	501,9	487,3	530,8	591,8
Operating expenses	-479,7	-462,3	-449,7	-477,9	-541,2	-519,2	-495,1	-528,5	-562,6
Operating profit/loss before goodwill amortisation	10,4	-2,1	-4,8	-18,2	2,4	-17,3	-7,8	2,3	29,2
Goodwill amortisation	-5,0	-4,9	-4,9	-5,0	-5,0	-6,4	-6,6	-6,7	-6,7
Operating profit/loss before items affecting comparability	5,4	-7,0	-9,7	-23,2	-2,6	-23,7	-14,4	-4,4	22,5
Items affecting comparability		-47,6	-	4,6		-139,9	-	-	6,2
Operating profit/loss	5,4	-54,6	-9,7	-18,6	-2,6	-163,6	-14,4	-4,4	28,7
Net financial items	-10,6	-11,8	-10,7	-11,3	-13,3	-12,2	-13,8	-15,6	-16,5
Profit/loss after net financial items	-5,2	-66,4	-20,4	-29,9	-15,9	-175,8	-28,2	-20,0	12,2
Profit/loss after net financial items excluding items affecting comparability	-5,2	-18,8	-20,4	-34,5	-15,9	-35,9	-28,2	-20,0	6,0