BONG LJUNGDAHL AB

INTERIM REPORT JANUARY - JUNE 2004

- **NET SALES FELL TO MSEK 934 (1,003), PARTLY AS AN EFFECT OF THE GROUP'S INCREASED FOCUS ON PROFITABLE VOLUMES.**
- **RESULT AFTER TAX REPORTED AT MSEK 37 (-52).**
- **EARNINGS PER SHARE TOTALLED SEK 2.78 (-4.02).**
- **CASH FLOW AFTER INVESTING ACTIVITIES WAS MSEK 29 (13).**
- **FINAL SETTLEMENT IN DISPUTE WITH BAUWENS GENERATES POSITIVE EARNINGS EFFECT OF MSEK 61.**
- **OPERATING PROFIT WAS A SIGNIFICANT IMPROVEMENT COMPARED TO LAST YEAR. OPERATING PROFIT EXCLUDING MSEK +61 FROM THE SETTLEMENT WITH BAUWENS AND RESTRUCTURING CHARGES OF MSEK –7 AMOUNTED TO MSEK +7.**
- **KIRJEKUORI OY ACQUIRED. KIRJEKUORI OY IS EXPECTED TO MAKE A POSITIVE CONTRIBUTION TO EARNINGS IN 2005. PLANS TO DECREASE STAFF IN FINLAND BY 30 EMPLOYEES ARE ONGOING.**
- **NEW COST-CUTTING AND ACTION PROGRAMME INITIATED IN SCANDINAVIA. 50 EMPLOYEES MADE REDUNDANT.**

MSEK	**Q2 2004**	**Q2 2003**	**Q1-2 2004**	**Q1-2 2003**
Net sales	**444**	**460**	**934**	**1,003**
Operating profit/loss	**56**	**-19**	**62**	**-21**
Profit/loss after net financial items	**47**	**-30**	**42**	**-46**
Profit/loss after net financial items	1) **-8**	2) **-34**	1) **-13**	2) **-50**
Cash flow after investing activities	**21**	**5**	**29**	**13**

1) Excluding MSEK 61 arising through final settlement in dispute with former owner of Bauwens Group and restructuring charges of MSEK -7.
2) Excluding capital gain of MSEK 5 on the sale of a property.

BONG LJUNGDAHL AB
Uddevägen 3 • Box 516 • SE-291 25 Kristianstad, Sweden
Telephone +46 (0)44 20 70 00 • Fax. +46 (0)44 20 70 91
Public limited company (publ) Corp. reg. no. 556034-1579
www.bongljungdahl.se

MARKETS
Envelope volumes in Europe continued to decline through the first half of 2004. Demand was slower in most European markets and excess capacity in the industry remained substantial. Compared with the first half of 2003, the market has shown particularly weak development in Germany, France and the Benelux countries.

Compared with the first half of 2003, Bong Ljungdahl's volumes have declined. This is partly attributable to lower demand and partly to a more selective sales process aimed at improving profitability. The drop in volume relative to 2003 was especially sharp during the first quarter, at -8%, but tapered off somewhat to -3% in the second quarter.

Our assessment is that the envelope market for administrative mail, i.e. payments, account statements and similar, will shrink in volume over time while the market for more specialised direct mail envelopes grows. In the current economic situation, growth in direct mail advertising has not compensated for the decrease in administrative mail.

SALES AND PROFIT, JANUARY-JUNE 2004
Consolidated net sales for the first half of 2004 fell by around 7% year-on-year to MSEK 934 (1,003). Of the decrease, around 6 percentage points are attributable to a lower volume owing partly to the Group's increased focus on more profitable volumes. Approximately 1 percentage point is explained by the negative effect of currency fluctuations on sales. Changes in prices and the product mix had a marginal effect on sales.

Operating profit for the first half of the year reached MSEK 62 (-21). Earnings were positively affected by a sum of MSEK 61.4 arising through final settlement of a dispute with the former owner of the Bauwens Group, and were burdened with restructuring charges of MSEK -6.8 for severance pay in Finland and Scandinavia. Excluding these items, operating profit was MSEK 7 (MSEK -26 excluding capital gains on the sale of a property). The improvement in earnings is a result of the company's ongoing efforts to strengthen the gross margin and reduce fixed costs. The operating margin for the period was 0.7 per cent (-2.6).

Second quarter sales were down by around 3% to MSEK 444 (460). The entire decrease is explained by lower volumes, whereas currency effects, lower prices and a changed product mix had only a marginal effect. Operating profit for the second quarter was MSEK 56 (-19). Earnings were positively affected by a sum of MSEK 61.4 arising through final settlement of a dispute with the former owner of the Bauwens Group, and were burdened with restructuring charges of MSEK -6.8 for severance pay in Finland and Scandinavia. Excluding these items, operating profit was MSEK 1 (MSEK -23 excluding capital gains on the sale of a property).

Net financial items for the first half of 2004 totalled MSEK -20 (-25) and were bolstered by the Group's positive cash flow and lower market interest rates. Profit after net financial items was MSEK 42 (-46).

COST-CUTTING AND ACTION PROGRAMME
In connection with the acquisition of Kirjekuori Oy, negotiations are ongoing for a reduction in staff by some 30 full-time positions in Finland. The costs for this programme, including redundancies in Scandinavia, are expected to reach MSEK 6.8, for which a provision was made in the second quarter. The action programme is expected to reach full effect in 2005.

CASH FLOW
The Group's cash flow showed continued favourable development in the first half of the year thanks to a positive cash flow from operating activities and active measures to reduce working capital. The

period’s investments included the acquisition of Kirjekuori Oy. The final settlement with Bauwens has reduced interest-bearing liabilities by around MSEK 38 and current liabilities by around MSEK 23. Cash flow after investing activities for the first half of 2004 amounted to MSEK 29 (13). In the second quarter, cash flow after investing activities was MSEK 21 (5).

FINANCIAL POSITION

Net loan debt decreased by MSEK 7 during the period to MSEK 744 (31 Dec. 2003: MSEK 751). After currency effects and other adjustments of around MSEK 5, the real decrease was MSEK 12. Net loan debt taken over in connection with the acquisition of Kirjekuori amounted to MSEK 21. The net debt/equity ratio was 1.48 (31 Dec. 2003: 1.61).

Liquid assets at 30 June 2004 totalled MSEK 52 (31 Dec. 2003: MSEK 86) excluding granted but unutilised credit facilities of MSEK 155 (31 Dec. 2003: MSEK 213).

Consolidated equity at 30 June 2004 amounted to MSEK 503 (31 Dec. 2003: MSEK 468). Translation of the net assets of foreign subsidiaries to SEK has increased consolidated equity by MSEK 6, while recalculation of the pension liability according to the Swedish Financial Accounting Standards Council’s recommendation RR 29 has reduced consolidated equity by MSEK 8. The equity ratio was 28.3 per cent (31 Dec. 2003: 26.6 per cent). The Group’s target is an equity ratio of at least 30 per cent over time.

CAPITAL EXPENDITURE

The period’s net investments in fixed assets amounted to MSEK 90, of which a large share is attributable to the acquisition of Kirjekuori Oy.

EMPLOYEES

The average number of employees during the period was 1,420 (1,535). At the end of June 2004, the number of employees in the Group was 1,425 (1,510). The number of employees in the acquired company Kirjekuori Oy was 45.

ACQUISITIONS

As previously announced in press releases dated 29 April and 1 June, Bong Ljungdahl AB acquired the Finnish envelope company Kirjekuori Oy in the second quarter of 2004. The company has an annual turnover of around 7 million Euro, an annual manufacturing capacity of some 800 million envelopes and 45 employees. Kirjekuori Oy is expected to make a positive contribution to earnings after deduction of acquisition costs starting in 2005.

The acquisition of Kirjekuori Oy has been financed through the utilisation of existing credit facilities and deferred payment of partial consideration for a period of 24 months.

DISPUTES

As previously announced in a press release dated 12 May, Bong Ljungdahl AB has reached a final settlement in its dispute with the Bauwens Group. This had a positive effect on earnings of approximately MSEK 61.4 in the second quarter.

PARENT COMPANY

The activities of the Parent Company include administration of operating subsidiaries and Group management functions. For the first half of 2004 the Parent Company’s profit after net financial items was MSEK 23 (-11). The period’s investments were negligible (0). Liquid assets in the Parent

Company amounted to 0 (31 Dec. 2003: MSEK 12) excluding granted but unutilised credit facilities of MSEK 51 (76).

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 period under review, 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 segment consists of the envelopes business segment.

KEY EVENTS AFTER THE END OF THE SECOND QUARTER

An additional cost-cutting and action programme has been initiated in Scandinavia, in connection with which 50 employees will be made redundant – 25 in Kristianstad, 18 in Nybro, 5 in Norway and 2 in Denmark. The costs of the programme are estimated at around MSEK 12, which will be charged against profit for the third quarter. The resulting savings are expected to reach MSEK 12-14 on a full-year basis, and will arise starting in the fourth quarter of 2004.

FUTURE OUTLOOK

Our previous forecast remains unchanged. As yet we see no indication of an upswing in the European envelope market, and although certain positive tendencies have been noted in the USA we anticipate continued weak demand in 2004. Our single overarching goal in the short term is to return to profitability as quickly as possible.

Kristianstad, 20 August 2004
BONG LJUNGDAHL AB

Anders Davidsson
President & CEO

AUDITORS' REPORT
We have reviewed this interim report in accordance with the recommendation of the Institute for the Accountancy Profession in Sweden (FAR).

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

Kristianstad, 20 August 2004

Dan Andersson	*Anders Lundin*
Authorised Public Accountant	*Authorised Public Accountant*

The interim report will be presented today in a teleconference starting at 3:00 p.m. The number to the teleconference is +46 8 505 20 114. By 2:00 p.m. there will be pictures available on our website www.bongljungdahl.se
For additional information contact Anders Davidsson, Managing Director and CEO of Bong Ljungdahl AB. Telephone (switchboard) +46 (0)44 20 70 00, (direct) +46 (0)44 20 70 80, (mobile) +46 (0)70 545 70 80.

Coming reports:

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 1,400 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.

BONG LJUNGDAHL

INTERIM REPORT 30 JUNE 2004

CONSOLIDATED PROFIT AND LOSS ACCOUNTS IN SUMMARY (MSEK)	April - June 2004 3 months	April - June 2003 3 months	Jan - June 2004 6 months	Jan - June 2003 6 months	July 2003- June 2004 12 months	Jan - Dec 2003 12 months
Net sales	444,3	459,7	934,4	1 003,3	1 839,5	1 908,4
Costs of goods sold	-368,0	-396,6	-769,7	-847,8	-1 534,2	-1 612,3
Gross profit	76,3	63,1	164,7	155,5	305,3	296,1
Selling expenses	-35,8	-38,8	-73,4	-84,4	-151,5	-162,5
Administrative expenses	-41,1	-41,6	-81,7	-85,3	-150,8	-154,4
Other operating income and expenses	61,7	-1,0	61,9	-1,7	61,8	-1,8
Goodwill amortisation	-5,0	-4,9	-10,0	-9,9	-19,9	-19,8
Items affecting comparability	-	4,6	-	4,6	-47,7	-43,1
Operating profit/loss	56,1	-18,6	61,5	-21,2	-2,8	-85,5
Net financial items	-9,1	-11,3	-19,7	-24,6	-42,2	-47,1
Profit/loss before tax	47,0	-29,9	41,8	-45,8	-45,0	-132,6
Tax	-4,8	0,6	-4,9	-6,4	-5,2	-6,7
Profit/loss after tax	42,2	-29,3	36,9	-52,2	-50,2	-139,3

CONSOLIDATED BALANCE SHEETS IN SUMMARY (MSEK)		30 June 2004	30 June 2003	31 Dec 2003
Assets				
Intangible assets	1)	314,0	296,8	283,8
Tangible assets		759,2	795,5	742,7
Financial assets		67,6	96,6	83,2
Inventories		265,2	319,5	249,8
Current receivables		322,1	315,5	309,7
Cash and bank		51,8	82,4	85,7
Total assets		**1 779,9**	**1 906,3**	**1 754,9**
Equity and liabilities				
Equity		502,9	560,4	467,6
Provisions	2)	194,9	225,1	207,5
Long-term liabilities	2)	419,6	429,8	389,6
Current liabilities	2)	662,5	691,0	690,2
Total equity and liabilities		**1 779,9**	**1 906,3**	**1 754,9**
1) Of which, goodwill		309,0	293,4	278,5
2) Of which, interest-bearing		799,4	867,8	846,2

KEY RATIOS

		Jan - June 2004	Jan - June 2003	July 2003- June 2004	Jan - Dec 2003
Earnings per share after tax and full conversion, SEK	1)	2,78	-4,02	-3,86	-10,71
Ditto calculated on adjusted profit, SEK	1)	-0,97	-4,26	-4,87	-8,16
Earnings per share after tax but before full conversion, SEK		2,84	-4,02	-3,86	-10,71
Ditto calculated on adjusted profit, SEK		-0,97	-4,26	-4,87	-8,16
Equity after full conversion, SEK		39,25	43,56	39,25	36,60
Ditto before full conversion, SEK		38,67	43,09	38,67	35,95
Operating margin before goodwill amortisation, %	2)	1,8	-1,6	0,6	-1,2
Operating margin, %	2)	0,7	-2,6	-0,5	-2,2
Profit margin, %	2)	-1,4	-5,0	-2,8	-4,7
Return on equity, %	2)	-	-	-12,5	-19,8
Return on capital employed, %	2)	-	-	-0,5	-2,7
Equity ratio, %		28,3	29,4	28,3	26,6
Net debt/equity ratio, times		1,48	1,39	1,48	1,61
Interest coverage ratio, times	2)	0,4	-1,0	-0,1	-0,8
Capital employed, MSEK		1 302,4	1 428,1	1 303,4	1 313,7
Interest-bearing net loan debt, MSEK		743,9	780,1	743,9	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) Calculated on adjusted profit

Adjusted profit:

Operating profit according to the consolidated balance sheet	**61,5**	**-21,2**	**-2,8**	**-85,5**
Final settlement in dispute with former owner of Bauwens Group	-61,4		-61,4	
Write-downs			26,9	26,9
Capital gain on the sale of property		-4,6		-4,6
Restructuring charges	6,8		27,6	20,8
Adjusted operating profit	**6,9**	**-25,8**	**-9,7**	**-42,4**

CHANGES IN CONSOLIDATED EQUITY	Jan - June		Jan-Dec
(MSEK)	2004	2003	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	-7,6	-	-
Translation differences	6,0	-17,6	-24,9
Profit/loss for the period	36,9	-52,2	-139,3
Closing balance for the period	**502,9**	**560,4**	**467,6**

CONSOLIDATED CASH FLOW STATEMENTS	April - June		Jan - June		July 2003-	Jan - Dec
	2004	2003	2004	2003	June 2004	2003
(MSEK)	3 months	3 months	6 months	6 months	12 months	12 months
Operating activities						
Operating profit/loss including items affecting comparabi	56,1	-18,7	61,5	-21,3	-2,8	-85,6
Depreciation and write-downs	30,9	31,2	61,1	63,3	132,9	135,1
Financial items	-9,1	-11,3	-19,7	-24,6	-42,2	-47,1
Paid tax	-4,8	-4,6	-9,0	-8,8	-11,2	-11,0
Other items with no effect on cash flow	-5,4	-10,9	-10,6	-12,7	-13,7	-15,8
Cash flow from operating activities before change in working capital	67,7	-14,3	83,3	-4,1	63,0	-24,4
Change in working capital	32,1	2,4	36,2	6,1	90,8	60,7
Cash flow from operating activities	**99,8**	**-11,9**	**119,5**	**2,0**	**153,8**	**36,3**
Cash flow from investing activities	**-78,5**	**16,5**	**-90,3**	**10,7**	**-106,1**	**-5,1**
Cash flow after investing activities	**21,3**	**4,6**	**29,2**	**12,7**	**47,7**	**31,2**
Cash flow from financing activities	**-38,9**	**-24,5**	**-64,2**	**-66,2**	**-77,2**	**-79,2**
Cash flow for the period	**-17,6**	**-19,9**	**-35,0**	**-53,5**	**-29,5**	**-48,0**
Liquid assets at beginning of period	70,5	104,1	85,7	141,1	104,1	141,1
Exchange rate difference in liquid assets	-1,1	-1,8	1,1	-5,2	-1,1	-7,4
Liquid assets at end of period	**51,8**	**82,4**	**51,8**	**82,4**	**73,5**	**85,7**

QUARTERLY DATA
GROUP (MSEK)

	2/2004	1/2004	4/2003	3/2003	2/2003	1/2003	4/2002	3/2002	2/2002	1/2002
Net sales	444,3	490,1	460,2	444,9	459,7	543,6	501,9	487,3	530,8	591,8
Operating expenses	-383,2	-479,7	-509,9	-449,7	-473,3	-541,2	-659,1	-495,1	-528,5	-556,4
Operating profit/loss before goodwill amortisation	61,1	10,4	-49,7	-4,8	-13,6	2,4	-157,2	-7,8	2,3	35,4
Goodwill amortisation	-5,0	-5,0	-4,9	-4,9	-5,0	-5,0	-6,4	-6,6	-6,7	-6,7
Operating profit/loss	**56,1**	**5,4**	**-54,6**	**-9,7**	**-18,6**	**-2,6**	**-163,6**	**-14,4**	**-4,4**	**28,7**
Net financial items	-9,1	-10,6	-11,8	-10,7	-11,3	-13,3	-12,2	-13,8	-15,6	-16,5
Profit/loss after net financial items	**47,0**	**-5,2**	**-66,4**	**-20,4**	**-29,9**	**-15,9**	**-175,8**	**-28,2**	**-20,0**	**12,2**

Capital gain on sale of property					4,6					6,2
Write-downs			-26,9				-110,4			
Restructuring charges	-6,8		-20,7				-29,5			
Final settlement in Bauwens dispute	61,4									
	54,6		-47,6		4,6		-139,9			6,2
Adjusted operating profit/loss	**1,5**	**5,4**	**-7,0**	**-9,7**	**-23,2**	**-2,6**	**-23,7**	**-14,4**	**-4,4**	**22,5**
Adjusted profit/loss after net financial items	**-7,6**	**-5,2**	**-18,8**	**-20,4**	**-34,5**	**-15,9**	**-35,9**	**-28,2**	**-20,0**	**6,0**