



BONG LJUNGDAHL AB

INTERIM REPORT JANUARY-SEPTEMBER 2000

- **NET TURNOVER INCREASED BY 88 PER CENT TO SKR 1,703 MILLION (906)**
- **OPERATING PROFIT INCREASED TO SKR 180 MILLION ^{*)} (68)**
- **OPERATING PROFIT FOR THE THIRD QUARTER INCREASED TO SKR 68 MILLION ^{*)} (15)**
- **PROFIT AFTER NET FINANCIAL ITEMS INCREASED TO SKR 131 MILLION ^{*)} (55)**
- **ACQUISITION OF REXAM ENVELOPES BRINGS POSITION OF MARKET LEADERSHIP IN GREAT BRITAIN**

^{*)} The nine-month figures include SKr 44 million due to items affecting comparability and the third quarter figures include SKr 33 million.

Bong is a fast-growing international envelopes company. The Group has an annual turnover of some SKr 2.5 billion and around 1,900 employees. It has an annual production of some 16 billion envelopes at factories in Sweden, Denmark, Norway, Finland, Germany, Great Britain, Ireland, Belgium, Poland and Estonia. In recent years, Bong has played an active part in the current process of restructuring in the European envelope industry and sees valuable potential for further expansion. The acquisition of Bauwens in January 2000 was an important step in this process, making Bong one of Europe's leading envelope companies.

TURNOVER AND RESULT

Turnover for the January-September 2000 period increased by SKr 797 million, or 88 per cent, to SKr 1,703 million (906). Of the increase, SKr 799 million is attributable to acquired units and SKr 23 million, or 3 per cent, to organic growth within the former Bong Group. Currency fluctuations had the effect of reducing turnover by SKr 26 million. Rexam Envelopes, which was acquired in September 2000, has only had a marginal effect on the Group's turnover during the reporting period.

The operating profit (excluding items affecting comparability) for the first nine months of 2000 rose by 100 per cent to SKr 136 million (68), and the operating margin was 8.0 per cent (7.5). The improvement is largely due to the very good progress made by the recently acquired units.

Despite slacker demand on several of the Group's main markets and further sharp increases in the price of paper, the operating profit for the third quarter more than doubled to SKr 35

BONG LJUNGDAHL AB

Uddevägen 3 • P.O. Box 516 • SE-291 25 Kristianstad

Tel. +46 44 20 70 00 • Fax. +46 44 20 70 99

www.bongljungdahl.se

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million (15), excluding items affecting comparability. During the third quarter the Group's premises in Kristianstad and Nybro were sold to Nordisk Renting AB for the sum of SKr 130 million, as one stage in the financing of the current process of expansion. The transaction generated capital gains of SKr 33 million before tax (SKr 25 million after full tax) and is stated, together with the refund of surplus pension funds by the SPP insurance company, among total items affecting comparability of SKr 44 million (0). A long-term rental agreement has been signed with Nordisk Renting AB for the continued use of the premises.

The profit after net financial items (excluding items affecting comparability) increased by SKr 32 million to SKr 87 million (55), and the profit including items affecting comparability amounted to SKr 131 million (55). Earnings per share after tax and full conversion amounted to SKr 6.11 (5.97) (excluding items affecting comparability), taking into account the fact that the directed placement of more than 1.6 million shares in connection with the acquisition of Bauwens made a full impact during the entire January-September 2000 period.

MARKETS, SALES, PURCHASING

The envelope market has continued to expand and was rather strong, at least at the beginning of the period. During the third quarter, demand weakened slightly. Bong has further raised its market share in Great Britain and Poland. In the Nordic countries and Germany, the already strong position has been maintained. Markets have remained intensely competitive and prices are still under great pressure.

Generally, demand for fine paper, the Group's most important input material, is currently very strong. Paper producers have consequently been able to raise their prices sharply on several occasions. During the first half of the year, the Bong Group was more or less able to compensate for this by raising prices to its customers, although after some delay. During the autumn, however, it has become steadily more difficult to raise prices on some of the markets canvassed, which has led to narrower margins. Although paper prices now appear to be stabilising, conditions are still uncertain and it is hard to make any forecast.

COMPANY ACQUISITIONS

An important step in the development of the Group was taken with the acquisition of Rexam Envelopes in September 2000. Rexam Envelopes is one of Great Britain's leading envelope companies, with a turnover of some £16 million in 1999 and 140 employees. The price amounted to some SKr 100 million and the acquisition includes buildings, machinery, equipment and stock at more or less their book value. Bong is taking over all personnel. As a result of the acquisition, Bong will have an aggregate turnover in Great Britain of more than £50 million (approximately SKr 700 million), which makes it the market leader on Europe's largest individual envelope market. Rexam Envelopes will be merged with Bong's existing business in Britain, a process that will be aided by the fact that both units are located in Milton Keynes, north west of London. Relatively significant synergies are expected, mainly as a result of co-ordinating production and purchasing. The acquisition is expected to make a positive contribution to the consolidated result in 2001.

The process of integrating Bauwens with the Group's existing activities is proceeding according to plan and is now focused on the completion of a number of changes in production. In connection with this, three of the Group's production units will be discontinued, which will involve a reduction of around 100 in the number of employees. The previous assessment that costs would be reduced by around SKr 40-60 million, having their full effect towards the end of 2001, remains unchanged.

LIQUID FUNDS AND FINANCING

Closing liquid funds amounted to SKr 66 million (26) and net debt amounted to SKr 1,029 million (325). The effect of the acquisition of Bauwens was to increase net debt by some SKr 700 million.

Closing equity amounted to SKr 641 million, of which the shares issued in connection with the Bauwens acquisition accounted for just over SKr 137 million, after issue costs. The closing equity ratio was 28 per cent (40) and the debt/equity ratio was 1.61 (0.76).

FIXED CAPITAL EXPENDITURE

Capital expenditure during the period on machinery, equipment and buildings, excluding assets acquired via company acquisitions, amounted to SKr 86 million (82). In relative terms, this represents an adjustment to a significantly lower level than has been the case in previous years. During the period investments of SKr 17 million were financed by means of leasing.

EMPLOYEES

The average number of employees was 1,882 (1,126), of whom almost 700 joined the Group as a result of acquisitions.

OUTLOOK

Demand is at present relatively firm on the Group's main markets, even though it slackened slightly during the third quarter. The sharp rise in the price of paper requires further increases in selling prices, which may become increasingly difficult to push through, and this could further moderate demand. However, given the strong position of the new Group on the major North European markets, the potential for cost reductions and the generally encouraging developments at the acquired units, the prospect of a further improvement in the result during the year must be regarded as fairly bright.

Kristianstad, October 27, 2000.

BONG LJUNGDAHL AB (publ)

Lennart Pihl
President

This report has not been subject to specific examination by the company's auditors.

Further information may be obtained from Lennart Pihl, President and CEO, Bong Ljungdahl AB

Telephone (switchboard) +46 44 20 70 00

(direct) +46 44 20 70 50

(mobile) +46 70 594 68 66

INTERIM REPORT BONG LJUNGAHL GROUP JAN-SEPT 2000

SUMMARY PROFIT AND LOSS (MSEK)	Jan-Sept 2000	Jan-Sept 1999	Jan-Dec 1999
Net turnover	1 702,8	906,3	1 222,9
Operating costs	-1 549,7	-832,9	-1 123,2
Items affecting comparability	43,9	-	
Operating profit before depreciation of goodwill	197,0	73,4	99,7
Depreciation of goodwill	-17,0	-5,7	-7,5
Operating profit	180,0	67,7	92,2
Net financial items	-49,5	-12,7	-17,2
Profit after net financial items	130,5	55,0	75,0
Tax	-43,4	-12,2	-18,9
Net profit after tax	87,1	42,8	56,1

SUMMARY BALANCE SHEET (MSEK)	2000-09-30	1999-09-30	1999-12-31
Fixed assets	1 442,0	664,0	681,5
Receivables	381,9	214,5	202,3
Stocks	401,2	177,3	168,9
Liquid funds	65,8	25,7	29,8
Total assets	2 290,9	1 081,5	1 082,5
Equity	640,7	427,7	433,7
Interest-bearing provisions	76,4	77,1	74,8
Non interest-bearing provisions	198,2	76,9	92,1
Interest-bearing liabilities	1 040,5	281,4	278,8
Non interest-bearing liabilities	335,1	218,4	203,1
Total equity and liabilities	2 290,9	1 081,5	1 082,5

FINANCIAL RATIOS	Jan-Sept 2000	Jan-Sept 1999	Jan-Dec 1999
KRONOR PER SHARE			
Earnings after tax	9,90	5,97	7,83
Ditto excl. items affecting comparability	6,11	5,97	7,83
Equity	74,38	61,94	62,77

RATIOS

Operating margin before depreciation of goodwill	1)	9,0%	8,1%	8,2%
Operating margin	1)	8,0%	7,5%	7,5%
Profit margin	1)	5,1%	6,1%	6,1%
Return on equity		19%	12%	13%
Ditto excl. items affecting comparability		12%	12%	13%
Return on capital employed	1)	11%	12%	12%
Debt-equity ratio		1,61	0,76	0,73
Equity ratio		28%	40%	40%
Interest cover		3,6	4,9	4,9
Capital employed		1 757,6	786,2	787,3
Net interest-bearing debt		1 029,0	325,0	315,8

Average number of shares (after full conversion)

8 799 491

7 164 840

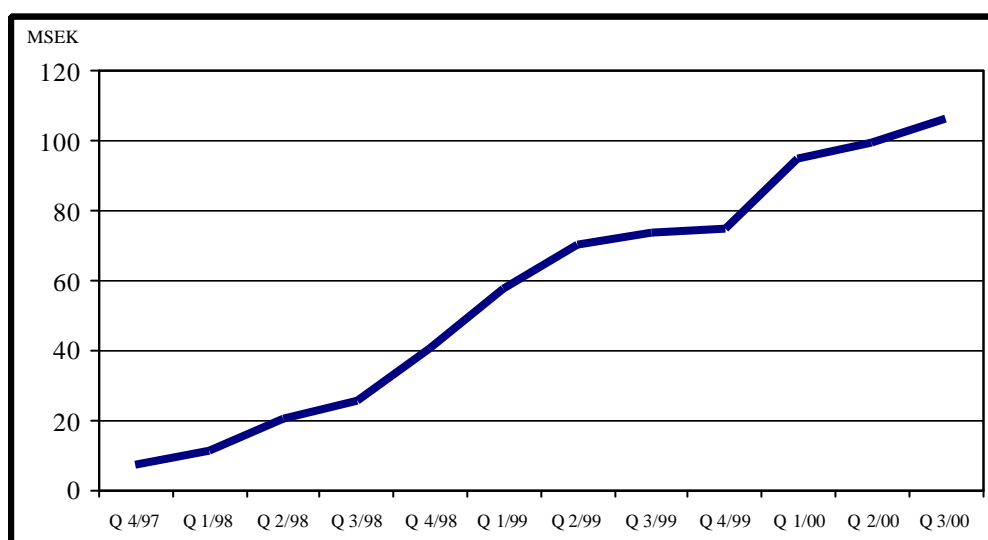
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1) Items affecting comparability excluded

QUARTERLY COMPARISONS GROUP (MSEK)

	1/1998	2/1998	3/1998	4/1998	1/1999	2/1999	3/1999	4/1999	1/2000	2/2000	3/2000
Net turnover	275,3	255,3	228,4	336,4	338,2	302,6	265,5	316,6	628,8	547,6	526,4
Operating costs	-262,4	-247,0	-217,6	-312,2	-307,7	-280,0	-251,0	-292,0	-565,9	-509,6	-491,2
Items affecting comparability	-	-	-	-	-	-	-	-	-	11,1	32,8
Operating profit	12,9	8,3	10,8	24,2	30,5	22,6	14,5	24,6	62,9	49,1	68,0
Capital gain on sale of subsidiary company	7,0	-	-	-	-	-	-	-	-	-	-
Net financial items	-3,9	-2,6	-3,6	-5,3	-4,7	-4,2	-3,7	-4,6	-17,2	-15,1	-17,2
Result after net financial items	16,0	5,7	7,2	18,9	25,8	18,4	10,8	20,0	45,7	34,0	50,8

PROFIT AFTER AFTER NET FINANCIAL ITEMS (EXCL. ITEMS AFFECTING COMPARABILITY) MOVING 12 MONTHS



CASH FLOW ANALYSIS GROUP (MSEK)

	Jan-Sept 2000	Jan-Sept 1999	Jan-Dec 1999
Operating profit	180,0	67,6	92,2
Net financial items	-45,3	-12,7	-17,2
Tax paid	-17,2	-12,9	-15,2
Depreciation	92,6	48,2	65,1
Other items not affecting liquidity	-51,8	-	-12,7
	158,3	90,2	112,2
Change in working capital	-81,6	8,0	21,1
Cash flow from current operations	76,7	98,2	133,3
Capital expenditure etc	46,6	-72,7	-98,3
Acquisitions	-403,9	-14,2	-21,8
Cash flow after capital expenditure etc	-280,6	11,3	13,2