



BONG LJUNGDAHL AB

Interim report

January – March 2007



“Last year’s restructuring efforts had a tangible impact on the first quarter in the form of reduced costs, at the same time the restructuring programmes have boosted our capacity utilisation. Our focus now is on pushing through price increases,” says Bong’s President and CEO Anders Davidsson.

- Net sales are reported at SEK 540 million (556). ProPac continued to gain importance for the Group and accounted for 9 percent of sales in the first quarter (7).
- Operating profit was SEK 24 million (25) and profit after tax amounted to SEK 9 million (10). Earnings per share after dilution were SEK 0.65 (0.78).
- The restructuring programme generated a decrease of SEK 18.5 in fixed costs compared to the same quarter of 2006.
- The price of uncoated fine paper has continued to increase sharply. First quarter profit was negatively affected by the delay in passing on price increases to customers.
- Cash flow after investing activities was SEK -79 million (-34).

SEK M	Q1 2007	Q1 2006	Q1- 4 2006
Net sales	540	556	1985
Operating profit	24	25	40
Adjusted operating profit	24	25	¹⁾ 89
Profit/loss after tax	9	10	-1
Cash flow after investing activities	-79	-34	-7

1) Excluding capital gain of SEK 15.9 on the sale of a property and restructuring charges of SEK 65.5 million.

MARKET

Despite lower demand for traditional envelopes in the total European market during the first quarter of 2007, the UK market rose slightly and the Scandinavian market remained stable. The Finnish and Polish markets continued to fall in the first quarter and the German market also declined somewhat. The Baltic market noted growth, but not to the same extent as earlier. The Russian market grew by a robust 15-20 percent over the same period of last year.

The direct mail market showed sustained growth in the first quarter of 2007, driven by an accelerating shift from traditional TV and radio advertising to more targeted direct mail and Internet marketing.

Distance shopping, i.e. via the Internet and mail order, continued to increase in all markets and boosted demand for protective envelopes and packages designed specifically for these mail items. Bong's ProPac product range, in particular, has benefited from this market trend. In time, rising demand for these higher value added products is expected to offset the shrinking market for administrative mail envelopes.

No new structural transactions were announced during the first quarter. After acquiring Swedish OP-Kuvert at the end of 2006, Danish Intermail took over these operations in mid-January 2007. Bong's acquisition of the German envelope printer Lober, which was announced at the end of 2006, was carried out in the first quarter of 2007. Bong anticipates ongoing consolidation of the industry.

SALES AND PROFIT, JANUARY-MARCH 2007

Consolidated sales for the first quarter are reported at SEK 540 million (556). Sales decreased by 5 percent due to lower volumes, but increased by 2 percent as an effect of exchange rate movements and 4 percent owing to changes in the price/product mix. The acquired units accounted for approximately 2 percent of sales.

The first quarter of 2006 was a quarter with strong sales, reflecting high activity in the German market prior to the football world championships and sales of election envelopes in Sweden. Furthermore, sales in RCT Kuvert were successively decreased during 2006 according to decision by Bong to eliminate unprofitable volumes in the acquired company. Equipment transfers in Germany and from the Irish factory also reduced the Group's delivery capacity somewhat. Productivity and delivery capacity in the German operations improved continuously throughout the first quarter.

Material costs in all of the Group's units were negatively affected by a rapid increase in fine paper prices. After three major price hikes in 2006, further price increases for uncoated fine paper were made in the first quarter of 2007. Bong raises its prices to all customers in all countries. First quarter profit was however negatively affected by the delay in passing on price increases to customers. All in all, the profit effect of lower volumes and the delay in passing on price increases had a negative effect of SEK 16.5 million in the first quarter compared to 2006.

At the same time, the Group's ambitious restructuring programme started to have results in the form of lower fixed costs. Despite the cost increase of SEK 2.5 million for Bong's ProPac venture, the Group saved SEK 16 million in fixed costs compared to the previous year. These savings, according to plan, are attributable mainly to production in Germany and Ireland.

Operating profit Jan-March 2007 compared to same period of 2006

Operating profit, Jan-March 2006	24.6
Volume decrease/delayed effect of price increase etc.	-16.5
Savings, fixed costs	18.5
ProPac venture (marketing and personnel)	-2.6
Operating profit, Jan-March 2007	24.0

Operating profit amounted to SEK 24 million (25) and the operating margin was on a level with the year-earlier period at 4.4 percent (4.4).

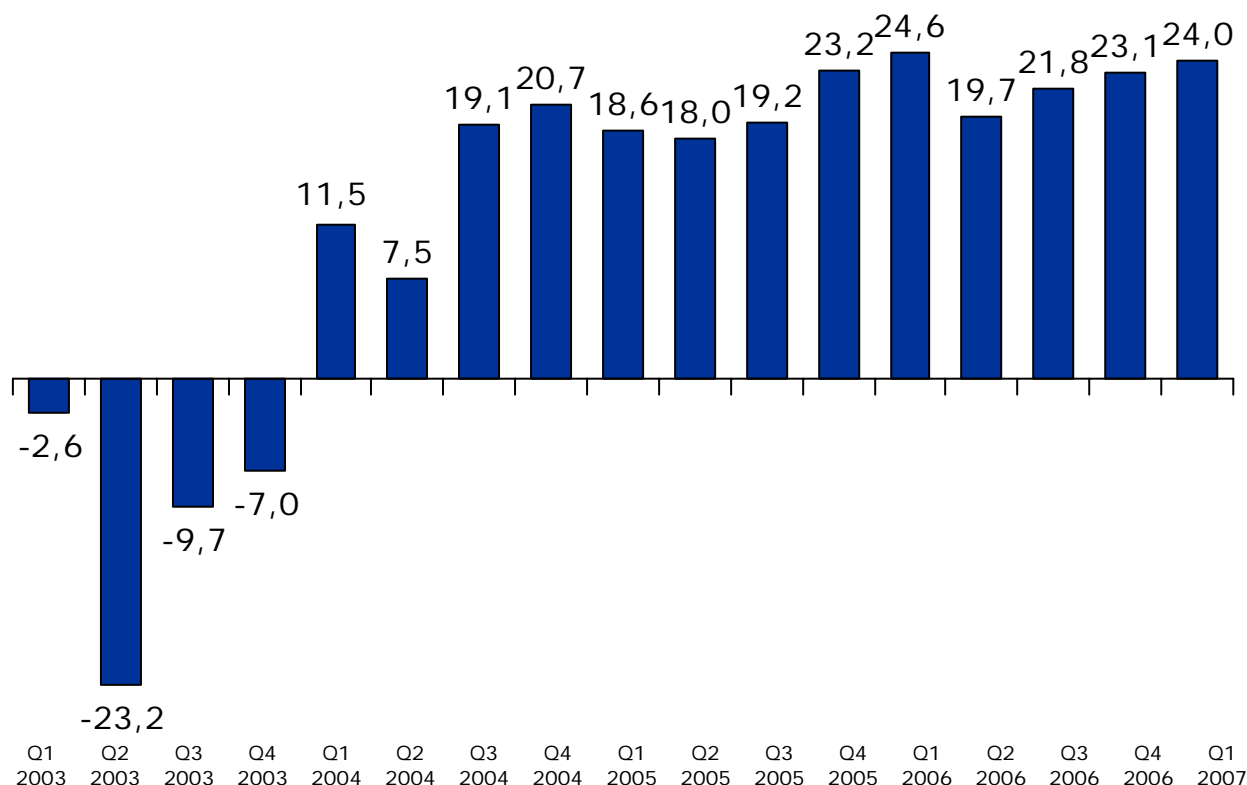
Bong is moving forward with its ProPac venture in a number of European markets. In the first quarter, ProPac accounted for around 9 percent (7) of total Group sales. The importance of this segment is growing steadily for Bong and making a valuable contribution to earnings.

The start-up in Russia is proceeding according to plan and generated only a marginal charge against profit for the period. Production and sales are showing stable growth.

Net financial items totalled SEK -12 million (-10). Higher interest rates led to increased interest expenses in the Group. Profit after tax was SEK 9 million (10).

The quarterly profit trend since the first quarter of 2003 is shown in Diagram 1 below.

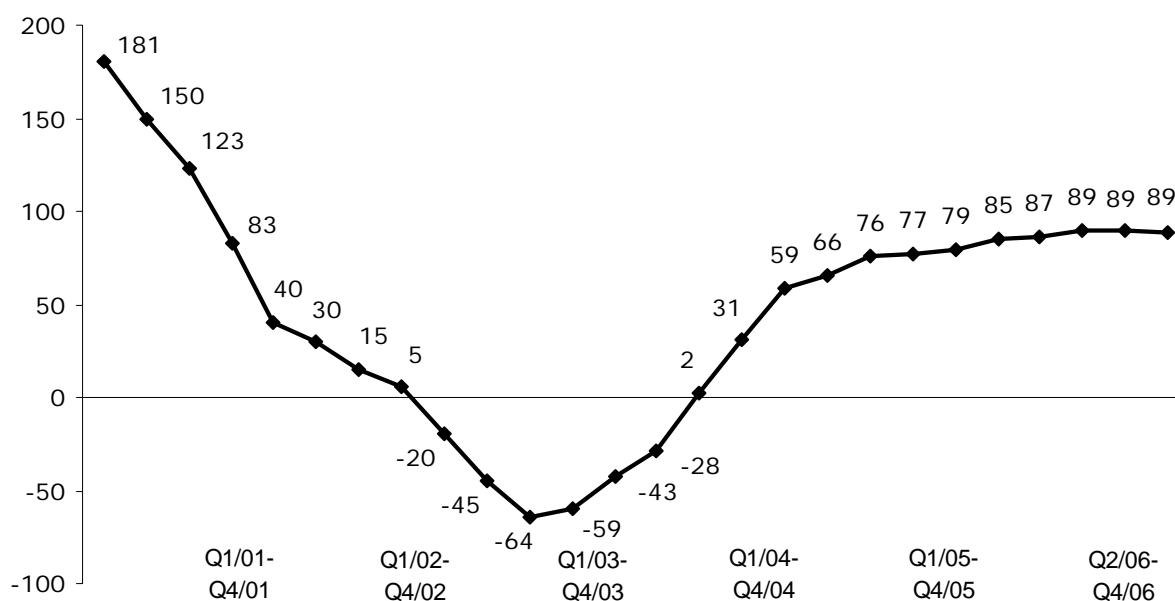
Diagram. 1: Operating profit by quarter
SEK M, excluding one-time items



* According to the earlier accounting rules, profit for 2003 was charged with goodwill amortisation of around SEK 5 million per quarter. Following the transition to IFRS on 1 January 2004, goodwill is no longer amortised.

Rolling 4-quarter operating profit amounted to SEK 89 million after the first quarter. (Diagram 2)

Diagram. 2: Adjusted operating profit, rolling 4 quarters SEK M, excluding one-time items



* According to the earlier accounting rules, profit for 2003 was charged with goodwill amortisation of around SEK 5 million per quarter. Following the transition to IFRS on 1 January 2004, goodwill is no longer amortised.

CASH FLOW

First quarter cash flow after investing activities was SEK -79 million (-34). Cash flow from operating activities before changes in working capital was SEK 30 million (37).

Working capital in the first quarter rose by SEK 73 million (23), most of which is explained by increased sales and a changed customer/country mix in combination with random fluctuations in payment and production patterns.

As usual in the first quarter, working capital increased as a result of seasonal variations. Higher paper prices also affected working capital, as did the payment of previously reserved restructuring charges of SEK 12 million.

First quarter investments amounted to SEK 35 million (48), including the acquisition of Lober in Germany.

FINANCIAL POSITION

Cash and cash equivalents at 31 March 2007 totalled SEK 36 million (31 Dec. 2006: SEK 38 million) excluding granted but unutilised bank overdraft facilities of SEK 64 million (31 Dec. 2006: SEK 133 million). New loans were raised during the quarter to financed now completed acquisitions.

Consolidated equity at 31 March 2007 was SEK 565 million (31 Dec. 2006: SEK 538 million). Translation of the net assets of foreign subsidiaries to Swedish kronor increased consolidated equity by SEK 17 million.

In the first three months of 2007, the net loan debt rose by SEK 98 million to SEK 905 million (31 Dec. 2006: SEK 807 million). Of the increase, SEK 79 million was attributable to the negative cash flow and SEK 19 million to exchange rate movements. The net debt/equity ratio was 1.60 (31 Dec. 2006: 1.50).

The equity ratio at 31 March 2007 was 31 percent (31 Dec. 2006: 31 percent). The Group's target is an equity ratio of at least 30 percent over time.

CAPITAL EXPENDITURE

Net expenditure on fixed assets during the first three months of the year amounted to SEK 35 million (48). The year's net expenditure includes the acquisition of Lober.

PERSONNEL

The average number of employees during the first quarter was 1,379 (1,363). At the end of March 2007, the number of employees was 1,385 (1,369).

INCREASED PAPER PRICES

The Group's paper suppliers continued to raise their prices in the first quarter of 2007 and additional price hikes are anticipated during the year. In response to this, Bong has raised its sales prices to customers in all market and plans to make continued price increases during the year.

PARENT COMPANY

The activities of the Parent Company include administration of operating subsidiaries and Group management functions. Net sales are reported at SEK 0 million (0) and the period's profit before tax was SEK -16 million (65). No investments were made during the period (0). The Parent Company's cash and cash equivalents totalled SEK 0 million (31 Dec. 2006: 0) excluding granted but unutilised bank overdraft facilities of SEK 11 million (48).

ACQUISITION OF LOBER

As previously announced, Bong has acquired 50 percent of the German envelope printer Lober. The acquisition was completed in February 2007 and was partly financed by raising new loans. Bong has an option to acquire the remaining 50 percent of the company in 2012.

With an ownership stake in Lober, Bong has taken an important step into the growing German direct mail market and has strengthened the company's position in southern Germany. Lober is classified as an associated company and is consolidated in the Group according to the equity method.

STATUS OF RESTRUCTURING PROGRAMMES IN GERMANY, FINLAND AND IRELAND

Bong is continuing the restructuring programmes that were launched in Germany, Finland and Ireland during 2006 and will result in a reduction of 150 employees over a two-year period. On completion, the annual savings are estimated at SEK 58 million. The costs for the programmes were recognised in 2006.

The restructuring in Germany is aimed at coordinating of Bong's operations in the Düsseldorf area following the acquisition of RCT. The main focus of these measures is to achieve greater coordination between Bong's factory in Wuppertal and RCT's factory in Hilden, at the same time that a number of functions are being merged, such as sales, finance & accounting and administration. All in all, the number of employees will be reduced by 55. In the first quarter of 2007, the final equipment transfers were made from Hilden to Wuppertal. Next on the agenda is a productivity increase for the new structure in Wuppertal.

In Finland, Bong has started to transition to a new production structure in which envelope manufacturing will be successively transferred to Bong's factory in Kaavi, while printing activities will be concentrated in Tampere. As previously announced, this restructuring will give rise to SEK 16 million in additional investments in 2007. The restructuring process will be completed in the first half of 2008 and will lead to a staff reduction of around 60 positions in the Finnish operations.

The closure of the Group's envelope factory in Ireland is proceeding according to plan and will lead to the redundancy of some 35 employees. Production has ceased and the facilities are being vacated. A number of envelope machines were moved from Ireland to the UK during the first quarter.

ACCOUNTING POLICIES

This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting. The applied accounting policies correspond to those used in the most recently published annual report.

FUTURE OUTLOOK

Bong anticipates a continued positive earnings trend and expects pre-tax profit for 2007 to exceed the previous year's level.

Kristianstad, 10 May 2007

BONG LJUNGDahl AB

Anders Davidsson
President and CEO

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

The interim report will be presented in a teleconference starting at 3:00 p.m. on 10 May. The number to the teleconference is +46 (0)8-505 201 10. By 2:00 p.m., pictures for the teleconference will be available on our website www.bongljungdahl.se

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Financial calendar:

<i>Interim report January – June 2007</i>	<i>13 August 2007</i>
<i>Interim report January – September 2007</i>	<i>2 November 2007</i>
<i>Year-end report 2007</i>	<i>February 2008</i>

Bong is one of Europe's leading envelope companies. The Group has annual sales of approximately SEK 2 billion, some 1,400 employees and an annual manufacturing capacity of around 15 billion envelopes at its factories in Sweden, Norway, Denmark, Finland, Poland, Germany, Belgium, the UK, Russia, Estonia and Lithuania. Bong has a very strong market position, particularly in Northern Europe, and conducts sales and marketing in thirteen European countries through its own sales organisations. Bong is expanding rapidly in its ProPac line of packaging solutions. The Group sees attractive opportunities for further expansion and development. Bong is a publicly listed company and its shares are quoted on the OMX Nordic Stock Exchange in Stockholm.

KEY RATIOS

		Jan-March 2007	Jan-March 2006	April 2006- March 2007	Jan-Dec 2006
Earnings per share after dilution, SEK	1)	0,65	0,78	-0,17	-0,04
Ditto calculated on adjusted profit, SEK	1)	0,65	0,78	2,27	2,40
Earnings per share before dilution, SEK		0,67	0,81	-0,17	-0,04
Ditto calculated on adjusted profit, SEK		0,67	0,81	2,36	2,50
Equity per share after dilution, SEK		44,22	44,62	44,22	42,30
Ditto before dilution, SEK		43,34	43,73	43,34	41,31
Operating margin, %	2)	4,40	4,40	4,5	4,5
Profit margin, %	2)	2,30	2,70	2,5	2,6
Return on equity, %	2)	-	-	5,6	5,9
Return on capital employed, %	2)	-	-	6,3	6,5
Equity ratio, %		30,8	30,7	30,8	31,1
Net debt/equity ratio, times		1,60	1,50	1,6	1,5
Interest coverage ratio, times	2)	2,0	2,5	2,1	2,3
Capital employed, SEK M		1 505,6	1 496,9	1 505,6	1 385,6
Interest-bearing net loan debt, SEK M		904,9	853,0	904,9	807,3
No. of shares outstanding at end of period before dilution		13 029 124	13 004 986	13 029 124	13 017 298
No. of shares outstanding at end of period after dilution		13 651 180	13 651 180	13 651 180	13 651 180
Average number of shares before dilution		13 021 109	13 004 986	13 010 186	13 006 000
Average number of shares after dilution		13 651 180	13 651 180	13 651 180	13 651 180

1) The dilution effect is not taken into account when it leads to a higher profit

2) Calculated on adjusted profit as stated below.

Adjusted profit:

Operating profit according to the consolidated profit and loss account	24,0	24,6	38,9	39,5
Capital gain on the sale of fixed assets	-	-	-15,9	-15,9
Restructuring charges	-	-	65,5	65,5
Adjusted operating profit	24,0	24,6	88,5	89,1

CHANGES IN CONSOLIDATED EQUITY (SEK M)

	Jan-March 2007	Jan-March 2006	Jan-Dec 2006
Opening balance for the period	537,8	561,4	561,4
Payment for warrants	-	-	-
Conversion of convertible debentures	0,7	-	0,8
Increase in minority interest in connection with company start-up	-	-	0,5
Translation differences	17,4	-3,1	-24,3
Profit for the period	8,8	10,5	-0,6
Closing balance for the period	564,7	568,8	537,8

CONSOLIDATED CASH FLOW STATEMENTS (SEK M)	Jan-March		Apr 2006-	Jan-Dec
	2007	2006	March 2007	2006
	3 mths	3 mths	12 mths	12 mths
Operating activities				
Operating profit	24,0	24,6	38,9	39,5
Depreciation, amortisation and impairment charges	23,7	26,4	99,7	102,4
Financial items	-11,5	-9,5	-39,6	-37,6
Paid tax	-3,4	-2,6	-6,4	-5,6
Other non-cash items	-3,0	-1,8	-30,8	-29,6
Cash flow from operating activities before changes in working capital	29,8	37,1	61,8	69,1
Changes in working capital	-73,3	-23,1	-85,9	-35,7
Cash flow from operating activities	-43,5	14,0	-24,1	33,4
Cash flow from investing activities	-35,4	-47,5	-28,1	-40,2
Cash flow after investing activities	-78,9	-33,5	-52,2	-6,8
Cash flow from financing activities	75,0	36,6	16,4	-22,0
Cash flow for the period	-3,9	3,1	-35,8	-28,8
Cash and cash equivalents at beginning of period	38,4	69,2	72,4	69,2
Exchange rate difference in cash and cash equivalents	1,0	0,1	-1,1	-2,0
Cash and cash equivalents at end of period	35,5	72,4	35,5	38,4

QUARTERLY DATA

GROUP (SEK M)	1/2007	4/2006	3/2006	2/2006	1/2006	4/2005	3/2005	2/2005	1/2005
Net sales	540,4	522,5	431,1	474,5	556,4	470,1	411,8	446,6	453,7
Operating expenses	-516,4	-504,0	-409,3	-499,8	-531,8	-446,9	-401,0	-428,6	-435,1
Operating profit	24,0	18,5	21,8	-25,3	24,6	23,2	10,8	18,0	18,6
Net financial items	-11,5	-9,4	-9,6	-9,1	-9,6	-8,8	-8,5	-9,5	-10,1
Profit before tax	12,5	9,1	12,2	-34,4	15,0	14,4	2,3	8,5	8,5
Capital gain on sale of fixed assets		15,9					16,0		
Impairment charges									
Restructuring charges		-20,5		-45,0			-24,4		
Final settlement in Bauwens dispute									
		-4,6		-45,0			-8,4		
Adjusted operating profit	24,0	23,1	21,8	19,7	24,6	23,2	19,2	18,0	18,6
Adjusted profit before tax	12,5	13,7	12,2	10,6	15,0	14,4	10,7	8,5	8,5