



Interim report  
January - September 2009



# Interim report January-September 2009

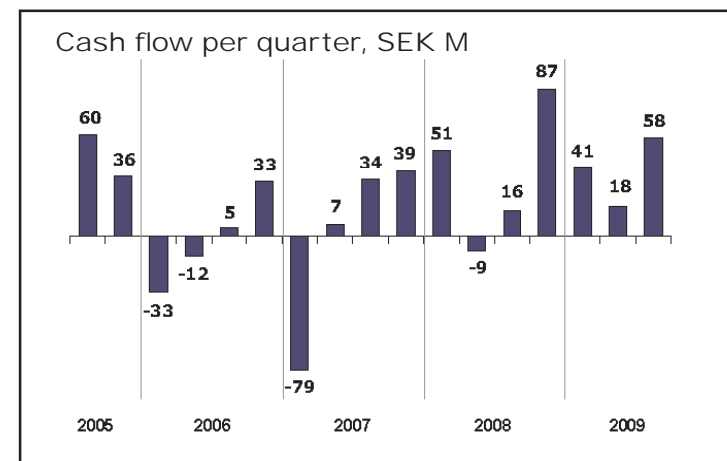
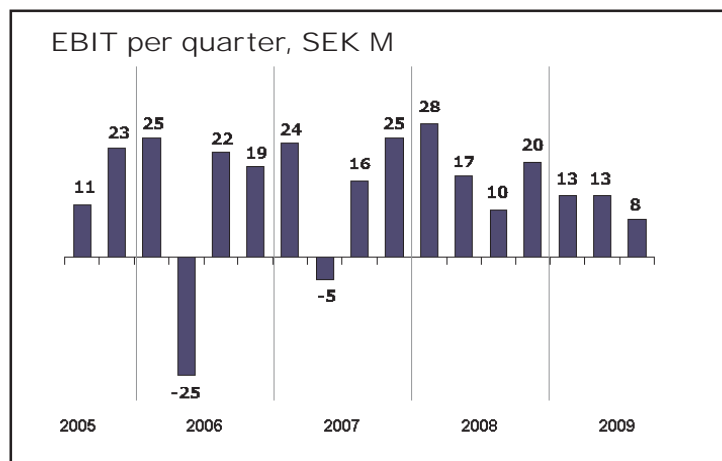
*“The new agreement with DuPont will be a boost for the entire organisation and we are now working full force to increase sales and manufacturing of Tyvek products,” says Bong’s President and CEO Anders Davidsson. “Although the recession had a negative impact on sales and profit, our cash flow for the quarter was once again very strong.”*

## July-September 2009

- Net sales SEK 424 million (441)
- ProPac sales SEK 54 million (55)
- Operating profit SEK 8 million (10)
- Profit after tax SEK 0 million (-2)
- Cash flow after investing activities SEK 58 million (16)
- New exclusive Tyvek-agreement with DuPont

## January-September 2009

- Net sales SEK 1402 million (1429)
- ProPac sales SEK 164 million (157)
- Operating profit SEK 35 million (54)
- Profit after tax SEK 7 million (12)
- Basic earnings per share of SEK 0,36 (0,93)
- Cash flow after investing activities SEK 117 million (57)



*Bong is a leading European provider of specialised packaging and envelope products and offers solutions for distribution and packaging of information, advertising materials and lightweight goods. Two important growth areas in the Group are the new ProPac packaging concept and Russia. The Group has annual sales of approximately SEK 2 billion and some 1,200 employees in around 12 countries. Bong has a strong market position, particularly in Northern Europe, and the Group sees attractive opportunities for further expansion and development. Bong is a public limited company and its shares are quoted on the NASDAQ OMX Nordic Stock Exchange Stockholm (Small Cap).*

## MARKET AND INDUSTRY

Demand for envelopes in Western Europe remained low in the third quarter as an effect of economic slowing. The European Envelope Manufacturers Association's (FEPE) volume statistics for January-September indicate a decrease of 15% compared to 2008. For the third quarter, demand was down by 13%. The DM segment has been harder hit by the recession than traditional administrative envelopes. In Russia and Eastern Europe, several years of strong growth have been replaced by falling demand. The Russian market has contracted by an estimated 15-20% during the year and the Baltic market by around 20%.

In response to lower demand, the industry has continued to scale down both production and capacity. For example, Mayer has closed a factory in England and Intermail is in the process of relocating its manufacturing in Denmark to Sweden. All major manufacturers are taking steps to decrease their staffing and the number of machines, and several are now applying reduced working hours. Two small envelope companies in England declared bankruptcy during the summer and Curtis 1000 of Germany initiated a corporate reconstruction two weeks ago.

The packaging market, in which Bong is active with its ProPac range, is significantly larger and more multi-faceted than the envelope market. Market statistics for the niches where Bong is active are unavailable or difficult to obtain. Packages that are used in e-commerce, mail order and the retail trade have most likely been impacted by the market downturn to a certain degree, but are expected to have major growth potential in a longer perspective.

## SALES AND PROFIT, JANUARY-SEPTEMBER 2009

Consolidated sales for the nine-month period reached SEK 1,402 million (1,429). Foreign exchange effects and the consolidation of Lober had a positive impact and helped Bong to maintain sales at a stable level compared to the prior year. In an otherwise tough market, ProPac grew by 5%. Operating profit was SEK 35 million (54). Net financial items totalled

SEK -25 million (-39). Profit before tax amounted to SEK 10 million (15) and reported profit after tax was SEK 7 million (12).

The drop in profit compared to the previous year is mainly attributable to a combination of lower volumes and price pressure in the market, particularly in the Euroland region. As a result of this, the contribution margin to cover fixed costs was lower. The increase in selling and administrative expenses is explained by weakening of the Swedish krona against the euro and the consolidation of Lober. Reduction of finished goods inventories as part of the Group's efforts to free up working capital had an effect of SEK -3 million on profit for the nine-month period.

## SALES AND PROFIT, JULY-SEPTEMBER 2009

Consolidated sales for the third quarter amounted to SEK 424 million (441). Operating profit was SEK 8 million (10). Net financial items totalled SEK -8 million (-12). Profit before tax amounted to SEK 0 million (-2) and reported profit after tax was SEK 0 million (-2).

The Group's measures to quickly adapt its costs to lower volumes, coupled with lower net financial items, led to an improvement in pre-tax profit compared to the same period of 2008. Cost-cutting measures have included shorter working hours in a number of factories and downsizing of the workforce in several of the Group's units. All in all, these steps are expected to generate cost savings of around SEK 35 million annually. Reduction of finished goods inventories as part of the Group's efforts to free up working capital had an effect of SEK -2 million on profit for the quarter.

## CASH FLOW

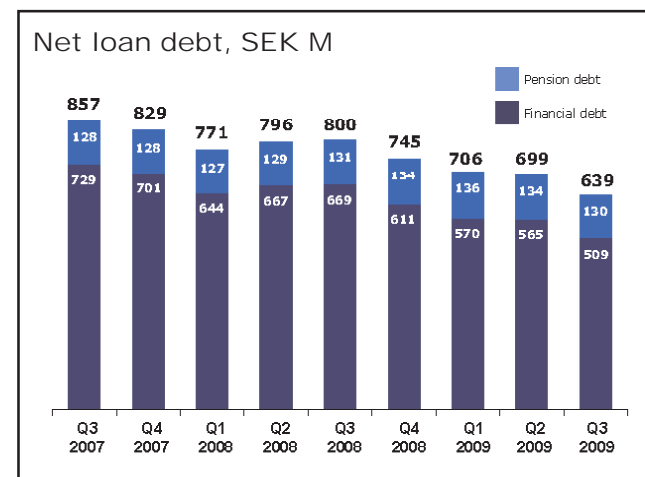
Cash flow after investing activities for the nine-month period was SEK 117 million (57). Operating profit fell by SEK 74 million as a result of determined efforts to reduce inventories and improve payment terms for customers and from suppliers. Furthermore, the sale of an unused manufacturing property in Germany contributed a positive cash flow of SEK 14 million.

## FINANCIAL POSITION

Cash and cash equivalents at 30 September 2009 totalled SEK 85 million (SEK 99 million at 31 December 2008). Unutilised credits at 30 September 2009 amounted to SEK 269 million. Total available cash and cash equivalents thus amounted to SEK 354 million.

Consolidated equity at 30 September 2009 amounted to SEK 582 million (SEK 629 million at 31 December 2008). Translation of the net assets of foreign subsidiaries to Swedish kronor reduced consolidated equity by SEK 41 million.

The interest-bearing net loan debt decreased during the period by SEK 106 million to SEK 639 million (SEK 745 million at 31 December 2008), of which SEK 130 million refers to the pension liability and SEK 509 million to the net loan debt to banks and other financial institutions.



## CAPITAL EXPENDITURE

The period's net expenditure on property, plant and equipment amounted to SEK 17 million (50), at the same time that the sale of a property in Germany generated a positive cash flow of SEK 14 million. The result was a net investment of SEK 3 million during the quarter. This amount includes the acquisition of a 45% holding in the UK-based Packaging First Ltd and DM Qvert AB in Sweden.

## EMPLOYEES

The average number of employees during the quarter was 1,217 (1,270). The number of employees at 30 September 2009 was 1,210 (1,234). As of 2009, employees in Lober are also included in the total.

## MANAGEMENT SHARE ACQUISITION

In January 2009 the members of Bong's executive management team acquired 540,000 shares, equal to 4.1% of the company. Following the transaction Bong's executive management team holds 617,700 shares, equal to 4.6% of the total share capital. After the transaction, Bong's President and CEO Anders Davidsson holds a total of 182,600 shares in the company.

## 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 loss before tax was SEK 5 million (-29).

No capital expenditure was incurred during the period (0). Unutilised credits at 30 September 2009 amounted to SEK 269 million.

## NEW EXCLUSIVE TYVEK AGREEMENT

As announced in a separate press release dated 1 September 2009, Bong has entered into an exclusive agreement with DuPont for purchasing, conversion and sales of Tyvek®, a unique polyethylene material developed and produced by DuPont. The material is lightweight, thin and flexible but also extremely tough and durable. For example, Tyvek® is both tear and water resistant and therefore highly suitable for use in protective envelopes and postal packaging solutions. It is also easy to recycle. Sales of Tyvek® products under the agreement will grow rapidly from now on, and Bong's annual sales are expected to gradually increase by approximately SEK 100 million starting from the second half of 2010.

## PROPAC ACQUISITION IN ENGLAND

As announced in a separate press release dated 4 May 2009, Bong acquired 45% of the UK-based packaging wholesaler Packaging First Limited in the second quarter as part of its strategy for growth in various packaging solutions. Packaging First Limited is reported as an associated company in the Bong Group. Bong has an option to acquire an additional 40% of the company within a period of three years.

Packaging First was established around ten years ago and currently has annual sales of approximately SEK 25 million (GBP 2.2 million). The acquisition has made a positive contribution to Bong's profit starting in the second quarter of 2009.

## ACQUISITION OF DM QVERT

As announced in a separate press release dated 18 August, Bong has acquired 50% of the envelope company DM Qvert in Lerum outside Gothenburg. The company posted annual sales of around SEK 25 million in 2008 and is an ideal complement to Bong's own sales organisation and printing operations in Gothenburg and Stockholm. Bong has an option to acquire an additional 35% of the company within three years. The acquisition of DM Qvert is expected to make a positive contribution to Bong's earnings starting in the fourth quarter of 2009. DM Qvert is reported as an associated company in the Group.

## OPPORTUNITIES AND RISKS

The risks arising in Bong's operations are related primarily to market development and different types of financial risk. For further information about the Group's opportunities and risks, see Bong's annual report and website [www.bongljungdahl.se](http://www.bongljungdahl.se).

## ACCOUNTING POLICIES

This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting, and the Swedish Annual Accounts Act. For a description of the new amendments, revisions, interpretations and standards effective for periods beginning on or after

1 January 2009, see Bong's annual report for 2008. One of these changes, the revised IAS 1 Presentation of Financial Statements, has mainly involved changes in presentation of the income statement and statement of changes in equity. The applied accounting policies correspond to those used in the most recently published annual report.

## FUTURE OUTLOOK

In view of the unpredictable situation in the global economy, Bong chooses not to make any forecast for the full year 2009.

Kristianstad, 13 November 2009  
BONG LJUNGDAHL AB

Anders Davidsson  
President and CEO

### *Presentation of the report*

The interim report will be presented in a telephone conference starting at 10:00 a.m. on 13 November 2009. The number to the telephone conference is +46 (0)8 5052 0110. By 9:00 a.m. at the latest, pictures will be available on our website [www.bongljungdahl.com](http://www.bongljungdahl.com)

### *Additional information*

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### Financial calendar:

- Year-End report 2009, February 19, 2010
- Interim report January-March 2010, May 18, 2010
- Interim report January-June, August 2010
- Interim report January-September, November 2010

INTERIM REPORT JANUARY-SEPTEMBER 2009

CONSOLIDATED PROFIT AND LOSS ACCOUNTS IN SUMMARY (SEK M)	Jul-Sep 2009	Jul-Sep 2008	Jan -Sep 2009	Jan -Sep 2008	Oct 2008-Sep 2009	Jan - Dec 2008
Net sales	424,5	440,6	1 401,8	1 429,3	1 909,7	1 937,1
Cost of goods sold	-341,9	-362,5	-1 116,5	-1 141,9	-1 524,4	-1 549,8
Gross profit	82,6	78,1	285,4	287,4	385,3	387,3
Selling expenses	-44,0	-40,0	-141,0	-138,5	-186,3	-183,8
Administrative expenses	-29,8	-33,5	-114,2	-104,5	-154,2	-144,5
Other operating income and expenses	-0,7	5,4	4,4	9,7	9,9	15,3
Operating profit	8,1	10,0	34,6	54,2	54,7	74,3
Net financial items	-8,1	-12,3	-24,6	-38,8	-39,9	-54,2
Profit before tax	0,0	-2,3	10,0	15,4	14,8	20,1
Income tax	0,0	0,4	-3,0	-3,2	-9,4	-9,6
Profit after tax	0,0	-1,9	7,0	12,2	5,3	10,5
Profit for the period attributable to minority interest	0,3	0,0	2,3	0,1	2,3	0,0
Basic earnings per share, SEK	-0,02	-0,15	0,36	0,93	0,23	0,80
Diluted earnings per share, SEK	-0,02	-0,15	0,36	0,91	0,23	0,78
Average number of shares, basic	13 128 227	13 128 227	13 128 227	13 128 227	13 128 227	13 128 227
Average number of shares, diluted	13 230 227	13 332 227	13 230 227	13 332 227	13 230 227	13 332 227

COMPREHENSIVE INCOME (SEK M)	Jul-Sep 2009	Jul-Sep 2008	Jan -Sep 2009	Jan -Sep 2008	Oct 2008-Sep 2009	Jan - Dec 2008
Profit after tax	0,0	-1,9	7,0	12,2	5,3	10,5

Other comprehensive income	Jul-Sep 2009	Jul-Sep 2008	Jan -Sep 2009	Jan -Sep 2008	Oct 2008-Sep 2009	Jan - Dec 2008
Cash flow hedges	18,6	-4,7	-1,1	0,0	-14,8	-13,7
Hedging of net investments	6,6	-13,7	22,6	-11,3	18,3	-15,6
Translation differences	-66,2	32,9	-64,2	22,0	-18,4	67,8
Revaluationreserve on acquisitions of shares in subsidiaries	0,0	0,0	0,0	0,0	3,3	3,3
Income tax relating to components of other comprehensive income	5,5	1,8	1,3	1,5	18,0	18,2
Other comprehensive income after tax	-35,6	16,2	-41,4	12,2	6,4	60,0

<b>TOTAL PROFIT</b>	<b>-35,5</b>	<b>14,3</b>	<b>-34,4</b>	<b>24,4</b>	<b>11,7</b>	<b>70,5</b>
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Total profit assignable to:	Jul-Sep 2009	Jul-Sep 2008	Jan -Sep 2009	Jan -Sep 2008	Oct 2008-Sep 2009	Jan - Dec 2008
Shareholders in parent company	-35,5	14,3	-36,6	24,4	8,7	69,6
Minority interest	0,0	0,0	2,2	0,0	3,0	0,9

CONSOLIDATED BALANCE SHEET IN SUMMARY (SEK M)	30 Sep 2009	30 Sep 2008	31 Dec 2008
<b>Assets</b>			
Intangible assets			1)
Tangible assets	409,4	366,3	428,7
Financial assets	544,2	609,8	642,8
Inventories	125,7	155,8	99,0
Current receivables	230,3	274,5	258,9
Cash and cash equivalent	303,9	372,5	345,0
	84,8	104,4	99,1
<b>Total assets</b>	<b>1 698,3</b>	<b>1 883,3</b>	<b>1 873,4</b>

Equity and liabilities	30 Sep 2009	30 Sep 2008	31 Dec 2008
Equity	581,5	583,0	629,0
Long-term liabilities	3)	657,8	784,6
Current liabilities	4)	459,0	515,7
496,5			496,5
<b>Total equity and liabilities</b>	<b>1 698,3</b>	<b>1 883,3</b>	<b>1 873,4</b>

1) Of which, goodwill	406,7	363,5	426,2
2) Of which, minority interest	3,9	0,1	1,6
3) Of which, interest bearing	643,4	717,3	725,5
4) Of which, interest bearing	79,9	187,4	118,3

CHANGES IN CONSOLIDATED EQUITY (SEK M)	Jan-Sep 2009	Jan-Sep 2008	Jan-Dec 2008
Opening balance for the period	629,0	571,6	571,6
Dividends paid	-13,1	-13,1	-13,1
Total profit	-34,4	24,4	70,5
<b>Closing balance for the period</b>	<b>581,5</b>	<b>582,9</b>	<b>629,0</b>

<b>CONSOLIDATED CAH FLOW STATEMENTS (SEK M)</b>	Jul-Sep 2009	Jul-Sep 2008	Jan - Sep 2009	Jan - Sep 2008	Oct 2008- Sep 2009	Jan - Dec 2008
<b>Operating activities</b>						
Operating profit	8,1	10,0	34,7	54,2	54,8	74,3
Depreciation, amortisation and impairment	22,2	23,0	68,9	68,3	95,3	94,7
Financial items	-8,1	-12,3	-24,6	-38,8	-40,0	-54,2
Paid tax	-7,5	-1,0	-9,2	-4,8	-18,6	-14,3
Other non-cash items	4,5	-4,1	-23,6	8,1	-40,0	-8,3
Cash flow from operating activities before changes in working capital	19,1	15,6	46,2	87,0	51,5	92,3
Changes in working capital	42,0	9,1	74,5	20,2	162,5	108,2
<b>Cash flow from operating activities</b>	<b>61,1</b>	<b>24,7</b>	<b>120,7</b>	<b>107,2</b>	<b>214,0</b>	<b>200,5</b>
Cash flow from investing activities	-3,0	-9,0	-3,2	-49,9	<b>-9,5</b>	<b>-56,2</b>
<b>Cash flow after investing activities</b>	<b>58,1</b>	<b>15,7</b>	<b>117,6</b>	<b>57,3</b>	<b>204,5</b>	<b>144,3</b>
Cash flow from financing activities	-35,1	33,4	-129,1	22,9	-224,3	-72,3
<b>Cash flow for the period</b>	<b>23,0</b>	<b>49,1</b>	<b>-11,5</b>	<b>80,2</b>	-19,8	<b>71,9</b>
Cash and cash equivalents at beginning of period	66,0	55,3	99,1	24,2	104,4	24,3
Exchange rate difference in cash and cash equivalent	-4,2	0,0	-2,7	0,0	0,2	2,9
<b>Cash and cash equivalent at end of period</b>	<b>84,8</b>	<b>104,4</b>	<b>84,8</b>	<b>104,4</b>	<b>84,8</b>	<b>99,1</b>

#### KEY RATIOS

	Jan- Sep 2009	Jan- Sep 2008	Oct 2008- Sep 2009	Jan - Dec 2008
Operating profit, %	2,5	3,8	2,9	3,8
Profit margin, %	0,6	1,1	0,7	1,0
Return on equity, %	-	-	0,5	1,8
Return on capital employed, %	-	-	7,1	5,6
Equity/assets ratio, %	34,2	31,0	34,2	33,6
Net debt/equity ratio, times	1,10	1,37	1,10	1,18
Net loan debt/EBITDA	-	-	4,26	4,40
Capital employed, SEK M	1 305,6	1 487,7	1 305,6	1 472,7
Interest bearing net loan debt, SEK M	639,3	800,3	639,3	744,7
<b>DATA PER SHARE</b>	Jan- Sep 2009	Jan- Sep 2008	Oct 2008- Sep 2009	Jan - Dec 2008
Basic earnings per share, SEK	0,36	0,93	0,23	0,80
Diluted earnings per share, SEK	1) 0,36	0,91	0,23	0,78
Equity per share before dilution, SEK	44,30	44,41	44,30	47,91
Diluted equity per share, SEK	44,52	44,77	44,52	48,22
Basic number of shares outstanding at end of period	13 128 227	13 128 227	13 128 227	13 128 227
Diluted number of shares outstanding at end of period	13 230 227	13 332 227	13 230 227	13 332 227
Average number of shares, basic	13 128 227	13 128 227	13 128 227	13 128 227
Average number of shares, dilutes	13 230 227	13 332 227	13 230 227	13 332 227

**FINANCIAL OVERVIEW**

	2008	2007	2006	2005	2004
Net sales, SEK M	1937	1991	1985	1782	1807
Operating profit, SEK M	74	60	40	71	52 <sup>1)</sup>
Profit before tax, SEK M	10	16	-1	23	7 <sup>1)</sup>
Cash flow after investing activities	144	1	-7	105	77
Operating margin, %	3,8	3,0	2,0	4,0	2,9 <sup>1)</sup>
Profit margin, %	1,0	0,6	0,1	1,9	0,6 <sup>1)</sup>
Capital rate turnover, times	1,1	1,1	1,2	1,1	1,0
Return on equity, %	1,8	2,8	neg	4,3	1,4 <sup>1)</sup>
Return on capital employed, %	5,6	4,9	3,1	5,3	4,0 <sup>1)</sup>
Equity/assets ratio, %	34	33	31	34	30
Net loan debt, SEK M	745	829	807	706	775
Net debt/equity ratio, times	1,18	1,45	1,50	1,26	1,52
Net loan debt/EBITDA, times	4,4	5,4	5,7	4,1	5,1 <sup>1)</sup>
EBITDA/net financial itmens, times	3,1	3,2	3,8	4,6	3,6 <sup>1)</sup>
Average number of employees	1241	1346	1379	1280	1391
<b>Data per share</b>					
<b>Number of shares</b>					
Basic number of shares outstanding at end of period	13 128 227	13 128 227	13 017 298	13 004 986	13 004 986
Diluted number of shares outstanding at end of period	13 332 227	13 428 227	13 651 180	13 651 180	13 351 180
Average number of shares before dilution	13 128 227	13 079 425	13 006 000	13 004 986	13 004 986
Average number of shares after dilution	13 332 227	13 379 425	13 651 180	13 511 180	13 351 180
<b>Earnings per share</b>					
Before dilution, SEK	0,80	1,19	-0,04	1,79	4,03
After dilution, SEK	0,78	1,17	-0,04	1,74	3,95
<b>Equity per share</b>					
Before dilution, SEK	47,91	43,54	41,31	43,17	39,23
After dilution, SEK	48,22	43,98	42,30	44,09	39,79
<b>Other data per share</b>					
Dividend, SEK	1,00	1,00	1,00	0,00	0,00
Quated market price on the balance sheet date, SEK	12	42	68	64	35
P/E-ratio, times	15	36	neg	37	9
Price/book value before dilution, %	25	96	165	148	89
Price/book value after dilution	25	96	160	145	88

<sup>1)</sup> Excluding the settlement of a legal dispute

**QUARTERLY DATA**

<b>GROUP (SEK M)</b>	3/2009	2/2009	1/2009	4/2008	3/2008	2/2008	1/2008	4/2007	3/2007	2/2007	1/2007
Net sales	424,5	457,3	520,1	507,8	440,7	463,0	525,5	517,6	461,0	472,4	540,4
Operating expenses	-416,4	-443,9	-507,0	-487,8	-430,7	-446,3	-498,0	-492,6	-444,7	-477,6	-516,4
<b>Operating profit</b>	<b>8,1</b>	<b>13,4</b>	<b>13,1</b>	<b>20,1</b>	<b>10,0</b>	<b>16,7</b>	<b>27,5</b>	<b>25,0</b>	<b>16,3</b>	<b>-5,2</b>	<b>24,0</b>
Net financial items	-8,1	-7,6	-8,9	-15,4	-12,3	-14,7	-11,8	-10,2	-14,6	-11,5	-11,5
<b>Profit before tax</b>	<b>0,0</b>	<b>5,8</b>	<b>4,2</b>	<b>4,7</b>	<b>-2,3</b>	<b>2,0</b>	<b>15,7</b>	<b>14,8</b>	<b>1,7</b>	<b>-16,7</b>	<b>12,5</b>
Capital gain, sale of PPE										12,7	
Restructuring charges										-21,0	
										-8,3	
<b>Adjusted operating profit</b>	<b>8,1</b>	<b>13,4</b>	<b>13,1</b>	<b>20,1</b>	<b>10,0</b>	<b>16,7</b>	<b>27,5</b>	<b>25,0</b>	<b>16,3</b>	<b>3,1</b>	<b>24,0</b>
<b>Adjusted profit before tax</b>	<b>0,0</b>	<b>5,8</b>	<b>4,2</b>	<b>4,7</b>	<b>-2,3</b>	<b>2,0</b>	<b>15,7</b>	<b>14,8</b>	<b>1,7</b>	<b>-8,4</b>	<b>12,5</b>

<b>PARENT COMPANY PROFIT AND LOSS ACCOUNTS IN SUMMARY (SEK M)</b>	Jan -Sep 2009	Jan -Sep 2008
Net sales	0,0	0,0
Cost of goods sold	0,0	0,0
Gross profit	0,0	0,0
Administrative expenses	-27,4	-23,4
Other operating income and expenses	1,7	0,0
Operating profit	-25,7	-23,4
Net financial items	20,3	-6,0
Profit before appropriations and tax	-5,4	-29,4
Income tax	-	0,6
<b>Profit after tax</b>	<b>-5,4</b>	<b>-28,8</b>

<b>PARENT COMPANY BALANCE SHEET IN SUMMARY (SEK M)</b>	30 Sep 2009	31 Dec 2008
<b>Assets</b>		
Tangible assets	2,9	3,5
Financial assets	1 249,2	1 245,2
Current receivables	17,3	110,5
Cash and cash equivalents	16,0	0,0
<b>Total assets</b>	<b>1 285,4</b>	<b>1 359,2</b>
<b>Equity and liabilities</b>		
Equity	563,0	570,9
Untaxed reserves	0,9	0,9
Provisions	11,9	12,3
Non-current liabilities	515,0	596,5
Current liabilities	194,6	178,6
<b>Total equity and liabilities</b>	<b>1 285,4</b>	<b>1 359,2</b>