



# BONG

*275 years in business*



Interim Report

January – September 2012

” A positive product mix within ProPac and lower costs due to previously implemented restructuring programmes resulted in an improvement in the third quarter,” says Bong’s President and CEO Anders Davidsson. “The worsening economic situation in Europe is having a negative impact on the envelope market and we will continue to actively work with cost-cutting measures to deal with this situation.”

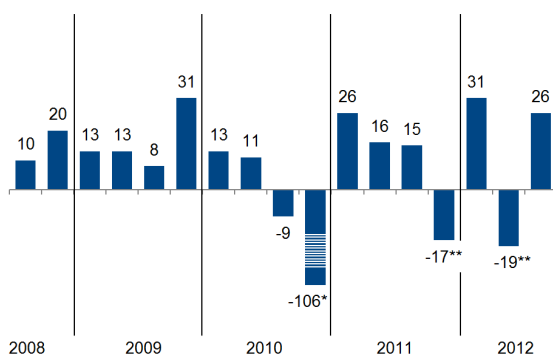
#### July-September 2012

- Net sales SEK 656 million (751)
- ProPac sales SEK 108 million (112)
- Operating profit SEK 26 million (15)
- Profit after tax SEK 7 million (1)
- Cash flow after investments SEK -68 million (3)
- Earnings per share SEK 0.39 (0.06)

#### January-September 2012

- Net sales SEK 2,184 million (2,353)
- ProPac sales SEK 336 million (348)
- Operating profit SEK 38 million (57)
- Profit/loss after tax SEK -11 million (8)
- Cash flow after investments SEK -91 million (70)
- Earnings per share SEK -0.64 (0.40)

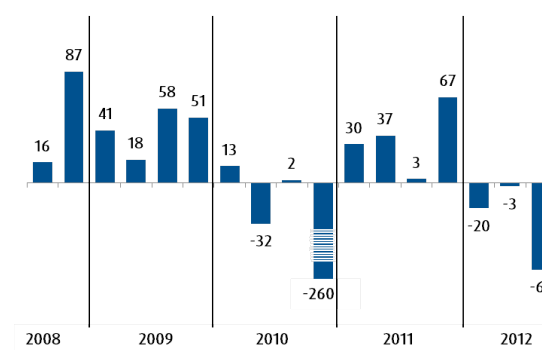
Operating Profit by quarter, MSEK



\* Including costs related to the merger with Hamelin's envelope division and other non-recurring items for a total of -136 MSEK

\*\* Restructuring costs included with -23 MSEK in Q4 2011 and -40 MSEK in Q2 2012

Cash Flow by quarter, MSEK



Bong is a leading provider of specialised packaging and envelope products in Europe, offering solutions for distribution and packaging of information, advertising materials and lightweight goods. Important growth areas in the Group are the ProPac packaging concept and Russia. The Group has annual sales of approximately SEK 3 billion and about 2,300 employees in 15 countries. Bong has strong market positions in the majority of key markets in Europe, and the Group sees interesting possibilities for continued expansion and development. Bong is a public limited company whose stock is quoted on the NASDAQ OMX Nordic Stock Exchange Stockholm (Small Cap).

## Market and Industry

The European envelope market continued to decline over the summer. According to the trade organisation FEPE, the market decline amounted to 7 percent during the third quarter 2012 compared to 2011. For the January-September time period the equivalent number shows a decline by 8.5 percent compared to prior year. Bong's assessment is that the trend continued during the third quarter due to the financial uncertainty in Europe. Moreover, volumes decreased most in Spain, France and the UK, while the trend in Germany and the Nordic countries was not as negative. Volumes in Russia and Eastern Europe are still expected to grow.

Essentially all participants in the envelope market are working to reduce capacity and cut costs. For example, the Mayer group announced during the third quarter that it would close two of its factories in Britain. Consolidation of the industry also continued as Printeos (formerly Tompla) acquired KRPA in the Czech Republic.

The packaging market, where Bong markets the ProPac range, is much bigger than the envelope market. The market is also much more multifaceted. Market statistics for the niches where Bong is active are lacking or difficult to obtain. In Bong's assessment, demand for packages used in sectors including e-commerce, mail order and retail is still growing and strong growth potential is expected over time.

## Sales and Earnings

January – September 2012

Consolidated sales for the period reached SEK 2,184 million (2,353). Exchange rate fluctuations had an impact on sales of SEK -33 million during the period compared with 2011.

Bong's new business unit for the production and sale of ProPac, Bong Packaging Solutions, is working hard to achieve continued organic growth in specialty packaging, despite the weak economy. Interest in Bong's new machinery concept (packaging machines and cold seal technology for e-commerce and mail order businesses) is strong. Orders and production of gift bags for the retail sector have grown year on year, leading to a positive product mix within ProPac.

During the period a building in France was sold with capital gains of SEK 17 million and provisions were made for the new restructuring programme in Continental Europe and Sweden. The total provision for restructuring costs for the period amounts to SEK -40 million.

Operating profit for the period ended at SEK 38 million (57). Compared with last year, the previously initiated restructuring programme yielded clear results in the form of lower fixed costs. Along with continued efforts to improve productivity and a higher proportion of ProPac sales, which also had a better product mix, the result was a higher gross margin for the nine-month period compared with 2011, despite lower volumes.

Net financial items during the period totalled SEK -52 million (-45), loss before tax was SEK -14 million (profit: 12) and reported loss after tax was SEK -11 million (profit: 8).

## Sales and Earnings

July-September 2012

Consolidated sales for the third quarter were SEK 656 million (751). Exchange rate fluctuations had an impact on sales of SEK -29 million during the period compared with 2011. Sales and production of gift bags for the retail sector within ProPac continued to develop positively and contributed to an improved gross margin compared with the same period in 2011. Compared with 2011, the previously implemented restructuring programme had a positive impact on the expense side and operating profit improved to SEK 26 million (15). Net financial items during the quarter totalled SEK -17 million (-14), earnings before tax totalled SEK 9 million (1) and reported profit after tax was SEK 7 million (1).

## Update - Restructuring Programme

In the second quarter Bong made a provision of SEK 40 million for restructuring involving a number of markets in Continental Europe and Sweden. These measures have proceeded according to plan and are expected to generate annual cost savings of SEK 30-35 million when fully implemented. The impact on the Group's cash flow for the period was about SEK -40 million.

## Cash Flow and Investments

Cash flow after investing activities for the nine-month period totaled SEK -91 million (70). With an EBITDA of SEK 113 million as a base, payments relating to the ongoing restructuring programme burdened the cash flow by approximately SEK -40 million as per above. Paid taxes of SEK -18 million and the financial net of SEK -52 million also impacted the cash flow negatively.

From a seasonally very low opening position in January 2012, Bong tied up SEK -65 million working capital year to date. During the third quarter temporary increases in inventory were noted as a result of increased demand for retail gift bags in the runup to Christmas, as well as extra buffer stocks for paper in connection with implementing a new business system software in some of Bong's German units.

Investment activities and acquisitions impacted the cash flow during the nine-month period by net MSEK -24 million.

## Financial Position

Cash and cash equivalents at 30 September 2012 amounted to SEK 75 million (151 at 31 December 2011). Undrawn credit facilities amounted to SEK 191 million on 30 September 2012. Total available cash and cash equivalents amounted to SEK 266 million.

Consolidated equity at the end of September 2012 amounted to SEK 434 million (SEK 496 million at 31 December 2011). Translation of the net asset value of foreign subsidiaries to Swedish kronor, acquisition of minority share, result for the period, and changes in the fair value of derivative instruments reduced consolidated equity by SEK 62 million.

The interest-bearing net loan debt increased during the period by SEK 47 million to SEK 994 million (SEK 947 million at 31 December 2011). Translation of net loans in foreign currency to Swedish kronor reduced the Group's net loan debt by SEK 46 million.

## Employees

The average number of employees during the period was 2,275 (2,453). The Group had 2,255 (2,327) employees at the end of September 2012. The decrease is a result of the restructuring measures taken in 2011 and 2012. Bong continually works on improving productivity and downsizing staffing to meet current demand.

## Parent Company

The parent company's business extends to management of operating subsidiaries and Group management functions. Net sales were SEK 26 million (18) and earnings before tax for the period were SEK 22 million (-31).

## Events after the end of the reporting period

Acquisition of remaining 50% of DM Qvert

On 1 October, Bong exercised its option to acquire the remaining 50% stake in the part-owned Swedish company DM Qvert AB. As a result, DM Qvert AB became a wholly owned subsidiary. The company is being consolidated beginning with October and initially only a minor impact on the Group's performance is expected. The envelope printing plant is being decommissioned and sales are being coordinated with Bong's Swedish operations to achieve significant synergies. The transaction gives rise to only marginal effects with respect to the income statement, balance sheet and acquisition-related items.

Strengthening of ongoing restructuring programme

In October Bong's British subsidiary announced that the production plant in Washington, UK, would be closed due to declining demand. As a result, about 60 people will receive notice of termination. The plant will be fully decommissioned sometime this winter, which is expected to generate annual cost savings of about SEK 15 million upon completion. The decommissioning costs, along with the restructuring costs associated with the closure of DM Qvert's printing plant in Sweden, are estimated at SEK 15-20 million and will be charged to Bong's fourth quarter earnings for 2012.

Håkan Gunnarsson new CFO at Bong

As previously announced, Håkan Gunnarsson was appointed new CFO of Bong. Håkan is 43 and has worked at Bong since 1999. His past positions include Business Area Controller for the Nordic countries and Russia, as well as for ProPac (Bong's specialty packaging range).

No organisational change

The change in leadership for Bong's Scandinavia/Russia business area that was announced on 15 May 2012 was not implemented. Anders Davidsson will therefore continue as head of the business area simultaneously with his work as President and Chief Executive Officer.

## Opportunities and Risks

Business risks for the Bong Group are primarily related to market development and various types of financial risks. For further information, please refer to Bong's annual report and website bong.com.

### Accounting Policies

This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting, and the Swedish Annual Accounts Act. Application was consistent with the accounting principles outlined in the 2011 annual report and the interim report should be read along with those principles. Please refer to Bong's 2011 annual report for a specification of the new amendments, interpretations and standards that took effect 1 January 2012.

Malmö 14 November 2012

Anders Davidsson

President and Chief Executive Officer

### Auditor's report

We have reviewed this report for the period 1 January 2012 to 30 September 2012 for Bong AB (publ). The board of directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

We conducted our review in accordance with the Swedish Standard on Review Engagements SÖG 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Malmö 14 November 2012

PricewaterhouseCoopers AB

Eric Salander

Authorized Public Accountant

### Presentation of the report

The report will be presented at a teleconference on 14 November at 4:00 p.m. The telephone number for the conference is +46 (0)8 5052 0110. Slides for the teleconference will be available on our website bong.com at the time that this report is published.

### For further information, please contact:

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### Scheduled reports:

- Year-end Report 2012 – 14 February 2013
- Interim Report January – March 2013, 22 May 2013
- Interim Report January – June 2013, July 2013
- Interim Report January – September 2013, November 2013

# Interim Report 30 September 2012

## INCOME STATEMENT IN SUMMARY

SEK M	Jul-Sep 2012 3 month	Jul-Sep 2011 3 month	Jan-Sep 2012 9 month	Jan-Sep 2011 9 month	Oct 2011- Sep 2012 12 month	Jan-Dec 2011 12 month
Revenue	655.6	751.2	2,183.6	2,353.0	3,033.3	3,202.7
Cost of goods sold	-521.7	-608.2	-1,761.3	-1,918.2	-2,457.0	-2,613.9
<b>Gross profit</b>	<b>133.9</b>	<b>143.0</b>	<b>422.3</b>	<b>434.8</b>	<b>576.3</b>	<b>588.8</b>
Selling expenses	-56.9	-70.2	-192.4	-204.9	-272.2	-284.6
Administrative expenses	-54.8	-60.9	-175.8	-181.4	-249.8	-255.3
Other operating income and expenses	4.1	3.1	-15.9	8.6	-33.2	-8.7
Operating profit	26.3	14.9	38.2	57.2	21.1	40.1
Net financial items	-17.3	-13.8	-51.9	-45.3	-69.3	-62.7
Result before tax	9.0	1.1	-13.7	11.9	-48.2	-22.6
Income tax	-2.0	-0.3	3.1	-4.1	13.5	6.3
Net result for the year	7.0	0.8	-10.6	7.8	-34.7	-16.3
Total comprehensive income attributable to:						
Share holders in Parent Company	7.5	0.3	-10.6	6.5	-35.3	-18.2
Non-controlling interests	-0.5	0.5	0.0	1.3	0.6	1.9
Basic earnings per share	0.40	0.06	-0.61	0.40	-2.02	-1.04
Diluted earnings per share	0.38	0.06	-0.61	0.40	-2.02	-1.04
Average number of shares, basic	17,480,995	17,480,995	17,480,995	17,480,995	17,480,995	17,480,995
Average number of shares, diluted	18,727,855	18,727,855	18,727,855	18,727,855	18,727,855	18,727,855

## STATEMENT OF COMPREHENSIVE INCOME

SEK M	Jul-Sep 2012	Jul-Sep 2011	Jan-Sep 2012	Jan-Sep 2011	Oct 2011- Sep 2012	Jan-Dec 2011
Net result for the year	7.0	0.8	-10.6	7.8	-34.7	-16.3
Other comprehensive income						
Cash flow hedges	-6.7	-7.5	0.6	-7.4	9.5	1.5
Exchange rate differences	42.8	-15.5	54.1	-21.2	79.0	3.7
Revaluation reserve on acquisitions of shares in subsidiaries	-55.7	22.3	-78.2	37.2	-118.2	-2.9
Income tax relating to components of other	-9.4	5.7	-14.3	7.2	-22.6	-1.1
Other comprehensive income after tax	-29.0	4.9	-37.8	15.7	-52.2	1.2
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>-22.0</b>	<b>5.6</b>	<b>-48.4</b>	<b>23.5</b>	<b>-86.9</b>	<b>-15.1</b>

Total comprehensive income attributable to:

Share holders in Parent Company	-21.5	5.2	-48.4	22.0	-87.4	-17.0
Non-controlling interests	-0.5	0.5	0.0	1.5	0.5	1.9

CONSOLIDATED BALANCE SHEETS IN SUMMARY	30 Sep	30 Sep	31 Dec
SEK M	2012	2011	2011
Assets			
Intangible assets <sup>1)</sup>	565.4	590.1	586.3
Tangible assets	520.5	604.1	579.2
Financial assets	129.4	125.2	128.1
Inventories	350.6	378.2	329.5
Current receivables	496.1	611.5	592.5
Cash and cash equivalents	74.9	90.0	151.4
<b>Total assets</b>	<b>2,136.9</b>	<b>2,399.1</b>	<b>2,366.9</b>
Equity and liabilities			
Equity <sup>2)</sup>	433.5	537.3	495.9
Non-current liabilities <sup>3)</sup>	926.5	951.2	1,029.0
Current liabilities <sup>4)</sup>	776.9	910.7	842.0
<b>Total equity and liabilities</b>	<b>2,136.9</b>	<b>2,399.1</b>	<b>2,366.9</b>
<sup>1)</sup> Of which, goodwill	533.9	557.8	550.6
<sup>2)</sup> Of which, non-controlling interests	0.0	3.6	1.3
<sup>3)</sup> Of which, interest-bearing	882.8	911.4	980.5
<sup>4)</sup> Of which, interest-bearing	186.6	204.7	118.0

#### QUARTERLY DATA, GROUP

SEK M	3/2012	2/2012	1/2012	4/2011	3/2011	2/2011	1/2011	4/2010	3/2010	2/2010	1/2010	4/2009	3/2009
Net Revenue	655.6	711.7	816.3	849.7	751.2	747.3	854.4	938.8	417.7	468.4	501.3	512.9	424.5
Operating expenses	-629.2	-730.4	-785.7	-866.8	-736.3	-731.1	-828.4	-1,045.1	-426.5	-457.4	-488.1	-482.2	-416.4
Operating profit	26.3	-18.8	30.6	-17.1	14.9	16.3	26.1	-106.3	-8.8	11.0	13.2	30.7	8.1
Net financial items	-17.4	-17.3	-17.2	-17.4	-13.8	-17.8	-13.7	-16.9	-9.2	-8.2	-6.7	-10.2	-8.1
<b>Profit before tax</b>	<b>9.0</b>	<b>-36.1</b>	<b>13.4</b>	<b>-34.5</b>	<b>1.1</b>	<b>-1.6</b>	<b>12.4</b>	<b>-123.2</b>	<b>-18.0</b>	<b>2.7</b>	<b>6.5</b>	<b>20.4</b>	<b>0.0</b>

CHANGES IN CONSOLIDATED EQUITY, GROUP	Jan-Sep	Jan-Sep	Jan-Dec
SEK M	2012	2011	2011
Opening balance for the period	495.9	531.2	531.2
Dividends paid	-	-17.5	-20.2
Non-controlling interests	-14.0	-	-
Total comprehensive income	-48.4	23.5	-15.1
<b>Closing balance for the period</b>	<b>433.5</b>	<b>537.3</b>	<b>495.9</b>

<b>CONSOLIDATED CASH FLOW STATEMENTS</b>	Jul-Sep 2012	Jul-Sep 2011	Jan-Sep 2012	Jan-Sep 2011	Oct 2011– Sep 2012	Jan-Dec 2011
SEK M						
Operating activities						
Operating profit	26.3	14.9	38.2	57.2	21.1	40.1
Depreciation, amortisation and impairment	23.6	26.8	74.5	83.5	101.9	110.9
Financial items	-17.4	-13.8	-51.9	-45.3	-69.3	-62.7
Tax paid	-6.6	-10.4	-18.4	-30.4	-21.7	-33.7
Other non-cash items	-45.2	-18.5	-44.1	-44.2	-47.2	-47.2
Cash flow from operating activities before changes in working capital	-19.3	-1.0	-1.7	20.8	-15.2	7.4
Changes in working capital	-30.3	5.3	-65.0	42.9	33.8	141.7
Cash flow from operating activities	-49.6	4.4	-66.7	63.7	18.6	149.1
Cash flow from investing activities	-18.3	-1.2	-23.9	6.6	-42.5	-12.0
Cash flow after investing activities	-67.9	3.2	-90.6	70.3	-23.8	137.1
Cash flow from financing activities	88.4	-71.2	16.4	-131.3	13.0	-134.6
Cash flow for the period	20.5	-68.1	-74.2	-61.0	-10.8	2.5
Cash and cash equivalents at beginning of period	56.5	156.7	151.4	149.4	90.0	149.4
Exchange rate difference in cash and cash equivalents	-2.1	1.4	-2.3	1.6	-4.3	-0.5
<b>Cash and cash equivalents at end of period</b>	<b>74.9</b>	<b>90.0</b>	<b>74.9</b>	<b>90.0</b>	<b>74.9</b>	<b>151.4</b>

<b>KEY RATIOS</b>	Jan-Sep 2012	Jan-Sep 2011	Oct 2011– Sep 2012	Jan-Dec 2011
Operating profit, %	1.7	2.4	0.7	1.3
Profit margin, %	-0.6	0.5	-1.6	-0.7
Return on equity, %	-	-	neg	neg
Return on capital employed, %	-	-	3.1	3.3
Equity/assets ratio, %	20.3	22.4	20.3	21.0
Gearing ratio, times	2.29	1.91	2.29	1.91
Net loan debt/EBITDA	-	-	8.09	6.3
Capital employed, SEK M	1,502.9	1,653.4	1,502.9	1,594.4
Interest-bearing net loan debt, SEK M	994.5	1,026.1	994.5	947.0
<b>DATA PER SHARE</b>	<b>Jan-Sep 2012</b>	<b>Jan-Sep 2011</b>	<b>Oct 2011– Sep 2012</b>	<b>Jan-Dec 2011</b>
Basic earnings per share, SEK	-0.61	0.40	-2.02	-1.04
Diluted earnings per share, SEK <sup>1)</sup>	-0.61	0.40	-2.02	-1.04
Basic equity per share, SEK	24.80	30.73	24.80	28.37
Diluted equity per share, SEK	23.15	28.69	23.15	26.48
Basic number of shares outstanding at end of period	17,480,995	17,480,995	17,480,995	17,480,995
Diluted number of shares outstanding at end of period	18,727,855	18,727,855	18,727,855	18,727,855
Average number of shares, basic	17,480,995	17,480,995	17,480,995	17,480,995
Average number of shares, diluted	18,727,855	18,727,855	18,727,855	18,727,855

<sup>1)</sup> The dilution effect is not taken into account when it leads to a better result.

# Financial overview

KEY RATIOS	2011	2010	2009	2008	2007
Revenue sales, SEK M	3,203	2,326	1,915	1,937	1,991
Operating profit loss, SEK M	40	-91	65	74	60
Profit after tax, SEK M	-16	-97	24	10	16
Cash flow after investing activities, SEK M	137	-277	169	144	1
Operating margin, %	1.3	-3.9	3.4	3.8	3.0
Profit margin, %	-0.7	-5.6	1.4	1.0	0.6
Capital turnover rate, times	1.3	1.2	1.1	1.1	1.1
Return on equity, %	neg	neg	3.6	1.8	2.8
Return on capital employed, %	neg	neg	5.5	5.6	4.9
Equity ratio, %	21	21	36	34	33
Net loan debt, SEK M	947	1,062	589	745	829
Net debt/equity ratio, times	1.91	2.00	0.98	1.18	1.45
Net loan debt/EBITDA, times	6.3	42.7	3.8	4.4	5.4
EBITDA/net financial items, times	2.4	0.6	4.5	3.1	3.2
Average number of employees	2,431	1,540	1,220	1,270	1,346
Data per share					
Number of shares					
Basic number of shares outstanding at end of period	17,480,995	17,480,995	13,128,227	13,128,227	13,128,227
Diluted number of shares outstanding at end of period	18,727,855	18,727,855	13,230,227	13,332,227	13,428,227
Average basic number of shares	17,480,995	14,216,419	13,128,227	13,128,227	13,079,425
Average diluted number of shares	18,727,855	14,528,134	13,230,227	13,332,227	13,379,425
Earnings per share					
Basic, SEK	-1.04	-6.97	1.65	0.80	1.19
Diluted, SEK	-1.04	-6.97	1.63	0.78	1.17
Equity per share					
Basic, SEK	28.37	30.39	45.56	47.91	43.54
Diluted, SEK	26.48	28.37	45.77	48.22	43.98
Cash flow from operating activities per share					
Basic, SEK	8.53	3.01	13.98	15.27	5.15
Diluted, SEK	7.96	2.81	13.87	15.04	5.04
Other data per share					
Dividend, SEK	0.00	1.00	1.00	1.00	1.00
Quoted market price on the balance sheet date, SEK	18	32	21	12	42
P/E ratio, times	neg	neg	13	15	36
Price/book value after dilution, %	63	105	46	25	96
Price/equity after dilution, %	68	113	46	25	96



PARENT COMPANY PROFIT AND LOSS ACCOUNTS IN SUMMARY	Jan-Sep 2012	Jan-Sep 2011
SEK M		
Revenue	26.2	17.5
Gross profit	26.2	17.5
Administrative expenses	-51.5	-48.5
Other operating income and expenses	10.5	9.9
Operating profit/loss	-14.8	-21.1
Net financial items	36.8	-9.6
Result	22.0	-30.7
Income tax	-2.8	23.3
<b>Net result</b>	<b>19.2</b>	<b>-7.4</b>

STATEMENT OF COMPREHENSIVE INCOME	Jan-Sep 2012	Jan-Sep 2011
SEK M		
Profit after tax	19.2	-7.4
Other comprehensive income		
Cash flow hedges	1.7	1.8
Income tax relating to components of other comprehensive income	-0.4	-0.5
Other comprehensive income after tax	1.3	1.3
<b>Total comprehensive income</b>	<b>20.5</b>	<b>-6.1</b>

PARENT COMPANY BALANCE SHEETS IN SUMMARY	30 Sep 2012	31 Dec 2011
SEK M		
Assets		
Intangible assets	28.8	20.7
Tangible assets	2.8	3.6
Financial assets	1,147.4	1,803.5
Current receivables	933.8	327.6
Cash and cash equivalents	24.2	58.6
<b>Total assets</b>	<b>2,137.0</b>	<b>2,214.0</b>
Equity and liabilities		
Equity	734.7	714.2
Provisions	11.6	11.8
Non-current liabilities	1,073.6	1,171.6
Current liabilities	317.1	316.4
<b>Total equity and liabilities</b>	<b>2,137.0</b>	<b>2,214.0</b>