



10

Annual Report

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2019 in brief

- Net sales amounted to SEK 2,166 million (2,220).
- Operating profit was SEK 32 million (-52). Impacted by a capital gain of SEK 2 million (4) and restructuring cost of SEK -12 million (-5). IFRS 16 had an impact on operating profit of SEK 10 million.
- Earnings after tax was SEK -24 million (-148).
- Earnings per share was SEK -0.11 (-0.71).
- Net debt at year-end was SEK 506 million (349).
- The equity ratio at the end of the year was 33 per cent (38).

Bong in one minute

Bong is one of the leading envelope manufacturers in Europe, offering a wide and flexible range of solutions for distribution and packaging of information, advertisement and lightweight goods.

Important growth areas in the Group are packaging within retail and e-commerce and the envelope market within Eastern Europe. The Group has annual sales of approximately SEK 2.2 billion and about 1,300 employees in 12 countries.

Bong has strong market positions in most of the important markets in Europe and the Group sees interesting possibilities for continued development. Bong is a public limited company and its shares are listed on Nasdaq Stockholm (Small Cap).

KEY FIGURES	2019	Q4	Q3	Q2	Q1	2018	2017	2016	2015
Net sales, MSEK	2,166	568	520	507	571	2,220	2,095	2,135	2,345
Operating profit/loss, MSEK	32	14	6	-3	15	-52	45	9	-5
Profit/loss after tax, MSEK	-24	-1	-8	-17	2	-148	-9	297	-64
Cash flow after investing activities, MSEK	78	55	-7	-11	42	-65	43	30	-75
Operating margin, % ¹	1.5	1.5	1.1	1.1	2.7	-2.3	2.2	0.4	-0.2
Average number of employees ¹	1,334	1,334	1,350	1,364	1,376	1,446	1,459	1,556	1,763

¹ Year to date



Good growth for light packaging

Letter to the shareholders



With a positive sales trend in our light packaging segment and recovered gross margins in the envelope segment, we believe Bong is on the right track.

THE ENVELOPE MARKET

The drastic paper price increases of 2018 have been stopped and raw material costs have been widely unchanged in 2019. This gave us the necessary time to stabilize our sales prices and regain our margins by passing on the price increases to customers, including those with long term contracts.

The office supply segment, which is one of our largest customer groups, is under great financial pressure due to deteriorating sales. This is especially true for the UK market. Bong has given up deliberately on some less profitable sales and turnover to limit its financial risk exposure.

THE LIGHT PACKAGING MARKET

In the light packaging segment, the positive trend continued during 2019 with an overall currency adjusted sales increase of 6 per cent or SEK 37 million. We are pushing sales of paper products to replace plastics. Our main focus, which is high end paper carrier bags, has increased at a rate of 44 per cent or SEK 17 million. Other paper products, such as all board, were also developing well.

We also profited from the increasing need for e-commerce packaging and have launched a new range at the end of Q4, which is tailored to the needs of internet retailers and consumers. We expect increased sales in this segment in 2020.

OPERATING PROFIT

The Group's currency-adjusted sales decreased by only 5 per cent compared with previous year. This was caused by continuous digitalization in the envelope market across Europe.

Due to passing on price increases to customers Bong's gross margin has stabilized and is on the same level as last year. Operating profit increased to SEK 32 million (-52). Operating profit 2018 was affected by capital gains of approximately SEK 9 million as well as a write-down of goodwill of SEK 75 million.

ORGANIZATIONAL CHANGES

In 2019 the move of overprint from Finland to Sweden and the move of light packaging production from Sweden to France have been accomplished. This will improve our efficiency and cost situation in the other factories. Our new subsidiaries Bong Africa (in Tunisia) and Bong Italy became operational.

BREXIT

We have experienced a negative effect on the business climate caused by Brexit uncertainty. This led to investment uncertainty and consumer resistance. Our UK operations have been affected by this but on other units in the group the impact is limited.

GOALS FOR THE COMING YEARS

One of our most important development areas will be the e-commerce segment, which is expected to continue its growth. Bong will focus on e-commerce packaging which is sustainable, material- and volume-saving, flexible and customer-oriented. This includes large mailing bags for parcel shipments as well as letterbox mailers which correspond to postal tariffs.

We will also continue to push our retail solutions, such as high-end carrier bags, gift bags and paper bags to be used in large retail chains to replace plastic bags. Although plastic packaging products are not yet part of the EU directive on single-use plastic, we believe we need to support the efforts of reducing plastics and increasing recyclability.

At all our production sites we will continue to reduce emissions, input and waste, which goes hand in hand with the factory efficiency program which has been launched in 2019. In January 2020 we decided to move our envelope production in Estonia to production sites in Sweden, Poland and Germany.

FUTURE TRENDS AND DEVELOPMENTS

Digitalization has caused a heavy drop in envelope consumption during the last decade. However, we believe that physical and digital media go

hand in hand and reinforce each other. A physical mail campaign can trigger an online purchase and an e-commerce packaging can be equipped with digital features. We see a potential in this approach for Bong.

This annual report contains our sustainability report, which is also a communication on progress according to Global Compact as regards protecting the environment, human rights, social relations and fighting corruption. We are pleased to confirm our continued support for the UN initiative and to belong to the growing circle of companies and individuals who see sustainability work as a natural part of business. This is our third report that we do in the context of Global Compact.

THANKS TO EMPLOYEES AND SHAREHOLDERS

Finally I would like to thank our customers and shareholders for their continued confidence as well as our dedicated and motivated employees for their excellent work in 2019. I am looking forward to working together with you also in 2020.

Kristianstad, April 2020

Kai Steigleder
Chief Executive Officer

The market and Bong's offer

Bong is one of the leading envelope manufacturers in Europe, offering a wide and flexible range of solutions for distribution and packaging of information, advertisement and lightweight goods.

THE EUROPEAN ENVELOPE MARKET

According to FEPE (Federation of Envelope Producers in Europe) European volumes dropped by 7 per cent in 2019, which corresponds to the market trend of recent years. The total European envelope market is estimated at around 56 billion units.

Bong is the clear market leader in the Nordic countries and takes one of two top positions in almost all of West and Central Europe.

In Western Europe business mail accounts for the majority of envelope use, with more than 90 per cent of total envelope consumption. Business mail can be divided into transactional mail and addressed direct mail (ADM).

Transactional mail is used for the distribution of documents such as contracts, wages, pension statements and invoices. The largest users of envelopes for transactional mail are utility companies e.g. telecoms, banking and insurance, finance, energy and water sectors. Due to digitalization, the envelope volumes for this kind of usage have decreased significantly.

Direct mail, on the other hand, has been affected to a lesser extent by market decline. This specific advertising channel offers a much better target group accuracy than advertising in television, radio and magazines, and therefore remains of high interest for marketers. Direct mail campaigns achieve high response rates at comparatively low cost, making printed envelopes an important and indispensable marketing tool.

BONG'S ENVELOPE OFFER

Bong manufactures and sells envelopes in all shapes and sizes. From standardised envelopes to customised solutions with unique characteristics; with or without customised prints and embossing; with different kind of seals; made from various materials and with many options in shape and colour.

THE LIGHT PACKAGING MARKET

Light packaging offers high protection while at the same time reducing packaging material, weight, volume, size and packaging waste. The market for light packaging is quite fragmented with many different competitors in each sub-segment.

E-commerce

Europe-wide growth in e-commerce has continued in 2019, showing an increase of 10 per cent ¹. The largest segment is fashion with a share of approximately 29 per cent ¹. Flexible and lightweight packaging solutions are ideal for shipping this type of goods because the content is not fragile or highly sensitive. By using a flexible packaging, online shops can reduce the volume and weight of the packages as the material adapts to the content. Senders can also save on packaging material and freight costs compared to traditional packaging products such as cardboard boxes.

Plastic mailing bags have become a quite common choice in recent years, but the market trend is going towards alternative products made from renewable materials, such as paper-based packaging. In particular on the consumer side, the demand for environmentally friendly packaging is growing. A recent study shows that 75 per cent of consumers want to receive the ordered goods in resourcesaving packaging. 63 per cent state they would change the shop if this could reduce the amount of packaging used. 75 per cent of consumers say they prefer brands which make changes to improve their environmental performance².

Reducing the size of the packaging is another step towards sustainability. Almost half of online purchases would fit into the letterbox at home, if packed in the right sized packaging³. This "mailbox delivery" can significantly reduce the number of delivery attempts by courier services while pleasing the consumer. For the envelope industry, this approach can create new opportunities, transforming the classic envelope into a packaging product – often called "Envelope 2.0".

¹ Statista: eCommerce Report 2019

² Ipsos: A Throwaway World. The Challenges of Plastic Packaging and Waste

³ IPC: Cross-border e-commerce shopper survey 2017



BONG'S LIGHT PACKAGING OFFER

Bong offers a wide range of light packaging products for different distribution channels and applications such as e-commerce and retail. This includes expanders and pockets in various materials such as kraft paper, Tyvek®, bubble mailers, paper padded bags, all board mailers and cardboard packaging.

Well adapted packaging for e-commerce

Shipping packaging must be able to resist all possible strains of delivery - such as shock, bending and water. To improve the offering for online businesses, Bong has developed a new range of specific e-commerce packaging under the trademark e-Green. This environmentally friendly solution is made from 100 per cent strong kraft paper and helps reducing volume, weight, packaging material and waste. e-Green mailers are very robust, lightweight, flexible and can easily be reused for return shipments thanks to two adhesive strips.

Other light packaging solutions include DuPont™ Tyvek®, a unique material, which is extremely strong, resistant and lightweight. Bong has a contract with DuPont granting the exclusive rights to manufacture and market envelopes and packaging made from Tyvek® in Europe.

Attractive packaging for the retail trade

The struggle for the consumer's attention in the retail sector is getting tougher. Attractive gift packaging is an important tool to enhance brand awareness. Bong offers a wide range of gift and carrier bag solutions – all tailored to communicate the customers' brands and values. With Bong products, the customers can master "the art of giving".

Bong's sustainability work¹

OVERVIEW OF RISKS, POLICIES, MEASURES AND ACTIVITIES TAKEN ACROSS THE LIFE CYCLE OF PRODUCTS

	Supply of raw materials and other input	Production	Marketing/Sales	Distribution	Recycling and other measures
Risks	<ul style="list-style-type: none"> · Negative environmental impact · Unsatisfactory working conditions · Violations of human rights · Corruption and fraud 	<ul style="list-style-type: none"> · Increased emissions · High consumption and contamination · Work accidents and experienced occupational insecurity 	<ul style="list-style-type: none"> · Corruption and fraud · Dissatisfied customers 	<ul style="list-style-type: none"> · Emissions from vehicles · Unsatisfactory working conditions at transport firms 	<ul style="list-style-type: none"> · Difficulties in recycling
	<p>Risks regarding social conditions and employees are those related to the workplace and to the relationship between the company and employees as well as between employees among themselves. Such risks include occupational health risks, risk of unequal treatment and risk of discrimination with regard to, for example, gender, ethnicity, age, religion and political opinion. Risks of corruption and fraud may concern both internal transactions and relationships between Bong and business partners.</p>				
Policies	<p>A comprehensive Code of Conduct which includes rules and recommendations concerning the environment, compliance, ethics and anti-corruption, quality, working conditions, equal treatment and prevention of conflicts of interest. The Code of Conduct is complemented by a Supplier Code of Conduct and an Equality and Diversity Policy.</p>				
Management of risks that encompass the entire product life-cycle	<p>Code of Conduct and grievance mechanism ("a whistle") accessible to all employees. Appointment of managers in respective business units with joint responsibility of exchanging experiences and "best practice" across the Group.</p>				
Management of risks in each specific phase of the product life-cycle	<p>Supplier Code of Conduct accepted and signed by major suppliers centrally and at business unit level.</p>	<p>Continued adoption of environmentally sound production methods such as improved efficiency of machines, leading to reduced energy consumption, increased use of water based methods replacing glue and colors containing volatile organic compounds. Further certification of facilities.</p>	<p>Product labelling in accordance with national and EU standards. Enlargement of product offering with climate compensation. Customer satisfaction surveys.</p>	<p>Increased use of well reputed transport firms that aim for lower emissions.</p>	<p>Increased offer of fully recyclable products. Promotion of paper carrier bags to replace plastic bags.</p>

¹ Please refer to note 36 on page 35 for information about the statutory sustainability report.



Safety, clean environment and sound business practices



Bong produces envelopes and light packaging based on fine paper made from origin-labeled raw material. In its sustainability work, Bong places emphasis on personnel safety, sustainable purchasing, lower consumption of energy and inputs, reduction of waste and sound business practices.

SUSTAINABILITY IS A HIGH PRIORITY

Bong is an industrial group with an annual turnover of approximately SEK 2,200 million and about 1,300 employees. The Group has eleven major plants for manufacturing of envelopes and light packaging.

The production, distribution and use of Bong's products entail impact and risks to varying degrees depending on which part of the value chain is being studied. For example, there are environmental issues at all levels - in the forests where the raw material for the fine paper grows, in the production and in the recycling and disposal of envelopes. With regard to social issues, Bong is responsible for securing physical and psychosocial working conditions at the workplaces in the Group and for significant subcontractors as purchaser of services and goods.

Bong conducts broad sustainability work aimed at low environmental impact, safe workplaces where employees are treated equally and high business ethics.

SUSTAINABILITY WORK IN SHORT

Environmental work

Bong has estimated that the greatest opportunities for reducing the Group's impact on the environment lie in making purchases of fine paper from reputable suppliers with resource base in the Nordic region and taking measures aimed at reducing consumption of energy, inputs and lower waste volumes emanating from the plants.

The largest manufacturing facilities are certified according to ISO 14001 and ISO 9001, which means that the environmental work on the plants is effi-

cient, that it is documented and followed up, reported and evaluated. ISO 9001 is a well-established standard for management systems. For a more detailed description of the environmental aspects of Bong's operations at all stages, see below.

Good social conditions

Collective agreements are the most common form of employment in the Group. The company considers itself to have good relations with the trade unions in each country. Bong considers the right to form and join unions as a matter of course.

All people's equal value should form the basis of the company's relationships with its employees and their relationships among themselves. The company does not discriminate on the basis of gender, age, ethnicity, religion, political opinion, etc. Employees are expected to treat each other as they themselves want to be treated. Serious violations or suspicions thereof have not come to the company's knowledge in 2019.

Ethics and anti-corruption

All forms of bribery are unacceptable. Bong does not offer and does not accept payments, financial benefits or gifts that violate applicable law or business practices. Infringements or suspicions of violations have not come to the company's knowledge in 2019.

ENVIRONMENTAL WORK IN ALL STAGES

Energy and input goods

Production of envelopes and other paper products (gift packaging and paper carrier bags for example) is responsible for the dominant part of Bong's

business. The most important physical resources used in manufacturing are inputs - mainly fine paper - and energy. Bong has agreements with a large number of input suppliers. Inputs account for 2/3 of the Group's total purchases, of which fine paper constitutes the majority (75 per cent). All fine paper suppliers can show full traceability and origin control of the raw material. Demanding environmental requirements are also imposed on suppliers of glue, paint and window film.

Energy consumption

The greatest environmental impact in the manufacturing process stems from energy consumption that leads to emission of carbon dioxide. Since 2016, Bong has measured the consumption of energy in its envelope and packaging plants. Measurements carried out in the plants show that energy consumption per unit manufactured was unchanged in 2019 compared with 2018, and 5 per cent lower than in 2016.

Waste and recycling of chemicals

The paper that becomes waste is sorted by quality and sold to be included as recycled paper in various paper products. More than 90 per cent of the total waste from the plants goes to recycling. The remainder goes to incineration or landfill. The waste is transported according to current regulations. Hazardous waste is not stored. Measurements at the plants show that the amount of waste per unit manufactured was largely unchanged in 2019. The chemicals used in production are disposed of in an approved manner and residual ink is collected and recycled.

Transports

The manufacturing units are close to the customers. Bong chooses reputed carriers who strive to reduce carbon dioxide emissions.

Recycling of products

All the paper mills that handle recycled paper do not have processes for receiving paper containing window film and adhesive residue. Bong's recommendation is that envelopes be sorted as combustible material. Most of Bong's packaging can be recycled as paper packaging.

RISKS AND RISK MANAGEMENT

Bong's business operations are primarily exposed to market risks, operational risks, financial risks and sustainability risks. For a more detailed description of market risks and operational risks, see page 10 of the Directors' Report. A detailed description of the financial risks and their management can be found in Note 1.

Sustainability risks

Sustainability risks relate to the environment, social conditions and personnel, human rights and business ethics. The risks are in the company's own operations and in, for example, the company's supply chain.

Bong's management of CSR-related issues is based on the company's rules, industry practice, legislation and regulations, collective agreements and other standards. The company considers that the governance and control of its own operations and impact on suppliers (through, among other things, policies, the influence of industry practice

BONG'S MAJOR FACILITIES AND THEIR CERTIFICATIONS

	Angoulême, France	Evreux, France	Derby, UK	Milton Keynes, UK	Solingen, Germany	Torgau, Germany	Erlangen, Germany	Gersthofen, Germany	Kristianstad, Sweden	Poznan, Poland	Krakow, Poland
PEFC	●	●	●	●	●	●					
FSC	●	●	●	●	●	●	●	●	●	●	●
ISO 14001	●	●	●	●	●				●		
ISO 9001	●	●	●	●	●				●		

and the control indirectly exercised by legislation and collective agreements in the countries where the company is active), provides support for the assessment that overall the company's sustainability risks are comparatively small.

As with the Group's other risks, the materiality of the sustainability risks is assessed. A risk is considered to be significant if it has serious consequences for, for example, employees' lives and health, the environment, the company's reputation and earnings and financial position. The risk concept takes into account both the probability of events and values that can be lost if they occur.

Environmental risks

Bong manufactures envelopes and light packaging products in eleven factories in Western and Central Europe.

Envelope and packaging manufacturing requires no permits in accordance with the respective countries' environmental legislation. The impact of the company's own operations in the plants is relatively small compared with the impact on the environment from the preceding stages such as forestry, the production of fine paper and the production of electricity for conversion of fine paper. In manufacturing, Bong strives to minimize the consumption of energy, inputs and reduce waste.

Social conditions and personnel

The most serious risk is those that could cause severe injuries or even fatalities. In the Group, the accident risks are greatest in manufacturing. For example, handling of envelope machines (of which the Group has a total of about 150) requires training and is surrounded by strict security regula-

tions. The national health and safety legislation in each country is supplemented by local safety and quality regulations for the business units whose design may change, but which have good security for personnel and high product quality as a common and overarching goal. In 2019, no serious work accident occurred in the Group's units.

Human Rights

Bong regards the risk of serious violations of human rights as small in both its own operations and its suppliers. For example, child labour is prohibited by law in the countries where the company operates. Under no circumstances does Bong employ labour under 15 years of age.

Business ethical risks

Counteracting corruption occurs on several fronts. Bong's internal control and risk management system aims, among other things, at reducing the risk of irregularities and corruption. The Code of Conduct imposes bans on bribery. Since the Code of Conduct for Suppliers was adopted in May 2017, Bong has also worked to gain acceptance for it from all the significant suppliers. Paper suppliers with volumes corresponding to more than 90 percent of Bong's purchases of fine paper had signed Bong's Code of Conduct for suppliers at the end of 2019.

CERTIFICATIONS AND LABELS

The meaning of envelopes and packaging being labeled PEFC® and FSC® is that the manufacturer guarantees that the products are made of raw material from forests managed in accordance with the requirements set by PEFC (Program for the Endorsement of Forest Certification) and FSC

(Forest Stewardship Council). The certification of Bong's facilities means that the origin of the input product can be followed and guaranteed.

In 2019 Bong France's sustainability work was rewarded when the operations at Evreux and Angoulême received the highest level (gold) of of EcoVadis-certification. The certification means the operations at the plants meet very high requirements regarding the protection of environment, human rights, responsible purchasing and ethics.

Product labels

Bong's envelopes are sold in local markets with various eco-labels. For example, for envelopes in the Nordic countries, the Swan is a guarantee that the envelopes are made of approved paper qualities, that glue and inks are water-based and that the window is separable. The equivalent in Germany is Der Blaue Engel and in France NF Environnement.

BONG'S SUSTAINABILITY FRAMEWORK

Bong has established three policies with the aim of steering the company's actions and giving staff and other relevant persons guidance on sustainability issues.

Code of Conduct

Bong's Code of Conduct shall be applied by the Board, all employees, suppliers and other external parties. The Code of Conduct is based on the United Nations' Global Compact's principles for protection of the environment, human rights, business ethics and decent working conditions. It aims to further improve the conditions for Bong to contribute to a socially and environmentally

better world within the framework of its activities. The Code of Conduct contains rules and recommendations in the following areas:

- environment
- business ethics and anti-corruption
- compliance
- quality
- working conditions, equal treatment and human rights
- potential conflicts of interest

The Code of Conduct also describes the whistle mechanism for a person who wants to anonymously report to the company's management about suspected violations of the Code of Conduct.

The Code of Conduct is a living document that is revised when needed. It is available at www.bong.com.

Supplier Code of Conduct

In addition to the general rules in the Code of Conduct, suppliers also have to observe the detailed rules in Bong's Supplier Code of Conduct regarding anti-corruption, the environment, working conditions, human rights, social sustainability etc.

Equal opportunities and diversity policy

The Code of Conduct also refers to Bong's Equal Opportunities and Diversity Policy which guides the the company and its employees in detail in matters relating to equal treatment, diversity in the workplace, balance between work and leisure etc.

Sustainability Report Information



PLACEMENT OF STATUTORY SUSTAINABILITY INFORMATION IN BONG'S ANNUAL REPORT 2019¹

Area	Annual Accounts Act statutory disclosure	Environment	Social and Labour Conditions	Human Rights	Anti-corruption
Policy	"The sustainability report shall describe the policy that the company applies in the specific areas, including the review procedures."	5	5	5	5
The outcome of the policy	"The sustainability report shall describe the outcome of the application of the policy."	4	4	4	4
Significant risks	"The sustainability report shall describe the material risks that arise from the company's operations in the specific areas, including, when relevant, the company's business relations, products or services that are likely to have negative impacts."	5	The Company is exposed to this risk but does not believe it to be significant. It is described on page 5.	The Company is exposed to this risk but does not believe it to be significant. It is described on page 5.	The Company is exposed to this risk but does not believe it to be significant. It is described on page 5.
Risk management	"The sustainability report shall describe how the company manages these risks."	4, 5	4, 5	4, 5	4, 5
Performance indicators	"The sustainability report shall describe key performance indicators that are relevant to the company's operations."	4	4	4	4
Business model	"The sustainability report shall describe the Company's business model."			4	

¹ The numbers refer to the respective pages in the Annual Report.

AUDITOR'S REPORT ON THE STATUTORY SUSTAINABILITY REPORT

To the general meeting of shareholders in Bong AB (publ), corporate identity number 556034-1579.

Engagement and responsibility

The Board of Directors is responsible for the preparation of the sustainability report in respect of 2018 included on pages 3-6 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

A sustainability report has been prepared.

Malmö 23 April 2020
PricewaterhouseCoopers AB

Lars Nilsson
Authorised Public Accountant
Auditor in Charge

Christer Olausson
Authorised Public Accountant

Five-year summary

Key figures	2019	2018	2017	2016	2015
Net sales, MSEK	2,166	2,220	2,095	2,135	2,345
Operating profit/loss, MSEK	32	-52	45	9	-5
Items affecting comparability, MSEK	-	-103 ¹	-	430	-
Profit/loss after tax, MSEK	-24	-148	-9	297	-64
Cash flow after investing activities, MSEK	78	-65	40	30	-75
Operating margin, %	1.5	-2.3	2.2	0.4	-0.2
Capital turnover rate, times	1.4	1.4	1.3	1.3	1.2
Return on equity, %	neg	neg	neg	neg	neg
Average capital employed, MSEK	983	991	1,095	1,159	1,343
Return on capital employed, %	3.2	neg	0.2	1.8	neg
Equity ratio, %	33	38	43	43	16
Net loan debt, MSEK	506	349	294	315	837
Net loan debt/equity, times	0.91	0.61	0.42	0.45	2.64
Net debt/EBITDA, times	4.2	5.0	3.2	5.2	11.9
Average number of employees	1,334	1,446	1,459	1,556	1,763
Number of shares					
Number of shares outstanding at end of period	211,205,058	211,205,058	211,205,058	211,205,058	156,659,604
Diluted number of shares outstanding at end of period	211,205,058	211,205,308	251,205,058	251,205,058	183,932,331
Average number of shares	211,205,058	211,205,058	211,205,058	207,417,179	156,659,604
Average number of shares, diluted	211,205,058	211,205,058	251,205,058	246,533,341	183,932,331
Earnings per share					
Before dilution, SEK	-0.11	-0.71	-0.06	1.42	-0.41
After dilution, SEK	-0.11	-0.71	-0.06	1.42	-0.41
Adjusted earnings per share					
Before dilution, SEK	-0.11	-0.22	-0.06	-0.64	-
After dilution, SEK	-0.11	-0.22	-0.06	-0.64	-
Equity per share					
Before dilution, SEK	2.50	2.70	3.30	3.30	2.02
After dilution, SEK	2.50	2.70	3.30	3.30	1.95
Cash flow from operating activities per share					
Before dilution, SEK	0.48	-0.28	0.25	0.26	-0.95
After dilution, SEK	0.48	-0.28	0.25	0.26	-0.81
Other data per share					
Dividend, SEK	0.00 ²	0.00	0.00	0.00	0.00
Share price on balance day, SEK	0.7	1.0	0.95	0.9	1.3
P/E-ratio, times	neg	neg	neg	0.61	neg
Adjusted P/E-ratio, times	neg	neg	neg	neg	-
Price/Equity before dilution, %	29	35	29	27	62
Price/Equity after dilution, %	29	35	29	27	65

¹ Note 12

² The Board's proposal

For definitions, see inside of back cover.

The share

The Bong share is listed on the Nasdaq Stockholm (Small Cap). At the end of 2019, the number of shares in Bong AB was 211,205,058.

SHARE PERFORMANCE AND TRADING

The Bong share price decreased with 23 per cent during 2019. The highest paid price, SEK 1.02, was recorded on 10 January 2019. The lowest paid price, SEK 0.70, was recorded on 18 November 2019.

OMX Stockholm PI, an index showing the price development of all listed shares on the Stockholm Stock Exchange, increased by 29 per cent in 2019. OMX Stockholm Small Cap PI, an index that measures the price performance of shares in companies whose size is comparable with Bong, increased by 24 per cent during the year. In 2019, the total value of Bong shares traded amounted to 11.8 per cent of the market value of all outstanding shares on closing day 2019.

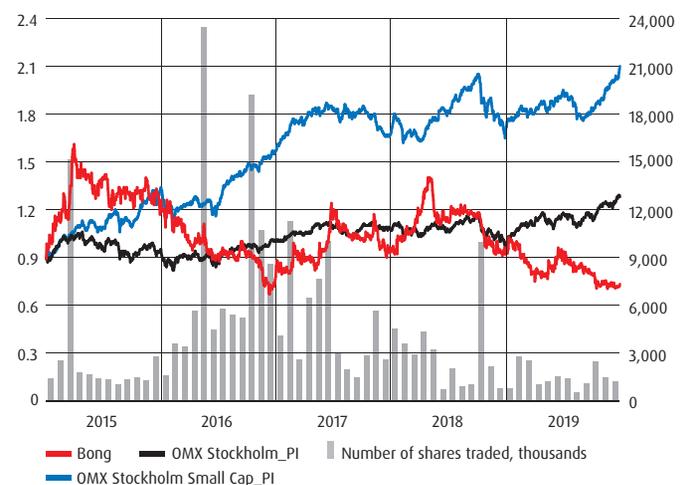
SHAREHOLDERS

The number of shareholders on 30 December 2019 was 2,450 (2,519). Holdham S.A is Bong's largest shareholder with 25.0 per cent of votes and capital. Gomobile Nu AB is the second largest shareholder with 14.8 per cent of the votes and capital.

Analysts who follow the Bong share

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BONG'S SHARE PERFORMANCE 2015-2019



Source: WebFinanceGroup

Shareholder	Number of shares	Share of votes and capital, %
Holdham S.A.	52,850,282	25.0
Gomobile Nu AB	31,331,228	14.8
Svolder AB	16,161,716	7.7
Försäkringsbolaget, Avanza Pension	11,291,615	5.3
Theodor Jeansson	10,000,000	4.7
Paulsson Advisory AB	9,126,695	4.3

Year	Corporate action	Change in number of shares	Total number of shares	Quota value, SEK
2013	Reduction of share capital	-	17,480,995	1.50
2013	Preferential issue	69,923,980	87,404,975	1.50
2013	Set-off issues	69,254,629	156,659,604	1.50
2016	Reduction of share capital	-	156,659,604	1.12
2016	Conversion of convertible debenture	27,272,727	183,932,331	1.12
2016	Set-off issue	27,272,727	211,205,058	1.12

Board of Directors' report

The Board of Directors and the Chief Executive Officer ("CEO") of Bong AB (publ.), corporate ID no. 556034-1579, with registered headquarters in Kristianstad, Sweden, hereby submit their annual report for the financial year 1 January 2019 – 31 December 2019 for the Parent Company and the Group ("Bong", "the Group" or "the Company").

Bong is one of the leading envelope manufacturers in Europe, offering a wide and flexible range of solutions for distribution and packaging of information, advertisement and lightweight goods. Important growth areas in the Group are packaging within retail and e-commerce and the envelope market within Eastern Europe. The Group has annual sales of approximately SEK 2.2 billion and about 1,300 employees in 14 countries. Bong is a public limited company and its shares are listed on Nasdaq Stockholm (Small Cap).

MARKET

ENVELOPES

Raw material costs have remained largely unchanged in 2019. This gave Bong the necessary time to stabilize sales prices and regain margins through increased sales prices to customers.

LIGHTWEIGHT PACKAGING

In light packaging, the positive trend continued in 2019 with a currency-adjusted sales increase of 6 percent or SEK 37 million.

Bong actively sells paper products to replace plastic. The main focus, which is sales of high-quality paper carrier bags, grew by 44 percent or SEK 17 million during the year, while Bong's sales in plastic products decreased. Other paper products such as All Board also developed favorably.

Bong met the increased demand for e-commerce packaging with the launch at the end of the year of a new packaging range tailored to the needs of online retailers and their customers.

OPERATIONAL CHANGES

In 2019, the overprinting operations in Pirkkala in Finland was moved to Kristianstad in Sweden and the production of light packaging in Nybro in Sweden was moved to Evreux in France. This will improve the Group's efficiency and cost situation in other factories. Two new companies were started during the period, Bong Africa in Tunisia and Bong Italy in Bologna.

ENVIRONMENTAL REVIEW

In 2018, a responsibility study was prepared by the County Administrative Board in Västra Götaland regarding emissions from certain industries in specific areas during the period 1918-2018. In 1997, Bong acquired a company that operated in the area during the period 1918-1972. Thus, Bong has never been active in the area in question. Bong will be involved in smaller amounts to fund an upcoming project called "Preparation for action" that will be implemented over a three-year period.

BREXIT

Bong has experienced a negative effect on the UK business climate caused by the uncertainty surrounding Brexit. This has led to investment uncertainty. The impact on other companies in the Group is limited.

TURNOVER

Consolidated sales for the period reached SEK 2,166 million (2,220). Exchange rate fluctuations had a positive impact on sales of SEK 57 million (106).

Operating profit increased to SEK 32 million (-52). The Group's gross margin has stabilized and is on the same level as previous year. During the period operating profit was affected positively by a realized capital gain of SEK 2 million (4) attributable to the sale of machines and negatively by restructuring costs of -12 MSEK (-5). The effect of IFRS 16 had a positive impact on operating profit of SEK 10 million. Exchange rate fluctuations for the period had a positive impact on operating profit of SEK 0.1 million (3).

Net financial items for the period amounted to SEK -42 million (-56). The effect of IFRS 16 had a negative impact on the financial net of SEK -8 million.

Earnings before tax amounted to SEK -10 million (-108) and reported earnings after tax were SEK -24 million (-148). The effect of IFRS 16 had a positive impact on earnings before tax of SEK 2 million.

Bong's total light packaging sales amounted to SEK 490 million (453). Currency fluctuations had a positive impact on light packaging sales of SEK 12 million (21) compared with the corresponding period in 2018.

CASH FLOW AND INVESTMENTS

The cash flow after investing activities increased to SEK 78 million (-65) compared to previous year. Cash flow from operating activities before changes in working capital amounted to SEK 87 million (-10). Working capital had a positive impact on the cash flow of SEK 14 million (-49). IFRS 16 is affecting the cash flow from operating activities with SEK 51 million.

Restructuring programs impacted the cash flow with SEK -9 million (-8).

FINANCIAL POSITION

Cash and cash equivalents at 31 December 2019 amounted to SEK 100 million (SEK 72 million at 31 December 2018, including the escrow account of SEK 1 million). The Group had unutilized credit facilities of SEK 17 million on the same date. Total available cash and cash equivalents thus amounted to SEK 117 million (SEK 85 million at 31 December 2018, including the escrow account of SEK 1 million). Consolidated equity at the end of December 2019 was SEK 529 million (SEK 570 million at 31 December 2018). The IFRS valuation had a one-time impact on consolidated equity of SEK -16 million and impacted the group's profit after tax with SEK 2 million.

Translation of the net asset value of foreign subsidiaries to Swedish Krona and changes in the fair value of pension debt and derivative instruments decreased consolidated equity by SEK -1 million. The interest bearing net loan debt amounted to SEK 506 million, whereof pension debt amounts to SEK 239 million and IFRS 16 leasing contracts amount to SEK 160 million (SEK 349 million at 31 December 2018, whereof pension debt amounts to SEK 217 million).

CAPITAL EXPENDITURE

Investing activities and acquisitions during the period had a negative impact of SEK -23 million (-6). The net investments include an investment in production equipment and sale of machines.

EMPLOYEES

The average number of employees during the period was 1,334 (1,446). The Group had 1,265 (1,368) employees at the end of December 2019. Bong has worked intensively on improving productivity and adjusting staff to meet current demand and the reduction is the result of the implemented restructuring measures.

ENVIRONMENT

Bong's environmental work is aimed at minimising the environmental effects of both end products and processes. At present Bong is working actively to improve production methods so that polluting emissions are minimised, to eco-label as large a portion of the range as possible, and to boost knowledge and awareness of environmental issues among its employees. Besides imposing demands on its own operations, Bong is also trying to influence suppliers and customers to design their products so that ecocycle thinking and conservation of natural resources are prioritised.

In order to further streamline environmental efforts, the Company strives for all plants in the Group to be certified in accordance with ISO 14001. The plants in Solingen in Germany and Kristianstad in Sweden, as well as Milton Keynes and Derby in the UK, Evreux and Angoulême in France are certified. Environmental certification of the products is an important aspect, and labelling with the Nordic Ecolabel (the Swan) is therefore a natural part of Bong's Scandinavian range.

FSC® is an organisation that promotes environmentally appropriate, socially beneficial and economically viable management of the world's forests.

The plants in Erlangen, Solingen, Torgau and Gersthofen (Germany), Milton Keynes and Derby (UK), Angoulême and Evreux (France), Krakow and Poznan (Poland) are FSC® certified.

SUSTAINABILITY REPORT

In accordance with the rules in the Swedish Annual Report Act, Bong has chosen to set up a Sustainability Report separate from the Administration Report. The Sustainability Report is found on pages 3-6.

RESEARCH AND DEVELOPMENT

The Group conducts some research and development activities. In addition, active efforts are pursued to meet customer needs for different envelopes and packaging solutions.

PARENT COMPANY

The Parent Company's business extends to management of operating subsidiaries and certain Group management functions. Sales were SEK 3 million (5) and earnings before tax for the period were SEK -95 million (-114).

THE BOARD OF DIRECTORS' PROPOSAL FOR GUIDELINES FOR EXECUTIVE REMUNERATION

Members of the Group Management, at present consisting of the company's CEO, also Business Unit Manager Central Europe, Chief Financial Officer (CFO), Business Unit Manager Nordic countries, Business Unit Manager United Kingdom and Business Unit Manager South Europe and North Africa, also Business Unit Manager Bong Retail Solutions fall within the provisions of these guidelines. The guidelines are forward-looking, i.e. they are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the annual general meeting 2020. These guidelines do not apply to any remuneration decided or approved by the general meeting.

THE GUIDELINES' PROMOTION OF THE COMPANY'S BUSINESS STRATEGY, LONG-TERM INTERESTS AND SUSTAINABILITY.

In short, the company's business strategy is the following. Bong is one of the leading envelope manufacturers in Europe, offering a wide and flexible range of solutions for distribution and packaging of information, advertisement and lightweight goods. Important growth areas in the Group are packaging within retail and e-commerce and the envelope market within Eastern Europe. Bong conducts broad sustainability work aimed at low environmental impact, safe workplaces where employees are treated equally and high business ethics.

A prerequisite for the successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the company is able to recruit and retain qualified personnel. To this end, it is necessary that the company offers competitive remuneration. These guidelines enable the company to offer the executive management a competitive total remuneration.

Variable cash remuneration covered by these guidelines shall aim at promoting the company's business strategy and long-term interests, including its sustainability.

TYPES OF REMUNERATION, ETC.

The remuneration shall be on market terms and may consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. Additionally, the general meeting may – irrespective of these guidelines – resolve on, among other things, share-related or share price-related remuneration.

The satisfaction of criteria for awarding variable cash remuneration shall be measured over a period of one year. The variable cash remuneration may amount to not more than 60 per cent of the fixed annual cash salary.

Bong AB has, at the time for the Annual General Meeting to be held on 14 May 2020, [no] outstanding remuneration commitments apart from running commitments towards senior executives.

For the CEO, pension benefits, including health insurance (Sw: sjukförsäkring), shall be premium defined. Variable cash remuneration shall not qualify for pension benefits. The pension premiums for premium defined pension shall amount to not more than 30 per cent of the fixed annual cash salary. For other executives, pension benefits, including health insurance, shall be premium defined unless the individual concerned is subject to defined benefit pension under mandatory collective agreement provisions. Variable cash remuneration shall qualify for pension benefits to the extent required by mandatory collective agreement provisions. The pension premiums for premium defined pension shall amount to not more than 30 per cent of the fixed annual cash salary.

Other benefits may include, for example, life insurance, medical insurance and company cars. Premiums and other costs relating to such benefits may amount to not more than 15 per cent of the fixed annual cash salary.

For employments governed by rules other than Swedish, pension benefits and other benefits may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

TERMINATION OF EMPLOYMENT

The notice period may not exceed twelve months if notice of termination of employment is made by the company. Fixed cash salary during the period of notice and severance pay may together not exceed an amount equivalent to the CEO's fixed cash salary for two years, and one year for other executives. The period of notice may not exceed six months without any right to severance pay when termination is made by the executive.

For employments governed by rules other than Swedish, termination of employment may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

CRITERIA FOR AWARDING VARIABLE CASH REMUNERATION, ETC.

The variable cash remuneration shall be linked to [predetermined and measurable] criteria which can be financial or non-financial. They may also be individualized, quantitative or qualitative objectives. The criteria shall be designed so as to contribute to the company's business strategy and long-term interests, including its sustainability, by for example being clearly linked to the business strategy or promote the executive's long-term development. Applied criteria are financial goals such as Profit before tax and growth goals for Light Packaging, both of which contribute to the Group's business strategy, long-term interests and sustainability. Bong conducts broad sustainability work aimed at low environmental impact, safe workplaces where employees are treated equally and high business ethics.

To which extent the criteria for awarding variable cash remuneration has been satisfied shall be evaluated/determined when the measurement period has ended. The remuneration committee is responsible for the evaluation so far as it concerns variable remuneration to the CEO. For variable cash remuneration to other executives, the CEO is responsible for the evaluation. For financial objectives, the evaluation shall be based on the latest financial information made public by the company.

SALARY AND EMPLOYMENT CONDITIONS FOR EMPLOYEES

In the preparation of the board of directors' proposal for these remuneration guidelines, salary and employment conditions for employees of the company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the remuneration committee's and the board of directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

THE DECISION-MAKING PROCESS TO DETERMINE, REVIEW AND IMPLEMENT THE GUIDELINES.

The board of directors has established a remuneration committee. The committee's tasks include preparing the board of directors' decision to propose guidelines for executive remuneration. The board of directors shall prepare a proposal for new guidelines at least every fourth year and submit it to the general meeting. The guidelines shall be in force until new guidelines are adopted by the general meeting. The remuneration committee shall also monitor and evaluate programs for variable remuneration for the executive management, the application of the guidelines for executive remuneration as well as the current remuneration structures and compensation levels in the company. The CEO and other members of the executive management do not participate in the board of directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

DEROGATION FROM THE GUIDELINES

The board of directors may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the company's long-term interests, including its sustainability, or to ensure the company's financial viability. As set out above, the remuneration committee's tasks include preparing the board of directors' resolutions in remuneration-related matters. This includes any resolutions to derogate from the guidelines.

EVENTS AFTER THE END OF THE PERIOD

Bong decided during January 2020 to move the production of envelopes in Estonia to production sites in Sweden, Poland and Germany. In March 2020 Bong repurchased own senior bonds for an amount of SEK 10 million on the market.

The outbreak of the global Covid-19 pandemic, during the first quarter of 2020, will have a significant impact on the prevailing global climate. At the time of preparation of the annual report, analyses and assessments were made regarding potential effects for Bong in all countries where Bong has operations. The situation is different for each country and the uncertainty is great about the future economic effects, but overall no significant effects for the Group can be demonstrated at present.

OWNERSHIP

Bong's principal owner, with a holding of more than ten per cent of the votes and capital, is Holdham S.A., with 25 per cent of the votes and capital. Gomobile Nu AB, the second largest owner, owns 14.8 per cent of the votes and capital in the Company. All shares carry the same rights. There are no restrictions on the transferability of the shares due to legal regulations or rules in the Articles of Association. Bong is not aware of any agreements between direct shareholders in Bong that entail restrictions in the right to transfer shares. In the event of a public offer, no agreements are triggered that would have a material effect on Bong's earnings or financial position.

APPOINTMENT OF BOARD AND AMENDMENT OF ARTICLES

The Company's Board of Directors shall consist of a minimum of four and a maximum of nine members. The members are elected at a General Meeting of Shareholders for the period until the end of the first Annual General Meeting (AGM) held after appointment of the member. The Articles of Association can be amended at the AGM or a General Meeting of Shareholders.

RISKS AND OPPORTUNITIES

Like all business operations, Bong's operations are associated with risks and opportunities. The specific factors judged to have the greatest impact on Bong's operations are presented below.

OPERATING RISKS AND OPPORTUNITIES

MARKET DEVELOPMENT

Historically, the envelope market has developed in line with the general economic development. The development of the envelope market today is influenced by information technology development and the associated digitisation.

Demand for envelopes for direct mail varies with the economy. With the aid of more sophisticated databases with personal information a market is being created for highly sophisticated envelopes intended for personally addressed direct mail. Large promotional mailings in envelopes are declining in frequency and scope over time.

Administrative mailings as a whole has declined with respect to account statements, order confirmations, etc. as part of digitisation and internet penetration. The strong demand for packaging in both e-commerce and traditional retail creates great opportunities for Bong to create growth in its packaging line. Packaging customers also present an opportunity for cross-selling of envelopes. Over time, growth in the packaging area is expected to compensate for the decline in envelopes. Bong is closely monitoring developments and is very active within packaging to ensure sustained growth.

POSTAGE AND CHARGES

Changes in postage and charges can lead to changes in letter and mail volumes. Postage increases have a negative impact on volumes, while postage decreases have a positive impact. Postage is usually based on weight or size. Several large markets are using weight-based postage. A transition from weight to size-based postage could lead to changes in Bong's product mix and cause a shift towards smaller envelope sizes.

INDUSTRY STRUCTURE AND PRICE COMPETITION

The European envelope market is undergoing a continuous consolidation. The three largest envelope companies represent just more than 60 per cent of the total market. However, some of the major markets are still fairly fragmented. Bong believes that overcapacity in the industry has fallen slightly.

PAPER PRICES

Uncoated fine paper is the single most important input material for Bong. The cost of fine paper is about 50 per cent of the total cost. Under normal conditions, Bong can compensate for price increases, with some time lag.

DEPENDENCE ON INDIVIDUAL SUPPLIERS AND/OR CUSTOMERS

Uncoated fine paper is Bong's most important input material and is mainly purchased from three major suppliers. Delivery disruptions from any of the three suppliers could affect Bong negatively in the short term. In a long term perspective, Bong does not have any suppliers that are critical to its

operations. The Group's dependence on individual customers is limited.

The biggest customer accounts for four per cent of annual sales, and the 25 biggest customers account for 37 per cent of total sales.

CAPITAL NEEDS AND INVESTMENTS

All companies in the European envelope industry have roughly the same production equipment. The age of the machinery is of limited importance for production efficiency, but newer machines generally have higher capacity. Machine wear is low, and production control and automation are crucial for cost-effective production. In general, the long life of the machines inhibits scrapping and consolidation in the industry. On the other hand, the low investment needs lead to good cash generating capacity. At year-end the Group's machinery consisted of about 150 envelope machines and 80 overprinting presses. The investment need in existing structure is judged to be limited during the next few years and clearly less than the Group's depreciation costs.

FINANCIAL RISK MANAGEMENT

Information regarding goals and applied principles for financial risk management, use of financial instruments and exposure to currency risks, interest rate risks and liquidity risks is provided in note 1.

DISPUTES

Bong has no on-going or pending material legal disputes.

ENVIRONMENT

Bong complies with the environmental laws and rules that apply in each country to this type of industrial production. By means of measurements and regular inspections, Bong has ensured that emission limits are not exceeded. There are no indications that the laws in this area will change in such a way that Bong would be affected to any significant extent or that Bong would be unable to comply with these requirements in the future.

SENSITIVITY ANALYSIS

Important factors that affect Bong's earnings and financial position are the volume trend for envelope sales, the price trend for envelopes, paper prices, payroll costs, currency rate changes and interest rate levels. The table below shows how Bong's 2019 earnings would have been affected by a change in a number of parameters. Reported effects should be regarded merely as an indication of how profit after financial items would have been affected by an isolated change in the particular parameter.

Parameter	Change	Impact on earnings after financial items, SEK million
Price	+/- 1%	21 +/-
Volume	+/- 1%	1 +/-
Paper prices	+/- 1%	12 -/+
Payroll costs	+/- 1%	6 -/+
Interest level borrowing	+/- 1%-point	2 -/+

CORPORATE GOVERNANCE REPORT

Effective and clear corporate governance helps secure the confidence of Bong's stakeholders while also increasing focus on business benefits and shareholder

value in the Company. Bong's Board of Directors and management strive, by means of great transparency, to make it easier for the individual shareholder to follow the Company's decision pathways and to clarify where in the organisation responsibilities and powers lie.

CORPORATE GOVERNANCE PRINCIPLES

Corporate governance within Bong is based on applicable legislation, the regulatory framework for Nasdaq Stockholm and various internal guidelines. The most recent version of the Swedish Code of Corporate Governance ("the Code") was published in November 2019 and covers all listed companies as of 1 January 2020. Bong applies the Code, and in those cases the Company has chosen to disregard the rules of the Code, the reason is given in the appropriate section of the Corporate Governance Report.

Bong is a Swedish public limited liability company whose shares are traded on Nasdaq Stockholm in the Small Cap segment. Bong has around 2,450 shareholders.

Responsibility for management and control of Bong is divided between the shareholders at the General Meeting of Shareholders, the Board of Directors, its elected committees and the CEO, according to the Swedish Companies Act, other acts and ordinances, the Code and other applicable rules governing listed companies, the Articles of Association and the Board's internal policy instruments. The purpose of corporate governance is to define a clear division of responsibilities and roles between owners, Board of Directors, executive management and appointed control bodies.

CORPORATE GOVERNANCE REPORT 2019

OWNER INFLUENCE

Governance of Bong is exercised via the General Meeting of Shareholders, the Board of Directors and the CEO. The highest decision-making body in Bong is the General Meeting of Shareholders.

The Annual General Meeting (AGM) elects the Company's Board of Directors. The duties of the AGM also include adopting the Company's financial statements, deciding how to distribute the earnings, and deciding whether or not to discharge the members of the Board and the CEO from liability. The AGM also elects Bong's auditors.

21 shareholders, representing 38 per cent of the shares and votes in the Company participated in Bong's Annual General Meeting on 16 May 2019 in Malmö, Sweden. All Board members and the Company's auditors were present or represented at the AGM.

BOARD OF DIRECTORS

Bong's Board of Directors decides on the Group's overall strategy and on the acquisition and disposal of business entities and real estate.

The work of the Board is regulated, e.g. by the Swedish Companies Act, the Articles of Association and the rules of procedures adopted by the Board for its work. According to the Articles of Association, the Board of Directors shall consist of at least four and at most nine members.

From the time of the AGM in 2019 the Board has consisted of six AGM-elected members without deputies and two employee members with one deputy. The Chairman of the Board since the AGM 2016 is Christian Paulsson. The other Members of the Board are Mikael Ekdahl (vice chairman), Stéphane Hamelin, Eric Joan, Stefan Lager and Helena Persson.

The Board of Directors has appointed from among their number two committees: the Audit Committee and Remuneration Committee.

REMUNERATION OF THE BOARD

The Chairman of the Board received a fee during 2019 of SEK 350,000 (350,000). The amount is part of the total fee payable to the Board stipulated by the AGM 2018 and includes a fee for work in the Audit Committee. No other fees were paid. There is no agreement on pension, severance pay or other benefits. Information about remuneration of the Board of Directors, as resolved by the 2019 Annual General Meeting, can be found in note 4.

BOARD MEMBERS ELECTED BY THE AGM

Christian Paulsson (b. 1975)

Chairman of the Board since May 2016 and Board member since 2014.

Member of the Audit Committee and Chairman of the Remuneration Committee.

Education and previous experience: Bachelor of Business Administration, European University Bruxelles. CEO of Formar Assistans AB, CEO Liv ihop AB (publ), CEO and deputy CEO of the business systems company IBS AB and CEO of the broker firm Lage Jonason AB. Corporate Finance experience from Mangold Fondkommission, Alfred Berg/ABN Amro Fondkommission and Booz & Co.

Other directorships/positions: Board member of Huntway AB and Paulsson Advisory AB.

Terminated board appointments/partnerships over the past five years:

Chairman of Liv ihop AB (publ), Member of the Board of Hubbr AB, IBS AB, Caperio Holding AB and Apper Systems AB.

Holding in Bong: 9,126,695 shares through Paulsson Advisory AB.

Mikael Ekdahl (b. 1951)

Board member since 2001. Chairman of the Audit Committee and member of the Remuneration Committee.

Education and previous experience: LL.B and MSc Business and Economics, Lund University. Member of the Swedish Bar Association, former partner of, now in cooperation with Mannheimer Swartling Advokatbyrå AB.

Other directorships/positions: Chairman of Melker Schörling AB, Chairman of Absolent Group AB and Mikael Ekdahl AB.

Terminated board appointments/partnerships over the past five years: Chairman of Marko Group AB.

Holding in Bong: 60,000 shares.

Stéphane Hamelin (b. 1961)

Board member since 2010. Member of the Remuneration Committee.

Education and previous experience: CEO of Bong AB. Active at Borloo law firm 1984-1989.

Other appointments/positions: Chairman of the Board of Holdham S.A.

Terminated board appointments/partnerships over the past five years: -.

Holding in Bong: 52,850,282 shares through Holdham S.A.

Eric Joan (b. 1964)

Board member since 2010.

Education and previous experience: Graduate from École Polytechnique Universitaire de Lille and Harvard Business School.

Other appointments/positions: CEO of Hamelin Group.

Terminated board appointments/partnerships over the past five years: -.

Holding in Bong: -.

Stefan Lager (b.1962)

Board member since 2017.

Education and previous experience: Education in management and datalogy. Sr. VP Europe and Americas at Beijer Electronics Products AB, Managing Director PostNord Fulfilment AB, Head of Division Fulfilment Strålfors, Senior Vice president Strålfors.

Other directorships/positions: CEO of Beijer Electronics

Terminated board appointments/partnerships over the past five years: Board member of Centre for information logistics, board member of PostNord Fulfilment AS and board member of PostNord Fulfilment Sp.z.o.o.

Shares in Bong: -.

Helena Persson (b. 1970)

Board member since 2015.

Education and previous experience: B. Sc. in Human Resources Development and Labour Relations, Lund University. Holds a position in Human Resources at RWE Renewables Sweden AB and has previous experience in Human resources in E.ON Sweden AB, as HR-consultant, HR Director at Pergo Europe AB, HR Manager at Clinical Data Care and as representative of Swedish Pharmaceutical Association and Akademikerförbundet SSR.

Other directorships/positions: -.

Terminated board appointments/partnerships over the past five years:

Deputy board member in Indus Consulting AB, Board member in Declam AB.

Shares in Bong: 50,000.

EMPLOYEE REPRESENTATIVES

Christer Muth (b. 1954)

Employee representative on the Board of Bong AB since 2008.

Representative of PTK.

Education and previous experience: Sales and customer service, Bong Sverige AB.

Other positions/directorships: -.

Terminated board appointments/partnerships over the past five years: -.

Shares in Bong: -.

Mats Persson (b. 1963)

Employee representative on the Board of Bong AB since 2020, alternate since 2001

Representative of Grafiska Personalklubben.

Education and previous experience: Factory worker at Bong Sverige AB.

Other directorships/positions: -.

Terminated board appointments/partnerships over the past five years: -.

Shares in Bong: -.

RULES OF PROCEDURE FOR THE BOARD

The Board of Directors has adopted written rules of procedure and issued written instructions concerning the division of responsibilities between the Board and the CEO. There are instructions regarding information to be furnished regularly to the Board of Directors. During financial year 2019, the Board of Directors held six meetings in addition to the statutory meeting. The CEO provided board members with information at all regular meetings about the financial position of the Group and significant events in the Company's operations. The Board meets at least four times a year in addition to the

statutory meeting. One of the meetings can be held at one of the Group's units and be combined with an in-depth review of this unit.

The following important issues were dealt with on board meetings during 2019:

- 13 February Year-end report and report from the Auditors
- 16 May Interim report Q1 and statutory board meeting subsequent to the AGM 2019
- 12 July Half-year report Q2
- 19 September visit at subsidiary
- 14 November interim report Q3
- 12 December Budget 2020

COMPOSITION OF THE BOARD OF DIRECTORS AND NUMBER OF FORMAL MEETINGS IN 2019

Bong complies with the Code with regard to requirements for independent Board members.

	Independent of company ¹	Independent of major shareholders ¹	Attendance at board meetings
Christian Paulsson	Yes	No	5
Mikael Ekdahl	Yes	Yes	6
Stéphane Hamelin	No	No	5
Eric Joan	Yes	No	5
Stefan Lager	Yes	Yes	5
Helena Persson	Yes	Yes	6

¹The assessment of independence has been made in accordance with the Code.

RESTRICTIONS ON VOTING RIGHTS

The Company's articles of association do not contain any limitations in respect to how many votes each shareholder may cast at an AGM or a General Meeting of Shareholders.

NOMINATION COMMITTEE

The Annual General Meeting appoints a Nomination Committee whose task is to submit proposals to the AGM in consultation with the principal owners on the composition of the Board of Directors.

The Nomination Committee elected by the 2019 AGM consisted of three members: Stéphane Hamelin (Holdham S.A.), Ulf Hedlundh (Svolder AB) and Christian Paulsson (Paulsson Advisory AB). Stéphane Hamelin was appointed Chairman of the Nomination Committee. Since Bong's principal shareholders (Holdham S.A, Svolder AB and Paulsson Advisory AB), represented about 37 per cent of votes, it was only natural that they were represented on the Nomination Committee. Furthermore, said shareholders considered it to be natural that a representative from one of the largest shareholders in terms of votes should serve as Chairman of the Nomination Committee. The Nomination Committee has dealt with the issues that follow from the Code and received a Board evaluation from the Board. The evaluation was performed using a questionnaire which showed that the Board functions well. The Nomination Committee has had one formal meeting with regular contacts in between.

REMUNERATION COMMITTEE

The Board of Directors has appointed a Remuneration Committee consisting of Christian Paulsson, chairman, Mikael Ekdahl and Stéphane Hamelin.

The committee's task is to review and give the Board recommendations regarding the principles for remuneration, including performance-based remuneration of the Company's senior executives. Issues concerning the CEO's terms of employment, remuneration and benefits are prepared by the Remuneration Committee and decided by the Board of Directors. The CEO's salary consists of a fixed portion and a variable portion. The variable component, which is re-examined annually, is dependent on the achievement of results for the Company and the CEO.

The Remuneration Committee met on one occasion in 2019, at which all members participated.

AUDIT COMMITTEE

The Board of Directors has appointed an Audit Committee consisting of Mikael Ekdahl, chairman, and Christian Paulsson.

The Audit Committee shall oversee that the Company's accounts are prepared with full integrity for the protection of the interests of shareholders and other parties and specifically be responsible to review and monitor the impartiality and independence, and pay particular attention to whether the auditor is delivering other services to the holding company other than auditing. In addition, the Audit Committee shall approve all non-audit services, issue guidelines on allowable tax and valuation services, ensuring that the fees for non-audit services do not exceed the 70 per cent rule and monitor the auditor's assessment of its impartiality and independence. The 70 per cent rule means that fees for advisory services may not exceed 70 per cent of the last three years' average audit fee.

The Audit Committee met three times in 2019, all of which were fully attended.

EXTERNAL AUDITORS

Bong's auditors are elected by the AGM for a term of one year. The 2019 AGM elected accounting firm PricewaterhouseCoopers AB, with authorised auditor Lars Nilsson, as principal auditor, and authorised auditor Christer Olausson as co-auditor, for a one-year mandate period.

The auditors review the Board's and the CEO's administration of the Company and the quality of the Company's audit documents. The auditors report the results of their review to the shareholders via the Audit Report, which is presented at the AGM. In addition, the auditors submit detailed accounts to the Board of Directors at least once a year and report to the Audit Committee at each of its meetings.

THE CEO AND GROUP MANAGEMENT

The CEO leads the day-to-day management of the Company in accordance with the Board's guidelines and directions. The CEO is responsible for keeping the Board of Directors informed and ensuring that the Board of Directors has all the material needed to make informed decisions. The CEO also keeps the Chairman of the Board informed, by continuous dialogue, of the development of the Group. The CEO and others in the Group Management hold formal meetings about every quarter, as well as a number of informal meetings, to go through the results of the previous month and discuss strategy. In 2019, Bong's Group Management consisted of five persons. The Group consists of the parent company Bong AB and a number of subsidiaries, as reported in note 18.

Reporting by subsidiaries takes place on a monthly basis. The boards of the subsidiaries mainly consist of members of Bong's corporate management.

REMUNERATION FOR GROUP MANAGEMENT

The 2019 AGM decided that the Group Management's salaries should consist of a fixed basic salary plus variable performance-based remuneration which can be paid for performance that exceeds what is normally expected of a member of the Group Management after an evaluation has been made of individual performances and the Company's reported profit.

The extent to which pre-established goals for the Company and the senior executive have been achieved is taken into account when establishing the variable remuneration. The total remuneration for members of the Group Management should be set at market terms.

INTERNAL CONTROL

The Board of Directors is responsible for ensuring that there is a good system for internal control and risk management. Responsibility for creating good conditions for working with these matters is delegated to the CEO. Both Group Management and managers at different levels in the Company bear this responsibility in their respective areas. Powers and responsibilities are defined in policies, guidelines and instructions for authorisation rights.

THE BOARD'S STATEMENT REGARDING INTERNAL CONTROL

According to the Code, the Board of Directors shall annually submit a description of the Company's system for internal control and risk management regarding financial reporting. This report is prepared in accordance with the Code.

ORGANISATION FOR INTERNAL CONTROL

Internal control regarding financial reporting is a process designed to provide reasonable assurance regarding the reliability of the external and financial reporting and whether the financial statements are prepared in accordance with generally accepted accounting principles, applicable acts and ordinances and other requirements for listed companies. The internal control activities are included in Bong's administrative procedures. Internal control regarding financial reporting in Bong can be described in accordance with the following framework.

CONTROL ENVIRONMENT

Internal control in Bong is based on a control environment that includes values and management culture, follow-up, a clear and transparent organisational structure, division of duties, the duality principle, quality and efficiency of internal communications. The basis of the internal control regarding financial reporting consists of a control environment with organisation, decision-making channels, powers and responsibilities that have been communicated in governing documents, such as internal policies, guidelines and instructions, as well as job descriptions for controlling functions. Examples are rules of procedure for the Board of Directors and CEO, instructions for financial reporting, information policy and authorisation instructions.

CONTROL ACTIVITIES

The control activities include both general and detailed controls intended to prevent, detect and correct errors and non-conformance. The control activities are devised and documented at the corporate and departmental level.

The internal regulatory framework with policies, guidelines and instructions comprises the most important tool for furnishing information and instructions for the purpose of securing the financial reporting. In addition, a standardised reporting package is used by all subsidiaries in order to ensure consistent application of Bong's principles and coordinated financial reporting.

RISK ASSESSMENT

Bong continuously evaluates the risks surrounding reporting. Furthermore, the Board of Directors is responsible for ensuring compliance with insider laws and standards for furnishing information. The overall financial risks are defined and taken into consideration in establishing the Group's financial goals.

The Group has an established, but changeable, system for management of business risks that is integrated in the Group's control process for business planning and performance. In addition, controls are routinely made on business risks and risk assessment within the Group. There are procedures for ensuring that significant risks and control deficiencies are, when necessary, detected by the Group Management and the Board of Directors on a periodic basis.

INFORMATION AND COMMUNICATIONS

In order to ensure effective and correct information, both internally and externally, good communications are required. There are guidelines for ensuring that relevant and essential information is communicated within the Group, within each unit and between the management and the Board of Directors. Policies, manuals and work descriptions are available on the Company's intranet and/or in printed form. In order to ensure that external information is correct and complete, Bong applies an information policy adopted by the Board of Directors.

FOLLOW-UP

The CEO is responsible for ensuring that internal control is organized and followed up in accordance with the guidelines issued by the Board of Directors. Financial governance and control are exercised by the Group accounting function. The financial reporting is analysed monthly at a detailed level. The Board of Directors has regular access to financial reports, and the Company's financial situation is dealt with at every Board meeting. Every quarterly report is reviewed by the Board of Directors. The CEO is also responsible for ensuring that independent objective reviews are performed for the purpose of systematically evaluating and proposing improvements in the processes for governance, internal control and risk management of the Group. In view of this, and how the financial reporting has otherwise been organised, the Board of Directors finds no need for a special internal auditing function.

PROPOSED DISTRIBUTION OF EARNINGS

The Board of Directors proposes that the earnings available for distribution, SEK -182,007,709.59 be carried forward. See note 34.

BOARD'S OPINION CONCERNING PROPOSED DIVIDEND

Bong's current priority is to reduce debt and improve profitability. Therefore, the Board proposes that no dividend be paid for 2019. No dividend was paid for 2018.

Consolidated income statements

TSEK	Note	2019	2018
INCOME STATEMENT			
Revenue	2	2,165,824	2,220,427
Cost of goods sold	3-4, 6, 7	-1,801,762	-1,853,535
Gross profit		364,062	366,892
Selling expenses	3-4, 6, 7	-192,481	-196,777
Administrative expenses	3-6, 7	-128,746	-227,617
Other operating income	7	63,197	28,716
Other operating expenses	7	-74,298	-22,913
Operating profit/loss		31,733	-51,699
Financial income	8, 11	989	1,314
Financial expenses	9, 11	-42,879	-57,956
Total financial income and expenses		-41,890	-56,642
Result before tax		-10,157	-108,341
Income tax	10	-13,876	-39,267
NET RESULT FOR THE YEAR		-24,032	-147,608
Attributable to:			
Parent Company's shareholders		-23,568	-149,065
Non-controlling interests		-464	1,457
Earnings per share attributable to Parent Company's shareholders			
- basic, SEK	12	-0.11	-0.71
- diluted, SEK	12	-0.11	-0.71
- basic, SEK, excluding non-recurring items	12	-0.11	-0.22
- diluted, SEK, excluding non-recurring items	12	-0.11	-0.22

TSEK	2019	2018
STATEMENT OF COMPREHENSIVE INCOME		
Net result for the year	-24,032	-147,608
Other comprehensive income		
Items not to be reclassified to the income statement		
Actuarial profit/loss on post-employment benefit obligations	-24,620	-6,263
	-24,620	-6,263
Items that may subsequently be reclassified to the income statement		
Cash flow hedges	78	-115
Impact of extended equity	-4,546	-12,514
Exchange rate differences	21,337	38,947
Income tax relating to components of other comprehensive income	7,087	3,650
Other comprehensive income after tax	-664	23,705
TOTAL COMPREHENSIVE INCOME	-24,696	-123,903
Attributable to:		
Parent Company's shareholders	-24,232	-125,360
Non-controlling interests	-464	1,457

Consolidated balance sheet

TSEK	Note	31 Dec. 2019	31 Dec. 2018
ASSETS			
Non-current assets			
Intangible assets			
Goodwill	13	529,906	518,438
Other intangible assets	14	8,554	17,079
Total		538,460	535,517
Tangible assets			
Property, plant and equipment	15	54,840	51,626
Plant and machinery	15-16	96,095	98,172
Equipment, tools, fixtures, and fittings	15	20,692	23,991
Construction in progress	17	3,161	5,453
Right to use assets	16	140,039	-
Total		314,827	179,242
Financial assets			
Deferred tax assets	19	113,387	110,057
Other non-current receivables		1,108	1,100
Total		114,496	111,157
Total non-current assets		967,783	825,916
Current assets			
Inventories etc.			
Raw materials and consumables	20	94,431	90,359
Products in progress		1,276	4,041
Finished products and merchandise		104,700	101,011
Total		200,407	195,411
Current receivables			
Trade receivables	21	217,557	281,900
Current tax assets		15,459	18,674
Other current receivables	22	43,242	24,532
Deferred expenses and accrued income	23	41,417	62,946
Total		317,675	388,052
Cash and cash equivalents	24	99,716	72,388
Total current assets		617,798	655,851
TOTAL ASSETS		1,585,581	1,481,767

TSEK	Note	31 Dec. 2019	31 Dec. 2018
EQUITY AND LIABILITIES			
Equity			
Share capital	31	236,549	236,549
Other contributed capital		796,845	796,845
Reserves	30	52,636	34,858
Retained earnings including net result for the year		-557,435	-499,159
Equity attributable to equity holders of the Parent		528,595	569,093
Non-controlling interests		76	495
Total equity		528,671	569,588
Non-current liabilities			
Borrowings	25	207,740	203,436
Deferred tax liabilities	19	10,144	13,965
Pension obligations	26	239,382	217,120
Other provisions	27	12,662	14,096
Other non-current liabilities		106,193	2,333
Total non-current liabilities		576,121	450,950
Current liabilities			
Borrowings	25	0	113
Trade payables		210,597	221,375
Current tax liability		9,553	1,426
Other current liabilities	22	82,235	60,718
Other provisions	27	11,881	9,162
Accrued expenses and deferred income	23	166,523	168,435
Total current liabilities		480,789	461,229
TOTAL EQUITY AND LIABILITIES		1,585,581	1,481,767

Statement of changes in consolidated equity

TSEK	Note	Attributable to Parent Company shareholders				Non-controlling interests	Total equity
		Share capital	Share premium	Reserves	Retained earnings incl. net result for the year		
Opening balance on 1 January 2018		236,549	800,088	-6,052	-345,364	11,018	696,239
Comprehensive income							
Net result for the year					-149,065	1,457	-147,608
Other comprehensive income							
Items not to be reclassified to the income statement							
Actuarial loss on post-employment benefit obligations, after tax					-4,730		-4,730
					-4,730		-4,730
Items that may subsequently be reclassified to the income statement							
Cash flow hedges, after tax				-90			-90
Impact of extended equity, after tax				-10,337			-10,337
Exchange rate differences, after tax				51,337		-11,980	39,357
Total other comprehensive income				40,910	-4,730	-11,980	24,200
Total comprehensive income				40,910	-153,795	-10,523	-123,408
Transactions with shareholders							
Bond loan, revaluation			-3,243				-3,243
Total transactions with shareholders			-3,243				-3,243
CLOSING BALANCE ON 31 DECEMBER 2018	30,31	236,549	796,845	34,858	-499,159	495	569,588
Opening balance on 1 January 2019		236,549	796,845	34,858	-499,159	495	569,588
Comprehensive income							
Net result for the year					-23,568	-464	-24,032
Other comprehensive income							
Items not to be reclassified to the income statement							
Changed accounting principles IFRS 16					-16,223		-16,223
Actuarial loss on post-employment benefit obligations, after tax					-18,485		-18,485
					-34,708		-34,708
Items that may subsequently be reclassified to the income statement							
Cash flow hedges, after tax				62			62
Impact of extended equity, after tax				-3,610			-3,610
Exchange rate differences, after tax				21,326		45	21,371
Total other comprehensive income				17,778	-34,708	45	-16,885
Total comprehensive income				17,778	-58,276	-419	-40,917
CLOSING BALANCE ON 31 DECEMBER 2019	30,31	236,549	796,845	52,636	-557,435	76	528,671

Consolidated statement of cash flow

TSEK	Note	2019	2018
OPERATING ACTIVITIES			
Operating profit/loss		31,733	-51,699
Depreciation, amortisation, and impairment losses		88,844	123,139
Interest received		85	56
Interest paid		-29,925	-17,498
Financial expense		-4,357	-10,886
Tax paid		4,547	-11,216
Other items not affecting liquidity	32	-4,446	-41,764
Cash flow from operating activities before changes in working capital		86,481	-9,868
Changes in working capital			
Inventories		-153	-8,025
Current receivables		78,707	1,110
Current operating liabilities		-64,562	-41,664
Cash flow from operating activities		100,473	-58,447
INVESTING ACTIVITIES			
Acquisition of intangible and tangible assets including advance payments to suppliers		-24,888	-19,714
Disposal of intangible and tangible assets		2,226	13,497
Cash flow from investing activities		-22,662	-6,217
Cash flow after investing activities		77,811	-64,664
FINANCING ACTIVITIES			
Change in credit facilities		-116	113
Change in other long-term debt		-422	10,037
Change in lease liabilities		-51,251	-
Cash flow from financing activities		-51,789	10,150
Cash flow for the year		26,022	-54,514
Cash and cash equivalents at start of year		72,388	124,082
Exchange rate difference in cash and cash equivalents		1,306	2,820
CASH AND CASH EQUIVALENTS AT YEAR-END		99,716	72,388

Income statements for parent company

TSEK	Note	2019	2018
INCOME STATEMENT			
Net sales	2	3,030	4,519
Administrative expenses	4-5, 7	-12,238	-19,005
Other operating income	7	27	37
Other operating expenses	7	-70	-56
Operating profit/loss	2	-9,250	-14,505
Profit from interests in subsidiaries	39	-90,000	-92,582
Other interest income and similar line items	8	27,892	26,502
Interest expenses and similar line items	9	-23,720	-33,601
Total financial income and expenses		-85,829	-99,681
Result before tax		-95,079	-114,185
Tax on profit/loss for the year	10	-31,088	-236
NET RESULT FOR THE YEAR		-126,166	-114,421

TSEK	2019	2018
STATEMENT OF COMPREHENSIVE INCOME		
Net profit for the year	-126,166	-114,421
Other comprehensive income		
Cash flow hedges	-	-
Income tax relating to components of other comprehensive income	-	-
Other comprehensive income after tax	-	-
TOTAL COMPREHENSIVE INCOME	-126,166	-114,421

Balance sheet for parent company

TSEK	Note	31 Dec. 2019	31 Dec. 2018
ASSETS			
Financial assets			
Interests in subsidiaries	18	422,822	422,822
Deferred tax assets	19	0	31,088
Receivables from subsidiaries		424,764	514,764
Total non-current assets		847,586	968,674
Current assets			
Current receivables			
Receivables from subsidiaries		718	3,662
Current tax asset		800	744
Other current receivables	22	69	0
Deferred expenses and accrued income	23	185	221
Total		1,771	4,627
Cash and cash equivalents		154	1,440
Total current assets		1,925	6,067
TOTAL ASSETS		849,511	974,741

TSEK	Note	31 Dec. 2019	31 Dec. 2018
EQUITY AND LIABILITIES			
Equity	31		
Restricted equity			
Share capital		236,549	236,549
Non-restricted equity			
Share premium reserve		383,264	383,264
Retained earnings		-75,093	39,328
Net profit for the year		-126,166	-114,421
Total non-restricted equity		182,005	308,171
Total equity		418,554	544,720
Non-current liabilities			
Borrowings		205,779	203,436
Total non-current liabilities	25	205,779	203,436
Current liabilities			
Trade payables		197	2,839
Liabilities to subsidiary		218,276	215,048
Other current liabilities	22	1,214	1,415
Accrued expenses and deferred income	23	5,491	7,283
Total current liabilities		225,177	226,585
TOTAL EQUITY AND LIABILITIES		849,511	974,741

Changes in equity for parent company

TSEK	Note	Restricted equity	Non-restricted equity		Total
		Share capital	Share premium reserve	Retained earnings incl. net profit for the year	
Opening balance on 1 January 2018		236,549	386,507	39,328	662,384
Comprehensive income					
Net profit for the year				-114,421	-114,421
Total comprehensive income				-114,421	-114,421
Transactions with shareholders					
Bond loan, revaluation			-3,243		-3,243
Total transactions with shareholders			-3,243		-3,243
CLOSING BALANCE ON 31 DECEMBER 2018	30, 31	236,549	383,264	-75,093	544,720
Opening balance on 1 January 2019		236,549	383,264	-75,093	544,720
Comprehensive income					
Net profit for the year				-126,166	-126,166
Total comprehensive income				-126,166	-126,166
CLOSING BALANCE ON 31 DECEMBER 2019	30, 31	236,549	383,264	-201,259	418,554

Cash flow statement for parent company

TSEK	Note	2019	2018
OPERATING ACTIVITIES			
Operating profit/loss		-9,250	-14,505
Interest received		27,842	26,441
Interest paid		-21,408	-26,412
Financial expenses paid		-85	-7,097
Tax paid		-56	-674
Other items not affecting liquidity	32	49	-19,256
Cash flow from operating activities before change in working capital		-2,908	-41,503
Change in working capital			
Current receivables		2,914	-3,211
Current operating liabilities		-1,292	4,679
Cash flow from operating activities		-1,286	-40,037
INVESTING ACTIVITIES			
Change in long-term receivables		-	-
Cash flow from investing activities		-	-
Cash flow after investing activities		-1,286	-40,037
FINANCING ACTIVITIES			
Loans raised		-	10,000
Cash flow from financing activities		-	10,000
Cash flow for the year		-1,286	-30,035
Cash and cash equivalents at start of year		1,440	31,477
Exchange rate difference in cash and cash equivalents		-	-
CASH AND CASH EQUIVALENTS AT YEAR-END		154	1,440

Accounting policies

Bong is one of the leading envelope manufacturers in Europe, offering a wide and flexible range of solutions for distribution and packaging of information, advertisement and lightweight goods. The Group has operations in Sweden, Norway, Denmark, Finland, Estonia, the United Kingdom, Belgium, Germany, France, Poland, Spain, Switzerland, Russia and Romania, Italy and Tunisia. Bong holds strong market positions, particularly in northern Europe, Germany, France and the United Kingdom. The annual report was approved by the Board for publication on 23 April 2020.

The most important accounting policies applied in preparing these consolidated financial statements are stated below. These policies have been applied consistently for all the years presented, unless otherwise stated. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the EU, RFR 1 Supplementary Accounting Rules for Groups and the Swedish Annual Accounts Act. The consolidated financial statements have been prepared in accordance with the cost method, except with regard to financial assets and liabilities (including derivative instruments) measured at fair value through profit and loss.

Preparing reports in accordance with IFRS necessitates making a number of important accounting estimates. It is further required that the management makes certain assessments in applying the company's accounting policies. The areas containing a high degree of assessment, which are complex or where assumptions and estimates are of material significance to the consolidated financial statements are stated in notes 13 Goodwill and 26 Pension Obligations.

CONSOLIDATED FINANCIAL STATEMENTS

SUBSIDIARIES

Subsidiaries are all companies (including structured companies) over which the Group has controlling interest. The Group controls a company when exposed to or has the right to variable returns from its holdings in the company and has the ability to affect earnings through their influence in the company. The consolidated accounts include companies acquired during the year from the date when control passes to the Group. Companies disposed of are included in the consolidated accounts until the date when the control no longer exists.

The acquisition accounting method is used to account for the Group's business combinations. The purchase price for acquisition of a subsidiary consists of the fair value of transferred assets, liabilities and the shares issued by the Group. The purchase price also includes the fair value of all assets and liabilities which are a consequence of an agreement on contingent consideration. Acquisition-related expenses are recognised as an expense when they arise. Identifiable acquired assets and liabilities and liabilities assumed in a business combination are initially measured at fair value on the acquisition date. The Group determines for each acquisition whether all holdings without controlling interest in the acquired company are recognised at fair value or at the non-controlling interest's proportionate share of the acquired company's net assets. The amount by which purchase price, any non-controlling interest and fair value on the date of acquisition of previous shareholdings exceed the fair value of the Group's proportionate share of identifiable acquired net assets is recognised as goodwill. If the amount is less than the fair value of the assets of the acquired subsidiary, in the event of a "bargain purchase", the difference is recognised directly in the statement of comprehensive income.

If the business combination is carried out in several steps, the previous proportionate shares of equity in the acquired company are remeasured to their fair value at the time of acquisition. Any profit or loss arising is recognised in profit or loss.

Each contingent consideration to be transferred by the Group is recognised at fair value at the time of acquisition. Subsequent changes in the fair value of a contingent consideration which has been classified as an asset or liability are recognised in accordance with IAS 39 either in profit or loss or in other comprehensive income. A contingent consideration classified as equity is not remeasured, and subsequent settlement is recognised in equity.

Inter-company transactions, balance-sheet items and unrealised gains and losses on transactions between Group companies are eliminated. Accounting policies for subsidiaries have been changed where appropriate to guarantee consistent application of the Group's policies.

TRANSACTIONS WITH NON-CONTROLLING INTERESTS

Transactions with non-controlling interests are treated as transactions with the Group's shareholders. In acquisitions from non-controlling interests the difference between purchase price paid and the actual acquired proportionate share of the fair value of the subsidiary's net assets is recognised in equity. Gains and losses on disposals to non-controlling interests are also recognised in equity. When the Group no longer has a controlling or significant interest, each remaining holding is remeasured at fair value and the change in carrying amount is recognised in profit and loss. Fair value is used as the initial carrying amount and provides the basis for the continued recognition of the remaining holding as an associate, joint venture or financial asset. All amounts pertaining to the divested unit previously recognised through other comprehensive income are recognised as if the Group had directly disposed of the related assets or liabilities. This may lead to amounts previously recognised in other comprehensive income being reclassified to profit and loss.

If the participating interest in an associate decreases but a significant interest nevertheless remains, in applicable cases only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit and loss.

ASSOCIATES

Associates are all companies in which the Group has a significant, but not controlling interest, which as a rule applies to shareholdings representing between 20 per cent and 50 per cent of the votes. Holdings in associates are recognised according to the equity method and measured initially at cost. The Group's carrying amounts for holdings in associates include goodwill identified at the time of acquisition, net after any impairment losses. The share of profit or loss which has arisen in the associate after the acquisition is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. Cumulative changes after the acquisition are recognised as change in the carrying amount of the holding. When the Group's share in the losses of an associate amount to or exceed its holding in the associate, including any unsecured receivables, the Group does not recognise further losses, unless the Group has incurred obligations or has made payments on behalf of the associate.

Unrealised gains on transactions with the associates are eliminated in proportion to the Group's holding in the associate. Unrealised losses are also eliminated, unless the transaction provides evidence of the existence of a need for impairment loss for the transferred asset. Accounting policies applied to associates have been changed where appropriate to guarantee consistent application of the Group's policies. Dilution gains and losses in participating interests in associates are recognised in the income statement.

SEGMENT REPORTING

External financial information has to reflect the information and the measures applied internally in the company to control the business and make

decisions on resource allocation. The company has to identify the level at which the company's most senior executive decision-maker makes regular reviews of sales and operating income. These levels are defined as segments. Bong's most senior executive decision-maker is the company's CEO. The regular internal reporting of income to the CEO which fulfils the criteria to constitute a segment, is done for the Group as a whole, and Bong therefore reports the total Group as the company's only segment.

TRANSLATION OF FOREIGN CURRENCIES

FUNCTIONAL CURRENCY AND REPORTING CURRENCY

Items included in the financial statements for the different units in the Group are measured in the currency used in the financial environment in which the company concerned is mainly active (functional currency). The Swedish krona (SEK), which is the functional and reporting currency of the Parent Company, is used in the consolidated financial statements.

TRANSACTIONS AND BALANCE-SHEET ITEMS

Transactions in foreign currencies are translated to the functional currency at the exchange rate applicable on the transaction date. Exchange gains and losses arising in the payment of such transactions and in the translation of monetary assets and liabilities in foreign currencies at the rate prevailing on the reporting date are recognised in profit or loss. An exception is when the transactions constitute hedges that meet conditions for hedge accounting of cash flows or of the net investment, when gains/losses are recognised in other comprehensive income.

GROUP COMPANIES

The earnings and financial position of all Group companies with different functional currency than the reporting currency are translated as follows. Assets and liabilities are translated at the closing rate and all items in the income statement at the average rate. Exchange-rate differences arising are recognised in other comprehensive income. Goodwill and adjustments of fair value arising on acquisition of a foreign operation are treated as assets and liabilities in that operation and translate at the closing rate.

IMPACT OF EXTENDED EQUITY

The parent company in the Group holds monetary items that are receivables from foreign operations, ie issued loans to foreign subsidiaries in the subsidiary's respective currency. For these loans, regulation is not planned or will probably not take place in the foreseeable future, which is why they in practice form part of net investment in the independent foreign operations. Exchange rate differences arising on these monetary items are reported in the consolidated financial statements in other comprehensive income and reclassified from equity to profit on the sale of the net investment.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at cost less depreciation. Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent expenditure is added to the carrying amount of the asset or recognised as a separate asset, depending on which is appropriate, only when it is likely that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other types of repairs and maintenance are recognised as expenses in the income statement during the period when they arise. Land is not subject to depreciation. Depreciation of other assets, to allocate their cost down to the calculated residual value, is based on the

estimated useful life of the assets and is calculated on a straight-line basis from the time when the asset is taken into service.

DEPRECIATION SCHEDULES

Buildings	25–33 years
Land improvements	20 years
Plant and machinery	10–15 years
Equipment, tools, fixtures and fittings, vehicles and computer equipment	5–10 years
Other intangible assets	3–8 years

The residual values and useful lives of the assets are tested, and adjusted if necessary, at each balance-sheet date. An impairment loss is recognised if its carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing sales revenue and carrying amount and are recognised in profit or loss.

INTANGIBLE ASSETS

GOODWILL

Goodwill consists of the amount by which cost exceeds the fair value of the Group's share of the identifiable net assets of the acquired subsidiary/associate on the acquisition date. Goodwill on acquisition of subsidiaries is recognised as intangible assets. Goodwill is tested annually to identify any impairment loss and is recognised at cost less cumulative amortisation. Profit or loss on disposal of a unit includes remaining carrying amount of the goodwill pertaining to the divested unit. In impairment testing, the Group is treated as a cash-generating unit.

SOFTWARE

Software of a standard character is recognised as an expense. Expenditure on software that has been developed or extensively adapted on behalf of the Group is capitalised as an intangible asset if the software is likely to have economic benefits that exceed the cost after one year. Capitalised expenditure on acquired software is depreciated on a straight-line basis, but no longer than over eight years. The amortisation is included in the income statement item 'Administrative expenses'.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets with an indefinite useful life are not amortised and are tested annually for impairment. Assets subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable value. The recoverable value is the higher of the fair value of the asset less selling expenses and value in use.

FINANCIAL ASSETS AND LIABILITIES FROM 1 JANUARY 2018

Financial instruments accounted for in the balance sheet include other non-current receivables, cash and cash equivalents, trade receivables, other current receivables as well as derivatives on the asset side. On the liabilities side they include borrowings, trade payables, other current liabilities, as well as derivatives.

CLASSIFICATION AND MEASUREMENT

Financial instruments are initially recognized at acquisition value corresponding to the instrument's fair value plus transaction costs for all financial instruments, except for instruments in the category fair value through profit or loss, which are recorded at fair value excluding transaction costs. The classification determines how the financial instrument is valued after initial recognition as described below.

The classification of financial assets that are debt instruments is determined by the business model for the portfolio in which the financial asset

is included and the nature of the contractual cash flows attributable to the instrument. Bong's business model for all financial assets that are debt instruments is to collect the principal amount and any interest on the principal amount. The contractual cash flows from these assets consist solely of principal amounts and interest, hence these are classified as financial assets valued at amortized cost. All financial assets in Bong are classified as amortized cost, except derivative instruments which are classified as fair value through profit or loss, or identified as hedging instruments.

All financial liabilities are classified as amortized cost, except derivative instruments which are classified as fair value through profit or loss, or identified as hedging instruments.

Derivative instruments are initially recognized at fair value, meaning that transaction costs are recognised in profit or loss. After initial recognition, derivative instruments are accounted for as described below. If derivative instruments are used for hedge accounting, changes in fair value on derivative instruments are recognized as described in the section "Derivatives and hedge accounting". For derivatives that are not part of a hedging relationship, the change in fair value is recognized as income or expenses within the operating profit or within the financial net, based on the purpose of the use of the derivative instrument and whether the use is related to an operating item or a financial item.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Assets in this category are subsequently measured at fair value with changes in fair value recognized in profit or loss. This category consists of two sub-groups: mandatorily classified at fair value and other financial assets that Bong has chosen to designate in this category. Financial instruments in this category are subsequently measured at fair value with changes in fair value recognized in profit or loss. The first sub-group includes derivatives with a positive fair value with the exception of derivatives that are an identified and effective hedging instrument. Bong has no financial assets as designated at fair value.

FINANCIAL ASSETS AT AMORTIZED COST

Assets in this category are initially measured at fair value including transaction costs and subsequently measured at amortized cost using the effective interest method. The category includes other long-term receivables, cash and cash equivalents, trade receivables and other current receivables. Cash and cash equivalents includes immediately available balances with banks and corresponding institutions, as well as short-term liquid investments with a maturity of less than three months from the date of acquisition, which are subject to insignificant risk of changes in value. Trade receivables are recognized less impairment for expected loan losses. Discounting is not applied due to the short term, hence amortized cost corresponds to the nominal amount.

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

This category consists of financial liabilities that are mandatorily classified at fair value through profit or loss and other financial liabilities that Bong has chosen to designate in this category. The first category includes Bong's derivatives with a negative fair value with the exception of derivatives that are an identified and effective hedging instruments. Changes in fair value are recognized in profit or loss for the year. Liabilities in this category include derivatives that are not identified as a hedging instrument.

FINANCIAL LIABILITIES VALUED AT AMORTIZED COST

Borrowings and other financial liabilities, e.g. trade payable, are included in this category. The liabilities are initially measured at fair value including transaction costs and subsequently measured at amortized cost using the effective interest method.

IMPAIRMENT

All financial assets, other than those belonging to the category of financial assets measured at fair value through profit or loss, are subject to impair-

ment. At the end of each reporting period, Bong calculates the expected credit losses for the remaining lifetime of a financial asset or group of financial assets. The most significant financial assets that are subject to impairment are short-term, hence Bong has chosen to apply the simplified model where expected credit losses are recognized for the remaining lifetime of the assets, from the date on which they are first recognized.

The expected credit loss levels are mainly based on an individual assessment of the current receivable together with the customers' payment history together with the loss history for the same period. Historical losses are then adjusted to take into account current and prospective information on macroeconomic factors that may affect customers' ability to pay the receivable. Bong has identified GDP and unemployment levels in countries where sales of goods and services take place, as relevant factors. The historical loss level is therefore adjusted based on expected changes in these factors.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include that the debtor fails with the repayment plan or that contractual payments locally are deemed to be substantially delayed.

Credit losses on trade receivable and contract assets are recognised as credit losses - net in operating profit. Recoveries of amounts previously written off are recognised against the same line in the income statement.

RECOGNITION AND DERECOGNITION

A financial asset or financial liability is recognised in the balance sheet when the company becomes a party to the instrument pursuant to the instrument's contractual terms and conditions. Trade receivables are recognised on the balance sheet when an invoice has been issued. A liability is recognised when the counterparty has performed under the agreement and the company is contractually obliged to pay, even if no invoice has been received. Trade payables are recognised when an invoice has been received. A financial asset is removed from the balance sheet when the rights in the agreement are realised or expire or the company loses control over them. This also applies to part of a financial asset. A financial liability is removed from the balance sheet when the obligation in the agreement is fulfilled or otherwise expires. This also applies to part of a financial liability.

A financial asset and a financial liability are offset and recognised as a net amount in the balance sheet only when there is a legal right to offset amounts and there is the intention to settle the items as a net amount or simultaneously realise the asset and settle the liability. The acquisition and sale of financial assets are recognised on the trade date, which is the date on which the company pledges to acquire or sell the asset.

FINANCIAL ASSETS AND LIABILITIES UP TO AND INCLUDING 31 JANUARY 2017

Group financial assets and liabilities are categorised as follows: Financial assets valued at fair value through profit and loss, loan receivables and trade receivables, as well as loans and other financial liabilities. The classification depends on the purpose for which the financial asset was acquired. The management establishes the classification of the financial on the first recognition occasion.

CLASSIFICATION AND MEASUREMENT

Financial instruments which are not derivatives are recognised initially at cost equivalent to the fair value of the instrument plus transaction expenses for all financial instruments except pertaining to those which belong to the category of financial asset, which are recognised at fair value through profit and loss, which have been recognised at fair value excluding transaction expenses. A financial instrument is classified on first recognition on the basis of the purpose for which the instrument was acquired. The classification determines how the financial instrument is measured on initial recognition.

FINANCIAL ASSETS VALUED AT FAIR VALUE THROUGH THE INCOME STATEMENT

Financial assets valued at fair value through profit and loss are financial assets held for trading. A financial asset is classified in this category if it is acquired principally for the purpose of being sold within a short time. Derivatives are classified as being held for trading unless identified as hedges. Assets in this category are classified as current assets if they are expected to be settled within twelve months, otherwise classified as non-current assets.

LOAN RECEIVABLES AND TRADE RECEIVABLES

Loan receivables and trade receivables are financial assets which are not derivatives, which have determined or determinable payments and which are not listed on an active market. These assets are measured at accrued cost. Accrued cost is determined on the basis of the effective interest rate calculated at the time of acquisition. Trade receivables are recognised in the amount expected to be received, i.e. after deduction of doubtful debts.

LOANS AND OTHER FINANCIAL LIABILITIES

Loans and other financial liabilities, such as trade payables, are included in this category. The liabilities are measured at accrued cost.

TRADE RECEIVABLES AND OTHER RECEIVABLES

Trade receivables are non-derivative financial assets with determined or determinable payments which are not listed on an active market. A distinguishing feature is that they arise when the Group provides goods directly to a customer without intending to trade with the receivable. They are included in current assets with the exception of items with a due date more than 12 months after the balance-sheet date, which are classified as non-current assets. Trade receivables are recognised initially at fair value and then at accrued cost by applying the effective interest rate method, less any reservation for depreciation. Reservation for depreciation of trade receivables is made when there is objective evidence that the Group will not be able to receive all sums due according to the original terms of the receivables. The size of the reservation consists of the difference between the carrying amount of the asset and the current value of estimated future cash flows, discounted with effective interest rate. The reserved amount is recognised in the income statement.

CASH AND CASH EQUIVALENTS

Classified as cash and cash equivalents, in addition cash and bank balances, are other current financial investments with a due date within three months from time of acquisition.

RECOGNITION AND DERECOGNITION

A financial asset or financial liability is recognised in the balance sheet when the company becomes a party to the instrument pursuant to the instrument's contractual terms and conditions. Trade receivables are recognised on the balance sheet when an invoice has been issued. A liability is recognised when the counterparty has performed under the agreement and the company is contractually obliged to pay, even if no invoice has been received. Trade payables are recognised when an invoice has been received. A financial asset is removed from the balance sheet when the rights in the agreement are realised or expire or the company loses control over them. This also applies to part of a financial asset. A financial liability is removed from the balance sheet when the obligation in the agreement is fulfilled or otherwise expires. This also applies to part of a financial liability.

A financial asset and a financial liability are offset and recognised as a net amount in the balance sheet only when there is a legal right to offset amounts and there is the intention to settle the items as a net amount or simultaneously realise the asset and settle the liability. The acquisition and sale of financial assets are recognised on the trade date, which is the date on which the company pledges to acquire or sell the asset.

DERIVATIVES AND HEDGE ACCOUNTING 2017 AND 2018

The Group's derivative instruments have been acquired to financially hedge risks of currency exposures for the Group. An embedded derivative is disclosed if it is not closely related to the value contract. Derivative instruments are initially recognised at fair value, meaning that transaction expenses are charged against earnings for the period. After the initial recognition, derivatives are measured at fair value and changes in value are recognised in ways as described below.

Meeting the requirements of hedge accounting in accordance with IAS 39 requires that there is a definite link to the hedged item. At inception of the hedge relationship, Bong documents the economic relationship between hedging instruments and hedged items including its risk management objective and strategy for undertaking its hedge transactions. Bong also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Gains and losses pertaining to hedging are recognised in the income statement at the same time as gains and losses are recognised for the items which are hedged. In hedge accounting, changes in value are booked in the hedge reserve in equity.

CASH FLOW HEDGING

The currency derivatives used to hedge future cash flows and forecast sale in foreign currency are recognised in the balance sheet at fair value. The changes in value are recognised in other comprehensive income until the hedged flow reaches the income statement, at which time the cumulative changes in value of the hedging instrument are transferred to the income statement to meet and match the effects on profit and loss of the hedged transaction.

INVENTORIES

The "first in first out" principle is applied when Inventories are measured meaning at the lower of cost and net selling price on the balance-sheet date. The cost of finished goods and work in progress consists of costs of raw materials, direct salaries, other direct expenses and attributable indirect manufacturing expenses (based on normal manufacturing capacity). Salary expenses are not included. Net selling price is the estimated selling price in operating activities less applicable variable selling expenses.

SHARE CAPITAL

Ordinary shares are classified as equity. Transaction expenses which can be directly attributed to issue of new shares or bonds are recognised, net after tax, in equity as a deduction from the issue proceeds.

TRADE PAYABLES

Trade payables are obligations to pay for goods or services which have been acquired on operating activities from suppliers. Trade payables are classified as current liabilities if they fall due within one year or earlier. If not, they are treated as non-current liabilities. Trade payables are recognised initially at fair value and subsequently at accrued cost with application of the effective interest-rate method.

BORROWING

Liabilities to credit institutions and, in the parent company, liabilities to subsidiaries, are recognised initially at fair value, net after transaction expenses. Borrowing is then recognised directly at accrued cost and any difference between amount received (net after transaction expenses) and the amount of repayment is recognised in profit and loss distributed over the loan period, with application of the effective interest method. Borrowings are classified as current liabilities unless the Group has an

unconditional right to defer payment of the liability for least 12 months after the balance-sheet date.

Overdraft facilities are recognised as borrowing among current liabilities in the balance sheet.

INCOME TAXES

Tax expense for the period comprises current tax and deferred tax. Current tax is calculated on the basis of the tax rules decided on the balance-sheet date or in practice decided in those countries where the Group companies operate and generate taxable revenue.

Deferred tax is calculated in its entirety according to the balance-sheet method based on all temporary differences arising between the tax value of assets and liabilities and their recognised values. The principal temporary differences arise from untaxed reserves, provisions for pensions and other pension benefits, property, plant and equipment and carry-forwards of unused tax losses. Deferred tax is calculated with application of tax rates and tax laws which have been decided upon or notified at the balance-sheet date and which are expected to apply at the time of the realisation of the accrued tax receivable or the settlement of the deferred tax liability.

A deferred tax asset pertaining to carry-forward of unused tax losses and other future deductions for tax is recognised to the extent that it is probable that the deduction can be offset against surplus in future taxation. Deferred tax liability pertaining to temporary differences attributable to investments in subsidiaries is not recognised in the Bong consolidated financial statements since the parent in all cases may control the time of reversal of the temporary differences and it is not judged likely that a reversal will take place within the foreseeable future.

Deferred tax assets and tax liabilities are offset when there is a legal right to offset current tax assets and tax liabilities and when the deferred tax assets and the tax liabilities relate to taxes charged by the same tax authority and pertain to either the same taxpayer or a different taxpayer, where there is an intention to settle the balances through net payments.

In the case of items recognised in the income statement, associated tax effects are also recognised in the income statement. The tax effects of items recognised in other comprehensive income or directly against equity are recognised in other comprehensive income and equity respectively.

EMPLOYEE BENEFITS

PENSIONS

There are both defined-contribution and defined-benefit pension plans in the Group. The largest defined-benefit pension plans are in Sweden, Germany, France and Norway. In defined-contribution plans, the company pays set contributions to a separate legal entity and does not have any obligation to pay further contributions. Expenses are charged against Group profits as the benefits are earned. In defined-benefit plans, payments are made to employees and former employees based on final salary and number of years of service. The Group bears the risk for payment of pledged benefits. In cases where the plans are funded, assets have been set aside in pension funds or equivalent. The net sum of the calculated present value of the obligations and the fair value of plan assets is recognised as a provision in the balance sheet. Regarding defined-benefit plans, the pension expense and the pension obligation are calculated using the "Projected Unit Credit Method", in a way which allocates the cost over the working life of the employee. The calculation is performed regularly by independent actuaries. The company's commitments are valued at the current value of expected future payments using a discount rate which is equivalent to the interest on first-class corporate bonds or treasury bonds with a maturity equivalent to the obligations in question. The most important actuarial assumptions are shown in Note 26 Pension Obligations.

Actuarial gains and losses may arise when the present value of the obligation and the fair value of plan assets are determined. Actuarial gains and losses arising from experience-based adjustments and changes in actuarial assumptions are recognised in other comprehensive income

during the period in which they arise. Expenses pertaining to service during previous periods are recognised directly in the income statement.

If the pension expense and pension provision established for Swedish plans in accordance with IAS 19 differ, an expense for special payroll tax on the difference is also recognised. The accounting policy for defined-benefit pension plans described above is only applied to the consolidated financial statement.

TERMINATION BENEFITS

Termination benefits are payable when an employee's employment has been terminated by the Group before the normal retirement date or when an employee accepts voluntary redundancy in exchange for such benefits. The Group recognises severance pay when it is demonstrably obliged by a detailed formal plan to either terminate an employee without a possibility of withdrawal, or to provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

BONUS PLANS

The Group recognises a liability and an expense for bonuses when there is a legal obligation or an informal obligation based on previous practice.

OTHER EMPLOYEE BENEFITS

Other employee benefits are recognised as expenses as they become vested.

PROVISIONS

Provisions are recognised when there is a legal or informal obligation as a result of previous events and it is probable that an outflow of resources will be required to settle the obligation, and where the amount can be measured reliably. In cases where the Group can expect that a provision will be repaid, for example under an insurance contract, the repayment is to be recognised as a separate asset, but only when repayment is as good as certain. Provisions are measured at the best estimate of the amount which is expected to be settled. Provisions for restructuring include expenses for cancellation of lease agreements and severance benefits. No provisions are made for future operating losses.

REVENUE RECOGNITION

Bong applies the five-step model in IFRS 15 for all agreements with customers. In Bong's agreement with customers, product sales are judged to be a performance commitment. The basic principle is that income should reflect expected compensation in connection with the performance of a contractual commitment to the customer and correspond to the compensation to which the Group is entitled upon the transfer of control of the products delivered to the counterparty. The Group manufactures and sells envelopes and packaging for distributors. Revenue is recognised when control of the goods is transferred, which occurs when the goods are delivered to the distributor. Envelopes and packaging are often sold with individual discount or bonus agreements. The revenue from the sale of envelopes and packaging is recognised based on the price in the contract, with deductions for estimated discounts or bonuses. The Group has no agreements with expected maturities that exceed 12 months at the origin of the contract, so contracted but not yet fulfilled performance commitments are not disclosed.

FINANCIAL INCOME AND EXPENSES

Financial income consists of interest income on invested funds, dividend income, gains on changes in value of financial assets measured at fair value through profit or loss, and gains on hedging instruments which are recognised in the income statement. Interest income on financial instruments is recognised according to the effective interest method (see below). Dividend income is recognised when the right to receive a dividend has been established. The gain or loss from sale of a financial instrument is recognised when the economic risks and rewards incidental

to ownership have been transferred to the purchaser and the Group no longer has control over the instrument.

Financial expenses consist of interest expenses on loans, the effect of dissolution of present-value calculation of provisions, loss on change in value of financial assets measured at fair value through profit or loss, impairment of financial assets and losses on hedging instruments which are recognised in the income statement. All borrowing costs are recognised in the income statement by applying the effective interest method, regardless of how the borrowed funds have been used. Exchange gains and losses are recognised net. The effective interest rate is the rate which discounts the estimated future receipts and payments through the expected life of a financial instrument to the net carrying amount of the financial asset or liability. The calculation includes all fees paid or received by the contracting parties which are a part of the effective interest rate, transaction costs and all other premiums or discounts.

LEASE AGREEMENTS

In January 2016, IASB issued a new lease standard that will replace IAS 17 Leases and the related interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires assets and liabilities arising from all leases, with some exceptions, to be recognized on the balance sheet.

According to the new standard the lessee must report the obligation to pay the leasing fees as a leasing debt in the balance sheet. The right to utilize the underlying asset during the lease term is reported as a right-of-use asset. Depreciation of the asset is recognized in profit or loss as well as an interest on the lease debt. Paid leasing fees are reported partly as interest payment and partly as amortization of the lease debt. The standard excludes leasing agreements with a lease term of less than 12 months (short-term lease agreements) and leasing agreements for assets that have a low value. The standard also allows for a relief rule regarding the separation of nonleasing components from leasing components. Bong has chosen to adopt the below modified retrospective transition approach.

The group's assets and debts relating to all leasing agreements are recognized in the balance sheet. The obligation to pay the leasing fees as a leasing debt is recognized in the balance sheet. The right to utilize the underlying asset during the lease term is reported as a right-of-use asset. Depreciation of the asset is recognized in profit or loss as well as an interest on the lease debt. Paid leasing fees are reported partly as interest payment and partly as amortization of the lease debt.

The group excludes leasing agreements with a lease term of less than 12 months (short-term lease agreements) and leasing agreements for assets that have a low value as well as separation of non-leasing components from leasing components.

SHORT TERM LEASE AGREEMENTS

A short-term lease is a lease agreement with a lease term that is shorter than 12 months from the start of the lease term.

LEASE AGREEMENTS WITH MINOR VALUE

Lease agreements of minor value is a lease agreement where the underlying asset is of low value. The assessment is based on the value of the asset when it is new regardless of the value of the asset. Lease agreements of minor value are defined based on the value of the underlying asset.

LEASE COMPONENTS AND NON-LEASE COMPONENTS

According to the main rule in IFRS 16, non-leasing components shall be reported separately from the leasing component and expensed in the income statement. However, the lessee may choose not to separate non-leasing components from the leasing component and this choice is made based on asset classes. Bong has chosen to apply this exception rule.

Bong will apply IFRS 16 from January 1, 2019 and will use the simplified transition method. Leases with a remaining maturity of less than 12 months at the time of transition to IFRS 16 are classified as short-term lease agreements in accordance with the exception rule and expensed.

Bong has assessed the lease term for the lease agreements and then taken into account any extension and or termination options in accordance with the provisions of IFRS 16. If it is reasonably certain that the option will be exercised, this has been taken into account in the determination of the lease term.

Bong's leasing contracts are primarily property rental agreements. They also include car rental agreements.

RESEARCH AND DEVELOPMENT

Expenditure on research work is recognised as an expense when it occurs. Expenditure on development work is normally recognised as an expense when it occurs. The development work done is of great importance to the Group, but has the character of maintenance development, which means that all criteria according to IAS 38 are not met.

CASH FLOW STATEMENT

The cash flow statement is prepared according to the indirect method. The recognised cash flow only comprises transactions that entail cash receipts or cash payments.

DIVIDEND

Dividend to the Parent Company's shareholders is recognised as a liability in the consolidated financial statements in the period when the dividend is determined by the Parent Company's shareholders.

PARENT COMPANY ACCOUNTING POLICIES

The Parent Company has prepared its annual report in accordance with the Swedish Annual Reports Act and RFR 2 Accounting for Legal Entities. The rules in RFR 2 state that the Parent Company shall, in preparing the annual report for the legal entity, apply all IFRSs and statements approved by the EU as far as possible while complying with the Swedish Annual Reports Act and the Act on Safeguarding of Pension Obligations and taking into account the relationship between accounting and taxation. This recommendation defines the exceptions and additional disclosures compared with IFRS.

Consequently, the Parent Company applies the principles presented in the consolidated accounts, with the exceptions indicated below. These principles have been applied consistently for all years presented, unless otherwise stated.

FORMAT

The Income Statement and Balance Sheet follow the format in the Swedish Annual Reports Act, meaning that there are differences compared with the consolidated accounts, mainly with regard to untaxed reserves and provisions.

SHARES AND INTERESTS IN SUBSIDIARIES

Shares and interests in subsidiaries are recognised at cost minus impairment losses. Dividends received are recognised as financial income.

GROUP CONTRIBUTIONS AND SHAREHOLDER CONTRIBUTIONS

Shareholder contributions are recognised as an increase in the value of shares and interests. A judgement is thereby made of whether the value of shares and interests is impaired. Group contributions paid to subsidiaries are reported, depending on the relationship between accounting and taxation, in the income statement on the line Profit from interests in subsidiaries. Group contributions received from subsidiaries are reported in the same way as customary dividends from subsidiaries and are thus reported as financial income on the line Profit from interests in subsidiaries.

Notes

All values are in thousand SEK unless stated otherwise.

NOTE 1 – FINANCIAL RISK MANAGEMENT

Business operations are conducted on the basis of a finance policy adopted by the Board of Directors that provides rules and guidelines for how the different financial risks are to be managed. This policy governs both overall risk management and specific areas, such as foreign exchange risk, interest rate risk, the use of hedging instruments and investment of excess liquidity. The finance policy identifies three significant risks; market risk, credit risk and liquidity risk, to which the Group is exposed in its day-to-day operations. The Group's financial policy focuses on minimizing possible unfavorable effects on the Group's financial results due to the unpredictability of the financial markets.

Financial risk management is the responsibility of a central finance function, which identifies, evaluates and manages financial risks in close collaboration with the subsidiaries. The hedging instruments used are loans, as well as currency and interest rate derivatives, according to the guidelines established in the finance policy.

MARKET RISK

Market risk refers to the currency risk that arises when future purchase and sales agreements or commercial invoices in a currency that is not the unit's functional currency affect a future operating profit (transaction exposure), and when the value of foreign investments is affected by currency rate fluctuations (translation exposure), as well as the interest rate risk that can adversely affect the Group's net interest income when market rates change.

(A) CURRENCY RISK

In 2019 Bong's sales to countries outside of Sweden accounted for 85 (86) per cent of total sales. Of the Group's total sales, approximately 61 (61) per cent were denominated in EUR, 19 (19) per cent in GBP, 15 (14) per cent in SEK, and 5 (6) per cent in other currencies. There is also local management of foreign currencies in the subsidiaries (please refer to the section on Transaction exposure below).

(i) Transaction exposure

The Group's operational flows (sales and purchasing) as well as financial flows (interest payments and amortization) in currencies other than the functional currency of the company, are exposed to currency risk consisting of the risk of fluctuations in the value of accounts receivable, accounts payable and other current receivables and liabilities, as well as the risk of changes in expected and contracted future invoiced currency flows.

Bong is manufacturing on the majority of the major markets, limiting transaction exposure. The currency risk arises mainly from internal purchases and sales in foreign currency between Bong's units, external purchases and sales in foreign currency. The Group's financial policy requires the subsidiaries to report their currency risk to the central finance function. This risk is then aggregated centrally and hedged with forward exchange contracts. Bong's risk management policy is to hedge between 50 per cent and 100 per cent of expected net cash flow in foreign currency for the next twelve months,

depending on maturity dates. During the fiscal year it has not been possible through agreements with banks to follow the financial policy which is why the Board has given mandate to deviate from the financial policy.

The currency exposure in the group arises from a number of currency pairs, see table below. With a change of 10 per cent, the Group's earnings on an annual basis, given the same flows as 2019, would have changed by SEK +16/-16 million (+18/-18) excluding currency hedges.

	10% change	
	EUR	SEK
EUR/NOK	0,0	0,3
EUR/SEK	141,2	1,495.6
EUR/GBP	963,7	10,204.6
EUR/PLN	343,5	3,637.5
EUR/RON	99,6	1,054.9
Total	1,548	16,393

If the EUR had appreciated/depreciated by 10 per cent against the SEK on the balance sheet date, with all other variables constant, transaction exposure would result in a worsening/improvement of earnings by SEK 0.4 million (0.6) due to losses/gains in the translation of trade receivables, trade payables and accrued interest costs denominated in EUR.

DKK is also included in the sensitivity calculations above, because this currency during the reporting period had a fixed exchange rate against EUR.

(ii) Translation exposure

Currency risks also exist in the translation of the assets, liabilities and profits of foreign subsidiaries to the Parent Company's functional currency, known as translation exposure.

Bong's policy is for the subsidiaries to primarily take out loans in their local currency to limit translation exposure. The loan portfolio is handled by the central finance function.

Translation exposure in the Group mainly comprises EUR and GBP. If the EUR had appreciated/depreciated by 10 per cent compared with the closing rate on 31 December 2019, with all other variables constant, earnings would have changed by SEK +2.0/-2.0 million (-1.5/+1.5), as a result of revaluation of subsidiaries' loans and deposits in Bong International AB. The same change would have increased/decreased consolidated equity by SEK +42.1/-42.1 million (+59.7/-59.7) as a result of gains/losses from translation of net investments in the subsidiaries. The analysis also includes items in DKK, since this currency during the reporting period had a fixed exchange rate against EUR. For GBP the effect on earnings would be a change of SEK -0.0/+0.0 million (+0.4/-0.4) and equity would increase/decrease by SEK +4.4/-4.4 million (+12.2/-12.2).

(B) INTEREST RATE RISK

Interest rate risk is the risk that the Group's net interest income declines due to rising market interest levels.

At year end the Group's borrowings consist of a senior secured bond in the amount of SEK 210 million which was issued on 19 October 2018 at three years maturity. The loan carries an interest rate of STIBOR (3 months) plus 10 percent payable on a quarterly basis in January, April, July and October. Additional funding in the form of overdraft facilities exist to a lesser extent.

The Group does not have a significant interest rate risk.

CREDIT RISK

Credit risk consists of operational and financial credit risk.

The operational risk can be found in the Group's trade receivables. The goal of Bong's credit process is to achieve competitive credit sales, minimize credit losses and improve the Group's cash flow and profit.

Depending on national practice, the credit periods vary from country to country, but can in some countries be long, about ninety days, so that outstanding credits to individual companies may reach considerable amounts. If such companies should become insolvent or encounter other payment difficulties, Bong could incur severe financial loss.

This risk is limited because trade receivables are distributed among a large number of customers and geographic markets. The Group's ten largest customers and the top three account for 24 per cent (24) and 11 per cent (10) of total sales, respectively. Credit risk is also reduced because to a large extent Bong has long-term stable relationships with its large suppliers and customers.

In several countries subsidiaries have ongoing credit insurance policies to cover outstanding trade receivables, especially in the Group's German, Polish, French and British companies.

To further improve the credit process, a credit report is obtained for credit sales. This procedure varies locally, but is based on data from credit agencies combined with intragroup information about historical payment behavior.

In 2019 credit losses as a percentage of net sales amounted to about 0.1 per cent (0.1 per cent).

More information about outstanding claims can be found in Note 21.

Financial credit risk refers to the risk that financial counterparties cannot meet their obligations with respect to cash and cash equivalents, short-term bank deposits or financial instruments with positive market value. At year end, the financial credit exposure was SEK 100 million, attributable to cash and cash equivalents (72 at 31 December 2018, including the escrow account of SEK 1 million) and derivative instruments with a market value of SEK 0.0 million (-0.1).

LIQUIDITY RISK

Liquidity risk is the risk that the Group cannot meet its short-term payment obligations due to insufficient or illiquid cash reserves. Bong has at any point in time trade payables that are not insignificant. They mostly fall due within ninety days. Bong minimizes this risk by having sufficient cash on hand and committed credit facilities to cover its payment obligations. The finance function obtains rolling forecasts of the Group's liquidity reserve from the subsidiaries.

NOTE 1 CONT.

As of 31 December 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Borrowings (excluding finance lease liabilities)		210,000		
Bank credit lines	-	-	-	-
Finance lease liabilities	54,099	35,641	58,815	11,737
Trade payables and other payables	385,097			
As of 31 December 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Borrowings (excluding finance lease liabilities)			210,000	
Bank credit lines	113			
Finance lease liabilities	710	577	598	
Trade payables and other payables	421,794			

Surplus cash in the subsidiaries, in excess of the portion required to manage working capital requirements, is transferred to finance function.

The issued senior secured bonds of SEK 210 million have a three-year maturity and an annual interest rate of STIBOR (3 months) plus 10 per cent. Bong has to comply with financial covenants in the loan agreement. These covenants specify certain limits for net debt in relation to EBITDA.

Other credit facilities consist of the subsidiaries' local overdraft facilities in foreign banks. At year-end, total credit facilities amounted to SEK 227 million (223), of which approved unused credit SEK 17 million (13).

The Parent Company's external borrowing largely covers the borrowing needs of the subsidiaries. The table above presents the Group's non-derivative financial liabilities and net settled derivative financial instruments that comprise financial liabilities, broken down by the time remaining on the balance sheet date until the contractual maturity date and assuming an unchanged financing structure and amortization rate over time for the Group's non-derivative liabilities. Derivatives that are financial liabilities are included in the analysis if their contractual maturities are essential for understanding the timing of future cash flows. The amounts shown in the table are the contractual undiscounted cash flows estimated at the closing market rate and the periods expected interest margin.

MANAGEMENT OF CAPITAL

Bong's goal regarding capital structure is to safeguard the Group's ability to continue its operations, so that it can continue to generate returns to shareholders and benefit for other stakeholders and maintain a capital structure that minimizes the cost of capital.

In order to maintain or adjust the capital structure, the Group can change the dividends paid to shareholders, repay capital to shareholders, issue new shares or sell assets to reduce debt.

The Group assesses its capital based on the following ratios:

Key figures (outcome)	2019	2018
Equity ratio, %	33	38
Net loan debt, SEK million	506	349
Net debt/equity, times	0.91	0.61
Net debt/EBITDA, times	4.2	5.0

Key ratios have been impacted by the implementation of IFRS 16 "Leasing contracts" per 1 januari 2019. Comparables have not been restated.

CALCULATION OF FAIR VALUE

Exchange gains and losses on forward exchange contracts as cash flow hedges as of 31 December, reported in other comprehensive income, are recognized in the Income Statement in the period during which the hedged transaction affects the Income Statement. All cash flow hedging was assessed to be fully effective on 1 January. Gains and losses on the hedging instruments held for trading are recognized in the Income Statement as financial income and expenses. The Group does not offset financial assets and liabilities.

NOTE 2 – SEGMENT INFORMATION

	2019		2018	
	Envelope	Packaging	Envelope	Packaging
Net sales				
Sweden	150,536	55,976	145,597	53,029
Nordic and Baltic	152,298	49,099	186,017	45,160
Central Europe	589,715	171,831	597,054	162,514
France and Spain	397,912	107,524	423,968	89,637
United Kingdom	306,296	76,677	324,247	77,565
Russia/Eastern Europe	0	70	17,478	3,275
Other	78,837	29,053	73,473	21,413
Total	1,675,594	490,230	1,767,834	452,593

Non-current assets	2019	2018
Sweden	173,958	168,384
Nordic and Baltic	57,312	49,486
Central Europe	252,598	202,725
France and Spain	229,735	221,159
United Kingdom	138,152	73,005
Other	1,532	-
Total	853,287	714,759

NOTE 3 – EXPENSES CLASSIFIED BY NATURE OF EXPENSE

	2019	2018
Depreciation, amortisation and impairment (Note 6)	88,844	123,139
Costs for remuneration to employees (Note 4)	589,174	591,203
Changes in inventories of finished goods and work in progress	17,503	7,756
Raw materials	1,049,397	1,102,680
Transport costs	118,355	122,209
Other expenses	259,716	330,942
Total cost of goods sold, selling and administrative expenses	2,122,989	2,277,929

NOTE 4 – EMPLOYEES AND WAGES, SALARIES AND OTHER REMUNERATION

Average number of employees

	2019		2018	
	Number of employees	men	Number of employees	men
Sweden ¹	145	108	156	112
Germany	372	162	373	165
France	280	201	293	202
UK	211	149	215	157
Poland	194	120	173	118
Russia	0	0	90	57
Estonia	58	31	68	31
Finland	27	14	29	15
Norway	10	4	12	6
Denmark	9	6	10	5
Spain	10	7	10	7
Belgium	11	4	11	5
Romania	6	4	6	4
Tunisia	1	1	-	-
Total	1,334	811	1,446	884

¹ Of which one employed man in parent company.

Board of Directors and senior executives

	Group				Parent company			
	2019		2018		2019		2018	
	Total	men	Total	men	Total	men	Total	men
Board members	39	32	39	32	6	5	6	5
President and other senior executives	31	30	29	28	1	1	2	1

NOTE 4 CONT.

Salaries, remuneration and social costs

Group						Parent company					
2019			2018			2019			2018		
Salaries and remun.	Social contrib.	Pension costs	Salaries and remun.	Social contrib.	Pension costs	Salaries and remun.	Social contrib.	Pension Costs	Salaries and remun.	Social contrib.	Pension Costs
466,150	123,024	18,539	469,340	123,540	17,100	5,636	2,193	939	4,899	4,072	1,687

Salaries and other remuneration broken down between board members etc. and other employees

	Parent company			
	2019		2018	
	Board and CEO	Other employees	Board and CEO	Other employees
Total remuneration	2,785	2,851	3,684	1,215

AGM DECISION ON 2019 GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES

The Annual General Meeting 2019 resolved on guidelines for remuneration to the CEO and other senior executives as follows: "Senior executives" refers to executives included in the management group, which currently consists of the Company's CEO and Business Area Manager Nordic Region, Chief Financial Officer (CFO), Business Area Manager Central Europe, Business Area Manager UK, Business Area Manager France and Spain and Business Area Manager Retail.

Remuneration shall consist of fixed salary, variable remuneration, other benefits and pension. Total compensation must be at market rates and competitive to ensure that the Bong Group can attract and retain senior management. In addition to the above variable compensation, from time to time a long-term incentive scheme may be approved.

The variable component of the salary shall have a predetermined ceiling, the basic principle being that the variable salary portion can amount to no more than 60 per cent of the fixed annual salary.

The variable component is based on a vesting period of one year. The goals for senior executives are established by the Board of Directors.

Pension benefits shall primarily be defined-contribution, but also occur for legal reasons as defined-benefit, although not at the Group Management level. Variable remuneration is not pensionable.

Group Management is entitled to pensions under the ITP plan or the equivalent. The retirement age is 65 years. In addition to the ITP plan, some members of Group Management are also entitled to an increased occupational pension premium of up to 30 per cent of their fixed salary. Employment contracts include provisions governing remuneration and termination of employment. According to these agreements, employment can ordinarily terminate at the request of the employee with a period of notice of 4-12 months and at the Company's request with a period of notice of 6-18 months. In the event of termination by the Company, the period of notice and the period during which compensation is payable shall not together exceed 24 months.

Remuneration of the CEO and other senior executives is prepared by the Remuneration Committee and finalised by the Board based on the recom-

mendation of the Remuneration Committee. These guidelines apply to those persons who are included in the Group Management during the period the guidelines are in force. The guidelines apply to the employment contracts entered into after the AGM's resolution, and to any changes in existing contracts.

The Board of Directors is entitled to disregard the above guidelines if it finds that special reasons exist to justify this in a particular case.

TERMS OF EMPLOYMENT OF SENIOR EXECUTIVES

CHAIRMAN

The Chairman of the Board of Directors received a fee of SEK 350 thousand for 2019 (350). The amount represent part of the total Board fees set by the AGM as well as fee for work as member of the audit committee SEK 50 thousand (50). No other fee was paid. There is no agreement on pension, severance pay or other benefits.

OTHER BOARD MEMBERS

The total fee paid to other Board members for 2019 was SEK 850 thousand (850). Board member Mikael Ekdahl received SEK 250 thousand (250). This amount consists of the directors' fee SEK 150 thousand (150) and compensation for serving as Chairman of the Audit Committee of SEK 100 thousand (100). The other four board members received SEK 150 thousand each.

No other fee was paid. There is no agreement on pension, severance pay or other benefits. No directors' fee was paid to the Managing Director, nor to the employee representatives.

CHIEF EXECUTIVE OFFICER

For the year 2019 Kai Steigleder was paid a fixed salary including remuneration for paid leave of SEK 2,662 thousand plus benefits mainly comprising car benefits valued at SEK 59 thousand. The salary also include the role as Head of Business Unit Central Europe. In addition to a fixed salary, a variable remuneration may be paid, based on the fulfilment of certain financial goals after a decision by the Board of Directors.

Variable remuneration of SEK 318 thousand was paid for 2018. The retirement age is 65. In the event of termination by the company, the CEO is entitled to salary and benefits for 12 months. In the event of termination by the CEO, the period of notice is 6 months.

For the year 2019 Håkan Gunnarsson was paid a final fixed salary including remuneration for paid leave of SEK 1,168 thousand plus benefits mainly comprising car benefits valued at SEK 30 thousand. Pension premium shall be 30 per cent of the fixed salary. During 2019 the pension premium was SEK 230 thousand.

OTHER SENIOR EXECUTIVES IN THE MANAGEMENT GROUP

The four other members have received total fixed salaries of SEK 7,723 thousand (7,711) during 2019, plus benefits mainly comprising car benefits valued

NOTE 4 CONT.

at SEK 616 thousand (484). In addition to a fixed salary, a variable remuneration of no more than 60 per cent of the fixed salary may be paid, based on the Group's fulfilment of certain financial goals. Variable remuneration of SEK 0 thousand (0) was paid for 2019. During the year, variable remuneration of SEK 718 thousand (484) was paid for 2018. Pension benefits are payable for the Swedish executives in the same way as those of the general pension plan. Pension benefits are payable for the foreign executives in accordance with individual agreements that give the company a cost not exceeding 10 per cent of the annual salary. A premium of SEK 72 thousand (1,103) was paid during 2019. In case the company terminates employment the period of notice is 6-18 months. In the event of termination by the employee, the period of notice is 4-12 months.

PREPARATION AND DECISION-MAKING PROCESS

The Board of Directors has a Remuneration Committee that deals with remuneration to the CEO and other senior executives in the Group.

NOTE 5 – AUDITORS' REMUNERATION

PwC	Group		Parent company	
	2019	2018	2019	2018
Auditing assignments ¹	3,294	3,935	851	822
Audit-related activities ²	11	10	-	-
Tax services ³	40	31	33	11
Other services ⁴	404	1,025	349	805
Total	3,749	5,001	1,233	1,638
Other	2019	2018	2019	2018
Auditing assignments	330	230	-	-
Audit-related activities	138	83	-	-
Other services	683	174	-	-
Total	1,151	487	-	-

¹ Of which 1 079(1,109) is attributable to PwC Sverige

² Of which 0 (0) is attributable to PwC Sverige

³ Of which 33 (21) is attributable to PwC Sverige

⁴ Of which 404 (1,025) is attributable to PwC Sverige

NOTE 6 – DEPRECIATION AND AMORTISATION

Broken down by non-current assets	2019	2018
Write-down goodwill	-	75,683
Other intangible assets	9,066	15,909
Land and buildings	46,498	3,890
Plant and machinery	21,618	21,567
Equipment, tools fixtures and fittings	11,662	6,090
Total	88,844	123,139
Broken down by function	2019	2018
Cost of goods sold	71,201	29,785
Selling expenses	8,424	3,851
Administrative expenses	9,219	89,503
Total	88,844	123,139

NOTE 7 – OTHER OPERATING INCOME AND EXPENSES

	Group		Parent company	
	2019	2018	2019	2018
Operating income				
Exchange gains on operating receivables and liabilities	61,832	19,977	27	37
Capital gain on sale of non-current assets	1,365	8,739	-	-
Total	63,197	28,716	27	37
	Group		Parent company	
	2019	2018	2019	2018
Operating expenses				
Restructuring costs and other provisions	-11,885	-6,050	-	-
Exchange losses on operating receivables and liabilities	-62,413	-16,798	-70	-56
Loss on sale of non-current assets	0	-65	-	-
Total	-74,298	-22,913	-70	-56

NOTE 8 – FINANCIAL INCOME

	Group		Parent company	
	2019	2018	2019	2018
Interest income	85	56	-	-
Exchange gains on financial items	904	1,258	50	61
Financial income, Group companies	-	-	27,842	26,441
Total	989	1,314	27,892	26,502

NOTE 9 – FINANCIAL EXPENSES

	Group		Parent company	
	2019	2018	2019	2018
Write-down of holdings in other companies	-741	-1,129	-	-
Interest portion in this year's pension costs	-4,872	-4,975	-	-
Interest expenses, other	-30,240	-22,012	-21,292	-20,670
Exchange rate differences on financial items	-1,030	-3,341	-	0
Other financial expenses	-5,996	-26,499	-2,428	-12,931
Total	-42,879	-57,956	-23,720	-33,601

NOTE 10 – TAX

	Group		Parent company	
	2019	2018	2019	2018
Current tax	-7,257	-8,536	-	-
Deferred tax	-6,619	-30,731	-31,088	-236
Total	-13,876	-39,267	-31,088	-236

NOTE 10 CONT.

The tax on the Group's profit before tax differs from the theoretical amount that would result from application of the tax rates for the profits in the consolidated companies as follows.

	Group		Parent company	
	2019	2018	2019	2018
Profit before tax	-10,157	-108,341	-126,166	-114,185
Calculated Swedish Income tax 21,4% (22)	2,092	23,185	27,000	25,121
Income tax calculated according to national tax rates for each country	5,547	226	-	-
Tax on:				
- adjustment of previous years' tax	430	293	-	-
- non-taxable revenue/ other non-deductible expenses	-2,653	5,770	-6,656	-54,709
- dividend from subsidiary	-	-	-	37,630
Recognition of previously unrecognised tax loss	15,549	-	-	-
Revaluation of deferred tax:				
Tax effect of loss carry-forward not previously recognised	-3,753	-30,587	-20,344	-8,042
Recognition of tax loss	-	-5,941	-	-
- change of tax rate	-	-638	-	-236
- write down	-31,088	-20,035	-31,088	-
Tax according to Income Statement	-13,876	-39,267	-31,088	-236

NOTE 11 – EXCHANGE GAINS/LOSSES – NET

	2019		2018	
	Exchange gains/losses are recognised in the income statement as follows			
Other operating income	61,832	16,471		
Other operating expenses	-62,413	-17,348		
Financial income	904	1,257		
Financial expenses	-1,030	-3,341		
Total	-707	-2,961		

NOTE 12 – BASIC AND DILUTED EARNINGS PER SHARE

BASIC EARNINGS PER SHARE

In calculating basic earnings per share, profit attributable to the Parent Company's shareholders is divided by the weighted average number of ordinary shares outstanding during the period.

	2019		2018	
	Profit/loss attributable to the Parent Company's shareholders	-23,568	-149,065	
Ordinary shares outstanding (thousands)	211,205	211,205		
Basic earnings per share, SEK	-0.11	-0.71		

NOTE 12 CONT.

BASIC EARNINGS PER SHARE, EXCLUDING NON-RECURRING ITEMS

In calculating basic earnings per share, profit attributable to the Parent Company's shareholders is divided by the weighted average number of ordinary shares outstanding during the period.

	2019		2018	
	Result attributable to the shareholders of the parent company	-23,568	-149,065	
Items affecting comparability	-	103,139		
Result attributable to the shareholders of the parent company	-23,568	-45,926		
Weighted average of outstanding shares, thousands	211,205	211,205		
Result per share, before dilution	-0.11	-0.22		

Items affecting comparability of SEK -103 million in 2018 consisted of a loss at the divestment of Postac LLC of SEK million 11, a write-down of goodwill of SEK 75 million and a write-down of deferred tax of SEK 17 million. There were no items affecting comparability in 2019. Items affecting comparability are defined on the inside back cover.

DILUTED EARNINGS PER SHARE

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. In 2018, Bong AB had potential ordinary shares in the form of subscription warrants. The number of subscription warrants amounted to maximum 40,000,000. Bong's average share price during the 2018 was below SEK 1.15 which is why no dilution effect has been taken into consideration.

NOTE 13 – GOODWILL

	2019	2018
Opening costs	518,438	574,641
Write-down	-	-75,683
Exchange rate differences	11,468	19,480
Closing costs	529,906	518,438

IMPAIRMENT TESTING OF GOODWILL

For impairment testing purposes, the Group is regarded as a cash-generating unit (CGU), since the whole Group's operation is regarded as a single segment.

The recoverable amount for a CGU is determined based on a calculation of value in use. That calculation uses cash flow projections that are based on financial budgets for the business that are approved by management and cover a five-year period. Cash flow beyond the period are extrapolated based on the assumption that the envelope market in Europe as a whole will have a limited growth. The cash flows are based on previous years' outcomes and management's projections of the market trend. Management has established the budgeted cash flows based on previous years' results, planned and completed efficiency-improving measures and projections of the market trend.

In calculating value in use, a discount rate of 10.3 per cent after tax (13.2 per cent before tax) has been assumed, along with a negative growth rate during the three first years of on average -0.4 per cent. The two last years have been assumed to result in a similar growth rate. A sustained growth

NOTE 13 CONT.

rate of 1 per cent has been adopted. Previous year, a discount rate of 10.3 per cent (13.2 per cent before tax) and a development adjacent to this year's calculation was adopted but with a growth rate of 1 per cent at the end of the five year period.

The discount rate used is given after tax and reflects the market interest rates, risks and tax rates that apply to the different units. The average growth rate used is based on industry forecasts. Positive sales growth is expected above all in the packaging sector.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are regarded as reasonable under the current circumstances. The Group subjects goodwill to annual impairment testing in accordance with the accounting policy described among the accounting policies above. The recoverable amount has been determined by calculation of the value in use. Certain estimates must be made for these calculations. Management has determined the forecast based on previous earnings and their expectations as well as external information about the future market trend. A sustainable annual growth rate of 1.0 per cent has been used to extrapolate cash flows beyond the budget period. This growth rate is judged to be a conservative estimate. Furthermore, an average discount rate after tax of 10.3 per cent has been used (13.2 per cent before tax), which is the same as the previous year. The impairment test does not show any need for write-down of goodwill.

SENSITIVITY ANALYSIS

A sensitivity analysis has been performed for the Group as a cash-generating unit, the results of which are summarised below.

- If the assumption regarding the estimated growth rate beyond the budget period had been 0.3 percentage point lower, the recoverable amount had been the same as the book value of the cash-generating unit. Furthermore, if the assumption regarding growth had been 1 percentage point lower, it would mean a write-down of SEK 63 million. If the assumption had been 1 percentage point lower, it would mean a write-down of SEK 234 million.
- If the assumption regarding fixed costs in relation to turnover had been 0.4 percentage point higher, the recoverable amount would be the same as the book value of the cash-generating unit. If the assumption regarding fixed costs had been 0.5 percentage point higher, it would mean a write-down of SEK 42 million. Furthermore, if the assumption regarding fixed costs had been 1 percentage point higher, it would mean a write-down of SEK 197 million.
- If the assumption regarding gross margin had been 0.6 percentage point lower, the recoverable amount would be the same as the book value of the cash-generating unit. Furthermore, if the assumption regarding gross margin had been 1 percentage point lower, it would mean a write-down of SEK 79 million.
- If the assumption regarding the estimated weighted cost of capital had been 1 percentage point higher, the recoverable amount would be the same as the book value of the cash-generating unit.

These calculations are hypothetical and should not be regarded as an indication that these factors are more or less likely to change. The sensitivity analysis should therefore be interpreted with caution. The estimate of the recoverable amount exceeds the book value by SEK 110 million.

NOTE 14 – OTHER INTANGIBLE ASSETS

	2019	2018
Opening costs	93,565	88,031
Purchase	700	256
Sale/retirement	-5,368	-1,003
Reclassifications	-	4,454
Exchange rate differences	1,544	1,827
Closing costs	90,441	93,565
Opening accumulated depreciation	-76,486	-59,336
Sale/retirement	5,368	113
Exchange rate differences	-1,703	-1,354
Depreciation for the year	-9,066	-15,909
Closing accumulated depreciation	-81,887	-76,486
Closing residual value according to plan	8,554	17,079

The item is mainly attributable to adaptation of software.

NOTE 15 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment	2019	2018
Opening costs	154,341	173,847
Purchase	421	21
Sale/retirement	-2,171	-24,834
Reclassifications	5,381	-7
Exchange rate differences	2,881	5,314
Closing costs	160,853	154,341
Opening accumulated depreciation	-102,715	-104,361
Sale/retirement	2,171	9,303
Exchange rate differences	-1,940	-3,767
Depreciation for the year	-3,529	-3,890
Closing accumulated depreciation	-106,013	-102,715
Closing residual value according to plan	54,840	51,626
Of which land	8,973	8,973

Plant and machinery	2019	2018
Opening costs	679,175	650,840
Purchase	10,098	12,225
Sale/retirement	-16,475	-30,585
Reclassifications	6,659	1,829
Exchange rate differences	27,756	44,866
Closing costs	707,213	679,175
Opening accumulated depreciation	-581,003	-545,089
Sale/retirement	15,768	27,881
Exchange rate differences	-24,265	-42,228
Depreciation for the year	-21,618	-21,567
Closing accumulated depreciation	-611,118	-581,003
Closing residual value according to plan	96,095	98,172

NOTE 15 CONT.

Equipment, tools, fixtures and fittings	2019	2018
Opening costs	171,531	169,009
Purchase	1,949	3,479
Sale/retirement	-1,471	-7,658
Reclassifications	-	-12
Exchange rate differences	6,243	6,713
Closing costs	178,252	171,531
Opening accumulated depreciation	-147,540	-142,597
Sale/retirement	1,317	6,813
Exchange rate differences	-5,556	-5,890
Reclassifications	-	224
Depreciation for the year	-5,781	-6,090
Closing accumulated depreciation	-157,560	-147,540
Closing residual value according to plan	20,692	23,991

NOTE 16 – RIGHT-OF-USE ASSETS

The following amounts related to leasing agreements are recognised in the income statement

Right-of-use assets - Real Estate	2019-12-31	2019-01-01
Opening cost/ Changed accounting principles IFRS 16	155,279	155,279
New leasing contracts	4,953	-
End leasing contracts	-74	-
Exchange rate differences	5,889	-
Depreciation for the year	0	-
Closing costs	166,047	155,279
Opening accumulated depreciation	-	-
End leasing contracts	74	-
Exchange rate differences	43	-
Depreciation for the year	-42,969	-
Closing accumulated depreciation	-42,852	-
Closing residual value according to plan	123,195	155,279
Right-of-use assets - Other	2019-12-31	2019-01-01
Opening cost/ Changed accounting principles IFRS 16	12,108	12,108
New leasing contracts	10,515	-
End leasing contracts	-95	-
Exchange differences	119	-
Depreciation for the year	0	-
Closing costs	22,647	12,108
Opening accumulated depreciation	-	-
End leasing contracts	42	-
Exchange rate differences	36	-
Depreciation for the year	-5,881	-
Closing accumulated depreciation	-5,803	-
Closing residual value according to plan	16,844	12,108

NOTE 16 CONT.

Reconciliation of operational leasing commitments	2018-12-31	
Commitments for operational leasing agreements 2018-12-31	219,701	
Discounting with the Group's marginal loan interest rate 2.7%	-17,222	
Financial leasing contracts 2018-12-31	969	
Short-term lease contracts, expensed	-1,433	
Adjustments attributable to other assessment during the leasing period	-12,259	
Accounted leasing liability 1 January 2019	189,348	

Leasing liability	2019-12-31	2019-01-01
Opening liability/		
Changed accounting principles IFRS 16	189,348	189,348
New leasing contracts	15,466	-
End leasing contracts	-66	-
Interest cost	7,855	-
Exchange rate differences	6,666	-
Lease/rent cost	-58,977	-
Closing leasing liability, note 22 and note 25	160,292	189,348

Leasing liabilities do not include a new property rental agreement for the Swedish operations with a lease amount of SEK 2.7 million which will commence on October 1, 2020 and run for two years with payments quarterly.

Recognized amount in the profit and loss statement

The following amounts related to leasing agreements are recognised in the income statement:

Depreciation of Right-to-use assets	2019	2018
Real estate	-42,969	-
Other	-5,881	-
Total	-48,850	-
Interest costs (included in financial costs)	-7,780	-
Short-term lease contracts	-2,044	-
Leases with low value, expensed	-558	-

Recognized amount in the cash flow statement

Total cash-flow regarding leasing agreements in 2019 was - 51,251.

NOTE 17 – CONSTRUCTION IN PROGRESS AND ADVANCE PAYMENT RELATING TO PROPERTY, PLANT AND EQUIPMENT

	2019	2018
Opening costs	5,453	7,185
Accrued expenses	11,720	4,544
Reclassifications	-14,008	-6,264
Exchange rate differences	-4	-12
Closing balance	3,161	5,453

NOTE 18 – SHARES IN GROUP COMPANIES

	2019	2018
Opening balance	422,821	500,403
Write-downs	-	-77,582
Closing balance	422,821	422,821

The annual review of valuation of subsidiaries resulted in a write-down of the shares in Bong International AB in 2018.

NOTE 19 – DEFERRED TAX

Deferred tax assets and liabilities are offset when a legal right to do so exists for the tax assets and liabilities in question and when the deferred taxes are payable to the same tax authority. Please see below for the amounts that remain.

NOTE 19 CONT.

Deferred tax asset	2019-12-31	2018-12-31
Loss carryforward	67,442	96,669
Property, plant and equipment	10,374	6,775
Pensions	19,082	17,809
Right-of-use assets	5,265	-
Other temporary differences	11,224	-11,196
Total	113,387	110,057

Deferred tax liability	2019-12-31	2018-12-31
Intangible assets	-415	8,194
Property, plant and equipment	5,449	6,390
Other temporary differences	5,110	-619
Total	10,144	13,965

Deferred tax assets are recognised for tax-loss carryforwards to the extent it is likely that they can be utilised to offset future taxable profits.

The Group's loss carryforwards mainly relate to operations in Germany and Sweden. In recent years a number of steps have been taken to reduce costs and streamline operations. The chances of being able to utilise remaining loss carryforwards are deemed good. Undisclosed tax assets amount to 19,550 TSEK (44,602), the majority of which are not limited in time.

NOTE 18 CONT.

Company	Corporate identity number	Location	Number of shares	Ownership (%)
Bong International AB	556044-3573	Kristianstad, Sweden	1,501,200	100
Bong GmbH	HRB 1646	Solingen, Germany	1	100
Bong Sverige AB	556016-5606	Kristianstad, Sweden	804,000	100
Bong UK Ltd	3895897	Milton Keynes, Great Britain	7,000,000	100
IPC SAS	327 956 199	Angoulême, France	15,000	100
Bong SAS	775 695 299	Saint Sébastien de Morsent, France	100,000	100
Pflueger Lober Kuvert GmbH	HRB 9534	Erlangen, Germany	1	100
Bong Packaging S.R.L.	3774701209	Bologna, Italy	10,000	85
Bong Belgium SA	0453.235.963	Kortrijk, Belgium	25,696	100
Bong Denmark A/S	58154717	Hoje-Taastrup, Denmark	5,000	100
Bong Schweiz AG	CHE-135464381	Herisau AR, Switzerland	200	100
Bong Envelo SRL	296556/06.08.2015	Bukarest, Romania	100	100
Bong Africa Sarl	1620893G	Tunis, Tunisia	30,000	60
CADIX SAS	518971866	Saint Sébastien de Morsent, France	7,203,512	100
BONG Caly Swiat Kopert Sp. o.	KRS 286281	Poznan, Poland	8,000	100
Bong S.a.r.l.	329 200 570	Paris, France	1,000	100
Envel Europa SA	ES-A25422015	Barcelona, Spain	8,000	100
Bong Grundstücksverwaltung GmbH (BONG)	HRB 8789	Solingen, Germany		100
Bong Retail Solutions AB	556296-3115	Kristianstad, Sweden	10,000	100
Bong Norge AS	931080687	Vear, Norway	40,000	100
Bong Eesti OU	10919862	Kohila, Estonia	1	100
Pflueger Koperty Sp. zo. o.	KRS 45327	Krakow, Poland	2,300	100
Bong Retail Solutions NV	0826.223.234	Kortrijk, Belgium	4,000	100
Bong Suomi Oy	1487663-6	Pirkkala, Finland	20,050	100
Packaging First Ltd	3838039	Essex, Great Britain	100	90

1 The summary consists of wholly owned subsidiaries as well as indirect owned companies that are not dormant. All subsidiaries are consolidated in the Group.

NOTE 19 CONT.

The gross change with regard to deferred taxes is as follows:

	2019-12-31	2018-12-31
Loss carryforward		
At start of year	96,669	123,282
Exchange rate differences	3,601	1,055
Recognised in the Income Statement	-32,828	-27,668
At year-end	67,442	96,669
Property, plant and equipment		
At start of year	385	-1,118
Exchange rate differences	2	179
Recognition in the income statement	4,538	1,324
At year-end	4,925	385
Pensions		
At start of year	17,809	15,808
Exchange rate differences	-1,700	-368
Recognised in the income statement	-1,420	836
Actuarial loss on post-employment benefits	4,393	1,533
At year-end	19,082	17,809
Intangible assets		
At start of year	-8,194	-15,065
Exchange rate differences	-188	-481
Recognised in the income statement	8,797	7,352
At year-end	415	-8,194
Right-to-use assets		
At start of year	5,548	5,548
Exchange rate differences	219	-
Recognised in the income statement	-502	5,548
At year-end	5,265	5,548
Other		
At start of year	-10,577	-900
Exchange rate differences	-253	781
Recognised in the income statement	14,796	-12,575
Tax attributable to other components in other comprehensive income	2,148	2,117
At year-end	6,114	-10,577

NOTE 20 – INVENTORIES

The expenditure for the inventory that was recognised is included in the item "Cost of goods sold" and amounted to SEK 1,049,397 thousand (1,102,680). Of the inventory value, SEK 18,861 thousand (15,567) has been measured at net realisable value. The inventory depreciated during the year by SEK -349 thousand (-2,583).

NOTE 21 – RECEIVABLES

	2019-12-31	2018-12-31
Trade receivables	223,180	288,636
Minus provision for impairment of receivables	-5,623	-6,736
Net trade receivables	217,557	281,900

NOTE 21 CONT.

Stated amounts, per currency for the Group's trade receivables are as follows:

	2019-12-31	2018-12-31
SEK	22,877	35,114
GBP	94,327	116,447
EUR	72,654	101,065
Other currencies	27,699	29,274
Total	217,557	281,900
Geographic distribution of receivables		
Sweden	42,200	44,018
Other Nordic and Baltic	7,257	8,084
Central Europe	65,025	89,986
France and Spain	31,748	34,671
United Kingdom	71,327	101,502
Russia/Eastern Europe	-	3,639
Total	217,557	281,900

Changes in the reserve for doubtful trade receivables are as follows:

	2019	2018
At 1 January	6,736	5,198
Provision for doubtful debts	1,774	3,271
Receivables that have been written off during the year as uncollectable (-)	-2,302	-1,651
Reversal of unutilised amounts	-834	-240
Exchange rate difference	249	158
At 31 December	5,623	6,736

The credit quality of trade receivables that have neither fallen due for payment nor are impaired can be assessed by reference to an external credit rating (if available) or to the counterparty's payment history.

Collection pattern: counterparties	2019-12-31	2018-12-31
Group 1 new customers	4,864	2,678
Group 2 existing customers without previous defaults	208,122	272,537
Group 3 existing customers with some previous non-payments where all non-payments have been fully recovered	4,571	6,685
Total trade receivables	217,557	281,900

On 31 December 2018 trade receivables totalling SEK 36,306 thousand (27,097) were overdue but were not considered to be impaired. The overdue receivables relate to a number of customers who have not previously had any difficulties paying.

Below is an age analysis of these trade receivables:

	2019-12-31	2018-12-31
Less than 3 months	24,072	36,306
3 to 6 months	1,543	2,705
More than 6 months	1,927	1,652
Total	27,542	40,663

As regards trade receivables and other receivables, fair value is in line with book value.

NOTE 22 – OTHER CURRENT RECEIVABLES AND LIABILITIES

Other current receivables

	Group		Parent company	
	2019-12-31	2018-12-31	2019-12-31	2018-12-31
Other current receivables	43,242	24,532	69	0
Total	43,242	24,532	69	0

Other current liabilities

	Group		Parent company	
	2019-12-31	2018-12-31	2019-12-31	2018-12-31
Short term lease IFRS 16	54,099	-	-	-
Other current liabilities	28,136	60,718	1,214	1,415
Total	82,235	60,718	1,214	1,415

NOTE 23 – ACCRUED EXPENSES/INCOME AND DEFERRED INCOME/EXPENSES

Deferred expenses and accrued income

	Group		Parent company	
	2019-12-31	2018-12-31	2019-12-31	2018-12-31
Deferred interest	217	628	-	-
Other deferred expenses	6,985	8,924	185	77
Accrued supplier bonus	6,509	10,864	-	-
Other accrued income	27,706	42,530	-	144
Total	41,417	62,946	185	221

Accrued expenses and deferred income

	2019-12-31		2018-12-31	
	2019-12-31	2018-12-31	2019-12-31	2018-12-31
Pay-related accrued expenses	64,393	72,012	258	1,393
Accrued interest payable	4,173	4,299	4,142	4,258
Accrued customer bonus	45,252	46,198	-	-
Other accrued expenses	52,705	45,926	1,091	1,632
Total	166,523	168,435	5,491	7,283

NOTE 24 – CASH AND CASH EQUIVALENTS

	Group		Parent company	
	2019	2018	2019	2018
Cash and cash equivalents	99,574	71,009	154	62
Escrow account	142	1,379	-	1,379
Total	99,716	72,388	154	1,441

NOTE 25 – BORROWINGS

	Group		Parent company	
	2019-12-31	2018-12-31	2019-12-31	2018-12-31
Long-term				
Leasing contract IFRS 16	108,554	-	-	-
Bond loan, convertible loan etc	205,779	203,436	205,779	203,436
Total	313,933	203,436	205,779	203,436

The bond loan 2018 is recognized at amortized cost, which means that the loan's nominal value of SEK 210 million has been reduced for the acquisition cost, which will adjust the loan's reported value of each reporting occasion until the loan's maturity in 2021 when the carrying amount will amount to the nominal value. Full terms for the senior bond loan can be found on the company's website www.bong.com

	Group		Parent company	
	2019-12-31	2018-12-31	2019-12-31	2018-12-31
Short-term				
Bank credit lines	-	113	-	-
Leasing contract IFRS 16	54,099	-	-	-
Total	54,099	113	-	-
Total borrowings	368,032	203,549	205,779	203,436

Maturity dates of long-term borrowings are as follows:

	Group		Parent company	
	2019-12-31	2018-12-31	2019-12-31	2018-12-31
Short-term				
Between 1 and 2 years	35,641	-	-	-
Between 2 and 5 years	266,555	203,436	205,779	203,436
More than 5 years	11,737	-	-	-
Total	313,933	203,436	205,779	203,436

On maturity, the book value of the debt will amount to TSEK 210,000.

NOTE 25 CONT.

The effective interest rate on the balance sheet date was as follows:

	2019-12-31	2018-12-31
Bank credit lines	0.25%	1.30%
Other borrowings	10.19%	10.15%

Recognised amounts, per currency, are as follows:

	2019-12-31	2018-12-31
SEK	11,479	0
EUR	20,530	113
GBP	16,473	-
Other currencies	5,617	0
Total	54,099	113

The Group has the following unutilised credit facilities:

	2019-12-31	2018-12-31
Variable interest rate:		
- expires after more than one year	16,715	13,218

NOTE 26 – PENSION OBLIGATIONS

The Group has defined-benefit pension plans in a number of countries. The most extensive defined-benefit pension plans are in Sweden, Germany, and Norway, where they cover virtually all salaried employees and certain other personnel. The pension plans provide benefits based on the average remuneration and length of employment of the employees at or near retirement.

The Group is exposed to a number of risks through the defined-benefit pension plans and healthcare plans following termination of employment. Almost half of Bong's pension liabilities are in pension plans that were closed to new commitments long ago, so they will gradually be phased out. A reduction in the interest rate for corporate bonds will mean an increase in plan liabilities. Some of the plan's pension liabilities are linked to inflation; higher inflation leads to higher debt. Under the majority of the pension obligations, the employees covered by the plan will receive benefits for life, which means that increased life expectancy will result in higher pension liabilities.

Pension liabilities in the balance sheet	2019-12-31	2018-12-31
Present value of funded obligations	253,460	236,308
Fair value of plan assets	-18,321	-20,396
Deficit in funded plans	235,139	215,912
Present value of unfunded obligations	4,243	1,208
Closing balance pension liability	239,382	217,120

NOTE 26 CONT.

The defined-benefit obligation and the composition of plan assets by country are listed below:

	2019	Sweden	Germany	France	Norway	Other	Total
Present value of obligation	113,700	97,803	16,662	2,832	22,463	253,460	
Fair value of plan assets	0	0	-276	0	-18,046	-18,321	
Total	113,700	97,803	16,386	2,832	4,418	235,138	

	2018	Sweden	Germany	France	Norway	Other	Total
Present value of obligation	101,299	91,486	14,406	3,070	26,046	236,308	
Fair value of plan assets	0	0	-569	0	-19,827	-20,396	
Total	101,299	91,486	13,838	3,070	6,219	215,912	

Significant actuarial assumptions

2019	Sweden	Germany	France	Norway	Other
Discount rate (%)	1.50	0.80	0.80	2.30	0.80
Inflation (%)	2.00	1.70	1.70	1.50	1.50
Salary increases (%)	1.10	N/A	1.50	N/A	1.50
Life expectancy at 65, men	22	20	-	-	-
Life expectancy at 65, women	24	24	-	-	-

2018	Sweden	Germany	France	Norway	Other
Discount rate (%)	2.25	1.60	1.60	2.60	1.60
Inflation (%)	2.00	1.70	1.70	1.50	1.50
Salary increases (%)	1.10	N/A	1.50	N/A	1.50
Life expectancy at 65, men	22	20	18.9	-	23
Life expectancy at 65, women	24	24	-	-	-

Compilation of managed assets:	2019	2018
Insurance policy (unlisted)	18,321	20,396
Total	18,321	20,396

Feas for plans for benefits after terminated employment are expected to be SEK 10.1 million for financial year 2019.

Weighted average term of the pension obligation is 14 years.

PENSION INSURANCE IN ALECTA

Obligations for old-age pension and family pension for salaried employees in Sweden are secured by insurance in Aleccta. According to a statement by the Swedish Financial Reporting Board, UFR 10, this is a multi-employer defined-benefit plan. For financial year 2019, the Group has not had access to information to be able to account for its proportionate share of the plan's obligations, plan assets and costs, for which reason it has not been possible to account for the plan as a defined-benefit plan. The ITP pension

NOTE 26 CONT.

	Present value of obligation	Fair value of plan assets	Total
The change in the defined-benefit obligation over the year is as follows			
At 1 January 2018	233,388	21,708	211,680
Service costs during current year	1,597	-	1,597
Interest expense/(revenue)	3,570	89	3,480
Revaluations:			
- Return on plan assets excl. amounts included in interest expense/(revenue)	-	-3	3
- (Profit)/loss as a result of changed financial assumptions	2,760	-	2,760
- Experience-based (profits)/losses	861	-	861
Exchange rate differences	4,786	265	4,521
Fees:			
- Employer	-	10,481	-10,481
- Employees covered by the plan	2	2	0
Payments from the plan			
- Benefits paid	-12,143	-12,143	0
At 31 December 2018	236,308	20,396	215,912
At 1 January 2019	236,308	20,396	215,912
Service costs during current year	1,717	-	1,717
Interest expense/(revenue)	3,960	71	3,888
Revaluations:			
- Return on plan assets excl. amounts included in interest expense/(revenue)	-	-	-
- (Profit)/loss as a result of changed demographic assumptions	-	-	-
- (Profit)/loss as a result of changed financial assumptions	21,885	-	21,885
Exchange rate differences	2,133	-116	2,248
Fees:			
- Employer	-	10,389	-10,389
Payments from the plan			
- Benefits paid	-12,544	-12,544	0
At 31 December 2019	253,460	18,321	235,138

plan that is secured via insurance in Alecta is therefore accounted for as a defined contribution plan. The premium for the defined-benefit portion of the old-age pension is individual and is dependent on the age, salary and previously earned pension of the insured. Expected pension contributions during the year for pension insurance in Alecta amount to SEK 1.6 million. The Group accounts for an insignificant portion of the plan.

The collective funding ratio is the market value of Alecta's assets as a percentage of their insurance obligations calculated according to Alecta's actuarial assumptions, which do not agree with IAS 19. Collective consolidation, in the form of collective consolidation level, is usually allowed to vary between 125 and 155 per cent. If Alecta's collective consolidation level is less than 125 per cent or greater than 155 per cent, measures shall be taken in order to create conditions for the consolidation level to return to the normal range. Alecta's surplus can be distributed to the policyholders and/

or to the insured if the collective consolidation level is greater than 155 per cent. However, Alecta applies premium reductions to avoid any surplus. At year-end 2019, Alecta's surplus in the form of the collective funding ratio amounted to 148 per cent (142).

PENSION OBLIGATIONS SENSITIVITY ANALYSIS

Accounting estimates and judgments are evaluated continuously and are based on historical experience and other factors, including expectations of future events that are considered reasonable under prevailing circumstances.

The present value of the pension obligations is dependent on a number of factors that are established on an actuarial basis based on a number of assumptions. The assumptions used in establishing the net cost (income) for pensions includes the long-term rate of return on the plan assets in ques-

tion and the discount rate. Every change in these assumptions, as in other actuarial assumptions, will affect the carrying amount of the pension obligations. The assumption of expected return on plan assets is in line with the discount rate in accordance with revised IAS rules. The Group determines a suitable discount rate at the end of each year. This is the interest rate that is used to determine the present value of estimated future payments expected to be required to settle the pension obligations.

In determining a suitable discount rate, the Group takes into account the interest rates on first-class corporate bonds or treasury bonds denominated in the currency in which the payments will be made and with maturities equivalent to the estimates for the pension obligations in question. In Sweden, the Group also takes into account interest rates on mortgage bonds when determining the discount rate. Other significant assumptions regarding pension obligations are based on prevailing market terms.

If the actual return on the plan assets were to deviate by 1 percentage point from management's estimates, the carrying amount of the pension obligations would be SEK 0.2 million higher or SEK 0.2 million lower. If the discount rate deviated by +/- 0.5 percentage point from management's estimates, the carrying amount of the pension obligations would be estimated at SEK 15 million lower or SEK 14 million higher than the actual carrying amount.

NOTE 27 – OTHER PROVISIONS

	2019	2018
Restructuring		
At 1 January	23,258	28,894
Recognised in the income statement:		
Restructuring		
- additional provisions	11,885	5,173
Utilised during the year	-9,230	-7,719
Other		
- additional provisions	1,630	638
Utilised during the year	-3,180	-4,738
Exchange rate difference	179	1,010
At 31 December	24,543	23,258
	2019	2018
Non-current portion	12,662	14,096
Current component	11,881	9,162
	24,543	23,258

In order to maintain long-term competitiveness and restore profitability to a satisfactory level, SEK 5 million was allocated in restructuring costs during the year. The restructuring programme relates primarily to measures to adjust to lower demand and covers publicly announced measures in Norway.

NOTE 28 – PLEDGED ASSETS

	Group		Parent company	
	2019-12-31	2018-12-31	2019-12-31	2018-12-31
Relating to pension obligations				
Floating charges	57,825	20,000	-	-
Restricted bank deposits	-	1,379	-	1,379
Relating to liabilities to credit institutions				
Shares in subsidiaries	600,947	637,021	422,822	422,822
Property mortgages	-	-	-	-
Receivables from subsidiaries	-	-	210,000	210,000
Current assets	170,013	102,762	-	-
Total	1,038,785	971,162	632,822	634,201

NOTE 29 – CONTINGENT LIABILITIES

	Group		Parent company	
	2019-12-31	2018-12-31	2019-12-31	2018-12-31
Liability FPG	1,365	1,135	-	-
Bank Guarantee	-	1,379	-	1,379
Other contingent liabilities	142	-	-	-
Total	1,507	2,514	-	1,379

NOTE 32 – OTHER ITEMS NOT AFFECTING LIQUIDITY IN THE CONSOLIDATED CASH FLOW STATEMENTS

	Group		Parent company	
	2019	2018	2019	2018
Gains on disposal of intangible assets and property, plant and equipment	-1,365	-8,725	-	-
Change in provisions	-3,448	-12,609	-	-
Non-cash affecting dividend	-	-	-	171,046
Non-cash affecting Group Contribution	-	-	90,000	-
Non-cash regulated subsidiary transactions	-	-	-90,000	-186,046
Exchange rate differences and other	367	-20,430	49	-4,256
Total	4,446	-41,764	49	-19,256

NOTE 30 – RESERVES

	Hedged reserve	Translation reserve	Total reserves
Opening balance 1 January 2018	-4,389	-1,663	-6,052
Cash flow hedges	-115	-	-115
Impact of extended equity	-	-12,514	-12,514
Exchange rate difference	-	51,337	51,337
Tax effect	25	2,177	2,202
Closing balance 31 December 2018	-4,479	39,337	34,858
Opening balance 1 January 2019	-4,479	39,337	34,858
Cash flow hedges	78	-	78
Impact of extended equity	-	-4,546	-4,546
Exchange rate difference	-	21,337	21,337
Tax effect	-16	924	908
Closing balance 31 December 2019	-4,417	57,052	52,636

NOTE 31 – SHARE CAPITAL AND OTHER CONTRIBUTED CAPITAL

SHARES

The number of shares at year-end 2019 was 211,205,058 (2018:211,205,058) with a quotient value of SEK 1.12 per share (2018:SEK 1.12 per share).

	Number of shares (thousand)	Share capital	Share premium	Total
1 January 2018	211,205	236,549	800,088	1,036,637
Convertible loan ¹	-	-	-3,243	-3,243
On 31 December 2018	211,205	236,549	796,845	1,033,394
1 January 2019	211,205	236,549	796,845	1,033,394
Convertible loan ¹	-	-	-	0
On 31 December 2019	211,205	236,549	796,845	1,033,394

¹ Conversion of the convertible loan 2013/2018 (ISIN: 005281821).

NOTE 32 CONT.

CASH FLOW FROM FINANCING ACTIVITIES

	At January 2019	Cash flows	Non cash changes		At December 2019
			Fair value changes	Foreign exchange movement	
Long-term borrowings	203,436	-	2,343	-	205,779
Finance lease liabilities	969	-422	-	25	572
Bank overdraft	113	-116	-	3	0
Lease liabilities IFRS 16	189,348	-51,251	22,195	-	160,292
Total	393,866	-51,789	24,538	28	366,643
Cash and cash equivalents	-72,388	-26,022	-	-1,306	-99,716
Total	-72,388	-26,022	0	-1,306	-99,716
Net debt	321,478	-77,811	24,538	-1,278	266,927

NOTE 33 – BUSINESS COMBINATIONS

During the year no material acquisitions occurred.

NOTE 34 – DIVIDEND

A dividend for 2018 of SEK 0 per share was approved at the AGM on 16 May 2019. A dividend for 2019 of SEK 0 per share will be proposed at the AGM 2020.

NOTE 35 – INFORMATION ABOUT BONG AB

Bong AB is a public limited liability company registered in Kristianstad, Sweden, Uddevägen 3, Box 516, 291 25 Kristianstad, Sweden. Bong AB is listed on Nasdaq Stockholm (Small Cap).

NOTE 36 – SUSTAINABILITY REPORT

Bong has set up its sustainability report separately from the Administration Report in accordance with the rules in the Swedish Annual Accounts Act. The sustainability report in respect of the financial year 2019 can be found on pages 3-6 and covers Bong AB (publ.), corporate identity number 556034-1579 domiciled in Kristianstad, and the business consolidated into the group accounts.

NOTE 37 – RELATED PARTY TRANSACTIONS

Transactions with a subsidiary to Holdham S.A. are counted as related-party transactions since Holdham S.A. is the largest shareholder in Bong AB.

	2019	2018
Sales during the year	64,080	69,935
Purchases during the year	2,467	2,648
Current receivables balance sheet date	40,909	17,240

The company's assessment is that there is no uncertainty in the receivables.

NOTE 38 – PURCHASES AND SALES BETWEEN GROUP COMPANIES

The Parent Company's business consists of management of operating subsidiaries and Group management functions. In 2019 the Parent Company charged the subsidiary management fees amounting to SEK 3,030 thousand (4,519). The Parent Company's purchases from subsidiaries amounted to SEK 2,036 thousand (517). Pricing between Parent and subsidiary is on a commercial basis and at market prices.

NOTE 39 – PROFIT FROM INTEREST IN SUBSIDIARIES

	Parent company	
	2019	2018
Dividend	-	171,046
Impairment of shares in subsidiaries	-	-248,628
Group contributions paid	-90,000	-15,000
Total	-90,000	-92,582

NOTE 40 – ADOPTION OF NEW ACCOUNTING POLICIES

(A) NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

In January 2016, IASB issued a new lease standard that will replace IAS 17 Leases and the related interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires assets and liabilities arising from all leases, with some exceptions, to be recognized on the balance sheet.

According to the new standard the lessee must report the obligation to pay the leasing fees as a leasing debt in the balance sheet. The right to utilize the underlying asset during the lease term is reported as a right-of-use asset. Depreciation of the asset is recognized in profit or loss as well as an interest on the lease debt. Paid leasing fees are reported partly as interest payment and partly as amortization of the lease debt. The standard excludes leasing agreements with a lease term of less than 12 months (short-term lease agreements) and leasing agreements for assets that have a low value. The standard also allows for a relief rule regarding the separation of nonleasing components from leasing components. Bong has chosen to adopt the below modified retrospective transition approach.

Short term lease agreements

A short-term lease is a lease agreement with a lease term that is shorter than 12 months from the start of the lease term. Bong has chosen to apply this exception rule.

Lease agreements with minor value

Lease agreements of minor value is a lease agreement where the underlying asset is of low value. The assessment is based on the value of the asset when it is new regardless of the value of the asset. Lease agreements of minor value are defined based on the value of the underlying asset. Bong has chosen to apply this exception rule.

Lease components and non-lease components

According to the main rule in IFRS 16, non-leasing components shall be reported separately from the leasing component and expensed in the income statement. However, the lessee may choose not to separate non-leasing components from the leasing component and this choice is made based on asset classes. Bong has chosen to apply this exception rule.

Bong will apply IFRS 16 from January 1, 2019 and will use the simplified transition method. Leases with a remaining maturity of less than 12 months at the time of transition to IFRS 16 are classified as short-term lease agreements in accordance with the exception rule and expensed.

Bong has assessed the lease term for the lease agreements and then taken into account any extension and/or termination options in accordance with the provisions of IFRS 16. If it is reasonably certain that the option will be exercised, this has been taken into account in the determination of the lease term.

Bong's financial leasing agreements previously reported in accordance with IAS 17 Leasing agreements are reclassified, in accordance with IFRS 16, to the amounts they were reported to immediately before application of IFRS 16.

The accounting for lessors will in all material aspects be unchanged.

(B) NEW AND REVISED STANDARDS AND INTERPRETATIONS OF EXISTING STANDARDS NOT APPLIED PROSPECTIVELY BY THE GROUP
A number of new standards and interpretations come into force for financial years after 1 January 2019 and have not been applied at the time of preparation of these financial statements.

No other IFRS standards or IFRIC interpretations which have not yet come into force are expected to have a material impact on the Group.

NOTE 41 – EVENTS AFTER THE END OF THE PERIOD

Bong decided during January 2020 to move the production of envelopes in Estonia to production sites in Sweden, Poland and Germany. In March 2020 Bong repurchased own senior bonds for an amount of SEK 10 million on the market.

The outbreak of the global Covid-19 pandemic, during the first quarter of 2020, will have a significant impact on the prevailing global climate. At the time of preparation of the annual report, analyses and assessments were made regarding potential effects for Bong in all countries where Bong has operations. The situation is different for each country and the uncertainty is great about the future economic effects, but overall no significant effects for the Group can be demonstrated at present.

NOTE 42 – PROPOSED DISTRIBUTION OF EARNINGS

The Board of Directors proposes that the earnings available for distribution, SEK 182,007,709.59 be carried forward, see note 34.

The consolidated financial statements will be submitted to the Annual General Meeting 2020 for adoption. The Board of Directors and the CEO ensure that the consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and give a true and fair view of the Group's results of operations and financial position.

The financial statements of the Parent Company have been prepared in accordance with generally accepted accounting policies in Sweden and give a true and fair view of the Parent Company's financial position and results of operations. The statutory Administration Report of the Group and the Parent Company provides a fair review of the development of the Group's and the Parent Company's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

Kristianstad 23 April 2020

Christian Paulsson
Chairman of the Board

Mikael Ekdahl
Member of the Board

Stéphane Hamelin
Member of the Board

Eric Joan
Member of the Board

Stefan Lager
Member of the Board

Helena Persson
Member of the Board

Mats Persson
Member of the Board

Kai Steigleder
Chief Executive Officer

Our Audit Report was submitted 23 April 2020

PricewaterhouseCoopers AB

Lars Nilsson
Authorised Public Accountant
Auditor in charge

Christer Olausson
Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of Bong AB (publ), corporate identity number 556034-1579

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

OPINIONS

We have audited the annual accounts and consolidated accounts of Bong AB (publ) for the year 2019 except for the corporate governance statement on pages 11-13. The annual accounts and consolidated accounts of the company are included on pages 9-37 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company and the group as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 11-13. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

BASIS FOR OPINIONS

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

OUR AUDIT ACTIVITIES

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

KEY AUDIT MATTERS

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter	How our audit has addressed the Key audit matter
<p>Testing of the going concern assumption For the financial year, the group reports a loss, equivalent to MSEK 24 and has reported a loss for all financial years since 2010. The group operates in a market which, as regards the sale of envelopes, is declining. The group has had a cash flow from the ongoing operations of MSEK -3 for financial years 2015 - 2019 and has sold assets equivalent to MSEK 127 during this period.</p>	<p>As there is a limited amount of liquidity in the group and the possibility to sell assets at a significant value is also limited, we have focused on determining if there is sufficient liquid funds to continue to undertake the operations. In order to assess the correctness of the application of the going concern assumption in preparing the financial reports, we have focused on evaluating the company management's assumptions and judgements as regards the group's liquidity requirements during the next 12 months, we have studied and assessed the company management's forecasted expenses against the historical outcome of their forecasts and we have considered the up and down sides in the forecast scenarios and their relevant impact, and we have assessed the terms of the loan liabilities.</p>
<p>Impairment testing of intangible assets As at 31 December 2019, goodwill and other intangible assets amounted to MSEK 538. According to IFRS, an annual impairment test is to take place. This impairment test is based on judgements and assumptions which are complex and involve a high degree of significant assessments on behalf of company management. Note 13 describes the manner in which the company management has undertaken its assessment. It is also seen that no impairment requirement has been identified based on the applied assumptions. Impairment testing takes place for the group as one cash-generating unit.</p>	<p>In our audit, we have taken a position as regards the company management's assumptions and assessments. This has taken place, for example, through an analysis of the degree to which previous years' assumptions have been achieved and has also considered possible adjustments of the assumptions from previous years due to the development of the operations and external factors. We have challenged company management as regards the judgements concerning future cash flow and expected WACC. We have executed our own sensitivity analyses to test the safety margins. We have tested the impact of changes in significant assumptions such as operating income and WACC on safety margins and, based on these, we have assessed the risk of an impairment requirement arising.</p>
<p>Valuation of deferred tax recoverables We refer to Note 19 - Deferred tax on page 31-32 of the Annual Report. At the end of the year, the group had recorded tax losses carry forward amounting to total MSEK 77. According to Note 19, these losses carry forwards are taken into consideration to the degree it is expected that they can be utilized against future taxable gains. According to IFRS, a regular assessment is to take place of the probability that these deficits will be able to be utilized against future taxable gains.</p>	<p>We believe this area is significant in our audit due to the high degree of complexity and assessment associated with the valuation of deferred tax recoverables. Our audit has primarily focused on the assessment of whether the loss carry forward amounts will be able to be utilized against future taxable gains. The calculated future profits are comprised, largely, of expected operating surpluses. We have challenged the company management's assessments and examined the documentation serving as the basis for these assessments. An analysis has taken place of the surplus generated during the year in relation to the future surpluses which will be required in order to utilize the losses. Discussions have taken place regarding changes in local tax regulations. We have involved our tax specialists in these discussions and assessments. In addition, we have evaluated the completeness and correctness of the disclosures found in Note 19.</p>

OTHER INFORMATION THAN THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-8 and 40-42. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

AUDITOR'S RESPONSIBILITY

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

OPINIONS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the Managing Director of Bong AB (publ) for the year 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Director's and the Managing Director be discharged from liability for the financial year.

BASIS FOR OPINIONS

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants

in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group' equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

AUDITOR'S RESPONSIBILITY

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

THE AUDITOR'S EXAMINATION OF THE CORPORATE GOVERNANCE STATEMENT

The Board of Directors is responsible for that the corporate governance statement on pages 11-13 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act/ the Annual Accounts Act for Credit Institutions and Securities Companies/ the Annual Accounts Act for Insurance Companies.

PricewaterhouseCoopers AB, was appointed auditor of Bong AB (publ) by the general meeting of the shareholders on May 16, 2019 and has been the company's auditor since 1997.

Malmö, 23 April 2020

PricewaterhouseCoopers AB

Lars Nilsson
Authorised Public Accountant
Auditor in charge

Christer Olsson
Authorised Public Accountant

Management Team

KAI STEIGLEDER

Born 1963.
Chief Executive Officer (CEO), Business Unit Manager Central Europe.
Employed since 2007, in current position since 2018.
Education: Master in International Business (MIBS).
Previous positions: Sales Manager Smurfit Kappa Group and Group Beiersdorf.
Shareholding in Bong: 42,000 shares.



JEFF GREENLEAF

Born 1962.
Business Unit Manager UK.
Employed since 1992.
In current position since 2017.
Education: HND (Higher National Diploma) in Business Studies.
Previous Position: MD Surrey Envelopes Ltd.
Shareholding in Bong: 55,000 shares.



PASCAL GRAVOUILLE

Born 1962.
Business Unit Manager South Europe & North Africa, Business Unit Manager Bong Retail Solutions, Innovation Director.
Employed since 2008, in current position since 2018.
Education: Chemical engineer.
Previous positions: Business Manager Europe, Ferro Corporation.
Shareholding in Bong: 83,500 shares.



CARSTEN GRIMMER

Born 1973.
Chief Financial Officer (CFO) Bong AB, Chief Financial Officer (CFO) Central Europe.
Employed since 2014, in current position since 2019.
Education: Master of Science in Management and Economics.
Previous positions: Several Management Positions within Schmolz+Bickenbach Group, Senior Associate PwC.
Shareholding in Bong: 0 shares.



KRZYSZTOF KUBASIAK

Born: 1973.
Business Unit Manager Nordic.
Employed since 2003, in current position since 2018.
Education: Master of Business Administration.
Previous Positions: Managing Director CEE Countries.
Shareholding in Bong: 0 shares.



OTHER KEY PERSONNEL

PETER ANDERSSON

Born 1964.
Director of Purchasing and Logistics.
Employed since 2006.



SIMON BENNETT

Born 1965.
Sales and Marketing Director, European Distributors.
Employed since 2007.



Board of Directors



CHRISTIAN PAULSSON
Chairman of the Board



MIKAEL EKDAHL
Member of the Board



STÉPHANE HAMELIN
Member of the Board



ERIC JOAN
Member of the Board



STEFAN LAGER
Member of the Board



HELENA PERSSON
Member of the Board



MATS PERSSON
Member of the Board
(Employee representative)

Definitions

This Annual Report includes financial key data and ratios based on concepts defined in International Financial Reporting Standards (IFRS), Alternative Performance Measurements and company-specific ratios. Definitions are found below.

ADJUSTED EARNINGS PER SHARE

Profit after tax, excluding items affecting comparability, divided by the average number of shares before and after dilution.

ADJUSTED P/E RATIO, TIMES

Share price divided by adjusted earnings per share before and after dilution.

AVERAGE CAPITAL EMPLOYED

Capital employed at the beginning of year plus capital employed at year-end divided by two.

AVERAGE EQUITY

Shareholders' equity at beginning of year plus equity at year-end divided by two.

AVERAGE TOTAL ASSETS

Total assets at beginning of the year plus total assets at year-end divided by two.

CAPITAL EMPLOYED

Equity plus interest-bearing liabilities.

CAPITAL TURNOVER, TIMES

Net sales by average total assets.

Capital turnover is a measure of how effectively the Group uses its assets.

EARNINGS PER SHARE

Profit after tax, divided by the average number of shares, before and after dilution.

EBITDA

Operating income before depreciation and amortization.

EQUITY TO ASSETS RATIO, PER CENT

Shareholders' equity divided by total assets. This ratio is a measure of the Group's financial strength.

ITEMS AFFECTING COMPARABILITY

Items of infrequent nature with significant effects, which are relevant for understanding the financial performance when comparing the current period with previous periods. Such items may include but are not limited to results

from divestments of property, charges attributable to close-down or restructuring of major units or activities, significant write-downs of tangible and intangible assets and other major non-recurring costs or income. Please refer to Note 12 for a specification of Items affecting comparability 2018.

NET DEBT

Interest-bearing liabilities and provisions less liquid funds and interest-bearing receivables.

NET DEBT/EBITDA, TIMES

Net debt divided by EBITDA.

Net debt/EBITDA is a measure of the Group's financial strength.

NET DEBT TO EQUITY, TIMES

Net debt divided by equity. This ratio is a measure of the Group's financial strength.

OPERATING MARGIN, PER CENT

Operating profit divided by net sales.

Operating margin is a measure of profitability. It measures how much of revenues remains after operating expenses.

P/E RATIO, TIMES

Share price divided by earnings per share.

RETURN ON CAPITAL EMPLOYED, PER CENT

Earnings after financial income divided by average capital employed. For 2016 the extraordinary net financial item has been excluded.

This measure of profitability shows the return of the Group's total balance sheet, less non-interest-bearing debt. It is a measure independent of indebtedness. It complements the measure return on equity.

RETURN ON EQUITY, PER CENT

Earnings after tax divided by average equity. For 2016 the extraordinary net financial item has been excluded.

This measure measures the return on shareholders' funds for the year and is useful in comparisons of other investments with the same risk profile.

SHARE PRICE/EQUITY, PER CENT

Price per share divided by equity per share.

Annual General Meeting 2020

On April 7, 2020, the Board of Bong AB announced that, following the outbreak of Covid-19, it had decided to postpone the Annual General Meeting 2020. It will be held by June 30, 2020. A new notice will be issued no later than four weeks prior to the Annual General Meeting. Updated information about the AGM and related matters such as how to proceed to participate etc is available on Bong's website <https://www.bong.com/en/investors>.

Financial calendar

Interim report January – March 2020	14 May 2020
Interim report January – June 2020	July 2020
Interim Report January – September 2020	November 2020



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