



# BONG

*275 years in business*



Year-end Report  
January – December 2012

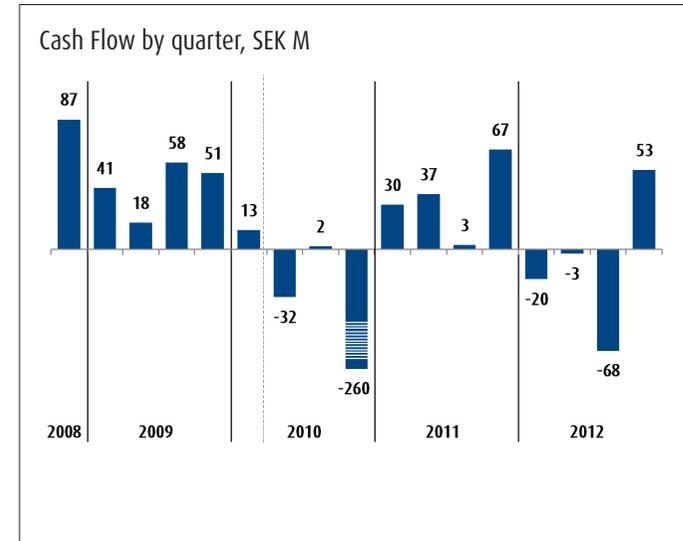
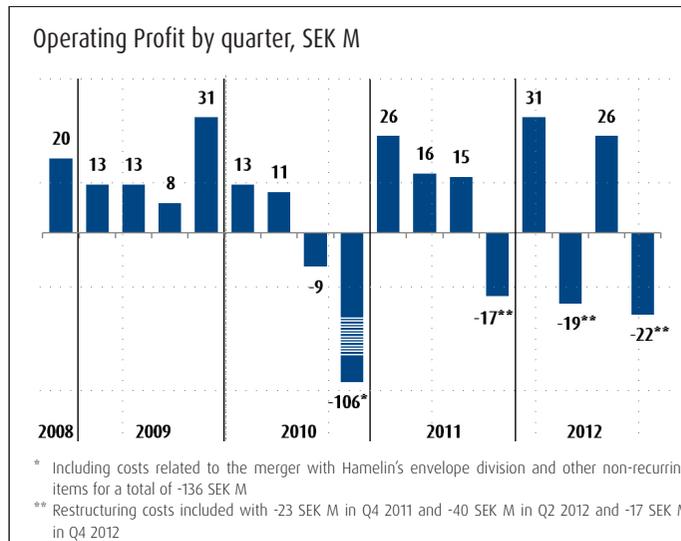
” Fourth quarter cash flow was strong thanks to a positive trend in working capital,” says Bong’s President and CEO Anders Davidsson. “The restructuring programmes are proceeding according to plan and help us to gradually cut costs. In addition to these programmes, we are now taking further measures to maintain our long-term competitiveness and restore profitability to a satisfactory level. ”

#### October-December 2012

- Net sales SEK 762 million (850)
- Propac sales SEK 151 million (150)
- Operating profit SEK -22 million (-17)
- Profit after tax SEK -44 million (-24)
- Cash flow after investments SEK 53 million (67)
- Earnings per share SEK -2.54 (-1.41)

#### January-December 2012

- Net sales SEK 2,946 million (3,203)
- Propac sales SEK 486 million (507)
- Operating profit SEK 16 million (40)
- Profit/loss after tax SEK -54 million (-16)
- Cash flow after investments SEK -37 million (137)
- Earnings per share SEK -3.15 (-1.04)



Bong is a leading provider of specialised packaging and envelope products in Europe, offering solutions for distribution and packaging of information, advertising materials and lightweight goods. Important growth areas in the Group are the Propac packaging concept and Russia. The Group has annual sales of approximately SEK 3 billion and about 2,200 employees in 15 countries. Bong has strong market positions in the majority of key markets in Europe, and the Group sees interesting possibilities for continued expansion and development. Bong is a public limited company whose stock is quoted on the NASDAQ OMX Nordic Stock Exchange Stockholm (Small Cap).

## Market and Industry

The European envelope market continued to decline during the fourth quarter. According to the trade organisation FEPE, the market declined in 2012 by about 8 percent compared with 2011. During the fourth quarter demand fell 6 per cent according to FEPE. Demand has been negatively affected by the economic uncertainty in Europe. Bong's assessment is that volumes decreased most in Spain, France and the UK, while the trend in Germany and the Nordic region was less negative. Volumes in Russia and Eastern Europe are still expected to grow.

Essentially all participants in the envelope market are working to reduce capacity and cut costs. For example, the Mayer group announced during the second half of the year that it would close two of its factories in Britain. Consolidation of the industry also continued as Printeos (formerly Tompla) acquired KRPA in the Czech Republic. A few small companies in Germany and Italy went bankrupt during the year.

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

## Sales and Earnings

January – December 2012

Consolidated sales for the period reached SEK 2,946 million (3,203). Exchange rate fluctuations had an impact on sales of SEK -57 million during the period compared with 2011. A calendar-related effect between the years had an impact on sales of about SEK -25 million.

Bong's total Propac sales are in fixed exchange rates at about the same level as 2011. Sales of gift packaging, bubble bags and the new machinery concept packaging machines and cold seal technology for e-commerce and mail order businesses are increasing, while sales of some more mature products are declining.

Operating profit was SEK 16 million (40) including restructuring costs and capital gains. Restructuring costs of a total of SEK -57 million were charged against net investment income for the year. They include SEK -40 million initiated in Q2 and SEK -17 million initiated in Q4 and primarily involve closure of the British production plant in Washington and the Swedish envelope printer DM Qvert.

The corresponding figure for restructuring costs in 2011 was SEK -23 million. Compared with last year, the previously implemented restructuring programme yielded clear results in the form of lower fixed costs in production, sales and administration. During the year a building in France was sold with capital gains of SEK 17 million. In addition, the deferred tax asset was negatively affected by SEK -14 million mainly due to the change in the Swedish corporate tax rate.

Net financial items in 2012 totalled SEK -71 million (-63), profit before tax was SEK -55 million (-23) and reported profit after tax was SEK -54 million (-16).

## Sales and Earnings

October-December 2012

Consolidated sales for the fourth quarter were SEK 762 million (850). Exchange rate fluctuations had an impact on sales of SEK -20 million during the period compared with 2011.

A calendar-related effect between the years had an impact on sales of about SEK -15 million. With fixed exchange rates, Propac sales were slightly higher than the corresponding period in 2011. Operating profit was SEK -22 million (-17). Net financial items during the quarter totalled SEK -19 million (-17), profit before tax was SEK -41 million (-34) and reported profit after tax was SEK -44 million (-24).

During the period, charges against earnings included write downs in the UK and revaluation of pension liability, for a total of SEK -6 million and restructuring costs of SEK -17 million (-23). In addition, the deferred tax asset was negatively affected by SEK -14 million mainly due to the change in the Swedish corporate tax rate.

## Update - Restructuring Programme

In the second quarter Bong made a provision of SEK 40 million for restructuring involving a number of markets in Continental Europe and Sweden. During the fourth quarter the company made a provision of SEK 17 million, mainly for closure of the British production facility in Washington and the Swedish envelope printer DM Qvert. All restructuring measures are proceeding according to plan and are expected to generate annual cost savings of about SEK 50 million when fully implemented in Q2 2013.

The impact on the Group's cash flow for this and the previously implemented restructuring programme was about SEK -55 million in 2012.

## Cash Flow and Investments

Cash flow after investing activities was SEK -37 million (137). Cash flow during the fourth quarter totalled SEK 53 million (67) and was primarily driven by improvement of working capital.

Investing activities and acquisitions during the period affected cash flow with a net of SEK -36 million (-12).

## Financial Position

Cash and cash equivalents at 31 December 2012 totalled SEK 112 million (SEK 151 million at 31 December 2011). The Group had unutilised credit facilities of SEK 209 million at 31 December 2012. Total available cash and cash equivalents amounted to SEK 321 million.

Consolidated equity at 31 December 2012 was SEK 407 million (SEK 496 million at 31 December 2011). Translation of the net asset value of foreign subsidiaries to Swedish crowns, acquisition of minority share, result for the year, and changes in the fair value of derivative instruments reduced consolidated equity by SEK 89 million.

The interest-bearing net loan debt increased during the period by SEK 7 million to SEK 954 million (SEK 947 million at 31 December 2011). Translation of net loans in foreign currency to Swedish crowns reduced the Group's net loan debt by SEK 28 million.

## Employees

The average number of employees during the period was 2,271 (2,431). The number of employees at 31 December 2012 was 2,218 (2,318). The decrease is a result of the restructuring measures taken in 2011 and 2012. Bong continually works on improving productivity and downsizing staffing to meet current demand.

## Parent Company

The parent company's business extends to management of operating subsidiaries and Group management functions. Net sales were SEK 38 million (27) and earnings before tax for the period were SEK 3 million (-19).

## Events after the end of the reporting period

Angus & Wright

In January 2013, Bong exercised its option to acquire the remaining 50% stake in the part-owned British company Angus & Wright. The company, which sells packaging machines along with cold seal materials to e-commerce and mail order companies, is being consolidated beginning with January and initially only a minor impact on the Group's performance is expected.

New restructuring programmes 2013

In order to maintain our long-term competitiveness and restore profitability to a satisfactory level, further restructuring programmes have been announced in early 2013. The cost of these restructuring programmes is estimated at about SEK 50-60 million and will be expensed during the first half of 2013. The restructuring programmes will affect most of Bong's markets. The annual savings will be about SEK 55 million and are expected to achieve full effect from January 2014.

## Opportunities and Risks

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

## Accounting Policies

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

## The board of directors proposal for dividend

Bong's current priority is to reduce debt and improve profitability. Therefore, the Board proposes that no dividend be paid for 2012. No dividend was paid for 2011.

### Annual General Meeting

The Annual General Meeting will be held on Wednesday, 22 May 2013 at 4:00 p.m. in IMP's premises at Ångbåtsbron 1 in Malmö. The January-March 2013 report will be published in connection with the AGM. The annual report will be available no later than 30 April 2013.

Malmö 14 February 2013

**Anders Davidsson**

President and Chief Executive Officer

### Auditor's Review Report

We have reviewed this report for the period 1 January, 2012 to 31 December, 2012 for Bong AB (publ). The board of directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this report based on our review.

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

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

Malmö 14 February 2013

PricewaterhouseCoopers AB

**Eric Salander**

Authorized Public Accountant

### Presentation of the report

The report will be presented at a teleconference on 14 February at 10:00 p.m. The telephone number for the conference is +46 (0)8 5052 0110. Slides for the teleconference will be available on our website bong.com at the time that this report is published.

### For further information, please contact:

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+46 (0)70 45 70 80 (mobile).

### Scheduled reports:

- Interim Report January – March 2013, 22 May 2013
- Interim Report January – June 2013, July 2013
- Interim Report January – September 2013, November 2013
- Year-end Report 2013 – February 2014

# Year-end Report 31 December 2012

## INCOME STATEMENT IN SUMMARY

SEK M	Oct-Dec 2012 3 month	Oct-Dec 2011 3 month	Jan-Dec 2012 12 month	Jan-Dec 2011 12 month
Revenue	762.3	849.7	2,945.9	3,202.7
Cost of goods sold	-637.0	-695.7	-2,398.3	-2,613.9
<b>Gross profit</b>	<b>125.4</b>	<b>154.0</b>	<b>547.6</b>	<b>588.8</b>
Selling expenses	-72.3	-79.8	-264.8	-284.6
Administrative expenses	-62.9	-74.0	-238.7	-255.3
Other operating income and expenses	-12.2	-17.3	-28.1	-8.7
Operating profit	-22.0	-17.1	16.1	40.1
Net financial items	-19.4	-17.4	-71.3	-62.7
Result before tax	-41.4	-34.5	-55.2	-22.6
Income tax	-2.4	10.4	0.8	6.3
Net result for the year	-43.8	-24.1	-54.4	-16.3
Total comprehensive income attributable to:				
Share holders in Parent Company	-44.5	-24.7	-55.1	-18.2
Non-controlling interests	0.7	0.6	0.7	1.9
Basic earnings per share	-2.54	-1.41	-3.15	-1.04
Diluted earnings per share	-2.54	-1.41	-3.15	-1.04
Average number of shares, basic	17,480,995	17,480,995	17,480,995	17,480,995
Average number of shares, diluted	18,727,855	18,727,855	18,727,855	18,727,855

## STATEMENT OF COMPREHENSIVE INCOME

SEK M	Oct-Dec 2012	Oct-Dec 2011	Jan-Dec 2012	Jan-Dec 2011
Net result for the year	-43.8	-24.1	-54.4	-16.3

### Other comprehensive income

Cash flow hedges	1.5	8.9	2.1	1.5
Exchange rate differences	-17.6	24.9	36.5	3.7
Revaluation reserve on acquisitions of shares in subsidiaries	27.6	-40.1	-50.6	-2.9
Income tax relating to components of other	6.0	-8.3	-8.3	-1.1
Other comprehensive income after tax	17.4	-14.5	-20.4	1.2

### TOTAL COMPREHENSIVE INCOME

	<b>-26.3</b>	<b>-38.6</b>	<b>-74.7</b>	<b>-15.1</b>
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### Total comprehensive income attributable to:

Share holders in Parent Company	-27.0	-39.0	-75.5	-17.0
Non-controlling interests	0.7	0.4	0.7	1.9

CONSOLIDATED BALANCE SHEETS IN SUMMARY	31 Dec	31 Dec
SEK M	2012	2011
Assets		
Intangible assets <sup>1)</sup>	576.1	586.3
Tangible assets	511.4	579.2
Financial assets	133.9	128.1
Inventories	312.0	329.5
Current receivables	491.4	592.5
Cash and cash equivalents	112.3	151.4
<b>Total assets</b>	<b>2,137.0</b>	<b>2,366.9</b>
Equity and liabilities		
Equity <sup>2)</sup>	407.2	495.9
Non-current liabilities <sup>3)</sup>	941.7	1,029.0
Current liabilities <sup>4)</sup>	788.1	842.0
<b>Total equity and liabilities</b>	<b>2,137.0</b>	<b>2,366.9</b>
<sup>1)</sup> Of which goodwill	539.8	550.6
<sup>2)</sup> Of which non-controlling interests	0.7	1.3
<sup>3)</sup> Of which interest-bearing	896.9	980.5
<sup>4)</sup> Of which interest-bearing	170.0	118.0

CHANGES IN CONSOLIDATED EQUITY, GROUP	Jan-Dec	Jan-Dec
SEK M	2012	2011
Opening balance for the period	495.9	531.2
Dividends paid	-0.4	-20.2
Non-controlling interests	-13.6	-
Total comprehensive income	-74.7	-15.1
<b>Closing balance for the period</b>	<b>407.2</b>	<b>495.9</b>

#### QUARTERLY DATA, GROUP

SEK M	4/2012	3/2012	2/2012	1/2012	4/2011	3/2011	2/2011	1/2011	4/2010	3/2010	2/2010	1/2010	4/2009
Net Revenue	762.3	655.6	711.7	816.3	849.7	751.2	747.3	854.4	938.8	417.7	468.4	501.3	512.9
Operating expenses	-784.4	-629.2	-730.4	-785.7	-866.8	-736.3	-731.1	-828.4	-1,045.1	-426.5	-457.4	-488.1	-482.2
Operating profit	-22.0	26.3	-18.8	30.6	-17.1	14.9	16.3	26.1	-106.3	-8.8	11.0	13.2	30.7
Net financial items	-19.4	-17.4	-17.3	-17.2	-17.4	-13.8	-17.8	-13.7	-16.9	-9.2	-8.2	-6.7	-10.2
<b>Profit before tax</b>	<b>-41.4</b>	<b>9.0</b>	<b>-36.1</b>	<b>13.4</b>	<b>-34.5</b>	<b>1.1</b>	<b>-1.6</b>	<b>12.4</b>	<b>-123.2</b>	<b>-18.0</b>	<b>2.7</b>	<b>6.5</b>	<b>20.4</b>

<b>CONSOLIDATED CASH FLOW STATEMENTS</b>	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
SEK M	2012	2011	2012	2011
Operating activities				
Operating profit	-22.0	-17.1	16.1	40.1
Depreciation, amortisation and impairment	27.6	27.4	102.1	110.9
Financial items	-19.4	-17.4	-71.3	-62.7
Tax paid	-4.0	-3.3	-22.4	-33.7
Other non-cash items	19.0	27.0	-25.2	-47.2
Cash flow from operating activities before changes in working capital	1.2	16.6	-0.6	7.4
Changes in working capital	63.8	68.7	-1.1	141.7
Cash flow from operating activities	65.0	85.3	-1.7	149.1
Cash flow from investing activities	-11.8	-18.6	-35.8	-12.0
Cash flow after investing activities	53.2	66.7	-37.5	137.1
Cash flow from financing activities	-16.4	-3.3	0.0	-134.6
Cash flow for the period	36.8	63.4	-37.5	2.5
Cash and cash equivalents at beginning of period	74.9	90.0	151.4	149.4
Exchange rate difference in cash and cash equivalents	0.6	-2.0	-1.6	-0.5
<b>Cash and cash equivalents at end of period</b>	<b>112.3</b>	<b>151.4</b>	<b>112.3</b>	<b>151.4</b>

<b>KEY RATIOS</b>	Jan-Dec	Jan-Dec
	2012	2011
Operating profit %	0.5	1.3
Profit margin %	-1.9	-0.7
Return on equity %	neg	neg
Return on capital employed %	1.2	2.6
Equity/assets ratio %	19.1	21.0
Gearing ratio times	2.34	1.91
Net loan debt/EBITDA	8.07	6.3
Capital employed SEK M	1,474.0	1,594.4
Interest-bearing net loan debt SEK M	954.6	947.0

<b>DATA PER SHARE</b>	Jan-Dec	Jan-Dec
	2012	2011
Basic earnings per share SEK	-3.15	-1.04
Diluted earnings per share SEK <sup>1)</sup>	-3.15	-1.04
Basic equity per share SEK	23.29	28.37
Diluted equity per share SEK	21.74	26.48
Basic number of shares outstanding at end of period	17,480,995	17,480,995
Diluted number of shares outstanding at end of period	18,727,855	18,727,855
Average number of shares basic	17,480,995	17,480,995
Average number of shares diluted	18,727,855	18,727,855

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

# Financial overview

KEY RATIOS	2012	2011	2010	2009	2008
Revenue sales, SEK M	2,946	3,203	2,326	1,915	1,937
Operating profit/loss, SEK M	16	40	-91	65	74
Profit after tax, SEK M	-54	-16	-97	24	10
Cash flow after investing activities, SEK M	-38	137	-277	169	144
Operating margin, %	0.5	1.3	-3.9	3.4	3.8
Profit margin, %	-1.9	-0.7	-5.6	1.4	1.0
Capital turnover rate, times	1.3	1.3	1.2	1.1	1.1
Return on equity, %	neg	neg	neg	3.6	1.8
Return on capital employed, %	1.2	2.6	neg	5.5	5.6
Equity ratio, %	19	21	21	36	34
Net loan debt, SEK M	955	947	1,062	589	745
Net debt/equity ratio, times	2.34	1.91	2.00	0.98	1.18
Net loan debt/EBITDA, times	8.1	6.3	42.7	3.8	4.4
EBITDA/net financial items, times	1.8	2.4	0.6	4.5	3.1
Average number of employees	2,271	2,431	1,540	1,220	1,270
Data per share					
Number of shares					
Basic number of shares outstanding at end of period	17,480,995	17,480,995	17,480,995	13,128,227	13,128,227
Diluted number of shares outstanding at end of period	18,727,855	18,727,855	18,727,855	13,230,227	13,332,227
Average basic number of shares	17,480,995	17,480,995	14,216,419	13,128,227	13,128,227
Average diluted number of shares	18,727,855	18,727,855	14,528,134	13,230,227	13,332,227
Earnings per share					
Basic, SEK	-3.15	-1.04	-6.97	1.65	0.80
Diluted, SEK	-3.15	-1.04	-6.97	1.63	0.78
Equity per share					
Basic, SEK	23.29	28.37	30.39	45.56	47.91
Diluted, SEK	21.74	26.48	28.37	45.77	48.22
Cash flow from operating activities per share					
Basic, SEK	-0.10	8.53	3.01	13.98	15.27
Diluted, SEK	-0.09	7.96	2.81	13.87	15.04
Other data per share					
Dividend, SEK	0.00	0.00	1.00	1.00	1.00
Quoted market price on the balance sheet date, SEK	10	18	32	21	12
P/E ratio, times	neg	neg	neg	13	15
Price/book value after dilution, %	41	63	105	46	25
Price/equity after dilution, %	44	68	113	46	25

<b>PARENT COMPANY PROFIT AND LOSS ACCOUNTS IN SUMMARY</b>	Jan-Dec	Jan-Dec
SEK M	2012	2011
Revenue	38.1	27.6
Gross profit	38.1	27.6
Administrative expenses	-70.6	-70.8
Other operating income and expenses	9.5	10.9
Operating profit/loss	-23.0	-32.3
Net financial items	26.2	12.9
Result	3.2	-19.4
Income tax	-1.0	23.8
<b>Net result</b>	<b>2.2</b>	<b>4.4</b>

<b>STATEMENT OF COMPREHENSIVE INCOME</b>	Jan-Dec	Jan-Dec
SEK M	2012	2011
Profit after tax	2.2	4.4
Other comprehensive income		
Cash flow hedges	2.0	2.3
Income tax relating to components of other comprehensive income	-0.5	-0.6
Other comprehensive income after tax	1.5	1.7
<b>Total comprehensive income</b>	<b>3.7</b>	<b>6.1</b>

<b>PARENT COMPANY BALANCE SHEETS IN SUMMARY</b>	31 Dec	31 Dec
SEK M	2012	2011
Assets		
Intangible assets	24.6	20.7
Tangible assets	2.5	3.6
Financial assets	1,971.6	1,803.5
Current receivables	175.1	327.6
Cash and cash equivalents	42.5	58.6
<b>Total assets</b>	<b>2,216.3</b>	<b>2,214.0</b>
Equity and liabilities		
Equity	717.9	714.2
Provisions	11.5	11.8
Non-current liabilities	1,083.8	1,171.6
Current liabilities	403.0	316.4
<b>Total equity and liabilities</b>	<b>2,216.3</b>	<b>2,214.0</b>