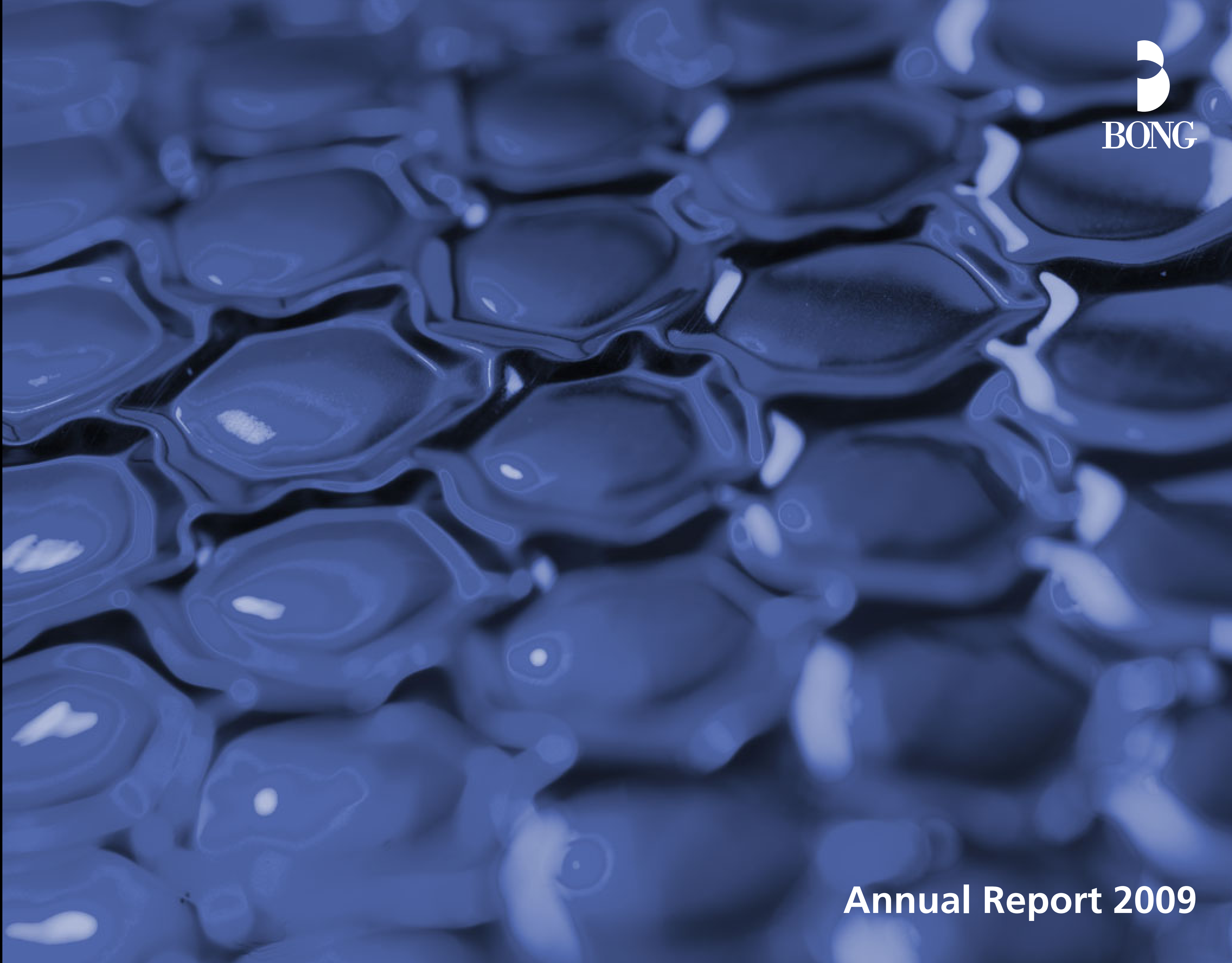

BONG

Annual Report 2009

DIRECTORS' REPORT

The Board of Directors and the President of Bong Ljungdahl AB (publ.), corporate ID no. 556034-1579, domiciled in Kristianstad, hereby submit their annual report for the financial year 1 January 2009 – 31 December 2009 for the Parent Company and the Group.

Bong is a leading European provider of specialised packaging and envelopes offering solutions for distribution and packaging of information, advertising material and lightweight goods. Two important growth areas in the Group are the new ProPac packaging concept and Russia, where manufacturing operations and a sales organisation have recently been established. The Group has annual sales of approximately SEK 2 billion and some 1,200 employees in Sweden, Norway, Denmark, Finland, Estonia, Latvia, the UK, the Netherlands, Belgium, Germany and Russia. Bong has strong market positions, above all in northern Europe, and the Group sees interesting possibilities for continued expansion and development.

Market

Demand decreased during the year as a consequence of the financial crisis and subsequent recession. Demand for envelopes in Western Europe turned up in the fourth quarter, however, compared with the first three quarters of 2009. The European Envelope Manufacturers Association's (FEPE) volume statistics for January-September indicated a fall in volume of about 15 per cent compared with 2008. Bong's judgement is that volume in the fourth quarter was only a few percentage points lower than in the corresponding quarter of 2008 and that the volume for the full year has declined by 12-13 per cent compared with 2008.

In total terms for the full year, direct mail envelopes were hit harder by the downturn than standard administrative envelopes. In Russia and Eastern Europe, several years' strong growth turned into diminished demand. The market in Russia is estimated to have diminished by about 15-20 per cent during the year and in the Baltic states by about 20 per cent. In these countries as well, the fourth quarter brought a reversal of the trend with positive signals from the market and stabilisation of the volume trend compared with last year.

To meet the lower demand, the industry continued to cut back on production and capacity. Mayer, for example, closed a factory in the UK and decided to discontinue envelope production at part-owned Lyche's plant in Norway. Intermail moved its envelope production from Denmark to its factories in Sweden and Finland. All important manufacturers reduced their workforce and number of machines. Many also reduced working hours during the year.

During the third quarter of 2009, Bong signed an exclusive agreement with DuPont for manufacture, sales and marketing of Tyvek® envelopes, pouches and postal packaging solutions in Western Europe. The Tyvek® range has long been a well-established concept with annual sales of more than EUR 10 million. Bong's sales of Tyvek® products under this agreement will grow rapidly and are projected to boost Bong's annual sales by about SEK 100 million on an annual basis from the second half of 2010.

Tyvek® is a unique polyethylene material developed and produced by DuPont. The material is lightweight, thin and flexible but also extremely tough and durable. Tyvek® is, for example, both tear-proof and water-resistant and therefore highly suitable for use in protective envelopes and postal packaging solutions. Tyvek® material can be used for a wide variety of new and interesting product solutions, for example in e-commerce and mail order. Bong will market and sell Tyvek® envelopes and postal packages as a part of its ProPac range.

The consolidation of the market continued with the bankruptcy of German Curtis at the beginning of 2010. Mayer acquired Curtis's Polish subsidiary as well as the German subsidiary. Production in Germany will reportedly be wound up and the machinery sold. At the beginning of 2010, Bong acquired Curtis's subsidiary Tycon in Luxembourg. Tycon is a production unit specialising in conversion of Tyvek® material to envelopes and packages.

The packaging market, where Bong works with the ProPac range, is much bigger than the envelope market. The market is also much more multifaceted. Market statistics for the niches where Bong is active are lacking or difficult to obtain. Packages used in, for example, e-commerce, mail order and retailing are affected to some extent by the recession, but are judged to have strong growth potential over time.

Sales and earnings

Consolidated sales amounted to SEK 1,915 million in 2009 (1,937). Currency effects and consolidation of the subsidiary Lober Druck & Kuvert from 2009 had a positive effect, helping Bong to keep sales at a relatively stable level compared with last year. Operating profit amounted to SEK 65 million (74). Net financial items totalled SEK –35 million (–54). Profit before tax was SEK 31 million (20), and the reported profit after tax was SEK 24 million (10).

Lower volumes and sales were offset by cost savings and lower net financial items so that the profit before tax was improved compared with 2008. The volume decrease slowed down during the fourth quarter compared with last year, at the same time as the effects of the Group's cost adjustments showed effect. The reduction of the finished goods inventory as part of the Group's efforts to free up working capital affected profit by SEK –11 million (–9) during the reporting period.

Cash flow

After a strong end to the year, cash flow after investing activities for 2009 was highly satisfactory, amounting to SEK 169 million (144). Working capital fell by SEK 98 million as a result of determined efforts to reduce inventories and better terms of payment for customers and from suppliers.

In addition, the sale of an unused manufacturing property in Germany contributed a positive cash flow of SEK 14 million.

Financial position

Cash and cash equivalents at 31 December 2009 totalled SEK 74 million (SEK 99 million at 31 December 2008), while unutilised credits at 31 December 2009 amounted to SEK 308 million (SEK 378 million at 31 December 2008).

Consolidated equity at 31 December 2009 amounted to SEK 598 million (SEK 629 million at 31 December 2008). Translation of the net asset value of foreign subsidiaries to Swedish Kronor and changes in the fair value of derivative instruments reduced consolidated equity by SEK 39 million.

The interest-bearing net debt decreased during the period by SEK 156 million to SEK 589 million (SEK 745 million at 31 December 2008). Translation of the net debt in foreign currency to Swedish Kronor reduced the Group's net debt by SEK 8 million. At 31 December 2009, the debt/equity ratio was 0.9 (1.2 at 31 December 2008) and the equity/assets ratio was 36 per cent (34 per cent at 31 December 2008).

Capital expenditure

Net investments in non-current assets and acquisitions during the period amounted to SEK 15 million (56). During the second quarter, 45 per cent of the British packaging wholesaler Packaging First Limited was acquired. During the third quarter, 50 per cent of the envelope company DM Qvert AB was acquired. Both companies are treated as associated companies in the Group as the Group does not exercise a significant influence over the operations.

Notable events after the end of the financial year

Tycon's production unit in Luxembourg was acquired in February 2010. The acquisition, which includes 100 per cent of the company with 20 employees, is specialised in conversion of Tyvek® material into envelopes and packages. The acquisition is expected to make a positive contribution to Bong's earnings starting in the first quarter of 2010.

In January 2010, 50 per cent of the British specialist envelope manufacturer Image Envelopes was acquired. Bong has an option to increase its stake in the company over the next three years. Image Envelopes focuses on delivering products to the British direct mail (DM) market. The acquisition is in line with Bong's strategy to increase its market share in the DM segment. The company is expected to contribute positively to the Group's earnings during the first quarter of 2010. Image Envelopes is treated as an associated company in the Group, since the Group does not have a significant influence over the operation.

Employees

The average number of employees during the year was 1,220 (1,241). The number of employees at 31 December 2009 was 1,220 (1,233). As of 2009, the 35 employees in Lober are also included in the total.

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 rationalise environmental efforts, the company is working according to a plan for environmental certification with the objective that all plants in the Group will be certified to ISO 14 001. The plants in Wuppertal in Germany, Nybro and Kristianstad in Sweden, Tönsberg in Norway and in Luxembourg are certified. Work is under way on certifying the plants in Finland and Estonia. Milton Keynes in the UK is expected to be certified during the second quarter of 2010.

In 2008, the industry took the initiative in the establishment of a new pan-European environmental certification standard: Paper by Nature. In 2009, Bong began efforts to obtain certification of its products according to this eco-label. The eco-label is applied to paper products such as envelopes, books, note pads etc. It takes into account the potential environmental impact of raw materials and manufacturing processes. Paper by Nature guarantees that the raw materials come from sustainably managed forests and that the products have been manufactured in certified facilities. Paper by Nature covers the environmental impact of manufacturing as well as energy aspects, emissions to water and air and environmentally harmful substances. The plant in Kristianstad is certified according to Paper by Nature. The plants in Milton Keynes and Wuppertal are next in line.

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.

During 2009, the Group carried on an operation that requires an environmental permit under the Environmental Code in Nybro via the subsidiary Bong Ljungdahl Sverige AB. Net sales in the operation requiring an environmental permit in Nybro amounted to SEK 155 million, accounting for 8 per cent of consolidated net sales.

Research and development

The Group does not conduct any research and development activities. However, active efforts are pursued to meet the customers' needs for different envelopes and packaging solutions.

Parent Company

The Parent Company's operations consist of administration of trading subsidiaries and Group management functions. Net sales amounted to SEK 0 million (0), and profit for the year before tax amounted to SEK 21 million (19). No investments were made during the period (0). Credits granted but not utilised amounted to SEK 308 million (378 at 31 December 2008).

Board's proposed 2010 guidelines for remuneration to senior executives

The Board of Directors of Bong Ljungdahl AB (publ) proposes that the 2010 AGM adopt the following guidelines for remuneration to the President and other senior executives: By "senior executives" is meant here executives included in the management group, which currently consists of the company's President/CEO, Chief Financial Officer (CFO), Managing Director Bong Scandinavia and ProPac, Managing Director Bong Germany and Managing Director Bong UK.

Remuneration to the senior executives shall consist of fixed salary, variable remuneration, other benefits and pension. The aggregate remuneration shall be market-related and competitive in order to ensure that the Bong Ljungdahl Group can attract and keep competent senior executives.

The variable portion of the salary shall have a predetermined ceiling, the basic principle being that the variable salary portion can amount to no more than 70 per cent of the fixed annual salary. The variable portion is based on achievement of two or three of the following interim goals: 1) the Group's EBT, 2) the Group's cash flow, 3) earnings in the business unit, and 4) individual/qualitative goals. The basic principle is that the variable remuneration is paid in accordance with the agreed-upon weighting between the interim goals if the interim goal has been achieved. The variable portion is based on an earning period of one year. The goals for the 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. The 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 the Group Management are also entitled to an increased occupational pension premium of up to 30 per cent of their fixed salary.

The Group Management's employment contracts include provisions governing remuneration and termination of employment. According to these agreements, employment can ordinarily cease at the request of the employee with a period of notice of 3–24 months and at the company's request with a period of notice of 6–24 months. In the event of termination by the company, the period of notice and the period during which severance pay is payable shall not together exceed 24 months.

Remuneration to the President and other senior executives is prepared by the Board of Directors' Compensation Committee and finalised by the Board based on the recommendation of the Compensation 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.

Supplementary information

The cost of the Group Management's variable remuneration can – at maximum outcome, which assumes that all bonus-determining goals are achieved – be calculated to be about SEK 7.0 million (excluding social security contributions). The calculation is based on the current composition of the Group Management.

Ownership

Bong Ljungdahl's principal owners, with stakes of more than ten per cent of the votes and capital, are Melker Schörling (corporate ownership) and Alf Tönnesson (corporate ownership), both with about 29 per cent of the votes and capital. Skandia owns just under 9 per cent of the votes and capital in the company. The total number of ordinary shares was 13,128,227 at 31 December 2009. All shares carry the same rights.

Appointment and removal of Board members and amendment of the Articles of Association

The company's Board of Directors shall consist of at least four and at most 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.

Proposed distribution of earnings

The Board of Directors proposes that the earnings available for distribution, SEK 448,927,121, be disposed of as follows:

Dividend to shareholders SEK 1 per share	SEK 13,128,227
To be carried forward	SEK 435,798,894
Total	**SEK 448,927,121**

Board's opinion concerning proposed dividend

After the proposed dividend, the Parent Company's equity/assets ratio is 42 per cent and the Group's equity/assets ratio is 35 per cent. This is judged sufficient to maintain liquidity in the company and the Group at an adequate level.

The Board's view is that the proposed dividend does not hinder the Parent Company or the other Group companies from meeting their short- or long-term obligations, or from carrying out the necessary investments. The proposed dividend can thereby be defended in the light of what is said in Chapter 17, 3 Section 2–3 of the Swedish Companies Act (the precautionary rule).

CORPORATE GOVERNANCE REPORT

Effective and clear corporate governance helps secure the confidence of Bong's stakeholder groups 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

Corporate governance within Bong Ljungdahl AB ("Bong") is based on applicable legislation, the regulatory framework for NASDAQ OMX Stockholm and various internal guidelines. The most recent version of the Swedish Code of Corporate Governance ("the Code") was published in May 2008 and covers all listed companies as from 1 July 2008. Bong applies the Code, and in those cases the company has chosen to disregard the rules of the Code, a reason is given in the appropriate section of the Corporate Governance Report. The Corporate Governance Report has not been reviewed by Bong's auditors.

Bong is a Swedish limited liability company listed on NASDAQ OMX Stockholm

Bong is a Swedish public limited liability company whose shares are traded on NASDAQ OMX Stockholm in the Small Cap segment. Bong has around 1,300 shareholders. The operation is European with subsidiaries in twelve countries. The number of employees is approximately 1,200.

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 President/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 2009

Owner influence

Governance of Bong is exercised via the General Meeting of Shareholders, the Board of Directors and the President. 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 President from liability. The AGM also elects Bong's auditors.

Nearly 30 shareholders, representing 79 per cent of the total number of shares and votes in the company, participated in Bong's Annual General Meeting on 14 May 2009 in Kristianstad. All Board members and the company's auditors were present at the AGM.

Board of Directors

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

The work of the Board is regulated by the Swedish Companies Act, the Articles of Association and the rules of procedure 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. Since the 2009 AGM, Bong's Board of Directors has consisted of six AGM-elected members without deputies and two employee members with two deputies. The Chairman of the Board is Mikael Ekdahl. The statutory meeting of the Board of Directors was on 14 May 2009. The other members of the Board are Alf Tönnesson (Deputy Chairman), Christian W Jansson, Ulrika Eriksson, Patrick Holm and Anders Davidsson, President and CEO.

Remuneration of the Board

The Chairman of the Board received a fee of SEK 300 thousand for 2009 (300). The amount comprises part of the total director's fee determined by the AGM. No other fee was paid. There is no agreement on pension, severance pay or other benefits.

The total fee paid to other Board members for 2009 was SEK 600 thousand (677). Each Board member received SEK 150 thousand. No other fee was paid. There is no agreement on pension, severance pay or other benefits. No director's fee was paid to the President, nor to the employee representatives.

Rules of procedure for 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 President. There are instructions regarding information to be furnished regularly to the Board of Directors. 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.

During financial year 2009, the Board of Directors held five meetings in addition to the statutory meeting.

The control issues incumbent upon the Board of Directors are dealt with by the Board in its entirety and by the Compensation Committee. In addition, the Board's auditors personally report their assessments of the company's control to the Board. As a rule, the subsidiary managers participate at the Board meetings as rapporteurs.

Independent members and attendance at Board meetings

Bong complies with NASDAQ OMX Stockholm's listing agreement and the Code with regard to requirements on independent Board members.

Composition of the Board of Directors and number of formal meetings in 2009

	Independent of company[1]	Independent of major shareholders[1]	Attendance at Board meetings
Mikael Ekdahl	Yes	No	5
Ulrika Eriksson	Yes	Yes	5
Anders Davidsson	No	No	5
Christian W Jansson	Yes	Yes	5
Patrick Holm	Yes	Yes	5
Alf Tönnesson	Yes	No	4

[1] The assessment of the independence of the Board members has been made in accordance with NASDAQ OMX Stockholm's Rules for Issuers and criteria of independence.

Nomination Committee

The AGM has appointed a special 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 for the 2010 AGM consists of: Alf Tönnesson (chairman), Mikael Ekdahl (Melker Schörling AB), Peter Edwall (Kassen A/S) and Erik Sjöström (Skandia). The Nomination Committee has dealt with the issues that follow from the Code. The Nomination Committee has had one formal meeting and regular contacts.

Compensation Committee

The Board of Directors has appointed a Compensation Committee consisting of Alf Tönnesson (chairman) and Mikael Ekdahl.

The Committee's task is to review and give the Board recommendations regarding the principles for remuneration, including performance-based remuneration to the company's senior executives. Questions concerning the President's terms of employment, remuneration and benefits are prepared by the Compensation Committee and decided by the Board of Directors.

The President's salary consists of a fixed portion and a variable portion. The variable portion, which is re-examined annually, is dependent on the achievement of goals for the company and the President.

Audit Committee
According to the Code, the Board of Directors shall establish an Audit Committee. 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.

According to the Code, in companies with smaller boards the entire board may perform the tasks of the Audit Committee provided that the board members included in the group management do not participate in the work.

The Board of Directors of Bong has chosen not to establish an Audit Committee, since the Board is of the opinion that the these types of matters are, in a company of Bong's size, best dealt with by the entire Board of Directors. The President and CEO, Anders Davidsson, does not participate in the work of the Audit Committee.

External auditors
Bong's auditors are elected by the AGM. The 2008 AGM elected Authorised Public Accountants Eric Salander and Mathias Carlsson of PricewaterhouseCoopers as Bong's auditors for the coming three-year period.

The auditors review the Board's and the President'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.

President and Group Management
The President leads the day-to-day management of the company in accordance with the Board's guidelines and directions. The President is responsible for keeping the Board of Directors informed and ensuring that the Board has all the factual material needed to make informed decisions. The President is a member of the Board of Directors. The President also keeps the Chairman of the Board informed, by continuous dialogue, of the development of the Group.

The President and others in the Group Management hold formal meetings once a month as well as a number of informal meetings to go through the results of the previous month and discuss strategy questions.

During 2009, Bong's Group Management consisted of 5 persons, none of whom are women. The Group consists of the Parent Company Bong Ljungdahl AB and a number of subsidiaries, which is reported in Note 13, p. 33 of the annual report.

Reporting by subsidiaries takes place on a monthly basis. The boards of the subsidiaries preferably consist of members of Bong's corporate management and the Parent Company's board of directors.

Remuneration to Group Management
The 2009 AGM decided that the Group Management's salaries should consist of a fixed basic salary plus variable performance-based remuneration. The variable remuneration 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.

Members of the Group Management have purchased subscription warrants under the warrant programme adopted at the 2005 Annual General Meeting. The warrants were issued on market terms. The total remuneration for members of the Group Management should be at a competitive level.

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 President. Both the 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 on 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 documented and 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 and President, instructions for internal control and reporting, information policy, authorisation instruction and instruction for reporting.

Control activities
The control activities include both general and more detailed controls intended to prevent, detect and correct errors and non-conformances. 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 that may arise. Furthermore, the Board of Directors is responsible for ensuring that insider laws and standards for furnishing information are complied with. 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, seminars are routinely held 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. Within the Group 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 President is responsible for ensuring that internal control is organised and followed up in accordance with the guidelines established by the Board of Directors. Financial governance and control are exercised by the Group accounting function. The financial reporting is analysed monthly at the 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 gone through by the Board of Directors. The President is responsible for ensuring that independent objective reviews are performed for the purpose of systematically evaluating and proposing improvements in the Group's processes for governance, internal control and risk management. The first stage of a self-assessment project to assess the companies' control environment was carried out in 2009. 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.

BONG CONTRIBUTES TO SUSTAINABLE DEVELOPMENT

Consumers increasingly expect products and packaging to live up to a high ecological standard. By this is meant not only that they can be recycled or reused, but that the packages are environmentally friendly throughout their entire life cycle – from the drawing board to recycling.

Environmental policy
Bong contributes to sustainable development by making products that have the least possible environmental impact during their life cycle.

Bong works actively with the environment by:
- improving production methods so that polluting emissions are minimised
- striving to eco-label as large a portion of the range as possible
- influencing suppliers and customers to design their products so that ecocycle thinking and conservation of natural resources are prioritised
- boosting knowledge and awareness of environmental issues among all employees.

Environmental management system and certifications
By means of Bong's environmental management system, the environmental policy is translated into practical action by systematic efforts. Besides imposing demands on the company's own operations, the environmental management system gives Bong a means to constructively influence suppliers, carriers and others to work with environmental issues at their companies.

Environmentally friendly production and recycling
The basic raw material for the paper used in the manufacture of envelopes is renewable, and all paper that is used meets the requirements imposed by customers and public authorities. The biggest volume of paper consists of uncoated white fine paper, while the remaining volumes are unbleached, brown kraft paper and waste-based paper.

By cooperation with suppliers, the paper is constantly being developed to ensure that the envelopes are optimally environmentally compatible. Tough environmental criteria are also imposed on other components such as size, ink and window film. The chemicals used in the production process are disposed of and destroyed in an approved fashion, and left-over ink in production is collected and recycled.

The remaining paper, production-related waste, is sorted according to grade and sold to be incorporated as waste paper in various paper products.

Of the plants' total waste quantity, more than 90 per cent is recycled today. The remainder is used for energy recovery or disposed of by landfilling. The waste is hauled away in accordance with current ordinances, and there is no storage of hazardous waste.

Paper by Nature
Bong joined Paper by Nature in 2009. Paper by Nature is an organisation that has developed the only pan-European environmental standard for converted paper products (such as envelopes). Bong intends to certify all its facilities according to Paper by Nature.

Converted paper products have a potential impact on the environment during their entire life cycle: wood fibre content and association to forest management, forest issues, water and air emissions during the conversion process, use of chemical agents, waste management, etc.

Paper by Nature's eco-label was developed to be pan-European and to cover all stages of a product's life cycle. Paper by Nature offers the first comprehensive, clear and reliable certification of converted paper products.

Range of the eco-label
The eco-label takes into account the environmental impact of raw materials and manufacturing processes (energy issues, emissions to water and air and substances that are potentially harmful to the environment) and guarantees that the raw material comes from responsibly managed forests and that it has been manufactured in certified facilities.

Employees
Motivated, skilled and healthy employees are a crucial competitive factor on Bong's markets. Bong strives to create a sustainable work environment that attracts, motivates and develops the workforce.

Employee policy
- Bong is mindful of good relations with employees in the Group, based on mutual respect
- No form of forced labour or child labour is permitted within the Bong Group. The minimum hiring age is the age after completion of compulsory schooling
- Bong offers equal opportunities for everyone without regard for race, colour, gender, nationality, religion, ethnic affiliation or other distinguishing characteristics
- All employees shall be provided with a safe and healthy work environment
- In all companies in the Group, the employees shall be entitled to form or join a trade union in compliance with local laws or principles.

Bong's personnel policy in practice
Bong is a modern company with short and informal decision-making pathways. The information policy is based on transparency and participation. Managers continually inform employees on local and company-wide developments. Everyone is encouraged to take an active part in decisions concerning improvements in the working environment that result in fewer work-related injuries, higher productivity and better quality.

Bong also strives to reward extraordinary efforts. There are throughout the Group small bonus programmes related to, for example, the unit's earnings, production volume, number of claims and delivery reliability. In some cases, such a bonus may be paid monthly.

Bong strives to reduce sickness absence by means of increased information to managers and other employees on the importance of health promotion. It amounted to 3.4 per cent in 2009 (4.5). Sickness absence in Sweden was 3.8 per cent (5.1).

Bong's code of conduct
Bong has adopted a code of conduct that lays down the fundamental principles by which the company strives to do business:
- Bong complies with legal requirements in each country where the Group carries on operations
- Bong abides by the UN's Universal Declaration of Human Rights
- Bong's business activities will be conducted with integrity and ethics
- Bong is open to, and wishes to be effective in, dialogues with its stakeholders
- Bong strives to inspire those who are affected by the company's operations to work in the spirit of the code of conduct.

Bong denounces the practice of bribery
Bong expects its employees to handle all business relations in a businesslike manner, correctly and respectfully. Corruption, bribery or anti-competitive practices disrupt markets and jeopardise social and democratic development. Bong denounces such practices.
- Bong will behave correctly in all business-related situations
- Bong will comply with existing competition legislation
- Bong does not offer or give bribes, nor does it accept bribes to maintain or obtain new business relations.

OPPORTUNITIES AND RISKS

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 trend

Historically, the envelope market has followed the general economic trend. In Eastern Europe, a generally growing economy still drives envelope consumption. In Western Europe, the connection between general economic growth and envelope consumption is not as strong as before. Dependence on the trend in the advertising market has increased in recent years due to the fact that direct mail (DM) envelopes account for an increasing share of Bong's volumes. With the aid of more sophisticated databases with personal information, a market is being created for highly converted envelopes intended for addressed direct mail.

At the same time, administrative mail as a whole is tending to decline as a result of the fact that the Internet and e-mail are replacing a certain type of mail, such as order confirmations, bank statements, etc. Other types of administrative mail, known as transaction mail, stand up well in competition with the new communication channels.

The strong demand for packages in the retail trade – both in distance selling and traditional selling – is creating great opportunities for Bong to meet the need for package-like envelopes and packages. Growth in envelopes for market communications and e-commerce is eventually expected to compensate for the decrease in administrative mail. Bong is following this trend closely and taking the appropriate steps.

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. More 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 small envelope sizes.

Industry structure and price competition

The European envelope industry is in a phase of increasing consolidation and restructuring. The rate of consolidation declined in 2007 and 2008, only to speed up again in 2009 as a result of the financial crisis. The biggest envelope companies in Europe represent around 75 per cent of the total market. But several of the big markets are still rather fragmented. It is Bong's impression that the previous overcapacity in the industry has decreased somewhat.

Paper prices

Uncoated fine paper is the single most important input material for Bong. The cost of fine paper is about 40 per cent of the total cost. Under normal conditions, Bong can compensate for price increases, sometimes 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 large suppliers. Delivery disruptions from any of the three suppliers could affect Bong negatively in the short term. In a longer time 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 9 per cent of annual sales, and the 25 biggest customers account for 46 per cent of total sales.

Capital need 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 of the industry.

On the other hand, the low investment need leads to very good cash-generating capacity. At year-end, the Group's machinery consisted of about 105 envelope machines and 85 overprinting presses. During a period around the turn of the millennium, large investments were made in renewal and upgrading of the machinery to raise productivity. An important element has been increased robotisation.

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 is not currently involved in any significant 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, for example. 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 2009 earnings would have been affected by a change in a number of business-critical 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 millions
Price	+/– 1 %	20 +/–
Volume	+/– 1 %	12 +/–
Paper prices	+/– 1 %	7 –/+
Payroll costs	+/– 1 %	5 –/+
Interest level borrowing	+/– 1 %-point	7 –/+

CONSOLIDATED INCOME STATEMENT

SEK THOUSANDS	Note	2009	2008
Revenue		1,914,717	1,937,130
Cost of goods sold	*2–4,5,7*	–1,510,583	–1,549,796
Gross profit		**404,134**	**387,334**
Selling expenses	*2–3,5,7*	–188,361	–183,785
Administrative expenses	*2–3,5,7*	–156,191	–144,536
Other operating income	*6,11*	15,939	15,761
Other operating expenses	*11*	–10,387	–5,305
Share in profit in associated companies	*18*	151	4,841
Operating profit		**65,285**	**74,310**
Interest income and similar line items	*8*	13,602	4,886
Interest expenses and similar line items	*9*	–48,423	–59,056
Total financial income and expenses		**–34,821**	**–54,170**
Profit before tax		**30,464**	**20,140**
Income tax	*10*	–6,213	–9,652
Net profit for the year		**24,251**	**10,488**
Attributable to:			
Parent Company shareholders		21,618	10,448
Minority interest		2,633	40
Earnings per share attributable to Parent Company shareholders			
– before dilution, SEK	*12*	1.65	0.80
– after dilution, SEK	*12*	1.63	0.78

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK THOUSANDS	2009	2008
Net profit for the year	24,251	10,488
Other comprehensive income		
Cash flow hedges	–2,328	–13,693
Hedging of net investment	13,122	–15,600
Exchange rate differences	–47,214	67,804
Revaluation reserve on acquisition of shares in subsidiaries	5,621	3,341
Income tax relating to components of other comprehensive income/loss	–7,661	18,175
Other comprehensive income after tax	**–38,460**	**60,027**
TOTAL COMPREHENSIVE INCOME	**–14,209**	**70,515**
Attributable to:		
Parent Company shareholders	–18,709	69,638
Minority interest	4,500	877

CONSOLIDATED BALANCE SHEET

SEK THOUSANDS	Note	2009-12-31	2008-12-31
ASSETS			
Non-current assets			
Intangible assets			
Goodwill	*13*	407,903	426,016
Other intangible assets	*14*	8,323	2,686
Total		**416,226**	**428,702**
Property, plant and equipment			
Buildings, land and land improvements	*15*	228,005	231,390
Plant and machinery	*15–16*	281,777	345,268
Equipment, tools, fixtures and fittings	*15*	32,301	31,324
Construction in progress	*17*	8,307	34,801
Total		**550,390**	**642,783**
Long-term investments			
Interests in associated companies	*18*	12,476	6,290
Interests in other companies	*19*	1,381	1,411
Deferred tax assets	*20*	65,364	71,023
Other non-current receivables	*21*	16,388	20,251
Total		**95,609**	**98,975**
Total non-current assets		**1,062,225**	**1,170,460**
Current assets			
Inventories etc.			
Raw materials and consumables		51,366	66,656
Work in process		6,021	6,404
Finished products and merchandise		150,395	185,795
Total	*22*	**207,782**	**258,855**
Current receivables			
Trade receivables	*23*	243,401	269,936
Current tax asset		3,557	3,294
Other current receivables		29,913	25,654
Deferred expenses and accrued income		37,025	46,075
Total		**313,896**	**344,959**
Cash and cash equivalents		74,290	99,087
Total current assets		**595,968**	**702,901**
TOTAL ASSETS		**1,658,193**	**1,873,361**

SEK THOUSANDS	Note	2009-12-31	2008-12-31
EQUITY AND LIABILITIES			
Equity			
Share capital	*31*	131,282	131,282
Other contributed capital		391,333	391,333
Reserves	*30*	39,370	79,698
Retained earnings including net profit for the year		33,582	25,092
Capital and reserves attributable to Parent Company shareholders		**595,567**	**627,405**
Minority interest		2,566	1,563
Total equity		**598,133**	**628,968**
Non-current liabilities			
Borrowings	*24*	458,446	590,966
Deferred tax liabilities	*20*	19,376	14,748
Pension obligations	*25*	126,080	134,472
Other provisions	*26*	–	5,808
Other non-current liabilities		1,240	1,949
Total non-current liabilities		**605,142**	**747,943**
Current liabilities			
Borrowings	*24*	78,418	118,337
Trade payables		198,438	160,839
Current tax liability		23,105	3,960
Other current liabilities		22,576	66,141
Other provisions	*26*	**–**	**1,310**
Accrued expenses and deferred income	*27*	132,381	145,863
Total current liabilities		**454,918**	**496,450**
TOTAL EQUITY AND LIABILITIES		**1,658,193**	**1,873,361**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

SEK THOUSANDS	Note	Share capital	Other contributed capital	Reserves	Retained earnings incl. net profit for the year	Minority interest	Total equity
		Attributable to Parent Company shareholders					
Opening balance at 1 January 2008		131,282	391,333	20,508	27,772	686	571,581
Total comprehensive income							
Net profit for the year					10,448	40	10,488
Other comprehensive income							
Cash flow hedges, after tax	*30*			–9,859			–9,859
Hedging of net investment	*30*			–11,232			–11,232
Revaluation reserve on acquisition of shares in subsidiaries	*30*			1,935		1,406	3,341
Exchange rate differences	*30*			78,346		–569	77,777
Total other comprehensive income				**59,190**		**837**	**60,027**
Total comprehensive income				**59,190**	**10,448**	**877**	**70,515**
Transactions with shareholders							
Dividend to Parent Company's shareholders					–13,128		–13,128
Total transactions with shareholders					**–13,128**		**–13,128**
Closing balance at 31 December 2008	*31*	**131,282**	**391,333**	**79,698**	**25,092**	**1,563**	**628,968**
Opening balance at 1 January 2009		131,282	391,333	79,698	25,092	1,563	628,968
Total comprehensive income							
Net profit for the year					21,618	2,633	24,251
Other comprehensive income							
Cash flow hedges, after tax	*30*			–1,716			–1,716
Hedging of net investment	*30*			9,671			9,671
Revaluation reserve on acquisition of shares in subsidiaries	*30*			3,426		2,195	5,621
Exchange rate differences	*30*			–51,708		–328	–52,036
Total other comprehensive income				**–40,327**	**0**	**1,868**	**–38,460**
Total comprehensive income				**–40,327**	**21,618**	**4,500**	**–14,209**
Transactions with shareholders							
Dividend to Parent Company's shareholders	*36*				–13,128		–13,128
Dividend						–3,498	–3,498
Total transactions with shareholders					**–13,128**	**–3,498**	**–16,626**
Closing balance at 31 December 2009	*31*	**131,282**	**391,333**	**39,370**	**33,582**	**2,566**	**598,133**

CONSOLIDATED CASH FLOW STATEMENT

SEK THOUSANDS	*Note*	2009	2008
OPERATING ACTIVITIES			
Operating profit		65,285	74,310
Depreciation, amortisation and impairment losses		90,096	94,652
Financial income received		3,053	6,238
Financial expenses paid		–37,876	–60,408
Tax paid		–2,061	–14,250
Other items not affecting liquidity	*32*	–33,106	–8,242
Cash flow from operating activities before change in working capital		**85,391**	**92,300**
Change in working capital			
Inventories		45,102	40,542
Current receivables		30,761	24,857
Current operating liabilities		22,239	42,821
Cash flow from operating activities		**183,493**	**200,520**
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment incl. advance payments to suppliers		–36,658	–55,516
Disposal of property, plant and equipment		27,276	8,285
Acquisition of operations	18	–5,187	–9,032
Cash flow from investing activities		**–14,569**	**–56,263**
Cash flow after investing activities		**168,924**	**144,257**
FINANCING ACTIVITIES			
Borrowings		60,000	101,138
Amortisation of loans		–235,689	–160,274
Dividend		–16,626	–13,128
Cash flow from financing activities		**–192,315**	**–72,264**
Cash flow for the year		**–23,391**	**71,993**
Cash and cash equivalents at start of year		99,087	24,228
Exchange rate difference in cash and cash equivalents		–1,406	2,866
CASH AND CASH EQUIVALENTS AT YEAR-END		**74,290**	**99,087**

ACCOUNTING PRINCIPLES

Bong is a leading European provider of specialised packaging and envelopes offering solutions for distribution and packaging of information, advertising material and lightweight goods. The Group has annual sales of approximately SEK 2 billion and has operations in Sweden, Norway, Denmark, Finland, Estonia, Latvia, the UK, the Netherlands, Belgium, Germany and Russia. Bong has strong market positions, above all in northern Europe.

This annual report was approved by the Board of Directors on 6 April 2010 for publication. The annual report can be revised by the company's owners after approval by the Board of Directors.

The consolidated accounts have been prepared in accordance with International Financial Accounting Standards (IFRSs) as adopted by the EU, RFR 1.2 Supplementary Accounting Rules for Groups and the Swedish Annual Accounts Act.

The consolidated accounts 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 or loss. These accounting principles have been applied consistently for all years presented, unless otherwise stated.

Preparing financial statements in accordance with IFRS requires the use of some important accounting estimates. It also requires that management make certain judgements in the application of the company's accounting principles. Those areas that include a high degree of judgement, that are complex or where assumptions and estimates are of essential importance for the consolidated accounts are stipulated in Note 34.

Consolidated accounts

Subsidiaries

The consolidated accounts include the Parent Company and companies in which the Parent Company directly or indirectly controls more than 50 per cent of the votes or otherwise has a controlling influence. 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 control no longer exists.

The acquisition method is used for accounting of the Group's business combinations. The cost of an acquisition consists of the fair value of identifiable assets furnished as compensation, issued equity instruments and liabilities arising or assumed as of the date of transfer, plus costs directly attributable to the acquisition. Identifiable acquired assets and liabilities and contingent liabilities assumed in a business combination are initially measured at fair value on the acquisition date, regardless of the scope of any non-controlling interest. The excess that consists of the difference between the cost of the acquisition and the fair value of the Group's share of identifiable acquired net assets is recognised as goodwill.

Intra-Group transactions and line items, as well as unrealised gains on transactions between Group companies, are eliminated. Unrealised losses are also eliminated, unless the transaction constitutes evidence of the existence of an impairment loss for the transferred asset.

Transactions with minority shareholders

The Group applies the principle of reporting transactions with minority shareholders as transactions with a third party. In connection with acquisitions of minority interests where the purchase consideration paid exceeds the acquired share of the carrying amount of the subsidiary's net assets, the difference is recognised as goodwill. In connection with disposals to minority shareholders where the purchase consideration received deviates from the carrying amount of the share of the net assets that are disposed of, a gain or a loss results. This gain or loss is recognised in the Income Statement.

Associated companies

Associated companies are all those companies where the Group has a significant, but not controlling, influence, which as a rule is true for shareholdings that give them between 20 per cent and 50 per cent of the votes. Holdings in associated companies are recognised in accordance with the equity method and are initially measured at cost. The Group's carrying amounts for holdings in associated companies include goodwill identified on acquisition, net after any impairment losses.

The Group's share of profits arising in the associated company after the acquisition is recognised in profit or loss, and its share of changes in reserves after the acquisition is recognised in the item "Reserves". Accumulated changes after the acquisition are recognised as a change in the holding's recognised carrying amount. When the Group's share in an associated company's losses equals or exceeds its holding in the associated company, including any unsecured receivables, the Group does not recognise further losses unless the Group has assumed obligations or made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated in relation to the Group's holding in the associated company. Unrealised losses are also eliminated, unless the transaction constitutes evidence of the existence of an impairment loss for the transferred asset. Dilution gains and losses in associated companies are recognised in the Income Statement.

Segment reporting

External financial information shall reflect the information and the measures that are used internally within the company to manage the operation and make decisions about resource allocation. The company shall identify the level where the company's chief operating decision maker regularly reviews sales and earnings. These levels are defined as segments. Bong's chief operating decision maker is the company's CEO. The regular internal reporting of results that is made to the CEO and that meets the criteria for constituting a segment is done for the Group as a whole, which means that Bong reports the whole 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 entities in the Group are stated in the currency that is used in the economic environment where the enterprise in question is mainly active (functional currency). The Swedish Krona (SEK), which is the Parent Company's functional and reporting currency, is used in the consolidated accounts.

Transactions and line items

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

Group companies

The earnings and financial position of all Group companies with another functional currency than the reporting currency are translated as follows: Assets and liabilities and are translated at the closing rate and all items in the Income Statement at the average rate. Exchange rate differences are posted directly to the Group's equity. Goodwill and adjustments of fair value that arise in connection with the acquisition of a foreign operation are treated as assets and liabilities in this operation and translated at the closing rate.

Property, plant and equipment

Property, plant and equipment are measured at cost less depreciation. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Subsequent expenditures are added to the asset's carrying amount or are recognised as a separate asset, whichever is suitable, only when it is likely that the future economic benefits associated with the asset will flow to the company and the cost of the asset can be measured reliably. All other types of repairs and maintenance are recognised as costs in the Income Statement during the period they arise.

Land is not subject to depreciation. Depreciation of other assets, in order to allocate their cost down to the calculated residual value, is based on the asset's calculated useful life and is calculated on a straight-line basis from the time the plant is taken into service.

The following depreciation schedules are applied:

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

The residual values and useful lives of the assets are tested every balance sheet date and adjusted if necessary.

An impairment loss is recognised on the asset if its carrying amount exceeds its calculated recoverable amount.

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

Intangible assets

Goodwill

Goodwill consists of the amount by which the cost of the acquisition exceeds the fair value of the Group's share of the acquired subsidiary's or associated company's identifiable net assets on the acquisition date. Goodwill on acquisition of subsidiaries is recognised as an intangible asset. Goodwill is subjected to impairment testing annually and is recognised at cost less accumulated impairment losses. Gain or loss on disposal of an entity includes the remaining carrying amount for the goodwill attributable to the entity.

In connection with impairment testing, the Group is treated as a cash-generating unit.

Software

Software of a standard character is recognised as an expense. Expenditure for software that has been developed or otherwise extensively adapted for 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 for acquired software is amortised on a straight-line basis over its useful life, but no longer than over five years. The amortisation is included in the Income Statement item "Administrative expenses".

Impairment of non-financial assets

Assets that have an indeterminate useful life are not depreciated but are subjected to annual impairment testing. Assets that are depreciated are assessed with respect to loss of value whenever events or changes in conditions indicate that the carrying amount may not be recoverable. An impairment loss is recognized equal to the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is the higher of its fair value less selling expenses and its value in use.

Financial assets and liabilities

The Group classifies its financial assets and liabilities in the following categories: Financial assets measured at fair value through profit or loss, loan receivables and trade receivables, and loans and other financial liabilities. The classification is dependent on the purpose for which the financial asset was acquired. Management establishes the classification of the financial assets on initial recognition.

Financial assets measured at fair value through profit or loss

This category consists of two sub-groups: Financial assets held for trading and other financial assets which the company initially chose to place in this category (according to the Fair Value option). Financial instruments in this category are measured at fair value with changes in value recognised in profit or loss. The first sub-group includes derivatives with a positive fair value, with the exception of derivatives that are identified and effective hedging instruments.

Loan receivables and trade receivables

Loan receivables and trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are measured at amortised cost. Amortised cost is determined on the basis of the effective interest rate calculated at the acquisition date. Trade receivables are recognised at the amount that is expected to be recovered, i.e. less doubtful debts.

Loans and other financial liabilities

Loans and other financial liabilities, for example trade payables, belong to this category. The liabilities are measured at amortised cost.

Recognition and derecognition in the Balance Sheet

A financial asset or financial liability is recognised in the Balance Sheet when the company becomes a party to the contractual terms of the instrument. Trade receivables are recognised in the Balance Sheet when an invoice has been sent. A liability is recognised when the counterparty has performed its contractual obligations and there is a contractual obligation to pay, even if no invoice has been received. Trade liabilities are recognised when an invoice has been received.

A financial asset is derecognised when the entitlements in the contract are realised, mature, or fall outside the control of the company. The same applies to part of a financial asset. A financial liability is derecognised when the obligation in the contract is discharged or otherwise extinguished. The same applies to part of a financial liability.

A financial asset and a financial liability are offset and the net amount recognised in the Balance Sheet when, and only when, an entity has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The purchase or sale of financial assets is recognised on the trade date, which is the day when the company committed itself to purchase or sell the asset.

Classification and measurement

Financial instruments that are not derivatives are recognised initially at cost, equivalent to the fair value of the instrument plus transaction costs for all financial instruments except for those classified as financial assets that are recognised at fair value through profit or loss, which are recognised at fair value exclusive of transaction costs. A financial instrument is classified on initial recognition based on the purpose for which the instrument was acquired. The classification determines how the financial instrument is measured after initial recognition as described below.

Derivatives and hedge accounting

The Group's derivative instruments have been acquired to financially hedge the interest rate and currency risks to which the Group is exposed. An embedded derivative is accounted for separately if it is closely related to the host contract. Derivatives are initially recognised at fair value, which means that transaction costs are charged to the profit for the period. After initial recognition, derivative instruments are measured at fair value and changes in value are recognised in the manner described below.

To meet the requirements on hedge accounting according to IAS 39, there must be a clear relationship with the hedged item. Furthermore, hedging must effectively protect the hedged item, documentation must be provided on the hedge, and it must be possible to measure this effectiveness. Gains and losses with regard to hedges are recognised in profit or loss at the same time as gains and losses for the hedged items are recognised. In hedge accounting, changes in value are recognised in the hedging reserve in equity.

Receivables and liabilities in foreign currencies
Forward exchange contracts are used to hedge receivables or liabilities against currency risk. When a hedging instrument is used to hedge a fair value, the derivative is recognised at fair value in the Balance Sheet and the hedged asset or liability is also recognised at fair value in respect of the hedged risk. The change in value of the derivative is recognised in profit or loss together with the change in value of the hedged item. Changes in value pertaining to operating receivables and liabilities are recognised in operating profit or loss, while changes in value pertaining to financial receivables and liabilities are recognised in net financial items.

Cash flow hedges
The forward exchange contracts used to hedge future cash flows and forecast sales in foreign currencies are recognised in the Balance Sheet at fair value. The changes in value are recognised directly in equity in the hedging reserve until the hedged flow hits the Income Statement, whereby the accumulated change in value of the hedging instrument is transferred to the Income Statement, where it meets and matches the profit or loss effects of the hedged transactions.

Hedging of interest rate risk – cash flow hedge
Interest rate swaps are used to hedge the uncertainty in future interest flows from loans at variable interest rates. The interest rate swaps are measured at fair value in the Balance Sheet. In the Income Statement the interest coupon portion is recognised continuously as interest income or expense. Any other change in value of the interest rate swap is recognised directly in the hedging reserve in equity until the hedged item affects the Income Statement and as long as the criteria for hedge accounting and effectiveness are met. The gain or loss attributable to the ineffective portion is recognised in profit or loss.

Hedging of interest rate risk – fair value hedge
Interest rate swaps are used to hedge the risk of a change in fair value in own borrowings at a fixed interest rate. Fair value hedging is then applied in the accounts and the hedged item is translated to fair value in respect of the hedged risk (the risk-free interest rate) while the changes in value are recognised in profit or loss in the same way as the hedging instrument.

Hedging of net investments
Investments in foreign subsidiaries (net assets including goodwill) have to some extent been hedged by means of foreign currency loans or forward exchange contracts, which are translated on the balance sheet date at the closing rate. Translation differences on financial instruments used as hedging instruments to hedge a net investment in a Group company are recognised, the extent the hedge is effective, in equity. This is intended to offset the translation differences that affect equity when the Group companies are consolidated.

Inventories
Inventories are measured, with application of the first-in first-out principle, at the lower of cost and net realisable value on the balance sheet date. The cost of finished goods and work in process includes raw materials, direct labour costs, other direct costs and attributable indirect production costs (based on normal production capacity). Borrowing costs are not included. The net realisable value is the expected selling price in the ordinary course of business less applicable variable selling expenses.

Trade receivables and other receivables
Trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are distinguished by the fact that they arise when the Group furnishes goods directly to a customer without the intention to trade the resulting 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 initially recognised at fair value and thereafter at amortised cost by applying the effective interest method, less provision for impairment. Provision is made for impairment of trade receivables when objective evidence exists that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted by the effective interest rate. The amount of the provision is recognised in the Income Statement.

Cash and cash equivalents
Cash and cash equivalents include, besides cash on hand and demand deposits, other short-term financial investments with maturity dates within three months of the acquisition date.

Share capital
Ordinary shares are classified as equity. Transaction costs directly attributable to the issue of new shares or options are recognised, net after tax, in equity as a deduction from the proceeds of the issue.

Trade payables
Trade payables are initially recognised at fair value and thereafter at amortised cost by applying the effective interest method.

Borrowings
Liabilities to credit institutions and, in the Parent Company, liabilities to subsidiaries are initially recognised at fair value, net after transaction costs. Borrowings are thereafter recognised at amortised cost, and any difference between the amount received (net after transaction costs) and the repayment amount is recognised in the Income Statement allocated over the term of the loan by applying the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer payment of the liability at least 12 months after the balance sheet date.

Income taxes

The tax expense for the period includes current tax and deferred tax. The current tax expense is calculated based on the tax rules that have been enacted or substantively enacted by the balance sheet date in those countries where the Group companies are active and generate taxable revenue.

Deferred tax is calculated in its entirety, in accordance with the balance sheet method, on all temporary differences arising between the tax base of assets and liabilities and their carrying amounts. The main temporary differences arise from untaxed reserves, provisions for pensions and other pension benefits, property, plant and equipment and tax-loss carryforwards.

Deferred tax is calculated by applying tax rates and laws that have been enacted or announced as of the balance sheet date and that are expected to apply when the concerned deferred tax asset is realised or the deferred tax liability is settled. 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 tax assets and liabilities are attributable to taxes charged by the same tax authority and pertain to either the same tax subject or different tax subjects where there is an intention to settle the balances by net payments.

Deferred tax assets relating to tax-loss carryforwards or other future tax deductions are recognised to the extent it is likely that the deduction can be offset against a surplus in future taxation. Deferred tax liabilities relating to temporary differences attributable to investments in subsidiaries are not recognised in Bong Ljungdahl's consolidated accounts since the Parent Company can in all cases control the time for reversal of the temporary differences and it is not considered likely that reversal will take place in the foreseeable future.

For items recognised in the Income Statement, the associated tax effects are also recognised in the Income Statement. The tax effects of items recognised directly in equity are recognised in equity.

Employee benefits

Pensions

There are both defined-contribution and defined-benefit pension plans in the Group. The biggest defined-benefit pension plans are in Sweden, Germany and Norway.

In defined-contribution plans, the company pays fixed contributions to a separate legal entity and has no obligation to pay further contributions. The Group's profit is charged with costs as the benefits are vested. In defined-benefit plans, benefits are paid to employees and former employees based on salary at retirement and number of years of service. The Group bears the risk for payment of the pledged benefits.

In the event the plans are funded, assets have been set aside in pension funds or the like. The net of the calculated present value of the obligations and the fair value of the plan assets is recognised as a provision in the Balance Sheet. Regarding defined-benefit plans, the pension cost and the pension obligation are calculated using the "Projected Unit Credit Method" in a way that allocates the cost over the working life of the employee. The calculation is performed regularly by independent actuaries. The company's obligations are calculated as the present value of expected future payments using a discount rate equivalent to the interest rate 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 25.

Actuarial gains and losses may arise when the present value of the obligation and the fair value of plan assets are determined. The portion of the cumulative actuarial gains and losses at the end of last year that exceeds 10 per cent of either the present value of the obligations or the fair value of the plan assets, whichever is greater, is recognised in profit or loss, divided by the expected average remaining working lives of the employees.

Past service costs are recognised directly in the Income Statement unless the changes in the pension plan are conditional on the employees' remaining in service for a stated period (the vesting period). In such cases the past service cost is allocated on a straight-line basis over the vesting period.

Interest expense less expected return on plan assets is classified as a financial expense. Other cost items in the pension cost are charged to the operating profit. If the pension cost and pension provision established for Swedish plans according to IAS 19 deviates from the equivalent amount according to FAR 4, a cost for special payroll tax on the difference is also recognised, in accordance with URA 43.

The above-described accounting principle for defined-benefit pension plans is only applied to the consolidated accounts. The Parent Company accounts for defined-benefit pension plans in accordance with FAR's recommendation no. 4, Accounting of Pension Liabilities and Pension Costs.

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 obligated 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 a cost for bonuses when there is a legal obligation or an informal obligation due to previous practice.

Warrants

Bong Ljungdahl AB has offered staff in the Group Management an opportunity to purchase warrants. The warrant premium, which has been established using the Black-Scholes valuation model, is recognised as "Other contributed capital" in the Group and as "Share premium reserve" in the Parent Company. When new shares are subscribed for, the issue amount is allocated between "Share capital" and "Other contributed capital" (Group) or the "Share premium reserve" (Parent Company).

Other employee benefits

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

Provisions

Provisions are recognised when the Group has 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 shall 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 that is expected to be settled.

Provisions for restructuring include costs for cancellation of lease agreements and severance benefits. No provisions are made for future operating losses.

Revenue recognition

Revenue recognition of goods takes place on delivery to the customer and after the customer's acceptance. The sales revenue includes the fair value of goods sold and is recognised less value added tax and discounts and after elimination of intra-Group sales.

Financial income and expenses

Financial income consists of interest income on invested funds, dividend revenue, gains on changes in value of financial assets measured at fair value through profit or loss, and gains on hedging instruments that are recognised in the Income Statement.

Interest income on financial instruments is recognised according to the effective interest method. 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 that 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 offset.

The effective interest rate is the rate that 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 that are a part of the effective interest rate, transaction costs and all other premiums or discounts.

Leases

The Group leases certain non-current assets. A lease under which the risks and rewards incidental to ownership of a non-current asset are substantially transferred to the Group is classified as a finance lease. At the commencement of the lease period, finance leases are recognised in the Balance Sheet at the lower of the fair value of the asset and the present value of the minimum lease payments.

Each lease payment is allocated between amortisation of liabilities and financial expenses in order to achieve a fixed interest rate for the recognised liability. Equivalent payment obligations, less financial expenses, are included in the Balance Sheet items "Other current liabilities" and "Other non-current liabilities". The interest element of the financial expenses is recognised in the Income Statement allocated over the lease period so that each lease period is charged with an amount that corresponds to a fixed interest rate for the liability recognised during the period in question. Non-current assets held under finance leases are depreciated over the useful life of the asset or the lease period, whichever is shorter.

Government grants

Government grants are recognised at fair value when there is reasonable certainty that the Group will meet all the conditions and the grants will be received. Government grants attributable to expected costs are deferred and recognised as deferred income. The grant is recognised as an expense in the period when the costs for which the grant provides compensation arise. Government grants for the procurement of property, plant and equipment reduce the carrying amount of the asset, or alternatively the grant is posted as deferred income which is recognised in the Income Statement allocated systematically and reasonably over the useful life of the asset.

Research and development

Expenditures for research work are recognised as expenses when they occur. Expenditures for development work are normally recognised as expenses when they occur. The development work that is done is of great importance for the Group, but has the character of maintenance development, which means that all criteria according to IAS 38 are not met, and particularly the requirement of future cash flow as a result of the investment.

Cash Flow Statement

The Cash Flow Statement is prepared in accordance with the indirect method. The recognized cash flow only includes transactions that entail cash receipts and 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.

NOTES 2009

Group and Parent Company

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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. The finance policy identifies the three significant risks financing risk, market risk and credit risk, to which the Group is exposed in its day-to-day operations. The Group's financial policy focuses on minimising possible unfavourable effects on the Group's financial results.

The Group uses derivative instruments to hedge exposure to certain market risks. Financial risk management is the responsibility of a central finance function, which identifies and manages financial risks. The hedging instruments used are loans, exchange rate derivatives and interest rate derivatives, according to the guidelines established in the finance policy.

Financing risk

Financing risk is the risk that the Group will have problems obtaining capital. The objective is that the Group should have access at all times to confirmed long-term loan facilities that cover the needs of its operations with adequate margin.

The current confirmed credit facility with Nordea and SEB was obtained in 2007. After renegotiation, this has been replaced with a new credit agreement. The new agreement concluded with Nordea and Swedbank is valid for three years. At year-end the credit facility amounted to SEK 820 million (950), and granted but unutilised credits to SEK 308 million (378).

The Parent Company's external borrowings in the facility cover most of the subsidiaries' loan needs.

Market risk

Market risk refers to the currency risk that arises when future purchase and sales agreements or commercial invoices in foreign currencies affect a future operating profit (transaction exposure), or when the value of foreign investments is affected by currency rate changes (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

i) Transaction exposure

Transaction exposure exists in the Group's sales and purchases in different foreign currencies. These currency risks in foreign currencies include the risk of fluctuations in the value of trade receivables, trade payables and other current receivables and liabilities, as well as the risk of changes in expected and contracted future invoiced currency flows.

During 2009, Bong's sales to countries outside of Sweden accounted for 86 (74) per cent of total sales. Total net revenues in foreign currencies in 2009 account for about 86 (84) per cent. Of the Group's total sales, approximately 48 (43) per cent are transacted in EUR, 14 (16) per cent in GBP, 14 (16) per cent in SEK, 10 (10) per cent in NOK and 14 (15) per cent in other currencies. There is also some local dealing in foreign currencies in the subsidiaries.

Bong has manufacturing on virtually all its main markets, which limits its transaction exposure. The exposure that exists is mainly attributable to the British entity's imports of products from the affiliates in Germany and Sweden.

At year-end 2009, the Group had the following currency hedges for expected payment flows in DKK and NOK for 2010. The derivatives used are forward exchange contracts. The contract amounts are shown below in nominal terms. The contracts are stated at fair value in the Balance Sheet, and the change in value is recognised in equity. When the contracts are realised, the cumulative change in value is posted in the Income Statement. The impact of the exchange rate derivatives on operating profit in 2009 amounted to SEK 0 million (0.8).

Outstanding hedges of currency flows, 31 December 2009

	Volume[1]	Rate[2]	Volume[3]	Rate[2]
Q1, 2010	7.6	1.39	1.9	1.21
Q2, 2010	4.5	1.39	2.1	1.21
Q3, 2010	4.4	1.39	1.1	1.21
Q4, 2010	4.9	1.38	1.5	1.21
Total	**21.4**	**1.39**	**6.6**	**1.21**
Closing rate, 31 December 2009		1.38		1.24
Unrealised result (SEK millions) [4] recognised in hedging reserve, 31 December 2009		0.3 (–1.9)		–0.1 (–)

[1] The volume is expressed in DKK millions.
[2] Average forward rate.
[3] The volume is expressed in NOK millions.
[4] Fair value recognised in the hedging reserve in equity on cash flow hedges when hedge accounting is applied. The item refers only to unrealised results on derivative instruments relating to future currency flows. There are no realised results in the hedging reserve.

Based on 2009 revenue and expenses in foreign currencies, a change of one percentage point in the Swedish Krona against other currencies, excluding currency hedges, leads to a change in operating profit on an annual basis of about SEK 1 million (1).

(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 that net investments in the form of lending and equity in foreign convertible currencies should be hedged to a certain extent. The hedging level prescribed by the policy has been observed during the year. Hedges can be effected via forward exchange contracts or external borrowings of equivalent amounts. Both forward exchange contracts and external borrowing have been used as hedging instruments during the year. The hedging reserve for net investments in subsidiaries amounted at year-end to SEK 2.5 million (–15.6). The translation difference is shown in Note 30 Reserves.

Net assets hedged by forward exchange contracts at year-end, SEK millions

Currency	2009	2008
EUR	75.8	152.9
GBP	57.4	48.8
Total	133.2	201.7

(b) Interest rate risk

Interest rate risk is the risk that the Group's net interest income will be adversely affected when market rates change. Bong is a net borrower, which means that the Group is exposed to a risk of a higher net interest expense when market rates rise.

Interest-bearing liabilities amounted at year-end to SEK 411 million (709), and the average fixed interest rate period on these liabilities was about 1.1 years (1.4) including interest rate swaps, and about 0.2 years (0.2) excluding interest rate swaps. Short-term investments and cash and cash equivalents amounted to SEK 74 million (99), and the fixed interest rate period on these assets is about 0 months (0).

Bong's borrowings via credit facilities provided by the banks normally have maturities of between one and months. The fixed interest rate is then controlled by means of interest rate swaps.

As of the balance sheet date, the company had interest rate swaps with a nominal value of SEK 246 million (262), and they have been measured against equity. The net fair value of the swaps as of the balance sheet date was SEK –13 million (–12), consisting of assets of SEK 0 million (0) and liabilities of SEK –13 million (–12). The effective interest rate for the loan portfolio based on average borrowings for the year amounted to 2.1 per cent (7.5). Given the same loan debt, short-term investments, cash and cash equivalents and fixed interest rate periods as at the end of the year, a change in the market rate of 100 base points (1 percentage point) would change the Group's net interest income on an annual basis by about SEK 2 million (7).

Credit risk

Bong provides credits to its customers as a natural part of its business activities. These credits add up to considerable amounts. Depending on national practice, the credit periods vary from country to country, but can in some countries be long, about 90 days, so that outstanding credits to individual companies can in some cases reach considerable amounts. If such companies should become insolvent or encounter other payment difficulties, Bong could incur severe financial loss. In order to reduce the risk of this happening, regular credit checks are made of the Group's customers and credit limits are set. Credit insurance is taken out above all on trade receivables in the Group's German and British companies.

NOTE 2 – EXPENSES CLASSIFIED BY NATURE OF EXPENSE

	2009	2008
Depreciation, amortisation and impairment losses (Note 5)	90,096	94,652
Costs for remuneration to employees (Note 3)	543,282	525,697
Changes in inventories of finished goods and work in process	–23,384	–31,124
Raw materials	672,818	736,054
Transport costs	83,172	89,382
Other expenses	489,151	463,456
Total costs of goods sold, selling and administrative expenses	**1,855,135**	**1,878,117**

NOTE 3 – EMPLOYEES AND WAGES, SALARIES AND OTHER REMUNERATION

Average number of employees

	2009		2008	
	Number of employees	of whom men	Number of employees	of whom men
Sweden	282	170	303	182
Norway	100	61	102	64
Denmark	43	27	48	31
Finland	98	49	106	52
Germany	344	240	339	227
UK	120	85	126	80
Netherlands	8	8	–	–
Belgium	90	50	92	56
Russia	81	48	73	39
Estonia	52	20	48	26
Lithuania	–	–	1	1
Latvia	2	1	2	1
Total	**1,220**	**759**	**1,240**	**759**

Board of Directors and senior officers

	2009		2008	
	Total	of whom men	Total	of whom men
Board members	40	38	40	36
President and other senior executives	40	38	42	39

Salaries, remuneration and social security charges

	2009		2008	
	Salaries and remun.	Soc. sec. contrib.	Salaries and remun.	Soc. sec. contrib.
Parent Company	13,993	6,744	7,873	5,567
of which pension costs	–	1,811	–	1,824
Subsidiaries	411,483	111,062	391,865	120,392
of which pension costs	–	28,445	–	31,355
Group	**425,476**	**117,806**	**399,738**	**125,959**
of which pension costs	**–**	**30,256**	**–**	**33,179**

CONT'D. NOTE 3

Board's proposed 2009 guidelines for remuneration to senior executives

The following proposed guidelines for remuneration and other terms of employment for the Group Management were approved by the 2009 AGM. By "senior executives" is meant here executives included in the management group, which currently consists of the company's President/CEO, Chief Financial Officer (CFO), Managing Director Bong Scandinavia and ProPac, Managing Director Bong Germany and Managing Director Bong UK.

Remuneration to the senior executives shall consist of fixed salary, variable remuneration, other benefits and pension. The aggregate remuneration shall be market-related and competitive in order to ensure that the Bong Ljungdahl Group can attract and keep competent senior executives.

The variable portion of the salary shall have a predetermined ceiling, the basic principle being that the variable salary portion can amount to no more than 70 per cent of the fixed annual salary.¬ The variable portion is based on achievement of two or three of the following interim goals: 1) the Group's EBT, 2) the Group's cash flow, 3) earnings in the business unit, and 4) individual/qualitative goals. The basic principle is that the variable remuneration is paid in accordance with the agreed-upon weighting between the interim goals if the interim goal has been achieved. The variable portion is based on an earning period of one year. The goals for the senior executives are established by the Board of Directors.

Pension benefits shall be defined-benefit or defined-contribution, or a combination thereof. Variable remuneration is not pensionable. The 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 the Group Management are also entitled to an increased occupational pension premium of 30 per cent of their fixed salary.

The Group Management's employment contracts include provisions governing remuneration and termination of employment. According to these agreements, employment can ordinarily cease at the request of the employee with a period of notice of 3–24 months and at the company's request with a period of notice of 6–24 months. In the event of termination by the company, the period of notice and the period during which severance pay is payable shall not together exceed 24 months.

Remuneration to the President and other senior executives is prepared by the Board of Directors' Compensation Committee and finalised by the Board based on the recommendation of the Compensation 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.

CONT'D. NOTE 3

Wages, salaries and other remuneration broken down by country and between Board members etc. and other employees

	2009		2008	
Parent Company	Board and CEO	Other employees	Board CEO	Other employees
Sweden	4,966	9,027	3,960	3,913
of which bonus etc.	1,394	2,100	382	469
Subsidiaries				
Sweden	3,391	95,157	2,310	99,226
of which bonus etc.	952	3,172	97	2,101
Subsidiaries abroad				
Germany	7,061	129,383	2,322	110,728
of which bonus etc.				
Belgium	1,901	27,010	1,619	25,618
of which bonus etc.				
Finland	1,401	35,208	1,397	38,827
of which bonus etc.				
UK	1,551	36,835	1,450	36,305
of which bonus etc.				
Denmark	1,601	15,727	1,396	15,488
of which bonus etc.			356	798
Norway	1,267	40,404	1,091	40,614
of which bonus etc.				
Russia	487	5,835	894	6,389
of which bonus etc.				
Estonia	912	5,050	815	4,284
of which bonus etc.				
Latvia	692	271	576	370
of which bonus etc.				
Lithuania				146
of which bonus etc.				
Poland		339		
of which bonus etc.				
Ireland				
of which bonus etc.				
Total	**25,230**	**400,156**	**17,830**	**381,908**
of which bonus etc.	**2,346**	**5,272**	**479**	**2,570**

CONT'D. NOTE 3

Terms of employment of senior executives

Chairman
The Chairman of the Board received a fee of SEK 300 thousand for 2009 (300). The amount comprises part of the total director's fee determined by the AGM. 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 2009 was SEK 600 thousand (677). Each Board member received SEK 150 thousand. No other fee was paid. There is no agreement on pension, severance pay or other benefits. No director's fee was paid to the President, nor to the employee representatives.

President and CEO
A fixed salary of SEK 2,550 thousand (2,601) was paid for 2009, plus car benefit valued at SEK 111 thousand (118). Besides a fixed salary, a variable remuneration of no more than 70 per cent of the fixed salary may be paid, based on the Group's fulfilment of certain financial goals. A variable remuneration of SEK 1,394 thousand (382) was paid for 2009. The retirement age is 65 years. Pension premium is payable at 30 per cent of the fixed salary. A pension premium of SEK 44 thousand (666) was paid for 2009. In the event of termination by the company, the President is entitled to salary and benefits for 24 months. In the event of termination by the President, the period of notice is 6 months.

Other senior executives in the management group
Total fixed salaries of SEK 7,696 thousand (7,121), plus car benefits valued at SEK 518 thousand (388), were paid to other senior executives in the management group during 2009. In addition to a fixed salary, a variable remuneration of no more than 70 per cent of the fixed salary may be paid, based on the Group's fulfilment of certain financial goals. A variable remuneration of SEK 3,393 thousand (1,057) was paid for 2009. Pension benefits are payable for the Swedish executives under terms equivalent to 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 pension premium of SEK 1,015 thousand (1,023) was paid for 2009. In the event of termination by the company, unchanged salary is payable for 6–24 months. In the event of termination by the employee, the period of notice is 3–24 months.

Warrants
In accordance with the decision of the General Meeting of Shareholders in 2005, warrants were sold to staff in the Group Management. The warrants entitle the holders to subscribe for a total of 300,000 new shares, of which 295,000 warrants have been purchased by senior executives. During the year, 102,000 (96,000) warrants expired. There are 102,000 remaining outstanding warrants. The value of the warrants has been established using the Black-Scholes valuation model.

CONT'D. NOTE 3

Preparation and decision-making process
The Board of Directors has a Compensation Committee made up of the Chairman of the Board plus one other Board member. The committee deals with matters relating to terms of employment and remuneration to the President/CEO and other senior executives in the Group.

NOTE 4 – REMUNERATION TO AUDITORS

Remuneration to PricewaterhouseCoopers for auditing and other assignments consisted of the following amounts:

	2009	2008
Auditing assignments	2,623	2,375
Other assignments	1,025	1,313
Total	**3,648**	**3,688**

NOTE 5 – DEPRECIATION/AMORTISATION ACCORDING TO PLAN

	2009	2008
Broken down by non-current asset		
Other intangible assets	1,116	745
Buildings and land improvements	9,608	8,683
Plant and machinery	68,044	74,743
Equipment, tools, fixtures and fittings	11,328	10,481
Total	**90,096**	**94,652**
Broken down by function		
Cost of goods sold	80,115	83,312
Selling expenses	1,474	1,528
Administrative expenses	8,507	9,812
Total	**90,096**	**94,652**

NOTE 6 – OTHER OPERATING INCOME

The amount for "Other operating income" includes SEK 13,794 thousand (13,653) in capital gain on sale of non-current assets

NOTE 7 – OPERATING LEASES

The nominal value of future lease payments is broken down as follows on the balance sheet date:

	2009	2008
Fall due for payment within one year	41,685	48,289
Fall due for payment after one year but within five years	127,675	131,484
Fall due for payment after five years	67,256	42,126
Total	**236,616**	**221,899**
Lease payments for operating leases have been paid in the following amounts:	42,653	49,471

The Group's most important operating leases relate to rental of premises. The Group has operating leases for machinery, cars and office equipment on a smaller scale. There are no restrictions in the lease agreements.

NOTE 8 – INTEREST INCOME AND SIMILAR LINE ITEMS

	2009	2008
Interest income	3,049	5,071
Exchange rate differences on financial receivables	10,553	–185
Total	**13,602**	**4,886**

NOTE 9 – INTEREST EXPENSES AND SIMILAR LINE ITEMS

	2009	2008
Interest element of pension costs for the year	–3,076	–6,510
Interest expenses, other	–29,754	–52,035
Exchange rate differences on financial liabilities	–13,368	1,336
Other financial expenses	–2,225	–1,847
Total	**–48,423**	**–59,056**

NOTE 10 – TAX

	2009	2008
Current tax	–12,272	–8,741
Deferred tax	6,059	–911
Total	**–6,213**	**–9,652**

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 according to the table on the next page.

	2009	2008
Profit before tax	30,464	20,140
Income tax calculated according to national tax rates for each country	–8,835	–5,840
Tax:		
– adjustment of previous years' tax	3,173	–3,738
– non-taxable revenue	3,753	2,769
– other non-deductible expenses	–4,304	–2,701
– effect of changed tax rates	–	–150
– balancing of recognition of previously unrecognised loss carryforwards	–	8
Tax according to Income Statement	**–6,213**	**–9,652**

Tax dispute

Correspondence with the tax authority regarding utilisation of loss carryforwards in Denmark for income years 2005 and 2006 has been concluded and SEK 3.3 million in tax has been paid, corresponding to a claimed deduction of SEK 11.7 million.

NOTE 11 – EXCHANGE GAINS AND LOSSES – NET

	2009	2008
Other operating income	2,174	1,561
Other operating expenses	–4,004	–5,202
Interest income and similar line items, Note 8	10,553	–185
Interest expenses and line items, Note 9	–13,368	1,336
Total	**–4,645**	**–2,490**

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.

	2009	2008
Profit attributable to the Parent Company's shareholders	21,618	10,448
Weighted average number of ordinary shares outstanding (thousands)	13,128	13,128
Basic earnings per share, SEK	**1.65**	**0.80**

Diluted earnings per share

In calculating diluted earnings per share, it is assumed that all outstanding warrants have been exercised for share subscription.

	2009	2008
Profit attributable to the Parent Company's shareholders	21,618	10,448
Weighted average number of ordinary shares outstanding (thousands)	13,128	13,128
– warrants (thousands)	102	204
Weighted average number of ordinary shares for calculation of diluted earnings per share (thousands)	13,230	13,332
Diluted earnings per share, SEK	**1.63**	**0.78**

NOTE 13 – GOODWILL

	31 Dec. 2009	31 Dec. 2008
Opening costs	426,016	353,136
Purchases/acquisitions	–	41,593
Reclassification	–1,485	–
Exchange rate differences	–16,628	31,287
Closing costs	**407,903**	**426,016**

Goodwill relating to the acquisition of 20 per cent of Lober Druck und Kuvert GmbH on 31 December 2008 was established during 2009 and partially reallocated to machinery and customer relations.

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.

NOTE 13 CONT'D.

The recoverable amount for a CGU is determined based on a calculation of value in use. That calculation uses cash flows projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated based on the assumption that the envelope market in Europe as a whole will not grow from today's level. 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 the value in use, a discount rate of 10.1 per cent after tax (about 14 per cent before tax) has been assumed, along with a growth rate of 1.5–2 per cent in addition to the projected inflation rate.

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 growth is expected above all in the packaging sector and in Eastern Europe. A growth rate of 1-1.5 per cent has been used to extrapolate cash flows beyond the budget period.

Impairment testing shows that there is no impairment of goodwill values.

NOTE 14 – OTHER INTANGIBLE ASSETS

	31 Dec. 2009	31 Dec. 2008
Opening costs	19,577	17,558
Purchases/acquisitions	573	204
Sale/retirement	–97	–145
Reclassifications	6,455	15
Exchange rate differences	–1,162	1,945
Closing costs	**25,346**	**19,577**
Opening accumulated amortisation	–16,891	–14,307
Sales/retirements	75	135
Exchange rate differences	909	–1,974
Amortisation for the year	–1 116	–745
Closing accumulated amortisation	**–17,023**	**–16,891**
Closing residual value according to plan	**8,323**	**2,686**

Other intangible assets mainly comprise acquired customer relations and computer software plus licence fees. The year's amortisation of SEK 1,116 thousand (745) is recognised in the Consolidated Income Statement among administrative expenses.

NOTE 15 – PROPERTY, PLANT AND EQUIPMENT

Buildings, land and land improvements

	31 Dec. 2009	31 Dec. 2008
Opening costs	338,279	294,707
Purchases/acquisitions	8,502	1,152
Sale/retirement	–35,572	–336
Reclassifications	19,331	106
Exchange rate differences	–23,813	42,650
Closing costs	**306,727**	**338,279**
Opening accumulated depreciation and impairment losses	–106,889	–83,875
Sales/retirements	25,110	136
Exchange rate differences	12,665	–14,468
Depreciation for the year	–9,608	–8,683
Closing accumulated depreciation	**–78,722**	**–106,889**
Closing residual value according to plan	**228,005**	**231,390**
Of which land	38,271	43,690

Plant and machinery

	31 Dec. 2009	31 Dec. 2008
Opening costs	1,270,520	1,207,947
Purchases/acquisitions	20,849	22,782
Sale/retirement	–44,081	–35,076
Reclassifications	12,396	13,070
Exchange rate differences	–25,409	61,797
Closing costs	**1,234,275**	**1,270,520**
Opening accumulated depreciation	–925,252	–834,445
Sales/retirements	38,909	30,699
Exchange rate differences	15,852	–34,118
Reclassifications	–13,963	–12,420
Depreciation for the year	–68,044	–74,968
Closing accumulated depreciation	**–952,498**	**–925,252**
Closing residual value according to plan	**281,777**	**345,268**

Equipment, tools, fixtures and fittings

	31 Dec. 2009	31 Dec. 2008
Opening costs	240,157	230,490
Purchases/acquisitions	4,709	6,661
Sale/retirement	–1,366	–12,167
Reclassifications	17,714	349
Exchange rate differences	–6,571	14,824
Closing costs	**254,643**	**240,157**
Opening accumulated depreciation	–208,833	–197,008
Sales/retirements	963	11,585
Exchange rate differences	5,349	–12,827
Reclassifications	–8,493	–102
Depreciation for the year	–11,328	–10,481
Closing accumulated depreciation	**–222,342**	**–208,833**
Closing residual value according to plan	**32,301**	**31,324**

NOTE 16 – FINANCE LEASES IN THE GROUP

	31 Dec. 2009	31 Dec. 2008
Opening costs	0	55,420
Acquisitions	3,716	–
Redeemed contracts	–	–63,681
Exchange rate differences	–126	8,261
Closing costs	**3,590**	**0**
Opening accumulated depreciation	0	–20,690
Redeemed contracts	–	57,810
Exchange rate differences	10	– 15,471
Depreciation for the year	–287	–21,649
Closing accumulated depreciation	**–277**	**0**
Closing residual value according to plan	**3,313**	**0**

	Nominal values	Present values
Future minimum lease payments fall due as follows:	31 Dec. 2009	31 Dec. 2009
Within one year	1,682	1,615
After one year but within five years	1,672	1,538
After five years	0	0
Total	**3,354**	**3,153**

	Nominal values	Present values
Future minimum lease payments fall due as follows:	31 Dec. 2008	31 Dec. 2008
Within one year	–	–
After one year but within five years	–	–
After five years	–	–
Total	**–**	**–**

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

	31 Dec. 2009	31 Dec. 2008
Opening costs	34,801	3,361
Costs/acquisitions during the year	9,472	32,314
Reclassifications	–32,430	–1,006
Exchange rate differences	–3,536	132
Closing balance	**8,307**	**34,801**

NOTE 18 – INTERESTS IN ASSOCIATED COMPANIES

	2009	2008
Opening balance	6,290	36,343
Acquisitions	3,187	–
Share in profits	151	4,841
Reclassification to subsidiary	–	–39,780
Shareholders' contributions paid	2,000	–
Exchange rate differences	848	4,886
Closing balance	**12,476**	**6,290**

The item "Interests in associated companies" includes goodwill of SEK 6,626 (4,066).

CONT'D. NOTE 18

Company	Corporate ID no.	Domicile	Invested capital	Book value
Nova Envelopes Ltd	2889578	Leighton Buzzard, UK	GBP 50	7,059
DM Qvert AB	556261-9980	Lerum, Sweden	SEK 200 thousand	2,945
Packaging First Ltd	3838039	Blackmore, UK	GBP 50	2,472
Total				**12,476**

The Group's interests in associated companies up to 31 December 2009 were as follows:

	Assets	Liabilities	Revenue	Profit	Tax	Stake, %
Nova Envelopes Ltd	4,987	2,043	11,325	48	–	50
DM Qvert AB	7,153	4,921	6,890	–134	–	50
Packaging First Ltd	2,375	2,717	14,027	419	–182	45

NOTE 19 – INTERESTS IN OTHER COMPANIES 31 DECEMBER 2009

Company	Corporate ID no.	Domicile	Invested capital	Book value
Bong Fastigheter KB	969655-5763	Stockholm, Sweden	SEK 1,000 thousand	1,000
Bong Cali Swiat Kopert	286281	Poznan, Poland	EUR 37 thousand	381
Total				**1,381**

NOTE 20 – 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. The offset amounts are as follows:

Deferred tax assets	31 Dec. 2009	31 Dec. 2008
– to be utilised after more than 12 months	64,566	69,000
– to be utilised within 12 months	798	2,023
	65,364	**71,023**

Deferred tax liabilities		
– to be utilised after more than 12 months	–18,376	–13,748
– to be utilised within 12 months	–1,000	–1,000
	–19,376	**–14,748**
Net tax asset	**45,988**	**56,275**

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

At start of year	56,275	38,780
Exchange rate differences	–5,599	7,464
Acquisition of subsidiaries	–3,086	–1,464
Recognised in the Income Statement	6,059	–911
Tax recognised in equity	–7,661	12,406
At year-end	**45,988**	**56,275**

CONT'D. NOTE 20

Deferred tax per temporary difference amounts to:

Deferred tax asset		
Loss carryforward	105,817	102,610
Intangible assets	–1,713	47
Property, plant and equipment	–35,643	–34,181
Pensions	–	4,259
Other temporary differences	–3,097	–1,712
Total	**65,364**	**71,023**

Deferred tax liability		
Loss carryforward	–10,061	–20,451
Intangible assets	3,623	3,051
Property, plant and equipment	17,617	29,458
Pensions	–1,856	–1,352
Other temporary differences	10,053	4,042
Total	**19,376**	**14,748**

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

The Group's loss carryforwards mainly relate to the operation in Germany. In recent years a number of steps have been taken to reduce costs and streamline the operation, as a result of which the operation is showing profits. The chances of being able to utilise remaining loss carryforwards are deemed good.

NOTE 21 – OTHER NON-CURRENT RECEIVABLES

	31 Dec. 2009	31 Dec. 2008
Opening balance	20,251	14,752
Change during the year	–3,863	5,499
Closing balance	**16,388**	**20,251**

Fair value agrees with book value.

NOTE 22 – INVENTORY

The expenditure for the inventory that was recognised is included in the item "Cost of goods sold" and amounted to 1,510,583 thousand (1,549,796). Of the inventory value, SEK 66 thousand has been measured at net realizable value (655). The inventory was depreciated during the year by SEK 1,967 thousand (1,128).

NOTE 23 – TRADE RECEIVABLES AND OTHER RECEIVABLES

	31 Dec. 2009	31 Dec. 2008
Trade receivables	248,699	277,932
Less: provision for impairment of receivables	–5,298	–7,996
Trade receivables – net	243,401	269,936

Fair value agrees with book value

Stated amounts, per currency for the Group's trade receivables are as follows:	31 Dec. 2009	31 Dec. 2008
SEK	38,696	38,863
GBP	48,911	59,537
EUR	153,609	152,715
Other currencies	7,483	26,817
Total	**248,699**	**277,932**

Changes in the reserve for doubtful trade receivables are as follows:	31 Dec. 2009	31 Dec. 2008
At 1 January	7,996	12,762
Provision for doubtful debts	1,196	1,039
Receivables that have been written off during the year as uncollectible (–)	–2,217	–5,349
Reversal of unutilised amounts	–1,677	–456
At 31 December	**5,298**	**7,996**

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:

Counterparties with an external credit rating	31 Dec. 2009	31 Dec. 2008
AAA	21,199	27,324
AA	3,784	4,988
A	551	586
B	183	523
BB	–	–
BBB	1,177	163

CONT'D. NOTE 23

Counterparties without an external credit rating		
Group 1 new customers	3,802	1,742
Group 2 existing customers without previous defaults	210,159	224,707
Group 3 existing customers with some previous non-payments where all non-payments have been fully recovered	2,546	9,903
Total trade receivables	**243,401**	**269,936**

At 31 December 2009, trade receivables totalling SEK 7,673 thousand (13,216) 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:	31 Dec. 2009	31 Dec. 2008
Less than 3 months	5,319	8,704
3 to 6 months	280	2,319
More than 6 months	2,074	2,193
Total	**7,673**	**13,216**

NOTE 24 – BORROWINGS

	31 Dec. 2009	31 Dec. 2008
Long-term		
Bank loans	458,446	590,966
	458,446	**590,966**
Short-term		
Bank credit lines	27,577	66,994
Bank loans	50,841	51,343
	78,418	**118,337**
Total borrowings	**536,864**	**709,303**

Maturity dates for long-term borrowings are as follows:		
Between 1 and 2 years	80,462	101,256
Between 2 and 5 years	60,000	2,730
More than 5 years	317,984	486,980
	458,446	**590,966**

The effective interest rate on the balance sheet date was as follows:	
Bank credit lines	1.66%
Other borrowings	3.32%
Other non-current liabilities	0.00%

The interest rate level is dependent on the current market rate, loan currency, fixed interest rate period and financial key ratios agreed with the Group's main banks. The key ratios relate primarily to the Group's net debt/EBITDA ratio.

CONT'D. NOTE 24

Recognised amounts per currency are as follows:	31 Dec. 2009	31 Dec. 2008
SEK	109,899	185,406
EUR	359,223	418,784
GBP	67,742	104,839
Other currencies	–	274
	536,864	709,303

The Group has the following unutilised credit facilities:	31 Dec. 2009	31 Dec. 2008
Variable interest rate:		
– expires within one year	–	–
– expires after more than one year	307,556	378,107
Fixed interest rate:		
– expires within one year		

NOTE 25 – PENSION OBLIGATIONS

The Group has defined-benefit pension plans in a number of countries. The biggest defined-benefit pension plans are in Sweden, Germany, Norway and Belgium, 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.

	31 Dec. 2009	31 Dec. 2008
Defined-benefit pension plans	126,414	134,626
Payroll tax and similar taxes	–334	–154
Net liability in Balance Sheet	**126,080**	**134,472**

The amounts recognised in the Consolidated Balance Sheet have been calculated as follows:		
Present value of funded obligations	80,271	73,902
Fair value of plan assets	–49,568	–45,651
Present value of unfunded obligations	127,376	130,464
Unrecognised actuarial gains (+), and losses (–)	–31,999	–24,243
Net liability, defined-benefit pension plans	**126,080**	**134,472**

The amounts recognised in the Consolidated income Statement are as follows:		
Service costs during current year	4,752	3,998
Interest expense	9,304	8,605
Expected return on plan assets	–2,779	–2,095
Losses (+) or gains (–) on curtailments and settlements	1,308	890
Total costs for defined-benefit plans	**12,585**	**11,398**

CONT'D. NOTE 25

The total pension costs recognised in the Consolidated Income Statement are as follows:

Total costs for defined-benefit plans	12,585	11,585
Total costs for defined-contribution plans	16,474	18,064
Costs for special payroll tax and yield tax	2,940	3,717
Total pension cost	**31,999**	**33,179**

The costs are allocated in the Consolidated Income Statement among the following items:	31 Dec. 2009	31 Dec. 2008
Cost of goods sold	17,202	18,694
Selling expenses	3,645	3,854
Administrative expenses	4,627	4,121
Financial expenses	6,525	6,510
Total pension cost	**31,999**	**33,179**

Specification of changes in the net liability recognised in the Consolidated Balance Sheet:

Net liability at beginning of year	134,472	126,761
Net expenses recognised in the Income Statement	12,585	11,398
Benefit payments paid	–9,521	–8,539
Contributions by the employer to funded plans	–2,203	–2,923
Exchange rate differences on foreign plans	–9,253	7,775
Net liability at year-end	**126,080**	**134,472**

Significant actuarial assumptions on the balance sheet date: (expressed as weighted averages)

Discount rate	4.7%	5.0%
Expected return on plan assets	4.9%	5.3%
Actual return on plan assets	3.4%	3.5%
Future annual salary increases	2.5%	2.9%
Future annual pension increases	2.5%	2.6%
Employee turnover rate	3.5%	3.5%

Pension insurance in Alecta

Obligations for old-age pension and family pension for salaried employees in Sweden are secured by insurance in Alecta. According to a statement by the Swedish Financial Accounting Standards Council's Emerging Issues Task Force, URA 3, this is a multi-employer defined-benefit plan. For financial year 2009, the Group did not have access to information that makes it possible to account for this plan as a defined-benefit plan. The ITP pension plan that is secured via insurance in Alecta is therefore accounted for as a defined-benefit plan.

Pension contributions during the year for pension insurance in Alecta amount to SEK 889 thousand. Alecta's surplus can be distributed to the policyholders and/or to the insureds. At year-end 2009, Alecta's surplus in the form of the collective funding ratio amounted to 141 per cent (112). 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.

NOTE 26 – OTHER PROVISIONS

Other provisions of SEK 0 thousand (7,118) made up most of the difference between market-related rent and agreed-upon rent in companies in Germany.

NOTE 27 – ACCRUED EXPENSES AND DEFERRED INCOME

	31 Dec. 2009	31 Dec. 2008
Pay-related accrued expenses	72,379	67,651
Other accrued expenses	60,002	78,212
Total	**132,381**	**145,863**

NOTE 28 – PLEDGED ASSETS

For pension obligations	31 Dec. 2009	31 Dec. 2008
Floating charges	–	20,000
Relating to liabilities to credit institutions		
Shares in subsidiaries	402,567	402,567
Floating charges	112,927	218,138
Property mortgages	10,177	10,832
Current assets	–	–
Total	**525,671**	**651,537**

NOTE 29 – CONTINGENT LIABILITIES

	31 Dec. 2009	31 Dec. 2008
Liability FPG	1,003	1,229
Other contingent liabilities	1,229	1,162
Total	**2,232**	**2,391**

NOTE 30 – RESERVES

	Hedging reserve	Translation reserve	Revaluation of assets	Total reserves
Opening balance 1 January 2008	**0**	**20,508**	**–**	**20,508**
Revaluation reserve on acquisition of shares in subsidiaries			1,935	1,935
Cash flow hedges	–13,693			–13,693
Hedging of net investment		–15,600		–15,600
Exchange rate difference		68,373		68,373
Tax effect	3,834	14,341		18,175
Closing balance at 31 December 2008	**–9,859**	**87,622**	**1,935**	**79,698**
Opening balance 1 January 2009	**–9,859**	**87,622**	**1,935**	**79,698**
Revaluation reserve on acquisition of shares in subsidiaries			3,426	3,426
Cash flow hedges	–2,328			–2,328
Hedging of net investments		13,122		13,122
Exchange rate difference		–46,887		–46,887
Tax effect	612	–8,273		–7,661
Closing balance 31 December 2009	**–11,575**	**45,584**	**5,361**	**39,370**

NOTE 31 – SHARE CAPITAL

Shares

The number of shares at year-end 2009 was 13,128,227 (2008: 13,128,227) with a quotient value of SEK 10 per share (2008: SEK 10 per share). All issued shares are fully paid.

Warrants

In 2005, Bong Ljungdahl AB sold warrants to staff in the Group Management. The warrants entitle the holders to subscribe for a total of 300,000 new shares, whereby warrants entitling the holder to subscription for 250,000 shares have been purchased by senior executives. In 2007, 45,000 warrants were purchased by newly employed senior executives.¬ The fair value of the purchased warrants has been established by the Black-Scholes valuation model to be SEK 2.32 per warrant. A total of SEK 104 thousand has been paid and posted to equity. The warrants must be exercised to subscribe for shares between 1 July 2008 and 30 June 2010 (Series C).

102,000 warrants (Series B) expired during the year.

Series C comprises 102,000 warrants, and the exercise price has been set at SEK 73.

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

	2009	2008
Gains on disposal of property, plant and equipment	–5,989	–4,303
Change in provisions	–12,149	–5,407
Exchange rate differences and other	–14,968	1,468
Total	**–33,106**	**–8,242**

NOTE 33 – BUSINESS COMBINATIONS

Company/operation	Lober Druck und Kuvert GmbH, Germany
Type of transaction	Share acquisition
Stake	70%
Consolidation method	Acquisition method
Date of transaction	31/12 2008

The company was acquired in 2008 and recognised according to a preliminary acquisition plan in the 2008 annual report. A final acquisition plan was prepared in 2009. The goodwill recognised below pertains to the acquisition of the 20 per cent of the company that was effected on 31 December 2008.

Lober Druck und Kuvert GmbH, Germany

Purchase consideration

Total purchase consideration	9,828
Fair value of acquired share of assets	–2,515
Goodwill	7,313

The following assets and liabilities were included in the acquisition:	Fair value	Acquired book value
Intangible assets	6,552	0
Property, plant and equipment	10,013	5,973
Inventory	5,951	5,951
Other current assets	16,346	16,346
Deferred tax liability	–3,287	0
Current liabilities	–23,008	–23,008
Acquired net assets	**12,567**	**5,262**
Less previously owned share	–6,283	
Minority interest	–3,769	
Fair value of acquired share of assets	**2,515**	

NOTE 34 – SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Pension benefits

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 question and the discount rate. Every change in these assumptions will affect the carrying amount of the pension obligations.

The assumption of expected return on the plan assets is determined in a uniform manner and takes into account historical long-term return, the distribution of the assets and estimates of future long-term return.

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. Other significant assumptions regarding pension obligations are based in part on prevailing market terms. Further information is furnished in Note 28.

If the actual expected return on the plan assets were to deviate by 10 per cent 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 used were to deviate by 10 per cent from management's estimates, the carrying amount of the pension obligations would be roughly SEK 12.4 million higher or SEK 10.0 million lower.

The portion of the cumulative actuarial gains or losses that exceeds 10 per cent of either the present value of the obligations or the fair value of the plan assets, whichever is greater, is recognised in profit or loss, divided by the expected average remaining working lives of the employees. An adjustment of the discount rate by 10 per cent would thus entail that SEK 5.9 million of the increase or SEK 0.1 million of the decrease of the pension obligations would be gradually recognised in profit or loss starting in 2009.

Impairment testing of goodwill

The Group subjects goodwill to impairment testing every year, in accordance with the accounting principle described among the accounting principles 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 budgeted operating margin based on previous earnings and their expectations of the future market trend. A growth rate of 1-1.5 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 per cent has been used, as evident from Note 16.

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

• If the estimated growth after the budget period had been half of that assumed, the total recoverable amount would be 9 per cent lower.

CONT'D. NOTE 34

• If the estimated growth rate for extrapolating cash flows beyond the budget period had been 1.5 per cent lower than the assumption of 1.5 per cent, the total recoverable amount would be 9 per cent lower.
• If the estimated weighted capital cost applied to discounted cash flows for the Group had been 10 per cent higher than the assumption of about 9 per cent, the total recoverable amount would be 20 per cent lower.

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.

NOTE 35 – HEDGE ACCOUNTING

The Parent Company's borrowings in EUR and GBP are identified as hedging of net investments in subsidiaries in Germany, Ireland, Belgium and the UK. The fair value of the borrowings at 31 December 2009 was SEK 403,154 thousand (470,459). The exchange difference amounting to SEK –13,122 thousand (–15,600) on translation of the borrowings to SEK on the balance sheet date is recognised in "Reserves" in equity.

NOTE 36 – DIVIDEND

A dividend for 2009 of SEK 1 per share, totalling SEK 13,128 thousand, will be proposed at the AGM on 18 May 2010.

A dividend for 2008 of SEK 1 per share, totalling SEK 13,128 thousand, was approved at the AGM on 14 May 2009.

NOTE 37 – INFORMATION ABOUT BONG LJUNGDAHL AB

Bong Ljungdahl AB is a public limited liability company domiciled in Kristianstad, Sweden. The address of the company's head office is Uddevägen 3, Box 516, SE-291 25 Kristianstad, Sweden. Bong Ljungdahl AB is listed on NASDAQ OMX Stockholm (Small Cap).

NOTE 38 – RELATED PARTY TRANSACTIONS

The Group had the following transactions with Nova Envelopes Ltd:

	2009	2008
Sales during the year	7,243	7,974
Purchases during the year	1,630	4,060
Current receivables balance sheet date	931	1,378

No transactions to report with Packaging first or DM Qvert.

NOTE 39 – ADOPTION OF NEW ACCOUNTING PRINCIPLES

(a) New and revised standards applied by the Group

The Group has applied the following new and revised IFRSs from 1 January 2009:

CONT'D. NOTE 39

IFRS 7 (amendment) Financial Instruments – Disclosures (applies from 1 January 2009). The amendment requires expanded disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosures about fair value measurement per level in a measurement hierarchy. Since this amendment only entails additional disclosures, it has no impact on earnings per share.

IAS 1 (revised) Presentation of Financial Statements (applies from 1 January 2009). The revised standard prohibits presentation of income and expense items (i.e. changes in equity not arising from transactions with owners) in the Statement of Changes in Equity; instead, "non-owner changes in equity" must be presented separately from changes in equity arising from transactions with owners ("owner changes in equity") in a Statement of Comprehensive Income. The Group therefore presents all owner changes in equity in the Statement of Changes in Consolidated Equity, while all non-owner changes in equity are presented in the Consolidated Statement of Comprehensive Income. Comparative information has been restated so that it agrees with the revised standard. Since this amendment of the accounting principle only affects the presentation, it has no impact on earnings per share.

IFRS 2 (amendment) – Share-based Payment (applies from 1 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are only service conditions and performance conditions. Other features of share-based payment are non-vesting conditions. These features shall be taken into account when determining the grant date fair value for transactions with employees and others providing similar services. They do not, however, affect the number of warrants expected to be vested or the measurement of these warrants after the grant date. All cancellations, whether by the company or other parties, should receive the same accounting treatment. The Group applies IFRS 2 (Amendment) from 1 January 2009, but it has no significant impact on the consolidated financial statements.

The Group capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that takes a substantial period of time to get ready for its intended use or sale as a part of the cost of that asset, in cases where the first date of capitalisation is 1 January 2009 or later. Previously the Group has decided for each individual project whether borrowing costs should be expensed or capitalised. This amendment of the accounting principle is a consequence of the application of the transitional provisions in IAS 23, Borrowing Costs (2007). Comparative information has thereby not been restated. The amendment of the accounting principle has no significant impact on earnings per share.

(b) Standards, amendments and interpretations of existing standards where the amendment has not yet entered into force have not been applied prospectively by the Group.

The following standards and interpretations of existing standards have been published and are compulsory for the Group's accounting for financial years beginning on or after 1 January 2010, but have not been applied prospectively:

IFRIC 17, Distributions of Non-cash Assets to Owners (applies to financial years beginning on or after 1 July 2009). The interpretation is a part of the IASB's annual improvement project that was published in April 2009. This interpretation provides guidance on accounting of agreements under which a company distributes non-cash assets to its owners. An amendment has also been made in IFRS 5, requiring that the assets be classified as held for distribution only if they are available for distribution in their present condition and distribution is highly probable. The Group will apply IFRIC 17 from 1 January 2010, but it is not expected to have a significant impact on the consolidated financial statements.

IAS 27 (amendment), Consolidated and Separate Financial Statements (applies from 1 July 2009). The revised standard requires that the effects of all transactions with non-controlling interests be recognised in equity if they do not entail any change in control and these transactions no longer give rise to goodwill or gains and losses. The standard also states that when a parent loses control, any retained investment shall be remeasured at fair value and a gain or loss be recognised in profit or loss. The Group will apply IAS 27 (amendment) prospectively for transactions with non-controlling interests from 1 January 2010.

IFRS 3 (revised), Business Combinations (applies from 1 January 2009). The revised standard continues to prescribe the use of the acquisition method for business combinations, but with some significant changes. For example, consideration for purchasing an operation is recognised at fair value on the acquisition date, while subsequent contingent considerations are classified as liabilities which are subsequently remeasured through profit or loss. A non-controlling interest (NCI) in the acquiree can for each acquisition be measured at either fair value or the NCI's proportionate share of the net assets of the acquiree. All acquisition costs shall be expensed. The Group will apply IFRS 3 (revised) prospectively to all business combinations from 1 January 2010.

IAS 38 (amendment), Intangible assets. The amendment is a part of the IASB's annual improvement project that was published in April 2009, and the Group will apply IAS 38 (amendment) from the same date as IFRS 3 (revised) is applied. The amendment provides clarifications for measurement at fair value of an intangible asset acquired in a business combination. According to the amendment, intangible assets may be grouped and treated as a single asset if they have similar useful lives. The amendment will not have any significant impact on the consolidated financial statements.

IFRS 5 (amendment), Non-current Assets Held for Sale and Discontinued Operations. The amendment is a part of the IASB's annual improvement project that was published in April 2009. The amendment clarifies that IFRS 5 specifies the disclosure requirements for non-current assets (or disposal groups) classified as non-current assets held for sale or discontinued operations. It also clarifies that the general requirement in IAS 1 still applies, particularly paragraph 15 (providing a fair presentation) and paragraph 125 (sources of estimation uncertainty). The Group will apply IFRS 5 (amendment) from 1 January 2010. The amendment is not expected to have any significant impact on the consolidated financial statements.

IAS 1 (amendment), Presentation of Financial Statements. The amendment is a part of the IASB's annual improvement project that was published in April 2009. The amendment clarifies that the potential settlement of a liability by an issue of shares is not relevant to its classification as current or non-current. By a change in the definition of a current liability, the amendment permits classification of a liability as current (provided that the company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the financial year by a transfer of cash or cash equivalent) even though the counterparty can demand settlement by shares at any time. The Group will apply IFRS 1 (amendment) from 1 January 2010. It is not expected to have any significant impact on the consolidated financial statements.

IFRS 2 (amendment), Group Cash-Settled and Share-Based Payment Transactions. The amendment entails that IFRIC 8 Scope of IFRS 2 and IFRIC 11 IFRS 2 – Group and Treasury Share Transactions are incorporated in the standard. The previous guidance in IFRIC 11 is also supplemented with regard to classification of group transactions, which is not treated in the interpretation. This new guidance is not expected to have any significant impact on the consolidated financial statements.

IFRS 9 Financial Instruments (applies to financial years beginning on or after 1 January 2013). IFRS 9 deals with classification and measurement of financial instruments. It contains two primary measurement categories: amortised cost and fair value. Assets are classified on the basis of the company's business model and characteristics of the contractual cash flows. If the company's business model is to hold the financial asset in order to collect the contractual cash flows and the contractual cash flows consist solely of principal and interest, the asset must be measured at amortised cost. All other financial assets must be measured at fair value. Before it enters into force, the standard will be supplemented with additional sections regarding liabilities, impairment and hedge accounting. When the standard is complete, its impact on the consolidated financial statements will be evaluated.

IAS 36 Impairment of Assets (applies to financial years beginning on or after 1 January 2010). Addition to clarify that the largest cash-generating unit to which goodwill should be allocated to test for impairment is an operating segment according to the definition in IFRS 8 Operating Segments (i.e. before aggregation of segments with similar economic characteristics which is permitted according to paragraph 12 in IFRS 8). This new guidance is not expected to have any significant impact on the consolidated financial statements.

INCOME STATEMENT FOR PARENT COMPANY

SEK THOUSANDS	*Note*	**2009**	**2008**
Administrative expenses	*2–5*	–37,535	–35,820
Other operating income	*6*	2,577	2,294
Operating profit	*7*	**–34,958**	**–33,526**
Profit from interests in subsidiaries	*8*	68,079	94,660
Interest income and similar line items	*9*	35,074	21,092
Interest expenses and similar line items	*10*	–48,107	–63,558
Total financial income and expenses		**55,046**	**52,194**
Profit before tax		**20,088**	**18,668**
Appropriations		897	–
Income tax	*11*	875	14,754
NET PROFIT FOR THE YEAR		**21,860**	**33,422**

BALANCE SHEET FOR PARENT COMPANY

SEK THOUSANDS	Note	31 Dec. 2009	31 Dec. 2008
ASSETS			
Non-current assets			
Property, plant and equipment			
Equipment, tools, fixtures and fittings		2,542	3,482
Investments in progress		2,582	–
Total	*12*	**5,124**	**3,482**
Long-term investments			
Interests in subsidiaries	*13*	1,055,694	943,046
Interests in other companies	*14*	1,000	1,000
Deferred tax assets	*15*	16,575	15,700
Other non-current receivables from subsidiaries		146,866	285,430
Total		**1,220,135**	**1,245,176**
Total non-current assets		**1,225,259**	**1,248,658**
Current assets			
Current receivables			
Receivables from subsidiaries		98,375	95,130
Current tax asset		680	680
Other current receivables	*18*	2,320	7,449
Deferred expenses and accrued income	*19*	7,686	7,248
Total		**109,061**	**110,507**
Cash and cash equivalents		**6,098**	**0**
Total current assets		**115,159**	**110,507**
TOTAL ASSETS		**1,340,418**	**1,359,165**

SEK THOUSANDS	Note	31 Dec. 2009	31 Dec. 2008
EQUITY AND LIABILITIES			
Equity			
Share capital	*22*	131,282	131,282
Fair value reserve		–13,160	–13,694
Share premium reserve		5,760	5,760
Retained earnings		434,466	414,172
Net profit for the year		21,860	33,422
Total equity		**580,208**	**570,942**
Untaxed reserves	*16*	**0**	**897**
Provisions			
Pension obligations	*23*	11,752	12,301
Total provisions		**11,752**	**12,301**
Non-current liabilities			
Borrowings	*17*	459,154	596,460
Total non-current liabilities		**459,154**	**596,460**
Current liabilities			
Borrowings	*17*	50,000	59,406
Trade payables		8,821	4,124
Liabilities to subsidiaries		204,619	89,241
Other current liabilities	*18*	18,421	14,271
Accrued expenses and deferred income	*19*	7,443	11,523
Total current liabilities		**289,304**	**178,565**
TOTAL EQUITY AND LIABILITIES		**1,340,418**	**1,359,165**
Pledged assets	*20*	498,638	381,891
Contingent liabilities	*21*	235	246

CHANGES IN EQUITY FOR PARENT COMPANY

		Restricted equity	Non-restricted equity			
SEK THOUSANDS	*Note*	**Share capital**	**Fair value reserve**	**Share premium reserve**	**Retained earnings incl. net profit for the year**	**Total**
Opening balance at 1 January 2008		131,282	0	5,760	427,300	564,342
Dividend					–13,128	–13,128
Cash flow hedges			–13,694			–13,694
Net profit for the year					33,422	33,422
Closing balance at 31 December 2008	*22*	**131,282**	**–13,694**	**5,760**	**447,594**	**570,942**
Opening balance at 1 January 2009		131,282	–13,694	5,760	447,594	570,942
Dividend					–13,128	–13,128
Cash flow hedges			534			534
Net profit for the year					21,860	21,860
Closing balance at 31 December 2009	*22*	**131,282**	**–13,160**	**5,760**	**456,326**	**580,208**

CASH FLOW STATEMENT FOR PARENT COMPANY

SEK THOUSANDS	2009	2008
OPERATING ACTIVITIES		
Operating profit	–34,958	–33,526
Depreciation, amortisation and impairment losses	943	851
Financial income received	18,474	21,092
Financial expenses paid	–28,523	–45,706
Profit from interests in subsidiaries	68,079	94,660
Tax paid	–	–
Other items not affecting liquidity	1,779	–14,063
Cash flow from operating activities before change in working capital	**25,794**	**23,308**
Change in working capital		
Current receivables	4,691	–50,700
Current operating liabilities	–656	37,445
Cash flow from operating activities	**29,829**	**10,053**
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment incl. advance payments to suppliers	–1,940	–1,240
Investments in subsidiaries / Shareholders' contributions paid	–112,648	–25,253
Cash flow from investing activities	**–114,588**	**–26,493**
Cash flow after investing activities	**–84,759**	**–16,440**
FINANCING ACTIVITIES		
Payment of dividend	–13,128	–13,128
Borrowings	253,942	121,699
Amortisation of loans	–149,957	–96,204
Cash flow from financing activities	**90,857**	**12,367**
Cash flow for the year	**6,098**	**–4,073**
Cash and cash equivalents at start of year	0	4,073
Cash and cash equivalents at year-end	**6,098**	**0**

PARENT COMPANY'S NOTES

NOTE 1 – ACCOUNTING PRINCIPLES

The Parent Company has prepared its annual report in accordance with the Swedish Annual Reports Act and RFR 2.2 Accounting for Legal Entities. The rules in RFR 2.2 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. The recommendation stipulates what exceptions and additions shall be made with respect to the IFRSs.

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. This entails differences compared with the consolidated accounts, mainly with regard to the Consolidated Statement of Comprehensive Income, provisions and the Statement of Changes in Equity.

Shares and interests in subsidiaries

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

Financial instruments

The Parent Company applies measurement at fair value according to Chapter 4 Section 14 a-d of Annual Reports Act, which means that the description of the Group's accounting principles applies to the Parent Company as well, except with regard to recognition of the profit or loss effects of hedging. The Parent Company accounts differ from the consolidated accounts in the following cases:

Changes in value of hedging instruments for hedging of highly probable cash flows are recognised in the Income Statement. Changes in value of hedging instruments held for hedging of current and non-current receivables and liabilities are recognised in the Income Statement.

Group contributions and shareholders' contributions

The Parent Company applies the statement UFR 2, Group Contributions and Shareholders' Contributions, from the Swedish Financial Reporting Board. Shareholders' contributions paid 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 are recognised according to their economic implications. Group contributions paid or received for the purpose of reducing the Group's total tax are recognised directly in "Retained earnings" less the effect of current tax. Group contributions that are to be equated with dividend are recognised as dividend from Group companies in the Income Statement. Group contributions paid that are to be equated with shareholders' contributions are recognised, after taking into account the effect on current tax, in accordance with the above principle for shareholders' contributions.

Pension obligations

The Parent Company's pension obligations are recognised in accordance with FAR SRS RedR 4, Accounting for Pension Liability and Pension Cost. The capital value of pension obligations not covered by insurance is recognised as a provision in the Balance Sheet. The interest element of the change in the pension liability is recognised as a financial expense. Other pension costs are charged to operating profit.

NOTE 2 – EMPLOYEES AND WAGES, SALARIES AND OTHER REMUNERATION

Average number of employees

	2009		2008	
	Total employees	Of whom men	Total employees	Of whom men
Sweden	9	6	7	4

Distribution of senior executives on the balance sheet date

	2009		2008	
	Total employees	Of whom men	Total employees	Of whom men
Board members	8	7	6	5
President and other senior executives	3	3	3	3

Salaries and other remuneration

	2009		2008	
	Salaries and remun.	Soc. sec. contrib.	Salaries and remun.	Soc. sec. contrib.
Total	13,993	6,744	7,873	5,567
of wich pension costs		1,811		1,824

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

	2009		2008	
	Board and CEO	Other employees	Board and CEO	Other employees
Total	4,966	9,027	3,960	3,913
of which bonus etc.	1,394	2,100	382	469

NOTE 2 CONT'D.

The President and CEO received for 2009 a salary of SEK 2,550 thousand (2,601), a variable remuneration of SEK 1,394 thousand (382) and car benefit valued at SEK 111 thousand (118). A pension premium was paid in 2009 of SEK 44 thousand (666). The Chairman of the Board received a fee of SEK 300 thousand for 2009 (300). The fee paid to other Board members for 2009 was SEK 150 thousand each.

NOTE 3 – REMUNERATION TO AUDITORS

Remuneration to PricewaterhouseCoopers for auditing and other assignments consisted of the following amounts:

	2009	2008
Auditing assignments	329	301
Other assignments	157	166
Total	486	467

NOTE 4 – DEPRECIATION ACCORDING TO PLAN

Broken down by non-current asset	2009	2008
Equipment, tools, fixtures and fittings	943	851
Total	943	851
Depreciation is recognised as administrative expenses	943	851

NOTE 5 – OPERATING LEASES

The nominal value of future lease payments is broken down as follows on the balance sheet date:

	2009	2008
Fall due for payment within one year	803	450
Fall due for payment after		
one year but within five years	512	345
Fall due for payment after five years	–	–

Lease payments for operating leases were paid during the year in the amount of SEK 908 thousand (903). No assets are sub-leased, nor are there any restrictions in the lease agreements.

NOTE 6 – OTHER OPERATING INCOME

Other operating income consists of SEK 999 thousand (897) in supplier bonus, SEK 103 thousand in exchange gains and SEK 1,474 thousand (1,245) in rental and payroll costs.

NOTE 7 – PURCHASES AND SALES BETWEEN GROUP COMPANIES

The Parent Company's operations consist of administration of trading subsidiaries and Group management functions. During 2009 and 2008 the Parent Company did not have any sales to or purchases from Group companies.

NOTE 8 – PROFIT FROM INTERESTS IN SUBSIDIARIES

	2009	2008
Dividend	40,228	71,501
Group contributions received	27,851	23,159
Total	68,079	94,660

NOTE 9 – INTEREST INCOME AND SIMILAR LINE ITEMS

	2009	2008
Interest income, Group companies	17,994	20,309
Exchange rate differences on financial receivables	16,600	0
Interest income, other	480	783
Total	35,074	21,092

NOTE 10 – INTEREST EXPENSES AND SIMILAR LINE ITEMS

	2009	2008
Interest expenses, Group companies	–2,422	–4,383
Interest element of pension costs for the year	–518	–500
Interest expenses, other	–23,704	–43,709
Impairment of loans	0	–1,158
Exchange rate differences on financial liabilities	–19,584	–12,071
Other financial expenses	–1,879	–1,737
Total	–48,107	–63,558

NOTE 11 – TAX

	2009	2008
Current tax	–	–
Deferred tax	875	14,754
Total	875	14,754

NOTE 11 CONT'D.

Difference between Parent Company's tax expense and tax expense based on applicable tax rate:

	2009	2008
Profit before tax	20,985	18,668
Tax calculated according to applicable tax rate of 28%:	–5,519	–5,227
Tax on:		
– other non-taxable revenues	6,687	20,478
– other non-deductible expenses	–293	–498
Tax according to Income Statement	875	14,754

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT

	31 Dec. 2009	31 Dec. 2008
Opening cost	19,828	18,588
Purchases/acquisitions	2,585	1,313
Sale/retirement	–	–73
Closing costs	22,413	19,828
Opening accumulated depreciation	–16,346	–15,495
Depreciation for the year	–943	–851
Closing accumulated depreciation	–17,289	–16,346
Closing residual value according to plan	5,124	3,482

NOTE 13 – INTERESTS IN SUBSIDIARIES 31 DEC. 2009

Company	Corporate ID no.	Domicile	Share of equity, %	Number of shares	Book value
Bong Ljungdahl AB Sverige AB	556016-5606	Kristianstad, Sweden	100	804,000	195,282
ProPac International AB	556296-3115	Malmö, Sweden	100	10,000	24,030
Bongs Swedex AB	556044-3573	Malmö, Sweden	100	500	120
Bongs Konvolutter A/S	931080687	Tönsberg, Norway	100	20,000	27,780
Bong Bjørnbak AS	58154717	Denmark	100	1	19,424
Bong Suomi Oy	745.192	Tampere, Finland	100	20,050	232,123
Bong RCT GmbH	HRB 1646	Wuppertal, Germany	100	1	556,060
Bong Polska Sp. Zo.o.	7675	Warsaw, Poland	100	5,165	100
Bong Ireland Ltd	192441	Kilkenny, Ireland	100	200,000	0
UAB Baltvokas	300544453	Kaunas, Lithuania	50	5,000	775
Total					1,055,694

Opening book value of shares in subsidiaries	943,046
Increase in share capital in Bong Suomi 2009	112,648
Closing book value 31 Dec. 2009	1,055,694

NOTE 14 – INTERESTS IN OTHER COMPANIES 31 DECEMBER 2009

Company	Corporate ID no.	Domicile	Invested capital	Book value
Bong Fastigheter KB	969655-5763	Stockholm, Sweden	SEK 1,000 thousand	1,000
Total				1,000

NOTE 15 – DEFERRED TAX

Deferred tax assets refer to the value of loss carryforwards: SEK 16,575 thousand (15,700).

NOTE 16 – UNTAXED RESERVES

	31 Dec. 2009	31 Dec. 2008
Accumulated excess depreciation of equipment	0	897
Total	**0**	**897**

NOTE 17 – BORROWINGS

	31 Dec. 2009	31 Dec. 2008
Bank loans	459,154	596,460
	459,154	**596,460**
Short-term		
Bank credit lines	0	9,406
Bank loans	50,000	50,000
	50,000	**59,406**

Of the Parent Company's borrowings, SEK 41 million (322) are loans for subsidiaries.

Maturity dates for long-term borrowings are as follows:		
Between 1 and 2 years	80,000	100,000
Between 2 and 5 years	60,000	0
More than 5 years	319,154	496,460
	459,154	**596,460**

Bank credit lines

The granted amount of the bank credit line in the Parent Company is SEK 50,000 thousand (50,000), of which SEK 0 thousand (7,741) is utilised.

NOTE 18 – OTHER CURRENT RECEIVABLES

	31 Dec. 2009	31 Dec. 2008
Currency and interest rate hedges	840	5,929
Other current receivables	1,480	1,520
Total	**2,320**	**7,449**

OTHER CURRENT LIABILITIES

	31 Dec. 2009	31 Dec. 2008
Currency and interest rate hedges	16,725	13,756
Other current liabilities	1,696	515
Total	**18,421**	**14,271**

NOTE 19 – DEFERRED EXPENSES AND ACCRUED INCOME

	31 Dec. 2009	31 Dec. 2008
Supplier bonus	201	2,255
Internal and external interest income	539	822
Other accrued expenses	6,946	4,171
Total	**7,686**	**7,248**

ACCRUED EXPENSES AND DEFERRED INCOME

	31 Dec. 2009	31 Dec. 2008
Pay-related accrued expenses	5,975	2,873
Other accrued expenses	1,262	2,271
Internal and external interest expenses	206	6,379
Total	**7,443**	**11,523**

NOTE 20 – PLEDGED ASSETS

	31 Dec. 2009	31 Dec. 2008
Relating to liabilities to credit institutions	–	–
Shares in subsidiaries	498,638	381,891
Total	**498,638**	**381,891**

NOTE 21 – CONTINGENT LIABILITIES

	31 Dec. 2009	31 Dec. 2008
Other contingent liabilities	235	246
Total	**235**	**246**

NOTE 22 – SHARE CAPITAL

The number of shares at year-end 2009 was 13,128,227 (13,128,227) with a quotient value of SEK 10 per share (SEK 10 per share). All issued shares are fully paid.

NOTE 23 – PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

	31 Dec. 2009	31 Dec. 2008
PRI pensioner	11,752	12,301
Total provisions	**11,752**	**12,301**

The consolidated financial statements will be submitted to the Annual General Meeting on 18 May 2010 for adoption. The Board of Directors and the President ensure that the consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU and give a true and fair view of the Group's results of operations and financial position.

The annual accounts have been prepared in accordance with generally accepted accounting principles and give a true and fair view of the Parent Company's financial position and results. The Directors' Report for the Group and the Parent Company provides a true and fair summary of the Group's and the Parent Company's activities, financial position and results of operations while describing significant risks and uncertainties faced by the Parent Company and the companies included in the Group.

Kristianstad, 6 April 2010

Mikael Ekdahl
Chairman of the Board

Anders Davidsson
President and
Member of the Board

Ulrika Eriksson
Member of the Board

Alf Tönnesson
Member of the Board

Christian W Jansson
Member of the Board

Patrick Holm
Member of the Board

Peter Harrysson
Member of the Board

Christer Muth
Member of the Board

Our Audit Report was submitted on 6 April 2010

PricewaterhouseCoopers

Eric Salander
Authorized Public Accountant

Mathias Carlsson
Authorized Public Accountant

AUDIT REPORT

To the Annual General Meeting of Shareholders of Bong Ljungdahl AB (publ), Corp. ID no. 556034-1579

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of Bong Ljungdahl AB (publ) for the year 2009. The company's annual accounts and consolidated accounts consist of pages 1–3 and 7–34 in this document.

The Board of Directors and the President are responsible for these accounts and the administration of the Company as well as for the application of the Annual Reports Act in the preparation of the annual accounts and the application of International Financial Reporting Standards (IFRSs) as adopted by the EU and the Annual Reports Act in the preparation of the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles and their application by the Board of Directors and the Managing Director and significant estimates made by the Board of Directors and the President when preparing the annual accounts and consolidated accounts, as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the liability, if any, to the Company of any Board member or the President. We have also examined whether any Board member or the President has, in any other way, acted in contravention of the Companies Act, the Annual Reports Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion as set out below.

The annual accounts have been prepared in accordance with the Annual Reports Act and give a true and fair view of the Company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the Annual Reports Act and give a true and fair view of the Group's financial position and results of operations. The Directors' Report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the Annual General Meeting of Shareholders that the Income Statements and Balance Sheets of the Parent Company and the Group be adopted, that the profit of the Parent Company be dealt with in accordance with the proposal in the Directors' Report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Kristianstad, 6 April 2010

Eric Salander	Mathias Carlsson
Authorized Public Accountant	Authorized Public Accountant

PricewaterhouseCoopers

DEFINITIONS

Net debt
Interest-bearing liabilities and provisions less cash on hand, bank deposits and interest-bearing receivables

Net debt/equity ratio
Net debt in relation to equity

Diluted earnings per share
Profit after tax divided by the average number of shares after dilution

Basic earnings per share
Profit after tax divided by the average number of shares before dilution

Equity/assets ratio
Equity as a percentage of the balance sheet total (total assets)

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Thursday, 18 May 2010, at 4:00 p.m. in the company's auditorium at Uddevägen 3 in Kristianstad.

PARTICIPATION AT THE AGM

Shareholders registered in the share register kept by Euroclear (formerly VPC AB) on 11 May 2010 are entitled to participate in the meeting. Shareholders whose shares are registered to a nominee must, in order to participate in the meeting, have the shares temporarily re-registered in their own name. This re-registration must be done by not later than 11 May 2010, which means that the shareholder should inform the nominee of this in good time before this date.

Shareholders who wish to participate in the meeting must notify the company by mail at:

Bong Ljungdahl AB
P.O. Box 516
SE-291 25 Kristianstad

or by telephone at: +46 44 20 70 00,
by Fax at +46 44 17 60 49 or at Bong's website:
www.bongljungdahl.se by not later than Tuesday
11 May 2010 at 12:00 noon.

DIVIDEND

The Board of Directors and President propose that the AGM resolve that a dividend of SEK 1 per share be paid for 2009.

AGENDA

The AGM will consider items of business which are required by law and the Articles of Association to be dealt with at the meeting, as well as other items of business mentioned in the notice convening the meeting.

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BONG

Report dates

Quarterly report	18 May 2010
Half-year report	25 August 2010
Nine-month report	November 2010
Year-end report	February 2011

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