

Interim Report

January-March

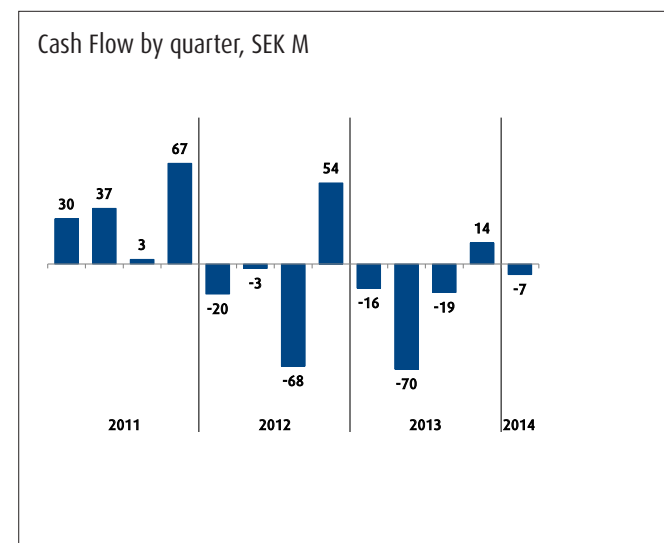
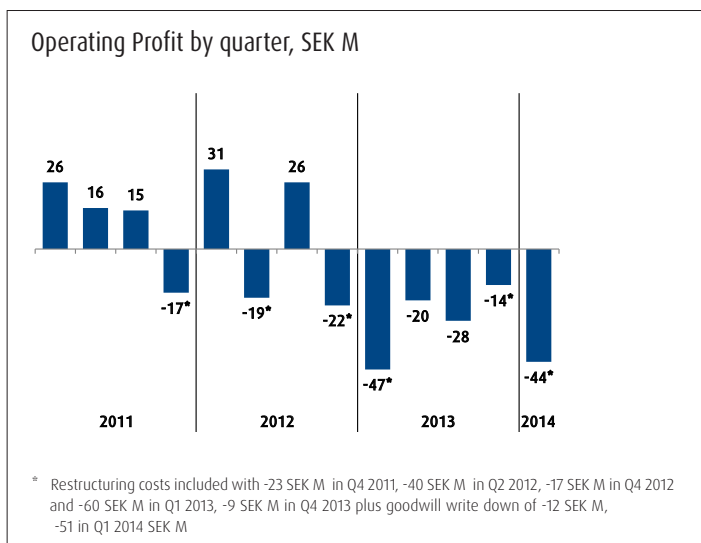
2014



“ Since the end of last year, we have been working hard with the implementation of the new comprehensive action programme that will lead to greater cost efficiency and better margins for the Group. The work is progressing according to plan,” says Bong’s President and CEO Anders Davidsson. ”

January – March 2014

- Net debt SEK 817 million (802 at 31 December 2013)
- Cash flow after investments SEK -7 million (-16)
- Net sales SEK 662 million (677)
- Operating earnings SEK -44 million (-47), including non-recurring cost for restructuring programme of SEK -51 million (-60) and capital gains from sale of property of SEK 6 million
- Earnings after tax SEK -45 million (-47)
- Earnings per share SEK -0.28 (-2.71)



Bong is a leading provider of specialised packaging and envelope products in Europe, offering solutions for distribution and packaging of information, advertising materials and lightweight goods. Important growth areas in the Group are the Propac packaging concept and Russia. The Group has annual sales of approximately SEK 2.5 billion and about 1,900 employees in 15 countries. Bong has strong market positions in the majority of key markets in Europe, and the Group sees interesting possibilities for continued expansion and development. Bong is a public limited company and its shares are listed on NASDAQ OMX Stockholm Small Cap.

Market and industry

Following a decline of about 11 per cent of the European envelope market in 2013, the decline in the first quarter of 2014 according to FEPE was only 1 per cent. Bong's assessment is that stock building at wholesalers after the short month of December, a favorable calendar effect given that Easter was in April this year, and a one-time mailing in Germany, in connection with the transition to the European payment system SEPA, have impacted the volumes over the previous year positively.

In early 2014 Spanish Printeos (formerly Tompla) sold its British business, with sales of more than GBP 10 million, to Encore, the largest independent envelope company in the UK. German Meiller, which is a major player especially in the German direct mail market, filed for financial reconstruction in the first quarter. In addition to these structural changes, all key players in Europe are working on adjusting costs and capacity.

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

Sales and profit

January – March 2014

Consolidated sales in the first quarter were SEK 662 million (677). The main reason for the drop in sales is the continued downturn in the envelope market, which resulted in both lower volumes and pricing pressures and had a negative impact on Bong's gross earnings. Exchange rate fluctuations had a positive impact on sales of SEK 21 million during the period compared with 2013.

Bong's total Propac sales amounted to SEK 102 million (106). Bong will review the entire Propac range during the year to offer customers an even better concept. Currency fluctuations have had a positive impact on Propac sales of SEK 3 million compared with the corresponding period in 2013.

Operating profit was SEK -44 million (-47) including non-recurring cost for restructuring programme of SEK 51 million (60). The restructuring measures announced in the 2013 Q3 report are now gradually being rolled out and are proceeding according to plan. When fully implemented the measures are expected to reduce fixed costs by SEK 150-200 million annually. Structural costs to achieve these savings are expected to reach SEK 150-200 million. Most of the costs are expected to be incurred in 2014. Reserved costs during the period relate to all major geographic markets.

During the year a building in Washington, UK, was sold with capital gains of SEK 6 million.

Net financial items for the period amounted to SEK -16 million (-16). Earnings before tax were SEK -59 million (-64) and reported earnings after tax were SEK -45 million (-47).

Cash flow and investments

Cash flow after investing activities for the first quarter was SEK -7 million (-16). Payments for the ongoing restructuring programme had a negative

impact on cash flow for the period of SEK -10 million.

Net investments and acquisitions had a positive impact on cash flow of SEK 5 million (-4). The sale of property in the UK brought in SEK 8 million.

Financial position

Cash and cash equivalents at 31 March 2014 amounted to SEK 94 million (SEK 82 million at 31 December 2013). The Group had unutilised credit facilities of SEK 49 million on the same date. Total available cash and cash equivalents thus amounted to SEK 143 million (142 million at 31 December 2013).

Consolidated equity at 31 March 2014 was SEK 482 million (SEK 522 million at 31 December 2013). Translation of the net asset value of foreign subsidiaries to Swedish krona and changes in the fair value of derivative instruments increased consolidated equity by SEK 5 million.

The interest-bearing net loan debt increased during the period by SEK 15 million to SEK 817 million (SEK 802 million at 31 December 2013). Translation of net loans in foreign currency to Swedish krona increased the Group's net loan debt by SEK 8 million.

Employees

The average number of employees during the period was 1,921 (2,136). The Group had 1,905 (2,103) employees at the end of March 2014. Bong is intensively working on improving productivity and adjusting staffing to meet current demand and the reduction is the result of the implemented restructuring measures.

Parent Company

The Parent Company's business extends to management of operating subsidiaries and certain Group management functions. Sales were SEK 0.7 million (9) and earnings before tax for the period were SEK -2 million (25).

Risks and opportunities

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

Accounting policies

This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting, and the Swedish Annual Accounts Act. Application was consistent with the accounting principles outlined in the 2013 annual report and the interim report should be read along with those principles. Please refer to Bong's 2013 annual report for a specification of the new amendments, interpretations and standards that took effect 1 January 2014.

Kristianstad 21 May 2014

Anders Davidsson

President and Chief Executive Officer

This report has not been subject to examination by the company's auditors.

Presentation of report

The report will be presented at a teleconference on 22 May 2014 at 10:00 a.m. The telephone number to the teleconference is +46 (0)8 5052 0110. Slides for the teleconference will be available on our website www.bong.com at the time that this report is published.

Additional information

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Financial calendar:

- Interim Report January–June 2014, 14 July 2014
- Interim Report January–September 2014, 13 November 2014
- Year-end Report January–December 2014, February 2015

Interim report January-March 2014

INCOME STATEMENT IN SUMMARY

SEK M	Jan-Mar 2014 3 month	Jan-Mar 2013 3 month	Apr 2013- Mar 2014 12 month	Jan-Dec 2013 12 month
Revenue	662.0	676.8	2,548.7	2,563.5
Cost of goods sold	-537.2	-549.9	-2,106.0	-2,118.7
Gross profit	124.8	127.0	442.7	444.8
Selling expenses	-64.2	-68.5	-257.9	-262.1
Administrative expenses	-59.4	-57.7	-226.5	-224.9
Other operating income and expenses	-44.8	-48.0	-64.1	-67.2
Operating profit	-43.7	-47.2	-105.9	-109.5
Net financial items	-15.8	-16.3	-66.2	-66.7
Result before tax	-59.5	-63.5	-172.1	-176.2
Income tax	14.9	16.2	34.2	35.5
Net result for the year	-44.6	-47.4	-137.9	-140.6
Total comprehensive income attributable to:				
Share holders in Parent Company	-44.6	-47.4	-137.9	-140.6
Non-controlling interests	0.0	0.0	0.0	0.0
Basic earnings per share	-0.28	-2.71	-1.40	-2.20
Diluted earnings per share	-0.28	-2.71	-1.40	-2.20
Average number of shares, basic	156,659,604	17,480,995	98,668,517	63,873,865
Average number of shares, diluted	183,932,331	18,727,855	115,097,133	73,796,014

STATEMENT OF COMPREHENSIVE INCOME

SEK M	Jan-Mar 2014	Jan-Mar 2013	Apr 2013- Mar 2014	Jan-Dec 2013
Net result for the year	-44.6	-47.4	-137.9	-140.6

Other comprehensive income

Items that will not be reclassified to profit or loss:

Actuarial loss on post employment benefit obligations	0.0	0.0	15.2	15.2
	0.0	0.0	15.2	15.2

Items that may be reclassified subsequently to profit or loss:

Cash flow hedges ¹⁾	-0.2	1.6	0.7	2.6
Hedging of net investments	-9.6	31.3	-65.1	-24.2
Exchange rate differences	13.0	-51.8	86.7	21.9
Income tax relating to components of other comprehensive income	2.0	-5.8	11.8	4.0
	5.3	-24.7	34.2	4.2

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	Jan-Mar 2014	Jan-Mar 2013	Apr 2013- Mar 2014	Jan-Dec 2013
Other comprehensive income for the period, net of tax	5.3	-24.7	49.3	19.4
TOTAL COMPREHENSIVE INCOME	-39.3	-72.1	-88.5	-121.2

Total comprehensive income attributable to:

Share holders in Parent Company	-39.3	-72.1	-88.5	-121.2
Non-controlling interests	0.0	0.0	0.0	0.0

2) Cash flow hedges	Jan-Mar 2014	Jan-Mar 2013	Apr 2013- Mar 2014	Jan-Dec 2013
Interest rate swaps - cash flow hedges	0.2	1.1	2.0	2.8
Currency forwards - cash flow hedges	-0.5	0.5	-1.3	-0.3
Total cash flow hedges	-0.2	1.6	0.7	2.6

CONSOLIDATED BALANCE SHEET IN SUMMARY

SEK m	31 Mar 2014	31 Mar 2013	31 Dec 2013
Assets			
Intangible assets ¹⁾	580.6	561.2	576.4
Tangible assets	427.0	476.4	445.4
Financial assets	216.2	153.1	193.5
Inventories	268.0	312.1	263.9
Current receivables	476.8	502.4	468.5
Cash and cash equivalents	94.1	61.5	81.6
Total assets	2,062.8	2,066.7	2,029.5
Equity and liabilities			
Equity ²⁾	481.5	297.8	521.8
Non-current liabilities ³⁾	724.7	344.7	736.9
Current liabilities ^{4), 5)}	856.6	1,424.2	770.8
Total equity and liabilities	2,062.8	2,066.7	2,029.5

- 1) Of which goodwill
2) Of which non-controlling interests
3) Of which interest-bearing
4) Of which interest-bearing
5) Financial assets and liabilities at fair value

The table shows the Group's financial assets and liabilities in the form of derivatives measured at fair value. All financial derivatives measured at fair value are in Category 2.

These include interest rate swaps and foreign exchange contracts and the valuation is based on the forward interest rates derived from observable yield curves.

2014-03-31	Assets	Liabilities
Interest rate swaps - cash flow hedges	0	1.6
Currency forwards - cash flow hedges	0	0.2
Currency forwards - held for trading	0.5	0
Total	0.5	1.8*

2013-03-31	Assets	Liabilities
Interest rate swaps - cash flow hedges	0	3.7
Currency forwards - cash flow hedges	1.8	1.0
Currency forwards - held for trading	0	4.1
Total	1.8	8.8

2013-12-31	Assets	Liabilities
Interest rate swaps - cash flow hedges	0.0	1.9
Currency forwards - cash flow hedges	0.5	0.3
Currency forwards - held for trading	0.0	1.7
Total	0.5	3.9

*For the above contracts, the following amounts are found in the hedge reserve under Total comprehensive income; interest rate swaps - cash flow hedges SEK -1.6 million, currency forwards - cash flow hedges SEK 0.3 million.

Other financial assets and liabilities

Fair value of the following financial assets and liabilities is estimated to be equal to book value:

- Trade receivables and other receivables
- Other current receivables
- Cash and cash equivalents
- Long-term and short-term loans
- Leverantörsskulder och övriga skulder
- Trade payables and other liabilities

Information about netting of financial assets and liabilities

The Group does not apply net recognition for any of its other significant assets and liabilities and has no netting agreements with financial counterparties.

CHANGES IN CONSOLIDATED EQUITY, GROUP	Jan-Mar 2014	Jan-Dec 2013
SEK M		
Opening balance for the period	521.8	371.5
New issue	-	275.5
Convertible loan	-1.0	13.8
Issue costs	-	-16.0
Non-controlling interests	-	-1.7
Total comprehensive income	-39.3	-121.2
Closing balance for the period	481.5	521.8

QUARTERLY DATA. GROUP

SEK M	1/2014	4/2013	3/2013	2/2013	1/2013	4/2012	3/2012	2/2012	1/2012	4/2011	3/2011	2/2011	1/2011
Net Revenue	662.0	664.2	594.6	627.9	676.8	762.3	655.6	711.7	816.3	849.7	751.2	747.3	854.4
Operating expenses	-705.7	-677.9	-622.9	-648.1	-724.0	-784.7	-629.6	-730.7	-786.1	-866.8	-736.3	-731.1	-828.4
Operating profit	-43.7	-13.7	-28.3	-20.3	-47.2	-22.3	26.0	-19.1	30.3	-17.1	14.9	16.3	26.1
Net financial items	-15.8	-18.7	-15.0	-16.7	-16.3	-19.4	-17.4	-17.3	-17.2	-17.4	-13.8	-17.8	-13.7
Profit before tax	-59.5	-32.4	-43.3	-37.0	-63.5	-41.7	8.7	-36.4	13.1	-34.5	1.1	-1.6	12.4

CONSOLIDATED CASH FLOW STATEMENTS

SEK M	Jan-Mar 2014 3 month	Jan-Mar 2013 3 month	Apr 2013- Mar 2014 12 month	Jan-Dec 2013 12 month
Operating activities				
Operating profit	-43.7	-47.2	-105.9	-109.5
Depreciation amortisation and impairment	20.9	23.3	104.3	106.7
Financial items	-15.8	-16.3	-66.2	-66.7
Tax paid	-2.3	-9.9	0.5	-7.1
Other non-cash items	37.6	47.5	-11.4	-1.5
Cash flow from operating activities before changes in working capital	-3.3	-2.7	-78.7	-78.0
Changes in working capital	-9.4	-9.1	14.7	15.0
Cash flow from operating activities	-12.7	-11.8	-64.0	-63.0
Cash flow from investing activities	5.3	-3.9	-18.5	-27.9
Cash flow after investing activities	-7.4	-15.7	-82.5	-90.9
Cash flow from financing activities	19.7	-33.1	112.7	59.9
Cash flow for the period	12.3	-48.8	30.1	-31.0
Cash and cash equivalents at beginning of period	81.6	112.3	61.5	112.3
Exchange rate difference in cash and cash equivalents	0.2	-2.0	2.6	0.4
Cash and cash equivalents at end of period	94.1	61.5	94.1	81.6

KEY RATIOS

	Jan-Mar 2014	Jan-Mar 2013	Apr 2013- Mar 2014	Jan-Dec 2013
Operating profit %	-6.6	-7.0	-4.2	-4.3
Profit margin %	-9.0	-9.4	-6.8	-6.9
Return on equity %	-	-	neg	neg
Return on capital employed %	-	-	neg	neg
Equity/assets ratio %	23.3	14.4	23.3	25.7
Gearing ratio times	1.70	3.33	1.70	1.54
Net loan debt/EBITDA	-	-	neg	neg
Capital employed SEK M	1,392.2	1,349.6	1,392.2	1,405.8
Interest-bearing net loan debt SEK M	816.6	990.3	816.6	802.3

DATA PER SHARE

	Jan-Mar 2014	Jan-Mar 2013	Apr 2013- Mar 2014	Jan-Dec 2013
Basic earnings per share SEK	-0.28	-2.71	-1.40	-2.20
Diluted earnings per share SEK ¹⁾	-0.28	-2.71	-1.40	-2.20
Basic equity per share SEK	3.07	17.04	2.97	3.33
Diluted equity per share SEK	4.10	16.57	4.67	3.06
Basic number of shares outstanding at end of period	156,659,604	17,480,995	156,659,604	156,659,604
Diluted number of shares outstanding at end of period	183,932,331	18,727,855	183,932,331	183,932,331
Average number of shares basic	156,659,604	17,480,995	98,668,517	63,873,865
Average number of shares diluted	183,932,331	18,727,855	115,097,133	73,796,014

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

Financial overview

KEY RATIOS	2013	2012	2011	2010	2009
Revenue sales SEK M	2,564	2,946	3,203	2,326	1,915
Operating profit/loss SEK M	-109	15	40	-91	65
Profit after tax SEK M	-141	-55	-16	-97	24
Cash flow after investing activities SEK M	-91	-38	137	-277	169
Operating margin %	-4.3	0.5	1.3	-3.9	3.4
Profit margin %	-6.9	-1.9	-0.7	-5.6	1.4
Capital turnover rate times	1.2	1.3	1.3	1.2	1.1
Return on equity %	neg	neg	neg	neg	3.6
Return on capital employed %	neg	1.0	2.6	neg	5.5
Equity ratio %	26	17	21	21	36
Net loan debt SEK M	802	1,005	947	1,062	589
Net debt/equity ratio times	1.54	2.70	1.91	2.00	0.98
Net loan debt/EBITDA times	neg	8.6	6.3	42.7	3.8
EBITDA/net financial items times	neg	1.7	2.4	0.6	4.5
Average number of employees	2,051	2,271	2,431	1,540	1,220
Data per share					
Number of shares					
Basic number of shares outstanding at end of period	156,659,604	17,480,995	17,480,995	17,480,995	13,128,227
Diluted number of shares outstanding at end of period	183,932,331	18,727,855	18,727,855	18,727,855	13,230,227
Average basic number of shares	63,873,865	17,480,995	17,480,995	14,216,419	13,128,227
Average diluted number of shares	73,796,014	18,727,855	18,727,855	14,528,134	13,230,227
Earnings per share					
Basic SEK	-2.20	-3.20	-1.04	-6.97	1.65
Diluted SEK	-2.20	-3.20	-1.04	-6.97	1.63
Equity per share					
Basic SEK	3.33	21.25	28.37	30.39	45.56
Diluted SEK	3.06	20.50	26.48	28.37	45.77
Cash flow from operating activities per share					
Basic SEK	-0.40	-0.10	8.53	3.01	13.98
Diluted SEK	-0.34	-0.09	7.96	2.81	13.87
Other data per share					
Dividend SEK	0.00	0.00	0.00	1.00	1.00
Quoted market price on the balance sheet date SEK	1.5	9.7	17.9	32.0	21.0
P/E ratio times	neg	neg	neg	neg	13
Price/book value after dilution %	45	45	63	105	46
Price/equity after dilution %	49	47	68	113	46

PARENT COMPANY PROFIT AND LOSS ACCOUNTS IN SUMMARY	Jan-Mar	Jan-Mar
SEK M	2014	2013
Revenue	0.7	9.1
Gross profit	0.7	9.1
Administrative expenses	-3.4	-18.2
Other operating income and expenses	0.0	6.5
Operating profit/loss	-2.7	-2.7
Net financial items	0.2	27.7
Result	-2.5	25.0
Income tax	-0.4	-5.3
Net result	-2.9	19.7

STATEMENT OF COMPREHENSIVE INCOME	Jan-Mar	Jan-Mar
SEK M	2014	2013
Profit after tax	-2.9	19.7
Other comprehensive income		
Cash flow hedges	0.0	1.4
Income tax relating to components of other comprehensive income	0.0	-0.3
Other comprehensive income after tax	0.0	1.1
Total comprehensive income	-2.9	20.8

PARENT COMPANY BALANCE SHEETS IN SUMMARY	31 Mar	31 Dec 2013
SEK M	2014	
Assets		
Financial assets	1,434.5	1,428.5
Current receivables	15.2	15.8
Cash and cash equivalents	20.2	20.9
Total Assets	1,469.9	1,465.2
Equity and liabilities		
Equity	970.6	974.5
Non-current liabilities	409.2	426.5
Current liabilities	90.1	64.2
Total equity and liabilities	1,469.9	1,465.2