

Interim Report

January-June

2014



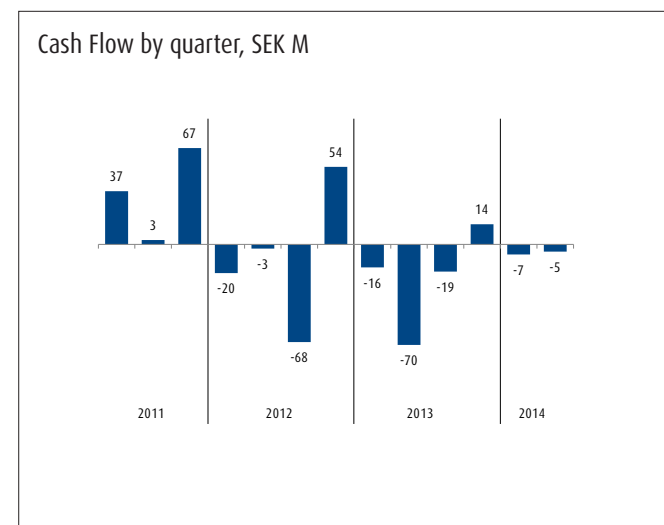
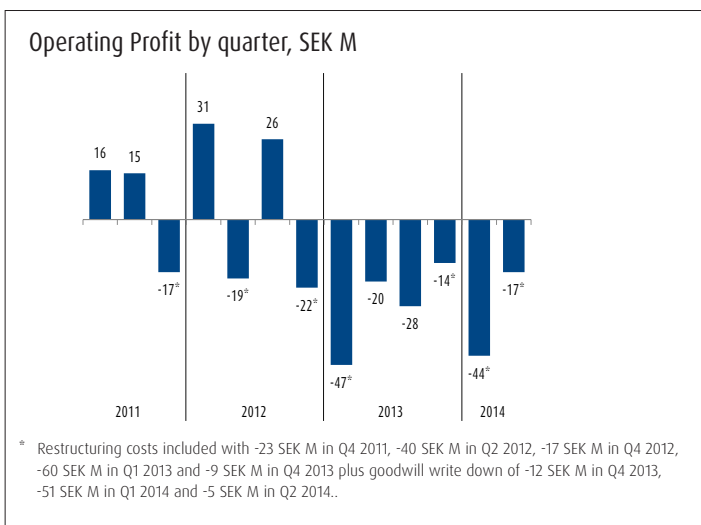
” Bong’s large restructuring programme, which was launched at the end of 2013, is now being implemented throughout the Group,” says Stéphane Hamelin, Bong’s new President and CEO. “I look forward to working together with the leadership team to accelerate these measures. ”

April – June 2014

- Net debt SEK 843 million (802 31 December 2013)
- Cash flow after investments SEK -5 million (-70)
- Net sales SEK 594 million (628)
- Operating earnings SEK -17 million (-20), including non-recurring cost for restructuring programme of SEK -5 million (0)
- Earnings after tax SEK -32 million (-28)
- Earnings per share SEK -0.49 (-1.62)
- Stéphane Hamelin new President and Chief Executive Officer

January – June 2014

- Net debt SEK 843 million (802 31 December 2013)
- Cash flow after investments SEK -13 million (-86)
- Net sales SEK 1,256 million (1,305)
- Operating earnings SEK -60 million (-67), including non-recurring cost for restructuring programme of SEK -56 million (-60) and capital gains from sale of property of SEK 6 million
- Earnings after tax SEK -77 million (-76)
- Earnings per share SEK -0.49 (-4.33)



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 was only 1 per cent according to FEPE. However, several temporary effects had a positive impact on the quarter, as did a calendar-related effect compared with the previous year. Bong's assessment is that the market was clearly weaker during the second quarter and that volumes for the first six months of the year declined by about 5-6 per cent compared with 2013.

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 GmbH, which is a major player especially in the German direct mail market, filed for reorganization in the first quarter and is now in the process of a major restructuring of its operations. 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 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 – June 2014

Consolidated sales for the period reached SEK 1,256 million (1,305). 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 49 million compared with 2013.

Bong's total Propac sales amounted to SEK 193 million (205). 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 8 million compared with the corresponding period in 2013.

Operating profit was SEK -60 million (-67) including costs for an extensive restructuring programme of SEK 56 million (60). The restructuring measures announced in late 2013 are now gradually being rolled out throughout the Group. 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 -29 million (-33).

Earnings before tax were SEK -89 million (-100) and reported earnings after tax were SEK -77 million (-76).

Sales and profit

April – June 2014

Bong posted consolidated sales in the first quarter of SEK 594 million (628). 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 30 million compared with 2013.

Bong's total Propac sales were SEK 91 million (108). Currency fluctuations have had a positive impact on Propac sales of SEK 5 million compared with the corresponding period in 2013.

Operating profit was SEK -17 million (-20) including costs for an extensive restructuring programme of SEK 5 million (0).

Net financial items for the period amounted to SEK -13 million (-17).

Earnings before tax were SEK -30 million (-37) and reported earnings after tax were SEK -32 million (-28).

Cash flow and investments

Cash flow after investing activities during the first half of the year was SEK -13 million (-86). Payments for the ongoing restructuring programme had a negative impact on cash flow for the period of SEK -19 million.

Net investments and acquisitions had an impact on cash flow of SEK 0 million (-2). The sale of property in the UK brought in SEK 8 million.

Financial position

Cash and cash equivalents at 30 June 2014 amounted to SEK 60 million (SEK 82 million at 31 December 2013). The Group had unutilised credit facilities of SEK 23 million on the same date. Total available cash and cash equivalents thus amounted to SEK 83 million (142 million at 31 December 2013).

Consolidated equity at the end of June 2014 was SEK 473 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 30 million.

The interest-bearing net loan debt increased during the period by SEK 21 million to SEK 843 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 25 million.

Employees

The average number of employees during the period was 1,921 (2,099). The Group had 1,863 (2,048) employees at the end of June 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 (18) and earnings before tax for the period were SEK -4 million (-30).

Events after the end of the reporting period

Stéphane Hamelin new President and Chief Executive Officer

As previously announced in a press release on 4 July 2014, Anders Davidsson is now moving to a new job outside the Group.

To retain momentum in the ongoing transformation of Bong, Stéphane Hamelin, who is extremely familiar with the envelope and packaging industry and who was closely involved with the development of the restructuring programme, will assume the post of President and CEO, effective immediately. He will be supported by the senior and experienced members of the leadership team who are already in place. Anders Davidsson will also continue to work for the Company for a transition period to ensure a good handover.

Stéphane Hamelin steps down as Chairman at the same time that he becomes CEO. The Board of Directors for Bong has instead appointed Eric Joan to serve as new Chairman for the Group until the next Annual General Meeting.

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, other than what is stated below.

Kristianstad 14 July 2014

Eric Joan
Chairman of the Board

Mikael Ekdahl
Member of the Board

Anders Davidsson
Member of the Board

Ulrika Eriksson
Member of the Board

Christian Paulsson
Member of the Board

Christer Muth
Member of the Board

Peter Harrysson
Member of the Board

Stéphane Hamelin
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 14 July 2014 at 2:00 p.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–September 2014, 13 November 2014
- Year-end Report 2014, 19 February 2015
- Interim Report January–March 2015, May 2015
- Interim Report January–June 2015, July 2015
- Interim Report January–September 2015, November 2015

Interim report 30 June 2014

INCOME STATEMENT IN SUMMARY

SEK M	Apr-Jun 2014 3 month	Apr-Jun 2013 3 month	Jan-Jun 2014 6 month	Jan-Jun 2013 6 month	Jul 2013- Jun 2014 12 month	Jan-Dec 2013 12 month
Revenue	593.6	627.9	1,255.6	1,304.7	2,514.4	2,563.5
Cost of goods sold	-489.7	-530.9	-1,026.9	-1,080.8	-2,064.9	-2,118.7
Gross profit	103.9	97.0	228.7	223.9	449.6	444.8
Selling expenses	-62.3	-67.3	-126.5	-135.7	-253.0	-262.1
Administrative expenses	-52.4	-54.5	-111.7	-112.2	-224.5	-224.9
Other operating income and expenses	-5.8	4.4	-50.7	-43.5	-74.4	-67.2
Operating profit	-16.6	-20.3	-60.3	-67.5	-102.2	-109.5
Net financial items	-13.0	-16.7	-28.8	-33.0	-62.5	-66.7
Result before tax	-29.6	-37.0	-89.1	-100.5	-164.8	-176.2
Income tax	-2.6	8.8	12.3	24.9	22.9	35.5
Net result for the year	-32.2	-28.2	-76.8	-75.6	-141.9	-140.6
Total comprehensive income attributable to:						
Share holders in Parent Company	-32.2	-28.2	-76.8	-75.6	-141.9	-140.6
Non-controlling interests	0.0	0.0	0.0	0.0	0.0	0.0
Basic earnings per share	-0.49	-1.62	-0.49	-4.33	-1.06	2.20
Diluted earnings per share	-0.49	-1.62	-0.49	-4.33	-1.06	2.20
Average number of shares, basic	156,659,604	17,480,995	156,659,604	17,480,995	133,463,169	63,873,865
Average number of shares, diluted	183,932,331	18,727,855	183,932,331	18,727,855	156,190,442	73,796,014

STATEMENT OF COMPREHENSIVE INCOME

SEK M	Apr-Jun 2014	Apr-Jun 2013	Jan-Jun 2014	Jan-Jun 2013	Jul 2013- Jun 2014	Jan-Dec 2013
Net result for the year	-32.2	-28.2	-76.8	-75.6	-141.9	-140.6

Other comprehensive income

Items that will not be reclassified to profit or loss:

Actuarial loss on post employment benefit obligations ¹⁾	0.0	0.0	0.0	0.0	15.2	15.2
	0.0	0.0	0.0	0.0	15.2	15.2

Items that may be reclassified subsequently to profit or loss:

Cash flow hedges ²⁾	0.2	1.0	0.0	2.6	0.4	2.6
Hedging of net investments	-42.3	-54.3	-32.7	-23.0	-34.0	-24.2
Exchange rate differences	42.1	64.2	55.4	12.4	64.4	21.9
Income tax relating to components of other comprehensive income	4.9	9.8	6.9	4.0	6.9	4.0
	4.8	20.7	29.6	-4.0	37.8	4.2

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	Apr-Jun 2014	Apr-Jun 2013	Jan-Jun 2014	Jan-Jun 2013	Jul 2013- Jun 2014	Jan-Dec 2013
Other comprehensive income for the period, net of tax	4.8	20.7	29.6	-4.0	53.0	19.4
TOTAL COMPREHENSIVE INCOME	-27.4	-7.5	-47.2	-79.6	-88.9	-121.2

Total comprehensive income attributable to:

Share holders in Parent Company	-27.4	-7.5	-47.2	-79.6	-88.9	-121.2
Non-controlling interests	0.0	0.0	0.0	0.0	0.0	0.0

1) No actuarial gain/loss is deemed to have occurred during the period of post-employment benefits

2) Cash flow hedges

	Apr-Jun 2014	Apr-Jun 2013	Jan-Jun 2014	Jan-Jun 2013	Jul 2013- Jun 2014	Jan-Dec 2013
Interest rate swaps - cash flow hedges	0.3	0.8	0.5	1.9	1.5	2.8
Currency forwards - cash flow hedges	-0.1	0.2	-0.5	0.8	-1.1	-0.3
Total cash flow hedges	0.2	1.0	0.0	2.6	0.4	2.6

CONSOLIDATED BALANCE SHEETS IN SUMMARY

SEK M	30 Jun 2014	30 Jun 2013	31 Dec 2013
Assets			
Intangible assets ¹⁾	593.3	580.1	576.4
Tangible assets	430.2	470.0	445.4
Financial assets	221.8	184.7	193.5
Inventories	274.7	306.5	263.9
Current receivables	425.7	526.1	468.5
Cash and cash equivalents	60.0	50.1	81.6
Total assets	2,005.7	2,117.5	2,029.5
Equity and liabilities			
Equity ²⁾	472.6	290.9	521.8
Non-current liabilities ³⁾	734.9	329.5	736.9
Current liabilities ⁴⁾ , ⁵⁾	798.2	1,497.1	770.8
Total equity and liabilities	2,005.7	2,117.5	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.

	Assets	Liabilities
2014-06-30		
Interest rate swaps - cash flow hedges	0.0	1.4
Currency forwards - cash flow hedges	0.0	0.3
Currency forwards - held for trading	0.4	0.0
Total	0.4	1.7

	Assets	Liabilities
2013-06-30		
Interest rate swaps - cash flow hedges	0.0	2.9
Currency forwards - cash flow hedges	1.1	0.4
Currency forwards - held for trading	0.1	0.2
Total	1.2	3.4

	Assets	Liabilities
2013-12-31		
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

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
- Trade payables and other liabilities
- Other financial assets and 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 MSEK	Apr-Jun 2014	Jan-Jun 2013	Jan-Dec 2013
Opening balance for the period	521.8	371.5	371.5
New issue	-	-	275.5
Convertible loan	-2,026	-	13.8
Issue costs	-	-	-16.0
Non-controlling interests	-	-1.0	-1.7
Total comprehensive income	-47.2	-79.6	-121.2
Closing balance for the period	472.5	290.9	521.8

QUARTERLY DATA. GROUP

SEK M	2/2014	1/2014	4/2013	3/2013	2/2013	1/2013	4/2012	3/2012	2/2012	1/2012	4/2011	3/2011	2/2011
Net Revenue	593.6	662.0	664.2	594.6	627.9	676.8	762.3	655.6	711.7	816.3	849.7	751.2	747.3
Operating expenses	-610.2	-705.7	-677.9	-622.9	-648.1	-724.0	-784.7	-629.6	-730.7	-786.1	-866.8	-736.3	-731.1
Operating profit	-16.6	-43.7	-13.7	-28.3	-20.3	-47.2	-22.3	26.0	-19.1	30.3	-17.1	14.9	16.3
Net financial items	-13.0	-15.8	-18.7	-15.0	-16.7	-16.3	-19.4	-17.4	-17.3	-17.2	-17.4	-13.8	-17.8
Profit before tax	-29.6	-59.5	-32.4	-43.3	-37.0	-63.5	-41.7	8.7	-36.4	13.1	-34.5	1.1	-1.6

CONSOLIDATED CASH FLOW STATEMENTS

SEK M	Apr-Jun 2014 3 month	Apr-Jun 2013 3 month	Jan-Jun 2014 6 month	Jan-Jun 2013 6 month	Jul 2013- Jun 2014 12 month	Jan-Dec 2013 12 month
Operating activities						
Operating profit	-16.6	-20.3	-60.3	-67.5	-102.2	-109.5
Depreciation amortisation and impairment	20.0	23.3	40.9	46.6	101.1	106.7
Financial items	-13.0	-16.7	-28.8	-33.0	-62.5	-66.7
Tax paid	-2.2	6.8	-4.5	-3.1	-8.4	-7.1
Other non-cash items	-7.0	-22.3	30.6	25.2	3.9	-1.5
Cash flow from operating activities before changes in working capital	-18.8	-29.2	-22.0	-31.8	-68.2	-78.0
Changes in working capital	18.5	-42.3	9.1	-51.4	75.5	15.0
Cash flow from operating activities	-0.2	-71.5	-13.0	-83.3	7.3	-63.0
Cash flow from investing activities	-4.8	1.5	0.5	-2.4	-24.9	-27.9
Cash flow after investing activities	-5.1	-70.0	-12.5	-85.7	-17.6	-90.9
Cash flow from financing activities	-30.8	57.0	-11.1	23.9	24.8	59.9
Cash flow for the period	-35.9	-13.0	-23.6	-61.8	7.2	-31.0
Cash and cash equivalents at beginning of period	94.1	61.5	81.6	112.3	50.1	112.3
Exchange rate difference in cash and cash equivalents	1.7	1.6	1.9	-0.4	2.7	0.4
Cash and cash equivalents at end of period	60.0	50.1	60.0	50.1	60.0	81.6

KEY RATIOS

	Jan-Jun 2014	Jan-Jun 2013	Jul 2013- Jun 2014	Jan-Dec 2013
Operating profit %	-4.8	-5.2	-4.1	-4.3
Profit margin %	-7.1	-7.7	-6.6	-6.9
Return on equity %	-	-	neg	neg
Return on capital employed %	-	-	neg	neg
Equity/assets ratio %	23.6	13.7	23.6	25.7
Gearing ratio times	1.78	3.80	1.78	1.54
Net loan debt/EBITDA	-	-	neg	neg
Capital employed SEK M	1,375.3	1,445.8	1,445.8	1,405.8
Interest-bearing net loan debt SEK M	842.8	1,104.9	1,104.9	802.3

DATA PER SHARE

	Jan-Jun 2014	Jan-Jun 2013	Jul 2013- Jun 2014	Jan-Dec 2013
Basic earnings per share SEK	-0.49	-4.33	-1.06	-2.20
Diluted earnings per share SEK ¹⁾	-0.49	-4.33	-1.06	-2.20
Basic equity per share SEK	3.02	16.64	3.02	3.33
Diluted equity per share SEK	3.02	15.53	3.02	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	133,463,169	63,873,865
Average number of shares diluted	183,932,331	18,727,855	156,190,442	73,796,014

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

Financial overview

NYCKELTAL	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-Jun	Jan-Jun
SEK M	2014	2013
Revenue	0.7	18.0
Gross profit	0.7	18.0
Administrative expenses	-10.1	-35.0
Other operating income and expenses	0.0	7.0
Operating profit/loss	-9.4	-10.0
Net financial items	5.2	-20.3
Result	-4.2	-30.3
Income tax	-1.4	7.2
Net result	-5.6	-23.1

STATEMENT OF COMPREHENSIVE INCOME	Jan-Jun	Jan-Jun
SEK M	2014	2013
Profit after tax	-5.6	-23.1
Other comprehensive income		
Cash flow hedges	0.0	2.4
Income tax relating to components of other comprehensive income	0.0	-0.5
Other comprehensive income after tax	0.0	1.9
Total comprehensive income	-5.6	-21.2

PARENT COMPANY BALANCE SHEETS IN SUMMARY	30 Jun	31 Dec
SEK M,	2014	2013
Assets		
Financial assets	1,451.0	1,428.5
Current receivables	11.3	15.8
Cash and cash equivalents	0.2	20.9
Total Assets	1,462.5	1,465.2
Equity and liabilities		
Equity	966.9	974.5
Non-current liabilities	432.9	426.5
Current liabilities	62.7	64.2
Total equity and liabilities	1,462.5	1,465.2