

Year-end Report

January-December

2014



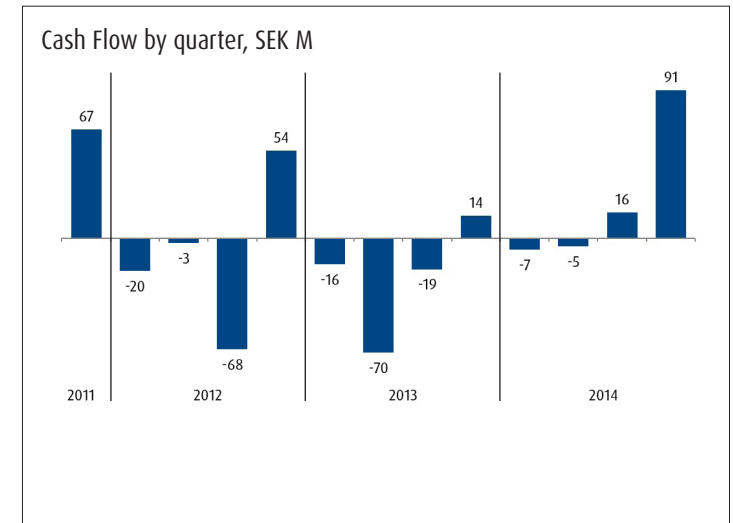
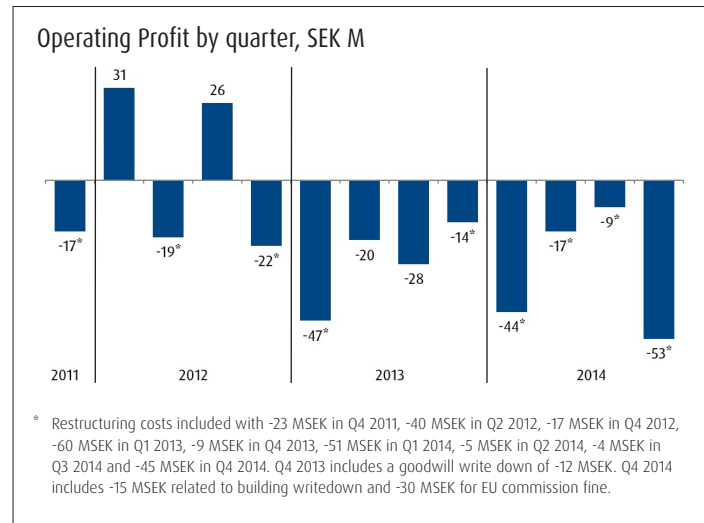
”The majority of Bong’s large restructuring program was launched during 2014 and is proceeding according to plan. The remaining part will be implemented before end of second quarter 2015 and we expect full effect of all initiatives in 2016. Despite high costs for restructuring, we achieved a positive cash flow in 2014 which secures the financing of the remaining restructuring costs and other extraordinary costs. With fewer and more efficient factories we expect further reductions in our working capital in the coming years. Our goal is to return to profit on bottom line latest 2016.” says Stéphane Hamelin, CEO.

October – December 2014

- Revenue SEK 677 million (664)
- Cash flow after investing activities SEK 91 million (14)
- Operating earnings SEK -53 million (-14), including non-recurring cost for restructuring program of SEK -45 million (-9) and extraordinary items of SEK -45 million (-12)
- Earnings after tax SEK -48 million (-18)
- Earnings per share SEK -0.31 (-0.12)

January – December 2014

- Revenue SEK 2,533 million (2,564)
- Cash flow after investing activities SEK 94 million (-91)
- Operating earnings SEK -123 million (-109), including non-recurring cost for restructuring program of SEK -105 million (-69) and extraordinary items of SEK -45 million (-15)
- Earnings after tax SEK -150 million (-141)
- Earnings per share SEK -0.96 (-2.20)



Bong is a leading provider of specialized 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 Eastern Europe. The Group has annual sales of approximately SEK 2.5 billion and about 1,800 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

The market decline of the European envelope market for 2014 was around 5 per cent compared with 2013 according to our forecasts. Bong's assessment is that the market will continue to decrease in the same pace during 2015, meanwhile company consolidations and restructuring processes continue. Many small companies are closing operations and the bigger companies are consolidating as well as reducing production capacity. The special packaging market, where Bong is present, is still growing and is much bigger and much more fragmented.

Sales and profit

January – December 2014

Consolidated sales for the period reached SEK 2,533 million (2,564). Exchange rate fluctuations had a positive impact on sales of SEK 111 million compared with 2013. 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.

Bong's total Propac sales amounted to SEK 415 million (417). Currency fluctuations have had a positive impact on Propac sales of SEK 18 million compared with the corresponding period in 2013. Bong decided during the second half of 2014 to change the Propac organization and the range in order to give the customers an even better offer and service. The new set-up within light packaging will be launched during the first half of 2015.

Operating profit was SEK -123 million (-109) including costs for an extensive restructuring program of SEK -105 million (-69) and also extraordinary costs for the settlement with the EU-commission regarding anticompetitive behavior SEK -30 million and write-down of buildings SEK -15 million. The yearly impairment test of goodwill indicated no write-down need (-15). The restructuring measures announced in late 2013 are now to a large extent 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 around SEK 150 million. The reserved costs during the period relate to all major geographic markets.

Net financial items for the period amounted to SEK -55 million (-67). Earnings before tax were SEK -178 million (-176) and reported earnings after tax were SEK -150 million (-141).

Sales and profit

October – December 2014

Bong posted consolidated sales in the fourth quarter of SEK 677 million (664). Exchange rate fluctuations had a positive impact on sales of SEK 38 million compared with 2013. 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.

Bong's total Propac sales were SEK 122 million (118). Currency fluctuations have had a positive impact on Propac sales of SEK 6 million compared with the corresponding period in 2013.

Operating profit was SEK -53 million (-14) including costs for restructuring program of SEK -45 million (-9) and also extraordinary costs for the settlement with the EU-commission regarding anticompetitive behavior SEK -30 million and write-down of buildings SEK -15 million.

In fourth quarter 2013 the write-down of goodwill was SEK -12 million.

Net financial items for the period amounted to SEK -13 million (-19). Earnings before tax were SEK -67 million (-32) and reported earnings after tax were SEK -48 million (-18).

Cash flow and investments

During the fourth quarter the cash flow after investing activities was positive and amounted to SEK 91 million (14). Cash flow after investing activities for the year was SEK 94 million (-91). Payments for the ongoing restructuring program had a negative impact on cash flow for the year of SEK -38 million (-66). Net investments and acquisitions had an impact on cash flow of SEK -3 million (-28).

Financial position

Cash and cash equivalents at 31 December 2014 amounted to SEK 97 million (SEK 82 million at 31 December 2013). The Group had unutilized credit facilities of SEK 61 million on the same date. Total available cash and cash equivalents thus amounted to SEK 158 million (142 million at 31 December 2013). Consolidated equity at the end of December 2014 was SEK 377 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 pension debt and derivative instruments increased consolidated equity by SEK 9 million. The interest-bearing net loan debt decreased during the period by SEK 12 million to SEK 790 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 42 million. The revaluation of the pension debt according to IAS 19 increased the Group's net loan debt by SEK 35 million.

Employees

The average number of employees during the period was 1,873 (2,051). The Group had 1,833 (1,961) employees at the end of December 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 (21) and earnings before tax for the period were SEK -73 million (-28).

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.

The board of directors' proposal for dividend

Bong's current priority continues to be to reduce the debt and improve profitability. Therefore, the board proposes that no dividend will be paid for 2014. No dividend was paid for 2013.

Annual General meeting

The annual general meeting will be held on 20 May 2015 at 4:00 p.m. in Bong's premises in Kristianstad. The January-March 2015 interim report will be published in connection with the AGM. The annual report will be available no later than 30 April 2015.

Kristianstad 19 February 2015

Stéphane Hamelin

Chief Executive Officer

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

Additional information

Håkan Gunnarsson, CFO for Bong AB. Tel +46 44-20 70 00 (switchboard)

Financial Calendar:

- Interim Report January-March 2015, 20 May 2015
- Interim Report January-June 2015, 15 July 2015
- Interim Report January-September 2015, 19 November 2015
- Year end Report 2015, 18 February 2016

Year-end report 31 December 2014

INCOME STATEMENT IN SUMMARY	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
SEK M	2014	2013	2014	2013
	3 month	3 month	12 month	12 month
Revenue	676.7	664.2	2,532.9	2,563.5
Cost of goods sold	-541.6	-533.1	-2,066.3	-2,118.7
Gross profit	135.1	131.1	466.6	444.8
Selling expenses	-63.5	-68.1	-251.5	-262.1
Administrative expenses	-42.8	-58.3	-202.2	-224.9
Other operating income and expenses	-81.9	-18.4	-135.6	-67.2
Operating profit	-53.1	-13.7	-122.8	-109.5
Net financial items	-13.4	-18.7	-55.5	-66.7
Result before tax	-66.5	-32.4	-178.3	-176.2
Income tax	18.4	14.1	28.4	35.5
Net result	-48.1	-18.2	-149.9	-140.6
Total comprehensive income attributable to:				
Share holders in Parent Company	-48.1	-18.2	-149.9	-140.6
Non-controlling interests	0.0	0.0	0.0	0.0
Basic earnings per share	-0.31	-0.12	-0.96	-2.20
Diluted earnings per share	-0.31	-0.12	-0.96	-2.20
Average number of shares, basic	156,659,604	156,659,604	156,659,604	63,873,865
Average number of shares, diluted	183,932,331	183,932,331	183,932,331	73,796,014
STATEMENT OF COMPREHENSIVE INCOME	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
SEK M	2014	2013	2014	2013
Net result for the year	-48.1	-18.2	-149.9	-140.6
Other comprehensive income	-	-	-	-
Items that will not be reclassified to profit or loss:				
Actuarial loss on post employment benefit obligations	-39.0	15.2	-39.0	15.2
	-39.0	15.2	-39.0	15.2
Items that may be reclassified subsequently to profit or loss:				
Cash flow hedges ¹⁾	-0.4	-0.4	-0.2	2.6
Hedging of net investments	-26.6	-6.1	-61.3	-24.2
Exchange rate differences	28.7	13.1	86.6	21.9
Income tax relating to components of other comprehensive income	15.2	7.0	22.4	4.0
	16.9	13.6	47.5	4.2

Cont.

cont'd.

	Oct-Dec 2014	Oct-Dec 2013	Jan-Dec 2014	Jan-Dec 2013
Other comprehensive income for the period, net of tax	-22.1	28.8	8.6	19.4
TOTAL COMPREHENSIVE INCOME	-70.2	10.6	-141.3	-121.2

Total comprehensive income attributable to:

Share holders in Parent Company	-70.2	10.6	-141.3	-121.2
Non-controlling interests	0.0	0.0	0.0	0.0

1) Cash flow hedges

	Oct-Dec 2014	Oct-Dec 2013	Jan-Dec 2014	Jan-Dec 2013
Interest rate swaps - cash flow hedges	0.2	0.2	0.8	2.8
Currency forwards - cash flow hedges	-0.6	-0.6	-1.0	-0.3
Total cash flow hedges	-0.4	-0.4	-0.2	2.6

CONSOLIDATED BALANCE SHEETS IN SUMMARY

SEK M	31 Dec 2014	31 Dec 2013
Assets		
Intangible assets ¹⁾	604.2	576.4
Tangible assets	385.6	445.4
Financial assets ⁵⁾	234.7	193.5
Inventories	253.8	263.9
Current receivables ⁶⁾	387.6	468.5
Cash and cash equivalents	96.7	81.6
Total assets	1,962.6	2,029.5
Equity and liabilities		
Equity ²⁾	377.3	521.8
Non-current liabilities ^{3), 5)}	745.2	736.9
Current liabilities ^{4), 6)}	840.1	770.8
Total equity and liabilities	1,962.6	2,029.5

1) Of which goodwill

	31 Dec 2014	31 Dec 2013
GOODWILL		
Opening balance	533.2	539.8
Write-down	-	-15.1
Exchange rate differences	33.8	8.5
Closing balance	567.0	533.2

Impairment testing of Goodwill

For impairment testing purposes, the Group is regarded as a cash-generating unit (CGU), since the whole Group's operation is regarded as a single segment. The recoverable amount for a CGU is determined based on a calculation of value in use.

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

In calculating value in use, a discount rate of 10.3 per cent after tax (13.2 per cent before tax) has been assumed, along with a negative growth rate during the three first years of on average -3.7 per cent. The two last years have been assumed to result in a weak growth rate. A sustained growth rate of 1 per cent has been adopted. Previous year, a discount rate of 10.3 per cent (13.2 per cent before tax) and a development adjacent to this year's calculation was adopted but with a growth rate of 1 per cent at the end of the five year period.

The discount rate used is given after tax and reflects the market interest rates, risks and tax rates that apply to the different units. The average growth rate used is based on industry forecasts. Positive sales growth is expected above all in the packaging sector and in Eastern Europe. The impairment test shows that a write-down of goodwill is not necessary.

Sensitivity analysis

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are regarded as reasonable under the current circumstances. The Group subjects goodwill to impairment testing every year, in accordance with the accounting policy described among the accounting policies above. The recoverable amount has been determined by calculation of the value in use. Certain estimates must be made for these calculations. Management has determined the forecast based on previous earnings and their expectations of the future market trend as well as external information about market trends. A sustainable growth rate of 1 per cent has been used to extrapolate cash flows beyond the budget period. This growth rate is judged to be a conservative estimate. Furthermore, an average discount rate after tax of 10.3 per cent has been used (13.2 per cent before tax), which is the same as the previous year. A sensitivity analysis has been performed for the Group as a cash-generating unit. The results of the analysis are summarised below.

- If the assumption regarding the estimated growth rate beyond the budget period had been 1.2 per cent lower, i.e. a slightly negative growth, then the assumption used as the recoverable amount had been the same as the book value of the cash-generating unit. Furthermore, the adoption of growth after the budget period had been 1 per cent lower, it would mean a write-down of SEK 0 million.
- If the assumption regarding growth during the forecast period had been 0.4 per cent lower then the assumption used the recoverable amount would be the same as the book value of the cash-generating unit. Furthermore, if the assumption regarding growth during the forecast period had been 0.5 per cent lower, it would mean a write-down of SEK 24 million. If the assumption regarding growth during the forecast period had been 1 per cent lower, it would mean a write-down of SEK 207 million.
- If the assumption regarding fixed costs had been 0.5 per cent higher than the assumption used the recoverable amount would be the same as the book value of the cash-generating unit. Furthermore, if the assumption regarding fixed costs had been 1 per cent higher, it would mean a write-down of SEK 157 million.

- If the assumption regarding gross margin had been 0.9 per cent lower than the assumption used the recoverable amount would be the same as the book value of the cash-generating unit. Furthermore, if the assumption regarding gross margin had been 1 per cent lower, it would mean a write-down of SEK 18 million
- If the assumption regarding the estimated weighted cost of capital had been 1.4 per cent higher than the assumption used the recoverable amount would be the same as the book value of the cash-generating unit. Furthermore, if the assumption regarding the estimated weighted cost of capital had been 2 per cent higher, it would mean a write-down of SEK 62 million.

These calculations are hypothetical and should not be regarded as an indication that these factors are more or less likely to change. The sensitivity analysis should therefore be interpreted with caution. The estimated recoverable amount exceeds the book value by SEK 168 million.

	31 Dec 2014	31 Dec 2013
2) Of which non-controlling interests	0.0	-0.4
3) Of which interest-bearing	715.4	694.2
4) Of which interest-bearing	171.4	189.8
5) Of which deferred tax	206.1	155.6
6) 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.

2014-12-31	Assets	Liabilities
Interest rate swaps - cash flow hedges	0.0	1.1
Currency forwards - cash flow hedges	0.0	0.8
Currency forwards - held for trading	2.0	0.7
Total	2.0	2.5

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 -1.1 million (-1.9), currency forwards - cash flow hedges SEK -0.8 million (0.2).

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.

QUARTERLY DATA. GROUP

SEK M	4/2014	3/2014	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	676.7	600.6	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	-729.8	-610.0	-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	-53.1	-9.4	-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	-13.4	-13.3	-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	-66.5	-22.6	-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	Oct-Dec 2014 3 month	Oct-Dec 2013 3 month	Jan-Dec 2014 12 month	Jan-Dec 2013 12 month
Operating activities				
Operating profit	-53.1	-13.7	-122.8	-109.5
Depreciation amortisation and impairment	38.1	34.0	100.6	106.7
Financial items	-13.4	-18.7	-55.5	-66.7
Tax paid	0.1	0.0	0.9	-7.1
Other non-cash items	22.5	-14.8	52.8	-1.5
Cash flow from operating activities before changes in working capital	-5.9	-13.2	-23.9	-78.0
Changes in working capital	95.0	35.3	120.7	15.0
Cash flow from operating activities	89.2	22.2	96.9	-63.0
Cash flow from investing activities	1.8	-8.4	-2.7	-27.9
Cash flow after investing activities	91.0	13.8	94.2	-90.9
Cash flow from financing activities	-50.0	9.9	-82.0	59.9
Cash flow for the period	41.0	23.7	12.2	-31.0
Cash and cash equivalents at beginning of period	54.4	56.8	81.6	112.3
Exchange rate difference in cash and cash equivalents	1.3	1.2	2.9	0.4
Cash and cash equivalents at end of period	96.7	81.6	96.7	81.6

CHANGES IN CONSOLIDATED EQUITY. GROUP

SEK M	Jan-Dec 2014	Jan-Dec 2013
Opening balance for the period	521.8	371.5
New issue	-	275.5
Convertible loan	-3.2	13.8
Issue costs	-	-16.0
Non-controlling interests	-	-1.7
Total comprehensive income	-141.3	-121.2
Closing balance for the period	377.3	521.8

KEY RATIOS

	Jan-Dec 2014	Jan-Dec 2013
Operating profit, %	-4.8	-4.3
Profit margin, %	-7.0	-6.9
Return on equity, %	neg	neg
Return on capital employed, %	neg	neg
Equity/assets ratio, %	19.2	25.7
Gearing ratio times	2.09	1.54
Net loan debt/EBITDA	neg	neg
Capital employed, SEK M	1,264.1	1,405.8
Interest-bearing net loan debt, SEK M	790.0	802.3

DATA PER SHARE

	Jan-Dec 2014	Jan-Dec 2013
Basic earnings per share, SEK	-0.96	-2.20
Diluted earnings per share, SEK ¹⁾	-0.96	-2.20
Basic equity per share, SEK	2.41	3.33
Diluted equity per share, SEK	2.27	3.06
Basic number of shares outstanding at end of period	156,659,604	156,659,604
Diluted number of shares outstanding at end of period	183,932,331	183,932,331
Average number of shares basic	156,659,604	63,873,865
Average number of shares diluted	183,932,331	73,796,014

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

Financial overview

KEY RATIOS	2014	2013	2012	2011	2010
Net sales, SEK M	2,533	2,564	2,946	3,203	2,326
Operating profit/loss, SEK M	-123	-109	15	40	-91
Profit after tax, SEK M	-150	-141	-55	-16	-97
Cash flow after investing activities, SEK M	94	-91	-38	137	-277
Operating margin, %	-4.8	-4.3	0.5	1.3	-3.9
Profit margin, %	-7.0	-6.9	-1.9	-0.7	-5.6
Capital turnover rate, times	1.3	1.2	1.3	1.3	1.2
Return on equity, %	neg	neg	neg	neg	neg
Return on capital employed, %	neg	neg	1.0	2.6	neg
Equity ratio, %	19	26	17	21	21
Net loan debt, SEK M	790	802	1,005	947	1,062
Net debt/equity ratio, times	2.09	1.54	2.70	1.91	2.00
Net loan debt/EBITDA, times	neg	neg	8.6	6.3	42.7
EBITDA/net financial items, times	neg	neg	1.7	2.4	0.6
Average number of employees	1,873	2,051	2,271	2,431	1,540
Data per share					
Number of shares					
Basic number of shares outstanding at end of period	156,659,604	156,659,604	17,480,995	17,480,995	17,480,995
Diluted number of shares outstanding at end of period	183,932,331	183,932,331	18,727,855	18,727,855	18,727,855
Average basic number of shares	156,659,604	63,873,865	17,480,995	17,480,995	14,216,419
Average diluted number of shares	183,932,331	73,796,014	18,727,855	18,727,855	14,528,134
Earnings per share					
Basic, SEK	-0.96	-2.20	-3.20	-1.04	-6.97
Diluted, SEK	-0.96	-2.20	-3.20	-1.04	-6.97
Equity per share					
Basic, SEK	2.41	3.33	21.25	28.37	30.39
Diluted, SEK	2.27	3.06	20.50	26.48	28.37
Cash flow from operating activities per share					
Basic, SEK	0.62	-0.40	-0.10	8.53	3.01
Diluted, SEK	0.53	-0.34	-0.09	7.96	2.81
Other data per share					
Dividend, SEK	0.00	0.00	0.00	0.00	1.00
Quoted market price on the balance sheet date, SEK	1.1	1.5	9.7	17.9	32.0
P/E ratio, times	neg	neg	neg	neg	neg
Price/book value after dilution, %	46	45	45	63	105
Price/equity after dilution, %	49	49	47	68	113

PARENT COMPANY PROFIT AND LOSS ACCOUNTS IN SUMMARY	Jan-Dec	Jan-Dec
SEK M	2014	2013
Revenue	0.7	21.0
Gross profit	0.7	21.0
Administrative expenses	-40.7	-46.8
Other operating income and expenses	0.0	4.6
Operating profit/loss	-39.9	-21.1
Net financial items	-32.7	-7.2
Result	-72.6	-28.4
Income tax	0.0	7.0
Net result	-72.6	-21.4

STATEMENT OF COMPREHENSIVE INCOME	Jan-Dec	Jan-Dec
SEK M	2014	2013
Profit after tax	-72.6	-21.4
Other comprehensive income		
Cash flow hedges	0.0	6.0
Income tax relating to components of other comprehensive income	0.0	-1.3
Other comprehensive income aftuier tax	0.0	4.7
Total comprehensive income	-72.6	-16.7

PARENT COMPANY BALANCE SHEETS IN SUMMARY	31 Dec	31 Dec
SEK M	2014	2013
Assets		
Financial assets	1,414.8	1,428.5
Current receivables	8.1	15.8
Cash and cash equivalents	0.2	20.9
Total Assets	1,423.0	1,465.2
Equity and liabilities		
Equity	898.7	974.5
Non-current liabilities	382.5	426.5
Current liabilities	141.9	64.1
Total equity and liabilities	1,423.0	1,465.2