

Auditor's report

To the meeting of shareholders in Bong AB (publ), corporate identity number 556034-1579

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

OPINIONS

We have audited the annual accounts and consolidated accounts of Bong AB (publ) for the year 2016 with the exception of the corporate governance report found on pages 16-18. The annual accounts and consolidated accounts of the company are included on pages 14-42 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not address the corporate governance report found on pages 16-18. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

BASIS FOR OPINIONS

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

OUR AUDIT ACTIVITIES

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management over-

ride of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

On the basis of this, we selected the units deemed to be significant in determining the auditing activities to be undertaken in these units. The units included are primarily the larger production and sales units within the group. The units which are not seen to be significant have been audited by the group team on the basis of an overall analysis aimed at identifying any possible material deviations.

In producing our audit plan, we determined the audit activities which were to take place regarding significant units. The majority of the group's operations are abroad and we collect reports from the local audit teams on an ongoing basis during the year. The group team annually assesses the degree of involvement required in order to ensure that a sufficient and appropriate audit has been executed. The selection of the units to be visited is on a rotation basis.

In addition, the group team has, amongst other things, executed an audit of the parent company, consolidation, annual accounts and significant assumptions and judgements. On the basis of the audit activities that we have performed, we believe that we have obtained sufficient audit evidence to be able to express an opinion on the financial statements as a whole.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

KEY AUDIT MATTERS

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Testing of the going concern assumption

For the financial year, the group reports a loss, excluding the refinancing effect equivalent to MSEK 345, of MSEK 48 after tax, and has reported a loss for all financial years since 2010. The group operates in a market which, as regards the sale of envelopes, is declining. During 2016, the completed restructuring program had a positive effect on costs. During January 2016, and as described in the administration report on page 14 and in Note 27 on page 38, the group financed the redemption of outstanding loans from banks through a bond loan, which decreased the debt level by approximately MSEK 402. The group has had a cash flow from the ongoing operations of MSEK 2 during 2014, 2015 and 2016 and has sold assets equivalent to MSEK 140 during 2014, 2015 and 2016. As there is a limited amount of liquidity in the group and the possibility to sell assets at a significant value is also limited, we have focused on determining if there is sufficient liquid funds to continue to undertake the operations.

How our audit has addressed the Key audit matter

In order to assess the correctness of the application of the going concern assumption in preparing the financial reports, we have focused on evaluating the company management's assumptions and judgements as regards the group's liquidity requirements during the next 12 months, we have studied and assessed the company management's forecasted expenses against the historical outcome of their forecasts and we have considered the up and down sides in the forecast scenarios and their relevant impact, and we have assessed the terms of the loan liabilities.

Based on our audit, we have made the conclusion that Bong currently has realistic possibilities to fulfill its obligations during the next 12 months. We also believe that Bong's annual accounts provide satisfactory information regarding Bong's challenges and risks in the context of the going concern assumption.

Impairment testing of intangible assets

As at 31 December 2016, goodwill and other intangible assets amounted to MSEK 601. According to IFRS, an annual impairment test is to take place. This impairment test is based on judgements and assumptions which are complex and involve a high degree of significant assessments on behalf of company management. Note 14 describes the manner in which the company management has undertaken its assessment. It is also seen that no impairment requirement has been identified based on the applied assumptions.

Impairment testing takes place for the group as one, single cash-generating unit.

How our audit has addressed the Key audit matter

In our audit, we have taken a position as regards the company management's assumptions and assessments. This has taken place, for example, through an analysis of the degree to which previous years' assumptions have been achieved and has also considered possible adjustments of the assumptions from previous years due to the development of the operations and external factors. We have challenged company management as regards the judgements concerning future cash flow and expected WACC. We have executed our own sensitivity analyses to test the safety margins for the respective geographical areas. We have tested the impact of changes in significant assumptions such as operating income and WACC on safety margins and, based on these, we have assessed the risk of an impairment requirement arising.

Based on our audit, we have concluded that there is no impairment requirement for intangible assets. We also believe that Bong's annual accounts provide a satisfactory view of Bong's challenges and risks in this area.

Valuation of deferred tax recoverables

We refer to Note 21 on page 36 - Deferred taxes of the Annual Report.

At the end of the year, the group had deferred tax recoverables relating to tax losses amounting to MSEK 218, of which MSEK 125 have been capitalized in the financial statements. According to Note 21, these loss carry forwards are taken into consideration to the degree it is expected that they can be utilized against future taxable gains. According to IFRS, a regular assessment is to take place of the probability that these deficits will be able to be utilized against future taxable gains. We believe this area is significant in our audit due to the high degree of complexity and assessment associated with the valuation of deferred tax recoverables.

How our audit has addressed the Key audit matter

Our audit has primarily focused on the assessment of whether the loss carry forward amounts will be able to be utilized against future taxable gains. The calculated future profits are comprised, largely, of expected operating surpluses. We have challenged the company management's assessments and examined the documentation serving as the basis for these assessments. An analysis has taken place of the surplus generated during the year in relation to the future surpluses which will be required in order to utilize the losses. Discussions have taken place regarding changes in local tax regulations. We have involved our tax specialists in these discussions and assessments. In addition, we have evaluated the completeness and correctness of the disclosures found in Note 21.

Based on our audit, we have concluded that there are realistic possibilities to utilize the capitalized loss carry forward amounts. We also believe that Bong's annual accounts provide a satisfactory view of Bong's challenges and risks in this area.

OTHER INFORMATION THAN THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-13 and 45-48. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

AUDITOR'S RESPONSIBILITY

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA's and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsnämnden's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

OPINIONS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Bong AB (publ) for the year 2016 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

BASIS FOR OPINIONS

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

AUDITOR'S RESPONSIBILITY

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsnämnden's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor's report.

AUDITOR'S EXAMINATION OF THE CORPORATE GOVERNANCE STATEMENT

The Board of Directors is responsible for that the corporate governance statement on pages 16-18 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Kristianstad 11 April 2017

Lars Nilsson
Authorised Public Accountant
Auditor in charge

PricewaterhouseCoopers AB

Christer Olausson
Authorised Public Accountant