Annual Report 2012

BONG

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Bong 2012

A growth-oriented and innovative leader in envelopes and speciality packaging

Bong is the European leader in envelopes and speciality packaging for mailings, distribution, e-commerce fulfilment and retailing. Our business now spans the whole of Europe with particular strength in Northern Europe. That broad geographic diversity gives us a platform for exploiting new markets in the future.

As a company, we continue to evolve through innovation and initiative. At one time we were solely about envelopes; now we're involved in speciality packaging that offers plenty of opportunities for growth, especially in e-commerce fulfilment and retail gift bags.

CHAMPION OF NEW MATERIALS

Successful business transformation requires change in every sphere of operation. To become the business we want to be, we champion new materials and new ways to add value and we make strategic acquisitions that open up new markets. We will continue to reinforce and benefit from our leading position in the envelope business in the years to come.

A PUBLIC COMPANY

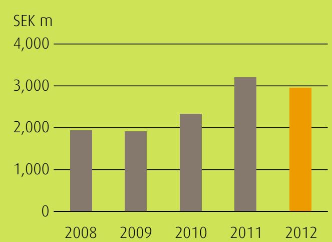
We're a public limited company with annual sales of approximately SEK 3 billion. We employ around 2,200 people in 15 countries, and our share is quoted on NASDAQ OMX Stockholm (Small Cap).

HIGHLIGHTS OF THE YEAR

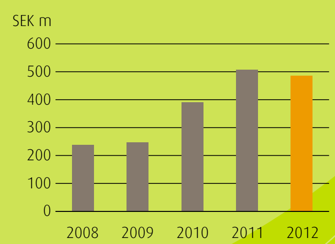
- Net sales was SEK 2,946 million (3,203).
- The European envelope market decreased by 8 per cent causing further consolidation among manufacturers.
- In 2012 we restructured and launched cost savings programs to realise further synergies. These measures will yield annual cost savings of SEK 50 million when fully implemented.
- Net earnings of SEK -54 million (-16) was affected by restructuring charges of SEK -57 million (-23).
- Propac sales reached SEK 486 million (507).
- A substantial number of new customers contributed to a sales increase of 25 per cent for retail gift bags and related products.
- Growing fast from a relatively small base, sales of packaging machines and cold-seal technology for e-commerce and mail-order businesses are on target.

KEY FIGURES	2012	2011	2010	2009	2008
Net sales, SEK M	**2,946**	3,203	2,326	1,915	1,937
Operating profit/loss, SEK M	**16**	40	–91	65	74
Profit/loss after tax, SEK M	**-54**	–16	–97	24	10
Cash flow after investing activities, SEK M	**-38**	137	–277	169	144
Operating margin, %	**0.5**	1.3	–3.9	3.4	3.8
Number of employees	**2,271**	2,431	1,540	1,220	1,270

SALES



SALES PROPAC



Our strategy of **transformation is on track**

Having completed the integration with Hamelin, we continue to move fast forward within both packaging and envelopes on all our European markets. Across the business, we have cut costs and improved our gross margin, broadened our appeal and increased our market share. However, there's plenty more work to do to compensate for an envelope market that contracted more than we had expected in 2011 and 2012 due to the financial crisis. Over the next three years we intend to consolidate our market-leading position within envelopes, grow organically with our speciality packaging range Propac and reduce costs and net debt even further.

REAPING THE REWARDS

The most significant event over the past few years was the merger with Hamelin in 2010. The subsequent integration of markets, systems, products and staff demanded a lot of time and effort. That integration is now complete and generating the expected benefits of better purchasing power, lower fixed costs, and greater geographic coverage. The integration has created the structure that enabled us to increase our market share and improve our gross margin in 2012.

In short, the merger was a success. Our post-merger programmes of fixed-cost reduction, working-capital reduction and asset sales are on or ahead of plan. We have reduced net debt by more than SEK 200 million and the new French business has added significant value to the company.

In the UK and Germany we have harmonised IT systems between Bong and Hamelin. Our customers now deal with a more unified company. Another benefit of the merger is that our speciality packaging products now reach a much wider range of customers in e.g. France and Spain.

ROBUST RESPONSE

In Europe, the envelope market has contracted more than we expected. The recovery of the envelope market in 2010 proved short-lived as economic activity slowed in response to the sovereign debt problems that loomed large in 2011 and 2012. We rapidly took measures and have continued to do so in 2013 to maintain competitiveness and restore profitability. We adapt to changing market conditions by adjusting our capacity and costs. We also focus on improving our product range, moving into new markets, and getting closer to our customers.

FOCUS ON SPECIALITY PACKAGING

Based on experience we have concluded that increased focus on products that we manufacture ourselves for growing segments is the way forward for our speciality packaging range Propac. We will concentrate on the retail, e-commerce and security sectors in order to further boost this growth engine. Within e-commerce, our ability to supply a complete solution – fulfilment machinery as well as materials and packaging products – makes our proposition much more attractive.

OPPORTUNITIES IN RUSSIA

When we began trading in Russia, we sold through big local distributors. Since then, we have changed our sales channels and approach to the market. We now increasingly sell directly to Russian end-customers and we have opened a Moscow sales office which takes us much closer to the market. The change in strategy moves us one step further along the value chain and brings Russia in line with our other European markets.

Our presence in Eastern Europe and especially Poland is now much stronger too. We see interesting opportunities for growth in countries such as the Czech Republic, Hungary, Bulgaria and Romania.

A PERSONAL THANK YOU

It's fair to say that we would not have made progress during 2012 without the confidence of our shareholders, the loyalty of our customers, or the boundless enthusiasm and hard work of our employees. To you all, I say thank you. With your support, we are poised for success in 2013 and the years to come.

Malmö, March 2013

Anders Davidsson
President and Chief Executive Officer

A leaner and fitter business

We are continuously looking for ways to rationalise our business and improve productivity – even more so in the current economic climate. During 2011 and 2012 we streamlined operations and cut fixed costs. There's more to come. A three-year programme of further cost savings and gains in efficiency will produce an even leaner company by 2015.

POST-MERGER RESTRUCTURING

In the highly competitive European envelope industry, running a low-cost operation is vital. So Bong works continuously to squeeze more value out of its plants and distribution systems.

The merger with Hamelin's envelope division gave us numerous opportunities to coordinate and rationalise purchasing, production, distribution and administration. Most of our plans have been realised. Fixed cost savings, working capital reduction and purchasing synergies are on or ahead of schedule. Net debt has been reduced by more than SEK 200 million since the time of the merger in October 2010.

During 2011, we made significant headway with rationalisation. The most notable events of that year were the closure of the factory in Soignies in Belgium, the move of Hamelin's warehouse to our facilities in Milton Keynes, UK, and coordination and streamlining of production in Germany, France and the UK.

FURTHER ACTIONS IN 2012-2013

We continued to take actions in 2012. In the second quarter 2012 we made provisions for restructuring measures involving a number of markets in Continental Europe and Sweden. During the fourth quarter of 2012 we adapted capacity to demand further by closing one of our British facilities located in Washington and the Swedish envelope printer DM Qvert. The provisions for the restructuring measures in 2012 totalled SEK 57 million. The programmes are all proceeding according to plan and are expected to generate annual cost savings of about SEK 50 million when fully implemented in Q2 2013.

In order to maintain our long-term competitiveness and restore profitability, further restructuring programmes affecting operations in nearly all of Bong's markets have been launched in early 2013. The cost of these restructuring programmes is estimated at SEK 50-60 million and will be charged to the income statement in the first half of 2013. The annual savings will be about SEK 55 million and are expected to achieve full effect in Q1 2014.

IMPROVEMENT PLAN 2013–2015

To maintain the pace of transformation, we've set up a wide-ranging programme of change for the years 2013 to 2015. This three-year programme covers every aspect of the organisation: plant structure, product and service development, marketing, offer, organisation etc.

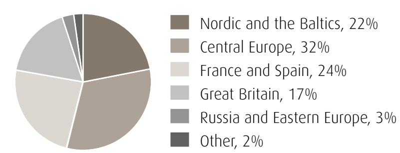
During those three years, we will:

- develop new envelope and packaging solutions, adding value through service and commercial support
- exploit opportunities for cross-selling within the enlarged group by offering a wider range of products to a bigger customer base
- exploit consumer trends in e-commerce and high-street retailing
- deepen our international presence by getting closer to customers in each geographic market – by blending local service with international quality and standards

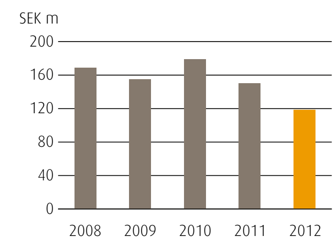
SPECIALITY PACKAGING - PROPAC

We will continue our strategy to grow within speciality packaging and our approach is based on a packaging assortment that emphasises products that we have developed and/or produced ourselves. It makes good business sense because we already have the production capacity and equipment, supported by the knowledge and skills needed for effective marketing and distribution. We will focus on solutions for the retail sector – especially retail gift bags – and the e-fulfilment industry where we will accelerate sales of machinery and cold-seal material. We will also push harder on other in-house products such as gussets and air bubble bags and products made of tear and water-resistant Tyvek®.

NET SALES PER REGION

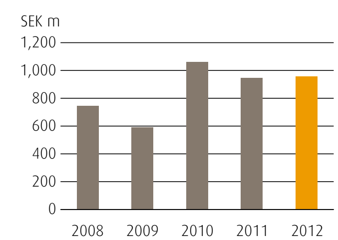


EBITDA



Before non-recurring items

NET DEBT



Declining and **growing markets**

Bong operates on markets with varying growth characteristics. Envelope usage in Western Europe is declining but remains high. Even though continuing financial turmoil and a switch from paper to digital communications have dented the Western European envelope market, it's still approximately 75 billion envelopes a year. At the same time, envelope consumption is growing fast in Eastern Europe and Russia, markets where we are expanding. The speciality packaging market segment to which we will concentrate our resources going forward is also growing.

EUROPEAN ENVELOPE USAGE

For the last ten years the demand for envelopes on the West European market has gradually lessened due to technical substitution of electronic channels for physical mail. However, the market remains large in both physical and monetary terms as Europeans use around 75 billion envelopes annually. In Scandinavia and throughout Western and Northern Europe, usage is 200-300 envelopes per person and year whereas in the fast-growing Eastern European markets, consumption ranges from 20 to 70 envelopes depending on the country. The latter markets have the greatest growth potential for Bong.

GROWTH POTENTIAL IN RUSSIA AND EASTERN EUROPE

Eastern Europe and Russia accounts for less than 10 per cent of the total European envelope market, and about 3 per cent of Bong's consolidated sales. But this is a growing market with plenty of potential. Long-term, we expect envelope consumption in Poland and other Eastern European countries to grow by about 5-10 per cent a year.

CONSOLIDATION IN THE ENVELOPE MARKET

The challenge for European envelope suppliers has been to cut costs and reduce capacity. That's led to numerous mergers and acquisitions – an inevitable process of consolidation in which we played a major role. Bong is now one of the two leading players in the industry.

THE EUROPEAN PACKAGING MARKET

The paper and board segment of the European packaging market is worth about SEK 150 billion a year, according to World Packaging Organisation. This fragmented and growing segment is much larger than the envelope market. With annual sales of speciality packaging around SEK 500 million, we have a share of it of less than 1 per cent.

For the most part, our growth in packaging has been organic. Along the way, we acquired a few smaller companies with a specific market niche or product expertise.

FURTHER STEPS INTO E-FULFILMENT

E-commerce is growing fast. As more people shop online, more goods are delivered direct to the door. Early on, we saw the promising future and the opportunities to supply e-commerce companies with our packaging solutions. We intend to be at the heart of an industry with huge growth potential. In 2012 we intensified our efforts to be a strategic partner to the industry by acquiring the remaining 50 per cent of Angus & Wright, a supplier of machinery and materials. The ability to supply packaging, machinery and materials in one stroke is a first step towards a real position on this fast growing market.

That's not all we're doing. In our Polish bubble-bag plant, we've installed new print facilities to cope with the demand for print for this important and growing e-commerce product.

Bong is one of the two leading players on the European envelope market

The broadest offer on the market

We offer our customers the widest range of envelopes and speciality packaging on the market. We can give businesses standard envelopes in large volumes, short-run envelopes with bespoke overprinting, smart-looking retail gift bags for higher in-store efficiency and machinery and material for the e-commerce fulfilment industry.

EUROPE'S WIDEST CHOICE OF ENVELOPES

Bong produces and sells envelopes in every shape and size. From standard envelopes to bespoke solutions with sophisticated features, printed or unprinted, with closures of various types and in a wide range of materials, colours and formats.

Printed envelopes are often used for direct marketing. They give customers plenty of choice in terms of colour, design, material and printing – and they're easily designed to form a core part of the customer's message. Tailored solutions generally involve some form of printing. There are, however, many other ways to individualise an envelope through design, format, choice of paper, window positioning, type of seal, and so on.

SPECIALITY PACKAGING – PROPAC

Within our packaging assortment, every business will find something that meets its needs. Products that are suitable for everyday mailing and packaging challenges fall into what we call the standard range. We sell them as a matter of course throughout the group.

Other products are more specialised. They fall into three market segments: retail, e-commerce and security. We sell to these markets separately using market-specific expertise.

RETAIL GIFT BAGS

Bong's retail gift bags combine two distinct and powerful features of modern packaging: in-store efficiency and end-user attractiveness.

Large retail chains face the challenge of dealing with many customers at the same time while maintaining good service levels. Bong's light, expandable and attractive gift bags come in clever boxes that fit under the checkout. It takes only a few seconds for the shop assistant to expand it, put the bought item in the bag and hand it to the customer who only needs to present it to the receiver.

Among Bong's customers are some of the most well-known international retail chains in the world. While their demand for retail gift bags peaks at holidays like Christmas, Bong serves its customers through the whole year with large volumes on short notice as packaging has to keep pace with the fast changes in fashion.

E-COMMERCE PACKAGING

Shopping from home or from mobilephones is increasing. More consumers prefer to have their goods delivered to the door, which means that more consumer products have to be wrapped and dispatched by mail or courier.

In e-commerce, the moment of truth occurs when the customer opens the package. If the contents are not in perfect condition, costs rise and customer satisfaction plummets. Our packaging materials and products help e-commerce companies keep costs down. They keep goods in the condition in which they were packed.

The market for e-commerce packaging materials is fragmented. In 2012 we took another step towards our goal of being a significant player in the segment when we bought the remaining 50 per cent of the cold-seal machinery and materials supplier, Angus & Wright.

SECURITY PACKAGING

When people have something valuable to send, they choose the mail or a courier service to deliver it. But it's still the sender's responsibility to make sure that the goods are securely wrapped and packed. For lawyers, accountants, hospitals, government departments, banks, and financial services, there's an element of privacy or security to almost every mailed item. Our range of security packaging brings peace of mind to these markets.

As well as security-coded and tamper-evident packaging, we supply soft but strong envelopes and packaging made from tear-resistant Tyvek®.

Since 2009, Bong has an exclusive agreement with DuPont that gives Bong the rights to manufacture, sell and market envelopes and postal packaging made from Tyvek® in Europe. Its attractiveness is not limited to its ability to protect the contents of an envelope. It's smooth, bright surface sets it aside from other materials. Tyvek® is the right choice for delicate, valuable and prestigious items and documents.

Helping retailers master the **Art of Giving**

Our retail gift bags combine efficiency and elegance. Retailers value the ease with which they are handled in store and both givers and receivers appreciate them for the pleasure they bring to shopping and giving. We summarise our concept of gift packaging and presentation as The Art of Giving. The phrase captures the simplicity, creativity, inspiration and innovation that we put into our retail packaging solutions.

BUILDING BONDS

Superb gift packaging makes everyone feel good – the giver as well as the recipient. It says something about both parties and the relationship between them. Through our unit, Bong Retail Solutions, we help retailers produce the kind of retail packaging that meets their needs, excites consumers and inspires loyalty. We use our knowledge to help them simplify handling and strengthen bonds with their customers.

EFFICIENCY AND ELEGANCE

Our retail offering is underpinned by our understanding of the requirements of in-store efficiency and customer attractiveness. Our gift bags make the product ready for presentation to the receiver in an instant and the handling of them requires almost no time or effort from the retail staff. By being both efficient and elegant they have become indispensable to demanding retailers and customers alike.

Because we're a pan-European organisation, we have the logistics to manage the distribution and warehousing of packaging for the largest national and multinational retail chains. We can deliver to a Europe-wide chain or a single corner store.

GROWTH THROUGH PRODUCT DEVELOPMENT

The retail market offers plenty of opportunity for growth. This is a market that's continually changing and reinventing itself – in many cases, at least once with every new fashion season. Because we have the skills and the technology to customise our products – especially our retail gift bags – with print, cut-outs, laminations, labels, and ribbons, we can always satisfy the demand for freshness and innovation. We can reinvent our products faster than our customers can reinvent themselves.

Stay ahead of expectations

Bong's retail range helps retailers stay ahead of fast-moving consumer expectations. It contains everything the retailer needs to create a coordinated range of bags, tags, ribbons, and gift wrap. And the look can be changed to match the retail seasons.

A **partner for** the fulfilment industry

Demand for smart fulfilment increases as e-commerce continues to grow fast across Europe. With the ability to provide packaging and machinery, we are positioning ourselves as a long-term and highly valued partner to the e-fulfilment industry.

THE UNSTOPPABLE GROWTH OF E-COMMERCE

According to research firm Forrester, online retail sales in 17 major European markets will increase from 100 bn EUR in 2011 to 170 bn EUR by 2016, a compound annual growth rate of 12 per cent.

By 2016, online sales will account for more than 14 per cent of total retail sales in the United Kingdom, and more than 10 per cent in Germany, the two leading European markets in online sales.

Although British, Dutch, Scandinavian and German consumers will still be the most enthusiastic online buyers, Forrester say that Southern Europeans will catch up fast.

FULL OFFER

The growth in online and mail-order shopping leads to higher consumption of packaging and postal parcels, a sector that has been a strategic target of ours for several years.

We were already a supplier of packaging solutions for the e-commerce industry when we added automated fulfilment machinery to our offer through our UK subsidiary, Angus & Wright. The combination of equipment, materials and packaging makes us a complete partner for our fulfilment customers.

We keep the goods flowing

Bong makes it possible for smaller retailers to increase their efficiency and keeps the e-commerce flowing. We supply the automation, the materials, packaging and the expertise.

"E-commerce will do to shops what it did to music and media."

"The biggest e-tailers are investing huge sums to grab market share"

The Economist

Russia
on the move

Our Russian envelope business has grown from virtually zero into market leadership in only six years. It enjoys good profitability and a market that grows more than five per cent annually due to the development of the Russian economy and an emerging middle class.

MOSCOW IS THE LOCOMOTIVE

The opening of our envelope factory in Kaluga, approximately 200 km south of Moscow, in 2006 meant that we were able to serve the fast growing Russian market from its own home ground rather than merely exporting to it. The increased presence meant better opportunities to get closer to our customers.

To further boost our presence in the dynamic and growing Moscow region – the locomotive of Russian development – we opened a sales office in the Russian capital in 2011. And in 2012 we had our property extended and machines moved to it to accommodate an increase in capacity.

MODERN RUSSIA NEEDS ENVELOPES

Russia is changing fast. Some years back, the postal system was less well developed and Russians paid for everything in cash – even their household heating. Now they own credit and debit cards. They borrow from banks, and the postal system is well-organised and far more reliable.

As a result, much more business is conducted on credit. Utility companies and other businessses now send their invoices through the post. And each invoice needs an envelope.

This trend will continue as Russians grow more accustomed to credit and trust the postal system. The rapidly growing Russian middle class is especially quick to adapt to Western ways of life and to the flow of post that supports it.

HUGE MARKET POTENTIAL

In every sphere of Russian economic activity, envelope use is increasing. As the market leader in envelopes, we are uniquely positioned to take advantage of this fast-growing market.

We can already see the change. A few years ago, our offer was limited to envelopes for the medium and high-end of the market. Nowadays, a much broader range of Russian society is participating in its economic development.

With more people needing envelopes to take care of their financial affairs, we have broadened our offer to cover the lower end of the market as well. As the speed of change increases, envelope consumption will also increase.

Bong takes **responsibility**

Most of our products are made of renewable materials such as paper. In our case it comes from documented sustainable sources. We recycle nearly all post-production waste, and our plants are virtually emission-free.

ENTIRE LIFE CYCLE

We look at sustainability in terms of the entire life cycle of our products – from forest plantation to recycling after use. We take account of conversion processes and the transport implications.

CERTIFIED FORESTS ONLY

We buy paper only from manufacturers that use country-of-origin labelled raw materials. And new wood fibre comes only from certified forests.

PAPER PRODUCTION

Most of our material is uncoated white fine paper. The rest is unbleached, brown kraft paper and waste-based paper. We work with our suppliers to make sure that all products are optimally environmentally compatible.

ENVELOPE PRODUCTION

We impose tough environmental criteria on materials such as ink and window film. Waste materials are recycled or disposed of in an approved manner. Wherever possible, we use water-based ink and solvent-free adhesives.

We sort production-related waste paper to be sold on for use in other paper products. In total, more than 90 per cent of our total paper waste is recycled. The rest goes for energy recovery or, as a last resort, to landfill. There is no storage of hazardous waste.

SHORT JOURNEYS

We use responsible companies to transport materials and finished goods. To cut emissions, we make full use of our geographical spread to deliver from nearby plants and warehouses.

PURCHASING POLICY

To improve purchasing power and environmental leverage, we are reducing the number of suppliers. Stronger relationships give us the power to change the way our suppliers operate. Raw materials account for roughly two thirds of Bong's total purchases, about 75 per cent of which is paper.

CERTIFICATION AND ECO-LABELS

Bong is a founder member of Paper by Nature, the organisation behind the only pan-European environmental standard for converted paper products. The Paper by Nature label guarantees that raw materials come from responsibly managed forests and that the product was manufactured in certified facilities.

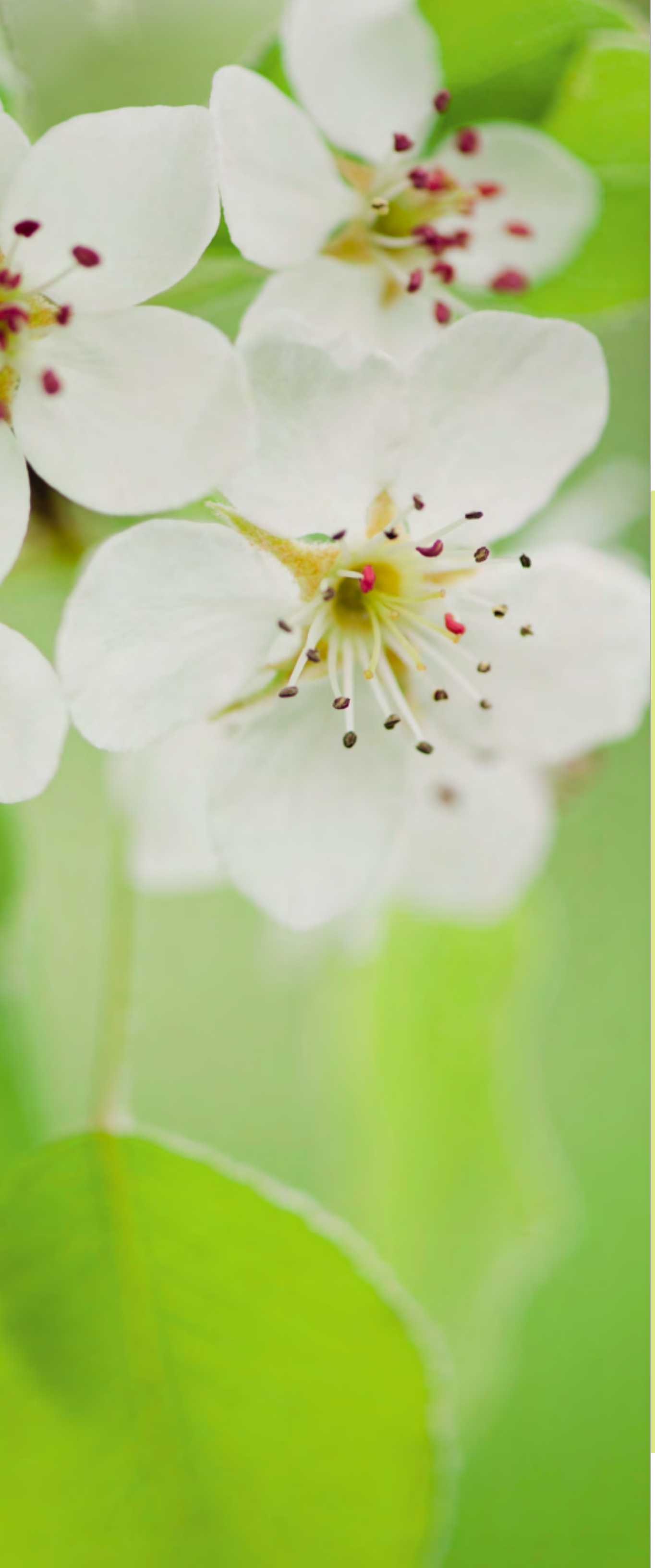
Paper by Nature covers the environmental impact of manufacturing as well as energy aspects, emissions to water and air and environmentally harmful substances.

Seven of our production plants are certified by Paper by Nature. Our products are usually also Swan-labelled or FSC-certified (Forest Stewardship Council).

ENVIRONMENTAL MANAGEMENT SYSTEM

Our ISO 14001 environmental management system turns environmental policy into practical action. As well as imposing demands on our operations, the environmental management system gives us a framework for persuading suppliers to improve their own environmental performance.

Almost all of Bong's envelopes are made of renewable materials



Motivated skilled and healthy employees are a crucial competitive factor

EMPLOYEES
Motivated, skilled and healthy employees are a crucial competitive factor. We endeavour to create a sustainable work environment that attracts, motivates and develops the workforce.

EMPLOYEE POLICY
- We are committed to good relationships with all employees of the Group based on mutual respect.
- No form of forced labour or child labour is permitted. The minimum hiring age is the age after completion of compulsory schooling.
- We offer equal opportunities for everyone regardless of race, colour, gender, nationality, religion, ethnic affiliation or other distinguishing characteristics.
- All employees shall be provided with a safe and healthy work environment.
- All employees shall be entitled to form or join a trade union in compliance with local laws or principles.

THE PERSONNEL POLICY IN PRACTICE
Our decision-making pathways are short and informal and 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. It's common with small bonus programmes which are related to parameters such as the unit's earnings, production volume, number of claims and delivery reliability.

Bong strives to reduce sickness absence by means of increased information to managers and other employees on the importance of health promotion.

CODE OF CONDUCT
Bong has adopted a code of conduct that lays down the fundamental principles by which the company strives to do business:
- We comply with legal requirements in the countries we operate.
- We abide by the UN's Universal Declaration of Human Rights.
- Our business activities will be conducted with integrity and ethics.
- We are open to, and wish to be effective in, dialogues with stakeholders.
- We strive to inspire those who are affected by the company's operations to work in the spirit of the code of conduct.

WE DENOUNCE THE PRACTICE OF BRIBERY
We expect our 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. We denounce such practices.
- We behave correctly in all business-related situations.
- We comply with existing competition legislation.
- We do not offer or give bribes, nor does it accept bribes to maintain or obtain new business relations.

Five-year summary

KEY FIGURES	2012	2011	2010	2009	2008
Net sales, SEK M	2,946	3,203	2,326	1,915	1,937
Operating profit/loss, SEK M	16	40	–91	65	74
Profit/loss after tax, SEK M	-54	–16	–97	24	10
Cash flow after investing activities, SEK M	-38	137	–277	169	144
Operating margin, %	0.5	1.3	–3.9	3.4	3.8
Profit margin, %	-1.9	–0.7	–5.6	1.4	1.0
Capital turnover rate, times	1.3	1.3	1.2	1.1	1.1
Return on equity, %	neg	neg	neg	3.6	1.8
Return on capital employed, %	1.2	2.6	neg	5.5	5.6
Equity ratio, %	19	21	21	36	34
Net loan debt, SEK M	955	947	1 062	589	745
Net loan debt/equity, times	2.34	1.91	2.00	0.98	1.18
Net loan debt/EBITDA, times	8.1	6.3	42.7	3.8	4.4
EBITDA/net financial items, times	1.8	2.4	0.6	4.5	3.1
Average number of employees	2,271	2,431	1,540	1,220	1,270
Per share data					
Number of shares outstanding at end of period	17,480,995	17,480,995	17,480,995	13,128,227	13,128,227
Diluted number of shares outstanding at end of period	18,727,855	18,727,855	18,727,855	13,230,227	13,332,227
Average number of shares	17,480,995	17,480,995	14,216,419	13,128,227	13,128,227
Average number of shares, diluted	18,727,855	18,727,855	14,528,134	13,230,227	13,332,227
Earnings per share					
Before dilution, SEK	-3.15	–1.04	–6.97	1.65	0.80
After dilution, SEK	-3.15	–1.04	–6.97	1.63	0.78
Equity per share					
Before dilution, SEK	23.29	28.37	30.39	45.56	47.91
After dilution, SEK	21.74	26.48	28.37	45.77	48.22
Cash flow after investing activities per share					
Before dilution, SEK	-0.10	8.53	3.01	13.98	15.27
After dilution, SEK	-0.09	7.96	2.81	13.87	15.04
Other data per share					
Dividend, SEK (The Board's proposal for 2012)	0.00[1]	0.00	1.00	1.00	1.00
Quoted market price on balance day, SEK	10	18	32	21	12
P/E-ratio, times	neg	neg	neg	13	15
Price/Equity before dilution, %	41	63	105	46	25
Price/Equity after dilution, %	44	68	113	46	25

[1] The Board's proposal

The Share

The Bong share is listed on NASDAQ OMX Stockholm in the small cap segment. The total number of shares in Bong AB was 17,480,995 at year end 2012. The number of shares after full conversion of the convertible debenture is 18,727,855.

SHARE PERFORMANCE AND TURNOVER

The market value of the Bong share dropped 50.6 per cent in 2012. The intra-year high 19.50 was recorded February 15, 2012. The lowest price of the year, SEK 8.30, was recorded November 22, 2012. The OMX Stockholm PI (an index for all listed shares on the Stockholm Stock Exchange) rose 11.9 per cent in 2012 while the OMX Stockholm Small Cap PI, an index that measures share price performance of companies whose size is comparable with Bong, rose 3.5 per cent.

In 2012 the total value of Bong shares traded equaled 8.9 per cent of the value of outstanding share capital on balance day 2012.

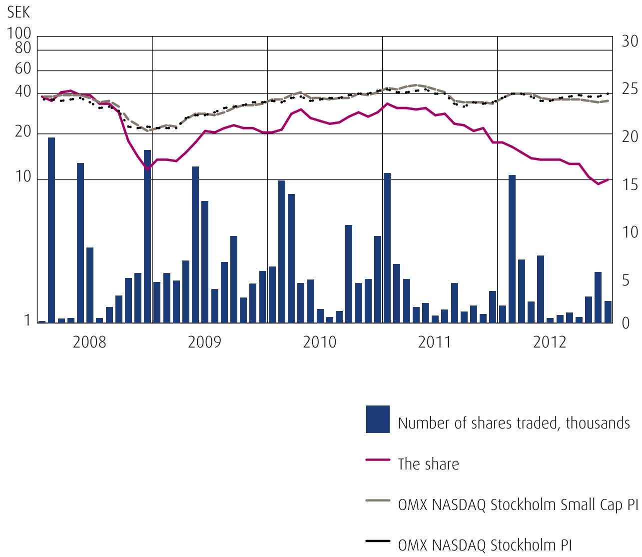
SHAREHOLDERS

The number of shareholders as at 31 January 2013 was 1 185. Holdham S.A. is Bong's largest shareholder with 24.8 per cent of the votes and capital. Melker Schörling via Melker Schörling AB is the second largest shareholder with 21.9 per cent. Alf Tönnesson is the third largest shareholder with 21.6 per cent of the votes and capital via Cydonia AB. Bong's Leadership Team holds 593 400 shares, equal to 3.4 per cent of the total number of outstanding shares.

CONVERTIBLE DEBENTURE

Bong issued convertible debentures with a total nominal value of EUR 4 million to Holdham S.A. as part payment for Hamelin's envelope division. The convertible debentures can be converted into 1,246,860 new shares in Bong.

SHARE PRICE DEVELOPMENT 2008-2012



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Board of Directors' report

The Board of Directors and the President of Bong AB (publ.), corporate ID no. 556034-1579, domiciled in Kristianstad, hereby submit their annual report for the financial year 1 January 2012 – 31 December 2012 for the Parent Company and the Group.

Bong is the leading provider of specialised packaging and envelope products in Europe and offers 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 3 billion and about 2,200 employees in 15 countries. Bong has strong market positions, in most of the important 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.

MARKETS

The European envelope market continued to decline throughout the year. According to the trade organisation FEPE, the market declined in 2012 by about 8 per cent compared with 2011. Demand has been negatively affected by the economic uncertainty in Europe. Bong's assessment is that volumes decreased most in Spain, France and the UK, while the trend in Germany and the Nordic region was less negative. Volumes in Russia and Eastern Europe are still expected to grow.

Consolidation of the industry continued. Essentially all participants in the envelope market are working to reduce capacity and cut costs. For example, the Mayer group announced during the second half of the year that it would close two of its factories in Britain. Consolidation of the industry also continued as Printeos (formerly Tompla) acquired KRPA in the Czech Republic. A few small companies in countries such as Germany and Italy went bankrupt during the year.

The packaging market, where Bong markets 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. 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.

SALES AND EARNINGS

Consolidated sales for the period reached SEK 2,946 million (3,203). Exchange rate fluctuations had an impact on sales of SEK -57 million during the period compared with 2011. A calendar-related effect between the years had an impact on sales of about SEK –25 million.

Bong's total Propac sales totalled SEK 486 million (507) and at fixed exchange rates are about the same level as 2011. Sales of gift packaging, bubble bags and the new machinery concept (packaging machines and cold seal technology for e-commerce and mail order businesses) are increasing, while sales of some more mature products are declining. All of Bong's key suppliers of fine paper announced and implemented price increases during the first six months of the year. Bong then raised its customer prices, which is necessary to restore margins to an acceptable level. Operating profit was SEK 16 million (40) including restructuring costs and capital gains, the majority of which were attributable to a building in France that was sold with capital gains of SEK 17 million.

Net financial items in 2012 totalled SEK -71 million (-63), profit before tax was SEK -55 million (-23) and profit after tax was SEK -54 million (-16).

Revaluation of deferred tax had a negative impact on the result of SEK -14 million, mainly due to the change in the Swedish corporate tax rate.

INTEGRATION AND RESTRUCTURING PROGRAMME

Restructuring costs of a total of SEK 57 million were charged against the result for the year. They include SEK 40 million initiated in Q2 and SEK 17 million initiated in Q4. Since the merger with Hamelin's envelope division in 2010, additional synergistic effects relating to both production staff and administrators have been identified. Costs of SEK 40 million pertain to measures to achieve these synergies, raise productivity and improve Bong's competitiveness. The measures will affect a number of markets in Continental Europe and Sweden. Costs of SEK 17 million mainly pertain to the closure of the British production facility in Washington and the Swedish envelope printer DM Qvert.

The corresponding figure for restructuring costs in 2011 was SEK 23 million. Compared with last year, the previously implemented restructuring programme yielded clear results in the form of lower fixed costs in production, sales and administration.

All restructuring measures are proceeding according to plan and are expected to generate annual cost savings of about SEK 50 million when fully implemented Q2 2013.

The impact on the Group's cash flow for this and the previously implemented restructuring programme was about SEK -55 million in 2012.

NEW RESTRUCTURING PROGRAMMES 2013

In order to maintain our long-term competitiveness and restore profitability to a satisfactory level, further restructuring programmes have been announced in early 2013. The cost of these restructuring programmes is estimated at about SEK 50-60 million and will be expensed during the first half of 2013. These restructuring programmes will affect most of Bong's markets. The annual savings are estimated to be about SEK 55 million, with full effect expected in late 2014.

CASH FLOW

Cash flow after investing activities was SEK -37 million (137).

Investing activities and acquisitions during the period affected cash flow with a net of SEK -36 million (-12).

FINANCIAL POSITION

Cash and cash equivalents at 31 December 2012 totalled SEK 112 million (151). The Group had unutilised credit facilities of SEK 209 million at 31 December 2012. Total available cash and cash equivalents amounted to SEK 321 million.

Consolidated equity at 31 December 2012 amounted to SEK 407 million (496). Translation of the net asset value of foreign subsidiaries to SEK, acquisition of minority share, result for the period, and changes in the fair value of derivative instruments reduced consolidated equity by SEK 89 million.

The interest-bearing net loan debt increased during the period by SEK 7 million to SEK 954 million (947). Translation of net loans in foreign currency to Swedish crowns reduced the Group's net loan debt by SEK 28 million.

CAPITAL EXPENDITURE

Investing activities and acquisitions during the period had a net negative impact on cash flow of SEK -36 million (-12), including acquisitions of SEK -13 million and other investments of SEK -23 million. The net investments mainly include an investment in a new business system for the Group. Also included is the sale of a property in France, which had a positive impact on cash flow of SEK 25 million, as well as the sale of machinery of SEK 10 million.

EVENTS AFTER THE END OF THE FINANCIAL YEAR

ANGUS & WRIGHT

In January 2013, Bong exercised its option to acquire the remaining 50% stake in the part-owned British company Angus & Wright. The company, which sells packaging machines along with cold seal materials to e-commerce and mail order companies, is being consolidated beginning with January and initially only a minor impact on the Group's performance is expected.

EMPLOYEES

The average number of employees during the period was 2,271 (2,431). The number of employees at 31 December 2012 was 2,218 (2,318). The decrease is a result of the restructuring measures taken in 2011 and 2012. Bong continually works on improving productivity and downsizing staffing to meet current demand.

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 14001. The plants in Wuppertal in Germany, Nybro and Kristianstad in Sweden, Tönsberg in Norway, as well as Milton Keynes and Derby in the UK, Sandweiler in Luxembourg, Evreux and Angoulème in France, Kavi in Finland and Estonia are certified.

In 2009, Bong began efforts to obtain certification of its products according to the pan-European environmental certification standard Paper by Nature. The eco-label is applied to paper products such as envelopes, books and note pads. 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.

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.

RESEARCH AND DEVELOPMENT

The Group conducts some research and development activities. In addition, active efforts are pursued to meet customer needs for different envelopes and packaging solutions.

PARENT COMPANY

The Parent Company's business extends to management of operating subsidiaries and Group management functions. Sales were SEK 38 million (28) and earnings before tax were SEK 3 million (-19).

Investments for the period amounted to SEK 7 million (6). The investments are primarily IT-related and pertain to a common platform for administrative systems in the Group. Credits granted but not utilised amounted to SEK 209 million (290).

BOARD'S PROPOSED 2013 GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES

The Board of Directors of Bong AB (publ) proposes that the 2013 AGM resolve on remuneration to the President and other senior executives as follows: "Senior executives" here refers to executives included in the management group, which currently consists of the company's President/CEO and Business Area Manager Nordic Region, Chief Financial Officer (CFO), Business Area Manager Bong Packaging Solutions AB, Business Area Manager Central Europe, Business Area Manager UK and Managing Area Director Bong France and Bong Spain. Remuneration 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 Group can attract and retain competent senior executives. In addition to the above variable compensation, from time to time a long-term incentive scheme may be approved.

The variable component of the salary shall have a predetermined ceiling, the basic principle being that the variable salary portion can amount to no more than 60 per cent of the fixed annual salary. The variable component is based on earnings and cash flow as well as 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 component is based on a vesting period of one year. The goals for 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. 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 Group Management are also entitled to an increased occupational pension premium of up to 30 per cent of their fixed salary.

Group Management's employment contracts include provisions governing remuneration and termination of employment. According to these agreements, employment can ordinarily terminate at the request of the employee with a period of notice of 4–12 months and at the company's request with a period of notice of 6–18 months. In the event of termination by the company, the period of notice and the period during which compensation is payable shall not together exceed 18 months.

Remuneration to the President and other senior executives is prepared by the Board of Directors' remuneration committee and finalised by the Board based on the recommendation of the remuneration 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 Group Management's variable remuneration – at maximum outcome, which assumes that all bonus-related goals are achieved can be calculated to be about SEK 9 million (excluding social security contributions). The calculation is based on the current composition of the Group Management.

OWNERSHIP

Bong's principal owners, with stakes of more than ten per cent of the votes and capital, are Holdham S.A., with 25% of the votes and capital, Melker Schörling (corporate ownership) and Alf Tönnesson (corporate ownership), both with about 22 per cent of the votes and capital. Skandia Liv and Fata Morgana AB each own about 4 per cent of the votes and capital in the company. The total number of ordinary shares was 17,480,995 on 31 December 2012. All shares carry the same rights.

There are no restrictions on the transferability of the shares due to legal regulations or rules in the Articles of Association.
Bong is not aware of any agreements between direct shareholders in Bong that entail restrictions in the right to transfer shares.

In the event of a public offer, no agreements are triggered that would have a material effect on Bong's earnings or position.

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.

RISKS AND OPPORTUNITIES

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 DEVELOPMENT

Historically, the envelope market has followed the general economic trend. In Russia and Eastern Europe, a generally growing economy still drives envelope consumption. In Western Europe, the connection between general economic growth and envelope consumption is no longer as strong as it has been, given IT developments and associated digitisation.

Demand for envelopes for direct mail varies with the economy. With the aid of more sophisticated databases with personal information, a market is being created for highly sophisticated envelopes intended for personally addressed direct mail. Large promotional mailings in envelopes are declining in frequency and scope over time.

The use of envelopes for administrative letters has already declined with respect to account statements, order confirmations, etc. as part of digitisation and internet penetration. Other parts of the transaction-related mailings, such as invoices, still hold their own in the competition with the newer technology. The strong demand for packaging in both e-commerce and traditional retail creates great opportunities for Bong to create growth in their specialty packaging line (Propac). Packaging customers also present an opportunity for cross-selling of envelopes. Over time, growth in the packaging area is expected to compensate for the decline in envelopes. Bong is closely monitoring developments and is very active in specialty packaging to ensure sustained growth in Propac.

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 market has undergone accelerating consolidation since 2009 as a result of the protracted financial crisis. The three largest envelope companies represent about 70 per cent of the total market. However, some of the major markets are still fairly fragmented. Bong believes that overcapacity in the industry has fallen slightly.

PAPER PRICES

Uncoated fine paper is the single most important input material for Bong. The cost of fine paper is about 50 per cent of the total cost. Under normal conditions, Bong can compensate for price increases, 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 major 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 6 per cent of annual sales, and the 25 biggest customers account for 35 per cent of total sales.

CAPITAL NEEDS 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 230 envelope machines and 140 overprinting presses. 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.

EU COMMISSION INVESTIGATION

In September 2010 the EU commission carried out inspections of several companies in the envelope and paper industry in Europe, including Bong in Sweden. The EC's investigation is currently underway. Against this background, Bong is not able to reasonably assess the outcome of the EC's judicial review.

DISPUTES

Bong has no material pending 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 2012 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 million
Price	+/– 1%	29 +/–
Volume	+/– 1%	15 +/–
Paper prices	+/– 1%	15 –/+
Payroll costs	+/– 1%	8 –/+
Interest level borrowing	+/– 1%-point	8 –/+

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 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 February 2010 and covers all listed companies as from 1 February 2010.

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.

Bong is a Swedish public limited liability company whose shares are traded on the NASDAQ OMX Stockholm in the Small Cap segment. Bong has around 1,200 shareholders.

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 2012

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 CEO from liability. The AGM also elects Bong's auditors.

About 25 shareholders, representing 54 per cent of the total number of shares and votes in the company, participated in Bong's Annual General Meeting on 16 May 2012 in Malmö. All Board members and the company's auditors were present or represented at the AGM.

Bong's principal shareholders can be seen under the heading Ownership, page 13.

BOARD OF DIRECTORS

Bong's 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, e.g. 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 2012 AGM, when Alf Tönnesson declined re-election, 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 16 May 2012. The other members of the Board are Stéphane Hamelin (vice chairman), Christian W. Jansson, Ulrika Eriksson, Eric Joan and Anders Davidsson, President and CEO.

The Board has appointed from among their number two committees: the Audit Committee and Remuneration Committee.

REMUNERATION OF THE BOARD

The Chairman of the Board received a fee of SEK 400 thousand for 2012 (400). The amount comprises part of the total director's fee determined by the AGM, as well as for the chairman of the Audit Committee. No other fee was paid. There is no agreement on pension, severance pay or other benefits.

Information about remuneration of the Board of Directors, as resolved by 2012 AGM, can be found in Note 4.

BOARD MEMBERS ELECTED BY THE AGM

Mikael Ekdahl (b. 1951).
Member since 2001 and Chairman of the Board since 2003.
L.L.M., degree in business administration, Lund University.
Other appointments/positions: Attorney and partner in Mannheimer Swartling Advokatbyrå. Chairman of the Board of Marco AB, Absolent AB and EM Holding AB, vice chairman of Melker Schörling AB, and board member of AarhusKarlshamn AB.
Terminated board appointments/partnerships over the past five years: –
Shareholding in Bong (private and via related party): 60,000 shares.

Ulrika Eriksson (b. 1969).
Board member since 2008.
Degree in business administration.
Other appointments/positions: Senior Executive Vice President, Apoteket AB. Board member of Bong Packaging Solutions AB.
Terminated board appointments/partnerships over the past five years: –
Previous positions: Various executive positions at Apoteket AB and Reitan Servicehandel i Sverige AB.
Shareholding in Bong (private and via company): 20,000 shares.

Anders Davidsson (b. 1970).
Board member since 2004.
Degree in business administration.
Other appointments/positions: President and CEO of Bong AB. Chairman of the Board of Bong Packaging Solutions AB, board member of Bong Sverige AB, Bong Suomi Oy, Bong UK Ltd and Bong Belgium S.A.
Terminated board appointments/partnerships over the past five years: Aarhus Karlshamn AB.
Shareholding in Bong: 182,600 shares.

Christian W. Jansson (b. 1949).
Board member since 2007.
Dr. h.c. (Econ.); degree in business administration.
Other appointments/positions: Chairman of the Board of Apoteket AB, Svensk Handel AB and Vivoline Medical AB, as well as board member of KappAhl AB, BRIS, Confederation of Swedish Enterprise, Kontanten AB and Fata Morgana AB.
Terminated board appointments/partnerships over the past five years: Carmel Pharma AB.
Shareholding in Bong (private and via company): 745,246 shares.

Stéphane Hamelin (b. 1961).
Board member since 2010.
Other appointments/positions: Chairman of the Hamelin board since 1989.
Terminated board appointments/partnerships over the past five years: –
Previous positions: Active at Borloo law firm from 1984-1989.
Shareholding in Bong (private and via company): 4,331,620.

Eric Joan (b. 1964).
Board member since 2010.
Graduate of Ecole Polytechnique Universitaire de Lille and Harvard Business School.
Other appointments/positions: CEO of Hamelin.
Terminated board appointments/partnerships over the past five years: –
Shareholding in Bong (private and via company): 0.

EMPLOYEE MEMBERS

Peter Harrysson (b. 1958).
Board member since 1997.
Other appointments/positions: Repairman at Bong Sverige AB.
Terminated board appointments/partnerships over the past five years: –
Shareholding in Bong (private and via company): 0.

Christer Muth (b. 1954).
Board member since February 2009.
Other appointments/positions: Internal sales, customer service, Bong Sverige AB.
Terminated board appointments/partnerships over the past five years: –
Shareholding in Bong (private and via company): 0.

RULES OF PROCEDURE FOR THE 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. During financial year 2012, the Board of Directors held six meetings in addition to the statutory meeting. The CEO provided board members with information at all regular meetings about the financial position of the Group and significant events in the company's operations.

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.

Key issues that the Board of Directors addressed in 2012 include:

15 February	Year-end report and progress report from auditors
16 May	Q1 2012 interim report and statutory board meeting after the 2011 annual general meeting
12 July	Q2 2012 interim report
14 September	Visit to subsidiary
14 November	Q3 2012 interim report
19 December	Budget 2013

INDEPENDENT MEMBERS AND ATTENDANCE AT BOARD MEETINGS

Bong complies with the Stockholm Stock Exchange'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 2012

	Independent of company[1]	Independent of major shareholders[1]	Attendance at Board meetings
Mikael Ekdahl	Yes	No	6
Ulrika Eriksson	Yes	Yes	6
Anders Davidsson	No	No	6
Christian W Jansson	Yes	Yes	5
Alf Tönnesson through 16 May 2012	Yes	No	2
Stéphane Hamelin	Yes	No	6
Eric Joan	Yes	No	5

[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.

RESTRICTIONS ON VOTING RIGHTS

The company's articles of association do not contain any limitations in respect of how many votes each shareholder may cast at a General Meeting of Shareholders.

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 2013 AGM consists of four members: Alf Tönnesson, chairman (Aktiebolaget Cydonia), Mikael Ekdahl (Melker Schörling AB), Peter Edwall (Ponderus Securities AB) and Erik Sjöström (Skandia). Since Bong's principal shareholders represent about 70 per cent of votes, it is only natural that two of them, Melker Schörling AB and Alf Tönnesson, via firms are represented on the Nomination Committee. Furthermore, said shareholders consider it to be natural that a representative from one of the largest shareholders in terms of votes should serve as Chairman of the Committee. The Nomination Committee has dealt with the issues that follow from the Code. The Nomination Committee has had one formal meeting and regular contacts.

REMUNERATION COMMITTEE

The Board of Directors has appointed a remuneration committee consisting of Mikael Ekdahl, chairman, and Stéphane Hamelin.

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 remuneration committee and decided by the Board of Directors.

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

The Remuneration Committee met on one occasion in 2012 at which both members participated.

AUDIT COMMITTEE

The Board of Directors has appointed an audit committee consisting of Mikael Ekdahl, chairman, and Christian W. Jansson. Since Bong's principal shareholders represent about 70 per cent of votes it is only natural that one of them is represented on committee along with an additional independent board member. Since other members of the Board cover other activities within the Group, this has been deemed sufficient. 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. The Audit Committee met three times in 2012 at which both members participated.

EXTERNAL AUDITORS

Bong's auditors are elected by the AGM for a term of one year. The 2012 AGM elected accounting firm PricewaterhouseCoopers AB, with authorized auditor Eric Salander as principal auditor, for a one-year mandate 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 dialog, 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.

In 2012, Bong's Group Management consisted of 6 people, none of whom are women. The Group consists of the Parent Company Bong AB and a number of subsidiaries, as reported in Note 14.

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 2012 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.

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 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 financial reporting, information policy and authorisation instructions.

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. Bong also has a self-assessment process relating to internal controls.

RISK ASSESSMENT

Bong continuously evaluates the risks surrounding reporting that may arise. Furthermore, the Board of Directors is responsible for ensuring compliance with insider laws and standards for furnishing information. 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. 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.

PROPOSED DISTRIBUTION OF EARNINGS

The Board of Directors proposes that the earnings available for distribution, SEK 543,136,532, be carried forward.

BOARD'S OPINION CONCERNING PROPOSED DIVIDEND

Bong's current priority is to reduce debt and improve profitability. Therefore, the Board proposes that no dividend be paid for 2012. No dividend was paid for 2011.

Consolidated income statements

INCOME STATEMENT

SEK THOUSAND	Note	2012	2011
Revenue	2	2,945,931	3,202,714
Cost of goods sold	3–4, 6, 8	–2,398,324	–2,613,921
Gross profit		547,607	588,793
Selling expenses	3–4, 6, 8	–264,756	–284,646
Administrative expenses	3–6, 8	–238,661	–255,320
Other operating income	7, 12	30,529	17,490
Other operating expenses	7, 12	–58,185	–25,361
Share in profit in associated companies	19	–399	–817
Operating profit/loss		16,135	40,139
Financial income	9, 12	4,843	6,338
Financial expenses	10, 12	–76,100	–69,057
Total financial income and expenses		–71,257	–62,719
Result before tax		–55,122	–22,580
Income tax	11	757	6,322
NET RESULT FOR THE YEAR		**–54,365**	**–16,258**
Attributable to:			
Parent Company's shareholders		–55,063	–18,163
Non-controlling interests		698	1,905
Earnings per share attributable to Parent Company's shareholders			
– basic, SEK	13	–3.15	–1.04
– diluted, SEK	13	–3.15	–1.04

STATEMENT OF COMPREHENSIVE INCOME

SEK THOUSAND	2012	2011
Net result for the year	–54,365	–16,258
Other comprehensive income		
Cash flow hedges	2,058	1,537
Hedging of net investments	36,482	3,710
Exchange rate differences	–50,587	–2,991
Income tax relating to components of other comprehensive income	–8,331	–1,105
Other comprehensive income after tax	–20,378	1,151
TOTAL COMPREHENSIVE INCOME	**–74,743**	**–15,107**
Attributable to:		
Parent Company's shareholders	–75,441	–17,012
Non-controlling interests	698	1,905

Consolidated balance sheet

SEK THOUSAND	Note	31 Dec. 2012	31 Dec. 2011
ASSETS			
Non-current assets			
Intangible assets			
Goodwill	14	539,750	550,626
Other intangible assets	15	36,355	35,672
Total		576,105	586,298
Tangible assets			
Property, plant and equipment	16	198,556	223,031
Plant and machinery	16–17	248,896	302,294
Equipment, tools, fixtures, and fittings	16	35,453	38,440
Construction in progress	18	28,493	15,438
Total		511,398	579,203
Financial assets			
Interests in associated companies	19	713	6,265
Interests in other companies	20	1,000	1,000
Deferred tax assets	21	126,711	118,051
Other non-current receivables		5,489	2,796
Total		133,913	128,112
Total non-current assets		1,221,416	1,293,613
Current assets			
Inventories etc.			
Raw materials and consumables		109,834	116,542
Products in progress		11,181	8,309
Finished products and merchandise		190,947	204,611
Total	22	311,962	329,462
Current receivables			
Trade receivables	23	417,126	521,920
Current tax asset		15,379	10,896
Other current receivables	24	16,913	15,441
Deferred expenses and accrued income		41,959	44,202
Total		491,377	592,459
Cash and cash equivalents		112,250	151,408
Total current assets		915,589	1,073,329
TOTAL ASSETS		**2,137,005**	**2,366,942**

SEK THOUSAND	Note	31 Dec. 2012	31 Dec. 2011
EQUITY AND LIABILITIES			
Equity			
Share capital	32	174,810	174,810
Other contributed capital		475,953	475,953
Reserves	31	−62,260	−41,882
Retained earnings including net result for the year		−169,302	−114,239
Equity attributable to equity holders of the Parent		419,201	494,642
Non-controlling interests		−12,042	1,279
Total equity		407,159	495,921
Non-current liabilities			
Borrowings	25	738,029	818,008
Deferred tax liabilities	21	26,102	21,066
Pension obligations	27	157,723	161,613
Other provisions	26	–	23,359
Other non-current liabilities		3,396	4,936
Total non-current liabilities		925,250	1,028,982
Current liabilities			
Borrowings	25	169,958	117,952
Trade payables		341,802	397,369
Current tax liability		6,193	9,457
Other current liabilities	24	65,645	69,366
Other provisions	26	31,887	–
Accrued expenses and deferred income	28	189,111	247,895
Total current liabilities		804,596	842,039
TOTAL EQUITY AND LIABILITIES		**2,137,005**	**2,366,942**

Statement of changes in consolidated equity

SEK THOUSAND	Note	Share capital	Share premium	Reserves	Retained earnings incl. net result for the year	Non-controlling interests	Total equity
		Attributable to Parent Company shareholders					
Opening balance at 1 January 2011		174,810	475,953	–43,033	–78,595	2,106	531,241
Comprehensive income							
Net result for the year					–18,163	1,905	–16,258
Other comprehensive income							
Cash flow hedges, after tax				1,133			1,133
Hedging of net investments, after tax				3,009			3,009
Exchange rate differences, after tax				–2,991			–2,991
Total other comprehensive income	31			1,151			1,151
Total comprehensive income				1,151	–18,163	1,905	–15,107
Transactions with shareholders							
Dividend to Parent Company's shareholders					–17,481		–17,481
Dividend to non-controlling interests						–2,732	–2,732
Total transactions with shareholders					–17,481	–2,732	–20,213
CLOSING BALANCE AT 31 DECEMBER 2011	31, 32	**174,810**	**475,953**	**–41,882**	**–114,239**	**1,279**	**495,921**
Opening balance at 1 January 2012		174,810	475,953	–41,882	–114,239	1,279	495,921
Comprehensive income							
Net result for the year					–55,063	698	–54,365
Other comprehensive income							
Cash flow hedges, after tax				1,084			1,084
Hedging of net investments, after tax				29,125			29,125
Exchange rate differences, after tax				–50,587			–50,587
Total other comprehensive income	31			–20,378			–20,378
Total comprehensive income				–20,378	–55,063	698	–74,743
Transactions with shareholders							
Dividend to Parent Company's shareholders	37				0		0
Dividend to non-controlling interests						–441	–441
Acquisition from non-controlling interests						–13,578	–13,578
Total transactions with shareholders					0	–14,019	–14,019
CLOSING BALANCE AT 31 DECEMBER 2012	31, 32	**174,810**	**475,953**	**–62,260**	**–169,302**	**–12,042**	**407,159**

Consolidated statement of cash flows

SEK THOUSAND	Note	2012	2011
OPERATING ACTIVITIES			
Operating profit/loss		16,135	40,139
Depreciation, amortisation, and impairment losses		102,140	110,916
Financial income received		4,842	3,165
Financial expenses paid		–76,100	–65,844
Tax paid		–22,440	–33,728
Other items not affecting liquidity	33	–25,157	–47,188
Cash flow from operating activities before change in working capital		–580	7,460
Change in working capital			
Inventories		13,167	34,250
Current receivables		94,024	71,163
Current operating liabilities		–108,323	36,260
Cash flow from operating activities		–1,712	149,133
INVESTING ACTIVITIES			
Acquisition of intangible and tangible assets incl. advance payments to suppliers		–58,405	–76,352
Disposal of intangible and tangible assets		35,538	105,787
Acquisition of subsidiaries, net of cash required		–12,911	–41,426
Cash flow from investing activities		–35,778	–11,991
Cash flow after investing activities		–37,490	137,142
FINANCING ACTIVITIES			
Proceeds from borrowings		43,053	18,127
Amortisation of loans		–42,669	–132,546
Dividend		–432	–20,213
Cash flow from financing activities		–48	–134,632
Cash flow for the year		–37,538	2,510
Cash and cash equivalents at start of year		151,459	149,444
Exchange rate difference in cash and cash equivalent		–1,671	–495
CASH AND CASH EQUIVALENTS AT YEAR-END		**112,250**	**151,459**

Accounting policies

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 operations in Sweden, Norway, Denmark, Finland, Estonia, Latvia, the UK, the Netherlands, Belgium, Germany, France, Poland, Spain and Russia. Bong has strong market positions, especially in northern Europe, Germany, France and the UK. This annual report was approved by the Board on 15 April 2013 for publication.

The most important accounting policies applied in the preparation of the consolidated financial statements are described below. These policies were applied consistently for all years presented, unless otherwise stated. The consolidated accounts have been prepared in accordance with International Financial Accounting Standards (IFRSs) and IFRIC interpretations as adopted by the EU, RFR 1 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.

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 policies. Those areas that include a high degree of assessment, which are complex, or in which assumptions and estimations are of material significance for the consolidated financial statements are stated in Note 37.

New and amended standards and interpretations are presented in note 41.

CONSOLIDATED ACCOUNTS

SUBSIDIARIES

Subsidiaries are all companies where the Group has the right to dictate financial and operational strategies in a way that normally accompanies a shareholding amounting to more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. 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 consideration for the acquisition of a subsidiary is the fair value of the transferred assets, liabilities and the shares issued by the Group. The consideration includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. For each acquisition, the Group determines whether all non-controlling holdings in the acquired company should be recognised at fair value or at the holding's proportionate share of the acquired subsidiary's net assets. Surplus amount from purchase price, possible minority and fair value of previous possessions at the acquisition date compared to the Group's share of acquired net assets are reported as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

If the business combination is completed in several steps, the previous equity interests in the acquired company are measured at fair value at the date of acquisition. Any gain or loss arising is recognised in profit or loss.

Each contingent consideration to be transferred by the Group is recognised at fair value at the date of acquisition. Subsequent changes to the fair value of a contingent consideration classed as an asset or liability are recognised in line with IAS 39, either in profit and loss or in other comprehensive income. Contingent considerations classed as equity are not remeasured and the subsequent settlement is recognised in equity.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

TRANSACTIONS AND NON-CONTROLLING INTERESTS

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity. When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

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 its associated companies' post-acquisition profits or losses is recognised in the Income Statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. Accumulated changes after the acquisition are recognised as a change in the holding's recognised carrying amount. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred 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. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Dilution gains and losses in associated companies are recognised in the Income Statement.

JOINT VENTURES

A joint venture is a contractual relationship in which two or more parties jointly conduct a financial operation and have a joint controlling influence over the business. Investments in joint ventures are recognised in accordance with the equity method, similar to investments in associated companies.

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 of 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 other comprehensive income.

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 are translated at the closing rate and all items in the Income Statement at the average rate. Exchange rate differences are recognised in other comprehensive income. 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	3–8 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 equal to the amount by which the carrying amount of the asset exceeds its 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 acquired software is amortised on a straight-line basis over its useful life, but no longer than over eight years. The amortisation is included in the Income Statement item "Administrative expenses".

CUSTOMER RELATIONSHIPS

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. Customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer relationship.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and 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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

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.

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 not 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 HEDGING OF FAIR VALUE

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 other comprehensive income 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

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 other comprehensive income 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 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 obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. 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.

Bank credit lines are recognised as borrowings in current liabilities on the Balance Sheet.

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 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'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.

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.

For items recognised in the Income Statement, the associated tax effects are also recognised in the Income Statement. The tax effects of items recognised in other comprehensive income or directly in equity are recognised in other comprehensive income or equity, respectively.

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, France 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, page 54.

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 policy 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.

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 (see below). 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.

BORROWING COSTS

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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.

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 recognised 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.

NOTE PAGE

Group's notes

All values are in SEK thousand unless stated otherwise.

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. This policy governs both overall risk management and specific areas, such as foreign exchange risk, interest rate risk, the use of hedging instruments and investment of excess liquidity. The finance policy identifies the three significant risks, market risk and credit risk and liquidity 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 due to the unpredictability of the financial markets.

Financial risk management is the responsibility of a central finance function, which identifies, evaluates and manages financial risks in close collaboration with the subsidiaries. The hedging instruments used are loans, as well as currency and interest rate derivatives, according to the guidelines established in the finance policy.

MARKET RISK

Market risk refers to the currency risk that arises when future purchase and sales agreements or commercial invoices in a currency that is not the unit's functional currency affect a future operating profit (transaction exposure), and when the value of foreign investments is affected by currency rate fluctuations (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

In 2012, Bong's sales to countries outside of Sweden accounted for 91 (92) per cent of total sales. Of the Group's total sales, approximately 60 (54) per cent are denominated in EUR, 18 (18) per cent in GBP, 9 (8) per cent in SEK, 5 (5) per cent in NOK and 9 (15) per cent in other currencies. There is also local management of foreign currencies in the subsidiaries (please refer to the section on Transaction exposure).

(i) Transaction exposure

Transaction exposure arises in the Group's operational flows (sale and purchasing) as well as in the financial flows (interest payments and amortisation) in currencies other than the companies' functional currency. This currency risk consists of the risk of fluctuations in the value of accounts receivable, accounts payable and other current receivables and liabilities, as well as the risk of changes in expected and contracted future invoiced currency flows.

Bong has manufacturing on virtually all its main markets, which limits its transaction exposure. Currency risk is primarily due to purchases or sales in EUR in the Group's subsidiaries with other functional currencies and from the parent company's borrowing in EUR.

The Group's financial policy requires the subsidiaries to report their currency risk to the central finance function. This risk is then aggregated centrally and hedged with forward exchange contracts. Bong's risk management policy is to hedge between 50 per cent and 100 per cent of expected net cash flows in foreign currency for the next twelve months, depending on maturity date.

If the EUR had appreciated (depreciated) by 10 per cent against the krona the Group's result on an annual basis, given the same flows as in 2012, would have deteriorated (improved) by SEK 2.0 million (6.0) as a consequence of transaction exposure. This worsening is due to increased purchase costs for the subsidiaries as well as higher interest costs on the part of the parent company's debt, which is denominated in EUR and is stated net after hedging.

If the EUR had appreciated (depreciated) by 10 per cent against the SEK on the balance sheet date, with all other variables constant, transaction exposure would result in a worsening (improvement) of earnings by SEK 1.0 million (1.2) due to losses (gains) in the translation of trade payables denominated in EUR and a higher (lower) accrued interest denominated in EUR. An equivalent strengthening (weakening) would have changed consolidated equity by SEK +2.4 million (+0.8) and SEK -2.4 million (-0.8) respectively due to changes in assessment of currency forwards and interest swaps, the result of which are reported in equity.

The above analysis also include items in DKK, since this currency is linked to the EUR.

(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 for the subsidiaries to primarily take out loans in their local currency to limit translation exposure. Bong's policy is that the loan portfolio is handled by the central finance function and that 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.

Translation exposure in the Group mainly comprises EUR and GBP. If the EUR had appreciated (depreciated) by 10 per cent compared with the closing day rate at 31 December 2012, with all other variables constant, earnings would improve (worsen) by SEK 10.6 million (15.1), mainly due to gains from translation of currency swaps that are not included in hedge accounting. An equivalent change would have increased (decreased) consolidated equity by SEK 44.4 million (55.0) as a result of gains (losses) from translation of net investments in the subsidiaries. The analysis also include items in DKK, since this currency is linked to the EUR. For GBP the effect on earnings would be an improvement (worsening) of SEK 5.4 million (1.5) and equity would decrease (increase) by SEK 24.8 million (2.2). The effect on equity includes the external loans denominated in EUR and GBP raised to hedge foreign net investments.

(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. The Group's goal in managing interest rate risk is to achieve a balance between short and long maturities to reduce the volatility in interest costs. Bong's borrowings via credit facilities provided by the banks normally have maturities of between one and three months.

Interest rate risk is continuously analysed using simulations of the impact that an interest rate increase would have on the Group's results. The fixed interest rate is then controlled by means of interest rate swaps, where variable interest rates are converted into fixed rates. Given the same loan debt, short-term investments, cash and cash equivalents and fixed interest rate periods as at the end of the year, an increase in the market rate of 100 base points (1 percentage point) would worsen the Group's net interest income on an annual basis by about SEK 8.4 million (7.7).

The effective interest rate for the loan portfolio based on average borrowings for the year amounted to 5.3 per cent (4.6). Interest-bearing net debt on 1 January amounted to SEK 955 million (947) and average time to maturity on these liabilities was about 0.4 years (0.6) including interest swaps and about 0.3 years (0.3) excluding interest swaps. Short-term investments and cash and cash equivalents amounted to SEK 112 million (151), and the fixed interest rate period on these assets is about 0 months (0). In 2012 the Group's borrowing consisted almost exclusively of SEK, EUR and GBP.

As of the balance sheet date, the company had interest rate swaps with a nominal value of SEK 121 million (177), and they have been measured against equity. The net fair value of the swaps as of the balance sheet date was SEK -4.7 million (-6.3), consisting of assets of SEK 0 million (0) and liabilities of SEK -4.7 million (-6.3). Fair value of derivative instruments is recognised as other current liabilities.

If interest rates on the Group's loans as at 31 December had been 100 basis points higher/lower with all other variables constant, the Group's earnings would have been SEK 0.4 million (0.7) lower or 0.3 million (0.7) higher, respectively, mainly as an effect of higher accrued interest expense for loans with floating rates. Other components in equity would have been SEK 2.0 million (3.7) higher and SEK 1.2 million (3.8) lower, respectively, as an effect of an increase/decrease in fair value for interest rate derivatives with fixed interest rates.

CREDIT RISK

Credit risk consists of operational and financial credit risk.

The operational risk can be found in the Group's trade receivables. The goal of Bong's credit process is to achieve competitive credit sales, minimise credit losses and improve the Group's cash flow and profit.

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.

This risk is limited because trade receivables are distributed among a large number of customers and geographic markets. The Group's ten largest customers and the top three account for 24% (25) and 12% (12) of total sales, respectively. Credit risk is also reduced because to a large extent Bong has long-term stable relationships with its large suppliers and customers.

To further improve the credit process, a credit report is obtained for credit sales. This procedure varies locally, but is based on data from external credit agencies combined with intragroup information about historical payment behaviour.

In several countries subsidiaries have ongoing credit insurance policies to cover outstanding trade receivables, especially in the Group's German, French and British companies.

In 2012 credit losses as a percentage of net sales amounted to about 0.1%.

More information about outstanding claims can be found in Note 23.

Financial credit risk refers to the risk that the Group's financial counterparties cannot meet their obligations with respect to cash and cash equivalents, short-term bank deposits or financial instruments with positive market value. Since the Group is a net borrower, excess liquidity is primarily used to repay external debts, which reduces the financial credit risk. On January 1 financial credit exposure was SEK 112.7 million (152.6), attributable to cash and cash equivalents of SEK 111.5 million (151.1) and derivative instruments with positive market value of SEK 1.2 million (1.5).

Financial counterparties must have a high credit rating and as a general rule, the counterparties with which the Group holds derivatives and makes short-term bank deposits also participate in the Group's long-term financing.

LIQUIDITY RISK

Liquidity risk refers to the risk that the Group cannot meet its short-term payment obligations due to insufficient or illiquid cash reserves. Bong minimises this risk by having sufficient cash on hand and committed credit facilities to cover its payment obligations. The finance function obtains rolling forecasts of the Group's liquidity reserve from the subsidiaries.

Surplus cash in the subsidiaries, in excess of the portion required to manage working capital requirements, is transferred to the finance function and used almost exclusively to reduce the Group's current liabilities.

The Group's financing consists mainly of a credit facility at Nordea and Swedbank, which was raised in 2010 following a renewed procurement prior to the acquisition of Hamelin's envelope business and runs until the end of 2013. Bong is obligated to comply with financial terms in the loan agreement, known as covenants. These covenants indicate how large the net debt may be in relation to EBITDA and the interest coverage ratios that the Group must achieve.

Other credit facilities consist of the subsidiaries' local overdraft facilities in foreign banks. At year-end, total credit facilities amounted to SEK 1,013 million (1,128) and approved unused credit to SEK 208 million (289). The Parent Company's external borrowing largely covers the borrowing needs of the subsidiaries.

The table below analyses the Group's non-derivative financial liabilities and net settled derivative financial instruments that comprise financial liabilities, broken down by the time remaining on the balance sheet date until the contractual maturity date and assuming an unchanged financing structure and amortisation rate over time for the Group's non-derivative liabilities. Derivatives that are financial liabilities are included in the analysis if their contractual maturities are essential for understanding the timing of future cash flows. The amounts shown in the table are the contractual undiscounted cash flows estimated at the closing market rate and the period's expected interest margin.

Net regulated derivatives are exclusively interest rate swaps, which the Group uses to manage interest rate risk.

All of the Group's gross settled derivatives are included in a hedging relationship and are due within 12 months from the closing date. These derivative instruments consist of forward exchange contracts to hedge the subsidiaries' inflows and outflows and the Parent Company's flows in foreign currencies, as well as currency swaps to hedge the Parent Company's borrowing and lending to the subsidiaries in currencies other than SEK. Foreign currency forward contracts require contractual undiscounted inflows equivalent to SEK 88.3 million (113.6) and contractual undiscounted outflows equivalent to SEK 88.0 million (112.6). Currency swaps hedge lending in the Parent Company for a nominal amount of SEK 138.0 million (132.1).

MANAGEMENT OF CAPITAL

Bong's goal regarding capital structure is to safeguard the Group's ability to continue its operations, so that it can continue to generate returns to shareholders and benefit for other stakeholders and maintain a capital structure that minimises the cost of capital.

In order to maintain or adjust the capital structure, the Group can change the dividends paid to shareholders, repay capital to shareholders, issue new shares or sell assets to reduce debt.

At 31 December 2012	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Borrowings (excluding finance lease liabilities)	110,849	172,424	325,402	376,290
Bank credit lines	95,000			
Finance lease liabilities	508	434	590	
Derivative instruments	3,123	1,172	972	
Trade payables and other payables	564,678			

As at December 31 2011	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Borrowings (excluding finance lease liabilities)	51,158	119,071	427,910	474,735
Bank credit lines	120,311			
Finance lease liabilities	1,284	936		
Derivative instruments	3,534	1,851	1,019	
Trade payables and other payables	665,196			

The Group assesses its capital based on the following ratios:

Key figures	2012	2011
Equity ratio, %	19	21
Net loan debt, SEKm	955	947
Net debt/equity ratio, times	2.34	1.91
Net debt/EBITDA, times	8.1	6.3

CALCULATION OF FAIR VALUE

The table below shows the financial derivatives at fair value, based on how the classification in the fair value hierarchy has been made. The different levels are defined as follows:

- Listed prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Input data other than listed prices included in Level 1, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2).
- Input data for the asset or liability not based on observable market data (i.e. unobservable data) (Level 3).

All hedge instruments in the table below are measured according to Level 2.

At 31 December 2012	Assets	Liabilities
Interest rate swaps - cash flow hedging	–	4,713
Currency forwards - cash flow hedging	928	467
Currency forwards - held for trading	165	812
Total	1,093	5,992

At 31 December 2011	Assets	Liabilities
Interest rate swaps - cash flow hedging	–	6,301
Currency forwards - cash flow hedging	1,244	448
Currency forwards - held for trading	254	1,716
Total	1,498	8,465

Gains and losses on forward exchange contracts as cash flow hedges as of 31 December, reported in Other comprehensive income, are recognised in the Income Statement in the period during which the hedged transaction affects the Income Statement. Gains and losses on interest rate swaps have also been recognised in Other comprehensive income and will be continuously transferred to financial expenses until the interest rate swaps expire. All cash flow hedging were assessed to be fully effective on 1 January.

Gains and losses on the hedging instruments held for trading are recognised in the income statement as financial income and expenses.

NOTE 2 – NET SALES BY GEOGRAPHIC AREA

	2012	2011
Nordic and Baltic	641,045	701,996
Central Europe	936,288	1,006,348
France and Spain	723,283	776,557
United Kingdom	506,432	553,604
Russia/Eastern Europe	78,437	75,150
Other	60,446	89,059
Total	2,945,931	3,202,714

NOTE 3 – EXPENSES CLASSIFIED BY NATURE OF EXPENSE

	2012	2011
Depreciation, amortisation and impairment (Note 6)	102,140	110,916
Costs for remuneration to employees (Note 4)	828,909	893,076
Changes in inventories of finished goods and work in progress	12,614	20,480
Raw materials	1,334,388	1,467,044
Transport costs	146,173	157,291
Other expenses	477,517	505,080
Total cost of goods sold, selling and administrative expenses	2,901,741	3,153,887

NOTE 4 – EMPLOYEES AND WAGES, SALARIES AND OTHER REMUNERATION

Average number of employees

	2012		2011	
	Number of employees	men	Number of employees	men
Sweden	261	165	279	167
Norway	79	43	87	48
Denmark	44	32	51	31
Finland	89	43	95	48
Germany	552	362	568	358
UK	308	191	327	145
Netherlands	39	27	38	22
Belgium	27	10	63	31
Russia	102	61	101	59
Estonia	50	27	51	23
Luxembourg	33	13	30	6
France	514	338	547	332
Poland	160	90	179	91
Spain	11	8	13	5
Latvia	2	1	2	1
Total	2,271	1,411	2,431	1,367

Board of Directors and senior executives

	2012		2011	
	Total	men	Total	men
Board members	67	61	58	45
President and other senior executives	53	49	53	50

Salaries, remuneration, and social security contributions

	2012		2011	
	Salaries and remun.	Social contrib.	Salaries and remun.	Social contrib.
Parent Company	17,473	9,866	17,148	9,638
pension costs	–	3,719	–	3,640
Subsidiaries	632,167	169,403	687,763	178,527
pension costs	–	29,915	–	49,461
Group	649,640	179,269	704,911	188,165
pension costs	–	33,634	–	53,101

AGM DECISION ON 2012 GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES

The 2012 AGM resolved on remuneration guidelines for the CEO and other senior executives as follows. "Senior executives" here refers to executives included in the management group, which currently consists of the company's President/CEO, Chief Financial Officer (CFO), Business Area Manager Nordic Region and Bong Packaging Solutions, Business Area Manager Central Europe, Business Area Manager United Kingdom and Business Area Manager France and Spain. Remuneration shall consist of fixed salary, variable remuneration, other benefits and pension. Total compensation must be at market rates and competitive to ensure that the Bong Group can attract and retain competent senior management. In addition to the above variable compensation, from time to time a long-term incentive scheme may be approved.

The variable component of the salary shall have a predetermined ceiling, according to the basic principle that the variable salary portion can amount to no more than 60 per cent of the fixed annual salary. The variable component is based on earnings and cash flow as well as 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 component is based on a vesting period of one year. The goals for 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. 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 Group Management are also entitled to an increased occupational pension premium of up to 30 per cent of their fixed salary.

Group Management's employment contracts include provisions governing remuneration and termination of employment. According to these agreements, employment can ordinarily terminate 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' remuneration committee and finalised by the Board based on the recommendation of the remuneration 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.

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

	2012		2011	
	Board and CEO	Other employees	Board and CEO	Other employees
Total remuneration	49,014	600,626	51,605	653,306
including incentive, etc	44	1,009	921	2,254

TERMS OF EMPLOYMENT OF SENIOR EXECUTIVES

CHAIRMAN

The Chairman of the Board received a fee of SEK 400 thousand for 2012 (400).

The amount comprises part of the total director's fee determined by the AGM, as well as for the chairman of the Audit Committee, SEK 100 thousand. 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 2012 was SEK 700 thousand (800). Board members Stéphane Hamelin, Eric Joan and Ulrika Eriksson received SEK 150 thousand (150) each. Board member Alf Tönnesson received SEK 50 thousand. Board member Christian W. Jansson received SEK 200 thousand. This amount consists of the directors' fee of SEK 150 thousand (150) and remuneration for members of the Audit Committee of SEK 50 thousand (50). 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 including remuneration for paid leave of SEK 4,328 thousand (4,314) was paid for 2012, plus car benefit valued at SEK 117 thousand (123). In addition to a fixed salary, a variable remuneration of no more than 60 per cent of the fixed salary may be paid, based on the Group's fulfilment of certain financial goals. Variable remuneration of SEK 0 thousand (861) was paid for 2012. During the year variable remuneration of SEK 861 thousand was paid for 2011. The retirement age is 65 years. A pension premium of 30 per cent of the base salary was paid. In 2012 a pension premium of SEK 403 thousand (404) was paid based on an agreement exchanging pension for pay. 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 11,606 thousand (11,168), plus benefits mainly comprising car benefits valued at SEK 538 thousand (647), were paid to other senior executives in the management group, consisting of 5 people, in 2012. In addition to a fixed salary, a variable remuneration of no more than 40-60 per cent of the fixed salary may be paid, based on the Group's fulfilment of certain financial goals. Variable remuneration of SEK 1,425 thousand (2,421) was paid for 2012. Variable remuneration of SEK 2,693 thousand was paid for 2011.

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 1,541 thousand (1,346) was paid for 2012.

In the event of termination by the company, unchanged salary is payable for 6–18 months. In the event of termination by the employee, the period of notice is 4–12 months..

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 5 – REMUNERATION TO AUDITORS

	2012	2011
PwC		
Auditing assignments	3,967	3,849
Audit-related activities	530	521
Tax services	40	560
Other services	95	1,016
Total	4,632	5,946

	2012	2011
KPMG		
Auditing assignments	193	407
Audit-related activities	78	–
Tax services	0	180
Other services	–	83
Total	271	670

	2012	2011
Other		
Auditing assignments	164	241
Audit-related activities	21	–
Other services	166	–
Total	351	241

NOTE 6 – DEPRECIATION AND AMORTISATION

	2012	2011
Broken down by non-current asset		
Other intangible assets	9,001	6,076
Land and buildings	13,415	15,078
Plant and machinery	69,171	76,874
Equipment, tools fixtures and fittings	10,553	12,888
Total	102,140	110,916
Broken down by function		
Cost of goods sold	86,221	96,012
Selling expenses	3,180	2,324
Administrative expenses	12,739	12,580
Total	102,140	110,916

NOTE 7 – OTHER OPERATING INCOME AND EXPENSES

Operating income	2012	2011
Exchange gains on operating receivables and liabilities	4,809	3,185
Capital gain on sale of non-current assets	25,720	14,305
Total	30,529	17,490

Operating expenses	2011	2011
Restructuring and transaction costs	–51,107	–22,184
Exchange losses on operating receivables and liabilities	–4,536	–2,593
Loss on sale of non-current assets	–2,542	–584
Total	–58,185	–25,361

NOTE 8 – OPERATING LEASES/RENTAL AGREEMENTS

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.

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

	2012	2011
Fall due for payment within one year	57,355	46,692
Fall due for payment later than one year but within five years	146,468	144,257
Fall due for payment after five years	81,118	98,960
Total	284,941	289,909

Lease payments for operating leases were paid in the following amounts:	56,632	53,652

NOTE 9 – FINANCIAL INCOME

	2012	2011
Interest income	3,033	1,538
Exchange gains on financial items	1,810	4,800
Total	4,843	6,338

NOTE 10 – FINANCIAL EXPENSES

	2012	2011
Interest portion in this year's pension costs	–4,431	–7,681
Interest expenses, other	–59,504	–53,738
Exchange losses on financial items	–1,361	–3,213
Other financial expenses	–10,804	–4,425
Total	–76,100	–69,057

NOTE 11 – TAX

	2012	2011
Current tax	–12,462	–27,607
Deferred tax	13,219	33,929
Total	757	6,322

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 as follows.

	2012	2011
Profit before tax	–55,122	–22,580
Income tax calculated according to national tax rates for each country	15,434	6,097
Tax on:		
– adjustment of previous years' tax	–2,170	325
– non-taxable revenue	1,872	439
– other non-deductible expenses	–8,644	–6,484
Recognition of previously unrecognised tax loss	8,374	5,945
Revaluation of deferred tax:		
- change in the Swedish tax rate	–8,999	–
– write-down	–5,110	–
Tax according to Income Statement	757	6,322

NOTE 12 – EXCHANGE GAINS/LOSSES – NET

	2012	2011
Exchange gains/losses are recognised in the income statement as follows		
Other operating income	4,809	3,185
Other operating expenses	–4,536	–2,593
Financial income	1,810	4,800
Financial expenses	–1,361	–3,213
Total	722	2,179

NOTE 13 – 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.

	2012	2011
Profit attributable to the Parent Company's shareholders	–55,063	–18,163
Ordinary shares outstanding (thousands)	17,481	17,481
Basic earnings per share, SEK	–3,15	–1,04

DILUTED EARNINGS PER SHARE, SEK

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Parent Company has potential ordinary shares in the form of convertible debentures. The convertible debt is assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect.

	2012	2011
Profit attributable to the Parent Company's shareholders	–55,063	–18,163
Weighted average number of ordinary shares outstanding (thousand)	17,481	17,481
– convertible bonds (thousand)	1,247	1,247
Weighted average number of ordinary shares for calculation of diluted earnings per share (thousand)[1]	18,728	18,728
Diluted earnings per share, SEK	–3,15	–1,04

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

NOTE 14 – GOODWILL

	31 Dec. 2012	31 Dec. 2011
Opening costs	550,626	532,442
Purchases/acquisitions, note 34	5,208	23,450
Exchange rate differences	–16,085	–5,266
Closing cost	539,749	550,626

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 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 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 growth rate of 0.8–1 per cent in addition to the projected inflation rate. A discount rate of 9.9 per cent after tax and the same growth rate of 1.5-2 per cent were used the previous year.

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 per cent has been used to extrapolate cash flows beyond the budget period.

Impairment testing shows that there is no impairment of goodwill values. For a sensitivity analysis relating to the need for impairment of goodwill, please see note 36.

NOTE 15 – OTHER INTANGIBLE ASSETS

	31 Dec. 2012	31 Dec. 2011
Opening costs	50,637	49,394
Increase through business combination	–	62
Purchase	3,792	5,189
Sale/retirement	–1,936	–4,858
Reclassifications	6,236	1,232
Exchange rate differences	–2,003	–382
Closing cost	56,726	50,637
Opening accumulated depreciation	–14,965	–14,083
Sales/retirements	1,936	4,845
Exchange rate differences	1,659	349
Depreciation for the year	–9,001	–6,076
Closing accumulated depreciation	–20,371	–14,965
Closing residual value according to plan	36,355	35,672

NOTE 16 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment	31 Dec. 2012	31 Dec. 2011
Opening costs	248,383	388,282
Purchase	1,176	6,352
Sale/retirement	–26,304	–142,820
Reclassifications	1,690	–
Exchange rate differences	–11,870	–3,431
Closing cost	213,075	248,383
Opening accumulated depreciation and impairment losses	–25,352	–69,409
Sales/retirements	18,886	58,018
Exchange rate differences	5,362	1,117
Depreciation and impairment losses for the year	–13,415	–15,078
Closing accumulated depreciation	–14,519	–25,352
Closing residual value according to plan	198,556	223,031
Of which land	22,985	22,985

Plant and machinery	31 Dec. 2012	31 Dec. 2011
Opening costs	1,223,757	1,206,070
Increase through business combination	–	5,745
Purchase	17,086	33,371
Sale/retirement	–53,232	–25,396
Reclassifications	2,079	24,149
Exchange rate differences	–46,666	–20,182
Closing cost	1,143,024	1,223,757
Opening accumulated depreciation	–921,463	–878,320
Sales/retirements	46,490	23,098
Exchange rate differences	47,232	10,633
Reclassifications	3,323	–
Amortisation for the year	–69,710	–76,874
Closing accumulated depreciation	–894,128	–921,463
Closing residual value according to plan	248,896	302,294

Equipments, tools, fixtures and fittings	31 Dec. 2012	31 Dec. 2011
Opening costs	226,139	253,542
Purchase	7,744	8,150
Sale/retirement	–6,696	–33,585
Reclassifications	1,427	24
Exchange rate differences	–10,504	–1,992
Closing cost	218,110	226,139
Opening accumulated depreciation	–187,699	–208,064
Sales/retirements	5,919	30,632
Exchange rate differences	9,676	2,621
Amortisation for the year	–10,553	–12,888
Closing accumulated depreciation	–182,657	–187,699
Closing residual value according to plan	35,453	38,440

NOTE 17 – FINANCE LEASES IN THE GROUP

	31 Dec. 2012	31 Dec. 2011
Opening costs	6,985	7,133
Increase through business combination	–	–
Exchange rate differences	–120	–148
Closing cost	6,865	6,985
Opening accumulated depreciation	–4,152	–400
Exchange rate differences	65	130
Amortisation for the year	–539	–3,882
Closing accumulated depreciation	–4,626	–4,152
Closing residual value according to plan	2,239	2,833

	Nominal values 31 Dec. 2012	Present values 31 Dec. 2012
FUTURE MINIMUM LEASE PAYMENTS FALL DUE AS FOLLOWS:		
Within one year	508	488
After one year but within five years	1,024	914
After five years	–	–
Total	1,532	1,402

	Nominal values 31 Dec. 2011	Present values 31 Dec. 2011
FUTURE MINIMUM LEASE PAYMENTS FALL DUE AS FOLLOWS:		
Within one year	1,284	1,233
After one year but within five years	936	838
After five years	–	–
Total	2,220	2,071

NOTE 18 – CONSTRUCTION IN PROGRESS AND ADVANCE PAYMENT RELATING TO PROPERTY, PLANT AND EQUIPMENT

	31 Dec. 2012	31 Dec. 2011
Opening costs	15,438	15,264
Increase through business combination	–	–
Accrued expenses	28,607	26,163
Reclassifications	–14,755	–25,405
Exchange rate differences	–797	–584
Closing balance	28,493	15,438

NOTE 19 – INTERESTS IN ASSOCIATED COMPANIES

	2012	2011
Opening balance	6,265	8,676
Acquisitions	713	–
Reclassification to subsidiary	–6,095	–1,295
Share in profits	–399	–817
Exchange rate differences	229	–299
Closing balance	713	6,265

Company	Corporate identity number	Domicile	Invested capital	Book value
Bong Schweiz AG	CH 020 3 038 355-0	Seuzach, Schweiz	TCHF 100	713
Total				713

THE GROUP'S INTERESTS IN ASSOCIATED COMPANIES UP TO 31 DECEMBER 2011 WERE AS FOLLOWS:

	Assets	Liabilities	Revenues	Profit	Tax	Stake, %
Bong Schweiz AG	200	–	–	–	–	50

NOTE 20 – INTERESTS IN OTHER COMPANIES 31 DEC. 2012

Company	Corporate identity number	Domicile	Invested capital	Book value
Bong Fastigheter KB	969655-5763	Stockholm, Sweden	SEK 1,000 thousand	1,000
Total				1,000

NOTE 21 – 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 per temporary difference amounts to:	31 Dec. 2012	31 Dec. 2011
Deferred tax asset		
Loss carryforward	106,466	116,648
Intangible assets	1,550	2,306
Property, plant and equipment	–9,141	17,189
Pensions	–1,863	648
Other temporary differences	29,699	–18,740
Total	126,711	118,051

Deferred tax liability		
Loss carryforward	–7,689	–11,894
Intangible assets	16,431	11,340
Property, plant and equipment	14,371	24,615
Pensions	–5,185	9,436
Other temporary differences	8,174	–12,431
Total	26,102	21,066

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 operations in Germany and Sweden. In recent years a number of steps have been taken to reduce costs and streamline the operation. The chances of being able to utilise remaining loss carryforwards are deemed good.

The gross change with regard to deferred taxes is as follows	2012	2011
At start of year	96,985	64,545
Exchange rate differences	–1,264	–2,594
Acquisition of subsidiaries	–	–
Recognised in the Income Statement	13,219	33,929
Tax relating to components of other comprehensive	–8,331	1,105
At year-end	100,609	96,985

NOTE 22 – INVENTORIES

The expenditure for the inventory that was recognised is included in the item "Cost of goods sold" and amounted to SEK 1,347,002 thousand (1,487,524). Of the inventory value, SEK 1,621 thousand (36) has been measured at net realisable value. The inventory was depreciated during the year by SEK 443 thousand (379).

NOTE 23 – TRADE RECEIVABLES AND OTHER RECEIVABLES

	31 Dec. 2012	31 Dec. 2011
Trade receivables	427,416	533,667
Minus: provision for impairment of receivables	–10,290	–11,747
Trade receivables – net	417,126	521,920

Stated amounts, per currency for the Group's trade receivables are as follows:	31 Dec. 2012	31 Dec. 2011
SEK	35,105	35,904
GBP	95,626	124,266
EUR	243,894	307,977
Other currencies	52,791	65,520
Summa	427,416	533,667

Geographic distribution of receivables:	31 Dec. 2012	31 Dec. 2011
Nordic and Baltic	88,842	109,573
Central Europe	102,851	125,891
France and Spain	119,436	153,127
United Kingdom	95,626	124,116
Russia / Eastern Europe	20,661	20,960
Total	427,416	533,667

Changes in the reserve for doubtful trade receivables are as follows:	31 Dec. 2012	31 Dec. 2011
At 1 January	11,747	16,111
Acquisition of subsidiary	–	–
Provision for doubtful debts	4,342	2,913
Receivables that have been written off during the year as uncollectable (-)	–3,519	–5,125
Reversal of unutilised amounts	–1,369	–2,075
Exchange rate difference	–911	–77
At 31 December	10,290	11,747

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:

Collection pattern counterparties	31 Dec. 2012	31 Dec. 2011
Group 1 new customers	63,218	58,512
Group 2 existing customers without previous defaults	292,103	405,581
Group 3 existing customers with some previous non-payments where all non-payments have been fully recovered	13,709	12,295
Total trade receivables	369,030	476,388

At 31 December 2012 trade receivables totalling SEK 48,096 thousand (45 532) 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. 2012	31 Dec. 2011
Less than 3 months	37,806	33,787
3 to 6 months	2,768	2,397
More than 6 months	7,522	9,348
Total	48,096	45,532

For trade receivables and other receivables, fair value is in line with book value

NOTE 24 – OTHER CURRENT RECEIVABLES AND LIABILITIES

Other current receivables	31 Dec. 2012	31 Dec. 2011
Currency and interest rate derivatives	1,093	1,498
Other current receivables	15,820	13,943
Total	16,913	15,441

Other current liabilities	31 Dec. 2012	31 Dec. 2011
Currency and interest rate derivatives	5,997	8,483
Other current liabilities	59,648	60,883
Total	65,645	69,366

NOTE 25 – BORROWINGS

Long-term	31 Dec. 2012	31 Dec. 2011
Bank loans	638,901	715,244
Convertible loan	34,479	35,744
Shareholder loan	64,649	67,020
Total	738,029	818,008

Short-term	31 Dec. 2012	31 Dec. 2011
Bank credit lines	94,958	117,952
Bank loans	75,000	–
Total	169,958	117,952
Total borrowings	907,987	935,960

Maturity dates of long-term borrowings are as follows:	31 Dec. 2012	31 Dec. 2011
Between 1 and 2 years	139,649	75,000
Between 2 and 5 years	259,479	331,851
More than 5 years	338,901	411,157
	738,029	818,008

The effective interest rate on the balance sheet date was as follows:	31 Dec. 2012	31 Dec. 2011
Bank credit lines	1,20%	1,76%
Other borrowings	5,32%	4,66%

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 bank. The key ratios relate to the Group's net debt/EBITDA ratio.

Recognised amounts, per currency, are as follows:	31 Dec. 2012	31 Dec. 2011
SEK	123,701	144,965
EUR	709,583	714,620
GBP	71,756	72,288
Other currencies	2,947	4,087
	907,987	935,960

The Group has the following unutilised credit facilities:	2012-12-31	2011-12-31
Variable interest rate:		
– expires within one year	–	–
– expires after more than one year	208,455	289,476
Fixed interest rate:		
– expires within one year	–	–

NOTE 26 – OTHER PROVISIONS

Restructuring	2012	2011
At 1 January	23,359	99,841
Recognised in the income statement:		
– additional provisions	57,000	–
Utilised during the year	–49,635	–75,820
Exchange rate difference	1,163	–662
At 31 December	31,887	23,359

	2012	2011
Non-current portion	–	23,359
Current component	31,887	–
	31,887	23,359

Two structural changes were initiated in conjunction with the acquisition of Hamelin's envelope division. One was on the European continent to make it possible to move part of production volumes to France and the UK, respectively, and the integration of Hamelin's operations with Bong's. The other project that was initiated in the UK involves integration between two of Hamelin's operations and Bong. This project, which was regulated in the agreement between Bong and Hamelin, involves a significant shift of operations from a Hamelin division outside the envelope business to Bong, as well as the spin-off of British John Dickinson Ltd. from Hamelin's administrative organisation. The projects are not completed.

In the second quarter of 2012 Bong made a provision of SEK 40 million for restructuring involving a number of markets in Continental Europe and Sweden. During the fourth quarter the company made a provision of SEK 17 million, mainly for closure of the British production facility in Washington and the Swedish envelope printer DM Qvert. All restructuring measures are proceeding according to plan and are expected to be fully implemented in Q2 2013.

NOTE 27 – PENSION COMMITMENTS

The Group has defined-benefit pension plans in a number of countries. The biggest defined-benefit pension plans are in Sweden, Germany, Norway, France 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. 2012	31 Dec. 2011
Defined-benefit pension plans	158,614	163,773
Payroll tax and similar taxes	–891	–2,160
Net liability in Balance Sheet	157,723	161,613

The amounts recognised in the Consolidated Balance Sheet have been calculated as follows:	31 Dec. 2012	31 Dec. 2011
Present value of funded obligations	80,937	88,967
Fair value of plan assets	–53,112	–49,344
Present value of unfunded obligations	175,693	175,455
Unrecognised actuarial gains (+), and losses (–)	–45,795	–53,465
Net liability, defined benefit pension plans	157,723	161,613

The amounts recognised in the Consolidated Income Statement are as follows:	31 Dec. 2012	31 Dec. 2011
Service costs during current year	6,162	7,049
Interest expense	9,112	10,456
Expected return on plan assets	–1,813	–2,775
Unrecognised actuarial gains (–) losses (+)	3,463	2,882
Total costs for defined-benefit plans	16,924	17,612

The total pension costs recognised in the Consolidated Income Statement are as follows	31 Dec. 2012	31 Dec. 2011
Total costs for defined-benefit plans	16,924	17,612
Total costs for defined-contribution plans	15,141	28,691
Cost for special payroll tax and yield tax	3,235	6,798
Total pension cost	35,300	53,101

The costs are allocated in the Consolidated Income Statement among the following items:	31 Dec. 2012	31 Dec. 2011
Cost of goods sold	14,743	28,686
Selling expenses	4,907	8,448
Administrative expenses	7,168	8,286
Financial expenses	8,482	7,681
Total pension cost	35,300	53,101

Specification of changes in the net liability recognised in the Consolidated Balance Sheet	31 Dec. 2012	31 Dec. 2011
Net liability at beginning of the year	161,613	157,858
Net expenses recognised in the income statement	16,924	17,612
Benefit payments paid	–13,508	–12,488
Employer contributions to funded plans	–2,853	–2,762
Net liabilities assumed in business combination (note 35)	–	0
Exchange rate difference on foreign plans	–4,453	1,393
Net liability at year-end	157,723	161,613

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

Discount rate	3.6%	4.1%
Inflation	1.6%	2.0%
Expected return on plan assets	3.8%	4.5%
Actual return on plan assets	11.1%	–6.5%
Future annual salary increases	1.8%	3.3%
Future annual pension increases	2.1%	3.1%
Staff turnover	0.9%	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 2012, 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 1,306 thousand (1,131). Alecta's surplus can be distributed to the policyholders and/or to the insured. At year-end 2012, Alecta's surplus in the form of the collective funding ratio amounted to 129 per cent (113). 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.

BENEFITS IN KIND AFTER TERMINATED EMPLOYMENT (PENSIONS)

Managed assets consist of the following:

	31 Dec. 2012		31 Dec. 2011	
Insurance	51,421	97%	47,629	97%
Other	1,691	3%	1,715	3%
Total	53,112	100%	49,344	100%

At 31 December	2012	2011
Present value of funded obligations	-256,630	-257,630
Expected return on plan assets	53,112	49,344
Plan deficit in the plan	-203,518	-208,286
Experience adjustments on plan liabilities	-7,437	2,594
Experience adjustments on plan assets	3,724	-5,958

NOTE 28 – ACCRUED EXPENSES AND DEFERRED INCOME

	31 Dec. 2012	31 Dec. 2011
Pay-related accrued expenses	109,904	126,639
Other accrued expenses	79,207	121,256
Total	189,111	247,895

NOTE 29 – PLEDGED ASSETS

	31 Dec. 2012	31 Dec. 2011
Relating to pension obligations		
Floating charges	20,000	20,000
Relating to liabilities to credit institutions		
Shares in subsidiaries	386,600	422,642
Property mortgages	12,326	17,210
Current assets	14,303	456
Total	433,229	460,308

NOTE 30 – CONTINGENT LIABILITIES

	31 Dec. 2012	31 Dec. 2011
Liability FPG	1,149	1,128
Other contingent liabilities	682	1,034
Total	1,831	2,162

NOTE 31 – RESERVES

	Hedging reserve	Translation reserve	Revaluation of assets	Total reserves
Opening balance 1 January 2011	–10,067	–38,327	5,361	–43,033
Cash flow hedges	1,537			1,537
Hedging of net investments		3,710		3,710
Exchange rate difference		-2,991		-2,991
Tax effect	-404	–701		–1,105
Closing balance 31 December 2011	–8,934	-38,309	5,361	-41,882
Opening balance 1 January 2012	–8,934	-38,309	5,361	-41,882
Cash flow hedges	2,058			2,058
Hedging of net investments		36,482		36,482
Exchange rate difference		–50,587		–50,587
Tax effect	–974	–7,357		–8,331
Closing balance 31 December 2012	–7,850	–59,771	5,361	–62,260

NOTE 32 – SHARE CAPITAL

SHARES

The number of shares at year-end 2012 was 17,480,995 (2011: 17 480 995) with a quotient value of SEK 10 per share (2011: SEK 10 per share). All issued shares are fully paid. The Extraordinary General Meeting, held 22 October 2010, resolved on the issuance of convertible bond business loans. On conversion to shares the number of shares will increase by 1,246,860 and share capital by SEK 12,468,600.

NOTE 33 – OTHER ITEMS NOT AFFECTING LIQUIDITY IN THE CONSOLIDATED CASH FLOW STATEMENTS

	2012	2011
Gains on disposal of intangible assets and property, plant and equipment	–23,205	–13,721
Change in provisions	3,685	–50,330
Exchange rate differences and other	–5,637	16,863
Total	–25,157	–47,188

NOTE 34 – BUSINESS COMBINATIONS

Company/operation	Transaction type	Ownership	Consolidation method	Transaction date
Packaging First Ltd	Share acquisition	100%	Acquisition method	2012-02-01
DM Qvert AB	Share acquisition	100%	Acquisition method	2012-10-01

The purchase price consists of the following components	
Cash and cash equivalents	5,570
Assumed liabilities/loans from sellers	6,265
Revaluation of previously-owned shares	–
Total purchase consideration	11,835

Acquisition-related costs (included in other expenses in the Consolidated Income Statement for financial year 2012)	215

RECOGNISED AMOUNTS OF IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED

Cash and cash equivalents	2,625
Property, plant and equipment	6,531
Inventories	3,514
Trade receivables and other receivables	8,470
Trade payables and other payables	–12,690
Pension committments	–
Borrowings	–1,800
Deferred tax liabilities	–236
Total identified net assets	6,627
Goodwill	5,208
	11,835

During the year, the Group acquired 55 per cent of Angus & Wright Ltd, 50 per cent of Nova Envelopes Ltd, 1 per cent of Image Ltd. and Egå Offset. The acquisitions had no material impact on the Group's sales or profit during the year. If the companies had been consolidated for the entire year, the Group would have had an additional SEK 50 million in sales and a loss of SEK 0 million in earnings

NOTE 35 – TRANSACTIONS WITH NON-CONTROLLING INTERESTS

ACQUISITIONS OF ADDITIONAL NON-CONTROLLING INTERESTS

Bong acquired 70 per cent of Lober Druck und Kuvert GmbH 31 August 2008. The remaining 30 per cent of the company was acquired 1 January 2012.

Carrying amount of acquired non-controlling interests	783
Purchase price to non-controlling interests	–14,371
Total	–13,588

NOTE 36 – 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. In Sweden, the Group also takes into account interest rates on mortgage bonds when determining the discount rate.

Other significant assumptions regarding pension obligations are based on prevailing market terms. Further information is furnished in Note 27.

If the actual expected return on the plan assets were to deviate by 1 per cent from management's estimates, the carrying amount of the pension obligations would be SEK 0.5 million higher or SEK 0.5 million lower.

If the discount rate deviated by +/–1 per cent from management's estimates, the carrying amount of the pension obligations would be estimated at about +/– SEK 32 million lower/higher than the actual carrying amount.

The portion of the actuarial gains and 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. This also means that a change in the discount rate would not marginally affect 2012 pension costs.

IMPAIRMENT TESTING OF GOODWILL AND OTHER ASSETS

The Group subjects goodwill and other assets to impairment testing every year, in accordance with the accounting principle 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 budgeted operating margin based on previous earnings and their expectations of the future market trend. A growth rate of 0.8-1.0 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), as evident from Note 14. No impairment loss was identified.

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 the assumed amount, the total recoverable amount would be 5 per cent lower.
- If the estimated growth rate for extrapolating cash flows beyond the budget period had been 1.0 per cent lower than the assumption of 1.0 per cent, the total recoverable amount would be 6 per cent lower.
- If the estimated weighted capital cost applied to discounted cash flows for the Group had been 0.5 per cent higher than the assumption of about 10 per cent, the total recoverable amount would be 5 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. A lower recoverable amount because of adjusted parameters could indicate a need for impairment.

NOTE 37 – HEDGE ACCOUNTING

The Parent Company's borrowings in EUR and GBP are identified as hedging of net investments in subsidiaries in Germany, Ireland, Belgium, France and the UK. The fair value of the borrowings at 31 December 2012 was SEK 586,281 thousand (565,617). The exchange difference amounting to SEK 15,911 thousand (3,710) on translation of the borrowings to SEK on the balance sheet date, is recognised in 'Reserves' in equity.

NOTE 38 – DIVIDEND

A dividend for 2011 of SEK 0 per share was approved at the AGM on 16 May 2012. A dividend for 2012 of SEK 0 per share will be proposed at the AGM on 22 May 2013.

NOTE 39 – INFORMATION ABOUT BONG AB

Bong AB is a public limited liability company domiciled in Kristianstad, Sweden, Uddevägen 3, Box 516, 291 25 Kristianstad, Sweden. The address of the company's headquarters is Hans Michelsensgatan 9, 211 20 Malmö, Sweden. Bong AB is listed on NASDAQ OMX Stockholm (Small Cap).

NOTE 40 – RELATED PARTY TRANSACTIONS

Transactions with associated companies	2012	2011
Sales during the year	507	6,825
Purchases during the year	–	345
Current receivables balance sheet date	51	942

Transactions with subsidiary to Holdham S.A. are counted as related-party transactions since Holdham S.A. is the largest shareholder in Bong AB	2012	2011
Sales during the year	78,949	104,393
Purchases during the year	–	596
Current receivables balance sheet date	18,257	16,630

NOTE 41 – ADOPTION OF NEW ACCOUNTING POLICIES

(A) NEW AND REVISED STANDARDS APPLIED BY THE GROUP

None of the IFRS or IFRIC interpretations that are mandatory for the first time for the financial year beginning 1 January 2012, is expected to have a material impact on the Group.

(B) NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS OF EXISTING STANDARDS THAT HAVE NOT YET BEEN APPLIED PROSPECTIVELY BY THE GROUP.

At the time of preparation of the consolidated financial statements as at 31 December 2012, a number of standards and interpretations have been published that have not yet come into force. Below is a preliminary assessment of the impact that adoption of these standards and interpretations may have on Bong AB's financial statements:

IAS 19 "Employee benefits" was amended in June 2011. The amendment requires the Group to cease application of the "corridor approach" and to instead recognise all actuarial gains and losses in other comprehensive income as they arise. Past service costs will be recognised immediately. Interest costs and expected return on plan assets will be replaced by a net interest rate calculated using a discount rate, based on the net surplus or net deficit in the defined benefit plan. The Group intends to implement the amended standard the financial year commencing 1 January 2013. The estimated effect on equity is expected to be about SEK -39 million net of tax at the beginning of 2012. The total impact on comprehensive income for 2012 is expected to be about SEK 4 million net of tax.

In IAS 1, "Presentation of financial statements" amendments have been adopted relating to other comprehensive income. The most significant change in the revised IAS 1 is the requirement that items reported in "other comprehensive income" will be presented in two groups. The division is based on whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

IFRS 9 "Financial instruments" addresses the classification, valuation and accounting for financial liabilities and assets. IFRS 9 was issued in November 2009 for financial assets and in October 2010 for financial liabilities and replaces those sections of IAS 39 related to classification and measurement of financial instruments. IFRS 9 states that financial assets have to be classified in two measurement categories: measurement at fair value or measurement at amortized cost. The classification is determined at initial recognition based on the company's business model and the characteristic conditions in the contractual cash flows. For financial liabilities, no major changes will take place compared with IAS 39. The most significant change relates to liabilities identified at fair value. For these, the portion of the fair value change arising from own credit risk has to be recognised in other comprehensive income instead of profit and loss provided that this does not give rise to accounting mismatch. The Group intends to implement the new standard not later than the fiscal year commencing January 1, 2015 and has not yet assessed the effects. The Group will assess the impact of the remaining phases of IFRS 9 as they are completed by the IASB.

IFRS 10 "Consolidated financial statements" is based on already existing principles defining control as the decisive factor in determining whether a company is to be included in the consolidated accounts. The standard provides further guidance that can be of assistance when it is difficult to determine control. The Group intends to implement IFRS 10 for the financial year commencing 1 January 2014 and has not yet evaluated the full effect on the financial statements.

IFRS 12 "Disclosures of interests in other entities" includes the disclosure requirements for subsidiaries, joint arrangements, associated companies and unconsolidated structured entities. The Group has yet to assess the full impact of IFRS 12 on the financial statements. The Group intends to implement IFRS 12 for the financial year commencing 1 January 2014 and has not yet evaluated the full effect on the financial statements.

IFRS 13 "Fair value measurement" aims to improve consistency and reduce complexity in the application of fair value measurement by providing a precise definition and a shared source in IFRS for fair value measurements and the associated disclosures. The standard provides guidance on fair value measurement of all types of assets and liabilities, both financial and non-financial. The requirements do not expand the area of application for when fair value shall apply but provide guidance on how it is to be applied where other IFRS already require or allow fair value measurement.

Income statement for parent company

INCOME STATEMENT

SEK thousand	Note	2012	2011
Net sales		38,085	27,636
Administrative expenses	2–5	–70,571	–70,824
Other operating income	6	9,450	10,945
Operating profit/loss	7	–23,036	–32,243
Profit from interests in subsidiaries	8	23,241	55,662
Other interest income and similar line items	9	76,410	19,725
Interest expenses and similar line items	10	–73,436	–62,529
Total financial income and expenses		26,216	12,858
Result before tax		3,180	–19,385
Tax on profit/loss for the year	11	–1,014	23,780
NET RESULT FOR THE YEAR		**2,166**	**4,395**

STATEMENT OF COMPREHENSIVE INCOME

SEK thousand	2012	2011
Net profit for the year	2,166	4,395
Other comprehensive income		
Cash flow hedges	2,049	2,256
Income tax relating to components of other comprehensive income	–451	–593
Other comprehensive income after tax	1,598	1,663
TOTAL COMPREHENSIVE INCOME	**3,764**	**6,058**

Balance sheet for parent company

SEK thousand	Note	31 Dec. 2012	31 Dec. 2011
ASSETS			
Non-current assets			
Intangible assets			
Capitalised development expenditure		23,668	20,712
Investments in progress		932	0
Total	12	24,600	20,712
Property, plant and equipment			
Equipment, tools, fixtures, and fittings		2,526	1,765
Investments in progress		0	1,821
Total	13	2,526	3,586
Financial assets			
Interests in subsidiaries	14	1,131,210	1,760,543
Interests in other companies	15	1,000	1,000
Deferred tax assets	16	40,272	41,285
Receivables from subsidiaries		799,060	0
Other non-current receivables		101	711
Total		1,971,642	1,803,539
Total non-current assets		1,998,768	1,827,837
Current assets			
Current receivables			
Receivables from subsidiaries		158,491	310,056
Current tax asset		680	680
Other current receivables	18	2,546	3,620
Deferred expenses and accrued income	19	13,341	13,204
Total		175,058	327,560
Cash and cash equivalents		42,450	58,617
Total current assets		217,508	386,177
TOTAL ASSETS		**2,216,276**	**2,214,014**

SEK thousand	Note	31 Dec. 2012	31 Dec. 2011
EQUITY AND LIABILITIES			
Equity	22,24		
Restricted equity			
Share capital		174,810	174,810
Non-restricted equity			
Fair value reserve		−4,713	−6,309
Share premium reserve		90,380	90,380
Retained earnings		455,303	450,908
Net profit for the year		2,166	4,395
Total non-restricted equity		543,136	539,374
Total equity		717,946	714,184
Provisions			
Pension obligations	25	11,526	11,805
Total provisions		11,526	11,805
Non-current liabilities			
Borrowings	17	640,245	710,581
Liabilities to subsidiaries	17	344,397	358,247
Other liabilities	17	99,128	102,764
Total non-current liabilities		1,083,770	1,171,592
Current liabilities			
Borrowings	17	75,000	0
Trade payable		10,710	12,601
Liabilities to subsidiary		292,007	281,526
Other current liabilities	18	10,269	10,678
Accrued expenses and deferred income	19	15,048	11,628
Total current liabilities		403,034	316,433
TOTAL EQUITY AND LIABILITIES		**2,216,276**	**2,214,014**
Pledged assets	20	521,972	498,638
Contingent liabilities	21	236	236

Changes in equity for parent company

		Restricted equity	Non-restricted equity			
SEK thousand	Note	Share capital	Fair value reserve	Share premium reserve	Retained earnings incl. net profit for the year	Total
Opening balance at 1 January 2011		174,810	–7,972	90,380	468,389	725,607
Comprehensive income						
Net profit for the year					4,395	4,395
Other comprehensive income						
Cash flow hedges, after tax			1,663			1,663
Total other comprehensive income			1,663			1,663
Total comprehensive income			1,663		4,395	6,058
Transactions with shareholders						
Dividend to Parent Company's shareholders	22				–17,481	–17,481
Total transactions with shareholders					–17,481	–17,481
CLOSING BALANCE AT 31 DECEMBER 2011		**174,810**	**-6,309**	**90,380**	**455,303**	**714,184**
Opening balance at 1 January 2012		174,810	–6,309	90,380	455,303	714,184
Comprehensive income						
Net profit for the year					2,166	2,166
Other comprehensive income						
Cash flow hedges, after tax			1,596			1,596
Total other comprehensive income			1,596			1,596
Total comprehensive income			1,596		2,166	3,762
CLOSING BALANCE AT 31 DECEMBER 2012		**174,810**	**–4,713**	**90,380**	**457,469**	**717,946**

Cash flow statement for parent company

SEK thousand	Note	2012	2011
OPERATING ACTIVITIES			
Operating profit/loss		−23,036	−32,243
Depreciation, amortisation, and impairment losses		4,065	3,358
Financial income received		36,307	11,516
Finance expenses paid		−59,613	−53,047
Profit from interests in subsidiaries		0	0
Tax paid		–	–
Other items not affecting liquidity	26	−1,039	−978
Cash flow from operating activities before change in working capital		−43,316	−71,394
Change in working capital			
Current receivables		−16,477	−195,672
Current operating liabilities		32,780	258,026
Cash flow from operating activities		−27,013	−9,040
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment incl. advance payments to suppliers		−6,893	−6,242
Investments in subsidiaries / Shareholders’ contributions paid		–	−26,332
Cash flow from investing activities		−6,893	−32,574
Cash flow after investing activities		−33,906	−41,614
FINANCING ACTIVITIES			
Payment of dividend		–	−17,481
Loans raised		17,314	325,641
Amortisation of loans		−732	−223,178
Cash flow from investing activities		16,582	84,982
Cash flow for the year		−17,324	43,368
Cash and cash equivalents at start of year		58,617	15,798
Exchange rate difference in cash and cash equivalent		1,157	−549
CASH AND CASH EQUIVALENTS AT YEAR-END		**42,450**	**58,617**

Parent company's notes

All values are in SEK thousand unless stated otherwise.

NOTE 1 – ACCOUNTING POLICIES

The Parent Company has prepared its annual report in accordance with the Swedish Annual Reports Act and RFR 2 Accounting for Legal Entities. The rules in RFR 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. This recommendation defines the exceptions and additional disclosures compared with IFRS.

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 untaxed reserves and provisions.

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 policies 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

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 paid to subsidiaries are reported, depending on the relationship between accounting and taxation, in the income statement on the line Profit from interests in subsidiaries. Group contributions received from subsidiaries are reported according to the same principles as customary dividends from subsidiaries and thus reported as financial income on the line Profit from interests in subsidiaries.

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

	2012		2011	
	Total employees	Of whom men	Total employees	Of whom men
Sweden	15	11	17	13

Distribution of senior executives on the balance sheet date

	2012		2011	
	Total employees	Of whom men	Total employees	Of whom men
Board members	8	7	9	8
President and other senior executive officers	2	2	2	2

Salaries and other remuneration

	2012		2011	
	Salaries and remun.	Social contrib.	Salaries and remun.	Social contrib.
Total	17,473	9,866	17,148	9,638
Of which pension costs		3,719		3,640

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

	2012		2011	
	Board and CEO	Other employees	Board and CEO	Other employees
Total	6,354	11,119	5,514	11,634
Including incentive, etc.		689		2,107

More information about remuneration to the Board and CEO is provided in Group note 4.

NOTE 3 – REMUNERATION TO AUDITORS

PwC	2012	2011
Auditing assignments	785	300
Audit-related activities	130	180
Other services	225	775
Total	1,140	1,255

NOTE 4 – DEPRECIATION ACCORDING TO PLAN

Broken down by non-current asset	2012	2011
Capitalised development costs	3,036	2,404
Equipment, tools, fixtures, and fittings	1,029	954
Total	4,065	3,358
Depreciation is recognised as administrative expenses	4,065	3,358

NOTE 5 – OPERATING LEASES/RENTAL AGREEMENTS

The Parent Company's most important operating leases relate to offices and IT-related assets.

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

	2012	2011
Fall due for payment within one year	3,265	3,637
Fall due for payment after one year but within five years	3,488	3,640
Fall due for payment after five years	512	512

Lease payments for operating leases were paid during the year in the amount of SEK 4,403 thousand (3,822). No assets are sub-leased, nor are there any restrictions in the lease agreements.

NOTE 6 – OTHER OPERATING INCOME

	2012	2011
Supplier bonus	9,045	10,040
Exchange gains	265	668
Rental and payroll costs	140	237
Total	9,450	10,945

NOTE 7 – PURCHASES AND SALES BETWEEN GROUP COMPANIES

The Parent Company's business consists of management of operating subsidiaries and Group management functions. In 2012 the Parent Company charged the subsidiary management fees amounting to SEK 38,085 thousand (27,636) and received SEK 140 thousand (237) in rental revenue. The Parent Company's purchases from subsidiaries amounted to SEK 15,359 thousand (13,008). Pricing between Parent and subsidiary is on a commercial basis and at market prices.

NOTE 8 – PROFIT FROM INTERESTS IN SUBSIDIARIES

	2012	2011
Dividend	31,441	68,762
Impairment of shares	–	–100
Group contributions paid	–8,200	–13,000
Total	23,241	55,662

NOTE 9 – OTHER INTEREST INCOME AND SIMILAR LINE ITEMS

	2012	2011
Financial income, Group companies	37,029	9,176
Exchange rate differences on financial items	39,381	10,549
Total	76,410	19,725

NOTE 10 – INTEREST EXPENSES AND SIMILAR LINE ITEMS

	2012	2011
Financial expenses, Group companies	–7,742	–6,662
Interest portion in this year's pension costs	–760	–1,446
Interest expenses, other	–49,205	–41,904
Exchange rate differences on financial items	–8,822	–5,811
Other financial expenses	–6,907	–6,706
Total	–73,436	–62,529

NOTE 11 – TAX

	2012	2011
Current tax	–	–
Deferred tax	–1,014	23,780
Total	–1,014	23,780

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

	2012	2011
Profit before tax	3,180	–19,385
Tax calculated according to applicable tax rate of 26.3%:	–836	5,098
Tax on:		
– dividend from subsidiary	8,269	18,085
– previously unrecognised tax loss	–	1,245
– other non-taxable revenue	–	58
– other non-deductible expenses	–575	–706
– effect of the reduced tax rate to 22%	–7,871	–
Tax according to Income Statement	–1,014	23,780

NOTE 12 – INTANGIBLE ASSETS

	2012	2011
Opening cost	23,348	18,392
Purchases/acquisitions	5,103	4,123
Reclassification	1,821	833
Closing cost	30,272	23,348
Opening accumulated depreciation	–2,636	–232
Depreciation for the year	–3,036	–2,404
Closing accumulated depreciation	–5,672	–2,636
Closing residual value according to plan	24,600	20,712

NOTE 13 – PROPERTY, PLANT AND EQUIPMENT

	2012	2011
Opening cost	22,734	21,448
Purchases/acquisitions	1,790	2,119
Reclassification	–1,821	–833
Closing cost	22,703	22,734
Opening accumulated depreciation	–19,148	–18,194
Depreciation for the year	–1,029	–954
Closing accumulated depreciation	–20,177	–19,148
Closing residual value according to plan	2,526	3,586

NOTE 14 – INTERESTS IN SUBSIDIARIES 31 DECEMBER 2012

Company	Corporate identity number	Domicile	Share of equity, %	Number of shares	Book value
Bong Sverige AB	556016-5606	Kristianstad, Sweden	100	804,000	240,282
Bong Packaging Solutions AB	556296-3115	Malmö, Sweden	100	10,000	24,030
Bongs Swedex AB	556044-3573	Malmö, Sweden	100	500	120
Bong France Holding AB	556882-6746	Kristianstad, Sweden	100	500	50
Bong Norge A/S	931080687	Tönsberg, Norway	100	20,000	51,114
Bong Danmark AS	58154717	Hedehusene, Denmark	100	1	19,424
Bong Suomi Oy	745.192	Tammerfors, Finland	100	20,050	232,123
Bong GmbH	HRB 1646	Wuppertal, Germany	100	1	556,060
Development Sp. Zo.o.	7675	Warszawa, Poland	100	5,165	0
Bong Ireland Ltd	192441	Kilkenny, Ireland	100	200,000	0
Surrey Envelopes Ltd	2592120	London, United Kingdom	100	100,000	5,220
Venlop BV	12029991	Venlo, The Netherlands	100	400	2,432
Bong Retail Solutions NV	826223234	Vichte, Belgium	100	400,000	40
Bong Sarl	B329 200 570	RCS Créteil, France	100	1,000	315
Total					1,131,210

Opening book value of shares in subsidiaries	1,760,543
Shareholder contributions in Bong Norway A / S	23,334
Formed Bong France Holding AB	50
Sale of shares in Cadix SAS to Bong France Holding AB	−660,369
Acquired Venlop BV	2,432
Acquired Surrey Envelopes Ltd	5,220
Closing book value 31 December 2012	1,131,210

NOTE 15 – INTERESTS IN OTHER COMPANIES 31 DECEMBER 2012

Company	Corporate identity number	Domicile	Invested capital	Book value
Bong Fastigheter KB	969655-5763	Stockholm, Sweden	SEK 1,000 thousand	1,000
Total				1,000

NOTE 16 – DEFERRED TAX

Deferred tax assets refer to the value of loss carryforwards.

NOTE 17 – BORROWINGS

	31 Dec. 2012	31 Dec. 2011
Bank loans	640,245	710,581
Convertible loan	34,479	35,744
Shareholder loan	64,649	67,020
Liabilities to subsidiaries	344,397	358,247
	1,083,770	1,171,592
Current		
Bank loans	75,000	–
	75,000	–

CONVERTIBLE DEBENTURES

The loan consists of convertible bonds in ten (10) series each with a nominal value of EUR four hundred thousand (400,000), in series 2010/2015:1-10. Holdham S.A. has the right to subscribe for all new shares and all convertible bonds.

The convertible bonds carry an annual interest rate equivalent to one hundred per cent (100%) of the sum of (i) EURIBOR with a term of 3 months plus (ii) 2.00 percentage points.

The convertible bonds shall become due for redemption on 31 December 2015 to the extent that conversion has not occurred before then. The convertible bonds may be converted into new shares in Bong AB at the latest 10 days prior to the date when the convertible bonds are due for redemption. The rate at which conversion may be made shall be EUR 3.208055643 per share.

Shares issued due to the conversion shall entitle to dividends for the first time on the record day for the dividend that occurs next after conversion is executed. Upon conversion share capital may be increased with an amount equivalent to a maximum of SEK 12,468,600.

Of the Parent Company's borrowings, SEK 0 million (29) are loans for subsidiaries.

Maturity dates of long-term borrowings are as follows:		
Between 1 and 2 years	75,000	75,000
Between 2 and 5 years	324,128	327,764
More than 5 years	684,642	768,828
	1,083,770	1,171,592

BANK CREDIT LINES

The granted amount of the bank credit line in the Parent Company is SEK 68,391 thousand (50,000), of which SEK 0 thousand (0) is utilised.

NOTE 18 – OTHER CURRENT RECEIVABLES AND LIABILITIES

Other current receivables	31 Dec. 2012	31 Dec. 2011
Currency and interest rate derivatives	1,499	1,509
Other current receivables	1,047	2,111
Total	2,546	3,620

Other current liabilities	31 Dec. 2012	31 Dec. 2011
Currency and interest rate derivatives	7,000	8,483
Other current liabilities	3,269	2,195
Total	10,269	10,678

NOTE 19 – DEFERRED/ ACCRUED INCOME/EXPENSES

Deferred expenses and accrued incomer	31 Dec. 2012	31 Dec. 2011
Supplier bonus	–	2,229
Internal and external interest income	4,375	3,653
Other accrued expenses	8,966	7,322
Total	13 341	13,204

Accrued expenses and deferred income	31 Dec. 2012	31 Dec. 2011
Pay-related accrued expenses	5,593	6,910
Internal and external interest expenses	7,108	3,452
Other items	2,347	1,266
Total	15,048	11,628

NOTE 20 – PLEDGED ASSETS

	31 Dec. 2012	31 Dec. 2011
Relating to liabilities to credit institutions	–	–
Shares in subsidiaries	521,972	498,638
Total	521,972	498,638

NOTE 21 – CONTINGENT LIABILITIES

	31 Dec. 2012	31 Dec. 2011
Other contingent liabilities	231	236
Total	231	236

NOTE 22 – DIVIDEND

A dividend for 2012 of SEK 0 per share will be proposed at the AGM on 22 May 2013. A dividend for 2011 of SEK 0 per share was approved at the AGM on 16 May 2012.

NOTE 23 – INFORMATION ABOUT BONG AB

Bong AB is a public limited liability company domiciled in Kristianstad, Sweden, Uddevägen 3, Box 516, 291 25 Kristianstad, Sweden. The address of the company's headquarters is Hans Michelsensgatan 9, 211 20 Malmö, Sweden. Bong AB is listed on NASDAQ OMX Stockholm (Small Cap).

NOTE 24 – SHARE CAPITAL

The number of shares at year-end 2012 was 17,480,995 (17,480,995) with a quotient value of SEK 10 per share (SEK 10 per share). Detailed information about the Parent Company's shares, share capital and convertible bonds can be found in the Group's note 32.

NOTE 25 – PROVISIONS FOR PENSIONS AND SIMILAR COMMITMENTS

	31 Dec. 2012	31 Dec. 2011
PRI pensions	11,526	11,805
Total provisions	11,526	11,805

NOTE 26 – OTHER ITEMS NOT AFFECTING LIQUIDITY IN THE CONSOLIDATED CASH FLOW STATEMENTS

	2012	2011
Exchange rate differences and other	–1,039	–978
Total	–1,039	–978

The consolidated financial statements will be submitted to the Annual General Meeting on 22 May 2013 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 financial statements of the Parent Company have been prepared in accordance with generally accepted accounting policies in Sweden and give a true and fair view of the Parent Company's financial position and results of operations. The statutory Administration Report of the Group and the Parent Company provides a fair review of the development of the Group's and the Parent Company's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

Kristianstad 27 March 2013

Mikael Ekdahl
Chairman of the Board

Stéphane Hamelin
Member of the Board

Eric Joan
Member of the Board

Christian W Jansson
Member of the Board

Ulrika Eriksson
Member of the Board

Peter Harrysson
Member of the Board

Christer Muth
Member of the Board

Anders Davidsson
President and
member of the Board

Our Audit Report was submitted 27 March 2013

Eric Salander
Authorised Public Accountant
Auditor in charge

Andreas Fondell
Authorised Public Accountant

Auditor's report

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

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of Bong AB (publ), for the year 2012 except for the corporate governance statement on pages 14-16.The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 12-43.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR FOR THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

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

OPINIONS

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 the parent company as of 31 December 2012 and of its financial performance and its cash flows 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 2012 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 14-16. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Bong AB (publ) for the year 2012. We have also conducted a statutory examination of the corporate governance statement.

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, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act and that the corporate governance statement on pages 14-16 has been prepared in accordance with the Annual Accounts Act.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

Furthermore, we have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory 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.

OPINIONS

We recommend to the annual 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. A corporate governance statement has been prepared, and its statutory content is consistent with the other parts of the annual accounts and consolidated accounts.

Kristianstad 27 March 2013

PricewaterhouseCoopers AB

Eric Salander
Authorised Public Accountant
Auditor in charge

Andreas Fondell
Authorised Public Accountant

Leadership Team

ANDERS DAVIDSSON

Year of birth: 1970.

President and Chief Executive Officer.

Employed since 2002.

Education: MSc Business and Economics.

Previous positions: Vice President Sales and Marketing, Bong Ljungdahl 2002–2003. Management Consultant and Project Manager, McKinsey & Company 1998–2002.

Holding in Bong (privately and through companies): 182,600 shares.

MORGAN BOSSON

Year of birth: 1958.

Business Manager Nordic and Eastern Europe until March 2012.

Business Manager/CEO Bong Packaging Solutions AB.

Employed since 2005.

Education: MSc Business and Economics.

Previous positions: Managing Director, Icopal 2002-2004. Sales and Marketing Director, Saint Gobain Isover 1997–2002.

Holding in Bong (privately and through companies): 168,000 shares.

MARK COOPER

Year of birth: 1964.

Business Manager United Kingdom.

Employed since 2007.

Education: MSc Business and Economics.

Previous positions: Vice President Avery Dennison, Europe 1990–2006.

Holding in Bong (privately and through companies): 100,000 shares.

HÅKAN GUNNARSSON

Year of birth: 1969.

Chief Financial Officer

Employed since 1999.

Education: MSc Business and Economics.

Holding in Bong (privately): 10,000 shares.

PASCAL GRAVOUILLE

Year of birth: 1962.

Business Manager France and Spain.

Employed since 2008.

Education: MSc Chemical Engineering.

Previous positions: Business Manager Europe, Ferro Corporation.

Holding in Bong (privately): 16,700 shares.

ELMAR SCHÄTZLEIN

Year of birth: 1962.

Business Manager Central Europe.

Employed since 2004.

Education: MSc Engineering.

Previous positions: Schneidersöhne Munich/Italy 1995–2003.

Holding in Bong (privately and through companies): 116,100 shares.

Board of Directors

MIKAEL EKDAHL
Chairman of the Board

ANDERS DAVIDSSON
Member of the Board

ULRIKA ERIKSSON
Member of the Board

CHRISTIAN W. JANSSON
Member of the Board

STÉPHANE HAMELIN
Member of the Board

ERIC JOAN
Member of the Board

PETER HARRYSSON
Member of the Board
(Employee representative)

CHRISTER MUTH
Member of the Board
(Employee representative)

PEDER ROSQVIST
Alternate Director
(Employee representative)

MATS PERSSON
Alternate Director
(Employee representative)

Definitions

CAPITAL TURNOVER RATE
Net sales divided by total assets.

DILUTED EARNINGS PER SHARE
Profit after tax divided by the average number of shares before dilution.

EARNINGS PER SHARE
Profit after tax divided by the average number of shares before dilution.

EBITDA
Earnings before interest, taxes, depreciation and amortisation.

EQUITY/ASSETS RATIO
Equity divided by balance sheet total (total assets).

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.

OPERATING MARGIN
Operating profit divided by net sales.

P/E RATIO
Share price at balance sheet date divided by earnings per share.

PROFIT MARGIN
Profit after tax divided by net sales.

RETURN ON CAPITAL EMPLOYED
Earnings before interest and tax, divided by assets less current liabilities.

RETURN ON EQUITY
Earnings after interest and tax, divided by average equity.

SHARE PRICE/EQUITY
Price per share divided by equity per share.

Annual General Meeting

The Annual General Meeting will be held 22 May 2013 at 4:00 pm in IMPs' premises at Ångbåtsbron 1 in Malmö.

PARTICIPATION AT THE AGM

Shareholders registered in the share register kept by Euroclear Sweden AB 16 May 2013 are entitled to participate in the meeting. To be eligible to participate in the Annual General Meeting, shareholders with nominee-registered holdings must therefore temporarily re-register their shares in their own names through the agency of their nominees so that they are recorded in the share register in due time before 16 May 2013.

Shareholders who wish to participate in the meeting must notify the company no later than 12 noon 16 May, 2013, by one of the following methods:
Address by post: Bong AB (publ),
Attn: Katarina Sjöström,
Hans Michelsensgatan 9, S-211 20 Malmö, Sweden.
By telephone: +46 (0)40-17 60 41.
Per facsimile: +46 (0)40-17 60 39.
By e-mail: anmalan.arsstamma@bong.se

Financial calendar

Interim Report January – March 2013	22 May 2013
Annual General Meeting	22 May 2013
Interim Report January – June 2013	July 2013 2013
Interim Report January – September 2013	November 2013
2013 Year-end report 2013	February 2014

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Bong has the broadest envelope offer on the European market and is a leader in speciality packaging for the e-commerce and retail sectors

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