

Interim Report

January-September

2014



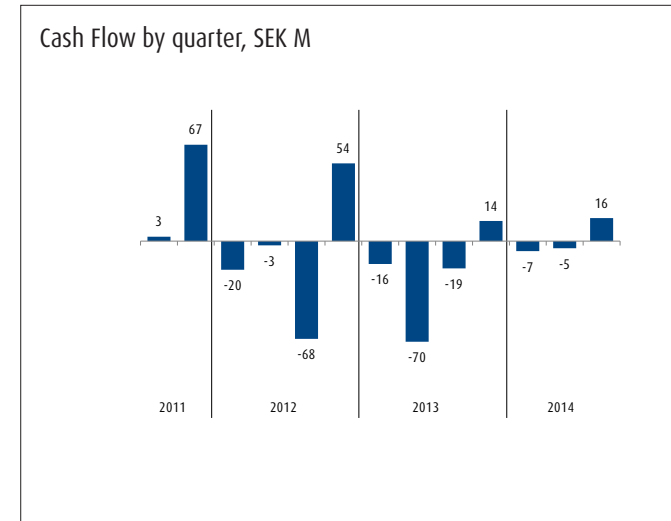
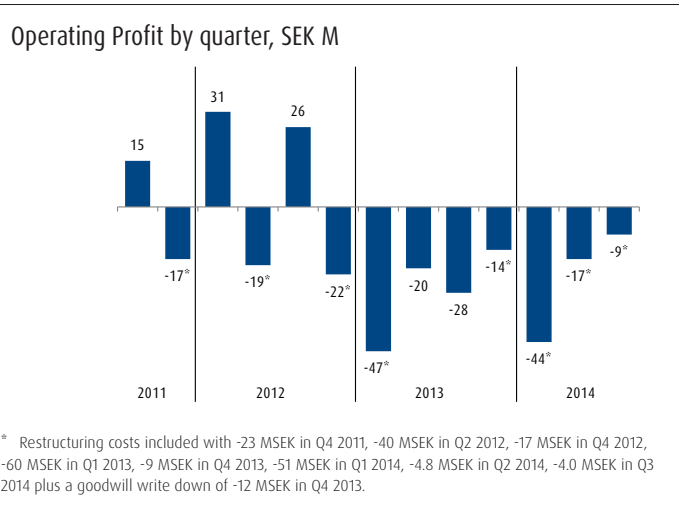
” “The implementation of Bong’s large restructuring program is proceeding according to plan and we now see a positive cash flow. We are now accelerating the pace to further reduce our costs. The restructuring program will increase the capacity utilization in the most efficient factories in the Group and will not affect the service level which will still be over industry standard.” says Stéphane Hamelin, Bong’s President and CEO. ”

July - September 2014

- Revenue SEK 601 million (595)
- Cash flow after investing activities SEK 16 million (-19)
- Operating earnings SEK -9 million (-28), including non-recurring cost for restructuring program of SEK -4 million (0)
- Earnings after tax SEK -25 million (-47)
- Earnings per share SEK -0.16 (-0.73)

January - September 2014

- Revenue SEK 1,856 million (1,899)
- Cash flow after investing activities SEK 3 million (-105)
- Operating earnings SEK -70 million (-96), including non-recurring cost for restructuring program of SEK -60 million (-60) and capital gains from sale of property of SEK 6 million
- Earnings after tax SEK -102 million (-122)
- Earnings per share SEK -0.65 (-3.72)



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

Market and industry

The market decline of the European envelope market for the first six months was 3-4 per cent compared with 2013 according to FEPE statistics. Bong's assessment is that the market continued to decrease versus previous year in the same pace during the third quarter.

In early 2014 Spanish Printeos (formerly Tompla) sold its British business, with sales of more than GBP 10 million, to Encore, the largest independent envelope company in the UK. German Meiller GmbH, which is a major player especially in the German direct mail market, filed for reorganization in the first quarter and is now in the process of a major restructuring of its operations.

Sales and profit

January – September 2014

Consolidated sales for the period reached SEK 1,856 million (1,899). Exchange rate fluctuations had a positive impact on sales of SEK 85 million compared with 2013. The main reason for the drop in sales is the continued downturn in the envelope market, which resulted in both lower volumes and pricing pressures and had a negative impact on Bong's gross earnings.

Bong's total Propac sales amounted to SEK 293 million (299). Currency fluctuations have had a positive impact on Propac sales of SEK 14 million compared with the corresponding period in 2013. Bong will review the entire Propac range during the year to offer customers an even better concept.

Operating profit was SEK -70 million (-96) including costs for an extensive restructuring program of SEK 60 million (60). The restructuring measures announced in late 2013 are now gradually being rolled out throughout the Group. When fully implemented the measures are expected to reduce fixed costs by SEK 150-200 million annually. Structural costs to achieve these savings are expected to reach SEK 150-200 million. Most of the costs are expected to be incurred in 2014. Reserved costs during the period relate to all major geographic markets.

During the year a building in Washington, UK, was sold with capital gains of SEK 6 million. Net financial items for the period amounted to SEK -42 million (-48). Earnings before tax were SEK -112 million (-144) and reported earnings after tax were SEK -102 million (-122).

Sales and profit

July – September 2014

Bong posted consolidated sales in the third quarter of SEK 601 million (595). Exchange rate fluctuations had a positive impact on sales of SEK 40 million compared with 2013. The main reason for the drop in sales is the continued downturn in the envelope market, which resulted in both lower volumes and pricing pressures and had a negative impact on Bong's gross earnings.

Bong's total Propac sales were SEK 100 million (94). Currency fluctuations have had a positive impact on Propac sales of SEK 6 million compared with

the corresponding period in 2013.

Operating profit was SEK -9 million (-28) including costs for restructuring program of SEK 4 million (0).

Net financial items for the period amounted to SEK -13 million (-15).

Earnings before tax were SEK -23 million (-43) and reported earnings after tax were SEK -25 million (-47).

Cash flow and investments

Cash flow after investing activities for the period was SEK 3 million (-105). Payments for the ongoing restructuring program had a negative impact on cash flow for the period of SEK -27 million (-59). Net investments and acquisitions had an impact on cash flow of SEK -5 million (-19). The sale of property in the UK brought in SEK 8 million.

Financial position

Cash and cash equivalents at 30 September 2014 amounted to SEK 54 million (SEK 82 million at 31 December 2013). The Group had unutilized credit facilities of SEK 17 million on the same date. Total available cash and cash equivalents thus amounted to SEK 71 million (142 million at 31 December 2013). Consolidated equity at the end of September 2014 was SEK 448 million (SEK 522 million at 31 December 2013). Translation of the net asset value of foreign subsidiaries to Swedish krona and changes in the fair value of derivative instruments increased consolidated equity by SEK 31 million. The interest-bearing net loan debt increased during the period by SEK 30 million to SEK 832 million (SEK 802 million at 31 December 2013). Translation of net loans in foreign currency to Swedish krona increased the Group's net loan debt by SEK 28 million.

Employees

The average number of employees during the period was 1,882 (2,076). The Group had 1,860 (2,022) employees at the end of September 2014. Bong is intensively working on improving productivity and adjusting staffing to meet current demand and the reduction is the result of the implemented restructuring measures.

Parent Company

The Parent Company's business extends to management of operating subsidiaries and certain Group management functions. Sales were SEK 0.7 million (20) and earnings before tax for the period were SEK -4 million (-30).

Risks and opportunities

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

Accounting policies

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

Kristianstad 13 November 2014

Stéphane Hamelin

President and Chief Executive Officer

Report of Review of Interim Financial Information

Introduction

We have reviewed the condensed interim financial information (interim report) of Bong AB (publ) as of 30 September 2014 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Kristianstad 13 November 2014

PricewaterhouseCoopers AB

Eric Salander

Authorized Public Accountant

Christer Olausson

Authorized Public Accountant

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Additional information

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Financial calendar:

- Year-end Report 2014, 19 February 2015
- Interim Report January-March 2015, May 2015
- Interim Report January-June 2015, July 2015
- Interim Report January-September 2015, November 2015

Interim report 30 September 2014

INCOME STATEMENT IN SUMMARY

SEK M	Jul-Sep 2014 3 month	Jul-Sep 2013 3 month	Jan-Sep 2014 9 month	Jan-Sep 2013 9 month	Oct 2013- Sep 2014 12 month	Jan-Dec 2013 12 month
Revenue	600.6	594.6	1 856.2	1 899.3	2 520.4	2 563.5
Cost of goods sold	-497.8	-504.9	-1 524.8	-1 585.6	-2 057.9	-2 118.7
Gross profit	102.7	89.7	331.4	313.7	462.6	444.8
Selling expenses	-61.5	-58.3	-188.0	-194.0	-256.1	-262.1
Administrative expenses	-48.3	-54.4	-162.2	-166.6	-217.7	-224.9
Other operating income and expenses	-2.3	-5.3	-50.8	-48.9	-72.1	-67.2
Operating profit	-9.4	-28.3	-69.7	-95.8	-83.3	-109.5
Net financial items	-13.3	-15.0	-42.1	-48.0	-60.8	-66.7
Result before tax	-22.6	-43.3	-111.7	-143.8	-144.1	-176.2
Income tax	-2.3	-3.5	10.0	21.4	24.1	35.5
Net result for the year	-25.0	-46.8	-101.8	-122.4	-120.0	-140.6
Total comprehensive income attributable to:						
Share holders in Parent Company	-25.0	-46.8	-101.8	-122.4	-120.0	-140.6
Non-controlling interests	0.0	0.0	0.0	0.0	0.0	0.0
Basic earnings per share	-0.16	-0.73	-0.65	-3.72	-0.77	-2.20
Diluted earnings per share	-0.16	-0.73	-0.65	-3.72	-0.77	-2.20
Average number of shares, basic	156,659,604	63,873,865	156,659,604	32,945,285	156,659,604	63,873,865
Average number of shares, diluted	183,932,331	73,796,014	183,932,331	37,083,908	183,932,331	73,796,014

STATEMENT OF COMPREHENSIVE INCOME

SEK M	Jul-Sep 2014	Jul-Sep 2013	Jul-Sep 2014	Jul-Sep 2013	Oct 2013- Sep 2014	Jan-Dec 2013
Net result for the year	-25.0	-46.8	-101.8	-122.4	-120.0	-140.6

Other comprehensive income

Items that will not be reclassified to profit or loss:

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

Items that may be reclassified subsequently to profit or loss:

Cash flow hedges ²⁾	0.2	0.8	0.3	3.0	-0.1	2.6
Hedging of net investments	7.6	4.9	-34.7	-18.1	-40.9	-24.2
Exchange rate differences	15.9	-4.0	58.0	8.4	71.4	21.9
Income tax relating to components of other comprehensive income	2.3	-7.0	7.2	-3.0	14.2	4.0
	26.0	-5.3	30.7	-9.7	44.6	4.2

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	Jul-Sep 2014	Jul-Sep 2013	Jan-Sep 2014	Jan-Sep 2013	Oct 2013- Sep 2014	Jan-Dec 2013
Other comprehensive income for the period, net of tax	26.0	-5.3	30.7	-9.7	59.8	19.4
TOTAL COMPREHENSIVE INCOME	1.0	-52.2	-71.1	-132.1	-60.2	-121.2

Total comprehensive income attributable to:

Share holders in Parent Company	1.0	-52.2	-71.1	-132.1	-60.2	-121.2
Non-controlling interests	0.0	0.0	0.0	0.0	0.0	0.0

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

2) Cash flow hedges

	Jul-Sep 2014	Jul-Sep 2013	Jan-Sep 2014	Jan-Sep 2013	Oct 2013- Sep 2014	Jan-Dec 2013
Interest rate swaps - cash flow hedges	0.1	0.8	0.6	2.7	0.8	2.8
Currency forwards - cash flow hedges	0.1	-0.1	-0.4	0.3	-0.9	-0.3
Total cash flow hedges	0.2	0.8	0.3	3.0	-0.1	2.6

CONSOLIDATED BALANCE SHEETS IN SUMMARY

SEK M	30 Sep 2014	30 Sep 2013	31 Dec 2013
Assets			
Intangible assets ¹⁾	593.1	572.7	576.4
Tangible assets	415.7	458.7	445.4
Financial assets ⁵⁾	224.1	190.5	193.5
Inventories	274.9	295.5	263.9
Current receivables ⁶⁾	412.7	488.2	468.5
Cash and cash equivalents	54.4	56.7	81.6
Total assets	1,975.0	2,062.3	2,029.5
Equity and liabilities			
Equity ²⁾	448.1	512.4	521.8
Non-current liabilities ^{3), 5)}	716.9	792.0	736.9
Current liabilities ^{4), 6)}	810.0	758.0	770.8
Total equity and liabilities	1,975.0	2,062.3	2,029.5

1) Of which goodwill

2) Of which non-controlling interests

3) Of which interest-bearing

4) Of which interest-bearing

5) Of which deferred tax

6) Financial assets and liabilities at fair value.

The table shows the Group's financial assets and liabilities in the form of derivatives measured at fair value. All financial derivatives measured at fair value are in Category 2. These include interest rate swaps and foreign exchange contracts and the valuation is based on the forward interest rates derived from observable yield curves.

2014-09-30	Assets	Liabilities
Interest rate swaps - cash flow hedges	0.0	1.3
Currency forwards - cash flow hedges	0.0	0.2
Currency forwards - held for trading	0.4	0.0
Total	0.4	1.5

2013-09-30	Assets	Liabilities
Interest rate swaps - cash flow hedges	0.0	2.1
Currency forwards - cash flow hedges	0.9	0.2
Currency forwards - held for trading	0.1	0.0
Total	1.0	2.3

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

Other financial assets and liabilities

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

- Trade receivables and other receivables
- Other current receivables
- Cash and cash equivalents
- Long-term and short-term loans
- Trade payables and other liabilities
- Other financial assets and liabilities

Information about netting of financial assets and liabilities

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

CHANGES IN CONSOLIDATED EQUITY, GROUP MSEK	Jan-Sep 2014	Jan-Sep 2013	Jan-Dec 2013
Opening balance for the period	521.8	371.5	371.5
New issue	-	275.9	275.5
Convertible loan	-2.6	13.8	13.8
Issue costs	-	-16.0	-16.0
Non-controlling interests	-	-1.0	-1.7
Total comprehensive income	-71.1	-132.1	-121.2
Closing balance for the period	448.1	512.1	521.8

QUARTERLY DATA. GROUP

SEK M	3/2014	2/2014	1/2014	4/2013	3/2013	2/2013	1/2013	4/2012	3/2012	2/2012	1/2012	4/2011	3/2011	2/2011
Net Revenue	600.6	593.6	662.0	664.2	594.6	627.9	676.8	762.3	655.6	711.7	816.3	849.7	751.2	747.3
Operating expenses	-610.0	-610.2	-705.7	-677.9	-622.9	-648.1	-724.0	-784.7	-629.6	-730.7	-786.1	-866.8	-736.3	-731.1
Operating profit	-9.4	-16.6	-43.7	-13.7	-28.3	-20.3	-47.2	-22.3	26.0	-19.1	30.3	-17.1	14.9	16.3
Net financial items	-13.3	-13.0	-15.8	-18.7	-15.0	-16.7	-16.3	-19.4	-17.4	-17.3	-17.2	-17.4	-13.8	-17.8
Profit before tax	-22.6	-29.6	-59.5	-32.4	-43.3	-37.0	-63.5	-41.7	8.7	-36.4	13.1	-34.5	1.1	-1.6

CONSOLIDATED CASH FLOW STATEMENTS

SEK M	Jul-Sep 2014 3 month	Jul-Sep 2013 3 month	Jan-Sep 2014 9 month	Jan-Sep 2013 9 month	Oct 2013- Sep 2014 12 month	Jan-Dec 2013 12 month
Operating activities						
Operating profit	-9.4	-28.3	-69.7	-95.8	-83.3	-109.5
Depreciation amortisation and impairment	21.7	26.2	62.6	72.8	96.6	106.7
Financial items	-13.3	-15.0	-42.1	-48.0	-60.8	-66.7
Tax paid	5.3	-4.0	0.8	-7.1	0.8	-7.1
Other non-cash items	-0.3	-11.9	30.3	13.3	15.5	-1.5
Cash flow from operating activities before changes in working capital	4.0	-33.0	-18.0	-64.8	-31.2	-78.0
Changes in working capital	16.6	31.1	25.7	-20.4	61.0	15.0
Cash flow from operating activities	20.6	-2.0	7.7	-85.2	29.8	-63.0
Cash flow from investing activities	-5.0	-17.0	-4.5	-19.5	-12.8	-27.9
Cash flow after investing activities	15.7	-19.0	3.2	-104.7	17.0	-90.9
Cash flow from financing activities	-20.9	26.0	-32.0	49.9	-22.1	59.9
Cash flow for the period	-5.2	7.0	-28.8	-54.8	-5.1	-31.0
Cash and cash equivalents at beginning of period	60.0	50.1	81.6	112.3	56.7	112.3
Exchange rate difference in cash and cash equivalents	-0.3	-0.4	1.6	-0.7	2.8	0.4
Cash and cash equivalents at end of period	54.4	56.7	54.4	56.8	54.4	81.6

KEY RATIOS

	Jan-Sep 2014	Jan-Sep 2013	Oct 2013- Sep 2014	Jan-Dec 2013
Operating profit %	-3.8	-5.0	-3.3	-4.3
Profit margin %	-6.0	-7.6	-5.7	-6.9
Return on equity %	-	-	neg	neg
Return on capital employed %	-	-	neg	neg
Equity/assets ratio %	22.7	24.8	22.7	25.7
Gearing ratio times	1.86	1.65	1.86	1.54
Net loan debt/EBITDA	-	-	neg	neg
Capital employed SEK M	1,334.5	1,412.8	1,334.5	1,405.8
Interest-bearing net loan debt SEK M	832.0	1,104.9	832.0	802.3

DATA PER SHARE

	Jan-Sep 2014	Jan-Sep 2013	Oct 2013- Sep 2014	Jan-Dec 2013
Basic earnings per share SEK	-0.65	-3.72	-0.77	-2.20
Diluted earnings per share SEK ¹⁾	-0.65	-3.72	-0.77	-2.20
Basic equity per share SEK	2.86	3.27	2.86	3.33
Diluted equity per share SEK	2.75	3.12	2.44	3.06
Basic number of shares outstanding at end of period	156,659,604	156,659,604	156,659,604	156,659,604
Diluted number of shares outstanding at end of period	183,932,331	183,932,331	183,932,331	183,932,331
Average number of shares basic	156,659,604	32,945,285	156,659,604	63,873,865
Average number of shares diluted	183,932,331	37,083,908	183,932,331	73,796,014

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

Financial overview

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

PARENT COMPANY PROFIT AND LOSS ACCOUNTS IN SUMMARY	Jan-Sep	Jan-Sep
SEK M	2014	2013
Revenue	0.7	20.2
Gross profit	0.7	20.2
Administrative expenses	-11.2	-42.9
Other operating income and expenses	0.0	7.1
Operating profit/loss	-10.4	-15.6
Net financial items	6.5	-14.6
Result	-3.9	-30.2
Income tax	-1.7	7.2
Net result	-5.6	-23.0

STATEMENT OF COMPREHENSIVE INCOME	Jan-Sep	Jan-Sep
SEK M	2014	2013
Profit after tax	-5.6	-23.0
Other comprehensive income		
Cash flow hedges	0.0	3.4
Income tax relating to components of other comprehensive income	0.0	-0.7
Other comprehensive income after tax	0.0	2.7
Total comprehensive income	-5.6	-20.3

PARENT COMPANY BALANCE SHEETS IN SUMMARY	30 Sep	31 Dec
SEK M	2014	2013
Assets		
Financial assets	1,440.6	1,428.5
Current receivables	9.5	15.8
Cash and cash equivalents	0.0	20.9
Total Assets	1,450.1	1,465.2
Equity and liabilities		
Equity	966.3	974.5
Non-current liabilities	373.7	426.5
Current liabilities	110.1	64.1
Total equity and liabilities	1,450.1	1,465.2