



# BONG

*275 years in business*



Interim Report  
January – June 2012

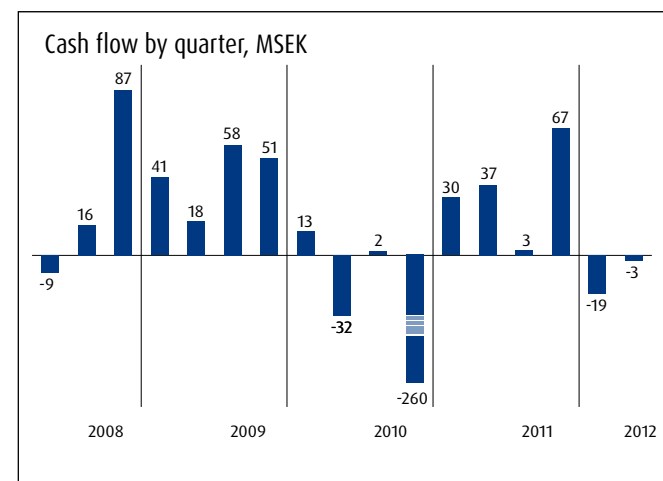
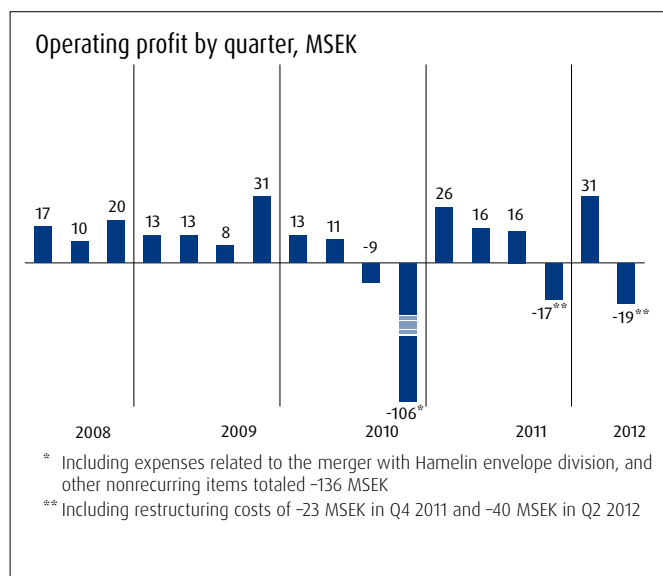
” During the first half of the year we achieved results before restructuring costs that are in line with last year, despite more challenging market conditions,” says Bong’s President and CEO Anders Davidsson. “To ensure our continued recovery of profitability, we have implemented powerful new restructuring measures that will provide lower costs in the second half. ”

#### April–June 2012

- Net sales SEK 712 million (747)
- ProPac sales SEK 108 million (118)
- Operating profit SEK -19 million (16), including restructuring costs of SEK 40 million and capital gains of SEK 17 million
- Profit after tax SEK -27 million (-2)
- Cash flow after investments SEK -3 million (37)
- Earnings per share SEK -1.54 (-0.09)
- New restructuring program provides cost-savings of SEK 30-35 million on an annual basis; non-recurring cost of SEK 40 million charged to the second quarter

#### January–June 2012

- Net sales SEK 1,528 million (1,602)  
ProPac sales SEK 228 million (236)
- Operating profit/loss SEK 12 million (42), including restructuring costs of SEK 40 million and capital gains of SEK 17 million
- Profit after tax SEK -17 million (7)
- Cash flow after investments SEK -23 million (67)
- Earnings per share SEK -1.00 (0.40)



Bong is a leading provider of specialised packaging and envelope products in Europe, offering solutions for distribution and packaging of information, advertising materials and lightweight goods. Important growth areas in the Group are the ProPac packaging concept and Russia. The Group has annual sales of approximately SEK 3.2 billion and about 2,300 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 whose stock is quoted on the NASDAQ OMX Nordic Stock Exchange Stockholm (Small Cap).

## Market and Industry

The European envelope market continued to decline during the second quarter. According to industry association FEPE, the market declined during the first quarter by about 6 percent compared with 2011. Bong's assessment is that the trend continued in the second quarter as a result of the economic uncertainty in Europe. Moreover, volumes decreased most in Spain, France and the UK, while the trend in Germany and the Nordic countries was not as negative. Volumes in Russia and Eastern Europe are still expected to grow.

Consolidation of the industry continued during the first half of the year. The major players in the market continued to downsize staffing and reduce capacity at a rapid pace. In addition, some small envelope manufacturers in Italy and Germany declared bankruptcy and stopped producing in the first quarter.

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

January – June 2012

Consolidated sales for the period reached SEK 1,528 million (1,602). Exchange rate fluctuations had a marginal effect on sales during the period compared with 2011. Bong advanced its positions and gained market share during the period.

Bong's new business unit for the production and sale of ProPac, Bong Packaging Solutions, is working hard to promote continued strong organic growth in specialty packaging. Interest in Bong's new machinery concept (packaging machines and cold seal technology for e-commerce and mail order businesses) is strong. Incoming orders for gift bags for the Christmas season are strong.

During the second quarter a building in France was sold with capital gains of SEK 17 million and provisions were made for the new restructuring programme in Continental Europe and Sweden. The total provision for restructuring costs for the period amounts to SEK 40 million. For more information please see the section on the new restructuring programme.

Compared with last year, the previously initiated restructuring programme resulted in lower fixed costs. Along with the ongoing efforts to improve productivity, this resulted in a higher gross margin for the period compared with 2011, despite lower volumes. Net financial items during the period totalled SEK -35 million (-31), profit before tax was SEK -23 million (11) and reported profit after tax was SEK -17 million (7).

## Sales and Earnings

April – June 2012

Consolidated sales for the period reached SEK 712 million (747). The second quarter is seasonally weak; Bong's peak season occurs during the winter months. Exchange rate fluctuations had a marginal effect on sales during the period compared with 2011. Bong advanced its positions and captured market share during the quarter.

The second quarter of 2012 was two working days shorter than the second quarter of 2011, which has a negative impact on Bong's sales and gross margin compared with the same period last year. In addition, paper suppliers raised their prices early in the second quarter, which also had a negative impact on Bong's gross margin. Bong can usually compensate for increased paper prices after some delay.

During the second quarter a building in France was sold with capital gains of SEK 17 million and provisions were made for the new restructuring programme in Continental Europe and Sweden. The total provision for restructuring costs for the period amounts to SEK 40 million. For more information please see the section on the new restructuring programme.

Operating profit was SEK -19 million (16). The loss includes a provision of SEK 40 million for the new restructuring programme and capital gains of SEK 17 million. Net financial items during the quarter totalled SEK -17 million (-18), profit before tax was SEK -36 million (-2) and reported profit after tax was SEK -27 million (-2).

## New Restructuring Programme

In the second quarter a provision of SEK 40 million was made for new restructuring measures within the Group. These measures are expected to yield annual cost savings of SEK 30-35 million when fully implemented.

Since the merger with Hamelin's envelope division in 2010, additional synergy effects relating to both direct production- and indirect staff have been identified. The purpose of the SEK 40 million provision is to achieve these synergies, raise productivity and improve Bong's competitiveness. The measures will affect a number of markets in Continental Europe and Sweden.

## Cash Flow and Investments

Cash flow after investing activities was SEK -23 million (67). Investing activities during the period had a negative impact on cash flow of SEK 6 million, including acquisitions for SEK 4 million and other investments of SEK 2 million. Bong's business activities usually tie up working capital during the first half of the year and 2012 follows this pattern. The sale of the property in France had a positive impact on cash flow of SEK 27 million. In 2011 the sale of property in Germany

generated a positive cash flow of SEK 80 million during the corresponding period of the year.

## Financial Position

Cash and cash equivalents at 30 June 2012 totalled SEK 57 million (SEK 151 million at 31 December 2011), while undrawn credit facilities amounted to SEK 244 million at 30 June 2012. This brought total available liquidity to SEK 301 million.

Consolidated equity at the end of June 2012 was SEK 455 million (SEK 496 million at 31 December 2011). Translation of the net asset value of foreign subsidiaries to Swedish kronor and changes in the fair value of derivative instruments reduced consolidated equity by SEK 26 million.

The interest-bearing net loan debt increased during the period by SEK 12 million to SEK 959 million (SEK 947 million at 31 December 2011). Translation of net debt in foreign currency to Swedish krona reduced consolidated net debt by SEK 8 million.

## Employees

The average number of employees during the period was 2,283 (2,483). The Group had 2,253 (2,452) employees at the end of June 2012. The large reduction is the result of restructuring measures taken in 2011. Bong continually works on improving productivity and adjusting staffing to meet current demand.

## Parent Company

The parent company's business extends to management of operating subsidiaries and Group management functions. Net sales were SEK 18 million (11) and earnings before tax for the period were SEK -20 million (-32).

## Acquisitions

Acquisition of 49% of Image Envelopes

On 1 May Bong exercised its option to acquire the remaining 49% of British Image Envelopes Ltd. Image Envelopes is therefore now a wholly owned subsidiary. Since the company was previously consolidated as a subsidiary, the impact on earnings for the Group will be negligible.

### Opportunities and Risks

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 [www.bong.com](http://www.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 2011 annual report and the interim report should be read along with those principles. Please refer to Bong's 2011 annual report for a specification of the new amendments, interpretations and standards that took effect 1 January 2012.

The Board of Directors and the Chief Executive Officer declare that the interim report gives a true and fair view of the operations, financial position and results for the company and the consolidated Group and describes material factors of risk and uncertainty facing the company and the companies that are part of the Group.

Malmö 13 July 2012

Mikael Ekdahl  
Chairman of the Board

Eric Joan  
Member of the Board

Stéphane Hamelin  
Member of the Board

Ulrika Eriksson  
Member of the Board

Christian W Jansson  
Member of the Board

Christer Muth  
Member of the Board

Peter Harrysson  
Member of the Board

Anders Davidsson  
President and  
Chief Executive Officer

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

### Presentation of the report

The report will be presented at a teleconference on 13 July at 10:00 a.m. The telephone number for the conference is +46 (0) 8 5052 0110. Slides for the teleconference will be available on our website [www.bong.com](http://www.bong.com) at the time that this report is published.

### For further information, please contact:

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### Scheduled reports:

- Interim Report January – September, 14 November 2012
- Year-end Report 2012 – 14 February 2013
- Interim Report January – March 2013, 22 May 2013
- Interim Report January – June 2013, July 2013
- Interim Report January – September 2013, November 2013

# Interim Report 30 June 2012

## INCOME STATEMENT IN SUMMARY

SEK M

	Apr-Jun 2012 3 months	Apr-Jun 2011 3 months	Jan-Jun 2012 6 months	Jan-Jun 2011 6 months	July 2011 – June 2012 12 months	Jan-Dec 2011 12 months
Revenue	711.7	747.3	1,528.0	1,601.8	3,129.0	3,202.7
Cost of goods sold	-588.0	-612.7	-1,239.7	-1,310.0	-2,543.6	-2,613.9
<b>Gross profit</b>	<b>123.7</b>	<b>134.7</b>	<b>288.3</b>	<b>291.8</b>	<b>585.4</b>	<b>588.8</b>
Selling expenses	-64.9	-66.1	-135.5	-134.6	-285.5	-284.6
Administrative expenses	-55.7	-55.6	-121.0	-120.4	-255.9	-255.3
Other operating income and expenses	-21.8	3.3	-20.1	5.6	-34.3	-8.7
Operating profit	-18.8	16.3	11.8	42.3	9.6	40.1
Net financial items	-17.3	-17.8	-34.5	-31.5	-65.7	-62.7
Result before tax	-36.1	-1.6	-22.7	10.8	-56.1	-22.6
Income tax	9.2	0.0	5.2	-3.8	15.3	6.3
Net result for the year	-26.9	-1.6	-17.5	7.1	-40.9	-16.3
Total comprehensive income attributable to:						
Share holders in Parent Company	-27.3	-1.9	-18.0	6.2	-42.5	-18.2
Non-controlling interests	0.4	0.3	0.5	0.9	1.6	1.9
Basic earnings per share	-1.54	-0.09	-1.00	0.40	-2.34	-1.04
Diluted earnings per share	-1.54	-0.09	-1.00	0.39	-2.34	-1.04
Average number of shares, basic	17,480,995	17,480,995	17,480,995	17,480,995	17,480,995	17,480,995
Average number of shares, diluted	18,727,855	18,727,855	18,727,855	18,727,855	18,727,855	18,727,855

## STATEMENT OF COMPREHENSIVE INCOME

SEK M

	Apr-Jun 2012	Apr-Jun 2011	Jan-Jun 2012	Jan-Jun 2011	July 2011 – June 2012	Jan-Dec 2011
Net result for the year	-26.9	-1.6	-17.5	7.1	-40.9	-16.3
Other comprehensive income						
Cash flow hedges	7.0	-2.2	7.3	0.1	8.7	1.5
Exchange rate differences	-2.2	-12.5	11.3	-5.7	20.8	3.7
Revaluation reserve on acquisitions of shares in subsidiaries	-9.0	28.0	-22.5	14.9	-40.3	-2.9
Income tax relating to components of other	-1.4	4.0	-4.9	1.5	-7.5	-1.1
Other comprehensive income after tax	-5.5	17.3	-8.7	10.8	-18.3	1.2
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>-32.5</b>	<b>15.7</b>	<b>-26.3</b>	<b>17.8</b>	<b>-59.2</b>	<b>-15.1</b>

Total comprehensive income attributable to:

Share holders in Parent Company	-33.1	14.7	-26.8	16.8	-60.7	-17.0
Non-controlling interests	0.6	1.0	0.5	1.0	1.4	1.9

CONSOLIDATED BALANCE SHEETS IN SUMMARY	30 June	30 June	31 Dec
SEK M	2012	2011	2011
Assets			
Intangible assets <sup>1)</sup>	580.3	582.3	586.3
Tangible assets	547.5	618.9	579.2
Financial assets	136.1	131.8	128.1
Inventories	356.7	389.7	329.5
Current receivables	537.4	593.1	592.5
Cash and cash equivalents	56.5	156.8	151.4
<b>Total assets</b>	<b>2,214.5</b>	<b>2,472.6</b>	<b>2,366.9</b>
Equity and liabilities			
Equity <sup>2)</sup>	455.2	531.5	495.9
Non-current liabilities <sup>3)</sup>	961.4	1,106.1	1,029.0
Current liabilities <sup>4)</sup>	797.9	835.0	842.0
<b>Total equity and liabilities</b>	<b>2,214.5</b>	<b>2,472.6</b>	<b>2,366.9</b>
<sup>1)</sup> Of which, goodwill	547.9	549.1	550.6
<sup>2)</sup> Of which, non-controlling interests	0.3	3.1	1.3
<sup>3)</sup> Of which, interest-bearing	897.8	996.7	980.5
<sup>4)</sup> Of which, interest-bearing	117.6	180.9	118.0

CHANGES IN CONSOLIDATED EQUITY, GROUP	Jan-Jun	Jan-Jun	Jan-Dec
SEK M	2012	2011	2011
Opening balance for the period	495.9	531.2	531.2
Dividends paid	-	-17.5	-20.2
Acquisition of minority share	-14.4	-	-
Total comprehensive income	-26.3	17.8	-15.1
<b>Closing balance for the period</b>	<b>455.2</b>	<b>531.5</b>	<b>495.9</b>

#### QUARTERLY DATA, GROUP

SEK M	2/2012	1/2012	4/2011	3/2011	2/2011	1/2011	4/2010	3/2010	2/2010	1/2010	4/2009	3/2009	2/2009
Net Revenue	711.7	816.3	849.7	751.2	747.3	854.4	938.8	417.7	468.4	501.3	512.9	424.5	457.3
Operating expenses	-730.4	-785.7	-866.8	-736.3	-731.1	-828.4	-1,045.1	-426.5	-457.4	-488.1	-482.2	-416.4	-443.9
Operating profit	-18.8	30.6	-17.1	14.9	16.3	26.1	-106.3	-8.8	11.0	13.2	30.7	8.1	13.4
Net financial items	-17.3	-17.2	-17.4	-13.8	-17.8	-13.7	-16.9	-9.2	-8.2	-6.7	-10.2	-8.1	-7.6
<b>Profit before tax</b>	<b>-36.1</b>	<b>13.4</b>	<b>-34.5</b>	<b>1.1</b>	<b>-1.6</b>	<b>12.4</b>	<b>-123.2</b>	<b>-18.0</b>	<b>2.7</b>	<b>6.5</b>	<b>20.4</b>	<b>0.0</b>	<b>5.8</b>

CONSOLIDATED CASH FLOW STATEMENTS SEK M	Apr-Jun 2012	Apr-Jun 2011	Jan-Jun 2012	Jan-Jun 2011	July 2011 – June 2012	Jan-Dec 2011
Operating activities						
Operating profit	-18.8	16.3	11.8	42.2	9.7	40.1
Depreciation, amortisation and impairment	25.6	28.3	50.9	56.7	105.0	110.9
Financial items	-17.3	-17.8	-34.5	-31.5	-65.7	-62.7
Tax paid	-5.5	-12.3	-11.8	-19.9	-25.6	-33.7
Other non-cash items	7.6	-20.9	1.2	-25.7	9.7	-47.2
Cash flow from operating activities before changes in working capital	-8.4	-6.4	17.6	21.8	33.1	7.4
Changes in working capital	-4.3	-13.6	-34.6	37.6	39.4	141.7
Cash flow from operating activities	-12.7	-20.0	-17.0	59.4	72.5	149.1
Cash flow from investing activities	9.5	57.4	-5.7	7.7	-25.4	-12.0
Cash flow after investing activities	-3.2	37.4	-22.7	67.2	47.1	137.1
Cash flow from financing activities	-74.6	-40.0	-72.0	-60.1	-146.4	-134.6
Cash flow for the period	-77.8	-2.6	-94.7	7.0	-99.3	2.5
Cash and cash equivalents at beginning of period	134.5	157.4	151.4	149.4	156.7	149.4
Exchange rate difference in cash and cash equivalents	-0.1	1.9	-0.2	0.3	-0.9	-0.5
Cash and cash equivalents at end of period	56.5	156.7	56.5	156.7	56.5	151.4

KEY RATIOS	Jan-Jun 2012	Jan-Jun 2011	July 2011 – June 2012	Jan-Dec 2011
Operating profit, %	0.8	2.7	0.3	1.3
Profit margin, %	-1.5	0.7	-1.8	-0.7
Return on equity, %	-	-	neg	neg
Return on capital employed, %	-	-	neg	neg
Equity/assets ratio, %	20.6	21.5	20.6	21.0
Gearing ratio, times	2.11	1.92	2.11	1.91
Net loan debt/EBITDA	-	-	8.04	6.3
Capital employed, SEK M	1,470.6	1,709.1	1,470.6	1,594.4
Interest-bearing net loan debt, SEK M	958.8	1,020.8	958.8	947.0
DATA PER SHARE	Jan-Jun 2012	Jan-Jun 2011	July 2011 June 2012	Jan-Dec 2011
Basic earnings per share, SEK	-1.00	0.40	-2.34	-1.04
Diluted earnings per share, SEK <sup>1)</sup>	-1.00	0.39	-2.34	-1.04
Basic equity per share, SEK	26.04	30.41	26.04	28.37
Diluted equity per share, SEK	24.31	28.38	24.31	26.48
Basic number of shares outstanding at end of period	17,480,995	17,480,995	17,480,995	17,480,995
Diluted number of shares outstanding at end of period	18,727,855	18,727,855	18,727,855	18,727,855
Average number of shares, basic	17,480,995	17,480,995	17,480,995	17,480,995
Average number of shares, diluted	18,727,855	18,727,855	18,727,855	18,727,855

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

# Financial overview

KEY RATIOS	2011	2010	2009	2008	2007
Revenue sales, SEK M	3,203	2,326	1,915	1,937	1,991
Operating profit loss, SEK M	40	-91	65	74	60
Profit after tax, SEK M	-16	-97	24	10	16
Cash flow after investing activities, SEK M	137	-277	169	144	1
Operating margin, %	1.3	-3.9	3.4	3.8	3.0
Profit margin, %	-0.7	-5.6	1.4	1.0	0.6
Capital turnover rate, times	1.3	1.2	1.1	1.1	1.1
Return on equity, %	neg	neg	3.6	1.8	2.8
Return on capital employed, %	neg	neg	5.5	5.6	4.9
Equity ratio, %	21	21	36	34	33
Net loan debt, SEK M	947	1,062	589	745	829
Net debt/equity ratio, times	1.91	2.00	0.98	1.18	1.45
Net loan debt/EBITDA, times	6.3	42.7	3.8	4.4	5.4
EBITDA/net financial items, times	2.4	0.6	4.5	3.1	3.2
Average number of employees	2,431	1,540	1,220	1,270	1,346
Data per share					
Number of shares					
Basic number of shares outstanding at end of period	17,480,995	17,480,995	13,128,227	13,128,227	13,128,227
Diluted number of shares outstanding at end of period	18,727,855	18,727,855	13,230,227	13,332,227	13,428,227
Average basic number of shares	17,480,995	14,216,419	13,128,227	13,128,227	13,079,425
Average diluted number of shares	18,727,855	14,528,134	13,230,227	13,332,227	13,379,425
Earnings per share					
Basic, SEK	-1.04	-6.97	1.65	0.80	1.19
Diluted, SEK	-1.04	-6.97	1.63	0.78	1.17
Equity per share					
Basic, SEK	28.37	30.39	45.56	47.91	43.54
Diluted, SEK	26.48	28.37	45.77	48.22	43.98
Cash flow from operating activities per share					
Basic, SEK	8.53	3.01	13.98	15.27	5.15
Diluted, SEK	7.96	2.81	13.87	15.04	5.04
Other data per share					
Dividend, SEK	0.00	1.00	1.00	1.00	1.00
Quoted market price on the balance sheet date, SEK	18	32	21	12	42
P/E ratio, times	neg	neg	13	15	36
Price/book value after dilution, %	63	105	46	25	96
Price/equity after dilution, %	68	113	46	25	96



PARENT COMPANY PROFIT AND LOSS ACCOUNTS IN SUMMARY	Jan-Jun 2012	Jan-Jun 2011
SEK M		
Revenue	17.5	11.4
Gross profit	17.5	11.4
Administrative expenses	-35.9	-32.9
Other operating income and expenses	5.3	8.8
Operating profit/loss	-13.1	-12.7
Net financial items	-6.6	-19.6
Result	-19.7	-32.3
Income tax	0.0	0.0
<b>Net result</b>	<b>-19.7</b>	<b>-32.3</b>

STATEMENT OF COMPREHENSIVE INCOME	Jan-Jun 2012	Jan-Jun 2011
SEK M		
Profit after tax	-19.7	-32.3
Other comprehensive income		
Income and expense recognised directly in equity		
Cash flow hedges	1.3	4.5
Income tax relating to components of other comprehensive income	-0.3	-1.2
Other comprehensive income after tax	1.0	3.3
<b>Total comprehensive income</b>	<b>-18.7</b>	<b>-29.0</b>

PARENT COMPANY BALANCE SHEETS IN SUMMARY	30 Jun 2012	31 Dec 2011
SEK M		
Assets		
Intangible assets	19.2	20.7
Tangible assets	18.3	3.6
Financial assets	1,150.2	1,803.5
Current receivables	941.3	327.6
Cash and cash equivalents	10.4	58.6
<b>Total assets</b>	<b>2,139.4</b>	<b>2,214.0</b>
Equity and liabilities		
Equity	695.5	714.2
Provisions	11.7	11.8
Non-current liabilities	1,095.5	1,171.6
Current liabilities	336.7	316.4
<b>Total equity and liabilities</b>	<b>2,139.4</b>	<b>2,214.0</b>