Annual Report 2013

BONG

Table of contents

2013 in brief

- Net sales amounted to SEK 2,564 million (2,946).
- Operating result was SEK -109 million (15). It was affected negatively mainly by lower sales of envelopes and restructuring costs.
- A decline of 11 per cent of the envelope market in Europe resulted in continued consolidation among manufacturers and capacity adjustments.
- Crucial strengthening of the Group's financial position through a new issue in the summer of 2013, raising SEK 290 million in capital.
- Net debt at year-end was SEK 802 million (1,005) and the equity/assets ratio was 26 per cent (17).
- Three-step action plan launched to reach a rapid and significant improvement in earnings. Expected annual cost savings once fully implemented in 2015 amount to SEK 150–200 million.
- Earnings after tax were SEK -141 million (-55) and were impacted by restructuring charges of SEK -69 million (-57).
- Sales of Propac, that has grown rapidly since the concept was launched in 2005, was SEK 417 million (486).
- Bong acquired a minority stake in the French company MailInside, which developed EAZIP® – an innovative envelope solution for sending out direct mail.

Bong at a glance

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 2.5 billion and about 2,000 employees in 15 countries.

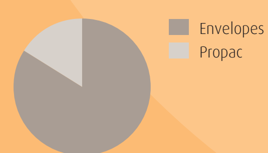
Bong has strong market positions in the majority of key markets in Europe, and the Group sees interesting possibilities for continued expansion and development.

Bong is a public limited company and its shares are listed on NASDAQ OMX Stockholm (Small Cap).

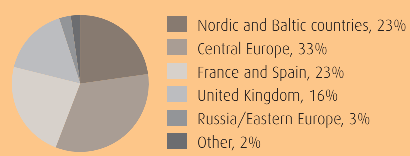
KEY FIGURES	2013	Q4	Q3	Q2	Q1	2012	2011	2010	2009
Net sales, SEK M	2,564	664	595	628	677	2,946	3,203	2,326	1,915
Operating profit/loss, SEK M	–109	–14	-28	–20	–47	15	40	–91	65
Profit/loss after tax, SEK M	–141	–18	–47	–28	–47	–55	–16	–97	24
Cash flow after investing activities, SEK M	–91	14	–19	–70	–16	–38	137	–277	169
Operating margin, %[1]	–4,3	–4.3	–5.0	–5.2	–7.0	0.5	1.3	–3.9	3.4
Number of employees[1]	2,051	2,051	2,076	2,099	2,136	2,271	2,431	1,540	1,220

[1] Year to date.

SIGNIFICANT SALES OF SPECIAL PACKAGING



NET SALES



Foundation laid for **new Bong**

Dear shareholders, customers and other stakeholders,

A company like Bong, which has been in existence for 277 years, experiences long periods of prosperity and expansion, but must also be able to cope with challenging periods and crises. Indeed, 2013 was one of the most challenging years in the company's history in modern times. Growing digitalisation along with the weak economy in Europe put tremendous pressure on the envelope industry. Volumes fell by about 11 per cent compared with 2012, and pressure on prices increased. Already in 2012, demand fell by about 8 per cent, which means that in the last two years alone the market has dropped about 20 per cent.

This has led to an accelerated consolidation on the manufacturing side. Several minor players have gone out of business, while some companies have been taken over by other major players. Capacity is declining at a rapid pace – partly through attrition and partly through adaptation to lower volumes by all major manufacturers. On previous similar occasions, the industry did an inadequate job of keeping up, but the major cutbacks that have been taken in late 2013 and early 2014 should lead to less overcapacity moving forward.

STRONGER FINANCES

The difficult market conditions in 2013 resulted in lower sales and pressure on margins. To address this situation, in spring of 2013 we implemented several new cost-saving measures that resulted in lower fixed costs towards the end of the year. We reviewed our entire cost structure to become more efficient and we dedicated extra time to analysing profitability at the customer and product level in order to understand where we need to make changes.

But above all, we worked to strengthen our financial position during the year. In the third quarter we completed a new issue that raised about SEK 290 million in new equity. We also issued a new convertible loan of SEK 75 million, replacing bank debt with new, long-term credit at our two main banks. The rights issue restored the equity ratio to a good level, is gradually reducing financing costs and provides a solid platform for for the on-going transformation work.

NEW RESTRUCTURING PLAN

After the rights issue we formulated an extensive new restructuring plan to return to profitability. In 2014, all energy will be devoted to implementing the three-step plan: higher cost efficiency (fewer production facilities with higher capacity utilisation), higher margins (rapid improvement or phasing out of unprofitable businesses, primarily in the envelope business) and additional cash contributions (higher inventory turnover and sales of buildings and equipment that are no longer needed). The plan is expected to be fully implemented in late 2015, at which time we expect annual cost savings of SEK 150-200 million. Already in 2014, we aim to reverse earnings to a positive operating result (EBIT) before restructuring costs.

PROPAC

As the restructuring programme takes effect, we will return resources to grow within Propac, our strategic growth area in specialty packaging. We have already built up a base of products and solutions for the growing e-commerce market as well as gift bags for retailers. The product range also includes secure mailings with attractive growth potential. Sales of specialty packaging totalled approximately SEK 420 million in 2013, which is significantly more than the SEK 50 million in sales that we had in 2005 when we began our Propac initiative. The markets for e-commerce packaging, gift packaging and secure mailing is much larger than the market for envelopes, and with the position we have built up in recent years, we have every opportunity to multiply Propac sales over the long term. It will be a challenging but exciting journey for our company.

INNOVATIVE BONG

Bong is a highly international company. Our broad presence in Europe allows us to adopt good ideas in one market and apply them in another. Bong's gift packaging – which we are now further developing – is used by retail trade chains in several countries. In addition, in 2013 we purchased a share of the French company MailInside. Their groundbreaking solution for direct mail has excellent prospects far beyond the French borders. Both products embody the innovation that characterises Bong. You can read more about them in this annual report.

CONFIDENCE

The last few years have been extremely challenging for us, not least in 2013, but we have coped with the crisis and are now aiming for a rapid return to a positive financial performance, after which we will continue to focus on growth. I would like to thank all of the employees within the Bong Group for a job well done during this difficult period. Thanks to your extraordinary efforts, I am convinced that we will handle this transition in an excellent way. I would also like to thank all of our customers and other partners for your continued support and cooperation. Finally, I would like to extend a special thanks to all the old and new shareholders who invested in the rights issue in 2013. It was crucial for the necessary restructuring of the company that has just begun and I promise you that we will do everything in our power to ensure that your investment will be successful.

My vision is that within a few years Bong will have a stronger financial position, a positive net result, a highly efficient and customer-oriented envelope business characterised by high service and quality, as well as a rapidly growing specialty packaging business. The work to turn this vision into reality has already begun.

Kristianstad, March 2014

Anders Davidsson
President and Chief Executive Officer

Turnaround in sight

In 2013 Bong launched a three-step plan to reverse the earnings trend. The first step was taken last year and included a rights issue, which resulted in a decisive improvement in financial position. In 2014 and 2015, measures to improve profitability have top priority. From 2015 onwards, Bong will gradually focus on accelerating growth in specialty packaging (Propac) as well as Russia and Eastern Europe.

STEP 1: IMPROVEMENT OF FINANCIAL POSITION

A good financial position is essential for implementing the changes that lie ahead over the next few years. The Extraordinary General Meeting in July 2013 resolved to increase the Company's capital by issuing new shares at a value of SEK 126 million as well as a convertible loan of about SEK 75 million, which together provided the Company with about SEK 200 million in new capital. The meeting also resolved on set-off issues in which Bong's single largest shareholder, Holdham S.A. and the company's two largest lending banks would settle loans of about SEK 100 million and SEK 50 million, respectively, against new shares.

In connection with these transactions, Bong also entered into a new bank agreement for a long-term solution of a total of SEK 590 million with better terms than previously.

Crucial strengthening

The financing was raised during the third quarter of 2013 and resulted in an increase in equity of a total of SEK 290 million, a reduction in net debt and a significant improvement in the Group's solvency. Along with the long-term banking agreement and the convertible loan, the company now has the financial platform required to improve profitability and create growth in selected areas.

STEP 2: BACK TO PROFITABILITY

Bong intends to quickly achieve an improvement in earnings and a positive cash flow through a combination of higher production efficiency, increased margins, primarily in the envelope business, and asset rationalisation. A new comprehensive restructuring programme within the framework of the two-year plan is expected to result in annual cost-savings of between SEK 150 and 200 million when fully implemented in 2015. Restructuring is expected to cost SEK 150-200 million, most of which will impact 2014. The goal is to achieve an operating profit before restructuring costs by 2014.

Higher production efficiency

The envelope industry in Western Europe is fiercely competitive. Low production costs are crucial for competitiveness.

Since the acquisition of Hamelin's envelope division in 2010 Bong has implemented a number of structural measures aimed at coordinating the Group's production units and adapting capacity to the lower demand for envelopes. About 500 people have left the Group since the end of 2010 as a result of factory closures and staff layoffs.

As part of the two-year plan, Bong is now once again conducting a review of the facilities structure to further reduce production costs.

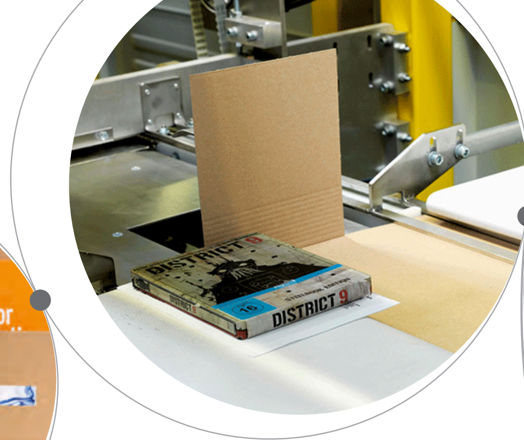
Higher margins in the envelope business

Bong's customer base consists of a large number of customers of varying size. The large number of customers entails significant complexity in production, warehousing, distribution and sales. Businesses that do not meet Bong's requirements for profitability will be phased out.

Asset rationalisation

Bong probably has the widest range on the European envelope market. A relatively small number of items accounts for a large share of sales. Bong is exploring ways to limit the standard range, produce in shorter series and keep fewer items in stock.

Disposal of redundant assets such as machinery and real estate, as well as higher inventory turnover, are expected to strengthen cash flow by SEK 50-100 million in 2014 and 2015.



STEP 3: ACCELERATED GROWTH

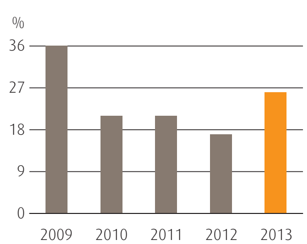
Propac

Bong's specialty packaging operation Propac has sales of about SEK 420 million and includes packaging for retail trade, security solutions and e-commerce solutions. During the first half of 2014 Bong is conducting a strategic review of the various elements within Propac to adjust the product offering and determine which areas Bong will focus on in the future.

Envelopes in Eastern Europe

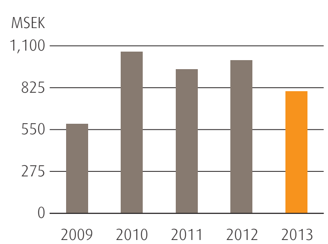
Bong has a presence in Poland and Russia and intends to use them as a base to grow into new markets in Eastern Europe in 2014-2015. These markets are undergoing higher growth than in Western Europe.

EQUITY RATIO



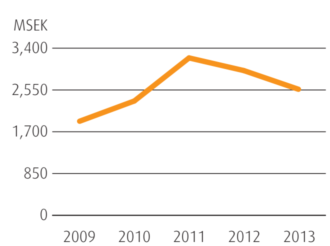
The rights issue in 2013 strengthened the financial position.

NET DEBT



Net debt increased in 2010 due to the acquisition of Hamelin's envelope division, but is now greatly reduced.

NET SALES



Bong's initiatives in the envelope markets in Russia and Eastern Europe, as well as specialty packaging, have offset weak demand for envelopes in Western Europe.

Bong’s solutions **affect**

Bong’s solutions play a unique role in an increasingly digitised world.

ALWAYS CONNECTED

We are all part of a global nervous system. Using new technologies, we can reach each other anywhere, anytime. Methods in the digital world are becoming increasingly sophisticated. But human needs remain unchanged.

ENVELOPES AND PACKAGING ARE UNIQUE

Envelopes and packaging serve as an interface that has the unique ability to appeal to our senses. They create expectations and experiences, forming spaces and meeting points that unite and affect.

BONG INNOVATES AND ENRICHES

Bong develops envelopes and packages that add their specific values to a constantly communicating world. The high pace of change characterises Bong’s offering, constantly supplying solutions for new applications in varying designs and materials.

A PLEASURE TO GIVE AND RECEIVE

Bong recognised early on the need for flexible and elegant packaging solutions in retail trade and developed an expandable gift box. Customers, who include international clothing store chains, demand gift packaging that will be quick and simple to use for store staff at the same time that they are attractive for the end customer.

A two-in-one solution

In order to meet the competition and expand the offering, in 2013 Bong developed a completely new product that combines the quality of the previous gift packaging with a brand new function: The customer can choose whether the packaging will be a gift bag or a gift box. In addition to the traditional gift bag, Bong can now offer a flexible package that adapts to the needs of the moment in just seconds.

With a few simple folds and quick peel-and-seal closure, the new solution carries on the functional and customised tradition that characterises the earlier gift packaging and the rest of Bong’s line of products.

Bong has had the design protected and is currently seeking a patent for this unique solution, which will be a valuable addition to the market.

When shopping is **"seamless"**

Omni-channel (or seamless shopping) means that customers can freely move between all channels and get the same service and offering in-store and online, regardless of platform. According to a survey conducted by the US consultancy Accenture in the autumn of 2013, consumers increasingly expect a unified shopping experience combining the online and in-store experience.

...BONG'S PACKAGING AND ENVELOPES HAVE A NATURAL ROLE

To meet customer expectations, retail trade must structure electronic and physical channels that interact in a total, cohesive relationship with the customer where the brand experience is the same, regardless of interface. In a world that combines all channels and modes of expression, envelopes and packages play a natural and integral role as a unique, physical intermediary of emotions and thoughts.

Bong benefits from **growth**

E-commerce continues to grow in Europe. Goods and services with a value of EUR 312 billion were purchased online in 2012, up 19 per cent from 2011, according to the European trade association ECommerce Europe. E-commerce between companies and consumers now accounts for about five per cent of total retail sales in Europe.

...WHEN E-COMMERCE CROSSES THE BORDER

The rapid growth will continue, not least because commerce between countries is expected to grow substantially. Of the 465,000 retail businesses in the 17 largest EU countries, half are engaged in e-commerce. Just under 20 per cent of their e-commerce involves cross-border sales. E-commerce is expected to rise significantly as this share grows. With its solutions for e-commerce businesses throughout Europe, Bong has excellent prospects to take advantage of the continued growth in the market.

Broad and cutting edge offering



Bong constantly revamps its offering – in both envelopes and specialty packaging. A new type of envelope for direct mail is renewing the industry and Bong has taken a leadership position in this area by becoming a stakeholder in the French MailInside.

ENVELOPES

Bong manufactures and sells envelopes in all shapes and sizes. From standard envelopes to customised solutions with unique properties, with and without overprint, with different kinds of sealing solutions and in many different materials, colours and sizes.

The number of designs is essentially infinite. Most envelopes are used to send transaction-related mail and direct marketing (DM).

Transaction-related mail

A large amount of information is sent electronically today, but for certain types of mail, such as bills, statements, notices, payslips and contracts, many people prefer physical letters. Studies show that physical mail has a unique ability to inspire confidence in the recipient.

Direct marketing

Over 30 per cent of the total letter volume in Northern and Western Europe consists of envelopes for DM. Addressed DM is gaining in popularity for many businesses. One reason is that it is easier to adapt direct mailshots to the target audience than ads on TV, radio, online and in the press. There are many ways to personalise an envelope through its design, size, paper quality, location of the window, sealing and other measures.

In 2013 Bong became a partner in the French company MailInside, which developed the innovative envelope solution EAZIP®, where the message is integrated with the envelope. The solution is attractive, innovative, eliminates enveloping and lowers postage costs through its clever lightweight design.

SPECIALTY PACKAGING

The standard range sold by all business units in the Group includes padded and expandable bags in various materials and designs, corrugated board and cardboard, folders, pockets and tubes. Bong appeals to the special needs of the retail, e-commerce and security market segments with solutions sold by a dedicated sales team in the Bong Packaging Solutions business unit.

Gift packaging for retail trade

The battle for attention and the consumer's wallet is getting tougher. Service is an important competitive tool and it includes packaging concepts. Bong gift packaging reduces time and storage space in the store and is an elegant addition to the gift table and under the Christmas tree.

The challenge for many large retail chains is to serve customers efficiently, while maintaining a high level of service. Bong's lightweight, expandable and attractive gift packaging comes in smart boxes that fit right under the checkout counter. The sales clerk can either hand the packaging directly to the customer, or in just a matter of seconds unwrap it, place the item in it and hand it to the customer.

Packaging for e-commerce

E-commerce is growing at double-digit rates throughout Europe. More and more consumers prefer to get their goods delivered to the door, which means that more products must be packed and sent by post or courier. Transports place high demands on packaging. Packages have to tolerate being bumped around and remain convenient to pack. Our packaging materials and packaging help e-commerce companies to keep costs down since they preserve the goods in the same condition as when they were packed. Costly returns are avoided.

The rapidly expanding e-commerce sector has led to growing demand for packaging and distribution services, as well as to the emergence of an entire industry with this specialty, known as fulfilment. For the past few years, Bong has offered these companies not only packaging, but also machines that package objects of varying types using a technique that seals the packaging of various materials without the addition of heat, known as cold seal packaging.

Security packaging

When sending something valuable, people often choose to send it by post or courier service, securely wrapped and packaged. For lawyers, accountants, hospitals, government agencies, banks and financial companies, many letters and parcels are private and confidential. With our range of security packaging, these customers feel secure.

Bong offers security-coded packaging and packaging that indicates whether anyone has made any unauthorised attempts to open them.

Markets **with opportunities**

The envelope market in Europe is mature and consolidation of the industry continued in 2013. Bong continues to expand in the specialty packaging market, which offers good opportunities for growth.

ENVELOPE MARKET

With envelope sales of about SEK 2 100 million, Bong is one of the two leading envelope manufacturers in Europe. The European envelope market is estimated at about 75 billion units with a value of about SEK 12-13 billion at the producer level.

HIGH CONSUMPTION IN THE WEST

Consumption in Scandinavia, as well as in Western and Northern Europe, remains high at 200-300 envelopes per person per year. The largest markets are Germany, the UK and France.

Businesses account for more than 95 per cent of envelope use in Western Europe. Bong's clients include companies in telecommunications, banking, insurance, finance, energy and water, with millions of customers. Every day agreements, payslips and pension statements, invoices and confirmations of transactions are sent by letter. Bong delivers envelopes directly to end customers, as well as to wholesalers and office supply stores.

Demand for envelopes has dropped by about 25 per cent over the past five years due to lower economic activity in the wake of the financial crisis. In addition, electronic substitution - e-mail replacing physical mail - contributes to the trend of declining demand.

CONSOLIDATION CONTINUES

Weak growth in demand spurred the ongoing consolidation of the envelope market in Western Europe in 2013. In Germany the Mayer Group took over Papyrus envelope manufacturing and Hanse Kuvert went bankrupt, as did a few other small and medium-sized manufacturers in Spain, the UK and Italy. In Spain, Antalis closed its envelope factory. All key players in Europe are working on adjusting costs and capacity.

BONG IS ONE OF THE LEADING MANUFACTURERS IN EUROPE

With a market share of about 20 per cent, Bong, alongside Mayer, is the largest manufacturer in Europe. Spanish Printeos, formerly Tompla, is the third largest manufacturer in Europe with over 10 per cent of the market.

Bong is clearly the leader in the Nordic countries and Russia. In France, England and Germany, Bong is among the two or three top manufacturers. Printeos is the leading manufacturer in Spain.

RISING CONSUMPTION IN THE EAST

Consumption in Eastern European markets is between 20 and 70 envelopes per person per year, depending on the country, with an annual growth rate of 5-10 per cent. The Eastern European economies are growing from low levels, but faster than in the West. In these countries where cash payment previously dominated, consumer credit and transaction mail are becoming increasingly common, and many of these countries have chosen to modernise their postal services. Electronic media are not as widespread as in the West, which means that e-mail does not replace physical mail to the same extent.

MARKET FOR PROPAC

Since 2005, Bong has purposefully and consistently broadened its offering to include specialty packaging for various purposes. The Propac range includes both standard packaging and customised packaging.

The market for Bong's specialty packaging is much larger than the envelope market. It is significantly more fragmented and statistics for the niches where Bong is active are lacking or difficult to obtain. Bong's assessment is that demand for packaging used in e-commerce, mail order and retail has strong growth potential over an extended time horizon. In 2013, however, the weak European economy also affected demand for Propac.

Focus on **employees and the environment**

Bong's assortment of envelopes and packaging made of Tyvek® was recertified in May, 2013. Certification provides Bong with the right to label products with the Carbon Trust's Carbon Reduction Label.

Bong strives to reduce carbon emissions

BONG CARES ABOUT THE CLIMATE

Bong made a commitment to reduce carbon emissions attributable to the labelled products for two years after the first certification in 2011. It was the first certification of its kind of such products in Europe and is still the only one.

Green and eco-friendly

Recertification means that the products have undergone the independent and rigorous testing by the Carbon Trust to see whether their footprint has been reduced. The footprint is the sum of all greenhouse gases emitted during the product life cycle, not just carbon dioxide.

Certification provides Bong's customers with a reliable basis for decisions when assessing the climate impact of post and packaging solutions made of Tyvek®.

Tyvek® - a unique material

Tyvek® is durable. It cannot be torn apart, it does not crack and it is water repellent. The material consists of a network of fibres of 100 per cent high-density flashspun polyethylene. It is soft like fabric and has a shiny, paper-like surface.

Carbon Trust certification

The Carbon Trust offers organisations comprehensive solutions for certification and verification of their products' footprint. Certification entails an independent verification in accordance with PAS 2050, and the following regulations: WRI for Product Carbon Footprinting, the Carbon Trust's Footprint Expert™ and the Carbon Trust Code of Good Practice for Product Greenhouse Gas Emissions and Reduction Claims. Carbon Trust Certification is accredited by the United Kingdom Accreditation Service (UKAS).

Bong and the agreement with DuPont

In April 2013, Bong renewed its agreement with DuPont™ from 2009, which gives Bong the exclusive right to manufacture, sell and market envelopes and packaging made of Tyvek® within Europe. Tyvek® was developed by DuPont™ and is manufactured by DuPont de Nemours in Luxembourg.

All employees will have a safe and healthy work environment

EMPLOYEES

Motivated, skilled and healthy employees are a crucial competitive factor on Bong's markets. Bong strives to create a sustainable work environment that attracts, motivates and develops our employees.

EMPLOYEE POLICY

- Bong is mindful of good relations with employees in the Group, based on mutual respect.
- No form of forced labour or child labour is permitted within the Bong Group. The minimum hiring age is the age after completion of compulsory schooling.
- Bong offers equal opportunities for all employees without regard for race, colour, gender, nationality, religion, ethnic affiliation or other characteristics.
- All employees shall be provided with a safe and healthy work environment.
- In all companies in the Group, the employees shall be entitled to form or join a trade union in compliance with local laws or principles.

BONG'S PERSONNEL POLICY IN PRACTICE

Bong is a modern company with short and informal decision-making pathways. Communication 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. Throughout the Group small bonus programmes are offered 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.

BONG'S CODE OF CONDUCT

Bong has adopted a code of conduct that lays down the fundamental principles by which the company strives to do business:

- Bong complies with statutory requirements in each country where the Group carries on operations.
- Bong abides by the UN's Universal Declaration of Human Rights.
- Bong's business activities will be conducted with integrity and ethics.
- Bong is open to, and wishes to be effective in, dialogues with our stakeholders.
- Bong strives to inspire those who are affected by the company's operations to work in the spirit of the code of conduct.

BONG DENOUNCES THE PRACTICE OF BRIBERY

Bong expects its employees to handle all business partners in a businesslike manner, correctly and respectfully. Corruption, bribery or anti-competitive practices disrupt markets and jeopardise social and democratic development. Bong denounces such practices.

- Bong will behave correctly in all business-related situations.
- Bong will comply with existing competition legislation.
- Bong does not offer or give bribes, nor does it accept bribes to maintain or obtain new business relations.

Five-year summary

Key figures	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/loss 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 loan debt/equity, 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
Number of shares					
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 number of shares	63,873,865	17,480,995	17,480,995	14,216,419	13,128,227
Average number of shares, diluted	73,796,014	18,727,855	18,727,855	14,528,134	13,230,227
Earnings per share					
Before dilution, SEK	–2.20	–3.20	–1.04	–6.97	1.65
After dilution, SEK	–2.20	–3.20	–1.04	–6.97	1.63
Equity per share					
Before dilution, SEK	3.33	21.25	28.37	30.39	45.56
After dilution, SEK	3.06	20.50	26.48	28.37	45.77
Cash flow from operating activities per share					
Before dilution, SEK	–0.40	–0.10	8.53	3.01	13.98
After dilution, SEK	–0.34	–0.09	7.96	2.81	13.87
Other data per share					
Dividend, SEK	0.00[1]	0.00	0.00	1.00	1.00
Quoted market price on balance day, SEK	1.5	9.7	17.9	32.0	21.0
P/E-ratio, times	neg	neg	neg	neg	13
Price/Equity before dilution, %	45	45	63	105	46
Price/Equity after dilution, %	49	47	68	113	46

[1] The Board's proposal.

The share

Bong's shares are listed on the NASDAQ OMX Stockholm Small Cap list. At the end of 2013, the number of shares in Bong AB was 156,659,604. Full conversion of the convertible bond loan with a nominal value of SEK 75 million will add 27,272,727 new shares in the Company.

SHARE PERFORMANCE AND TRADING

The Bong share fell 72.4 per cent in 2013. The highest price paid, SEK 5.97, was recorded on 13 February 2013. The lowest price paid, SEK 1.32, was recorded on 16 December 2013.

OMX Stockholm PI (an index for all listed shares on the Stockholm Stock Exchange) increased by 20.5 per cent in 2013. OMX Stockholm Small Cap PI, an index that measures the price performance of companies whose size is comparable with Bong, rose by 39.0 per cent. In 2013 Bong shares traded corresponded with 28.6 per cent of the average value of outstanding share capital as of closing day 2013.

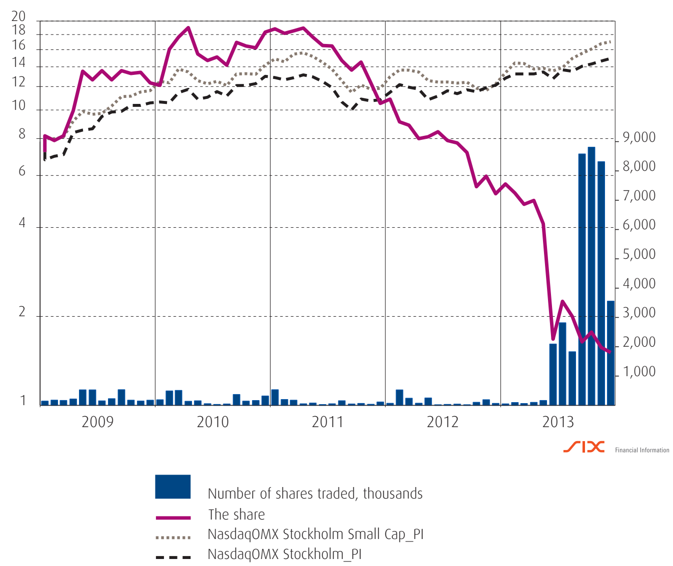
SHAREHOLDERS

The number of shareholders as at 31 December 2013 was 1,668. Holdham S.A. is Bong's largest shareholder with 33.7 per cent of votes and capital. Melker Schörling via Melker Schörling AB was the second largest shareholder with 12.2 per cent of votes and capital. In February 2014 Paulsson Advisory AB acquired all Melker Schörling AB's shares in Bong. Group management holds 1,467,377 shares, corresponding with barely 1 per cent of the total number of outstanding shares in Bong.

CONVERTIBLE DEBENTURES

Bong issued convertible debentures with a total nominal value of SEK 75 million to institutional and qualified investors. The convertible debentures mature in 2018 and can be converted into 27,272,727 new shares in Bong.

BONG'S SHARE PERFORMANCE 2009–2013



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 2013 – 31 December 2013 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 2.5 billion and about 2,000 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 rapidly declined in 2013. Electronic substitution and the weak economy in Europe had a negative impact on demand. According to trade association FEPE, volumes dropped by about 11 per cent in 2013 compared to 2012. In Russia, the envelope market weakened especially during the second half year because of a slowdown in the economy and greater savings requirements for public authorities and companies.

At the same time, consolidation and capacity adjustment in the industry continued. Papyrus sold its envelope manufacturing operation in Germany to Mayer during the second quarter. The factory has now closed and production has moved to other manufacturing units in the Mayer Group. Papyrus' share of the German market before the sale to Mayer is estimated at 7-8 per cent. In addition, in late 2013 Hamburg-based Hanse Kuvert, with a market share in Germany of about 5 per cent, announced that it had declared bankruptcy and production would cease. Moreover, a few small and medium-sized manufacturers in Spain, England and Italy have discontinued operations during the year. In early 2014 Spanish Printeos (formerly Tompla) announced that it had sold its British business, with sales of more than GBP 10 million, to Encore, the largest independent envelope company in the UK. In addition to these structural changes, all key players in Europe are working on adjusting costs and capacity.

The specialty packaging market, where Bong is active with its Propac range, is much bigger than the envelope market. The market is also much more fragmented. 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. In the short run, however, the weak economy also impacts demand for Propac.

SALES AND EARNINGS

Consolidated sales for the period reached SEK 2,563 million (2,946). The main reason for the drop in sales is the downturn in the envelope market, which resulted in both lower volumes and pricing pressures and had a negative impact on Bong's gross earnings. In addition, exchange rate fluctuations had an impact on sales of SEK -42 million during the period compared with 2012.

Bong's total Propac sales amounted to SEK 417 million (486). Sales are lower compared with 2012 mainly because Bong chose to phase out certain unprofitable dealerships, as well as the decline in the sales of gift bags due to lower activity in the retail sector. Sales of Christmas gift bags were clearly lower than 2012 and other kinds of orders were postponed to the first quarter of 2014. Exchange rate fluctuations also had an impact on Propac sales of SEK -7 million compared with the corresponding period in 2012.

Operating result was SEK -109 million (15), including costs of SEK -69 million (-57) for a restructuring programme launched partly in spring 2013 and partly during the fourth quarter 2013. The structural measures adopted from the spring of 2013 proceeded according to plan and achieved full impact in the fourth quarter of 2013. The extensive new restructuring programme launched during the fourth quarter of 2013 is expected to have an impact mainly during the second half of 2014.

After valuation of goodwill it was decided during the year to write off SEK 15 million, partly as a result of restructuring of the British corporate structure and partly as a result of annual impairment testing of consolidated goodwill in the balance sheet.

During the corresponding period in 2012 a building in France was sold with capital gains of SEK 17 million.

Net financial items during the quarter totalled SEK -67 million (-71), earnings before tax were SEK -176 million (-56) and reported earnings after tax were SEK -141 million (-55). Tax expense for the period was affected by approximately SEK -15 million because Holdham's ownership interest in Bong AB after the issue rose to 33.7 per cent, which according to German tax law reduced Bong's loss carryforwards in Germany accordingly.

NEW ACTION PLAN FOR RAPID AND SIGNIFICANT IMPROVEMENT IN PERFORMANCE

In 2013, Bong's main focus has been on strengthening its financial position. The Company has successfully achieved this objective through the rights issue, a new long-term banking agreement and a new five-year convertible loan. With this stronger financial position the Company is now better equipped to implement the changes necessary to improve profitability and create growth in selected areas, such as special packaging. Financial items are also expected to improve by SEK 15 million a year as a result of the lower debt.

In 2014 and 2015 the top priority will be to reverse the Company's performance back to profitability. From 2015 onwards, the focus will gradually shift to accelerating growth within the Group's two strategic growth areas of specialty packaging (Propac), and Russia and Eastern Europe.

To return to profitability as soon as possible Bong has formulated a new action plan to achieve a rapid and significant improvement in performance in 2014 and 2015.

The plan has three main components:

- Reduce expenses/production capacity and improve margins, especially in the envelope division
- Strengthen cash flow by increasing inventory turnover and disposing of assets that become redundant, such as real estate and machinery
- Conduct a strategic review of the different parts of Bong's specialty packaging (Propac) in order to make informed decisions on adjustments to the product offering and determine which parts Bong will primarily invest in for the future

Overall, the savings measures will result in lower fixed costs of SEK 150-200 million on an annual basis. Non-recurring restructuring costs to achieve these savings are expected to reach SEK 150-200 million. Most of the costs are expected to be incurred in 2014, but measures launched in December 2013 were carried as an expense in December.

The goal is to achieve an operating profit (EBIT) before restructuring costs in 2014.

CASH FLOW

Cash flow after investing activities for the period January-December was SEK -91 million (-37). Payments for the ongoing restructuring programme had a negative impact on cash flow for the year of SEK -66 million (-55). Investments and acquisitions affected cash flow with a net of SEK -28 million (-36).

FINANCIAL POSITION

Cash and cash equivalents at 31 December 2013 amounted to SEK 82 million (SEK 112 million at 31 December 2012). The Group had unutilised credit facilities of SEK 60 million on the same date. Total available cash and cash equivalents amounted to SEK 142 million.

The successfully completed rights issue in the third quarter of 2013 decisively strengthened the Group's financial position. Equity increased, net interest-bearing debt decreased and the equity ratio significantly improved as a result.

Consolidated equity at 31 December 2013 was SEK 522 million (SEK 372 million at 31 December 2012). 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 7 million.

Interest-bearing net loan debt declined by SEK 203 million to SEK 802 million (SEK 1 005 million at 31 December 2012) during the period. Translation of net loans in foreign currency to Swedish krona increased the Group's net loan debt by SEK 3 million.

RIGHTS ISSUE

The Extraordinary General Meeting on 17 July 2013 resolved to increase the Company's capital by issuing new shares at a value of about SEK 126 million as well as the issuance of a five-year convertible loan of SEK 75 million, which together would provide the Company with about SEK 200 million in new capital. The meeting also resolved on set-off issues in which Bong's single largest shareholder, Holdham, would settle shareholder loans of about SEK 100 million against new shares in Bong, and the company's two largest lending banks would settle loans of SEK 50 million against new shares.

The above issues were completed during the third quarter and had a positive impact on equity of SEK 290 million as follows:

- Rights issue SEK +126 million
- Set-off issues (Holdham and banks) SEK +150 million
- Convertible loans SEK +14 million

Issue expenses amounted to a total of SEK 16 million, which has had a negative effect on equity during the third quarter. As a result of the issues, the total number of shares increased to 156,659,604 (183,932,331 after full conversion of the convertible loan).

Consolidated share capital increased by SEK 60 million from SEK 175 million to 235 million. Nominal value per share changed from SEK 10 to SEK 1.50.

BANK FINANCING

Bong reached an agreement in connection with the rights issue on bank financing with its two largest banks. The financing consists of a three-year facility of SEK 350 million, and two five-year facilities totalling SEK 140 and SEK 100 million, respectively.

CAPITAL EXPENDITURE

Investing activities and acquisitions during the period had a net impact on cash flow of SEK -28 million (-36), of which SEK -6 million relates to payment for acquisitions reported in previous years and SEK -22 million relates to other net investments. The net investments include an investment in production equipment and a new business system for the Group. Also included were the sale of machinery and other production equipment, which had a positive impact on cash flow of SEK 19 million.

EVENTS AFTER THE END OF THE FINANCIAL YEAR

In February 2014 Melker Schörling AB sold its 12.2 per cent stake in Bong AB to Paulsson Advisory AB. Paulsson Advisory AB is thus the second largest shareholder in Bong AB.

EMPLOYEES

The average number of employees during the period was 2,051 (2,271). The number of employees at 31 December 2013 was 1,961 (2,218). Bong continually works on improving productivity and adjusting staffing to meet current demand and the reduction is the result of the implemented restructuring programme.

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 Solingen 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, Kaavi 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 certain Group management functions. During the year the Parent Company's employees, except the CEO, and assets, were transferred to the wholly owned subsidiary Bong International AB. Sales were SEK 21 million (38) and earnings before tax were SEK -28 million (3).

Investments for the period amounted to SEK 6 million (7). 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 60 million (209).

BOARD'S PROPOSED 2014 GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES

The Board of Directors of Bong AB (publ) proposes that the 2014 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 and CEO, Chief Financial Officer (CFO), Business Area Manager Nordic Region, 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. 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, 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 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.

SUPPLEMENTARY INFORMATION TO THE BOARD OF DIRECTORS' PROPOSAL

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 34 per cent of the votes and capital, and Paulsson Advisory AB with about 12 per cent of the votes and capital. Nordea AB and FR & R Invest AB each own about 7 per cent of the votes and capital in the company. The total number of ordinary shares was 156,659,604 on 31 December 2013. 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 Bongs 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 a minimum of four and a maximum of 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.

Administrative mailings as a whole has already declined with respect to account statements, order confirmations, etc. as part of digitisation and internet penetration. Other parts of 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. Several 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 60 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 4 per cent of annual sales, and the 25 biggest customers account for 33 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 200 envelope machines and 130 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 2013 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%	26 +/-
Volume	+/- 1%	13 +/-
Paper prices	+/- 1%	13 +/-
Payroll costs	+/- 1%	7 +/-
Interest level borrowing	+/- 1%-point	7 +/-

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 PRINCIPLES

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 NASDAQ OMX Stockholm in the Small Cap segment. Bong has around 1,700 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 and 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 2013

OWNER INFLUENCE

Governance of Bong is exercised via the General Meeting of Shareholders, the Board of Directors and the President and CEO. 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 President and CEO from liability. The AGM also elects Bong's auditors.

About 28 shareholders, representing 78 per cent of the total number of shares and votes in the company, participated in Bong's Annual General Meeting on 22 May 2013 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 Shareholders, page 11.

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 2013 AGM, 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 Stéphane Hamelin. The statutory meeting of the Board of Directors was on 22 May 2013. The other members of the Board are Mikael Ekdahl (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 Board of Directors chairman Mikael Ekdahl received a fee of SEK 100,000 (300,000) for his time as Chairman of the Board of Directors and Stéphane Hamelin received SEK 200,000 for his time as Chairman of the Board of Directors since the 2013 Annual General Meeting. Mikael Ekdahl also received remuneration for serving as chairman of the audit committee SEK 100,000 (100,000). 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 2013 AGM, can be found in Note 4.

BOARD MEMBERS ELECTED BY THE AGM

Stéphane Hamelin (b. 1961).
Member since 2010 and Chairman of the Board since 22 May 2013.
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): 52 850 282 shares

Mikael Ekdahl (b. 1951)
Member since 2001 and Chairman of the Board. 2003-22 May 2013.
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 and Absolent AB. Deputy Chairman of Melker Schörling AB.
Terminated board appointments/partnerships over the past five years: EM Holding AB and AarhusKarlshamn AB
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): 100,000 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: 468,377 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, Enzymatica AB and Vivoline Medical AB, as well as board member of KappAhl AB, Europris AS, 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

Eric Joan (b. 1964).
Board member since 2010.
Graduate of École 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 and CEO. There are instructions regarding information to be furnished regularly to the Board of Directors. During financial year 2013, the Board of Directors held eleven meetings in addition to the statutory meeting. The President and 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 2013 include:
13 February Year-end report and progress report from auditors
8 May Financing
22 May Q1 2013 interim report and statutory board meeting after the 2013 AGM
16 June Financing
12 July Q2 2013 interim report
15 July Financing
20 August Financing
4 September Financing
12 September Visit to subsidiary
20 November Q3 2013 interim report
14 December Budget 2014

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 2013

	Independent of company[1]	Independent of major shareholders[1]	Attendance at Board meetings
Stéphane Hamelin	Yes	No	10
Mikael Ekdahl	Yes	No	11
Ulrika Eriksson	Yes	Yes	11
Anders Davidsson	No	No	11
Christian W Jansson	Yes	Yes	11
Eric Joan	Yes	No	9

[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 Annual General Meeting appoints 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 Committe elected by the 2013 AGM consisted of four members: Mikael Ekdahl (Melker Schörling AB), Chairman, Stéphane Hamelin (Holdham S.A.), Peter Edwall (Ponderus Securities AB) and Erik Sjöström (Skandia). Since Bong's principal shareholders at the time (Melker Schörling AB and Holdham S.A.), represented about 45 per cent of votes, it was only natural that they were represented on the Nomination Committee. Furthermore, said shareholders considered it to be natural that a representative from one of the largest shareholders in terms of votes should serve as Chairman of the Nomination Committee. The Nomination Committee has dealt with the issues that follow from the Code. The Nomination Committee has had two formal meetings with regular contact in between.

Ulf Hedlundh (Svolder AB) and Christian Paulsson (Paulsson Advisory AB) were appointed to the Nomination Committee in conjunction with Melker Schörling ABs divestment of its shares in Bong AB to Paulsson Advisory AB. The Nomination Committee thus consists of Christian Paulsson (Paulsson Advisory AB), Ulf Hedlundh (Svolder AB) and Stéphane Hamelin Holdham S.A.). Stéphane Hamelin has been appointed Chairman of the Nomination Committee.

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 three occasions in 2013 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 45 per cent of votes it is only natural that one of them is represented on the 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 2013 at which both members participated at two meetings.

EXTERNAL AUDITORS

Bong's auditors are elected by the AGM for a term of one year. The 2013 AGM elected accounting firm PricewaterhouseCoopers AB, with authorised auditor Eric Salander as principal auditor, and authorised auditor Christer Olausson as co-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 and report to the Audit Committee at each of its meetings.

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 2013, Bong's Group Management consisted of 6 people, including one woman. 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 mainly consist of members of Bong's corporate management and the Parent Company's board of Directors.

REMUNERATION TO GROUP MANAGEMENT

The 2013 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 739,522,181, 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 2013. No dividend was paid for 2012.

Consolidated income statements

INCOME STATEMENT

SEK THOUSAND	Note	2013	2012
Revenue	2	2,563,516	2,945,931
Cost of goods sold	3–4, 6, 8	–2,118,712	–2,399,585
Gross profit		444,804	546,346
Selling expenses	3–4, 6, 8	–262,147	–264,756
Administrative expenses	3–6, 8	–224,902	–238,661
Other operating income	7, 12	30,577	30,529
Other operating expenses	7, 12	–97,461	–58,218
Share in profit in associated companies	19	–358	–399
Operating profit/loss		–109,487	14,841
Financial income	9, 12	4,312	4,843
Financial expenses	10, 12	–71,007	–76,100
Total financial income and expenses		–66,695	–71,257
Result before tax		–176,182	–56,416
Income tax	11	35,539	1,119
NET RESULT FOR THE YEAR		**–140,643**	**–55,297**
Attributable to:			
Parent Company's shareholders		–140,643	–55,995
Non-controlling interests		–	698
Earnings per share attributable to Parent Company's shareholders			
– basic, SEK	13	–2,20	–3.20
– diluted, SEK	13	–2,20	–3.20

STATEMENT OF COMPREHENSIVE INCOME

SEK THOUSAND	2013	2012
Net result for the year	–140,643	–55,297
Other comprehensive income		
Items not to be recognised in the income statement		
Actuarial profit on post-employment benefit obligations	15,182	5,379
	15,182	**5,379**
Items that may subsequently be recognised in the income statement		
Cash flow hedges	2,555	2,058
Hedging of net investments	–24,248	36,482
Exchange rate differences	21,867	–50,587
Income tax relating to components of other comprehensive income	4,039	–9,837
Other comprehensive income after tax	19,395	–16,505
TOTAL COMPREHENSIVE INCOME	**–121,248**	**–71,802**
Attributable to:		
Parent Company's shareholders	–121,248	72,500
Non-controlling interests	–	698

Consolidated balance sheet

SEK THOUSAND	Note	31 Dec. 2013	31 Dec. 2012
ASSETS			
Non-current assets			
Intangible assets			
Goodwill	14	533,215	539,750
Other intangible assets	15	43,204	36,355
Total		576,419	576,105
Tangible assets			
Property, plant and equipment	16	189,901	198,556
Plant and machinery	16–17	194,480	248,896
Equipment, tools, fixtures, and fittings	16	39,596	35,453
Construction in progress	18	21,454	28,493
Total		445,431	511,398
Financial assets			
Interests in associated companies	19	354	713
Interests in other companies	20	3,215	1,000
Deferred tax assets	21	185,711	140,314
Other non-current receivables		4,249	5,489
Total		193,529	147,516
Total non-current assets		1,215,379	1,235,019
Current assets			
Inventories etc.			
Raw materials and consumables		93,548	109,834
Products in progress		6,798	11,181
Finished products and merchandise		163,564	190,947
Total	22	263,910	311,962
Current receivables			
Trade receivables	23	398,147	417,126
Current tax asset		18,295	15,379
Other current receivables	24	11,637	16,913
Deferred expenses and accrued income		40,455	41,959
Total		468,534	491,377
Cash and cash equivalents		81,648	112,250
Total current assets		814,092	915,589
TOTAL ASSETS		**2,029,471**	**2,150,608**

SEK THOUSAND	Note	31 Dec. 2013	31 Dec. 2012
EQUITY AND LIABILITIES			
Equity			
Share capital	32	234,989	174,810
Other contributed capital		705,039	475,953
Reserves	31	–55,030	–62,260
Retained earnings including net result for the year		–349,428	–204,961
Equity attributable to equity holders of the Parent		535,570	383,542
Non-controlling interests		13,770	–12,042
Total equity		521,800	371,500
Non-current liabilities			
Borrowings	25	510,505	738,029
Deferred tax liabilities	21	30,118	23,455
Pension obligations	27	185,902	209,632
Other provisions	26	6,179	–
Other non-current liabilities		4,916	3,396
Total non-current liabilities		736,900	974,512
Current liabilities			
Borrowings	25	184,873	169,958
Trade payables		303,466	341,802
Current tax liability		3,267	6,193
Other current liabilities	24	56,701	65,645
Other provisions	26	28,282	31,887
Accrued expenses and deferred income	28	194,182	189,111
Total current liabilities		770,771	804,596
TOTAL EQUITY AND LIABILITIES		**2,029,471**	**2,150,608**

Statement of changes in consolidated equity

SEK THOUSAND	Note	Attributable to Parent Company shareholders: Share capital	Share premium	Reserves	Retained earnings incl. net result for the year	Non-controlling interests	Total equity
Opening balance at 1 January 2012		174,810	475,953	–41,882	–114,239	1,279	495,921
Effects of change over IAS 19					–38,600		–38,600
Comprehensive income							
Net result for the year					–55,995	698	–55,297
Other comprehensive income							
Items not to be recognised in the income statement							
Revaluation of post-employment benefit obligations, after tax					3,873		3,873
					3,873		3,873
Items that may subsequently be recognised in the income statement							
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	3,873	0	–16,505
Total comprehensive income				–20,378	–52,122	698	–71,802
Transactions with shareholders							
Dividend to non-controlling interests						–441	–441
Acquisition from non-controlling interests						–13,578	–13,578
Total transactions with shareholders					–	–14,019	–14,019
CLOSING BALANCE AT 31 DECEMBER 2012	31, 32	**174,810**	**475,953**	**–62,260**	**–204,961**	**–12,042**	**371,500**
Opening balance at 1 January 2013		174,810	475,953	–62,260	–204,961	–12,042	371,500
Comprehensive income							
Net result for the year					–140,643	–	–140,643
Other comprehensive income							
Items not to be recognised in the income statement							
Actuarial profit on post-employment benefit obligations, after tax					12,165		12,165
					12,165		12,165
Items that may subsequently be recognised in the income statement							
Cash flow hedges, after tax				1,993			1,993
Hedging of net investments, after tax				–16,630			–16,630
Exchange rate differences, after tax				21,867			21,867
Total other comprehensive income	31			7,230	12,165	–	19,395
Total comprehensive income				7,230	–128,478	–	–121,248
Transactions with shareholders							
New issue		60,179	215,274				275,453
Convertible debenture			13,812				13,812
Issuance cost					–15,989		–15,989
Acquisition from non-controlling interests						–1,728	–1,728
Total transactions with shareholders		60,179	229,086	–	–15,989	–1,728	271,548
CLOSING BALANCE AT 31 DECEMBER 2013	31, 32	**234,989**	**705,039**	**–55,030**	**–349,428**	**–13,770**	**521,800**

Consolidated statement of cash flows

SEK THOUSAND	Note	2013	2012
OPERATING ACTIVITIES			
Operating profit/loss		–109,487	14,841
Depreciation, amortisation, and impairment losses		106,739	102,140
Financial income received		4,312	4,842
Financial expenses paid		–71,007	–76,100
Tax paid		–7,075	–22,440
Other items not affecting liquidity	33	–1,489	–23,863
Cash flow from operating activities before change in working capital		–78,007	–580
Change in working capital			
Inventories		50,342	13,167
Current receivables		31,355	94,024
Current operating liabilities		–66,738	–108,323
Cash flow from operating activities		–63,048	–1,712
INVESTING ACTIVITIES			
Acquisition of intangible and tangible assets incl.advance payments to suppliers		–53,278	–58,405
Disposal of intangible and tangible assets		19,091	35,538
Acquisition of subsidiaries, net of cash required		6,336	–12,911
Cash flow from investing activities		–27,851	–35,778
Cash flow after investing activities		–90,899	–37,490
FINANCING ACTIVITIES			
New issue		200,757	–
Proceeds from borrowings		84,370	43,053
Amortisation of loans		–225,250	–42,669
Dividend		–	–432
Cash flow from financing activities		59,877	–48
Cash flow for the year		–31,022	–37,538
Cash and cash equivalents at start of year		112,250	151,459
Exchange rate difference in cash and cash equivalent		420	–1,671
CASH AND CASH EQUIVALENTS AT YEAR-END		**81,648**	**112,250**

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 7 April 2014 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 36.

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.

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 most extensive 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 27, page 32.

Actuarial gains and losses may arise when the present value of the obligation and the fair value of plan assets are determined.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income during the period in which they arise. Costs for service during previous periods are recognised directly in the income statement.

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. 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.

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 2013, Bong's sales to countries outside of Sweden accounted for 91 (91) per cent of total sales. Of the Group's total sales, approximately 60 (60) per cent are denominated in EUR, 17 (18) per cent in GBP, 9 (9) per cent in SEK, 5 (5) per cent in NOK and 9 (9) 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 2013, would have deteriorated (improved) by SEK 0.3 million (2.0) 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 0.4 million (1.0) due to losses (gains) in the translation of trade payables denominated in EUR. An equivalent strengthening (weakening) would have changed consolidated equity by SEK -0.8 million (+2.4) and SEK +0.8 million (-2.4) respectively due to changes in assessment of currency forwards and interest swaps, the result of which are reported in equity.

(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 2013, with all other variables constant, earnings would improve (worsen) by SEK 7.5 million (10.6), 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 82.6 million (44.4) 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 4.3 million (5.4) and equity would decrease (increase) by SEK 43.4 million (24.8). 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 7.4 million (8.4).

The effective interest rate for the loan portfolio based on average borrowings for the year amounted to 4.8 per cent (5.3). Interest-bearing net debt on 1 January amounted to SEK 802 million (955) and average time to maturity on these liabilities was about 0.8 years (0.4) including interest swaps and about 0.7 years (0.3) excluding interest swaps. Short-term investments and cash and cash equivalents amounted to SEK 82 million (112), 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 -1.9 million (-4.7), and they have been measured against equity. 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 million (0.4) lower or 0 million (0.3) higher, respectively, mainly as an effect of higher accrued interest expense for loans with floating rates. Other components in equity would have been SEK 1.0 million (2.0) higher and SEK 0.6 million (1.2) 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 21% (24) and 10% (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, Danish, French and British companies.

In 2013 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 82.1 million (112.7), attributable to cash and cash equivalents of SEK 81.6 million (111.5) and derivative instruments with positive market value of SEK 0.5 million (1.2).

Financial counterparties must have a high credit rating, short rating P-1/A-1, and 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 2013 following a renewed procurement. The credit facilities have a term of between three and five years.

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 727 million (1,013) and approved unused credit to SEK 60 million (208).

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.

Consolidated gross settled derivatives 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. Maturity is a maximum of 12 months and all forward exchange contracts are included in a hedging relationship. Forward exchange contracts require contractual undiscounted inflows equivalent to SEK 29.0 million (88.3) and contractual undiscounted outflows equivalent to SEK 28.8 million (88.0). Currency swaps hedge lending in the Parent Company for a nominal amount of SEK 130.2 million (138.0).

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 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Borrowings (excluding finance lease liabilities)	93,515	77,381	215,379	378,745
Bank credit lines	119,600			
Finance lease liabilities	1,370	1,436	778	
Derivative instruments	1,210	697	255	
Trade payables and other payables	509,618			

As at December 31 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			

The Group assesses its capital based on the following ratios:

Key figures	2013	2012
Equity ratio, %	25.7	17.3
Net loan debt, SEKm	802	1,005
Net debt/equity ratio, times	1.54	2.70
Net debt/EBITDA, times	neg	8.59

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 2013	Assets	Liabilities
Interest rate swaps - cash flow hedging	–	1,885
Currency forwards - cash flow hedging	493	324
Currency forwards - held for trading	5	1,667
Total	499	3,877

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

Of the above contract, the following amounts remain in the hedging reserve: interest swaps - cash flow hedges SEK -1.9 million (-4.7), currency forwards - cash flow hedging SEK 0.2 million (0.5). The interest component of the currency forwards is recognised in the income statement and is not included in the hedging reserve.

Exchange 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.

The Group does not offset financial assets and liabilities.

NOTE 2 – NET SALES BY GEOGRAPHIC AREA

	2013	2012
Sweden	227,063	234,081
Nordic and Baltic	356,862	406,964
Central Europe	853,729	936,288
France and Spain	598,860	723,283
United Kingdom	409,193	506,432
Russia/Eastern Europe	68,623	78,437
Other	49,186	60,446
Total	2,563,516	2,945,931

NOTE 3 – EXPENSES CLASSIFIED BY NATURE OF EXPENSE

	2013	2012
Depreciation, amortisation and impairment (Note 6)	106,739	102,140
Costs for remuneration to employees (Note 4)	733,774	830,170
Changes in inventories of finished goods and work in progress	67,102	12,614
Raw materials	1,150,549	1,334,388
Transport costs	130,278	146,173
Other expenses	417,319	477,517
Total cost of goods sold, selling and administrative expenses	2,605,761	2,903,002

NOTE 4 – EMPLOYEES AND WAGES, SALARIES AND OTHER REMUNERATION

Average number of employees

	2013		2012	
	Number of employees	men	Number of employees	men
Sweden	232	141	261	165
Norway	69	42	79	43
Denmark	42	25	44	32
Finland	85	40	89	43
Germany	524	353	552	362
UK	247	186	308	191
Netherlands	28	20	39	27
Belgium	18	4	27	10
Russia	100	54	102	61
Estonia	61	24	50	27
Luxembourg	34	20	33	13
France	435	293	514	338
Poland	163	91	160	90
Spain	11	7	11	8
Latvia	2	1	2	1
Total	2,051	1,301	2,271	1,411

Board of Directors and senior executives

	2013		2012	
	Total	men	Total	men
Board members	55	51	67	61
President and other senior executives	51	49	53	49

Salaries, remuneration, and social security contributions

	2013		2012	
	Salaries and remun.	Social contrib.	Salaries and remun.	Social contrib.
Parent Company	12,234	6,405	17,473	9,866
pension costs	–	2,299	–	3,719
Subsidiaries	572,797	142,338	632,167	170,664
pension costs	–	27,946	–	31,176
Group	585 031	148,743	649,640	180,530
pension costs	–	30,245	–	34,895

AGM DECISION ON 2013 GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES

The 2013 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 at the time consisted of the company's President/CEO and Business Area Manager Nordic Region, Chief Financial Officer (CFO), Business Area Manager 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 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 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

	2013		2012	
	Board and CEO	Other employees	Board and CEO	Other employees
Total remuneration	51,966	533,065	49,014	600,626
including incentive, etc	1,326	1,265	44	1,009

TERMS OF EMPLOYMENT OF SENIOR EXECUTIVES

CHAIRMAN

The Board of Directors' chairman Mikael Ekdahl received a fee of SEK 100 thousand (300) and Stéphane Hamelin received SEK 200 thousand since the 2013 Annual General Meeting (0). Mikael Ekdahl also received SEK 100 thousand in compensation for serving as chairman of the audit committee. The amount comprises part of the director's fee determined by the AGM. 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 2013 was SEK 600 thousand (700). Board member Stéphane Hamelin received SEK 50 thousand up until he was elected chairman. Board member Mikael Ekdahl received SEK 100 thousand for the time after the 2013 Annual General Meeting. Board members Eric Joan and Ulrika Eriksson received SEK 150 thousand (150) each. 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 4,965 thousand (4,328) was paid for 2013, plus benefits mainly comprising car benefit valued at SEK 112 thousand (117). 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 1,076 thousand (0) was paid for 2013. The retirement age is 65 years. A pension premium of 30 per cent of the base salary was paid. In 2013 a pension premium of SEK 365 thousand (403) 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 10,611 thousand (11,606), plus benefits mainly comprising car benefits valued at SEK 440 thousand (538), were paid to other senior executives in the management group, consisting of 5 people, in 2013. 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 1,237 thousand (1,425) was paid for 2013. Variable remuneration of SEK 883 thousand was paid during the year for 2012. 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 1,419 thousand (1,541) was paid for 2013. 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

	2013	2012
PwC		
Auditing assignments	3,808	3,967
Audit-related activities	634	530
Tax services	69	40
Other services	336	95
Total	4,847	4,632

	2013	2012
KPMG		
Auditing assignments	82	193
Audit-related activities	52	78
Tax services	0	0
Total	134	271

	2013	2012
Other		
Auditing assignments	226	164
Audit-related activities	20	21
Other services	111	166
Total	357	351

NOTE 6 – DEPRECIATION AND AMORTISATION

	2013	2012
Broken down by non-current asset		
Goodwill impairment write-down	15,076	–
Other intangible assets	9,267	9,001
Land and buildings	11,656	13,415
Plant and machinery	61,745	69,171
Equipment, tools fixtures and fittings	8,995	10,553
Total	106,739	102,140
Broken down by function		
Cost of goods sold	75,859	86,221
Selling expenses	3,224	3,180
Administrative expenses	12,580	12,739
Other expenses	15,076	–
Total	106,739	102,140

NOTE 7 – OTHER OPERATING INCOME AND EXPENSES

Operating income	2013	2012
Exchange gains on operating receivables and liabilities	5,334	4,809
Capital gain on sale of non-current assets	25,243	25,720
Total	30,577	30,529

Operating expenses	2013	2012
Restructuring and transaction costs	–69,018	–51,107
Goodwill impairment write-down	–15,076	–
Exchange losses on operating receivables and liabilities	–5,981	–4,569
Loss on sale of non-current assets	–7,386	–2,542
Total	–97,461	–58,218

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:

	2013	2012
Fall due for payment within one year	56,826	57,355
Fall due for payment later than one year but within five years	146,506	146,468
Fall due for payment after five years	57,362	81,118
Total	260,694	284,941

Lease payments for operating leases were paid in the following amounts:	56,443	56,632

NOTE 9 – FINANCIAL INCOME

	2013	2012
Interest income	1,294	3,033
Exchange gains on financial items	3,018	1,810
Total	4,312	4,843

NOTE 10 – FINANCIAL EXPENSES

	2013	2012
Interest portion in this year's pension costs	–3,506	–4,431
Interest expenses, other	–54,046	–59,504
Exchange losses on financial items	–1,111	–1,361
Other financial expenses	–12,344	–10,804
Total	–71,007	–76,100

NOTE 11 – TAX

	2013	2012
Current tax	–1,568	–12,462
Deferred tax	37,107	13,581
Total	35,539	1,119

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.

	2013	2012
Profit before tax	–176,182	–56,416
Income tax calculated according to national tax rates for each country	49,331	15,796
Tax on:		
– adjustment of previous years' tax	–211	–2,170
– non-taxable revenue/ other non-deductible expenses	2,095	–6,772
Recognition of previously unrecognised tax loss	173	8,374
Revaluation of deferred tax:		
- change in the Swedish tax rate	391	–8,999
– write-down	–16,240	–5,110
Tax according to Income Statement	35,539	1,119

NOTE 12 – EXCHANGE GAINS/LOSSES – NET

	2013	2012
Exchange gains/losses are recognised in the income statement as follows		
Other operating income	5,334	4,809
Other operating expenses	–5,981	–4,536
Financial income	3,018	1,810
Financial expenses	–1,111	–1,361
Total	1,260	722

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.

	2013	2012
Profit attributable to the Parent Company's shareholders	–140,643	–55,995
Ordinary shares outstanding (thousands)	63,874	17,481
Basic earnings per share, SEK	–2,20	–3,20

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.

	2013	2012
Profit attributable to the Parent Company's shareholders	–140,643	–55,995
Weighted average number of ordinary shares outstanding (thousand)	63,874	17,481
– convertible bonds (thousand)	9,922	1,247
Weighted average number of ordinary shares for calculation of diluted earnings per share (thousand)[1]	73,796	18,728
Diluted earnings per share, SEK	–2,20	–3,20

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

NOTE 14 – GOODWILL

	31 Dec. 2013	31 Dec. 2012
Opening costs	539,749	550,626
Purchases/acquisitions, note 34	–	5,208
Write-down	–15,076	–
Exchange rate differences	8,542	–16,084
Closing cost	533,215	539,750

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 -6.9 +/-1.0 per cent in addition to the projected inflation rate. A discount rate of 10.3 per cent and a growth rate of 0.8-1.0 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.

The impairment test indicated that impairment of goodwill was required in the amount of SEK 12 million due to the downward market trend in the forecast period. In connection with the merger of two smaller legal entities in the UK (Image Ltd and Nova Ltd) an impairment charge of SEK 3 million was taken for related goodwill. For a sensitivity analysis relating to the need for impairment of goodwill, please see note 36.

NOTE 15 – OTHER INTANGIBLE ASSETS

	31 Dec. 2013	31 Dec. 2012
Opening costs	56,726	50,637
Purchase	2,109	3,792
Sale/retirement	0	–1,936
Reclassifications	13,681	6,236
Exchange rate differences	1,686	–2,003
Closing cost	74,202	56,726
Opening accumulated depreciation	–20,371	–14,965
Sales/retirements	0	1,936
Exchange rate differences	–1,360	1,659
Depreciation for the year	–9,267	–9,001
Closing accumulated depreciation	–30,998	–20,371
Closing residual value according to plan	43,204	36,355

NOTE 16 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment	31 Dec. 2013	31 Dec. 2012
Opening costs	213,075	248,383
Purchase	2,111	1,176
Sale/retirement	–3,036	–26,304
Reclassifications	0	1,690
Exchange rate differences	5,767	–11,870
Closing cost	217,917	213,075
Opening accumulated depreciation and impairment losses	–14,519	–25,352
Sales/retirements	1,817	18,886
Exchange rate differences	–3,658	5,362
Depreciation and impairment losses for the year	–11,656	–13,415
Closing accumulated depreciation	–28,016	–14,519
Closing residual value according to plan	189,901	198,556
Of which land	20,032	22,985

Plant and machinery	31 Dec. 2013	31 Dec. 2012
Opening costs	1,143,024	1,223,757
Increase through business combination	–	–
Purchase	10,381	17,086
Sale/retirement	–53,463	–53,232
Reclassifications	2,119	2,079
Exchange rate differences	26,730	–46,666
Closing cost	1,128,791	1,143,024
Opening accumulated depreciation	–894,128	–921,463
Sales/retirements	45,459	46,490
Exchange rate differences	–24,520	47,232
Reclassifications	623	3,323
Amortisation for the year	–61,745	–69,710
Closing accumulated depreciation	–934,311	–894,128
Closing residual value according to plan	194,480	248,896

Equipments, tools, fixtures and fittings	31 Dec. 2013	31 Dec. 2012
Opening costs	218,110	226,139
Purchase	13,419	7,744
Sale/retirement	–9,239	–6,696
Reclassifications	832	1,427
Exchange rate differences	2,257	–10,504
Closing cost	225,379	218,110
Opening accumulated depreciation	–182,657	–187,699
Sales/retirements	7,902	5,919
Exchange rate differences	–2,033	9,676
Amortisation for the year	–8,995	–10,553
Closing accumulated depreciation	–185,783	–182,657
Closing residual value according to plan	39,596	35,453

NOTE 17 – FINANCE LEASES IN THE GROUP

	31 Dec. 2013	31 Dec. 2012
Opening costs	6,865	6,985
Exchange rate differences	38	–120
Closing cost	6,903	6,865
Opening accumulated depreciation	–4,626	–4,152
Exchange rate differences	–349	65
Amortisation for the year	–501	–539
Closing accumulated depreciation	–5,476	–4,626
Closing residual value according to plan	1,427	2,239

NOTE 17 CONT.

	Nominal values 31 Dec. 2013	Present values 31 Dec. 2013
FUTURE MINIMUM LEASE PAYMENTS FALL DUE AS FOLLOWS:		
Within one year	1,370	1,315
After one year but within five years	2,214	2,009
After five years	0	0
Total	3,584	3,324

	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

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

	31 Dec. 2013	31 Dec. 2012
Opening costs	28,493	15,438
Accrued expenses	10,248	28,607
Reclassifications	–17,255	–14,755
Exchange rate differences	–32	–797
Closing balance	21,454	28,493

NOTE 19 – INTERESTS IN ASSOCIATED COMPANIES

	2013	2012
Opening balance	713	6,265
Acquisitions	–	713
Reclassification to subsidiary	–	–6,095
Share in profits	–358	–399
Exchange rate differences	–1	229
Closing balance	354	713

NOTE 19 CONT.

Company	Corporate identity number	Domicile	Invested capital	Book value
Bong Schweiz AG	CH 020 3 038 355-0	Seuzach, Schweiz	TCHF 100	354
Total				354

THE GROUP'S INTERESTS IN ASSOCIATED COMPANIES UP TO 31 DECEMBER 2013 WERE AS FOLLOWS:

	Assets	Liabilities	Revenues	Profit	Tax	Stake, %
Bong Schweiz AG	260	260	371	–97	0	50

NOTE 20 – INTERESTS IN OTHER COMPANIES

Company	Corporate identity number	Domicile	Invested capital	Book value
Bong Fastigheter KB	969655-5763	Stockholm, Sweden	SEK 1,000 thousand	1,000
Mail Inside	492 969 787 RCS	Paris, France	SEK 2,215 thousand	2,215
Total				3,215

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. 2013	31 Dec. 2012
Deferred tax asset		
Loss carryforward	152,396	106,466
Intangible assets	–106	1,550
Property, plant and equipment	24,134	–9,141
Pensions	–1,896	11,740
Other temporary differences	11,183	29,699
Total	185,711	140,314

Deferred tax liability		
Loss carryforward	–4,155	–7,689
Intangible assets	–13,807	16,431
Property, plant and equipment	14,336	14,371
Pensions	3,247	–7,832
Other temporary differences	30,497	8,174
Total	30,118	23,455

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.

NOTE 21 CONT.

The gross change with regard to deferred taxes is as follows	2013	2012
At start of year	116,859	96,985
Exchange rate differences	–2,412	882
Recognised in the Income Statement	37,107	13,219
Actuarial loss on remuneration following terminated emp.	–	15,610
Tax relating to components of other comprehensive	4,039	–9,837
At year-end	155,593	116,859

NOTE 22 – INVENTORIES

The expenditure for the inventory that was recognised is included in the item "Cost of goods sold" and amounted to SEK 1,217,651 thousand (1,347,002). Of the inventory value, SEK 2,021 thousand (1,621) has been measured at net realisable value. The inventory was depreciated during the year by SEK 61 thousand (443).

NOTE 23 – TRADE RECEIVABLES AND OTHER RECEIVABLES

	31 Dec. 2013	31 Dec. 2012
Trade receivables	411,253	427,416
Minus: provision for impairment of receivables	–13,106	–10,290
Trade receivables – net	398,147	417,126

Stated amounts, per currency for the Group's trade receivables are as follows:	31 Dec. 2013	31 Dec. 2012
SEK	29,078	35,105
GBP	99,777	95,626
EUR	236,286	243,894
Other currencies	46,112	52,791
Total	411,253	427,416

Geographic distribution of receivables:	31 Dec. 2013	31 Dec. 2012
Sweden	30,665	35,724
Nordic and Baltic	41,614	53,118
Central Europe	97,394	102,851
France and Spain	121,375	119,436
United Kingdom	102,572	95,626
Russia / Eastern Europe	17,633	20,661
Total	411,253	427,416

Changes in the reserve for doubtful trade receivables are as follows:	2013	2012
At 1 January	10,290	11,747
Provision for doubtful debts	6,745	4,342
Receivables that have been written off during the year as uncollectable (–)	–3,381	–3,519
Reversal of unutilised amounts	–614	–1,369
Exchange rate difference	66	–911
At 31 December	13,106	10,290

The credit quality of trade receivables that 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. 2013	31 Dec. 2012
Group 1 new customers	22,533	63,218
Group 2 existing customers without previous defaults	377,452	292,103
Group 3 existing customers with some previous non-payments where all non-payments have been fully recovered	11,268	13,709
Total trade receivables	411,253	369,030

At 31 December 2013 trade receivables totalling SEK 62,139 thousand (48,096) 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. 2013	31 Dec. 2012
Less than 3 months	48,923	37,806
3 to 6 months	4,038	2,768
More than 6 months	9,178	7,522
Total	62,139	48,096

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. 2013	31 Dec. 2012
Currency and interest rate derivatives	573	1,093
Other current receivables	11,064	15,820
Total	11,637	16,913

Other current liabilities	31 Dec. 2013	31 Dec. 2012
Currency and interest rate derivatives	3,895	5,997
Other current liabilities	52,806	59,648
Total	56,701	65,645

NOTE 25 – BORROWINGS

Long-term	31 Dec. 2013	31 Dec. 2012
Bank loans	449,317	638,901
Convertible loan	61,188	34,479
Shareholder loan	–	64,649
Total	510,505	738,029

Short-term	31 Dec. 2013	31 Dec. 2012
Bank credit lines	119,630	94,958
Bank loans	65,243	75,000
Total	184,873	169,958
Total borrowings	695,378	907,987

Maturity dates of long-term borrowings are as follows:	31 Dec. 2013	31 Dec. 2012
Between 1 and 2 years	52,019	139,649
Between 2 and 5 years	154,953	259,479
More than 5 years	303,533	338,901
	510,505	738,029

The effective interest rate on the balance sheet date was as follows:	31 Dec. 2013	31 Dec. 2012
Bank credit lines	2,19%	1,20%
Other borrowings	5,07%	5,32%

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. 2013	31 Dec. 2012
SEK	172,844	123,701
EUR	438,164	709,583
GBP	81,996	71,756
Other currencies	2,374	2,947
	695,378	907,987

The Group has the following unutilised credit facilities:	2013-12-31	2012-12-31
Variable interest rate:		
– expires within one year	–	–
– expires after more than one year	59,800	208,455
Fixed interest rate:		
– expires within one year	–	–

NOTE 26 – OTHER PROVISIONS

Restructuring	2013	2012
At 1 January	31,887	23,359
Recognised in the income statement:		
Restructuring		
– additional provisions	69,018	57,000
Utilised during the year	–75,125	–49,635
Other		
– additional provisions	6,179	–
Exchange rate difference	2,502	1,163
At 31 December	34,461	31,887

	2013	2012
Non-current portion	6,179	–
Current component	28,282	31,887
	34,461	31,887

In order to maintain long-term competitiveness and restore profitability to a satisfactory level, SEK 69 million was allocated in restructuring costs during the year. The restructuring programme relates primarily to measures to adjust to lower demand and covers essentially the entire group.

NOT 27 – PENSION OBLIGATIONS

The Group has defined-benefit pension plans in a number of countries. The most extensive defined-benefit pension plans are in Sweden, Germany, and Norway, 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.

The Group is exposed to a number of risks through their defined-benefit pension plans and healthcare plans following termination of employment. Almost half of Bong's pension liabilities are in pension plans that were closed to new commitments long ago, so they will gradually be completely phased out. A reduction in the interest rate for corporate bonds will mean an increase in plan liabilities. Some of the plan's pension liabilities are linked to inflation; higher inflation leads to higher debt. Under the majority of the pension obligations, the employees covered by the plan will receive benefits for life, which means that increased life expectancy will result in higher pension liabilities.

Pension liabilities in the balance sheet	2013-12-31	2012-12-31
Present value of funded obligations	73 219	81 475
Fair value of plan assets	–46 512	–53 112
Deficit in funded plans	26 708	28 363
Present value of unfunded obligations	159 194	181 270
Closing balance pension liability	185 902	209 632

The change in the defined-benefit obligation over the year is as follows:

	Present value of obligation	Fair value of plan assets	Total
At 1 January 2012 (Restated)	**264,525**	**49,344**	**215,181**
Service costs during current year	1,984	–	1,984
Interest expense/(revenue)	9,112	1,831	7,281
Revaluations:			
- Return on plan assets excl. amounts included in interest exp/(revenue)		3,706	–3,706
- (Profit)/loss as a result of changed financial assumptions	–4,763	–	–4,763
- Experience-based (profits)/losses	3,314	–	3,314
Exchange rate differences	1,330	–107	1,437
Fees:			
- Employer		13,508	–13,508
- Employees covered by the plan	29	29	0
Payments from the plan:			
- Benefits paid	–15,200	–15,200	0
Assumed through business combination	2,412		2,412
At 31 December 2012 (Restated)	**262,744**	**53,112**	**209,632**
At 1 January 2013	**262,744**	**53,114**	**209,630**
Service costs during current year	4,390		4,390
Interest expense/(revenue)	8,685	1,909	6,775
Service costs during previous year	457		457
Revaluations:			
- Return on plan assets excl. amounts included in interest exp/(revenue)	–	2,457	2,457
- (Profit)/loss as a result of changed demographic assumptions	7	–	7
- (Profit)/loss as a result of changed financial assumptions	-10,907		-10,907
- Experience-based (profits)/losses	-6,724		-6,724
			–
Exchange rate differences	-12,025	–4,015	–8,009
Fees:			–
- Employer	–	11,460	–11,460
- Employees covered by the plan	25	25	0
Payments from the plan			
- Benefits paid	–13,119	–13,525	406
- Settlements	–1,119	–	–1,119
At 31 December 2013	**232,413**	**46,512**	**185,902**

The defined-benefit obligation and the composition of plan assets by country are listed below:

2013	Sweden	Germany	Norway	Other	Total
Present value of obligation	73,954	82,194	57,997	18,815	232,960
Fair value of plan assets	0	0	–39,334	–7,177	–46,512
Total	**73,954**	**82,194**	**18,663**	**11,638**	**186,449**

2012	Sweden	Germany	Norway	Other	Total
Present value of obligation	84,783	85,024	62,131	22,130	254,067
Fair value of plan assets	0	0	–45,860	–7,252	–53,112
Total					**200,955**

Significant actuarial assumptions

2013	Sweden	Germany	Norway	Other
Discount rate (%)	4.10	3.40	4.10	3.40
Salary increases (%)	2.00	2.00	1.75	2.00
Life expectancy at 65, men	20	19	21	21
Life expectancy at 65, women	23	23	24	25

2012	Sweden	Germany	Norway	Other
Discount rate (%)	3.55	3.40	3.80	3.40
Salary increases (%)	3.55	3.40	3.80	3.40
Life expectancy at 65, men	20	19	21	21
Life expectancy at 65, women	23	23	24	25

Sensitivity of the defined-benefit obligation for changes in the essential weighted assumptions

Sensitivity analysis of the defined-benefit obligation is set out in Note 36. The sensitivity analysis is based on a change in one assumption while all other assumptions remain constant. In practice it is unlikely that this will occur and some of the changes in the assumptions may be correlated. When calculating the sensitivity of the defined-benefit obligation for significant actuarial assumptions, the same method is used (present value of the defined-benefit obligation using the projected unit credit method at the end of the reporting period) as in calculation of the pension liability recognised in the statement of financial position.

Compilation of managed assets:	2013	2012
Insurance policy (unlisted)	44 715	51 421
Other	1 797	1 691
Total	**46 512**	**53 112**

Fees to plans for benefits after terminated employment are expected to be SEK 11.2 million for financial year 2014.

Weighted average term of the pension obligation is 12 years.

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 Reporting Board, UFR 3, this is a multi-employer defined-benefit plan. For financial year 2013, the Group has not had access to information to be able to account for its proportionate share of the plan's obligations, plan assets and costs, for which reason it has not been possible to account for the plan as a defined-benefit plan. The ITP pension plan that is secured via insurance in Alecta is therefore accounted for as a defined contribution plan. The premium for the defined-benefit portion of the old-age pension is individual and is dependent on the age, salary and previously earned pension of the insured. Expected pension contributions during the year for pension insurance in Alecta amount to SEK 1.3 million. The Group accounts for an insignificant portion of the plan.

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. Collective consolidation, in the form of collective consolidation level, is usually allowed to vary between 125 and 155 per cent. If Alecta's collective consolidation level is less than 125 per cent or greater than 155 per cent, measures shall be taken in order to create conditions for the consolidation level to return to the normal range. Alecta's surplus can be distributed to the policyholders and/or to the insured if the collective consolidation level is greater than 155 per cent. However, Alecta applies premium reductions to avoid any surplus. At year-end 2013, Alecta's surplus in the form of the collective funding ratio amounted to 148 per cent (129).

NOTE 28 – ACCRUED EXPENSES AND DEFERRED INCOME

	31 Dec. 2013	31 Dec. 2012
Pay-related accrued expenses	90,462	109,904
Other accrued expenses	103,720	79,207
Total	**194,182**	**189,111**

NOTE 29 – PLEDGED ASSETS

	31 Dec. 2013	31 Dec. 2012
Relating to pension obligations		
Floating charges	20,000	20,000
Restricted bank deposits	20,000	
Relating to liabilities to credit institutions		
Shares in subsidiaries	1,050,675	386,600
Property mortgages	126,895	12,326
Current assets	186,869	14,303
Total	1,404,439	433,229

NOTE 30 – CONTINGENT LIABILITIES

	31 Dec. 2013	31 Dec. 2012
Liability FPG	1,155	1,149
Other contingent liabilities	430	682
Total	1,585	1,831

NOTE 31 – RESERVES

	Hedging reserve	Translation reserve	Revaluation of assets	Total reserves
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
Opening balance 1 January 2013	–7,850	–59,771	5,361	–62,260
Cash flow hedges	2,555			2,555
Hedging of net investments		–24,248		–24,248
Exchange rate difference		21,867		21,867
Tax effect	–564	7,620		7,056
Closing balance 31 December 2013	–5,859	–54,532	5,361	–55,030

NOTE 32 –SHARE CAPITAL AND OTHER CONTRIBUTED CAPITAL

SHARES

The number of shares at year-end 2013 was 156,659,604 (2012: 17,480,995) with a quotient value of SEK 1.50 per share (2012: SEK 10 per share). All issued shares are fully paid. The Extraordinary General Meeting, held 17 July 2013, resolved on the issuance of convertible bond subordinated loans. On conversion to shares the number of shares will increase by 27,272,727 and share capital by SEK 40,909,090.

	Number of shares (thousand)	Share capital	Share premium	Total
At 1 January 2012	17,481	174,810	475,953	650,763
At 31 December 2012	17,481	174,810	475,953	650,763
At 1 January 2013	17,481	174,810	475,953	650,763
Extraordinary General Meeting 17 July 2013				
Impairment of share capital		–148,589	148,589	0
Cash issue	69,924	104,887	20,977	125,864
Set-off issue	69,255	103,881	45,708	149,589
Convertible loan			13 812	13 812
At 31 December 2013	156,660	234,989	705,039	940,028

The set-off issue was aimed at Holdham SA and lending banks.

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

	2013	2012
Gains on disposal of intangible assets and property, plant and equipment	–8,442	–23,205
Change in provisions	20,783	4,939
Exchange rate differences and other	–13,830	–5,637
Total	–1,489	–23,903

NOTE 34 – BUSINESS COMBINATIONS

During the year no acquisitions occurred apart from acquisition of subsidiaries as set out in Note 35.

NOTE 35 – TRANSACTIONS WITH NON-CONTROLLING INTERESTS

ACQUISITION OF ADDITIONAL PERCENTAGE OF SUBSIDIARY

A 50 per cent stake in Angus & Wright Ltd was acquired on 1 November 2011. On January 1, 2013 the remaining 50 per cent of shares in the company were acquired.

The carrying amount of the acquired share of non-controlling interests	241
Consideration paid to non-controlling interests	–1,969
The carrying amount of the acquired share of non-controlling interests.	–1,728

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, as in other actuarial assumptions, will affect the carrying amount of the pension obligations. The assumption of expected return on plan assets is in line with the discount rate in accordance with revised IAS rules. 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 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 0.3 million higher or SEK 0.3 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 25 million lower/higher than the actual carrying amount.

IMPAIRMENT TESTING OF GOODWILL AND OTHER ASSETS

The Group subjects goodwill 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 as well as external information about market trends. A sustainable growth rate of 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, which is the same as the previous year. A sensitivity analysis has been performed for the Group as a cash-generating unit. The results of the analysis are summarised below.

- If the 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 31 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. As a result of the write-down for the year of SEK 15 million, the book value is equal to the estimated recoverable amount.

NOTE 37 – HEDGE ACCOUNTING

The Parent Company's and its subsidiary Bong International AB's borrowings in EUR and GBP are identified as hedging of net investments in subsidiaries in Germany, Estonia, Belgium, France and the UK. The fair value of the borrowings at 31 December 2013 was SEK 439,871 thousand (586,281). The exchange difference amounting to SEK -5,046 thousand (15,911) on translation of the borrowings to SEK on the balance sheet date, is recognised in 'Reserves' in equity.

NOTE 38 – DIVIDEND

A dividend for 2012 of SEK 0 per share was approved at the AGM on 22 May 2013. A dividend for 2013 of SEK 0 per share will be proposed at the AGM on 21 May 2014.

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. Bong AB is listed on NASDAQ OMX Stockholm (Small Cap).

NOTE 40 – RELATED PARTY TRANSACTIONS

Transactions with associated companies	2013	2012
Sales during the year	692	507
Purchases during the year	–	–
Current receivables balance sheet date	412	51

Transactions with subsidiary to Holdham S.A. are counted as related-party transactions since Holdham S.A. is the largest shareholder in Bong AB	2013	2012
Sales during the year	70,722	78,949
Purchases during the year	8,375	–
Current receivables balance sheet date	31,107	18,257

NOTE 41 – ADOPTION OF NEW ACCOUNTING POLICIES

(A) NEW AND REVISED STANDARDS APPLIED BY THE GROUP

Below are the standards applied by the Group for the first time for annual periods beginning 1 January 2013 and that have a material impact on the consolidated financial statements:

IAS 19 "Employee benefits" was amended in June 2011. The amendment requires the Group to cease application of the "corridor approach" and instead to 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 amended standard came into force on January 1, 2013 with retroactive application. The transition effects on the balance sheet, shareholders' equity, income statement and Other comprehensive income for the 2012 comparative year are as follows: Shareholders' equity at 1 January 2012 was negatively impacted by SEK 35 million net after tax as a result of the recognition of unrealised actuarial losses and taking into account special employer's contributions and an increase in deferred tax assets. Accordingly, this entailed an increase of SEK 48 million in pension provisions and an increase in deferred tax assets of about SEK 13 million. Net income for financial year 2012 was also restated in accordance with the new principles, which entailed a negative impact of a total of about SEK 1 million after tax. The amended standard also had a negative impact on operating result for financial year 2012 of SEK 1 million, which entails a marginally positive impact on tax expense. The effect is spread evenly over the year. The amended standard had a negative impact on earnings per share of 5 öre for financial year 2012 and 1 öre per share for the January-March 2012 reporting period. The impact on Other comprehensive income for 2012 was positive with a total of about SEK 4 million net after tax attributable to actuarial gains that arose during the period. The revaluation result is also distributed evenly throughout the year. The total negative effect on shareholders' equity at 31 December 2012 was about SEK 35 million. Accordingly, at the end of 2012 the new policy resulted in an increase of SEK 48 million in pension provisions and of SEK 14 million in deferred tax assets, compared with earlier policies.

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 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.

(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 2013, 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.

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 has not yet assessed the effects of the new standard. 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 the IFRS 12 for the financial year commencing 1 January 2014.

Income statements for parent company

INCOME STATEMENT

SEK thousand	Note	2013	2012
Net sales		20,981	38,085
Administrative expenses	2–5	–46,751	–70,571
Other operating income	6	4,635	9,450
Operating profit/loss	7	–21,135	–23,036
Profit from interests in subsidiaries	8	4,102	23,241
Other interest income and similar line items	9	61,985	76,410
Interest expenses and similar line items	10	–73,320	–73,436
Total financial income and expenses		–7,232	26,216
Result before tax		–28,367	3,180
Tax on profit/loss for the year	11	6,992	–1,014
NET RESULT FOR THE YEAR		**–21,375**	**2,166**

STATEMENT OF COMPREHENSIVE INCOME

SEK thousand	2013	2012
Net profit for the year	–21,375	2,166
Other comprehensive income		
Cash flow hedges	6,040	2,049
Income tax relating to components of other comprehensive income	–1,329	–451
Other comprehensive income after tax	4,711	1,598
TOTAL COMPREHENSIVE INCOME	**–16,664**	**3,764**

Balance sheet for parent company

SEK thousand	Note	31 Dec. 2013	31 Dec. 2012
ASSETS			
Non-current assets			
Intangible assets			
Capitalised development expenditure		0	23,668
Investments in progress		0	932
Total	12	0	24,600
Property, plant and equipment			
Equipment, tools, fixtures, and fittings		0	2,526
Total	13	0	2,526
Financial assets			
Interests in subsidiaries	14	727,999	1,131,210
Interests in other companies	15	1,000	1,000
Deferred tax assets	16	47,263	40,272
Receivables from subsidiaries		652,193	799,060
Other non-current receivables		50	101
Total		1,428,505	1,971,642
Total non-current assets		1,428,505	1,998,768
Current assets			
Current receivables			
Receivables from subsidiaries		0	158,491
Current tax asset		892	680
Other current receivables	18	1,596	2,546
Deferred expenses and accrued income	19	13,318	13,341
Total		15,806	175,058
Cash and cash equivalents		20,859	42,450
Total current assets		36,665	217,508
TOTAL ASSETS		**1,465,170**	**2,216,276**

SEK thousand	Note	31 Dec. 2013	31 Dec. 2012
EQUITY AND LIABILITIES			
Equity	22,24		
Restricted equity			
Share capital		234,989	174,810
Non-restricted equity			
Fair value reserve		0	–4,713
Share premium reserve		303,429	90,380
Retained earnings		457,469	455,303
Net profit for the year		–21,375	2,166
Total non-restricted equity		739,522	543,136
Total equity		974,512	717,946
Provisions			
Pension obligations	25	0	11,526
Total provisions		0	11,526
Non-current liabilities			
Borrowings	17	365,270	640,245
Liabilities to subsidiaries	17	0	344,397
Other liabilities	17	61,188	99,128
Total non-current liabilities		426,458	1,083,770
Current liabilities			
Borrowings	17	47,000	75,000
Trade payable		1,373	10,710
Liabilities to subsidiary		12,494	292,007
Other current liabilities	18	756	10,269
Accrued expenses and deferred income	19	2,577	15,048
Total current liabilities		64,200	403,034
TOTAL EQUITY AND LIABILITIES		**1,465,170**	**2,216,276**
Pledged assets	20	556,060	521,972
Contingent liabilities	21	0	236

Changes in equity for parent company

SEK thousand	Note	Restricted equity	Non-restricted equity			
		Share capital	Fair value reserve	Share premium reserve	Retained earnings incl. net profit for the year	Total
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**
Opening balance at 1 January 2013		174,810	–4,713	90,380	457,469	717,946
Comprehensive income						
Net profit for the year					–21,375	–21,375
Other comprehensive income						
Cash flow hedges, after tax			4,713			4,713
Total other comprehensive income			4,713			4,713
Total comprehensive income			4,713		–21,375	–16,662
Transactions with shareholders	22					
Write-down of share capital		–148,589		148,589		0
New issue		208,768		66,685		275,453
Convertible loan				13,812		13,812
Issue costs				–16,037		–16,037
Total transactions with shareholders		60,179	0	213,049	0	273,228
CLOSING BALANCE AT 31 DECEMBER 2013		**234,989**	**0**	**303,429**	**436,094**	**974,512**

Cash flow statement for parent company

SEK thousand	Note	2013	2012
OPERATING ACTIVITIES			
Operating profit/loss		–21,135	–23,036
Depreciation, amortisation, and impairment losses		2,741	4,065
Financial income received		47,514	36,307
Finance expenses paid		–61,539	–59,613
Tax paid		–212	–
Other items not affecting liquidity	26	–11,470	–1,039
Cash flow from operating activities before change in working capital		–44,101	–43,316
Change in working capital			
Current receivables		709,518	–16,477
Current operating liabilities		–295,186	32,780
Cash flow from operating activities		370,231	–27,013
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment incl. advance payments to suppliers		–1,134,386	–6,893
Cash flow from investing activities		–1,134,386	–6,893
Cash flow after investing activities		–764,155	–33,906
FINANCING ACTIVITIES			
New issue		200,757	–
Loans raised		541,584	17,314
Amortisation of loans		–365	–732
Cash flow from investing activities		741,976	16,582
Cash flow for the year		–22,179	–17,324
Cash and cash equivalents at start of year		42,450	58,617
Exchange rate difference in cash and cash equivalent		588	1,157
CASH AND CASH EQUIVALENTS AT YEAR-END		**20,859**	**42,450**

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

	2013		2012	
	Total employees	Of whom men	Total employees	Of whom men
Sweden	7	5	15	11

Distribution of senior executives on the balance sheet date

	2013		2012	
	Total employees	Of whom men	Total employees	Of whom men
Board members	8	7	8	7
President and other senior executive officers	1	1	2	2

Salaries and other remuneration

	2013		2012	
	Salaries and remun.	Social contrib.	Salaries and remun.	Social contrib.
Total	12,234	6,405	17,473	9,866
Of which pension costs		2,299		3,719

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

	2013		2012	
	Board and CEO	Other employees	Board and CEO	Other employees
Total	8,324	3,910	6,354	11,119
Including incentive, etc.	0	106	0	689

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

NOTE 3 – REMUNERATION TO AUDITORS

PwC	2013	2012
Auditing assignments	400	785
Audit-related activities	38	130
Other services	110	225
Total	548	1,140

NOTE 4 – DEPRECIATION ACCORDING TO PLAN

Broken down by non-current asset	2013	2012
Capitalised development costs	2,273	3,036
Equipment, tools, fixtures, and fittings	468	1,029
Total	2,741	4,065
Depreciation is recognised as administrative expenses	2,741	4,065

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:

	2013	2012
Fall due for payment within one year	54	3,265
Fall due for payment after one year but within five years	0	3,488
Fall due for payment after five years	0	512

Lease payments for operating leases were paid during the year in the amount of SEK 2,384 thousand (4,403). No assets are sub-leased, nor are there any restrictions in the lease agreements.

NOTE 6 – OTHER OPERATING INCOME

	2013	2012
Supplier bonus	4,095	9,045
Exchange gains	313	265
Rental and payroll costs	227	140
Total	4,635	9,450

NOTE 7 – PURCHASES AND SALES BETWEEN GROUP COMPANIES

The Parent Company's business consists of management of operating subsidiaries and Group management functions. In 2013 the Parent Company charged the subsidiary management fees amounting to SEK 20,981 thousand (38,085) and received SEK 227 thousand (140) in rental revenue. The Parent Company's purchases from subsidiaries amounted to SEK 6,055 thousand (15,359). Pricing between Parent and subsidiary is on a commercial basis and at market prices.

NOTE 8 – PROFIT FROM INTERESTS IN SUBSIDIARIES

	2013	2012
Dividend	4,102	31,441
Group contributions paid	0	–8,200
Total	4,102	23,241

NOTE 9 – OTHER INTEREST INCOME AND SIMILAR LINE ITEMS

	2013	2012
Financial income, Group companies	44,914	37,029
Exchange rate differences on financial items	17,071	39,381
Total	61,985	76,410

NOTE 10 – INTEREST EXPENSES AND SIMILAR LINE ITEMS

	2013	2012
Financial expenses, Group companies	–1,258	–7,742
Interest portion in this year's pension costs	2	–760
Interest expenses, other	–42,477	–49,205
Exchange rate differences on financial items	–21,193	–8,822
Other financial expenses	–8,394	–6,907
Total	–73,320	–73,436

NOTE 11 – TAX

	2013	2012
Deferred tax	6,992	–1,014
Total	6,992	–1,014

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

	2013	2012
Profit before tax	–28,367	3,180
Tax calculated according to applicable tax rate:	6,241	–836
Tax on:		
– dividend from subsidiary	902	8,269
– previously unrecognised tax loss	–	–
– other non-taxable revenue	–	–
– other non-deductible expenses	–151	–575
– effect of the reduced tax rate to 22%	0	–7,871
Tax according to Income Statement	6,992	–1,014

NOTE 12 – INTANGIBLE ASSETS

	2013	2012
Opening cost	30,272	23,348
Purchases/acquisitions	6,742	5,103
Divestments/disposals	–37,014	–
Reclassification	0	1,821
Closing cost	0	30,272
Opening accumulated depreciation	–5,672	–2,636
Divestments/disposals	7,945	0
Depreciation for the year	–2,273	–3,036
Closing accumulated depreciation	0	–5,672
Closing residual value according to plan	0	24,600

NOTE 13 – PROPERTY, PLANT AND EQUIPMENT

	2013	2012
Opening cost	22,703	22,734
Purchases/acquisitions	108	1,790
Divestments/disposals	–22,811	0
Reclassification	0	–1,821
Closing cost	0	22,703
Opening accumulated depreciation	–20,177	–19,148
Divestments/disposals	20,645	0
Depreciation for the year	–468	–1,029
Closing accumulated depreciation	0	–20,177
Closing residual value according to plan	0	2,526

NOTE 14 – INTERESTS IN SUBSIDIARIES

Company	Corporate identity number	Domicile	Share of equity, %	Number of shares	Book value
Bong International AB	556044-3573	Kristianstad, Sweden	100	1,501,200	171,939
Bong GmbH	HRB 1646	Wuppertal, Germany	100	1	556,060
Total					**727,999**

Opening book value of shares in subsidiaries	1,131,210
Sale of Venlop BV shares to Bong Retail Solutions NV	–2,432
Transferred shares in subsidiaries to Bong International AB	–572,597
Set-off issue Bong International AB	150,000
Shareholders' contributions Bong International AB	21,818
Closing book value 31 December 2013	**727,999**

NOTE 15 – INTERESTS IN OTHER COMPANIES

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. 2013	31 Dec. 2012
Bank loans	365,270	640,245
Convertible loan	61,188	34,479
Shareholder loan	–	64,649
Liabilities to subsidiaries	–	344,397
	426,458	**1,083,770**
Current		
Bank loans	47,000	75,000
	47,000	**75,000**
Total borrowings	**473,458**	**1,158,770**

CONVERTIBLE LOAN

The loan consists of 75 convertible bonds with a nominal value of SEK 1,000,000, ISIN SE0005281821, and is listed on NASDAQ OMX Stockholm.

The convertible loan carries an annual interest rate of 10 per cent from 27 June 2013 through the final maturity date 27 June 2018.

The convertible bonds shall become due for redemption on 27 December 2018 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 30 days prior to the final date when the convertible bonds are due for redemption. The rate at which conversion may be made shall be SEK 2.75 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 the actual conversion day. Upon conversion share capital may be increased with an amount equivalent to a maximum of SEK 40,909,091.

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

Maturity dates of long-term borrowings are as follows:		
Between 1 and 2 years	42,500	139,679
Between 2 and 5 years	127,500	259,479
More than 5 years	256,458	684,642
	426,458	**1,083,770**

BANK CREDIT LINES

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

NOTE 18 – OTHER CURRENT RECEIVABLES AND LIABILITIES

Other current receivables	31 Dec. 2013	31 Dec. 2012
Currency and interest rate derivatives	–	1,499
Other current receivables	1,596	1,047
Total	1,596	2,546

Other current liabilities	31 Dec. 2013	31 Dec. 2012
Currency and interest rate derivatives	–	7,000
Other current liabilities	756	3,269
Total	756	10,269

NOTE 19 – DEFERRED/ ACCRUED INCOME/EXPENSES

Deferred expenses and accrued incomer	31 Dec. 2013	31 Dec. 2012
Internal and external interest income	1,775	4,375
Other accrued expenses	11,543	8,966
Total	13,318	13 341

Accrued expenses and deferred income	31 Dec. 2013	31 Dec. 2012
Pay-related accrued expenses	1,697	5,593
Internal and external interest expenses	274	7,108
Other items	606	2,347
Total	2,577	15,048

NOTE 20 – PLEDGED ASSETS

	31 Dec. 2013	31 Dec. 2012
Shares in subsidiaries	556,060	521,972
Total	556,060	521,972

NOTE 21 – CONTINGENT LIABILITIES

	31 Dec. 2013	31 Dec. 2012
Other contingent liabilities	0	236
Total	0	236

NOTE 22 – DIVIDEND

A dividend for 2013 of SEK 0 per share will be proposed at the AGM on 21 May 2014. A dividend for 2012 of SEK 0 per share was approved at the AGM on 22 May 2013.

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. Bong AB is listed on NASDAQ OMX Stockholm (Small Cap).

NOTE 24 – SHARE CAPITAL

The number of shares at year-end 2013 was 156,659,604 (17,480,995) with a quotient value of SEK 1.50 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. 2013	31 Dec. 2012
PRI pensions	0	11,526
Total provisions	0	11,526

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

	2013	2012
Exchange rate differences and other	–11,470	–1,039
Total	–11,470	–1,039

The consolidated financial statements will be submitted to the Annual General Meeting on 21 Maj 2014 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 9 April 2014

Stéphane Hamelin
Chairman of the Board

Mikael Ekdahl
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 9 April 2014

PricewaterhouseCoopers AB

Eric Salander
Authorised Public Accountant
Auditor in charge

Christer Olausson
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

WeWe have audited the annual accounts and consolidated accounts of Bong AB (publ), for the year 2013 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 2013 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 2013 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 2013. 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 9 April 2014

PricewaterhouseCoopers AB

Eric Salander
Authorised Public Accountant
Auditor in charge

Christer Olausson
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): 466 877.

MORGAN BOSSON

Year of birth: 1958.

Business Manager Nordic.

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): 500 000 shares.

SYLVIE DESHAYES

Year of birth: 1960.

Business Manager UK.

Employed since 1998.

Education: Graduated from the University of Rennes.

Previous assignments: CEO of Hamelin Paperbrands Limited and CEO of Industrie Papeterie Charentaise.

Holding in Bong: 7 000 shares.

HÅKAN GUNNARSSON

Year of birth: 1969.

Chief Financial Officer.

Employed since 1999.

Education: MSc Business and Economics.

Holding in Bong: 100,000 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: 83,500 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): 310 000 shares.

OTHER KEY EXECUTIVES

PETER ANDERSSON

Year of birth: 1964.

Director Purchasing and Logistics.

Employed since 2006.

SIMON BENNETT

Year of birth: 1965.

Sales and Marketing Director, pan-European Sales.

Employed since 2007.

OVE HANSSON

Year of birth: 1960.

Chief Information Officer.

Employed since 2008.

Board of Directors

STÉPHANE HAMELIN

Chairman of the Board

ANDERS DAVIDSSON

Member of the Board

ULRIKA ERIKSSON

Member of the Board

CHRISTIAN W. JANSSON

Member of the Board

MIKAEL EKDAHL

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 after financial revenues, 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 at 4:00 PM on Wednesday, 21 May 2014, in the Company's premises in Kristianstad.

PARTICIPATION AT THE AGM

Shareholders registered in the share register kept by Euroclear Sweden AB on Thursday 15 May 2014 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 Thursday 15 May 2014.

Shareholders who wish to participate in the meeting must notify the company no later than 12 noon on Thursday, 15 May 2014, 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

DIVIDEND

The Board of Directors and the CEO and President propose that no dividend be distributed in respect of the fiscal year 2013.

AGENDA

The AGM will consider items of business which are required by law and the Articles of Association to be dealt with at the meeting, as well as other items of business mentioned in the notice convening the meeting.

Financial calendar

Interim Report January – March 2014	21 May 2014
Annual General Meeting	21 May 2014
Interim Report January – June 2014	July 2014
Interim Report January – September 2014	November 2014
Year-end report 2014	February 2015

Addresses

DOMICILE/GROUP MANAGEMENT

Bong AB
Uddevägen 3
Box 516
SE-291 25 Kristianstad
+46 44 20 70 00
www.bong.com

Hans Michelsensgatan 9
SE-211 20 Malmö
+46 40 17 60 00

BELGIUM

Bong Belgium NV
Zenneveld Business Park
Bergensesteenweg 793 bus 6
B-1600 St.-Pieters-Leeuw
+32 24 31 90 00
www.bong.be

Bong Retail Solutions NV
Stasegemsestraat 133b
BE-8500 Kortrijk
+32 56 74 55 10
www.bongretail.com

DENMARK

Bong Danmark A/S
Baldersbuen 2
P.O. Box 179
DK-2640 Hedehusene
+45 46 56 55 55
www.bong.dk

ESTONIA

Bong Eesti Ou
Joe tn 17
EE-79801 Kohilla
+372 48 90 140
www.bongeesti.ee

FINLAND

Bong Suomi Oy
Tuottotie 3
FI-33960 Pirkkala
+358 3 241 8111
www.bong.fi

Bong Suomi Oy
Kirjekuorentie 1
FI-73600 Kaavi
+358 17 265 6600

Bong Suomi Oy
Niittyvillankuja 3
FI-01510 Vantaa
+358 9 565 7910

FRANCE

Manuparis SAS
1 rue Eugène Hermann
FR-27180 Saint Sébastien de Morsent
+33 2 32 39 98 01
www.bong.fr

IPC SAS
11, Impasse du Mas Prolongée
FR-16710 Saint Yrieix sur Charente
+33 5 45 95 63 50
www.bong.fr

MME SAS
43, rue Ettore Bugatti
BP 91548
FR-87021 Limoges Cedex 9
+33 5 55 45 25 25

Sepieter SAS + Bong SAS
100 Rue de Lannoy
59650 Villeneuve d'Ascq
+33 3 20 66 69 99
www.sepieter.com

Bong SAS + Manuparis SAS
20, rue d'Athènes
FR-75009 Paris
+33 1 56 92 39 42

GERMANY

Bong GmbH
Piepersberg 30
DE-42653 Solingen
+49 2 12/23 39 10
www.bong.de

Bong GmbH
Hermann-Krum-Straße 9-11
DE-88319 Aitrach
+49 75 65/98 09-0
www.bong.de

Bong GmbH
Posthornweg 1
DE-04860 Torgau
+49 2 12/23 39 13 00
www.bong.de

Pflüger Kuvert GmbH
Am Pestalozziring 14
DE-91058 Erlangen
+49 9131 4002-0
www.pflueger-kuvert.de

Lober Druck und Kuvert GmbH
Beethovenstraße 24-26
DE-86368 Gersthofen
+49 821-2 97 88 0
www.lober.eu

Lober Druck und Kuvert GmbH
Piepersberg 30
DE-42653 Solingen
+49 2 12/23 39 10

LATVIA

Bong Latvija SIA
Dzelzavas iela 120 G
LV-1021 Riga
+371 6 7 241 339

LUXEMBURG

Bong Security Solutions S.A
Zone Industrielle Rolach
LU-5280 Sandweiler
+352 35 75 04-30
www.bong.lu

NETHERLANDS

Bong B.V.
Robijnstraat 86
NL-1812 RB Alkmaar
+31 72 576 322

NORWAY

Bong Norge AS
Bekkevejen 161, 3173 Vear
Postboks 2074
NO-3103 Tonsberg
+47 33 30 54 00
www.bong.no

Bong Norge AS
Postboks 74
NO-2026 Skjetten
+47 64 83 12 50

POLAND

Pflüger Koperty Sp zo.o.
Ul. Zawila 56
PL-30-390 Krakow
+48 12 252 02 00
www.pfluger-koperty.pl

Bong Cay Swiat Kopert Sp zo.o.
ul. Ustronna 14
PL-60-012 Poznan
+48 61 89 93 910
www.bong.pl

RUSSIA

Postac LLC
RU-248000, Kaluga
Domostroiteley pr, 17.
+7 4842 76 44 68

SPAIN

Envel Europa S.A
Placa Gal La Placidia
7 esc D. 8°
ES-08006 Barcelona
+34 932 41 88 50

Envel Europa S.A
Poligono Industrial Campllong
Torreblanca 9
ES-25600 Balaguer (Lleida)
+34 973 44 38 86

SWEDEN

Bong Sverige AB
Box 516
SE-291 25 Kristianstad
Uddevägen 3
SE-291 54 Kristianstad
+46 44 20 70 00
www.bong.se

Bong Sverige AB
Box 823
SE-382 28 Nybro
Emmabodavägen 9
SE-382 45 Nybro
+46 481 440 00
www.bong.se

Bong Retail Solutions
Box 823
SE-382 28 Nybro
Emmabodavägen 9
SE-382 45 Nybro
+46 481 440 00
www.bongretail.com

Bong Packaging Solutions
Hans Michelsensgatan 9
SE-211 20 Malmö
+46 40 17 60 00
www.bong.com
www.propacpackaging.com

SWITZERLAND

Bong Schweiz AG
Aspstrasse 12
CH-8472 Seuzach
+41 52 320 09 80
www.bong-ag.ch

UNITED KINGDOM

Bong U.K. Ltd.
Michigan Drive, Tongwell
GB-Milton Keynes MK15 8HQ
+44 1908 216 216

Surrey Envelopes Ltd.
Unit 7 Nelson Trading Estate
The Path, Morden Road
GB-London SW19 3BL
+44 2085 450 099
www.surrey-envelopes.com

Surrey Envelopes Ltd.
Anglers Business Centre
Nottingham Road, Spondon
GB-Derby DE21 7NJ
+44 1332 667 790
www.surrey-envelopes.com

Packaging First Ltd.
Unit 12, Nash Hall
The Street, High Ongar
GB-Essex CM5 9NL
+44 1277 363 656
www.packagingfirst.co.uk

Bong Packaging Systems
3 Winchester Street
Andover
GB- Hampshire SP10 2EA
+44 1264 335 334
www.bongsystems.com

Form and production: Bong and Sentir. Printing: TMG Stockholm 2014.

Bong has the widest range of envelopes in the European market and is the leader in specialty packaging for e-commerce and retail trade.

Head office
Bong AB
Uddevägen 3
P.O. Box 516
SE-291 25 Kristianstad
SWEDEN
+46 44 20 70 00
www.bong.com