Annual Report 2011

Millions of letters and packages are sent every day...

...and each one is personal!

BONG
275 years in business

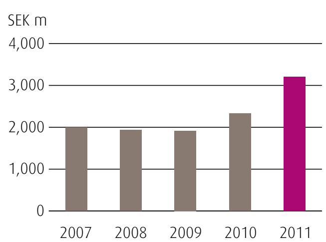
Bong 2011

HIGHLIGHTS OF THE YEAR

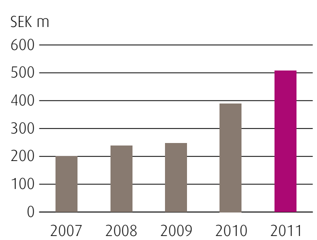
- The integration of Hamelin and the realisation of synergies are proceeding according to plan. Cost saving programs will reduce costs progressively in 2012 and the years after.
- Revenue amounted to SEK 3,203 million (2,326). The financial turmoil in the Eurozone in 2011 had a negative effect on volumes and margins.
- Sales of ProPac exceeded target and grew by 30 per cent to SEK 507 million (390).
- Bong strengthened its offering to the European e-fulfillment market through the acquisition of Angus & Wright Limited, a supplier of a wide range of automatic packaging machines and cold-seal materials.
- Operating profit improved to SEK 40 million (–91) and earnings after tax was SEK –16 million (–97).
- Cash flow after investing activities was strong, totaling SEK 137 million (–277).

KEY FIGURES	2011	2010	2009	2008	2007
Net sales, SEK M	3,203	2,326	1,915	1,937	1,991
Operating profit/loss, SEK M	40	–91	65	74	60
Profit/loss after tax, SEK M	–16	–97	24	10	16
Cash flow after investing activities, SEK M	137	–277	169	144	1
Operating margin, %	1.3	–3.9	3.4	3.8	3.0
Average number of employees	2,431	1,540	1,220	1,270	1,346

SALES



SALES PROPAC



Successful today, better tomorrow

Bong is one of the European leaders in envelopes and speciality packaging for mailings, distribution, e-commerce fulfilment, retailing and gift wrapping. We aim for innovation and initiative. We champion new materials and new ways to add value; we make strategic acquisitions that open up new markets or consolidate our position in existing ones. Geographically, we operate in Europe and are especially strong in Northern Europe. The Group now employs around 2,300 people in 15 countries.

Bong is a company undergoing rapid changes

Bong is a company undergoing rapid transformation. We constantly complement our speciality packaging offering with new and innovative products. Sales of ProPac have now reached SEK 500 million. With the exciting recent acquisition of Angus & Wright, we are now an even more interesting partner for e-commerce companies that need to package products of every imaginable type. We recently opened an office in Moscow to take even greater advantage of developments in Russia.

PROPAC – AN INCREASINGLY IMPORTANT PART OF THE GROUP'S BUSINESS

Our sales of ProPac have rapidly grown and in 2011 surpassed SEK 500 million. Organic growth has mainly been driven by our collaboration with DuPont and the success of our gift bags and shopping bags to the retail sector. We have also grown with the addition of ProPac products we received in connection with the merger with Hamelin, as well as the acquisitions of Voet International and Packaging First. In 2011 the Group also acquired a 50 per cent stake in Angus & Wright, with sales to the rapidly growing distance selling industry. The new business unit Bong Packaging Solutions - with overarching responsibility for product management and assortment – provides ProPac with considerable leverage.

NEW PRODUCT SOLUTIONS AND INCREASED CUSTOMER SERVICE

We continue to dedicate our efforts to improving our offering with a focus even more than previously on developing new product solutions and higher service levels for both envelope and ProPac customers. Bong's new European unit with responsibility for our pan-European customers combined with our continued focus on an increased local presence will provide the best possible service. Environmental considerations are increasingly important. We continue to reduce our carbon footprint by producing close to the end customer and certifying our facilities under Paper by Nature.

ACCELERATING CONSOLIDATION IN A TOUGH ENVELOPE MARKET

The first half of 2011 was relatively stable, but our envelope business was impacted by the economic slowdown in the second half of the year. For the full year of 2011, total European envelope volumes declined by about 4 per cent. Rapidly rising raw material prices in the spring put pressure on margins. As a result, consolidation and capacity cutbacks in the envelope industry accelerated in late 2011 and early 2012. The big event was the Mayer Group's takeover of French GPV. Several producers implemented or announced sweeping restructuring programs. In our opinion, the industry will be more balanced moving forward as a result of these combined activities.

SUCCESSFUL INTEGRATION OF HAMELIN

The merger with Hamelin's envelope business has gone according to plan. The reduction in working capital and harmonisation of purchase prices achieved full impact in 2011 and contributed to the Group's strong cash flow. Other actions and restructuring programs will achieve full impact in 2012, which is crucial for our long term competitiveness and profitability. Integration has been characterized by tight control and dialogue, and it feels as though we have been one company for much longer than the year or so since the merger!

A FINANCIALLY STRONGER BONG IN 2012

By realising cost synergies and passing on raw material price increases to our customers, we can increase the prospects for a clear improvement in profitability. The strong cash flow in 2011 will enable us to further reduce debt, while facilitating increased investment in our growth initiatives.

Bong is currently a well-invested company with limited reinvestment needs. We see potential to free up working capital and we still have assets that are not critical to our core business which can be sold. We look forward to a gradually stronger financial position during the coming year.

IN CLOSING, A HUGE THANK YOU!

I would like to extend my warmest thanks to all of our customers and shareholders for their continued confidence and to all of our employees for their excellent work during 2011, a truly momentous year. We look forward to working with all of you in 2012.

Malmö in April 2012

Anders Davidsson
President and Chief Executive Officer

A single team, united by shared **values**

The Bong values are the DNA of our culture. They express what every single member of the team believes in; they bring unity, certainty and trust. Because the values govern our behaviour and our approach to challenges, we all know what we can expect of others – and what they can expect of us. To be part of Bong is to share our values.

Our common values allow us to act as a truly European company with great potential.

OUR VALUES

The teams within Bong and Hamelin have united behind our core values. Numerous people participated in the process of refinement that captured the values.

- The customer is our passion.
- We seek excellence in everything we do.
- Strong teams are the foundation for our success.
- We see change as a creative opportunity.
- We interact with mutual respect.

In winter 2011, we launched them across the Group. Our values help bind us into a single pan-European organisation with huge potential.

WORKING AT BONG

Decision paths are short and informal at Bong. We believe in transparency and participation. Our managers explain all local and Group-wide developments, and we encourage everyone to have their say on changes that reduce work-related injuries or improve quality and productivity.

Throughout the Group, there are bonus programmes to reward extraordinary effort. They cover aspects such as unit performance, production volume, customer relations, and on-time deliveries.

Next steps

The envelope market has consolidated – from five major players to three in the past 18 months. Our strong position in Europe allows us to continue our expanion in speciality packaging and in new geographic markets.

We will grow the business through:

- Innovation by developing new packaging and envelope solutions, and adding value through service and commercial support.
- Increasing productivity and efficiency.
- Exploiting consumer trends in e-business and high-street retailing.
- Building strength in selected growth markets in Eastern Europe and beyond.
- Deepening our international presence by getting closer to customers in each geographic market by blending local service with international quality and standards.
- Exploiting opportunities for cross-selling within the enlarged Group.

DIVIDEND POLICY

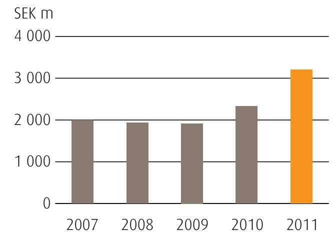
Bong's dividend policy is to distribute at least one third of net profit after tax, the company's financial position and development permitting.

COMPLETE SUPPLIER

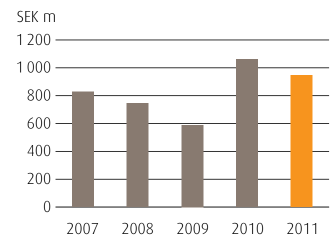
As one of the biggest players in the market, we will be the name that people will think of first. Since our product range is the broadest in the envelopes and speciality packaging industry we can achieve this. Our many opportunities for cross-selling and our geographic network make us a complete supplier. Our recent investment in machines for e-commerce and cold-seal technology is an example of how we reposition ourselves for growth.

When thinking packaging and envelopes, Bong will be top-of-mind

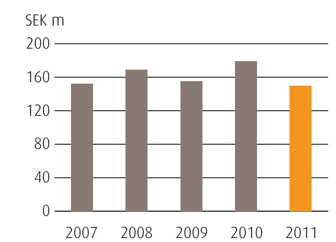
SALES



NET DEBT

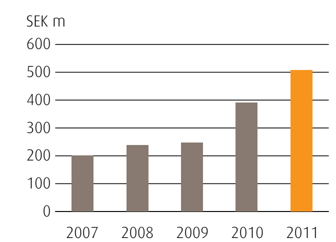


EBITDA



Before non-recurring items

SALES PROPAC



The integration is fully on track

We will continue to grow ProPac

Strategic direction

In a competitive market with low involvement, we have to play to our strengths. We'll be chasing intelligent business by offering ideas, inspiration and outstanding local service supported by quick delivery from local stockholding. Our service approach makes us more like a partner than a supplier – an organisation that customers can trust to do the job well.

SPECIALITY PACKAGING (PROPAC)

We will continue to innovate to grow our speciality packaging business. Materials such as Tyvek® help revitalise the packaging market, while the simplicity and convenience of our packaging products and gift wrapping make them ideal for e-business fulfilment and for big retail chains.

ENVELOPES

Envelopes remain our core business. Within the mature envelope market of Western Europe, we will maintain our strong position. In the developing envelope markets of Eastern Europe and beyond, we aim to grow organically. We will use our expertise and our Group-wide production capacity to strengthen our presence in these emerging markets.

BUILDING ON THE MERGER

We're a year into our three-year merger action plan, and the process is fully on track. Although there's plenty more to do, the merger is producing all the expected first-year benefits: opportunities of selling ProPac to customers brought in by Hamelin, a broader product range, a wider geographical spread and cost savings. We intend to exploit these synergies to the full.

RESTRUCTURING TO REDUCE COSTS

The merger creates a broader production base, which gives us the flexibility to switch production between countries. By getting closer to customers, we simplify the logistics and cut costs. For example, instead of producing in Germany and Belgium for export to France and the UK, we now produce in France and the UK. This restructuring work, which began in Q4 2010, continued into 2011.

PREPARATION FOR GROWTH

Our post-merger reorganisation lays the ground work for the Group's future growth. In 2011, we made several major investments. They include machinery to increase gift-bag capacity, expansion of the Group's Russian sales operation and improvements in our business systems.

Other notable events include the rationalisation and disposal of plant and property. For example, we closed a factory in Soignies, Belgium, in September, and moved Hamelin's UK warehouse to Bong's facilities in Milton Keynes. At the time of the merger, we estimated the annual cost savings from these measures – and from others which are yet to take place – at between 90 and 100 MSEK. The full savings will not be realised until the end of 2013.

Bong's acquisitions during the year

Company	Country	Acquisition,%	Business	Sales, SEK million
Egå Offset	Denmark	100	Overprint	30–35
Nova Envelopes	Great Britain	Remaining 50	Overprint	20
Angus& Wright	Great Britain	50	Machinery and materials	15
Image	Great Britain	Increase to 51	Overprint	15

Key trends create huge opportunities

Our evolution from supplier of envelopes to broad-based provider of envelope and speciality packaging solutions began seven years ago with the launch of ProPac. That business has become Bong Packaging Solutions and in 2011 its turnover was SEK 500 million.

Our decision to move into packaging solutions was strategic. It aligns us with several key trends:

- Rise in home shopping through mail order and the internet.
- Desire for more differentiation and stand-out among mailers.
- Need for improved security among mailers.
- Increasing competition between high-street retailers.

STEPS TO MARKET STRENGTH

For the most part, our growth in packaging has been organic. Along the way, we acquired a few smaller companies with the specific market and product expertise we needed. One big step that increased our market strength and credibility was the signing of an exclusive European licence to manufacture and sell envelopes and packaging made of Tyvek® from DuPont™, an attractive and virtually untearable material.

In Poland, we set up a bubble-bag plant to improve flexibility and reduce our cost base. And the recent acquisition of Angus & Wright gives us an opening into the fast-growing cold-seal and e-fulfilment market.

A BROADER PROPOSITION WITH HUGE GROWTH OPPORTUNITIES

We now provide customers with an almost complete mailing and packaging solution. Instead of providing products for specific tasks, we can apply our expertise to a customer's broad business aims. We can devise a suite of packaging materials to fit their style of business and we can coordinate and brand them for maximum impact and effectiveness. Bong's solutions allow our customers to enhance their brand.

Bong Packaging Solutions

To speed up the growth of our speciality packaging products, we formed a new business unit in November 2011. Bong Packaging Solutions capitalises on the growth in e-business and mail order, and changes to high-street retailing. Bong Packaging Solutions will build sales of speciality packaging products to new and existing customers. As well as having its own sales team, it supports all other trading units in their efforts to sell speciality packaging to envelope customers. By offering a fuller range of packaging materials, we become a much more valuable partner to all customers.

Something for every business

There's something in the Bong Packaging Solutions range for every business. Many products apply to the everyday mailing and packaging needs of most businesses. We call this the standard range, and we sell it as a matter of course throughout the Bong group.

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

RETAIL

Competition is rising on the high-street, and fashions change fast. We provide packaging that is easy to use for stores and make an impact on the customer. Retailers are working harder to differentiate themselves from each other and to provide a retail experience that beats online shopping. Our retail offering meets these needs.

For smaller retailers, we offer a constantly evolving range of gift bags, carrier bags, and wrapping papers in up-to-the-minute colours and styles. By taking style and colour tips from trend consultants, we help our customers keep abreast of high-street trends.

For larger retailers, we produce entire bespoke ranges that bring theatre into the store and take their brand message out on to the street. We can also work with them to simplify their logistics and to streamline systems and styles.

SECURITY

Items that are sent by mail or by courier are often valuable. They need security and protection. And for lawyers, accountants, hospitals, government departments, banks, and financial services, there's an element of privacy or security to almost every mailed item.

Our range of security packaging brings peace of mind to these markets. As well as security-coded and tamper-evident packaging, we supply soft but strong envelopes and packaging made from the tear resistant Tyvek® material.

E-BUSINESS

More people are shopping online, which means that more goods have to be wrapped and despatched by mail or courier. In e-business, the moment of truth occurs when the customer opens the package. If the contents are not in perfect condition, costs rise and customer satisfaction plummets.

Our packaging materials help e-businesses maintain brand loyalty. They keep goods in the condition in which they were packed.

The market for e-business packaging materials is fragmented. No one supplier dominates. We intend to take a leading position. The acquisition of Angus & Wright in 2011, a cold-seal machinery and materials supplier, was an important step towards reaching that goal.

Bong – the packaging and envelope innovator

We continue to change because the world keeps changing. We're twice the size we were two years ago, and we're poised to exploit changes in the way organisations communicate, and people buy and sell.

THE INDUSTRY INNOVATOR

2012 is our 275th anniversary. We have a long tradition of moving with the times and of leaving the well-trodden paths of our industry. This has marked our past and will be our future.

AN EVOLVING BUSINESS

Bong started out as a bindery. The company changed when Martin Bong took over in 1895. He introduced print and in the early 1920's he bought our first envelope machine. The combination of envelopes and overprinting was an evolution that paved the way for a century of growth and innovation. During the 1930s, for example, Martin Bong developed the window envelope.

We're evolving still. In 2005 we moved into speciality packaging. We saw that we could use our distribution network and some of our machinery to broaden our product base and provide customers with complementary products. Seven years later, the packaging business has grown into Bong Packaging Solutions.

During 2011, we took that business one step further through the acquisition of a supplier of e-fulfilment machinery. The move gives us the ability to supply a complete service – materials and machinery – to the fast-growing e-business fulfilment market. We are positioning ourselves to grow fast in this sector.

NEW PRODUCTS AND MARKETS THROUGH ACQUISITIONS

The fastest route to new product ranges and new markets is through acquisitions. Through an active programme of strategic acquisitions and the merger with Hamelin, we have added many complementary products to our range, extended our geographic coverage, and released savings in overheads. We are one of Europe's leading suppliers of envelopes and speciality packaging. We dominate in Northern Europe, and we're well positioned to further exploit the growing markets of Russia and Eastern Europe.

ADDED-VALUE SERVICE THINKING

For recipients, a message or product that arrives in an envelope or package has added significance. It's something that the sender took time and care over. We help customers build on the magic of that moment of arrival and opening. We encourage them to think imaginatively about their messages and their packaging. We help them stand out from the crowd with unusual shapes or cut-outs, different materials and eye-catching colours and graphics. We add value to their communications.

We also find ways to help customers run a more efficient business. By managing the packaging logistics of multinational retail chains such as H&M, we strengthen relationships and give them even more reasons to work with us.

Long-term relationships like this are based on trust. We work hard to build that trust through our expertise and through outstanding service. If there are problems, we fix them; if a customer is about to make a mistake, we'll do our best to guide them in the right direction.

More than anything, our service culture is local. Through our offices in 15 European countries, we can talk to most customers in their native language, and supply them from a nearby warehouse. We're a pan-European organisation with a reassuring local touch.

EXPLOITING CONSUMER TRENDS

Retail is changing: more people are buying online or through mail order. The challenge for retailers – online and offline – is to provide better value and earn their customers' loyalty.

Packaging that's attractive, robust and reliable helps them to do that. So we adapt colours, designs and packaging and gift-wrapping styles to the trends of the moment. We help our customers build long-lasting relationships with their customers.

Getting closer to customers

We have always been close to our customers; now we want to get closer still. On a basic level, we have two good reasons for getting closer: we have more products to satisfy a wider range of customer needs, and we have local teams who can offer a personal touch.

But that's not enough. We want to be much more involved in their businesses – more like partners than suppliers. We will be the organisation that customers turn to first whenever they have a query relating to envelopes, packaging and gift wrapping.

THE BEST VALUE FROM THE BEST SERVICE

We do not merely sell products. We advise customers on product ranges and sales tools such as catalogues, keep stock for their account and assist them in their customer support, just to mention a few features of our offering. Customers are encouraged to let us take care of their entire envelope and packaging handling – from procurement to distribution. By knowing our customers and markets we can improve our service even further and get even closer to them, thus reinforcing a virtuous circle.

OUR ENVELOPES BRING RELIEF FOR ICEBOUND FINNS

A recent project we did with the Finnish Association for People with Physical Disabilities (FAPPD) is a good example of our service approach. In Finland, around 20,000 people injure themselves on icy pavements each year. The average cost of a slip is EUR 11,000.

So FAPPD came up with an imaginative safety campaign that involved mailing small bags of sand for people to scatter on their paths. Although the FAPPD had a few ideas for mailing their bags of gritty sand, we were able to guide them towards a product that was perfect for the challenge and their budget. Our Tyvek® C5 Pockets delivered every grain of sand with ease, while bold 4+4 colour overprinting helped hammer home the safety message.

Cold seal, hot opportunity

E-fulfilment is a growth industry. As more people shop online, more goods are delivered direct to the door. Since the e-fulfilment industry is still young, there's no dominant supplier to this market. We intend to be that supplier.

THE ONE-STOP E-FULFILMENT SUPPLIER

Our acquisition of Angus & Wright, a supplier of automated fulfilment machinery, is a strategic move into this market. As yet, no other organisation supplies the equipment as well as the materials. That makes us a one-stop shop. We supply the automation, the materials and the expertise that keep busy e-fulfilment businesses running.

COLD-SEAL EXPERTS

Our automated packaging equipment wraps and seals using the latex-based, cold-seal process. It's quick, simple and highly effective. There's no heat, and no glue.

The cold-seal material comes ready-prepared for wrapping around products up to 6m long. Since we supply on a continuous roll, there's very little wastage.

The machinery wraps, seals and labels up to 35 packages a minute in a continuous process that needs just one operator. With super-efficient post-wrapping sortation, customers can maximise their mailsort savings and improve their environmental performance.

Management

Leadership Team

ANDERS DAVIDSSON

Year of birth: 1970.

President and Chief Executive Officer.

Employed since 2002.

Education: MSc Business and Economics.

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

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

ULF ZENK

Year of birth: 1963.

Chief Financial Officer

Employed since 2004.

Education: MSc Business and Economics.

Previous positions: CFO, MalacoLeaf Scandinavia 2000-2004. Group Controller, Coca-Cola Nordic Beverages 1997–2000.

Holding in Bong (privately and through companies): 51,000 shares.

MORGAN BOSSON

Year of birth: 1958.

Business Manager Nordic and Eastern Europe until March 2012.

Business Manager/CEO Bong Packaging Solutions AB.

Employed since 2005.

Education: MSc Business and Economics.

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

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

ELMAR SCHÄTZLEIN

Year of birth: 1962.

Business Manager Central Europe.

Employed since 2004.

Education: MSc Engineering.

Previous positions: Schneidersöhne Munich/Italy 1995–2003.

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

MARK COOPER

Year of birth: 1964.

Business Manager United Kingdom.

Employed since 2007.

Education: MSc Business and Economics.

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

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

PASCAL GRAVOUILLE

Year of birth: 1962.

Business Manager France and Spain.

Employed since 2008.

Education: MSc Chemical Engineering.

Previous positions: Business Manager Europe, Ferro Corporation.

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

Other Key Executives

OVE HANSSON

Year of birth: 1960.

Chief Information Officer.

Employed since 2008.

CHENETTE MORTENSEN

Year of birth: 1970.

Group Marketing and Communication Manager.

Employed since 1990.

SIMON BENNETT

Year of birth: 1965.

Sales and Marketing Director, pan-European Distributors.

Employed since 2007.

SYLVIE DESHAYES

Year of birth: 1960.

Business Development Manager.

Employed since 1998.

PETER ANDERSSON

Year of birth: 1964.

Director, Purchasing and Logistics.

Employed since 2006.

Board of Directors

MIKAEL EKDAHL

Year of birth: 1951.

Director since 2001 and chairman of the board since 2003.

LL.B and MSc Business and Economics, Lund University.

Other directorships/positions: Attorney and partner in the law firm of Mannheimer Swartling Advokatbyrå. Chairman, Marco AB, Absolent AB and EM Holding AB; vice chairman, Melker Schörling AB; director, AarhusKarlshamn AB and Konstruktions-Bakelit AB.

Holding in Bong (privately and via closely related parties): 40,000 shares.

ANDERS DAVIDSSON

Year of birth: 1970.

Director since 2004.

MSc Business and Economics.

Other directorships/positions: President and CEO Bong AB. Chairman, Bong Packaging Solutions AB; director, Bong Sverige AB, Bong Suomi Oy, Bong UK Ltd and Bong Belgium S.A.

Holding in Bong: 182,600 shares.

ULRIKA ERIKSSON

Year of birth: 1969.

Director since 2008.

MSc Business and Economics.

Other directorships/positions: Vice president Apoteket Konsument, Apoteket AB; director, Bong Packaging Solutions AB.

Holding in Bong (privately and through companies): 20,000 shares.

CHRISTIAN W. JANSSON

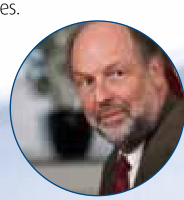
Year of birth: 1949.

Director since 2007.

Econ. Dr. h.c.; MSc Business and Economics.

Other directorships/positions: Chairman KappAhl AB, Apoteket AB, Svensk Handel AB and Vivoline Medical AB; director BRIS, Svenskt Näringsliv, Kontanten AB and Fata Morgana AB.

Holding in Bong (privately and through companies): 745,246 shares.



ALF TÖNNESSON

Year of birth: 1940.

Director since 1989.

Engineering and economics education.

Other directorships/positions: Chairman, International Masters Publishers AB (IMP AB), Aktiebolaget Cydonia, NE Nationalencyklopedin AB, Fyrklövern AB, Postpac AB and Fleur de Santé AB; director, Purity Vodka AB and Bra Böcker AB.

Holding in Bong (through company): 3,825,339 shares.

STÉPHANE HAMELIN

Year of birth: 1961.

Director since 2010.

Other directorships/positions: Chairman, Hamelin, since 1989.

Holding in Bong (privately and through companies): 4,352,769 shares.

ERIC JOAN

Year of birth: 1964.

Director since 2010.

Educated at École Polytechnique Universitaire de Lille and Harvard Business School.

Other directorships/positions: President and CEO, Hamelin.

Holding in Bong: None.

PETER HARRYSSON

Year of birth: 1958.

Director since 1997 (employee representative).

Other directorships/positions: Repairman, Bong Sverige AB.

Holding in Bong: None.

CHRISTER MUTH

Year of birth: 1954.

Director since February 2009 (employee representative).

Other directorships/positions: Inside sales and customer service, Bong Sverige AB.

Holding in Bong: None.

Alternate directors

PEDER ROSQVIST

Year of birth 1965.

Alternate since 2008.

Representative of PTK (Swedish Council for Negotiation and Cooperation).

Holding in Bong: None.

MATS PERSSON

Year of birth 1963.

Alternate since 2001.

Representative of GS Local (Swedish Union of Forestry, Wood and Graphical Workers)

Holding in Bong: None.

Five year summary

Key figures	2011	2010	2009	2008	2007
Net sales, SEK M	3,203	2,326	1,915	1,937	1,991
Operating profit/loss, SEK M	40	-91	65	74	60
Profit/loss after tax, SEK M	-16	-97	24	10	16
Cash flow after investing activities, SEK M	137	-277	169	144	1
Operating margin, %	1.3	-3.9	3.4	3.8	3.0
Profit margin, %	–0.7	-5.6	1.4	1.0	0.6
Capital turnover rate, times	1.3	1.2	1.1	1.1	1.1
Return on equity, %	neg	neg	3.6	1.8	2.8
Return on capital employed, %	neg	neg	5.5	5.6	4.9
Equity ratio, %	21	21	36	34	33
Net loan debt, SEK M	947	1 062	589	745	829
Net loan debt/equity, times	1.91	2.00	0.98	1.18	1.45
Net loan debt/EBITDA, times	6.3	42.7	3.8	4.4	5.4
EBITDA/net financial items, times	2.4	0.6	4.5	3.1	3.2
Average number of employees	2,431	1,540	1,220	1,270	1,346
Number of shares					
Number of shares outstanding at end of period	17,480,995	17,480,995	13,128,227	13,128,227	13,128,227
Diluted number of shares outstanding at end of period	18,727,855	18,727,855	13,230,227	13,332,227	13,428,227
Average number of shares	17,480,995	14,216,419	13,128,227	13,128,227	13,079,425
Average number of shares, diluted	18,727,855	14,528,134	13,230,227	13,332,227	13,379,425
Earnings per share					
Before dilution, SEK	–1.04	–6.97	1.65	0.80	1.19
After dilution, SEK	–1.04	–6.97	1.63	0.78	1.17
Equity per share					
Before dilution, SEK	28.37	30.39	45.56	47.91	43.54
After dilution, SEK	26.48	28.37	45.77	48.22	43.98
Cash flow from operating activities per share					
Before dilution, SEK	8.53	3.01	13.98	15.27	5.15
After dilution, SEK	7.96	2.81	13.87	15.04	5.04
Other per share data					
Dividend, SEK (The Board's proposal for 2011)	0	1.00	1.00	1.00	1.00
Quoted market price on the balance day, SEK	18	32	21	12	42
P/E-ratio, times	neg	neg	13	15	36
Price/Equity before dilution, %	63	105	46	25	96
Price/Equity after dilution, %	68	113	46	25	96

The **Share**

The Bong share is listed on NASDAQ OMX Stockholm, Small Cap. The total number of shares in Bong AB was 17,480,995 at year end 2011. After full conversion the total number of shares corresponds to 18,727,855. The market capitalisation of Bong was SEK 315 million as of December 30 2011.

SHARE PERFORMANCE AND TURNOVER

The Bong share dropped 42.6 per cent in 2011. The highest price, SEK 36,50 was recorded January 14, 2011. The lowest price of the year, SEK 17.00 was recorded December 14, 2011. That year the OMX Stockholm PI (an index for all listed shares on the Stockholm Stock Exchange) fell 16.7 per cent. The OMX Stockholm Small Cap PI, an index that measures share price performance of companies whose size is comparable with Bong, dropped 16.6 per cent. In 2011 the value of Bong shares traded equaled 8.6 per cent of the value of outstanding share capital on balance day 2011.

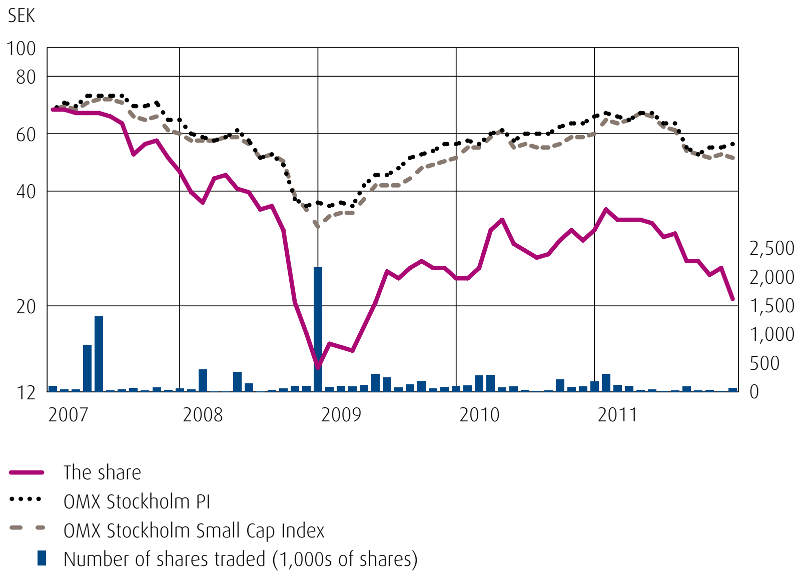
SHAREHOLDERS

The number of shareholders as at 31 January 2012 was 1,247. The Hamelin Family is Bong's largest shareholder with 24.9 per cent of the votes and capital (corporate ownership). Melker Schörling and Alf Tönnesson are the second largest shareholders, each holding 21.9 percent of the votes and capital (corporate ownership). Bong's leadership team holds 634,400 shares, equaling 4.6 per cent of the total number of outstanding shares.

CONVERTIBLE DEBENTURES

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

BONG SHARE PERFORMANCE 2007–2011



BONG IS MONITORED REGULARLY BY THE FOLLOWING ANALYSTS

Swedbank
Marko Zivkovic
+46 8 585 93 704
marko.zivkovic@swedbank.se

Redeye
Henrik Alveskog
+46 8 545 013 45
henrik.alveskog@redeye.se

Remium
Claes Vikbladh
+46 8 454 32 94
claes.vikbladh@remium.com

Jakobson Finansanalys
Torbjörn Jakobson
+46 8 566 133 30
torbjorn.jakobson@gmail.com

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 2011 – 31 December 2011 for the Parent Company and the Group. Bong is the leading provider of specialised packaging and envelope products in Europe and offers solutions for distribution and packaging of information, advertising materials and lightweight goods. Important growth areas in the Group are the ProPac packaging concept and Russia. The Group has annual sales of approximately SEK 3.2 billion and about 2,300 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.

MARKET

Economic uncertainty in Europe depressed demand in the second half of 2011. Following a modest decline early in the year, volume losses in the market accelerated in the autumn. According to statistics compiled by the European Envelope Manufacturers' Association (FEPE), envelope volumes fell in Western Europe by 6 per cent in the third quarter, with a projected decline of 9 per cent compared with 2010. On an annualised basis, the decline was approximately 4 per cent. Russia and Eastern Europe were also adversely affected, with growth in both markets limited to around 5 per cent compared with growth rates of around 10 per cent in previous years. Meanwhile, consolidation and capacity adjustments in the European envelope industry have accelerated.

The German Mayer Group acquired in autumn the French envelope manufacturer GPV, which has a European market share of around 10%, with operations in France, England, Romania and Bulgaria. Industry organisation FEPE reports that Mayer has taken over all factories except one in France, which has been shut down. Also according to FEPE, Mayer intends to retain 650 of GPV's 945 employees.

Following the merger with Hamelin, Bong transferred envelope production from its Belgian factory to other Group facilities and has adjusted staffing primarily in Germany, England and Scandinavia. Approximately 235 employees were made redundant as a result of these measures.

Early in 2012, the Spanish Tompla Group announced significant reductions in force in both France (57 jobs) and Spain (52 jobs). Moreover, Papyrus Kuvert, with production in Germany, initiated negotiations with the trade union to reduce staffing by 40 of a total of 120 positions. The Belgian company DeVroede went into reconstruction at the end of 2011. The main operations of DeVroede, the largest overprinting supplier in Europe, are in Belgium, but the company also has significant operations in the UK, the Netherlands, Germany and France.

DeVroede's sales amounted to about EUR 15 million on an annualised basis. The Mayer Group announced in early 2012 that it had bought the business.

Conprent, the largest independent envelope printer in Denmark, went into receivership in early 2012. Prior to the bankruptcy, Conprent had annual sales of around DKK 15 million. The business has been wound up and the machinery is being sold.

The packaging market, where Bong markets the ProPac range, is much bigger than the envelope market. The market is also much more multifaceted. Market statistics for the niches where Bong is active are lacking or difficult to obtain. In Bong's assessment, demand for packages used in sectors including e-commerce, mail order and retail is still growing and strong growth potential is expected over time.

SALES AND EARNINGS

Consolidated sales for the full year 2011 were SEK 3,203 million (2,326). The Hamelin merger had positive impact on consolidated sales, while the depreciation of the euro had negative impact. Recalculated at last year's exchange rate, consolidated sales would have amounted to SEK 3,371 million.

The volume trend for envelopes was negative during the period, which had a negative impact on earnings. ProPac delivered growth of 30%, driven primarily by the Hamelin deal (mainly expander bags) and the acquisition of Bong CSK in Poland. However, uncertainty in the retail trade during the autumn became evident in the weaker than expected sales of gift bags in the fourth quarter.

Operating profit improved to SEK 40 million (-91), driven primarily by lower non-recurring costs for the restructuring programme than in 2010. Figured at last year's exchange rate, operating profit would have amounted to SEK 46 million. The earnings figure reflects costs of SEK 23 million related to the Scandinavian restructuring programme (please refer to the section under Integration and restructuring programme below). Operating profit was also negatively impacted in the fourth quarter by accrual effects related to pensions amounting to approximately SEK 6 million.

Prices for uncoated fine paper, Bong's main production material, rose during the spring, which depressed the gross margin. Due to overcapacity in the European envelope market, Bong has not yet been able to fully pass on the price increases on uncoated fine paper.

Bong is reporting net financial items of SEK -63 million (-41), profit before tax of SEK -23 million (-132) and profit after tax of SEK -16 million (-97) for the year.

INTEGRATION AND RESTRUCTURING PROGRAMME

The integration process following the Hamelin merger and efforts to realise announced synergies progressed as planned during the year. Cost synergies had only a minor impact on earnings in 2011.

An agreement was reached in early July with the relevant trade unions concerning comprehensive restructuring of Bong's envelope production in Belgium. As a result of the agreement, the bulk of production in Bong's Belgian factory has been transferred to other Group facilities. In conjunction, about 60 people were made redundant.

The project is expected to result in an annual drawdown of costs of about SEK 40 million, taking successive effect beginning in the fourth quarter of 2011. An allocation was made for restructuring costs related to the project when the annual accounts for 2010 were prepared.

In response to lower demand, the company announced a programme to reduce fixed costs in Bong's Scandinavian operations. The measure includes a reduction in force of approximately 55 jobs (including both personnel involved directly in production and white-collar employees) in Sweden, Denmark and Norway. Programme costs of SEK 23 million were charged to fourth-quarter earnings. Annual savings of an estimated SEK 20 million will take successive effect beginning in 2012.

The merger with Hamelin's envelope division has enabled efficiency improvements in the Group's British production units. Towards that end, an efficiency improvement programme was implemented at the Milton Keynes factory, where about 30 people have left the company. An allocation for the costs of the measure was made in connection with preparation of the annual accounts for 2010. The estimated annual savings effect will be approximately SEK 7 million.

Production staff was also reduced in Germany during the year in connection with moving certain volumes to the Group's French factories. A total of about 235 people left Bong during the year.

CASH FLOW

There was a very strong upturn in cash flow after investment activities, which amounted during the year to SEK 137 million (-277).

The strong cash flow is primarily attributable to a reduction in working capital of SEK 142 million during the period. The success is mainly the product of industrious efforts to adjust inventories and achieve purchasing-related synergies in connection with the Hamelin acquisition.

FINANCIAL POSITION

Cash and cash equivalents at 31 December 2011 totalled SEK 151 million (SEK 149 million at 31 December 2010). The Group had unutilised credit facilities of SEK 290 million at 31 December 2011. This brought total available liquidity to SEK 441 million.

Consolidated equity at 31 December 2011 was SEK 496 million (SEK 531 million at 31 December 2010). Translation of the net asset value of foreign subsidiaries to Swedish crowns and changes in the fair value of derivative instruments reduced consolidated equity by SEK 35 million.

Interest-bearing net loan debt declined by SEK 115 million to SEK 947 million (1,062 at 31 December 2010) during the period. Translation of net debt in foreign currency to Swedish krona reduced consolidated net debt by SEK 4 million.

CAPITAL EXPENDITURE

Acquisitions affected cash flow by SEK –40 million and other investments by SEK +28 million, resulting in net impact of investment activities on cash flow during the year of SEK –12 million. Capital expenditures include investments in machinery to increase capacity within ProPac (gift bags), expansion of the Group's Russian property and investments in business systems for the new Group. Also included is the sale of a small property in Sucy, France, sales of machinery in connection with the restructuring of the Belgian company and the sale of a factory building in Wuppertal, Germany, which had positive impact on cash flow of EUR 9 million but had no effect on earnings.

EVENTS AFTER THE END OF THE FINANCIAL YEAR

Lober – from 70 to 100 per cent

In accordance with a 2006 agreement, Bong acquired the remaining 30% interest in the German company Lober Druck & Kuvert as of the first of January 2012. Domiciled outside Augsburg, Lober is one of the leading offprinting operations in southern Germany. As Lober has already been consolidated as a subsidiary, the acquisition of the outstanding equity interest had no effect on Bong's earnings.

Packaging first - from 45 to 100 per cent

On the first of February 2012, Bong exercised its option to acquire the remaining 55% stake in the British company Packaging First Ltd. Packaging First, with annual sales of approximately GBP 3 million, is a packaging wholesaler established northeast of London. Through the acquisition, Bong has strengthened its position in the British market and gained a wholly owned channel for sales of ProPac products. Packaging First Ltd will be consolidated as a subsidiary in the Group as of the first of February 2012. The transaction is expected to have immediate and positive impact on Bong's earnings.

EMPLOYEES

The average number of employees during the period was 2,431 (1,540). The number of employees at 31 December 2011 was 2,318 (2,497). The large change is attributable to the 2010 merger with Hamelin's envelope division and the restructuring measures taken during the year.

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 14 001. The plants in Wuppertal in Germany, Nybro and Kristianstad in Sweden, Tönsberg in Norway, Kavi in Finland, Milton Keynes and Derby in the UK, Sandweiler in Luxembourg and Angoulème in France 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. The plants in Wuppertal and Aitrach in Germany, Kristianstad in Sweden, Milton Keynes, Washington and Darby in the UK, Evreux, Angoulême and Limoges in France and Venlop in the Netherlands are certified by the Paper by Nature Association.

There are many different eco-labels because they focus on different aspects of sustainability and environmental friendliness. Our products are certified under several schemes and since there is no single, overarching green standard, we apply for certification and labeling on as many fronts and in as many regions as possible. Sixteen of the Group's facilities are certified to produce FSC-labelled (Forest Steward ship Council) products. Our most recent green label is the "Carbon Reduction Label" from the Carbon Trust. The eco-label applies to our range of standard Tyvek envelopes.

During 2011, the Group conducted operations that required an environmental permit under the Environmental Code in Nybro through the subsidiary Bong Sverige AB. Net sales in the operation requiring an environmental permit in Nybro amounted to SEK 145 million, accounting for 4 per cent of consolidated net sales.

RESEARCH AND DEVELOPMENT

The Group does not conduct any research and development activities. However, active efforts are pursued to meet customer needs for different envelopes and packaging solutions.

PARENT COMPANY

The parent company's business extends to management of operating subsidiaries and Group management functions. Net sales were SEK 28 million (27) and earnings before tax for the period were SEK -19 million (24). Investments for 2011 amounted to SEK 6 million (17). The investments are IT-related and pertain to a common platform for administrative systems in the Group. Credits granted but not utilised amounted to SEK 290 million (319 at 31 December 2010).

THE BOARD'S PROPOSED 2012 GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES

The Board of Directors of Bong AB proposes that the 2012 AGM resolve on remuneration to the President and other senior executives as described below. "Senior executives" here refers to executives included in the management group, which currently consists of the company's President/CEO, Chief Financial Officer (CFO), Managing Director Bong Scandinavia and Bong Packaging Solutions AB, Managing Director Bong Central Europe, Managing Director Bong UK and Managing Director 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 portion 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 portion is based on achievement of two or three of the following interim goals: 1) the Group's EBIT[1], 2) the Group's cash flow, 3) earnings in the business unit, and 4) 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 portion is based on a vesting period of one year. The goals for senior executives are established by the Board of Directors.

Pension benefits shall primarily be defined-contribution, but also occur for legal reasons as defined-benefit, although not at the Group Management level. Variable remuneration is not pensionable. Group Management is entitled to pensions under the ITP plan or the equivalent. The retirement age is 65 years. In addition to the ITP plan, some members of Group Management are also entitled to an increased occupational pension premium of up to 30 per cent of their fixed salary.

Group Management's employment contracts include provisions governing remuneration and termination of employment. According to these agreements, employment can ordinarily terminate at the request of the employee with a period of notice of 3–24 months and at the company's request with a period of notice of 6–24 months.

In the event of termination by the company, the period of notice and the period during which severance pay is payable shall not together exceed 24 months.

Remuneration to the President and other senior executives is prepared by the Board of Directors' remuneration committee and finalised by the Board based on the recommendation of the remuneration committee.

These guidelines apply to those persons who are included in the Group Management during the period the guidelines are in force. The guidelines apply to the employment contracts entered into after the AGM's resolution, and to any changes in existing contracts. The Board of Directors is entitled to disregard the above guidelines if it finds that special reasons exist to justify this in a particular case.

[1] Earnings Before Interest and Tax.

SUPPLEMENTARY INFORMATION

The cost of Group Management's variable remuneration – at maximum outcome, which assumes that all bonus-related goals are achieved – can be calculated to be about SEK 9 million (excluding social security contributions). The calculation is based on the current composition of the Group Management.

OWNERSHIP

Bong's principal owners, with stakes of more than ten per cent of the votes and capital, are the Hamelin family, with 25 per cent of the votes and capital, Melker Schörling (corporate ownership) and Alf Tönnesson (corporate ownership), both with about 22 per cent of the votes and capital. Skandia Liv and Fata Morgana AB each own about 4 per cent of the votes and capital in the company. The total number of ordinary shares was 17,480,995 on 31 December 2011. 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 at least four and at most nine members. The members are elected at a General Meeting of Shareholders for the period until the end of the first Annual General Meeting (AGM) held after appointment of the member.

The Articles of Association can be amended at the AGM or a General Meeting of Shareholders.

OPPORTUNITIES AND RISKS

Like all business operations, Bong's operations are associated with risks and opportunities. The specific factors judged to have the greatest impact on Bong's operations are presented below.

OPERATING RISKS AND OPPORTUNITIES

Market development

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

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

The administrative item as a whole has already declined with respect to account statements, order confirmations, etc. as part of digitisation and internet penetration. Other parts of the transaction-related item, 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 speciality 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 speciality packaging to ensure sustained growth in ProPac.

Postage and charges

Changes in postage and charges can lead to changes in letter and mail volumes. Postage increases have a negative impact on volumes, while postage decreases have a positive impact. Postage is usually based on weight or size. More large markets are using weight-based postage. A transition from weight- to size-based postage could lead to changes in Bong's product mix and cause a shift towards smaller envelope sizes.

Industry structure and price competition

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

Paper prices

Uncoated fine paper is the single most important input material for Bong. The cost of fine paper is about 50 per cent of the total cost. Under normal conditions, Bong can compensate for price increases, with some time lag.

Dependence on individual suppliers and/or customers

Uncoated fine paper is Bong's most important input material and is mainly purchased from three major suppliers. Delivery disruptions from any of the three suppliers could affect Bong negatively in the short term. In a longer time perspective, Bong does not have any suppliers that are critical to its operations.

The Group's dependence on individual customers is limited. The biggest customer accounts for 6 per cent of annual sales, and the 25 biggest customers account for 36 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 250 envelope machines and 150 overprinting presses. During a period around the turn of the millennium, large investments were made in renewal and upgrading of the machinery to raise productivity. An important element has been increased robotisation. 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 is not currently involved in any 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 fluctuations and interest rate levels. The table below shows how Bong's 2011 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
Price	+/– 1%	32 +/–
Volume	+/– 1%	16 +/–
Paper prices	+/– 1%	16 –/+
Payroll costs	+/– 1%	9 –/+
Interest level borrowing	+/– 1% unit	6 –/+

CORPORATE GOVERNANCE REPORT

Effective and clear corporate governance helps secure the confidence of Bong's stakeholder groups while also increasing focus on business benefits and shareholder value in the company.

Bong's Board of Directors and management strive, by means of great transparency, to make it easier for the individual shareholder to follow the company's decision pathways and to clarify where in the organisation responsibilities and powers lie.

Corporate governance

Corporate governance within Bong AB ("Bong") is based on applicable legislation, the regulatory framework for NASDAQ OMX Stockholm and various internal guidelines. The most recent version of the Swedish Code of Corporate Governance ("the Code") was published in February 2010 and covers all listed companies as from 1 February 2010.

Bong applies the Code, and in those cases the company has chosen to disregard the rules of the Code, a reason is given in the appropriate section of the Corporate Governance Report.

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

Responsibility for management and control of Bong is divided between the shareholders at the General Meeting of Shareholders, the Board of Directors, its elected committees and the President/CEO, according to the Swedish Companies Act, other acts and ordinances, the Code and other applicable rules governing listed companies, the Articles of Association and the Board's internal policy instruments.

The purpose of corporate governance is to define a clear division of responsibilities and roles between owners, Board of Directors, executive management and appointed control bodies.

CORPORATE GOVERNANCE REPORT 2011

Owner influence

Governance of Bong is exercised via the General Meeting of Shareholders, the Board of Directors and the President. The highest decision-making body in Bong is the General Meeting of Shareholders.

The Annual General Meeting (AGM) elects the company's Board of Directors. The duties of the AGM also include adopting the company's financial statements, deciding how to distribute the earnings, and deciding whether or not to discharge the members of the Board and the CEO from liability. The AGM also elects Bong's auditors.

About 40 shareholders, representing 76 per cent of the total number of shares and votes in the company, participated in Bong's Annual General Meeting on 12 May 2011 in Malmö. All Board members and the company's auditors were present at the AGM.

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

Board of Directors

Bong's Board of Directors decides on the Group's overall strategy and on the acquisition and disposal of business entities and real property.

The work of the Board is regulated e.g. by the Swedish Companies Act, the Articles of Association and the rules of procedure adopted by the Board for its work.

According to the Articles of Association, the Board of Directors shall consist of at least four and at most nine members. Since the 2010 Extraordinary General Meeting of Shareholders, Bong's Board of Directors has consisted of six AGM-elected members without deputies and two employee members with two deputies. The Chairman of the Board is Mikael Ekdahl. The statutory meeting of the Board of Directors was on 12 May 2011. The other members of the Board are Alf Tönnesson (Deputy Chairman), Christian W. Jansson, Ulrika Eriksson, Stephane Hamelin, Eric Joan and Anders Davidsson, President and CEO.

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

REMUNERATION OF THE BOARD

The Chairman of the Board received a fee of SEK 400 thousand for 2011 (300). The amount comprises part of the total director's fee determined by the AGM as well as for the chairmanship of the Audit Committee. No other fee was paid. There is no agreement on pension, severance pay or other benefits.

Information about remuneration of the Board of Directors, as resolved by the 2011 AGM, can be found in Note 4.

Board members elected by the AGM

Mikael Ekdahl (b. 1951)
Member since 2001 and Chairman of the Board since 2003.
L.L.M., degree in business administration, Lund University.
Other appointments/positions: Attorney and partner in Mannheimer Swartling Advokatbyrå. Chairman of the Board of Marco AB, Absolent AB and EM Holding AB, vice chairman of Melker Schörling AB, board member of AarhusKarlshamn AB and Konstruktions-Bakelit AB. Terminated board appointments/partnerships over the past five years: Attendo Group AB, Attendo Holding AB, Jobus Aktiebolag, Konverta Aktiebolag, AarhusKarlshamn Sweden AB, MS Karl Invest AB, Mexab Förvaltnings AB, Carl Henrik Svanberg AB, Thomas Berglund Holding AB, Melavi AB, Mekius Invest AB.
Shareholding in Bong (private and via related party): 40,000 shares.

Ulrika Eriksson (b. 1969)
Board member since 2008.
Degree in business administration.
Other appointments/positions: Director, Apoteket Konsument, Apoteket AB. Board member of Bong Packaging Solutions AB.
Terminated board appointments/partnerships over the past five years: –
Shareholding in Bong (private and via company): 20,000 shares.

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

Christian W. Jansson (b. 1949)
Board member since 2007.
Econ. Dr. h.c.; degree in business administration.
Other appointments/positions: Chairman of the Board of KappAhl AB, Apoteket AB, Svensk Handel AB and Vivoline Medical AB, as well as board member of BRIS, Svenskt Näringsliv, 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.

Alf Tönnesson (b. 1940)
Board member since 1989.
Engineering and business education.
Other appointments/positions: Chairman of the Board of International Masters Publishers AB (IMP AB), Aktiebolaget Cydonia, NE Nationalencyklopedin AB, Fyrklövern AB, Postpac AB, and Fleur de Santé AB, board member of Purity Vodka AB and Bra Böcker AB.
Terminated board appointments/partnerships over the past five years: Stabenfeldt AB.
Shareholding in Bong (via company): 3,825,339 shares.

Stéphane Hamelin (b. 1961)
Board member since 2010.
Other appointments/positions: Chairman of the Hamelin board since 1989.
Terminated board appointments/partnerships over the past five years: –
Previous positions: Active at Borloo law firm from 1984–1989.
Shareholding in Bong (private and via company): 4,352,769.

Eric Joan (b. 1964).
Board member since 2010.
Educated at 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: 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: 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: 0.

Rules of procedure for Board

The Board of Directors has adopted written rules of procedure and issued written instructions concerning the division of responsibilities between the Board and the President. There are instructions regarding information to be furnished regularly to the Board of Directors. During financial year 2011, the Board of Directors held five meetings in addition to the statutory meeting. The CEO provided board members with information at all regular meetings about the financial position of the Group and significant events in the company's operations.

The Board meets at least four times a year in addition to the statutory meeting. One of the meetings can be held at one of the Group's units and be combined with an in-depth review of this unit.

Key issues that the Board of Directors addressed in 2011 include:

6 February	Year-end report and progress report from auditors
12 May	Q1 2011 interim report and statutory board meeting after the 2011 annual general meeting
23 August	Q2 2011 interim report and visit to subsidiary
9 November	Q3 2011 interim report
12 December	Budget 2012

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 2011

	Independent of company*	Independent of major shareholders*	Attendance at Board meetings
Mikael Ekdahl	Yes	No	5
Ulrika Eriksson	Yes	Yes	4
Anders Davidsson	No	No	5
Christian W Jansson	Yes	Yes	5
Alf Tönnesson	Yes	No	5
Stéphane Hamelin	Yes	No	5
Eric Joan	Yes	No	3

* 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.

Authorisation provided by the Annual Meeting of Shareholders
The General Meeting of Shareholders has authorised the Board of Directors to decide that the company will acquire treasury shares as follows:

1. The authorisation may be used on one or more occasions, though before the date of the 2012 Annual General Meeting.
2. The number of shares needed for delivery of LVR shares to participants in LVR [1], though not more than 400,000 shares, may be acquired to secure delivery thereof. In the event that the acquired shares should remain after LVR share payment is complete, they shall remain in Bong's ownership and be used for future incentive programmes or as otherwise decided by the General Meeting.
3. Purchase in accordance with point 2 will take place on NASDAQ OMX Stockholm to a price which is within the registered spread at any time, i.e. an interval between the highest buying rate and the lowest selling rate.

[1] Long-term variable remuneration

Nomination Committee
The AGM has appointed a special Nomination Committee whose task is to submit proposals to the AGM in consultation with the principal owners on the composition of the Board of Directors.

The Nomination Committee for the 2012 AGM consists of four members: Alf Tönnesson, chairman (Aktiebolaget Cydonia), Mikael Ekdahl (Melker Schörling AB), Peter Edwall (Ponderos Securities AB) and Erik Sjöström (Skandia). Since Bong's principal shareholders represent about 70 per cent of votes, it is only natural that two of them, Melker Schörling AB and Alf Tönnesson, via firms are represented on the Nomination Committee. Furthermore, said shareholders consider it to be natural that a representative from one of the largest shareholders in terms of votes should serve as Chairman of the Committee. The Nomination Committee has dealt with the issues that follow from the Code. The Nomination Committee has had one formal meeting and regular contacts.

Remuneration Committee
The Board of Directors has appointed a remuneration committee consisting of Alf Tönnesson, chairman, and Mikael Ekdahl.

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 portion, which is re-examined annually, is dependent on the achievement of goals for the company and the President.

The Remuneration Committee met on two occasions in 2011 at which both members participated.

Audit Committee
The Board of Directors has appointed an audit committee consisting of Mikael Ekdahl, chairman, and Christian W. Jansson. Since Bong's principal shareholders represent about 70 per cent of votes it is only natural that one of them is represented in on committee along with an additional independent board member. Since other members of the Board cover other activities within the Group, this has been deemed sufficient. The Audit Committee shall oversee that the company's accounts are prepared with full integrity for the protection of the interests of shareholders and other parties.

The Audit Committee met three times in 2011 at which both members participated.

External auditors
Bong's auditors are elected by the AGM for a term of one year. The 2011 AGM elected accounting firm PricewaterhouseCoopers AB, with authorized auditor Eric Salander as principal auditor, for a one-year mandate period.

The auditors review the Board's and the President's administration of the company and the quality of the company's audit documents.

The auditors report the results of their review to the shareholders via the Audit Report, which is presented at the AGM. In addition, the auditors submit detailed accounts to the Board of Directors at least once a year.

President and Group Management
The President leads the day-to-day management of the company in accordance with the Board's guidelines and directions. The President is responsible for keeping the Board of Directors informed and ensuring that the Board has all the factual material needed to make informed decisions. The President is a member of the Board of Directors. The President also keeps the Chairman of the Board informed, by continuous dialog, of the development of the Group.

The President and others in the Group Management hold formal meetings once a month as well as a number of informal meetings to go through the results of the previous month and discuss strategy questions.

In 2011, Bong's Group Management consisted of six people, none of whom are women. The Group consists of the Parent Company Bong AB and a number of subsidiaries, as reported in Note 14.

Reporting by subsidiaries takes place on a monthly basis. The boards of the subsidiaries preferably consist of members of Bong's corporate management and the Parent Company's board of directors.

Remuneration to Group Management
The 2011 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 most important parts 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 internal control and reporting, information policy, authorisation instructions and reporting 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.

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 539,372,559, be carried forward.

BOARD'S OPINION CONCERNING PROPOSED DISTRIBUTION OF EARNINGS

Bong's current priority is to reduce debt given the economic uncertainty in Europe and Bong's weak performance. Therefore, the Board proposes that no dividend be paid for 2011. A dividend of SEK 1 per share was paid for 2010.

Bong contributes to sustainable development

Envelopes and packages are largely made of renewable materials, such as fine paper. Emissions from the manufacturing process are small. Transports of both raw materials and finished goods, however, consume a relatively large amount of energy. The Hamelin merger provides opportunities to reduce shipments between the Group's units, thus reducing energy consumption and emissions.

ENTIRE LIFE CYCLE

Bong is active along the entire life-cycle for envelopes and packaging. From conversion of fine paper to recycling. Important environmental concerns include the origin of the wood raw material, production of fine paper and conversion into envelope and packaging, transports to and from Bong's production facilities, as well as consumption and recycling of the products.

PAPER FROM CERTIFIED FORESTS

Bong buys fine paper exclusively from highly-respected manufacturers that use country-of-origin labelled raw materials. The raw material consists mainly of new fibers and is taken from certified forests. The basic raw material for the paper used in the manufacture of envelopes is renewable and all paper used meets the requirements set by customers and authorities.

FINE PAPER PRODUCTION

The biggest volume consists of uncoated white fine paper, while the remaining volumes are unbleached, brown kraft paper and waste-based paper. Through collaboration with suppliers, the paper is constantly being developed to ensure that the envelopes are optimally environmentally compatible.

ENVELOPE PRODUCTION

Leftover ink and other input materials used in the production process are collected and recycled or disposed of in an approved manner. Tough environmental criteria are also imposed on other components such as size, ink and window film. Water-based paints and adhesives without solvents are used to a greater extent.

The remaining paper, production-related waste, is sorted according to grade and sold to be incorporated as waste paper in various paper products. Of the plants' total waste quantity, more than 90 per cent is recycled today. The remainder is used for energy recovery or disposed of by landfilling. The waste is hauled away in accordance with current ordinances, and there is no storage of hazardous waste.

SHORT TRANSPORTS

Bong uses highly-respected shippers to transport both input materials and finished goods. The merger with Hamelin improves opportunities for Bong to deliver to customers from nearby factories, which helps to reduce fuel consumption and carbon dioxide emissions.

PURCHASING POLICY

For both economic and environmental reasons, Bong strives to concentrate purchases to fewer suppliers. This policy applies to raw material suppliers and service providers, as well as to transports. Fewer, but stronger relationships allow the company to make demands and improve conditions. Raw materials account for approximately two thirds of Bong's total purchases, about 75 per cent of which comprises fine paper.

CERTIFICATION AND ECO-LABELS

Bong is affiliated with Paper by Nature, an organisation that developed the only pan-European environmental standard for converted paper products. Paper by Nature covers all stages of a product's life cycle. It is the first clear, reliable and all-encompassing certification of converted paper products. The label guarantees that raw materials come from responsibly managed forests and that the product was manufactured in certified facilities.

Bong intends to certify all its facilities according to Paper by Nature. Before March 2012, Bong had ten certified facilities.

Bong's products are usually also Swan-labelled and FSC-certified (Forest Stewardship Council). Sixteen of the Group's facilities are certified to produce FSC-labelled (Forest Steward ship Council) products.

ENVIRONMENTAL MANAGEMENT SYSTEM

Bong's ISO 14001 environmental management system translates environmental policy into practical action through systematic initiatives. Besides imposing demands on the company's own operations, the environmental management system gives Bong a means to constructively influence suppliers, carriers and others to work with environmental issues at their companies.

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 the workforce.

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 everyone without regard for race, color, gender, nationality, religion, ethnic affiliation or other distinguishing 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. The information policy is based on transparency and participation. Managers continually inform employees on local and company-wide developments. Everyone is encouraged to take an active part in decisions concerning improvements in the working environment that result in fewer work-related injuries, higher productivity and better quality.

Bong also strives to reward extraordinary efforts. 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. In some cases, such a bonus may be paid monthly.

Bong strives to reduce sickness absence by means of increased information to managers and other employees on the importance of health promotion. In 2011 sickness absence at Bong was 4.6 per cent (3.0); in Sweden it was 3.0 per cent (3.5).

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 legal 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 its 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 relations 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.

Consolidated income statements

INCOME STATEMENT

SEK THOUSAND	Note	2011	2010
Revenue	2	3,202,714	2 326,126
Cost of goods sold	3–4, 6, 8	–2,613,921	–1 905,568
Gross profit		**588,793**	**420,558**
Selling expenses	3–4, 6, 8	–284,646	–201,333
Administrative expenses	3–6, 8	–255,320	–193,605
Other operating income	7, 12	17,490	23,756
Other operating expenses	7, 12	–25,361	–138,212
Share in profit in associated companies	19	–817	–2,149
Operating profit/loss		**40,139**	**–90,985**
Financial income	9, 12	6,338	5,677
Financial expenses	10, 12	–69,057	–46,642
Total financial income and expenses		**–62,719**	**–40,965**
Result before tax		**–22,580**	**–131,950**
Income tax	11	6,322	34,657
NET RESULT FOR THE YEAR		**–16,258**	**–97,293**
Attributable to:			
Parent Company's shareholders		–18,163	–99,049
Non-controlling interests		1,905	1,756
Earnings per share attributable to Parent Company's shareholders			
– basic, SEK	13	–1,04	–6,97
– diluted, SEK	13	–1,04	–6,97

STATEMENT OF COMPREHENSIVE INCOME

SEK THOUSAND	2011	2010
Net result for the year	–16,258	–97,293
Other comprehensive income		
Cash flow hedges	1,537	2,046
Hedging of net investments	3,710	57,201
Exchange rate differences	–2,991	–129,347
Income tax relating to components of other comprehensive income	–1,105	–12,634
Other comprehensive income after tax	**1,151**	**–82,734**
TOTAL COMPREHENSIVE INCOME	**–15,107**	**–180,027**
Attributable to:		
Parent Company's shareholders	–17,012	–181,452
Non-controlling interests	1,905	1,425

Consolidated balance sheet

SEK THOUSAND	Note	31 Dec. 2011	31 Dec. 2010
ASSETS			
Non-current assets			
Intangible assets			
Goodwill	14	550,626	532,442
Other intangible assets	15	35,672	35,311
Total		**586,298**	**567,753**
Tangible assets			
Property, plant and equipment	16	223,031	318,873
Plant and machinery	16–17	302,294	327,750
Equipment, tools, fixtures, and fittings	16	38,440	45,478
Construction in progress	18	15,438	15,264
Total		**579,203**	**707,365**
Financial assets			
Interests in associated companies	19	6,265	8,676
Interests in other companies	20	1,000	1,000
Deferred tax assets	21	118,051	98,877
Other non-current receivables		2,796	3,102
Total		**128,112**	**111,655**
Total non-current assets		**1,293,613**	**1,386,773**
Current assets			
Inventories etc.			
Raw materials and consumables		116,542	135,052
Products in progress		8,309	9,485
Finished products and merchandise		204,611	220,452
Total	22	**329,462**	**364,989**
Current receivables			
Trade receivables	23	521,920	581,184
Current tax asset		10,896	5,287
Other current receivables	24	15,441	16,040
Deferred expenses and accrued income		44,202	42,921
Total		**592,459**	**645,432**
Cash and cash equivalents		151,408	149,444
Total current assets		**1,073,329**	**1,159,865**
TOTAL ASSETS		**2,366,942**	**2,546,638**

SEK THOUSAND	Note	31 Dec. 2011	31 Dec. 2010
EQUITY AND LIABILITIES			
Equity			
Share capital	32	174,810	174,810
Other contributed capital		475,953	475,953
Reserves	31	−41,882	−43,033
Retained earnings including net result for the year		−114,239	−78,595
Equity attributable to equity holders of the Parent		**494,642**	**529,135**
Non-controlling interests		1,279	2,106
Total equity		**495,921**	**531,241**
Non-current liabilities			
Borrowings	25	818,008	873,256
Deferred tax liabilities	21	21,066	34,332
Pension obligations	27	161,613	157,858
Other provisions	26	23,359	30,000
Other non-current liabilities		4,936	2,745
Total non-current liabilities		**1,028,982**	**1,098,191**
Current liabilities			
Borrowings	25	117,952	153,504
Trade payables		397,369	396,148
Current tax liability		9,457	9,896
Other current liabilities	24	69,366	81,820
Other provisions	26	–	69,841
Accrued expenses and deferred income	28	247,895	205,997
Total current liabilities		**842,039**	**917,206**
TOTAL EQUITY AND LIABILITIES		**2,366,942**	**2,546,638**

Statement of changes in consolidated equity

SEK thousand	Note	Share capital	Share premium	Reserves	Retained earnings incl. net result for the year	Non-controlling interests	Total equity
		Attributable to Parent Company shareholders					
Opening balance at 1 January 2010		131,282	391,333	39,370	33,582	2,566	598,133
Comprehensive income							
Net result for the year					−99,049	1,756	−97,293
Other comprehensive income							
Cash flow hedges, after tax				1,508			1,508
Hedging of net investments, after tax				42,157			42,157
Exchange rate differences, after tax				−126,068		−331	−126,399
Total other comprehensive income	31			**−82,403**		**−331**	**−82,734**
Total comprehensive income				**−82,403**	**−99,049**	**1 425**	**−180,027**
Transactions with shareholders							
New issue		43,528	86,620				130,148
Issue cost			−2,000				−2,000
Dividend to Parent Company's shareholders					−13,128		−13,128
Dividend to non-controlling interests						−1,885	−1,885
Total transactions with shareholders		**43,528**	**84,620**		**−13,128**	**−1,885**	**113,135**
CLOSING BALANCE AT 31 DECEMBER 2010	31, 32	**174,810**	**475,953**	**−43,033**	**−78,595**	**2,106**	**531,241**
Opening balance at 1 January 2011		174,810	475,953	−43,033	−78,595	2,106	531,241
Comprehensive income							
Net result for the year					−18,163	1,905	−16,258
Other comprehensive income							
Cash flow hedges, after tax				1,133			1,133
Hedging of net investments, after tax				3,009			3,009
Exchange rate differences, after tax				−2,991			−2,991
Total other comprehensive income	31			**1,151**			**1,151**
Total comprehensive income				**1,151**	**−18,163**	**1,905**	**−15,107**
Transactions with shareholders							
Dividend to Parent Company's shareholders	37				−17,481		−17,481
Dividend to non-controlling interests						−2 732	−2 732
Total transactions with shareholders					**−17,481**	**−2,732**	**−20,213**
CLOSING BALANCE AT 31 DECEMBER 2011	31, 32	**174,810**	**475,953**	**−41,882**	**−114,239**	**1,279**	**495,921**

Consolidated statement of cash flows

SEK THOUSAND	Note	2011	2010
OPERATING ACTIVITIES			
Operating profit/loss		40 139	−90,985
Depreciation, amortisation, and impairment losses		110,916	113,729
Financial income received		3,165	2,998
Financial expenses paid		−65,844	−43,963
Tax paid		−33,728	−19,149
Other items not affecting liquidity	33	−47,188	61,815
Cash flow from operating activities before change in working capital		**7,460**	**24,445**
Change in working capital			
Inventories		34,250	6,978
Current receivables		71,163	−25,380
Current operating liabilities		36,260	46,638
Cash flow from operating activities		**149,133**	**52,681**
INVESTING ACTIVITIES			
Acquisition of intangible and tangible assets incl. advance payments to suppliers		−76,352	−67,956
Disposal of intangible and tangible assets		105,787	40,707
Acquisition of subsidiaries, net of cash required		−41,426	−302,537
Cash flow from investing activities		**−11,991**	**−329 786**
Cash flow after investing activities		**137,142**	**−277,105**
FINANCING ACTIVITIES			
Proceeds from borrowings		18,127	446,733
Amortisation of loans		−132,546	−71,937
Dividend		−20,213	−13,239
Cash flow from financing activities		**−134,632**	**361,557**
Cash flow for the year		**2,510**	**84,452**
Cash and cash equivalents at start of year		149,444	74,290
Exchange rate difference in cash and cash equivalent		−495	−9,298
CASH AND CASH EQUIVALENTS AT YEAR-END		**151,459**	**149,444**

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, Luxembourg, Germany, France, Poland, Spain and Russia. Bong has strong market positions, especially in northern Europe, Germany, France and the UK. This annual accounts was approved by the Board of Directors on 11 April 2012 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 makes 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 35.

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. The amount whereby the purchase price, any non-controlling interest and fair value on the acquisition date of former shareholding exceeds the fair value of the Group's share of identifiable 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 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 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 relations

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. Customer relations 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 asset is derecognised when the rights under the agreement are realised or expire, or when control of the contractual rights is lost. The same applies to part of a financial liability.

A financial asset and a financial liability is 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 as described below.

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. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are initially recognised at fair value and thereafter at amortised cost by applying the effective interest method.

BORROWINGS

Liabilities to credit institutions and, in the Parent Company, liabilities to subsidiaries are initially recognised at fair value, net after transaction costs. Borrowings are thereafter recognised at amortised cost, and any difference between the amount received (net after transaction costs) and the repayment amount is recognised in the Income Statement allocated over the term of the loan by applying the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer payment of the liability at least 12 months after the balance sheet date.

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

INCOME TAXES

The tax expense for the period includes current tax and deferred tax. The current tax expense is calculated based on the tax rules that have been enacted or substantively enacted by the balance sheet date in those countries where the Group companies are active and generate taxable revenue.

Deferred tax is calculated in its entirety, in accordance with the balance sheet method, on all temporary differences arising between the tax base of assets and liabilities and their carrying amounts. The main temporary differences arise from untaxed reserves, provisions for pensions and other pension benefits, property, plant and equipment and tax-loss carryforwards. Deferred tax is calculated by applying tax rates and laws that have been enacted or announced as of the balance sheet date and that are expected to apply when the concerned deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets relating to tax-loss carryforwards or other future tax deductions are recognised to the extent it is likely that the deduction can be offset against a surplus in future taxation. Deferred tax liabilities relating to temporary differences attributable to investments in subsidiaries are not recognised in Bong's consolidated accounts since the Parent Company can in all cases control the time for reversal of the temporary differences and it is not considered likely that reversal will take place in the foreseeable future.

Deferred tax assets and liabilities are offset when a legal right to do so exists for the tax assets and liabilities in question and when the deferred tax assets and liabilities are attributable to taxes charged by the same tax authority and pertain to either the same tax subject or different tax subjects where there is an intention to settle the balances by net payments.

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

EMPLOYEE BENEFITS

Pensions

There are both defined-contribution and defined-benefit pension plans in the Group. The biggest defined-benefit pension plans are in Sweden, Germany, France and Norway. In defined-contribution plans, the company pays fixed contributions to a separate legal entity and has no obligation to pay further contributions. The Group's profit is charged with costs as the benefits are vested. In defined-benefit plans, benefits are paid to employees and former employees based on salary at retirement and number of years of service. The Group bears the risk for payment of the pledged benefits. In the event the plans are funded, assets have been set aside in pension funds or the like. The net of the calculated present value of the obligations and the fair value of the plan assets is recognised as a provision in the Balance Sheet. Regarding defined-benefit plans, the pension cost and the pension obligation are calculated using the "Projected Unit Credit Method" in a way that allocates the cost over the working life of the employee. The calculation is performed regularly by independent actuaries. The company's obligations are calculated as the present value of expected future payments using a discount rate equivalent to the interest rate on first-class corporate bonds or treasury bonds with a maturity equivalent to the obligations in question. The most important actuarial assumptions are shown in Note 27.

Actuarial gains and losses may arise when the present value of the obligation and the fair value of plan assets are determined. The portion of the cumulative actuarial gains and losses at the end of last year that exceeds 10 per cent of either the present value of the obligations or the fair value of the plan assets, whichever is greater, is recognised in profit or loss, divided by the expected average remaining working lives of the employees. Past service costs are recognised directly in the Income Statement unless the changes in the pension plan are conditional on the employees' remaining in service for a stated period (the vesting period). In such cases the past service cost is allocated on a straight-line basis over the vesting period. Interest expense less expected return on plan assets is classified as a financial expense. Other cost items in the pension cost are charged to the operating profit.

If the pension cost and pension provision established for Swedish plans according to IAS 19 deviates from the equivalent amount according to FAR 4, a cost for special payroll tax on the difference is also recognised, in accordance with URA 43. The above-described accounting policy for defined-benefit pension plans is only applied to the consolidated accounts. The Parent Company accounts for defined-benefit pension plans in accordance with FAR's recommendation no. 4, Accounting of Pension Liabilities and Pension Costs.

Termination benefits

Termination benefits are payable when an employee's employment has been terminated by the Group before the normal retirement date or when an employee accepts voluntary redundancy in exchange for such benefits. The Group recognises severance pay when it is demonstrably obligated by a detailed formal plan to either terminate an employee without a possibility of withdrawal, or to provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

Bonus plans

The Group recognises a liability and a cost for bonuses when there is a legal obligation or an informal obligation due to previous practice.

Other employee benefits

Other employee benefits are recognised as costs as they become vested.

PROVISIONS

Provisions are recognised when the Group has a legal or informal obligation as a result of previous events and it is probable that an outflow of resources will be required to settle the obligation, and where the amount can be measured reliably. In cases where the Group can expect that a provision will be repaid, for example under an insurance contract, the repayment shall be recognised as a separate asset, but only when repayment is as good as certain. Provisions are measured at the best estimate of the amount that is expected to be settled. Provisions for restructuring include costs for cancellation of lease agreements and severance benefits. No provisions are made for future operating losses.

REVENUE RECOGNITION

Revenue recognition of goods takes place on delivery to the customer and after the customer's acceptance. The sales revenue includes the fair value of goods sold and is recognised less value added tax and discounts and after elimination of intra-Group sales.

FINANCIAL INCOME AND EXPENSES

Financial income consists of interest income on invested funds, dividend revenue, gains on changes in value of financial assets measured at fair value through profit or loss, and gains on hedging instruments that are recognised in the Income Statement. Interest income on financial instruments is recognised according to the effective interest method (see below).

Dividend income is recognised when the right to receive a dividend has been established. The gain or loss from sale of a financial instrument is recognised when the economic risks and rewards incidental to ownership have been transferred to the purchaser and the Group no longer has control over the instrument.

Financial expenses consist of interest expenses on loans, the effect of dissolution of present value calculation of provisions, loss on change in value of financial assets measured at fair value through profit or loss, impairment of financial assets and losses on hedging instruments that are recognised in the Income Statement. All borrowing costs are recognised in the Income Statement by applying the effective interest method, regardless of how the borrowed funds have been used. Exchange gains and losses are offset. The effective interest rate is the rate that discounts the estimated future receipts and payments through the expected life of a financial instrument to the net carrying amount of the financial asset or liability. The calculation includes all fees paid or received by the contracting parties that are a part of the effective interest rate, transaction costs and all other premiums or discounts.

BORROWING COSTS

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

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

LEASES

The Group leases certain non-current assets. A lease under which the risks and rewards incidental to ownership of a non-current asset are substantially transferred to the Group is classified as a finance lease. At the commencement of the lease period, finance leases are recognised in the Balance Sheet at the lower of the fair value of the asset and the present value of the minimum lease payments. Each lease payment is allocated between amortisation of liabilities and financial expenses in order to achieve a fixed interest rate for the recognised liability. Equivalent payment obligations, less financial expenses, are included in the Balance Sheet items "Other current liabilities" and "Other non-current liabilities". The interest element of the financial expenses is recognised in the Income Statement allocated over the lease period so that each lease period is charged with an amount that corresponds to a fixed interest rate for the liability recognised during the period in question. Non-current assets held under finance leases are depreciated over the useful life of the asset or the lease period, whichever is shorter.

RESEARCH AND DEVELOPMENT

Expenditures for research work are recognised as expenses when they occur. Expenditures for development work are normally recognised as expenses when they occur. The development work that is done is of great importance for the Group, but has the character of maintenance development, which means that all criteria according to IAS 38 are not met, and particularly the requirement of future cash flow as a result of the investment.

CASH FLOW STATEMENT

The cash flow statement is prepared in accordance with the indirect method. The recognised cash flow only includes transactions that entail cash receipts and cash payments.

DIVIDEND

Dividend to the Parent Company's shareholders is recognised as a liability in the consolidated financial statements in the period when the dividend is determined by the Parent Company's shareholders.

GROUP'S NOTES

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. The finance policy identifies the three significant risks market risk, 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.

The Group uses derivative instruments to hedge exposure to certain market risks. Financial risk management is the responsibility of a central finance function, which identifies, evaluates and manages financial risks in collaboration with the subsidiaries. The hedging instruments used are loans, 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 foreign currencies 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

(i) Transaction exposure

Transaction exposure exists in the Group's sales and purchases in different foreign currencies. 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 currency flows.

In 2011, Bong's sales to countries outside of Sweden accounted for 92 (88) per cent of total sales. Total net revenues in foreign currencies in 2011 account for about 88 (86) per cent. Of the Group's total sales, approximately 54 (51) per cent are denominated in EUR, 18 (16) per cent in GBP, 8 (12) per cent in SEK, 5 (7) per cent in NOK and 15 (14) per cent in other currencies. There is also local management of foreign currencies in the subsidiaries.

Bong has manufacturing on virtually all its main markets, which limits its transaction exposure. Currency risk is primarily due to purchases in SEK in the Group's Danish subsidiaries and purchases in EUR in subsidiaries with other functional currencies. Thus the Group's costs are mainly sensitive to currency rate fluctuations in DKK/SEK and fluctuations in EUR against several of the Group's other currencies.

The Group's financial policy requires the subsidiaries to manage their currency risk in relation to their functional currency. This risk is then aggregated by the central finance function and hedged with forward exchange contracts. Bong's risk management policy is to hedge between 50 per cent and 80 per cent of expected net cash flows in foreign currency for the next twelve months, depending on maturity date.

If the DKK had appreciated (depreciated) by 10 per cent against the SEK, with all other variables constant, transaction exposure would result in an improvement (worsening) of earnings by SEK 2.5 million (3.3) due to lower (higher) purchase costs. If the EUR had appreciated (depreciated) by 10 per cent against the SEK, with all other variables constant, the equivalent effect would be a worsening (improvement) of earnings by SEK 8.5 million (5.3). This is due to increased purchase costs for the subsidiaries as well as higher interest costs on the part of the Parent Company's debt denominated in EUR.

(ii) Translation exposure

Currency risks also exist in the translation of the assets, liabilities and profits of foreign subsidiaries to the Parent Company's functional currency, known as translation exposure.

Bong's policy is for the subsidiaries to primarily take out loans in their local currency to limit translation exposure. Bong's policy is that the loan portfolio is handled by the central finance function and that lending and equity in foreign convertible currencies should be hedged to a certain extent. The hedging level prescribed by the policy has been observed during the year. Hedges can be effected via forward exchange contracts or external borrowings of equivalent amounts. During the year, both currency swaps and external borrowing were used as hedging instruments.

Translation exposure mainly comprises EUR. If the euro had appreciated (depreciated) by 10 per cent compared with the closing day rate at 31 December 2011, with all other variables constant, earnings would improve (worsen) by SEK 4.0 million (–3.9). The impact on earnings arises from translation of subsidiaries' net income and outstanding debts and claims from EUR to SEK. Since the Parent's borrowing in EUR is identified as a hedge of net investments in subsidiaries (see note 37), currency fluctuations on these loans will not impact earnings.

(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. The fixed interest rate is then controlled by means of interest rate swaps, where variable interest rates are converted into fixed rates.

Interest-bearing net debt on 31 December amounted to SEK 947 million (1,062) and the fixed interest rate period on these liabilities was about 0.6 years (0.5) including interest swaps and about 0.3 years (0.2) excluding interest swaps. Short-term investments and cash and cash equivalents amounted to SEK 151 million (149), and the fixed interest rate period on these assets is about 0 months (0). In 2011 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 177 million (162), and they have been measured against equity.

The net fair value of the swaps as of the balance sheet date was SEK –6.3 million (–8), consisting of assets of SEK 0 million (0) and liabilities of SEK –6.3 million (–8). Fair value of derivative instruments is recognised as other current liabilities.

The effective interest rate for the loan portfolio based on average borrowings for the year amounted to 4.64 per cent (4.35).

Given the same loan debt, short-term investments, cash and cash equivalents and fixed interest rate periods as at the end of the year, a change in the market rate of 100 base points (1 percentage point) would change the Group's net interest income on an annual basis by about SEK 7,7 million (9).

Credit risk

Bong provides credits to its customers as a natural part of its business activities. These credits add up to considerable amounts. 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. In order to reduce the risk of this happening, regular credit checks are made of the Group's customers and credit limits are set. Credit insurance is taken out above all on trade receivables in the Group's German, French and British companies.

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

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 mainly to reduce the Group's current liabilities.

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

Other credit facilities consist of the subsidiaries' local overdraft facilities in foreign banks. At year-end, total credit facilities amounted to SEK 1,128 million (1,243) and approved unused credit to SEK 289 million (319). 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. 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.

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

At 31 December 2010	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Borrowings (excluding finance lease liabilities)	111,557	140,896	388,205	418,780
Bank credit lines	81,143			
Finance lease liabilities	4,083	982		
Derivative instruments	5,225	3,318	1,420	
Trade payables and other payables	636,815			

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

All of the Group's gross settled derivatives are included in a hedging relationship and are due within 12 months from the closing date. These derivative instruments consist of forward exchange contracts to hedge the subsidiaries' inflows and outflows in foreign currencies, and currency swaps to hedge the Parent Company's borrowing and lending to the subsidiaries in currencies other than SEK. Foreign currency forward contracts require contractual undiscounted inflows of SEK 6.2 million (0) and contractual undiscounted outflows of SEK 107.6 million (34.9). Currency swaps hedge lending in the Parent Company for a nominal amount of SEK 132.1 million (5.4).

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.

The Group assesses its capital based on the following ratios:

Key Figures	2011	2010
Equity ratio, %	21	21
Net loan debt, SEKm	947	1,062
Net debt/equity ratio, times	1.91	2.00
Net loan debt/EBITDA, times	6.3	42.7

The large change in net debt/EBITDA compared with the previous year is because the Hamelin acquisition occurred in the fall of 2010 and had a major impact on net debt, but only about two months' impact on EBITDA in 2010.

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).

2011	Level 1	Level 2	Level 3	Total
Assets				
Derivatives used for hedging purposes				
– Forward exchange contracts	–	1,499	–	1,499
– Interest rate swaps	–	10	–	10
Total assets	**–**	**1,509**	**–**	**1,509**
Liabilities				
Derivatives used for hedging purposes				
– Forward exchange contracts	–	2,164	–	2,164
– Interest rate swaps	–	6,319	–	6,319
Total liabilities	**–**	**8,483**	**–**	**8,483**

2010	Level 1	Level 2	Level 3	Total
Assets				
Derivatives used for hedging purposes				
– Forward exchange contracts	–	1,030	–	1,030
– Interest rate swaps	–	–	–	–
Total assets	**–**	**1,030**	**–**	**1,030**
Liabilities				
Derivatives used for hedging purposes				
– Forward exchange contracts	–	67	–	67
– Interest rate swaps	–	7,970	–	7,970
Total liabilities	**–**	**8,037**	**–**	**8,037**

NOTE 2 – NET SALES BY GEOGRAPHIC AREA

	2011	2010
Nordic and Baltic	701,996	755,213
Central Europe	1 006,348	776,071
France and Spain	776,557	276,936
United Kingdom	553,604	384,162
Russia/Eastern Europe	75,150	68,079
Other	89,059	65,665
Total	3,202,714	2,326,126

NOTE 3 – EXPENSES CLASSIFIED BY NATURE OF EXPENSE

	2011	2010
Depreciation, amortisation and impairment (Note 6)	110,916	113,729
Costs for remuneration to employees (Note 4)	893,076	630,948
Changes in inventories of finished goods and work in progress	20,480	2,127
Raw materials	1,467,044	993,851
Transport costs	157,291	102,485
Other expenses	505,080	457,366
Total cost of goods sold, selling and administrative expenses	3,153,887	2,300,506

NOTE 4 – EMPLOYEES AND WAGES, SALARIES AND OTHER REMUNERATION

Average number of employees

	2011		2010	
	Number of employees	Of whom men	Number of employees	Of whom men
Sweden	279	167	275	163
Norway	87	48	96	57
Denmark	51	31	39	26
Finland	95	48	96	49
Germany	568	340	412	322
United Kingdom	327	145	169	124
the Netherlands	38	22	17	16
Belgium	63	31	90	50
Russia	101	59	89	54
Estonia	51	23	52	20
Luxembourg	30	6	20	6
France	547	207	142	82
Poland	179	57	37	23
Spain	13	5	4	0
Lettland	2	1	2	1
Totalt	2 431	1 190	1 540	993

Board of Directors and senior executives

	2011		2010	
	Total	Of whom men	Total	Of whom men
Board members	58	45	42	41
President and other senior executive officers	53	50	46	42

Salaries, remuneration, and social security contributions

	2011		2010	
	Salaries & remun.	Social contrib.	Salaries & remun.	Social contrib.
Parent Company	17,148	9,638	11,884	6,809
pension costs	–	3 640	–	2,524
Subsidiaries	687,763	178,527	492 ,622	119,633
pension costs	–	49 461	–	37 770
Group	704,911	188,165	504,507	126,441
pension costs	–	53,101	–	40,294

AGM decision on 2011 guidelines for remuneration to senior executives

The 2011 AGM resolved on remuneration guidelines for the CEO and other senior executives as follows. "Senior executives" refers to executives included in the management group, which currently consists of the company's President/CEO, Chief Financial Officer (CFO), Managing Director Bong Scandinavia and ProPac, Managing Director Bong Central Europe, Managing Director Bong UK and Managing Director Bong France and Spain. Remuneration to senior executives shall consist of fixed salary, variable compensation, long-term variable one-off payment ("LVR"), other benefits and pensions. 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 remuneration, from time to time other long-term incentive programmes may be approved.

The variable portion 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 portion is based on achievement of two or three of the following interim goals: 1) the Group's EBIT, 2) the Group's cash flow, 3) earnings in the business unit, and 4) 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 portion is based on an earning period of one year. The goals for senior executives are established by the Board of Directors.

The senior executives participating in the LVR are entitled to receive a onetime payment provided that predetermined and measurable performance criteria as decided by the general meeting are met.

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 the Group Management are also entitled to an increased occupational pension premium of up to 30 per cent of their fixed salary.

Group Management's employment contracts include provisions governing remuneration and termination of employment. According to these agreements, employment can ordinarily terminate at the request of the employee with a period of notice of 3–24 months and at the company's request with a period of notice of 6–24 months. In the event of termination by the company, the period of notice and the period during which severance pay is payable shall not together exceed 24 months.

Remuneration to the President and other senior executives is prepared by the Board of Directors' remuneration committee and finalised by the Board based on the recommendation of the remuneration committee.

These guidelines apply to those persons who are included in the Group Management during the period the guidelines are in force. The guidelines apply to the employment contracts entered into after the AGM's resolution, and to any changes in existing contracts. The Board of Directors is entitled to disregard the above guidelines if it finds that special reasons exist to justify this in a particular case.

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

	2011		2010	
	Board and CEO	Other employees	Board and CEO	Other employees
Total remuneration	51 ,605	653,306	38,451	466,056
incentive, etc.	921	2,254	–	3,797

Terms of employment of senior executives

Chairman

The Chairman of the Board received a fee of SEK 400 thousand for 2011 (300). The amount comprises part of the total director's fee determined by the AGM, SEK 300 thousand (300) and for the chairmanship in the audit committee SEK 100 thousand (0). 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 2011 was SEK 800 thousand (619). Board members Alf Tönnesson, Stéphane Hamelin, Eric Joan and Ulrika Eriksson received SEK 150 thousand 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 (0). 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 4,314 thousand (3,861) was paid for 2011, plus benefits mainly comprising car benefit valued at SEK 123 thousand (148). 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 861 thousand (0) was paid for 2011. Variable remuneration of SEK 0 thousand was paid for 2010. The retirement age is 65 years. A pension premium of 30 per cent of the base salary was paid. In 2011 a pension premium of SEK 404 thousand (130) was paid based on an agreement exchanging pension for pay. In the event of termination by the company, the President is entitled to salary and benefits for 24 months. In the event of termination by the President, the period of notice is 6 months.

Other senior executives in the management group

Total fixed salaries of SEK 11,168 thousand (8,206), plus benefits mainly comprising car benefits valued at SEK 647 thousand (828), were paid to other senior executives in the management group, consisting of 5 people, in 2011. 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 2,421 thousand (143) was paid for 2011. Variable remuneration of SEK 143 thousand was paid during the year for 2010.

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 1,346 thousand (1,183) was paid for 2011.

In the event of termination by the company, unchanged salary is payable for 6–24 months. In the event of termination by the employee, the period of notice is 3–24 months.

Share-based incentive programme

The duration of the LVR is approximately three years. The senior executives participating in the LVR are entitled to receive a onetime payment provided that predetermined and measurable performance criteria are met. LVR is based on the implicit value per share. The implied value per share is determined as EBITDA [1] 2013 multiplied by a multiple of 6, less average net debt during the second half of 2013. Maximum LVR involves an allocation of 3 times the annual salary [2] of each participant. Half of the LVR is paid in cash, and half in the form of shares in Bong. In order to receive LVR participants must not sell any shares in the Company before the end of 2013 and the participant may not terminate employment in the Bong Group before the end of 2012. Participants shall not be entitled to sell LVR shares before the end of 2014.

To enable delivery of LVR shares according to LVR, the Board has been authorised to take decisions on the acquisition of a maximum of 400,000 treasury shares. Further, the Board may transfer a maximum of 400,000 treasury shares for the delivery of LVR shares to participants in LVR by 30 April 2014.

Maximum LVR amounts to SEK 45 million. LVR entails acquisition of a total of a maximum of 400,000 shares, corresponding to 2.3 per cent of the total number of outstanding shares in Bong. LVR will not entail any dilutive effects as the Board proposed hedging the programme through delivery of already issued shares to participants.

The Extraordinary General Meeting, held 22 October 2010, resolved to implement long-term variable remuneration for Group Management. No long-term variable remuneration will be paid for 2011 and no costs relating to LVR have been charged to earnings for the year.

[1] Earnings Before Interest Taxes Depreciation and Amortisation.
[2] Annual salary refers to each participant's gross fixed salary for 2011.

Preparation and decision-making process

The Board of Directors has a remuneration 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

	2011	2010
PwC		
Auditing assignments	3,849	3,873
Audit-related activities	521	2,890
Tax services	560	27
Other services	1,016	3,366
Total	5,946	10,156

	2011	2010
Grant Thornton		
Auditing assignments	199	277
Other services	–	47
Total	199	324

	2011	2010
KPMG		
Auditing assignments	407	216
Audit-related activities	–	14
Tax services	180	143
Other services	83	298
Total	670	671

	2011	2010
Other		
Auditing assignments	42	10
Total	42	10

Of remuneration to the auditors in 2010, SEK 10,340 thousand was expensed and SEK 950 thousand was reported as issuance cost directly against equity.

NOTE 6 – DEPRECIATION ACCORDING TO PLAN

	2011	2010
Broken down by non-current asset		
Other intangible assets	6,076	1,895
Land and buildings	15,078	33,900
Plant and machinery	76,874	66,125
Equipment, tools fixtures and fittings	12,888	11,809
Total	110,916	113,729
Broken down by function		
Cost of goods sold	96,012	102,676
Selling expenses	2,324	1,687
Administrative expenses	12,580	9,366
Total	110,916	113,729

NOTE 7 – OTHER OPERATING INCOME AND EXPENSES

Operating income	2011	2010
Exchange gains on operating receivables and liabilities	3,185	2,723
Capital gain on sale of non-current assets	14,305	21,033
Total	17,490	23,756

Operating expenses	2011	2010
Restructuring and transaction costs	–22,184	–133,170
Exchange losses on operating receivables and	–2,593	–4,945
Loss on sale of non-current assets	–584	–97
Total	–25,361	–138,212

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:

	2011	2010
Fall due for payment within one year	46,692	44,367
Fall due for payment later than one year but within five years	144,257	126,643
Fall due for payment after five years	98,960	66,905
Total	289,909	237,915

Lease payments for operating leases were paid in the following amounts:	53,652	38,463

NOTE 9 – FINANCIAL INCOME

	2011	2010
Interest income	1,538	2,998
Exchange gains on financial items	4,800	2,679
Total	6,338	5,677

NOTE 10 – FINANCIAL EXPENSES

	2011	2010
Interest portion in this year's pension costs	–7 681	–6 700
Interest expenses, other	–53 738	–35 385
Exchange losses on financial items	–3 213	–1 880
Other financial expenses	– 4 425	–2 677
Total	–69 057	–46 642

NOTE 11 – TAX

	2011	2010
Current tax	–27,607	–13,503
Deferred tax	33,929	48,160
Total	6,322	34,657

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.

	2011	2010
Profit before tax	–22,580	–131,950
Income tax calculated according to national tax rates for each country	6,097	35,627
Tax on:		
– adjustment of previous years' tax	325	373
– non-taxable revenue	439	2,096
– other non-deductible expenses	–6,484	–9,880
Recognition of previously unrecognised tax loss	5,945	6,441
Tax according to Income Statement	6,322	34,657

NOTE 12 – EXCHANGE GAINS/LOSSES – NET

	2011	2010
Exchange gains/losses are recognised in the income statement as follows		
Other operating income	3,185	2,723
Other operating expenses	–2,593	–4,945
Financial income	4,800	2,679
Financial expenses	–3,213	–1,880
Total	2,179	–1,423

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.

	2011	2010
Profit attributable to the Parent Company's shareholders	–18,163	–99,049
Ordinary shares outstanding (thousands	17,481	14,216
Basic earnings per share, SEK	**–1.04**	**–6.97**

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.

	2011	2010
Profit attributable to the Parent Company's shareholders	–18,163	–99,049
Weighted average number of ordinary shares outstanding (thousand)	17,481	14,216
– convertible bonds (thousand)	1,247	312
Weighted average number of ordinary shares for calculation of diluted earnings per share (thousand)*	18,728	14,528
Diluted earnings per share, SEK	**–1.04**	**–6.97**

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

NOTE 14 – GOODWILL

	31 Dec. 2011	31 Dec. 2010
Opening costs	532,442	407,903
Purchases/acquisitions, note 34	23,450	167,161
Exchange rate differences	–5,266	–42,622
Closing cost	550,626	532,442

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 9.9 per cent after tax (about 13.2 per cent before tax) has been assumed, along with a growth rate of 1.5–2 per cent in addition to the projected inflation rate. A discount rate of 10.1 per cent after tax and the same growth rate as this year's impairment test were used in 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 1–1.5 per cent has been used to extrapolate cash flows beyond the budget period.

Impairment testing shows that there is no impairment of goodwill values. For a sensitivity analysis relating to the need for impairment of goodwill, please see note 34.

NOTE 15 – OTHER INTANGIBLE ASSETS

	31 Dec. 2011	31 Dec. 2010
Opening costs	49,394	25,346
Increase through business combination	62	6,947
Purchase	5,189	7,793
Sale/retirement	–4,858	–1,173
Reclassifications	1,232	18,121
Exchange rate differences	–382	–7,640
Closing cost	50,637	49,394
Opening accumulated depreciation and impairment losses	–14,083	–17,023
Sales/retirements	4,845	1,135
Exchange rate differences	349	3,700
Depreciation for the year	–6,076	–1,895
Closing accumulated depreciation	–14,965	–14,083
Closing residual value according to plan	35,672	35,311

NOTE 16 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment	31 Dec. 2011	31 Dec. 2010
Opening costs	388,282	306,727
Increase through business combination	–	167,896
Purchase	6,352	1,260
Sale/retirement	–142,820	–29,668
Reclassifications	–	678
Exchange rate differences	–3,431	–58,611
Closing cost	248 383	388 282
Opening accumulated depreciation and impairment losses	–69,409	–78,722
Sales/retirements	58,018	16,497
Exchange rate differences	1,117	26,716
Depreciation and impairment losses for the year	–15,078	–33,900
Closing accumulated depreciation	–25,352	–69,409
Closing residual value according to plan	223,031	318,873
Of which land	22,985	45,035

Plant and machinery	31 Dec. 2011	31 Dec. 2010
Opening costs	1,206,070	1,234,275
Increase through business combination	5,745	122,448
Purchase	33,371	15,480
Sale/retirement	–25,396	–36,685
Reclassifications	24,149	2,540
Exchange rate differences	–20,182	–131,988
Closing cost	1,223,757	1,206,070
Opening accumulated depreciation and impairment losses	–878,320	–952,498
Sales/retirements	23,098	33,077
Exchange rate differences	10,633	107,491
Reclassifications	–	–265
Amortisation for the year	–76,874	–66,125
Closing accumulated depreciation	–921,463	–878,320
Closing residual value according to plan	302,294	327,750

Equipments, tools, fixtures and fittings	31 Dec. 2011	31 Dec. 2010
Opening costs	253,542	254,643
Increase through business combination	–	14,453
Purchase	8,150	12,197
Sale/retirement	–33,585	–4,134
Reclassifications	24	1,673
Exchange rate differences	–1,992	–25,290
Closing cost	226,139	253,542
Opening accumulated depreciation and impairment losses	–208,064	–222,342
Sales/retirements	30,632	4,354
Exchange rate differences	2,621	21,812
Reclassifications	–	–79
Amortisation for the year	–12,888	–11,809
Closing accumulated depreciation	–187,699	–208,064
Closing residual value according to plan	38,440	45,478

NOTE 17 – FINANCE LEASES IN THE GROUP

	31 Dec. 2011	31 Dec. 2010
Opening costs	7,133	3,590
Increase through business combination	–	3,779
Exchange rate differences	–148	–236
Closing cost	6,985	7,133
Opening accumulated depreciation	–400	–277
Exchange rate differences	130	30
Amortisation for the year	–3,882	–153
Closing accumulated depreciation	–4,152	–400
Closing residual value according to plan	2,833	6,733

	Nominal values 31 Dec. 2011	Present values 31 Dec. 2011
Future minimum lease payments fall due as follows:		
Within one year	1,284	1,233
After one year but within five years	936	838
After five years	–	–
Total	2,220	2,071

	Nominal values 31 Dec. 2010	Present values 31 Dec. 2010
Future minimum lease payments fall due as follows:		
Within one year	4,083	3,920
After one year but within five years	982	873
After five years	–	–
Total	5,065	4,793

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

	31 Dec. 2011	31 Dec. 2010
Opening costs	15,264	8,307
Increase through business combination	–	1,534
Accrued expenses	26,163	28,612
Reclassifications	–25,405	–22,668
Exchange rate differences	–584	–521
Closing balance	15 ,438	15,264

NOTE 19 – INTERESTS IN ASSOCIATED COMPANIES

	2011	2010
Opening balance	8,676	12,476
Acquisitions	–	1,511
Reclassification to subsidiary	–1,295	–
Share in profits	–817	–2,149
Exchange rate differences	–299	–3,162
Closing balance	6,265	8,676

Company	Corporate identity number	Domicile	Invested capital	Book value
DMQvert AB	556261-9980	Lerum, Sweden	SEK 200 thousand	3,600
Packaging First Ltd	3838039	Blackmore, UK	GBP 50	2,665
Total				6,265

The Group's interests in associated companies up to 31 December 2011 were as follows:

	Assets	Liabilities	Revenues	Profit	Tax	Stake, %
DMQvert AB	6,469	4,122	13,559	315	–101	50
Packaging First Ltd	2,542	1,928	12,690	229	–122	45
Nova Envelopes Ltd	–	–	9,074	–302	–	50
Image Envelopes Ltd	–	–	15,537	–837	–	50

NOTE 20 – INTERESTS IN OTHER COMPANIES 31 DEC. 2011

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

NOTE 21 – DEFERRED TAX

Deferred tax assets and liabilities are offset when a legal right to do so exists for the tax assets and liabilities in question and when the deferred taxes are payable to the same tax authority. The offset amounts are as follows:

Deferred tax per temporary difference amounts to:	31 Dec. 2011	31 Dec. 2010
Deferred tax asset		
Loss carryforward	116,648	119,813
Intangible assets	2,306	–519
Property, plant and equipment	17,189	–32,677
Pensions	648	200
Other temporary differences	–18,740	12,060
Total	118,051	98,877
Deferred tax liability		
Loss carryforward	–11,894	–8,031
Intangible assets	11,340	2,876
Property, plant and equipment	24,615	13,466
Pensions	9,436	–1,132
Other temporary differences	–12,431	27,153
Total	21,066	34,332

Deferred tax assets are recognised for tax-loss carryforwards to the extent it is likely they can be utilised to offset future taxable profits.

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

The gross change with regard to deferred taxes is as follows:	2011	2010
At start of year	64,545	45,988
Exchange rate differences	–2,594	–4,330
Acquisition of subsidiaries	–	–12,639
Recognised in the Income Statement	33,929	48,160
Tax relating to components of other comprehensive	1,105	–12,634
At year-end	96,985	64,545

NOTE 22 – INVENTORIES

The expenditure for the inventory that was recognised is included in the item "Cost of goods sold" and amounted to SEK 1,487,524 thousand (995,988). Of the inventory value, SEK 36 thousand (153) has been measured at net realisable value. The inventory was depreciated during the year by SEK 379 thousand (1,340).

NOTE 23 – TRADE RECEIVABLES AND OTHER RECEIVABLES

	31 Dec. 2011	31 Dec. 2010
Trade receivables	533,667	597,295
Minus: provision for impairment of receivables	–11,747	–16,111
Trade receivables – net	521,920	581,184

Stated amounts, per currency for the Group's trade receivables are as follows:	31 Dec. 2011	31 Dec. 2010
SEK	35,904	43,205
GBP	124,266	166,359
EUR	307,977	327,823
Other currencies	65,520	59,908
Total	533,667	597,295

Changes in the reserve for doubtful trade receivables are as follows:	31 Dec. 2011	31 Dec. 2010
At 1 January	16,111	5,298
Acquisition of subsidiary	–	10,418
Provision for doubtful debts	2,913	632
Receivables that have been written off during the year as uncollectable (–)	–5,125	–883
Reversal of unutilised amounts	–2,075	–358
Exchange rate difference	–77	1,004
At 31 December	11,747	16,111

The credit quality of trade receivables that have neither fallen due for payment nor are impaired can be assessed by reference to an external credit rating (if available) or to the counterparty's payment history:

Counterparties with an external credit rating	31 Dec. 2011	31 Dec. 2010
AAA	21,646	16,984
AA	2,685	2,392
A	192	362
B	254	225
BB	167	–
BBB	1,812	1,069

Counterparties without an external credit rating		
Group 1 new customers	60,281	4,315
Group 2 existing customers without previous defaults	421,073	553,322
Group 3 existing customers with some previous non-payments where all non-payments have been fully recovered	13,810	2,515
Total trade receivables	521,920	581,184

At 31 December 2011 trade receivables totalling SEK 45,532 thousand (41,986) 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. 2011	31 Dec. 2010
Less than 3 months	33,787	33,536
3 to 6 months	2,397	5,534
More than 6 months	9,348	2,916
Total	45,532	41,986

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. 2011	31 Dec. 2010
Currency and interest rate derivatives	1,509	1,078
Other current receivables	13,932	14,962
Total	15,441	16,040

Other current liabilities	31 Dec. 2011	31 Dec. 2010
Currency and interest rate derivatives	8,483	9,008
Other current liabilities	60,883	72,812
Total	69,366	81,820

NOTE 25 – BORROWINGS

Long-term	31 Dec. 2011	31 Dec. 2010
Bank loans	715,244	769,711
Convertible loan	35,744	36,016
Shareholder loan	67,020	67,529
Total	818,008	873,256

Short-term	31 Dec. 2011	31 Dec. 2010
Bank credit lines	117,952	81,143
Bank loans	–	46,029
Shareholder loan, final settlement	–	26,332
Total	117,952	153,504
Total borrowings	935,960	1,026,760

Maturity dates of long-term borrowings are as follows:	31 Dec. 2011	31 Dec. 2010
Between 1 and 2 years	75,000	85,000
Between 2 and 5 years	331,851	340,835
More than 5 years	411,157	447,421
	818,008	873,256

The effective interest rate on the balance sheet date was as follows:	31 Dec. 2011	31 Dec. 2010
Bank credit lines	1.76%	4.29%
Other borrowings	4.66%	3.51%
Other non-current liabilities	0.00%	0.00%

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. 2011	31 Dec. 2010
SEK	144,965	173,864
EUR	714,620	775,028
GBP	72,288	72,872
Other currencies	4,087	4,996
	935,960	1,026,760

The Group has the following unutilised credit facilities:	31 Dec. 2011	31 Dec. 2010
Variable interest rate:		
– expires within one year	–	–
– expires after more than one year	289,476	319,413
Fixed interest rate:		
– expires within one year	–	–

NOTE 26 – OTHER PROVISIONS

Restructuring	2011	2010
At 1 January	99,841	–
Recognised in the income statement:		
– additional provisions	–	123,583
Utilised during the year	–75,820	–23,357
Exchange rate difference	–662	–385
At 31 December	23,359	99,841

	2011	2010
Non-current portion	23,359	30,000
Current portion	–	69,841
	23,359	99,841

In connection with the acquisition of Hamelin's envelope division, two structural changes began during the fourth quarter of 2010 – one on the European continent to make it possible to move some production volumes to France and the UK, respectively, and to integrate Hamelin's operations into Bong's. The other project that was initiated in the UK involves integration between two of Hamelin's operations and Bong. This project, which was regulated in the agreement between Bong and Hamelin, involves a significant shift of operations from a Hamelin division outside the envelope business to Bong, as well as the spin-off of British John Dickinson Ltd. from Hamelin's administrative organisation. The projects are not completed.

NOTE 27 – PENSION OBLIGATIONS

The Group has defined-benefit pension plans in a number of countries. The biggest defined-benefit pension plans are in Sweden, Germany, Norway, France and Belgium, where they cover virtually all salaried employees and certain other personnel. The pension plans provide benefits based on the average remuneration and length of employment of the employees at or near retirement.

	31 Dec. 2011	31 Dec. 2010
Defined-benefit pension plans	163,773	159,100
Payroll tax and similar taxes	–2,160	–1,242
Net liability in Balance Sheet	161,613	157,858

The amounts recognised in the Consolidated Balance Sheet have been calculated as follows	31 Dec. 2011	31 Dec. 2010
Present value of funded obligations	88,967	83,745
Fair value of plan assets	–49,344	–52,702
Present value of unfunded obligations	175,455	154,819
Unrecognised actuarial gains (+), and losses (–)	–53,465	–28,005
Net liability, defined benefit pension plans	161,613	157,858

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.

The amounts recognised in the Consolidated Income Statement are as follows:	31 Dec. 2011	31 Dec. 2010
Service costs during current year	7,049	5,210
Interest expense	10,456	9,114
Expected return on plan assets	–2,775	–2,414
Losses (+) or gains (–) on curtailments and settlements	2,882	–695
Total costs for defined-benefit plans	17,612	11,215

The total pension costs recognised in the Consolidated Income Statement are as follows:	31 Dec. 2011	31 Dec. 2010
Total costs for defined-benefit plans	17,612	11,215
Total costs for defined-contribution plans	28,691	24,038
Cost for special payroll tax and yield tax	6,798	5,041
Total pension cost	53,101	40,294

The costs are allocated in the Consolidated Income Statement among the following items:	31 Dec. 2011	31 Dec. 2010
Cost of goods sold	28,686	25,089
Selling expenses	8,448	4,935
Administrative expenses	8,286	3,570
Financial expenses	7,681	6,700
Total pension cost	53,101	40,294

Specification of changes in the net liability recognised in the Consolidated Balance Sheet:	31 Dec. 2011	31 Dec. 2010
Net liability at beginning of the year	157,858	126,080
Net expenses recognised in the income	17,612	11,215
Benefit payments paid	–12,488	–8,618
Employer contributions to funded plans	–2,762	–4,110
Net liabilities assumed in business combinations	–	44,454
Exchange rate difference on foreign plans	1,393	–11,163
Net liability at year-end	161,613	157,858

Significant actuarial assumptions on the balance sheet date: (expressed as weighted averages)	31 Dec. 2011	31 Dec. 2010
Discount rate	4.1%	4.7%
Expected return on plan assets	4.5%	5.3%
Actual return on plan assets	–6.5%	3.5%
Future annual salary increases	3.3%	3.6%
Future annual pension increases	3.1%	2.4%
Employee turnover rate	3.5%	3.5%

Pension insurance in Alecta

Obligations for old-age pension and family pension for salaried employees in Sweden are secured by insurance in Alecta. According to a statement by the Swedish Financial Accounting Standards Council's Emerging Issues Task Force, URA 3, this is a multi-employer defined-benefit plan. For financial year 2011, the Group did not have access to information that makes it possible to account for this plan as a defined-benefit plan. The ITP pension plan that is secured via insurance in Alecta is therefore accounted for as a defined-benefit plan.

Pension contributions during the year for pension insurance in Alecta amount to SEK 1,131 thousand (889). Alecta's surplus can be distributed to the policyholders and/or to the insured. At year-end 2011, Alecta's surplus in the form of the collective funding ratio amounted to 113 per cent (146). 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.

NOTE 28 – ACCRUED EXPENSES AND DEFERRED INCOME

	31 Dec. 2011	31 Dec. 2010
Pay-related accrued expenses	126,639	129,329
Other accrued expenses	121,256	76,668
Total	247,895	205,997

NOTE 29 – PLEDGED ASSETS

	31 Dec. 2011	31 Dec. 2010
Relating to pension obligations		
Floating charges	20,000	20,000
Relating to liabilities to credit institutions		
Shares in subsidiaries	422,642	409,112
Floating charges	17,210	17,342
Property mortgages	–	8 932
Current assets	456	14,192
Total	460,308	469,578

NOTE 30 – CONTINGENT LIABILITIES

	31 Dec. 2011	31 Dec. 2010
Liability FPG	1,128	1 ,037
Other contingent liabilities	1,034	3,268
Total	2,162	4,305

NOTE 31 – RESERVES

	Hedging reserve	Translation reserve	Revaluation of assets	Total reserves
Opening balance 1 January 2010	–11,575	45,584	5,361	39,370
Cash flow hedges	2,046			2,046
Hedging of net investments		57,201		57,201
Exchange rate difference		–129,016		–129,016
Tax effect	–538	–12,096		–12,634
Closing balance 31 December 2010	–10,067	–38,327	5,361	–43,033
Opening balance 1 January 2011	–10,067	–38,327	5 ,361	–43,033
Cash flow hedges	1,537			1,537
Hedging of net investments		3,710		3,710
Exchange rate difference		–2,991		–2 ,991
Tax effect	–404	–701		–1,105
Closing balance 31 December 2011	–8,934	–38,309	5,361	–41,882

NOT 32 – SHARE CAPITAL

Shares

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

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

	2011	2010
Gains on disposal of intangible assets and property, plant and equipment	–13,721	–15,551
Change in provisions	–50,330	95,178
Exchange rate differences and other	16,863	–17,812
Total	**–47,188**	**61,815**

NOTE 34 – BUSINESS COMBINATIONS

Company/operation	Transaction type	Ownership	Consolidation method	Transaction date
Angus & Wright Ltd	Share acquisition	50%	Acquisition method	2011-11-01
Nova Envelopes Ltd	Share acquisition	100%	Acquisition method	2011-08-01
Image Envelopes Ltd	Share acquisition	51%	Acquisition method	2011-12-01
Egå Offset	Net asset acquisition		Acquisition method	2011-01-01

The purchase price consists of the following components	
Cash and cash equivalents	11,462
Assumed liabilities/loans from sellers	5,057
Revaluation of previously-owned shares	4,462
Total purchase consideration	**20,981**

Acquisition-related costs (included in other expenses in the Consolidated Income Statement for financial year 2011)	317

Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	487
Property, plant and equipment	10,653
Inventories	2,883
Trade receivables and other receivables	13,317
Trade payables and other payables	–28,596
Borrowings	–1,161
Deferred tax liabilities	–52
Total identified net assets	–2,469
Goodwill	23,450
	20,981

During the year, the Group acquired 50 per cent of Angus & Wright Ltd, 50 per cent of Nova Envelopes Ltd, 1 per cent of Image Ltd. and Egå Offset. The acquisitions had no material impact on the Group's sales or profit during the year. If the companies had been consolidated for the entire year, the Group would have had an additional SEK 63 million in sales and a loss of SEK 3 million in earnings.

NOTE 35 – SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Accounting estimates and judgements are evaluated continuously and are based on historical experience and other factors, including expectations of future events that are considered reasonable under prevailing circumstances.

Pension benefits

The present value of the pension obligations is dependent on a number of factors that are established on an actuarial basis based on a number of assumptions. The assumptions used in establishing the net cost (income) for pensions includes the long-term rate of return on the plan assets in question and the discount rate. Every change in these assumptions will affect the carrying amount of the pension obligations.

The assumption of expected return on the plan assets is determined in a uniform manner and takes into account historical long-term return, the distribution of the assets and estimates of future long-term return.

The Group determines a suitable discount rate at the end of each year. This is the interest rate that is used to determine the present value of estimated future payments expected to be required to settle the pension obligations. In determining a suitable discount rate, the Group takes into account the interest rates on first-class corporate bonds or treasury bonds denominated in the currency in which the payments will be made and with maturities equivalent to the estimates for the pension obligations in question. In Sweden, the Group also takes into account interest rates on mortgage bonds when determining the discount rate.

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

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

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

The portion of the actuarial gains and losses that exceeds 10 per cent of either the present value of the obligations or the fair value of the plan assets, whichever is greater, is recognised in profit or loss, divided by the expected average remaining working lives of the employees. This also means that a change in the discount rate would not affect 2011 pension costs, but would first affect pension costs for 2012.

Amendment to IAS 19

On 16 June 2011 the IASB issued an updated IAS 19 standard. The standard comes into force on 1 January 2013 and will have a material impact on financial reporting for many companies. In particular, the new standard implements a change in the expected return on assets that is part of pension costs.

In practice, the change means that the expected return on assets is calculated at the discount rate, instead of as now with an expected return based on actual plan assets. For most companies, the impact on earnings is likely to be higher going forward. Bong will also have a balance sheet effect, because the so-called corridor approach disappears, which means that a company may no longer have unrecognised actuarial losses off balance sheet. There will also be additional disclosure requirements.

Impairment testing of goodwill

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. A growth rate of 1-1.5 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 9.9 per cent has been used (13.2 per cent before tax), as evident from Note 14.

A sensitivity analysis has been performed for the Group as a cash-generating unit. The results of the analysis are summarised below.

- If the estimated growth after the budget period had been half of the assumed amount, the total recoverable amount would be 5 per cent lower.
- If the estimated growth rate for extrapolating cash flows beyond the budget period had been 1.5 per cent lower than the assumption of 1.5 per cent, the total recoverable amount would be 9 per cent lower.
- If the estimated weighted capital cost applied to discounted cash flows for the Group had been 10 per cent higher than the assumption of about 10 per cent, the total recoverable amount would be 10 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. No impairment loss was identified.

NOTE 36 – HEDGE ACCOUNTING

The Parent Company's borrowings in EUR and GBP are identified as hedging of net investments in subsidiaries in Germany, Ireland, Belgium, France and the UK. The fair value of the borrowings at 31 December 2011 was SEK 565,617 thousand (649,488). The exchange difference amounting to SEK 3,710 thousand (57,201) on translation of the borrowings to SEK on the balance sheet date, is recognised in 'Reserves' in equity.

NOTE 37 – DIVIDEND

A dividend for 2010 of SEK 1 per share, totalling SEK 17,481 thousand, was approved at the AGM on 12 May 2011. No dividend for 2011 will be proposed at the AGM on 16 May 2012.

NOTE 38 – INFORMATION ABOUT BONG AB

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

NOTE 39 – RELATED PARTY TRANSACTIONS

Transactions with associated companies	2011	2010
Sales during the year	6,825	14,911
Purchases during the year	345	1,471
Current receivables balance sheet date	942	13,484

Transactions with subsidiary to Holdham S.A. are counted as related-party transactions since Holdham S.A. is the largest shareholder in Bong AB	2011	2010
Sales during the year	104,393	59,239
Purchases during the year	596	46,607
Current receivables balance sheet date	16,630	49,741

NOTE 40 – ADOPTION OF NEW ACCOUNTING PRINCIPLES

(a) New and revised standards applied by the Group

The Group has applied the following new and revised IFRSs from 1 January 2011, none of which is expected to have any material impact on the consolidated financial statements:

IAS 32 (amendment), "Financial instruments: Classification of rights issues'" Applies to annual periods beginning on or after 1 February 2010.

IFRIC 19, "Extinguishing financial liabilities with equity instruments". Applies to annual periods beginning on or after 1 July 2010.

IAS 24 ''Related party disclosures", (revised 2009). Amends the definition of a related party and modifies certain related-party disclosure requirements for government-related entities. Applies to annual periods beginning on or after 1 January 2011.

Amendment to IFRIC 14, "IAS 19 – The limit on a defined benefit assets, minimum funding requirements and their interaction" Applies to annual periods beginning on or after 1 January 2011.

IFRS 3, "Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS 3." Applies to annual periods beginning on or after 1 July 2010. Clarifies that the amendments to IFRS 7, "Financial instruments: Disclosures", IAS 32, "Financial instruments: Presentation", and IAS 39, "Financial instruments: Recognition and measurement", that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008).

IFRS 3, "Measurement of non-controlling interests". Applies to annual periods beginning on or after 1 July 2010. The choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree's net assets applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by IFRS.

IFRS 3, "Un-replaced and voluntarily replaced share-based payment awards". Applies to annual periods beginning on or after 1 July 2010.

IAS 27, "Consolidated and Separate Financial Statements". Applies to annual periods beginning on or after 1 July 2010.

IAS 1, "Presentation of financial statements". Applies for the financial year beginning 1 January 2011; applied retrospectively. Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

IAS 34, "Interim Financial Reporting". Applies for the financial year beginning 1 January 2011; applied retrospectively.

(b) New and revised standards, as well as interpretations applied for the first time for the financial year beginning 1 January 2011, but that currently are not relevant for the Group.

Amendment to IFRS 1, "First time adoption", - "Limited Exemption from Comparative IFRS 7 Disclosures for First-time adopters"

IFRS 7, "Financial instruments". Emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments.

IFRIC 13, "Customer loyalty programmes" Clarifies the meaning of 'fair value' in the context of measuring award credits under customer loyalty programmes.

(c) New standards, amendments and interpretations issued but not yet effective and not early adopted by the Group.

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

IAS 19 "Employee benefits", amendment. Applies to annual periods beginning on or after 1 January 2013. The amendment requires the Group to cease application of the "corridor approach" and to instead recognise all actuarial gains and losses in other comprehensive income as they arise. See note 36 for more information.

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.

IFRS 12 "Disclosures of interests in other entities" includes the disclosure requirements for subsidiaries, joint arrangements, associated companies and unconsolidated "structured entities". After evaluation the impact on the Group is estimated to be negligible.

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.

IFRS 7 "Financial instruments: Disclosures", amendments on derecognition from the Balance Sheet. Applies to annual periods beginning on or after 1 July 2011. This amendment will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. Earlier application is permitted. The standard has not yet been adopted by the EU.

IAS 1, "'Financial statement presentation" regarding other comprehensive income. Applies to annual periods beginning on or after 1 July 2012. 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. The standard has not yet been adopted by the EU.

IAS 28 (revised 2011), "Associates and joint ventures" Applies to annual periods beginning on or after 1 January 2013. IAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. The standard has not yet been adopted by the EU.

Income statement for parent company

INCOME STATEMENT

SEK thousand	Note	2011	2010
Net sales		27,636	27,225
Administrative expenses	2–5	−70,824	−61,327
Other operating income	6	10,945	5,591
Operating profit/loss	7	**−32,243**	**−28,511**
Profit from interests in subsidiaries	8	55,662	29,645
Other interest income and similar line items	9	19,725	84,453
Interest expenses and similar line items	10	−62,529	−61,327
Total financial income and expenses		**12,858**	**52,771**
Result before tax		**−19,385**	**24,260**
Tax on profit/loss for the year	11	23,780	931
NET RESULT FOR THE YEAR		**4,395**	**25,191**

STATEMENT OF COMPREHENSIVE INCOME

SEK thousand	2011	2010
Net profit for the year	4,395	25,191
Other comprehensive income		
Cash flow hedges	2,256	7,039
Income tax relating to components of other comprehensive income	−593	−1,851
Other comprehensive income after tax	**1,663**	**5,188**
TOTAL COMPREHENSIVE INCOME	**6,058**	**30,379**

Balance sheet for parent company

SEK thousand	Note	31 Dec. 2011	31 Dec. 2010
ASSETS			
Non-current assets			
Intangible assets			
Capitalised development expenditure		20,712	18,160
Total	12	**20,712**	**18,160**
Property, plant and equipment			
Equipment, tools, fixtures, and fittings		1,765	2,090
Investments in progress		1,821	1,164
Total	13	**3,586**	**3,254**
Financial assets			
Interests in subsidiaries	14	1,760,543	1,715,643
Interests in other companies	15	1,000	1,000
Deferred tax assets	16	41,285	17,506
Other non-current receivables		711	1,385
Total		**1,803,539**	**1,735,534**
Total non-current assets		**1,827,837**	**1,756,948**
Current assets			
Current receivables			
Receivables from subsidiaries		310,056	158,101
Current tax asset		680	680
Other current receivables	18	3,620	4,229
Deferred expenses and accrued income	19	13,204	15,170
Total		**327,560**	**178,180**
Cash and cash equivalents		58,617	15,798
Total current assets		**386,177**	**193,978**
TOTAL ASSETS		**2,214,014**	**1,950,926**

SEK thousand	Note	31 Dec. 2011	31 Dec. 2010
EQUITY AND LIABILITIES			
Equity	22, 24		
Restricted equity			
Share capital		174,810	174,810
Non-restricted equity			
Fair value reserve		–6,309	–7,972
Share premium reserve		90,380	90,380
Retained earnings		450,908	443,198
Net profit for the year		4,395	25,191
Total non-restricted equity		539,374	550,797
Total equity		**714,184**	**725,607**
Provisions			
Pension obligations	25	11,805	11,337
Total provisions		**11,805**	**11,337**
Non-current liabilities			
Borrowings	17	710,581	749,453
Liabilities to subsidiaries	17	358,247	163,336
Other liabilities	17	102,764	103,545
Total non-current liabilities		**1,171,592**	**1,016,334**
Current liabilities			
Borrowings	17	0	96,332
Trade payable		12,601	18,834
Liabilities to subsidiary		281,526	60,363
Other current liabilities	18	10,678	11,029
Accrued expenses and deferred income	19	11,628	11,090
Total current liabilities		**316,433**	**197,648**
TOTAL EQUITY AND LIABILITIES		**2,214,014**	**1,950,926**
Pledged assets	20	498,638	498,638
Contingent liabilities	21	236	227

Changes in equity for parent company

		Restricted equity	Non-restricted equity			
SEK thousand	Note	Share capital	Fair value reserve	Share premium reserve	Retained earnings incl. net profit for the year	Total
Opening balance at 1 January 2010		131,282	−13,160	5,760	456,326	580,208
Comprehensive income						
Net profit for the year					25,191	25,191
Other comprehensive income						
Cash flow hedges, after tax			5,188			5,188
Total other comprehensive income			5,188			5,188
Total comprehensive income			**5,188**		**25,191**	**30,379**
Transactions with shareholders						
New issue		43,528		86,620		130,148
Issue costs				−2,000		−2,000
Dividend to Parent Company's shareholders	22				−13,128	−13,128
Total transactions with shareholders		**43,528**		**84,620**	**−13,128**	**115,020**
CLOSING BALANCE AT 31 DECEMBER 2010		**174,810**	**−7,972**	**90,380**	**468,389**	**725,607**
Opening balance at 1 January 2011		174,810	−7,972	90,380	468,389	725,607
Comprehensive income						
Net profit for the year					4,395	4,395
Other comprehensive income						
Cash flow hedges, after tax			1,663			1,663
Total other comprehensive income			**1,663**			**1,663**
Total comprehensive income			**1,663**		**4,395**	**6,058**
Transactions with shareholders						
Dividend to Parent Company's shareholders	22				−17,481	−17,481
Total transactions with shareholders					**−17,481**	**−17,481**
CLOSING BALANCE AT 31 DECEMBER 2011						
		174,810	**−6,309**	**90,380**	**455,303**	**714,184**

Cash flow statement for parent company

SEK thousand	2011	2010
OPERATING ACTIVITIES		
Operating profit/loss	–32,243	–28,511
Depreciation, amortisation, and impairment losses	3,358	1,137
Financial income received	11,516	8,518
Finance expenses paid	–53,047	–33,491
Profit from interests in subsidiaries	0	29,645
Tax paid	–	–
Other items not affecting liquidity	–978	–63,052
Cash flow from operating activities before change in working capital	**–71,394**	**–85,754**
Change in working capital		
Current receivables	–195,672	–9,393
Current operating liabilities	258,026	5,853
Cash flow from operating activities	**–9,040**	**–89,294**
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment incl. advance payments to suppliers	–6,242	–17,427
Investments in subsidiaries / Shareholders' contributions paid	–26,332	–310,931
Cash flow from investing activities	**–32,574**	**–328,358**
Cash flow after investing activities	**–41,614**	**–417,652**
FINANCING ACTIVITIES		
Payment of dividend	–17,481	–13,128
Loans raised	325,641	512,670
Amortisation of loans	–223,178	–71,204
Cash flow from investing activities	84,982	428,338
Cash flow for the year	**43,368**	**10,686**
Cash and cash equivalents at start of year	15,798	6,098
Exchange rate difference in cash and cash equivalent	–549	–986
CASH AND CASH EQUIVALENTS AT YEAR-END	**58,617**	**15,798**

PARENT COMPANY'S NOTES

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

	2011		2010	
	Total employees	Of whom men	Total employees	Of whom men
Sweden	17	13	11	8

Distribution of senior executives on the balance sheet date

	2011		2010	
	Total employees	Of whom men	Total employees	Of whom men
Board members	9	8	9	8
President and other senior executive officers	2	2	2	2

Salaries and other remuneration

	2011		2010	
	Salaries and remun.	Social contrib.	Salaries and remun.	Social contrib.
Total	17,148	9,638	11,884	6,809
Of which pension costs		3,640		2,524

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

	2011		2010	
	Board and CEO	Other employees	Board and CEO	Other employees
Total	5,514	11,634	4,780	7,104
Including incentive, etc.		2,107		345

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

NOTE 3 – REMUNERATION TO AUDITORS

PwC	2011	2010
Auditing assignments	300	295
Audit-related activities	180	2,712
Other services	775	3,184
Total	1,255	6,191

Remuneration in 2010 to the auditors amounted to SEK 533 thousand, SEK 4,708 thousand was reported as cost in the acquisition of Hamelin's envelope division and SEK 950 thousand was reported as issue costs, directly to equity.

NOTE 4 – DEPRECIATION ACCORDING TO PLAN

Broken down by non-current asset	2011	2010
Capitalised development costs	2,404	232
Equipment, tools, fixtures, and fittings	954	905
Total	3,358	1,137
Depreciation is recognised as administrative expenses	3,358	1,137

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:

	2011	2010
Fall due for payment within one year	3,637	3,822
Fall due for payment after one year but within five years	3,640	7,149
Fall due for payment after five years	512	640

Lease payments for operating leases were paid during the year in the amount of SEK 3,822 thousand (4,244). No assets are sub-leased, nor are there any restrictions in the lease agreements.

NOTE 6 – OTHER OPERATING INCOME

	2011	2010
Supplier bonus	10,040	4,733
Exchange gains	668	223
Rental and payroll costs	237	635
Total	10,945	5,591

NOTE 7 – PURCHASES AND SALES BETWEEN GROUP COMPANIES

The Parent Company's business consists of management of operating subsidiaries and Group management functions. In 2011 the Parent Company charged the subsidiary management fees amounting to SEK 27,636 thousand (27,225) and received SEK 237 thousand (635) in rental revenue. The Parent Company's purchases from subsidiaries amounted to SEK 13,008 thousand (11,740). Pricing between Parent and subsidiary is on a commercial basis and at market prices.

NOTE 8 – PROFIT FROM INTERESTS IN SUBSIDIARIES

	2011	2010
Dividend	68,762	17,820
Impairment of shares	–100	–775
Group contributions received	0	12,600
Group contributions paid	–13,000	0
Total	55,662	29,645

NOTE 9 – OTHER INTEREST INCOME AND SIMILAR LINE ITEMS

	2011	2010
Financial income, Group companies	9,176	7,862
Exchange rate differences on financial items	10,549	75,935
Interest income, other	0	656
Total	19,725	84,453

NOT 10 – INTEREST EXPENSES AND SIMILAR LINE ITEMS

	2011	2010
Financial expenses, Group companies	–6,662	–1,935
Interest portion in this year's pension costs	–1,446	–601
Interest expenses, other	–41,904	–26,468
Exchange rate differences on financial items	–5,811	–27,836
Other financial expenses	–6,706	–4,487
Total	–62,529	–61,327

NOTE 11 – TAX

	2011	2010
Current tax	–	–
Deferred tax	23,780	931
Total	23,780	931

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

	2011	2010
Profit before tax	–19,385	24,260
Tax calculated according to applicable tax rate of 26.3%:	5,098	–6,380
Tax on:		
– dividend from subsidiary	18,085	4,687
– previously unrecognised tax loss	1,245	3,158
– other non-taxable revenue	58	–
– other non-deductible expenses	–706	–534
Tax according to Income Statement	23,780	931

NOTE 12 – INTANGIBLE ASSETS

	2011	2010
Opening cost	18,392	–
Purchases/acquisitions	4,123	15,810
Reclassification	833	2,582
Closing cost	23,348	18,392
Opening accumulated depreciation and impairment losses	–232	–
Depreciation for the year	–2,404	–232
Closing accumulated depreciation	–2,636	–232
Closing residual value according to plan	20,712	18,160

NOTE 13 – PROPERTY, PLANT AND EQUIPMENT

	2011	2010
Opening cost	21,448	22,413
Purchases/acquisitions	2,119	1,617
Reclassification	–833	–2,582
Closing cost	22,734	21,448
Opening accumulated depreciation and impairment losses	–18,194	–17,289
Depreciation for the year	–954	–905
Closing accumulated depreciation	–19,148	–18,194
Closing residual value according to plan	3,586	3,254

NOTE 14 – INTERESTS IN SUBSIDIARIES 31 DECEMBER 2011

Company	Corporate identity number	Domicile	Share of equity, %	Number of shares	Book value
Bong Sverige AB	556016-5606	Kristianstad, Sweden	100	804,000	240,282
Bong Packaging Solutions AB	556296-3115	Malmö, Sweden	100	10,000	24,030
Bongs Swedex AB	556044-3573	Malmö, Sweden	100	500	120
Bong Norge A/S	931080687	Tönsberg, Norway	100	20,000	27,780
Bong Danmark AS	58154717	Hedehusene, Denmark	100	1	19,424
Bong Suomi Oy	745.192	Tammerfors, Finland	100	20,050	232,123
Bong GmbH	HRB 1646	Wuppertal, Germany	100	1	556,060
Development Sp. Zo.o.	7675	Warszawa, Poland	100	5,165	0
Bong Ireland Ltd	192441	Kilkenny, Ireland	100	200,000	0
Bong Retail Solutions NV	826223234	Vichte, Belgium	100	400,000	40
Cadix SAS	518971866	Saint-Sébastien de Morsent, France	100	7,200,000	660,369
Bong Sarl	B329 200 570	RCS Créteil, France	100	1,000	315
Total					**1,760,543**

Opening book value of shares in subsidiaries	1,715,643
Impairment of shares in Development Sp. Zo.o.	–100
Shareholders' contributions in Bong Sverige AB	45,000
Closing book value 31 December 2011	**1,760,543**

NOTE 15 – INTERESTS IN OTHER COMPANIES 31 DECEMBER 2011

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. 2011	31 Dec. 2010
Bank loans	710,581	749,453
Convertible loan	35,744	36,016
Shareholder loan	67,020	67,529
Liabilities to subsidiaries	358,247	163,336
	1,171,592	**1,016,334**
Current		
Bank loans	–	70,000
Shareholder loan, final settlement	–	26,332
	–	**96,332**

Convertible debentures

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

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

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

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

Of the Parent Company's borrowings, SEK 29 million (98) are loans for subsidiaries.

Maturity dates of long-term borrowings are as follows:		
Between 1 and 2 years	75,000	85,000
Between 2 and 5 years	327,764	178,544
More than 5 years	768,828	752,790
	1,171,592	**1,016,334**

Bank credit lines

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

NOTE 18 – OTHER CURRENT RECEIVABLES AND LIABILITIES

Other current receivables	31 Dec. 2011	31 Dec. 2010
Currency and interest rate derivatives	1,509	1,078
Other current receivables	2,111	3,151
Total	**3,620**	**4,229**

Other current liabilities	31 Dec. 2011	31 Dec. 2010
Currency and interest rate derivatives	8,483	9,008
Other current liabilities	2,195	2,021
Total	**10,678**	**11,029**

NOTE 19 – DEFERRED/ ACCRUED INCOME/EXPENSES

Deferred expenses and accrued income	31 Dec. 2011	31 Dec. 2010
Supplier bonus	2,229	3,520
Internal and external interest income	3,653	5,993
Other items	7,322	5,657
Total	**13,204**	**15,170**

Accrued expenses and deferred income	31 Dec. 2011	31 Dec. 2010
Pay-related accrued expenses	6,910	4,408
Internal and external interest expenses	3,452	853
Other items	1,266	5,829
Total	**11,628**	**11,090**

NOTE 20 – PLEDGED ASSETS

	31 Dec. 2011	31 Dec. 2010
Relating to liabilities to credit institutions	–	–
Shares in subsidiaries	498,638	498,638
Total	**498,638**	**498,638**

NOTE 21 – CONTINGENT LIABILITIES

	31 Dec. 2011	31 Dec. 2010
Other contingent liabilities	236	227
Total	**236**	**227**

NOTE 22 – DIVIDEND

A dividend for 2011 of SEK 0 per share will be proposed at the AGM on 16 May 2012. A dividend for 2010 of SEK 1 per share, totalling SEK 17,481 thousand, was approved at the AGM on 12 May 2011.

NOTE 23 – INFORMATION ABOUT BONG AB

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

NOTE 24 – SHARE CAPITAL

The number of shares at year-end 2011 was 17,480,995 (17,480,995) with a quotient value of SEK 10 per share (SEK 10 per share). Detailed information about the Parent Company's shares, share capital and convertible bonds can be found in the Group's note 32.

NOTE 25 – PROVISIONS FOR PENSIONS AND SIMILAR COMMITMENTS

	31 Dec. 2011	31 Dec. 2010
PRI pensions	11,805	11,337
Total provisions	**11,805**	**11,337**

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

	2011	2010
Exchange rate differences and other	–978	–63,052
Total	**–978**	**–63,052**

The consolidated financial statements will be submitted to the Annual General Meeting on 16 May 2012 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 11 April 2012

Mikael Ekdahl	Stéphane Hamelin	Christian W Jansson	Peter Harrysson	Alf Tönnesson	Eric Joan	Ulrika Eriksson	Christer Muth	Anders Davidsson
Chairman of the Board	Member of the Board	Member of the Board	Member of the Board	Member of the Board	Member of the Board	Member of the Board	Member of the Board	President and member of the Board

Our Audit Report was submitted 11 April 2012

PricewaterhouseCoopers AB

Eric Salander	Mathias Carlsson
Authorised Public Accountant	Authorised Public Accountant
Principal auditor	

Auditors’ report

To the Annual General Meeting of Shareholders of Bong AB (publ), Corp. ID no. 556034-1579

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of Bong AB (publ) for the year 2011. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 14–20 and 22–49.

Responsibilities of the board of directors and the President and CEO for the annual accounts and consolidated accounts

The Board of Directors and the President and CEO 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 President and CEO 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.

Auditors’ 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 judgement, 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 President and CEO, 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 2011 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and 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 2011 and of their financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts. We therefore recommend that the annual general 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 examined the proposed appropriations of the company’s profit and the administration of the Board of Directors and the President of Bong AB (publ) for 2011.

Responsibilities of the Board of Directors and the Chief Executive Officer

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 Chief Executive Officer are responsible for administration under the Companies Act.

Auditors’ 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 whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the liability, if any, to the Company of any Board member or the President. We also examined whether any board member or the President has, in any other way, acted in contravention of the Swedish Companies Act, the Annual Accounts Act or the Articles of Association.

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

Opinions

We recommend to the annual meeting of shareholders that the income statement and balance sheet be adopted, that the profit be dealt with 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.

Kristianstad 11 April 2012

PricewaterhouseCoopers AB

Eric Salander
Authorised Public Accountant
Principal auditor

Mathias Carlsson
Authorised Public Accountant

Annual General Meeting

The Annual General Meeting will be held Wednesday, 16 May 2012, at 2:00 p.m. in IMP's premises at Ångbåtsbron 1 in Malmö.

PARTICIPATION AT THE AGM

Shareholders registered in the share register kept by Euroclear Sweden AB 10 May 2012 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 10 May 2012.

Shareholders who wish to participate in the meeting must notify the company no later than 12 noon Thursday, 10 May, 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.com.
Online www.bong.com.

Report dates

Interim Report January – March 2012	15 May 2012
Annual General Meeting	16 May 2012
Interim Report January – June 2012	13 July 2012
Interim Report January – September 2012	November 2012
Year-end report 2012	February 2013

ProPac's sales increased by 30 per cent in 2011

Definitions

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 as a percentage of the balance sheet total (total assets).

NET DEBT
Interest-bearing liabilities and provisions less cash on hand, bank deposits and interest-bearing receivables.

NET DEBT/EQUITY RATIO
Net debt in relation to equity

OPERATING MARGIN
Operating profit divided by net sales.

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

PROFIT MARGIN
Profit after tax divided by net sales.

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

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

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

TURNOVER
Net sales divided by total assets.

Addresses

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

HEAD OFFICE
Bong AB
Hans Michelsensgatan 9
SE-211 20 Malmö
Tel: +46 40 17 60 00
www.bong.com

BELGIUM
Bong Belgium S.A.
Chemin de la Guelenne, 20
BE-7060 Soignies
New address as of June 2012:
Tobie Swalusstraat 46/48
BE-1600 Sint-Pieters-Leeuw
Tel: +32 67 34 76 76
www.bong.be

Bong Retail Solutions NV
Stasegemsestraat 133 b
BE-8500 Kortrijk
Tel: +31 0 56 74 55 16
www.bongretail.com

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

Bong Danmark A/S
Skejby Nordlandsvej 305
DK-8200 Aarhus N
Tel: +45 87 43 42 82
www.egaa-offset.dk

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

FINLAND
Bong Suomi OY
Tuottotie 3
FI-33960 Pirkkala
Tel: +358 3 241 8111
www.bong.fi

Bong Suomi OY
Kirjekuorentie 1
FI-73600 Kaavi
Tel: +358 17 265 6600

Bong Suomi OY
Niittyvillankuja 3 (PL 255)
FI-01510 Vantaa
Tel: +358 9 565 7910

FRANCE
Manuparis
1 rue Eugene Hermann
FR-27180 St Sebastien de Mors-ent
Tel: +33 2 32 3982 30
www.bong.fr

IPC
11 Impasse du Mas Prolongée
FR-16710 St Yrieix
Sur Charente
Tel: +33 5 45 95 63 50

MME
43 rue Ettore Bugatti
B.P. 91548
FR-87021 Limoges Cedex 9
Tel: +33 5 55 45 25 25

Sepieter + Logoprim
Z. I. de Roubaix Est – B.P. 22
10 rue du Trieu du Quesnoy
FR-59115 Leers
Tel: +33 3 20 66 69 99
www.sepieter.com

Manuparis Paris Site
4, rue Vasco de Gama
FR-94373 Sucy en Brie
Tel: +33 (0)1 49 82 23 22
www.manuparis.fr

Logoprim Paris IDF
Z.A Leader Club 101
22, rue de Magellan
FR-94373 Sucy en Brie
Tel: +33 1 56 74 17 17

Logoprim Strasbourg Site
5, rue Alexandre Dumas
FR-67200 Strasbourg
Tel: +33 3 88 28 07 07

Logoprim Rouen
21, boulevard de Verdun
FR-76012 Rouen Cedex 01
Tel: +33 2 32 76 14 14

Logoprim Toulouse
Centre de Gros Larrieu
15, rue Gaston Evrard
FR-31094 Toulouse Cedex 1
Tel: +33 5 61 61 17 61

Logoprim Lyon
27, avenue des Bruyeres
FR-69150 Decines
Tel: +33 4 37 45 10 60

Logoprim Rennes Grand Ouest
11, rue des Orchidées
Immeuble le Sterenn,
1er étage
FR-35650 Le Rheu
Tel: +33 2 99 59 97 97

Bong Sarl
23, avenue du Val de Beaute
FR-94130 Nogent sur Marne
Tel: +33 1 48 73 49 55

GERMANY
Bong GmbH
Industriestrasse 77
DE-423 27 Wuppertal
Tel: +49 202 74 97 0
www.bong.de

Bong GmbH
Hermann-Krum-Strasse 9–11
DE-88319 Aitrach
Tel: +49 7565 9809 0
www.petersenallpa.de

Bong GmbH
Posthornweg 1
DE-04860 Torgau
Tel: +49 2 02 74 97 0
www.bong.de

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

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

Lober Druck und Kuvert GmbH
Gutenbergstrasse 14
DE-21465 Reinbek
Tel: +49 40 79 75 42 70

Lober Druck und Kuvert GmbH
Industriestrasse 77
DE-42327 Wuppertal
www.bong.de

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

LUXEMBOURG
Bong Security Solutions
Zone Industrielle Rolach
LU-5280 Sandweiler
Tel: +35 2 35 75 04-30
www.tycon.lu

NETHERLANDS
Venlop BV
Rudolf Dieselweg 3
5928 RA Venlo or
Postbus 3192
NL-5902 RD Venlo
Tel: +31 77 382 60 35

Excelsior Enveloppen
Galileistraat 63
NL-1704 SE Heerhugowaard
Tel: +31 72 567 89 00
www.excelsiorenveloppen.nl

Bong Netherlands BV
Galileistraat 63
NL-1704 SE Heerhugowaard
Tel: +31 10 288 14 08

Bong Packaging Systems
Galileïstraat 63
NL-1704 SE Heerhugowaard
Tel: +31 72 576 32 23
www.bongpackagingsystems.nl

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

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

POLAND
Pflüger Koperty Sp zo.o.
Ul. Zawila 56
PL-30-390 Krakow
Tel: +48 12 252 02 0
www.pfluger-koperty.pl

Bong Cały Swiat
Kopert Sp zo.o.
Ul. Ustronna 14
PL-60-012 Poznan
Tel: +48 61 822 07 60
www.bong.pl

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

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

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

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

Bong U.K. Ltd.
2 Crowther Road – Crowther,
District 3, Washington
GB-Tyne and Wear NE38 0AQ
Tel: +44 191 416 1341

Image Envelopes Ltd.
12 Tanners Drive, Blakelands
GB-Milton Keynes MK14 5BW
Tel: +44 1908 217 630
www.image-envelopes.co.uk

Nova Envelopes Ltd.
Cherrycourt Way Trading Estate
GB-Leighton Buzzard LU7 8UH
Tel: +44 1525 374 300
www.novaenvelopes.co.uk

Surrey Envelopes Ltd.
Unit 7 Nelson Trading Estate
The Path, Morden Road
GB-London SW19 3BL
Tel: +44 208 545 0099
www.surrey-envelopes.com

Surrey Envelopes Ltd.
Anglers Business Centre
Nottingham Road, Spondon
GB-Derby DE21 7NJ
Tel: +44 1332 66 77 90
www.surrey-envelopes.com

Packaging First Ltd.
Unit 12, Nash Hall
The Street, High Ongar
GB-Essex CM5 9NL
Tel: +44 1277 363656
www.packagingfirst.co.uk

Angus & Wright
3 Winchester Street
Andover
GB- Hampshire SP10 2EA
Tel: +44 0 1264 335 334
www.anguswright.com

SWEDEN

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

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

Bong Sverige AB
Box 119 22
SE-161 11 Bromma
Johannesfredsvägen 17 C
SE-168 69 Bromma
Tel: +46 44 20 70 00
www.bong.se

Bong Sverige AB
Box 93
SE-562 02 Taberg
Bergslagsvägen 11
SE-562 42 Taberg
Tel: +46 44 20 70 00
www.bong.se

DM-Qvert AB
Box 148
SE-443 61 Stenkullen
Tel: +46 302 558 00
www.dmqvert.se

Bong Retail Solutions AB
Hans Michelsensgatan 9
SE 211 20 Malmö
Tel: +46 40 17 60 14
www.bongretail.com

1737
2012
BONG
275 years in business

We are celebrating our 275th anniversary, but we will not sit on our laurels. Our development still focuses on our customers. We achieve success just by meeting their expectations.

Form and production: Bong and Wildeco. Print: Åtta45, 2012.

HEAD OFFICE
Bong AB
Hans Michelsensgatan 9
SE-211 20 Malmö
Tel: +46 40 17 60 00
www.bong.com