

Press release 17 June 2013

Bong strengthens its financial position; launches fully underwritten rights issue, set-off issues and convertible bonds issue

- Fully underwritten rights issue of approximately SEK 125 million with pre-emptive rights for existing shareholders
- Issue of new shares in Bong to Holdham with payment by set-off of claims under convertible bonds and shareholder loans of approximately SEK 100 million
- Issue of new shares in Bong with payment by set-off of part of existing bank loans of SEK 50 million
- Convertible bonds issue of approximately SEK 200 million directed to institutional investors
- Agreement reached regarding long-term financing
- Extraordinary general meeting (EGM) to be held on 17 July 2013 for approval of the issues

On 16 June 2013, the Board of Directors of Bong AB (publ) ("Bong" or the "Company") resolved, subject to approval by the EGM, on a fully underwritten rights issue of approximately SEK 125 million, a set-off issue where Holdham S.A. ("Holdham") sets off the existing convertible and shareholder loans of in total approximately SEK 100 million for new shares in Bong, a set-off issue of in total SEK 50 million where Bong's two largest lending banks set off part of existing bank loans for new shares in Bong and a convertible bonds issue of up to approximately SEK 200 million directed to institutional investors. The proposed transactions will substantially strengthen Bong's financial position and provide significantly improved prerequisites for a profitable business.

Background and motives

In the autumn of 2010, Bong acquired France-based Hamelin's envelope division. The deal was financed by new bank loans, an issue of new shares to Hamelin's holding company Holdham as well as by a shareholder loan and convertible loan issued to Holdham. Since then, Bong has worked successfully with integration and to achieve planned synergies in the form of lower purchasing costs, lowered fixed costs and reduced working capital requirements. The net debt has thereby been reduced by more than SEK 200 million, primarily through the release of working capital and the sale of certain properties and equipment.

In addition to working on the Hamelin integration, Bong has taken comprehensive and strong structural measures to adjust its overall capacity, improve its competitiveness and restore profitability to a satisfactory level. Bong has also continued to invest in the growing specialty packaging segment with its Propac product range which includes e-commerce packaging solutions and retail gift bags. The restructuring programs and investments in the growing specialty packaging business over the last years have been costly and have made Bong's financial position constrained.

In order to achieve a reasonable balance between operating profit and interest-bearing liabilities, Bong's Board proposes to strengthen the capital base through the measures presented in this press release. The issue proceeds will be used for partial repayments of current bank loans, which will result in a significantly stronger financial position for Bong. In addition, Bong has reached an agreement regarding long-term financing with between three to five years' maturity. In total, these measures will provide a solid base for the work of transforming the envelope business to a customer-oriented, highly efficient and profitable business with strong cash flow. It will also give Bong the possibility to continue to grow fast in the specialty packaging segment with the Propac range.

A more detailed description of the various proposed measures is presented below.

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Rights issue

- On 16 June 2013, the Board resolved, subject to approval by the EGM, on a rights issue of approximately SEK 125 million before transaction costs.
- The Company's existing shareholders shall have pre-emptive rights to subscribe for new shares.
- The rights issue is fully underwritten, in part through subscription undertakings from existing shareholders in Bong corresponding to approximately 26 per cent of the rights issue, and in part through underwriting commitments from a consortium of Swedish and international investors corresponding to approximately 74 per cent of the rights issue.
- Among Bong's larger shareholders, Melker Schörling AB and members of Bong's management team have undertaken to subscribe for their entire pre-emptive parts of the rights issue.
- The Board shall no later than on 15 July 2013 determine certain terms for the issue, including the subscription price. The final terms will be published in a press release.

Preliminary time table for the rights issue:

12 July 2013	<ul style="list-style-type: none"> • Interim report January-June 2013 made public
No later than 15 July 2013	<ul style="list-style-type: none"> • Announcement of the Board's determination of the final terms of the issue
17 July 2013	<ul style="list-style-type: none"> • EGM • Last day of trading in the Bong share including the right to receive subscription rights in the issue
18 July 2013	<ul style="list-style-type: none"> • First day of trading in the Bong share excluding the right to receive subscription rights in the issue • Prospectus made public
22 July 2013	<ul style="list-style-type: none"> • Record date for the right to participate in the issue
25 July – 14 August 2013	<ul style="list-style-type: none"> • Subscription period in the issue
25 July – 9 August 2013	<ul style="list-style-type: none"> • Trading in subscription rights
20 August 2013	<ul style="list-style-type: none"> • Announcement of the outcome of the rights issue

Set-off issue Holdham

- On 16 June 2013, the Board resolved, subject to approval by the EGM, on a new share issue to Holdham, a company that the Company's Chairman, Stéphane Hamelin, is the principal owner of. Payment for the new shares shall be made by set-off of claims on the Company of in total approximately SEK 100 million. The claims relate to Holdham's convertible loan of EUR 4.0 million and shareholder loan of EUR 7.5 million, which were issued in connection with Bong's acquisition of Hamelin's envelope division in 2010.
- The Board shall no later than on 15 July 2013 determine certain terms for the issue, including the subscription price (i.e., the amount to be paid for every new share by way of set-off). The subscription price shall thereby be determined at the expected theoretical price per share ex-rights (TERP) for participation in the rights issue. The subscription price is thus intended to be determined without discount. The final terms will be published in a press release.

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- Holdham has applied and been granted the Swedish Securities Council's exemption from the mandatory bid requirement that could arise in connection with Holdham's subscription of shares in both the set-off issue and the rights issue. Following such subscription, Holdham may reach a holding of shares and votes in the Company of up to approximately 40 per cent, compared to the current approximately 25 per cent.

Set-off issue lending banks

- On 16 June 2013, the Board resolved, subject to approval by the EGM, on a new share issue to Bong's two largest lending banks. Payment for the new shares shall be made by set-off of claims on the Company amounting to in total SEK 50 million.
- The Board shall no later than on 15 July 2013 determine certain terms for the issue, including the subscription price, which will be determined in the same way as in the set-off issue to Holdham. The final terms will be published in a press release.

Convertible bonds issue

- On 16 June 2013, the Board resolved, subject to approval by the EGM, to raise a convertible loan of up to SEK 200 million by issuing convertible bonds.
- The right to subscribe for the convertible bonds shall, with deviation from the shareholders' pre-emptive rights, only fall upon a limited number of Swedish and international institutional and qualified investors.
- The loan runs over a period of five years with an expected maturity in June 2018, to the extent that it has not already been converted or repaid.
- The Board shall no later than on 15 July 2013 determine certain terms for the issue, including loan amount, interest rate and conversion price. The final terms will be published in a press release.

Agreement on new loans with existing banks

- Bong has reached an agreement on long-term financing. The agreement refers to two facilities; the first amounts to SEK 350 million and runs over a period of three years with certain instalments and the second amounts to SEK 140 million and runs over a period of five years without instalments.

Unaudited pro forma report – estimated effects of the financial measures

The various measures described above are expected to increase equity by a total of SEK 309 million, of which SEK 275 million is raised through the various share issues. In addition, part of the convertible bonds, approximately SEK 34 million, corresponding to the option value of the convertible bonds, is expected to be classified as equity. The Company's interest-bearing debt is expected to decrease by a total of SEK 309 million, whereby a reasonable balance between indebtedness and operating profit is achieved. The equity-to-assets ratio increases pro forma from 14 per cent to 29 per cent.

An additional positive effect of the measures is that the borrowings become more diversified, both with respect to lenders and maturity structure.

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CONSOLIDATED BALANCE SHEET IN SUMMARY PRO FORMA¹⁾

		Adjustment for				Pro forma
	31 Mar	Rights	Set-off	Set-off	Convertible2)	31 Mar
SEK M	2013	issue	Holdham S.A.	bank loans	bond issue	2013
Assets						
Fixed assets	1,190.7					1,190.7
Current assets	876.0					876.0
- of which cash and cash equivalents	61.5					61.5
Total assets	2,066.7					2,066.7
Equity and liabilities						
Equity	297.8	125.0	100.0	50.0	34.3	607.1
Liabilities	1,768.9	-125.0	-100.0	-50.0	-34.3	1,459.6
- of which interest-bearing liabilities	1,051.7	-125.0	-100.0	-50.0	-34.3	742.4
Total equity and liabilities	2,066.7	0.0	0.0	0.0	0.0	2,066.7

KEY RATIOS PRO FORMA

Interest-bearing net loan debt, MSEK	990.2	-125.0	-100.0	-50.0	-34.3	680.9
Equity/assets ratio, %	14.4					29.4
Gearing ratio, times	3.33					1.12

- 1) The pro forma financial information is based on a hypothetical situation based on Bong's calculated effects of the measures on the Company's financial position as of 31 March 2013. The pro forma presentation does not include any transaction costs.
- 2) Refers to the expected value of the option component of the convertible bond based on Bong's assessment of current market conditions and based on the offered terms for the convertible bond.

Extraordinary general meeting, etc.

- The Board's resolutions pursuant to the above are submitted to the EGM for approval on 17 July 2013. The EGM is also proposed to resolve upon, inter alia, amendments of the articles of association and a reduction of the share capital. Furthermore, the Board proposes that the EGM authorises the Board to resolve on an additional issue in order to accommodate such shareholders of Bong that subscribe for shares in the rights issue and, in addition thereto, applies for subscription without subscription rights, without being allotted any such shares. Notice of the EGM will be published in a separate press release today.
- The proposals to the EGM are mutually conditional upon one another and shall be dealt with as one resolution at the EGM. A prerequisite for the issues to be submitted for approval at the EGM, is that full bank loan documentation has been signed prior to the EGM and that, under such documentation, except for conditions relating to the completion of the issues, there are no other conditions outstanding for the payment of the bank loans except for such conditions whose fulfilment, in practice, are within Bong's own control.
- Owners of shares representing 74 per cent of the votes in the Company have undertaken to approve the Board's resolutions at the EGM.
- Complete terms and conditions for the rights issue and other information about Bong will be provided in the prospectus, which is to be published before the subscription period in the rights issue commences.
- Holdham as well as the two lending banks have undertaken not to sell any shares in Bong, which they have obtained through the set-off issues, for at least three months from the completion of the measures described in this press release (lock-up).

Financial and legal advisers

ABG Sundal Collier AB is financial adviser and Advokatfirman Vinge is legal advisor in connection with the proposed transactions.

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Conference call on Tuesday, 18 June 2013, 10:00 am (CET)

In light of the proposed transactions, a conference call will be held on Tuesday 18 June at 10:00 am (CET) where Bong's President and CEO Anders Davidsson will present the background and facts of the proposed transactions as well as answering questions. The conference call will be recorded and made available at Bong's website, www.bong.com, following the conference call.

To participate in the conference call, dial:
+46 (0)8 5052 0110

For further information, please contact Anders Davidsson, President and CEO of Bong AB. Tel. (switchboard) +46 (0) 44 20 70 00, (direct) +46 (0) 44 20 70 80, (mobile) +46 (0) 70 545 70 80.

About Bong

Bong is a leading provider of specialised packaging and envelope products in Europe, offering solutions for distribution and packaging of information, advertising materials and lightweight goods. Important growth areas in the Group are the Propac packaging concept and Russia. The Group has annual sales of approximately SEK 3 billion and about 2,100 employees in 15 countries. Bong has strong market positions in the majority of key markets in Europe, and the Group sees interesting possibilities for continued expansion and development. Bong is a public limited company whose stock is quoted on the NASDAQ OMX Stockholm (Small Cap).

Bong AB (publ) discloses the information in this press release pursuant to the Securities Markets Act. The information was provided for public release on 17 June 2013 at 08:00 am CET.

Important information

This press release does not constitute an offer of any securities of Bong. Neither the rights issue with pre-emptive rights for existing shareholders nor any other transaction described in this press release is directed to shareholders or other investors domiciled in the United States, Australia, Hong Kong, Japan, Canada, Singapore, South Africa or New Zealand, or in any other country where participation in the rights issue or any other such transaction would require additional prospectuses, registration or other measures other than those pursuant to Swedish law or would conflict with regulations in such country. No shares, interim shares, subscription rights, convertibles or other securities issued by Bong have been or will be registered in accordance with the United States Securities Act of 1933, or in accordance with any securities legislation in any state of the United States or any province in Canada. Accordingly, no new shares, interim shares, subscription rights, convertibles or other securities issued by Bong may be transferred or offered for sale in the United States or Canada, other than in such exceptional cases that do not require registration. The rights issue with pre-emptive rights for existing shareholders and the other transactions described in this press release are directed only at (i) persons who are outside the United Kingdom; (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended); or (iii) persons to whom it can otherwise lawfully be directed at.