

# Annual Report

2016

# E N 1 6



**6,444**  
**18**  
employees in countries



WE  
SUPPLY  
THE  
WORLD

WE  
SUPPLY  
THE  
WORLD



Annual Report  
2016

 elanders  
GROUP

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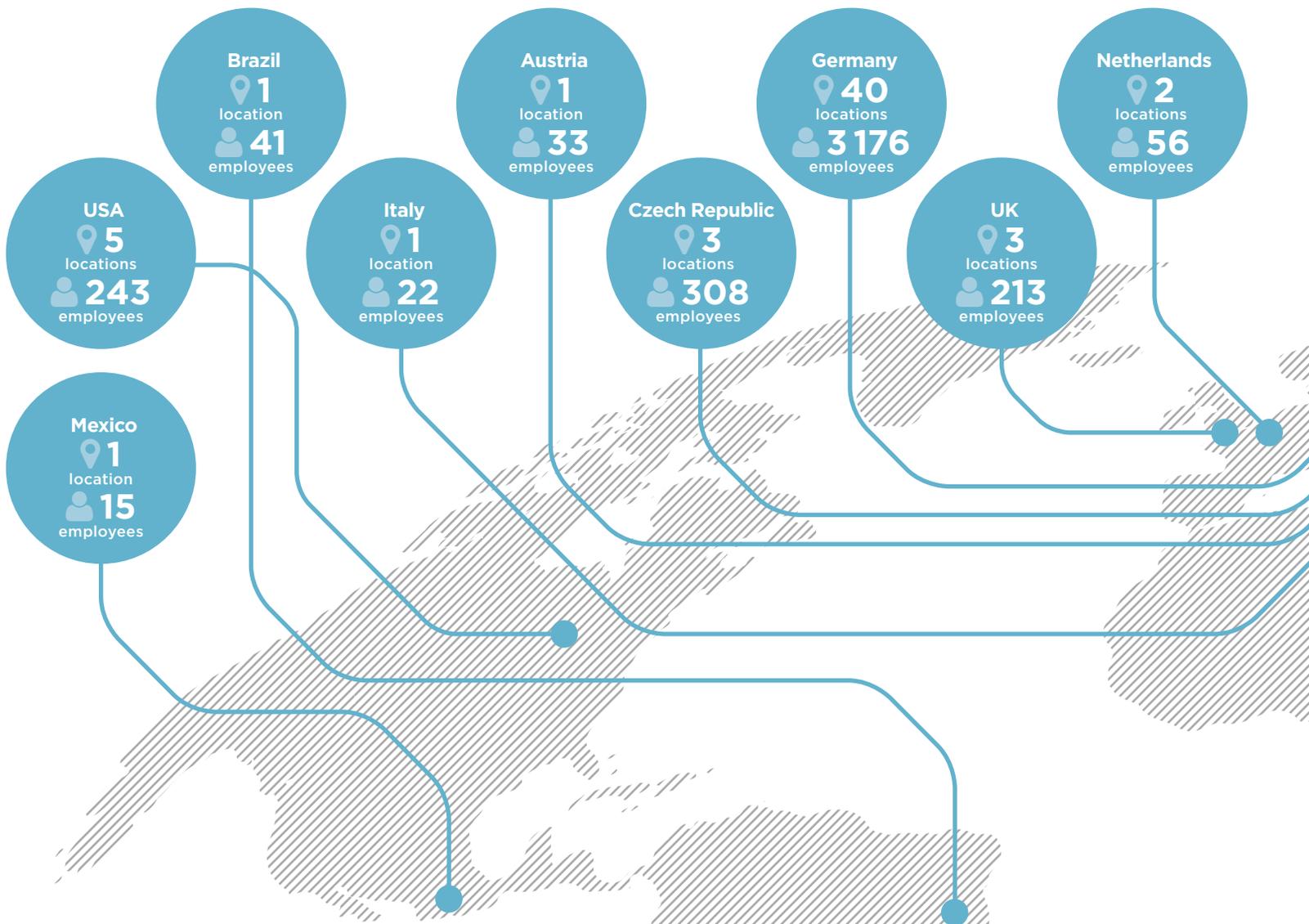
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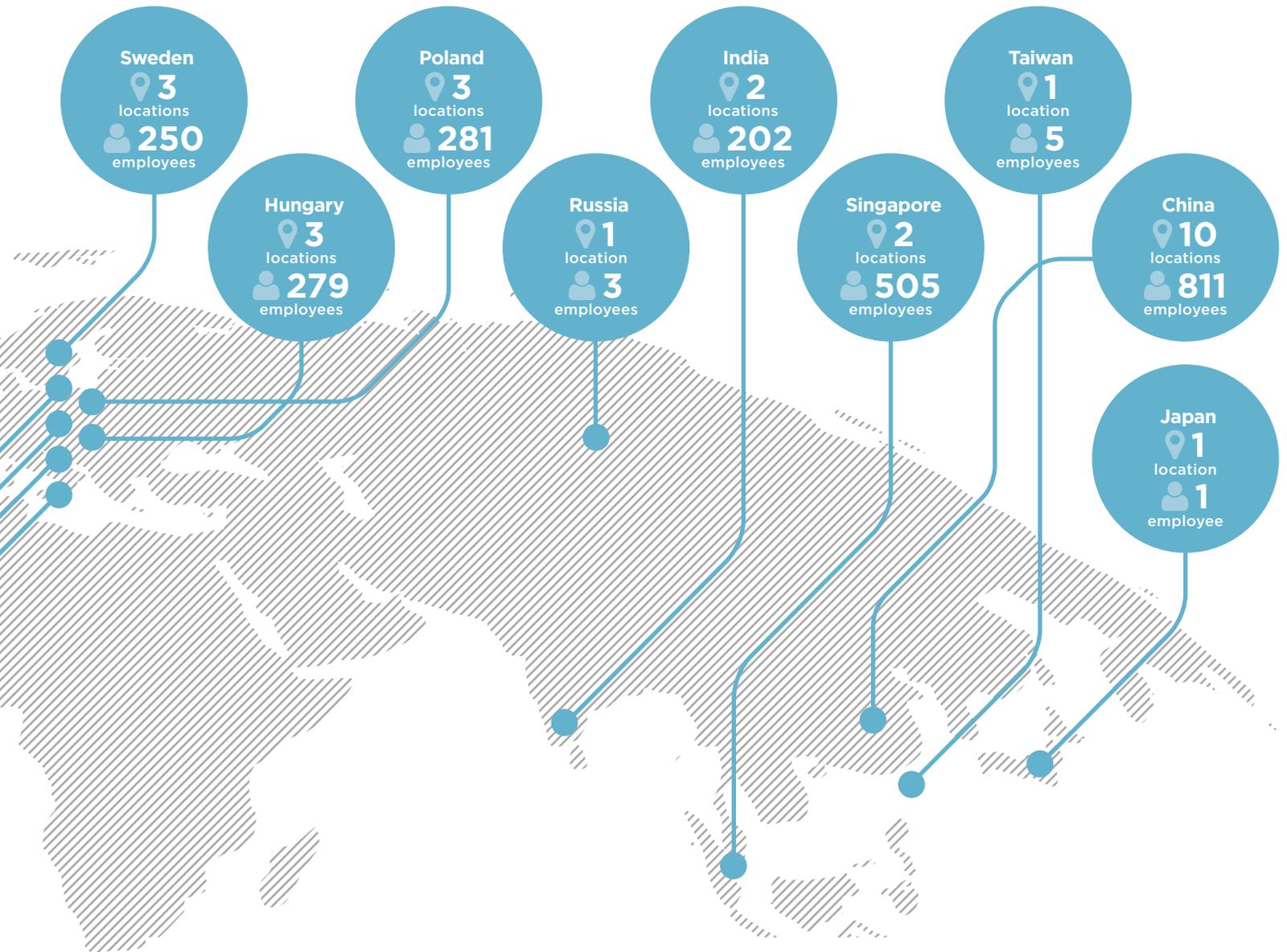
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*This is Elanders*

# GLOBAL SOLUTIONS

Elanders offers global integrated solutions in the areas supply chain management, print & packaging and e-commerce. Elanders can take an overall responsibility for complex and global deliveries encompassing procurement, warehousing, configuration, production and distribution. Our offer also includes order management, payment solutions and after sales services for our clients. The Group operates in 18 countries on four continents and the most important markets are China, Germany, Singapore, Sweden, United Kingdom and the USA.



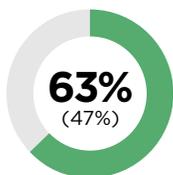
## OUR INTEGRATED OFFER



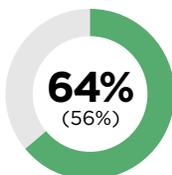
### SUPPLY CHAIN SOLUTIONS

Elanders is specialized in effectively managing global product, component and service flows with very short lead times. Payment solutions, real time information and detailed statistic reports are a central part of our offer.

Share of net sales



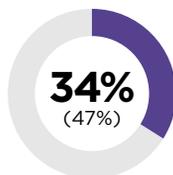
Share of operating result



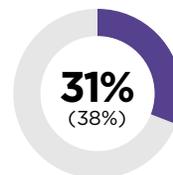
### PRINT & PACKAGING SOLUTIONS

Elanders offers cost-efficient and innovative solutions that meet our customers' needs for printed matter and packaging, both locally and globally. The company has developed advanced ordering platforms that make the process from order to delivery more efficient and enable customized delivery alternatives.

Share of net sales



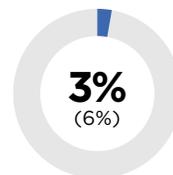
Share of operating result



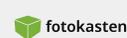
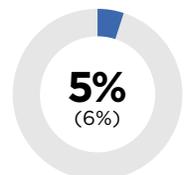
### E-COMMERCE SOLUTIONS

Elanders has gained a significant position on the European e-commerce market and is one of the leading players in photo books and personalized photo products. Our business is run through both our own brands in direct contact with end customers and through different kinds of white label solutions.

Share of net sales



Share of operating result



# 2016 IN SUMMARY

With the acquisition of LGI in July 2016 (pages 12–13) Elanders created a stable platform for continued growth in supply chain management and we also significantly broadened our customer base. Today the business area Supply Chain Solutions is almost three quarters of the Group, but printed matter and packaging continue to be an important part of the offer.

Compared to the previous year net sales increased by MSEK 2,049 to MSEK 6,285 (4,236), i.e. 48 percent. The increase was mainly attributable to the net sales contributed by LGI since its acquisition in July 2016. Excluding exchange rate effects and acquisitions, net sales increased by two percent.

Sales in business area Print & Packaging Solutions decreased by one percent, but this was compensated by organic growth of almost four percent in Supply Chain Solutions. Net sales in e-Commerce Solutions decreased by four percent. The operating result increased to MSEK 344 (292), including one-off costs of some net MSEK –39 (–16). The improvement in the result is primarily due to the acquisition of LGI and Schmid Druck, where the latter is consolidated into the Group since 1 January 2016. The one-off items almost entirely refer to the acquisition of LGI, for example advisory costs, provisions for the settlement of a dispute and book VAT recognized as revenue.

The year as a whole was dominated by the acquisition of LGI. First significant internal resources were used during the acquisition process and then to build up cooperation between the business areas and the companies. All this aimed at creating a stronger and more competitive Elanders.

# 48%

Net sales increased by 48% in 2016.

## THREE YEAR OVERVIEW

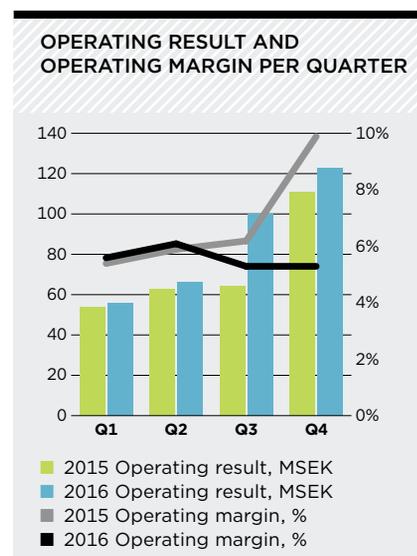
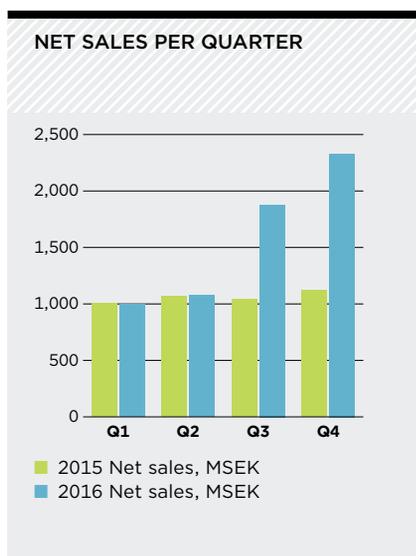
	2016	2015	2014
Net sales, MSEK	6,285	4,236	3,730
Result after financial items, MSEK	300	259	140
Result after tax, MSEK	217	175	88
Earnings per share, SEK <sup>1) 2)</sup>	7.35	6.18	3.27
Cash flow from operating activities per share, SEK <sup>2)</sup>	11.19	9.52	6.03
Equity per share, SEK <sup>2)</sup>	68.19	52.72	47.75
Dividend per share, SEK <sup>2)</sup>	2.60 <sup>3)</sup>	2.07	1.03
Operating margin, %	5.5	6.9	4.7
Return on total assets, %	6.7	8.2	5.9
Return on equity, %	12.4	12.1	7.4
Return on capital employed, %	10.0	12.6	8.7
Debt/equity ratio, times	0.9	0.5	0.7
Equity ratio, %	35.6	42.0	37.8
Average number of outstanding shares, thousands <sup>2)</sup>	29,555	28,224	26,825

<sup>1)</sup> There is no dilution.

<sup>2)</sup> Historic number of shares and historic key ratios have been adjusted for the bonus issue element in the new share issues in 2014 and 2016.

<sup>3)</sup> Proposed by the board.

For Financial definitions and Reconciliation alternative performance measures, please see page 104 and page 103.



## BUSINESS AREA DEVELOPMENT IN 2016

### SUPPLY CHAIN SOLUTIONS



The positive trend continued in business area Supply Chain Solutions and the business area grew organically by four percent for the full-year. The main focus has been on developing existing customers and creating new business with new and existing customers including services from all business areas. Since July 2016 the new acquisition LGI is a part of this business area which represented 63 percent of Group net sales in 2016. This figure will increase in the coming year when LGI will have been consolidated for twelve months and not only for five as in 2016. The integration of LGI is moving forward at full speed and several joint customer projects have already begun.

### PRINT & PACKAGING SOLUTIONS



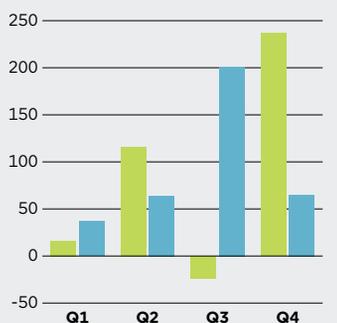
As in previous years the market for Print & Packaging Solutions continues to be characterized by tough price pressure, reduced total volumes and overcapacity. Total print volumes are down on every Elanders' market and there is also a clear shift towards digital print and more personalized products instead of traditional offset print in large volumes. However, there is growth in the segment packaging and labels, which represents approximately a quarter of the business area. A few of Elanders' operations in Print & Packaging Solutions are currently undergoing a transition towards becoming combined print and supply chain services units. The changes have so far been successful and have contributed to both developing the businesses and improving their earnings.

### E-COMMERCE SOLUTIONS



The business area has substantial seasonal sales variations and the fourth quarter is usually by far the strongest. Normally all earnings for the year occur in this quarter, which is evident in this year's figures as well. After three relatively weak quarters there was a strong recuperation in the fourth quarter and this in its turn lead to a good full-year result, even if net sales for the full-year decreased somewhat. In the fourth quarter a strategic overview of the business area e-Commerce Solutions' future as an individual business area in the Group was initiated. Today it only represents three percent of total net sales.

#### OPERATING CASH FLOW EXCLUDING ACQUISITIONS PER QUARTER



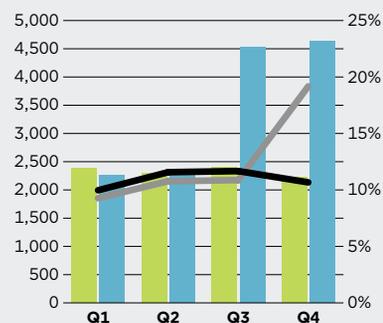
■ 2015 Operating cash flow, MSEK  
■ 2016 Operating cash flow, MSEK

#### EARNINGS PER SHARE PER QUARTER



■ 2015 Earnings per share, SEK  
■ 2016 Earnings per share, SEK

#### RETURN ON CAPITAL EMPLOYED PER QUARTER



■ 2015 Capital employed, MSEK  
■ 2016 Capital employed, MSEK  
■ 2015 Return on capital employed, %  
■ 2016 Return on capital employed, %

# WELCOME TO THE NEW ELANDERS

2016 was the year we seriously put Elanders on the world map as a global supply chain management company. The acquisition of LGI has given us a solid foothold in Europe, an excellent complement to our presence in Asia, the USA and South America. At the same time we have continued to develop our business and further strengthen our offer to customers around the world.

2016 was an eventful year for Elanders. For the second year in a row we can present our historically best full-year result and the Group is now larger than it has ever been regarding both number of employees and net sales. This is primarily due to the two major and strategic acquisitions that were made in the past couple of years; Mentor Media in 2014 and LGI in 2016. As a result of these acquisitions the business area Supply Chain Solutions has grown to become the Group's largest business area, comprising 63 percent of total net sales. This share will grow even greater in 2017 when LGI will be consolidated the entire year.

#### **LGI brings stability, strength and expansion**

The acquisition of LGI is another step in our ambition to be a global player in supply chain management. LGI provides Elanders with a strong position throughout Europe, mirroring the one we have had in Asia before. Like Mentor Media in Asia

LGI delivers added value services to customers all over the world. LGI also offers the Group a much broader customer base with a large geographic spread, and this increases the stability of our business. The number of LGI plants in Europe will make selling supply chain management solutions and implementing them to suit our customers more efficient since LGI already delivers many similar solutions to other customers in the same industry in its existing infrastructure. Integration of the company has gone exceedingly well, largely due to LGI's positive, professional and open attitude towards becoming part of the new Elanders.

#### **Record result in 2016**

2016 was yet another good year for Elanders. Net sales increased and the result improved. During the year net sales grew by MSEK 2,049 to MSEK 6,285 (4,236). The increase came primarily from the net sales contributed by LGI since its acquisition in July 2016.

## ABOUT MAGNUS NILSSON

**Age:** 50.

**Family:** Wife and three children.

**Education:** Graphic technology, design, business administration and marketing.

**Career:** Active within the graphic industry since 1987. Started at Elanders as a business developer in 1999. Head of Production at Elanders in Hungary 2002. MD of Elanders Berlings Skogs 2003-2005 and Elanders in China 2005-2009. President and CEO of Elanders since June 2009.

**Leisure time:** Prioritizes his family, likes to exercise and often reads books.



**We have built a strong  
foundation for future  
organic growth.**



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**A complementary acquisition in the USA can be interesting if the right object appears.**

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Excluding exchange rate effects and acquisitions, net sales increased by 2.3 percent. The operating result, excluding one-off costs, increased to MSEK 382 (308), which was an improvement of 24 percent compared to last year.

Business area Supply Chain Solutions continues to develop very well and net sales have risen compared to last year, in general and organically. Even LGI reported organic growth compared to last year.

Growth was weak for the year as a whole in Print & Packaging Solutions but it ended 2016 on a high note showing a marked improvement in both the result and organic growth, primarily in the USA but in Brazil as well. This is even more positive considering the negative trend for the graphic industry as a whole.

Sales in e-Commerce Solutions also fell slightly in the beginning of the year but the business area made a strong recovery in the fourth quarter and improved the result for the year compared to 2015.

#### **Organic growth through integration**

During the year we have developed a strategic concept for multi-sites which we will further work on in 2017. By integrating supply chain management services into our existing print business we pave the way for organic growth with both existing and new customers and can turn a negative trend around. In the future we will look at the possibility of setting up multi-sites with both printing and supply chain management solutions under the same roof on the major European markets, and especially in Sweden and Germany.

The acquisition of the niched graphic company Schmid Druck has also been a big success story for Elanders since the business has done much better than expected, in particularly after integration with our German operations where cross-sales have entailed a substantial increase in capacity utilization of the specialized printing plant. With Schmid Druck we have proven that packaging and print

operations can be very profitable. This supports our strategy that niched, smaller acquisitions can continue to be interesting.

During the past year we have also taken several important steps towards a common Group innovation strategy. One example is a project we run together with Chalmers' entrepreneurial program in Gothenburg. With the aid of joint innovation models the Elanders Group's companies will generate, evaluate, transfer and realize innovations more effectively in the future.

#### **Greater investments and possible acquisitions**

The global logistics industry is growing at about four percent annually. A high priority for Elanders is creating the prerequisites for more organic growth in the future. 2017 will therefore primarily entail greater investments in operations in order to finance new customer projects, broaden customer bases and establish new facilities. We are also keeping an eye out for complementary acquisitions in, for example, the USA if the right object appears with the aim of continuing to build a world leading, global platform in supply chain management.

I would also like to take this opportunity to welcome the nearly 4,000 employees who became part of Elanders during the year, primarily through the acquisition of LGI and Schmid Druck. Together we will now take the next step in our journey. We will continue to create value for our shareholders, employees and customers by further taking advantage of our size and the synergies between our operations.

In conclusion, I look forward to 2017 and have great confidence in our future. We have a broad and strong offer that promotes our customers' businesses. We also have professional, innovative and knowledgeable employees who, from every corner of the world, contribute to creating the new Elanders.

Magnus Nilsson  
President and Chief Executive Officer

## *Business concept, goals and strategies*

# GLOBAL STRATEGIC PARTNER



Elanders contributes to developing our customers' business and improving their competitive power. The Group's overall goal is to be a leader in global solutions in supply chain management, print & packaging and e-commerce with a world class, integrated offer. We ensure this by continuously developing our existing business and complementing it with strategic acquisitions. By fulfilling the long-term financial goals of the Group we create the prerequisites for growth and development.

## STRATEGIES

Elanders' strategies help the Group to accomplish its overall goal to be a worldwide leading partner with an integrated offer for global solutions in supply chain, print & packaging and e-commerce.

### DEVELOP LOCAL CUSTOMERS WITH GLOBAL NEEDS TO GLOBAL CUSTOMERS

Elanders grows and develops with our customers. Our global business often evolves by building up good relationships through providing good solutions for local needs that customers then implement globally. In order to increase global solution sales Elanders will work systematically with developing our existing customer base in each segment and spot local customers with global needs. The Group's global customers may also have local needs that we should identify and develop to augment local deliveries.

### OPTIMIZE GROUP PRODUCTION AND DELIVERY CAPACITY

Elanders has operations and offices in many parts of the world. An important success factor is optimizing our capacity utilization in each business area. We achieve this by better measuring available capacity, follow-up of actual outcomes, flexible pricing and making organizational adjustments.

### ACQUIRE BUSINESSES THAT LEAD TO ADDITIONAL SALES, BROADEN OUR CUSTOMER BASE AND COMPLEMENT OUR OFFER

In addition to developing our existing business Elanders will continue to acquire new businesses that have the potential to increase sales, broaden our customer base and complement our offer. Acquisitions are particularly prioritized in supply chain where we look to broaden our range geographically and if possible complement our offer as well as provide Elanders with niche expertise.

## BUSINESS CONCEPT

**Elanders' business concept is to be a global strategic partner to its customers in their work to streamline and develop their business critical processes.**

# ACQUISITION FOR INCREASED GROWTH

In the past few years the Elanders Group has grown into a worldwide company largely through a long series of acquisitions that have broadened the company's offer and customer base. We continue to prioritize the strategy to grow through acquisitions. Acquisition activities are primarily directed towards finding objects that can contribute to further broaden the integrated offer and strengthen the Group offer geographically.

In the last 20 years Elanders has made a number of strategic acquisitions of companies that all contribute to developing or complementing existing operations through new customer groups, geographic markets or greater capacity. In the past few years our acquisition activities have been primarily focused on further strengthening our integrated offer and branching out by including new industries and markets as well as by growing in particular segments such as specialized packaging.

## **This year's acquisitions**

In 2016 Elanders acquired the German logistics company LGI, one of Germany's leading players in industrial contract logistics. Through the acquisition, Elanders takes a major step forward in global supply chain management, securing a significantly stronger presence in Europe.

At the end of 2015 Elanders acquired the packaging printer Schmid Druck in Germany. Schmid Druck operates in a niched segment in the graphic industry focused on special packaging and special products and has a considerably better market outlook than the industry as a whole. We will probably make further acquisitions in supply chain areas to broaden our customer base and reach new

markets. We are particularly interested in companies with established operations that strengthen and complement Elanders' global offer. Finding complementing acquisitions in the USA in order to build an even stronger global platform in supply chain management is a high priority. Such a platform would give Elanders even more opportunities to expand globally with our customers and turn more local customers into global customers, which would strengthen customer relations. Acquiring smaller, niched companies that complement Elanders' offer is also a possibility.

## **Synergies**

Acquisitions often generate synergy effects such as coordinating production and common administrative functions. Instead, through actively exchanging information within the Group Elanders hopes to attain long-term cross-sales, more profound customer relations and, as a result, a stronger brand. It is crucial to keep the entrepreneurial spirit in the companies that are acquired and integrated into the Group.

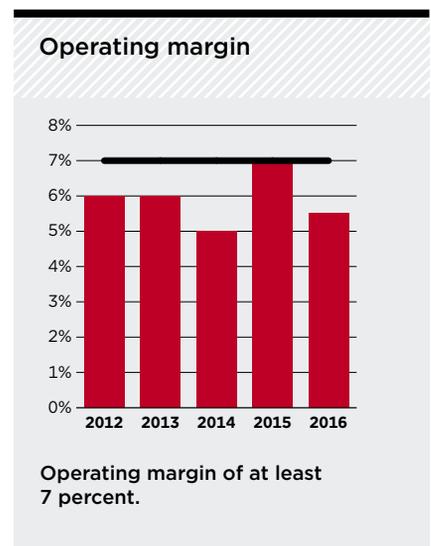
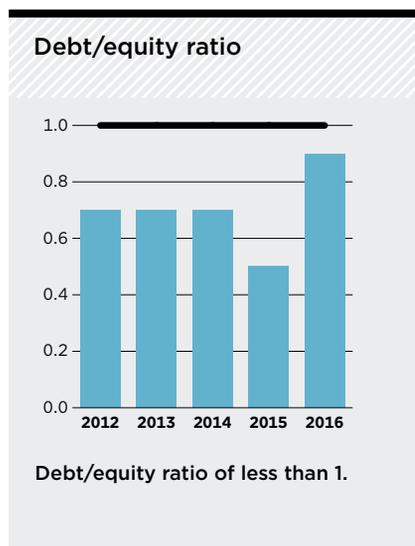
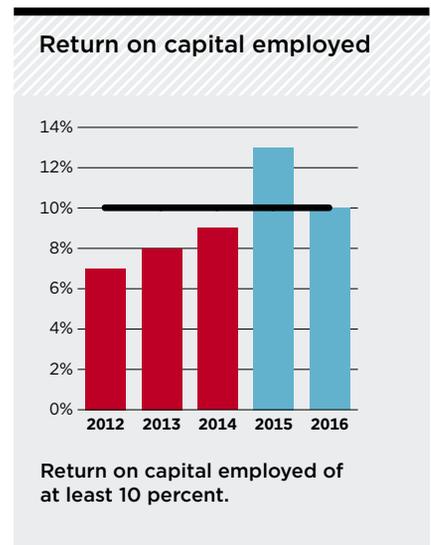
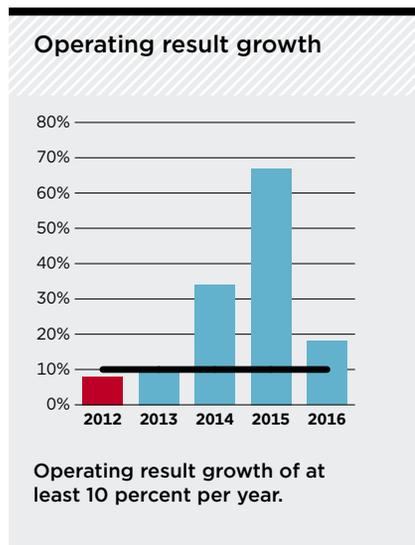
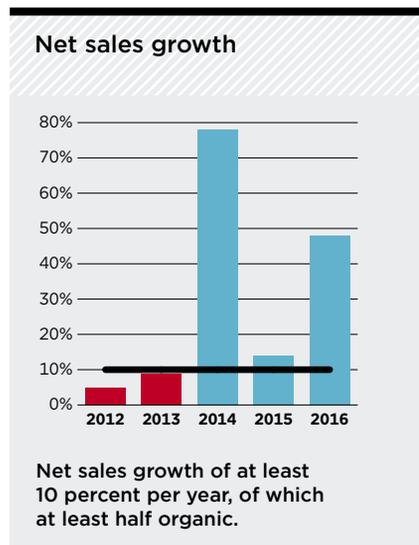
## **ACQUISITION CRITERIA**

Acquisitions are important to achieve long-term growth in the Group. Potential acquisitions need to fulfill one or more of the following acquisition criteria:

- Adds new attractive customer segments or supplements the customer base with valuable, unique customers.
- Complements and strengthens existing business with new geographic markets.
- Adds new offers, products and services.
- Is a good deal in the long-term on its own or generates material synergies.
- Increases profit per share pro forma.

# FINANCIAL GOALS

Because of its size and business model the new acquisition LGI will probably influence Elanders' future financial goals. The existing goals are presently being reviewed and new financial goals will be published with the first quarterly report. The goal achievement below is based on the present goals.





# THE LGI ACQUISITION

In 2016 Elanders acquired the German contract logistics company LGI Logistics Group International. This acquisition made the business area Supply Chain Solutions the largest in Elanders and it now represents over 73 percent of total net sales in the Group. Elanders' presence in Europe is now considerably stronger and the Group has taken yet another major step towards becoming a leading global player in supply chain management.



**Supply Chain Solutions' share of total annual sales increase from 47 to 73 percent as a consequence of the acquisition of LGI.**



Together with its subsidiary ITG LGI is one of the leading German players in contract and production logistics. The company offers supply chain management solutions and handles storage logistics, production processes and transportation. LGI was created in 1995 as an offshoot from Hewlett Packard Deutschland. The company has presented stable organic growth and in 2013 it acquired ITG, a company mainly active in Fashion & Lifestyle. Today LGI has about 4,000 employees and more than 45 plants, 35 of which are in Germany. LGI's most important market is Germany, but it also has operations in Austria, the Czech Republic, Great Britain, Hungary, the Netherlands, Poland, Russia, Sweden and the USA.

The LGI acquisition entails a dramatic change for Elanders Group business since through it business area Supply Chain Solutions' share of Group net sales on a yearly basis grows from 47 to 73 percent.

Print & Packaging Solutions now represents slightly more than 24 percent and e-Commerce Solutions the remaining three percent. Elanders pro forma net sales full-year 2015 increased from about SEK 4.2 billion to about SEK 8.3 billion and the number of employees swelled from about 3,200 to about 7,200, including the about 600 constantly hired staff in LGI.

**Broader customer base and European presence**

Through the acquisition of LGI Elanders took a major step forward in supply chain management and created a strong platform with good prerequisites for growing organically. The acquisition gives the Group a very strong presence in Europe and this balances very well with the Group's existing operations in Asia.

Elanders already has a strong position in the customer segment Electronics

through the acquisition of Mentor Media in 2014. LGI offers Elanders a broader customer base with its large international customers in the industries Automotive, Industrial Manufacturing, Healthcare & Life Science as well as Fashion & Lifestyle which all complement the solid position in Electronics. This gives the Group a more balanced customer portfolio which is crucial in lessening dependence on the consumer electronics industry.

Elanders' customer base will also be better geographically diversified than before, allowing the Group to more easily compensate when different markets fluctuate. Possessing significantly more plants in Europe will facilitate sales and implementation of supply chain solutions to existing Elanders' customers since LGI already delivers many similar solutions to other customers in the same industry in its existing infrastructure.



# EXCLUSIVE PRODUCTS DEMAND FLEXIBLE LOGISTICS SOLUTIONS

The most exclusive brands in the fashion industry are characterized by an extremely high standard – material, design and craftsmanship need to be of the highest possible quality. This includes logistics. Each item is expected to always be at the right place and in time for a fashion show or the launch of a collection in a store, even if the preparation time is short. In some cases there are further demands – the garments may need to be delivered newly ironed and hung in a particular order on a hanger in preparation for a fashion show, or be marked with particular labels and packaged in exclusive packaging. Often delivery times are very short for when desire is lit the objects of it need to be onsite, even if that means shipping them to the other side of the world.

## FASHION & LIFESTYLE



Patrick Lindig  
Division Manager / LGI  
Fashion & Lifestyle

### SERVICES

- Global Order Management
- Warehouse & Inventory Management
- Fulfillment & Distribution
- Freight Services
- Value Recovery

LGI's fashion and transport logistic brand ITG is a full-scale logistics partner to one of the leading fashion companies in the world with exclusive brands in sport-inspired fashion in its portfolio. Manufacturing in Asia and having over 1,800 retail sites all over the world requires an extremely well organized and efficient distribution chain in order to meet the demands of the quality conscious market. Therefore the customer demanded a separate delivery chain that only caters to its premium brands.

High-end fashion is a fast moving market with volumes that change over time and where over 30 percent of annual volumes are handled in six weeks. In order to provide excellent and flexible service ITG established three multi-logistics centers where staffing can quickly be increased or reduced depending on the workload. The European market is supplied from the site in Munich, the American market is run out of Boston and deliveries to all over Asia are handled in Hong Kong. The service includes picking up products at the suppliers, quality control, storage, 48 hour delivery on demand and value adding services such as unpacking, ironing, sewing, labeling and special packaging.

This cooperation, started in 2002, has been very successful and volumes have grown to 1.8 million products per year for nine different sub brands. Thanks to ITG's advanced virtual storage system products can be quickly moved from one market to another as demand changes, which it rather often tends to do in the fashion industry.





**PRODUCTION IN ASIA**

The goods are being produced in several different locations all over Asia.

**FREIGHT**

Transportation to ITG's warehouses in three different continents.

**WAREHOUSES**

Munich, Germany  
—  
Boston, USA  
—  
Hong Kong, China

**SERVICES**

Storage  
—  
Quality control  
—  
Value-added services  
—  
Pick & pack

**DISTRIBUTION**

Transportation from the warehouse to over 1,800 sales locations worldwide or between different sales locations.

**MARKET**

More than 1.8 million products from the customer's premium brands reaches the consumer market every year.

# GLOBAL CUSTOMERS DEMAND COMPREHENSIVENESS



The current two mega trends, globalization and digitalization, are together with a quickly growing e-commerce some of the most important driving forces in market development. Intense competition, price pressure and shorter product life cycles force manufacturing companies to outsource their supply chain to external players. Another growing trend is that companies in the automotive and manufacturing industries, for instance, increasingly outsource parts of their production in order to focus on their core business.

With the enormous array of products and services available through a large number of channels many companies face both hard competition and more knowledgeable and better informed consumers. This makes the total customer experience crucial when taking care of and developing products and brands. Marketing messages about products and services cannot be realized if deliveries and customer satisfaction do not live up to the buyers' expectations.

By outsourcing parts of, or the entire supply chain, companies enhance their delivery reliability while avoiding tying up capital in plants, personnel and systems. It also lets them concentrate more on their core business processes like product development, production and marketing.

#### **Outsourcing, an important part of the manufacturing industry**

For a long time the electronics and automotive industries have been on the frontline of honing the supply chain to maximum efficiency. Today many companies in these industries outsource major parts of their operations. Outsourcing has particularly escalated in the electronics industry, and most notably in Asia where most of the production currently takes place. The large share of outsourced

production plants in the region have created a need for the kind of coordination services in the supply chain, so called supply chain management services, which Elanders offers.

#### **New roles for supply chain management suppliers**

The demand for extended supply chain management services has grown as more and more companies choose to outsource operations that are closer to their core business. So called contract logistics, where the supplier adds value to the product in the form of assembly, packing and kitting, is becoming more and more common, particularly in global distribution where the synergy effects are considerable. At the same time many companies choose to outsource more of their internal functions by inviting suppliers into their own facilities in order to reduce overhead and replace these with variable costs, which creates greater flexibility. Outsourcing services closer to the core business increases quality and speed. Allowing supply chain management suppliers to have more control over both the customer's supply chain and production chain gives the suppliers the opportunity to work more efficiently and lower their costs.

### Greater customer orientation and better understanding of products

Today's logistics services are becoming more complex and the demand for specialized contract logistics services is on the rise which means that suppliers need to have a deeper understanding and greater expertise in the customer's products and markets. The supply chain also needs to continue its development towards a more customer-oriented mindset. Innovations such as efficient multi-sites where customers with similar operations can be gathered under one roof, virtual storage systems, integrated tracking systems and unique customized solutions will be crucial factors for the success of supply chain management companies like Elanders.

### The future supply chain is sustainable

The global challenges in creating a sustainable society are enormous. Demand for lower emissions and energy use, traceability, recycling and reduced congestion will shortly put most existing flow structures to the test and future supply flows will have to be fundamentally transformed in order to be sustainable. This in its turn radically increases the complexity in the supply chain, putting even greater demands on intelligent IT solutions, traceability and control. A logical conclusion is

that the future greater focus on sustainable development will lead to an increase in external supply chain solutions.

### Competition

The biggest competition in supply chain management is still in the customers' own solutions in which the companies themselves build up operations locally or in low-cost countries. There are also those that use local companies that offer parts of an integrated supply chain management solution. For instance, in the Electronics customer segment there are only a few competitors, such as Arvato Bertelsman (Germany), Moduslink (USA) and RR Donnelley (USA), that can offer the same level of global comprehensive solutions as Elanders.

### Traditional printed matter and packaging

The global market for printed matter is still characterized by lower volumes, even if some sections, such as packaging and labels, show growth. Product development and continued development of offers in traditional print and packaging continues to be crucial in order to find niches or business with better margins. Profitable niches with lower competition can be found in areas where the solutions put high demands on both capacity and know-

how or are part in an integrated offer. Some interesting market segments can be found in global comprehensive solutions for chassis-specific manuals in the automotive industry, exclusive packaging for the cosmetics and confectionary industries as well as user-adapted products and after sales information on the home electronics market.

### Photoproducts – a growing market in flux

The market for personalized photoproducts is expected to continue to grow since there are still broad consumer groups on all markets that have not yet started using the services. The market is mainly driven by the spreading use of mobile phones for photography and by the technology becoming more accessible as it is adapted to phones and tablets through apps.

Since some years back the market has been in a consolidation phase. Smaller, local companies are being bought by a few larger, international players that dominate the industry such as Cimpress, Photobox, Cewe and Shutterfly. This development is driven by high marketing costs and the substantial investments needed to keep the platforms competitive.

## MARKET TRENDS

### SUPPLY CHAIN



**Outsourcing** Increased outsourcing creates a demand for efficient supply chain services. The automotive industry and global companies in the consumer electronics industry have been outsourcing a large part of their operations for a long time in order to focus more on product development, production and marketing and other industries are following in their footsteps.

**On site outsourcing** A clear trend is outsourcing close to the customer's own production line in order to lower overhead, increase quality and speed up production.

**Environment** Demands for manufacturers to reduce their environmental impact are being made from all sides. Executed in the right way supply chain management services can contribute to lower consumption of resources, both in transportation and storage.

**Urbanization** The ongoing urbanization in large parts of the world will affect commerce. Roads to and from city centers risk heavy congestion and laws, regulations and fees limit transportation in and out of major cities.

### PRINT & PACKAGING



**Digitalization** The industry is in the process of a radical transformation now that information has become electronic. Printed offset editions decrease while personalization and digital print are on the rise.

**Increased trade** As e-commerce continues to grow so does the need for smart packaging for goods to customers.

### E-COMMERCE



**The use of mobile devices** Consumers' growing mobility has changed buying patterns and had a positive effect on e-commerce. More and more transactions are initiated via a mobile or tablet outside of the home. Players on the e-commerce market must constantly work on their offers and be present in the channels relevant for their target groups.

# FROM LOGISTICS TO FULL SERVICE SUPPLIER IN MEDICAL TECHNOLOGY

Diagnostic equipment for medical use is often both expensive and extremely sensitive. Great care and knowledge is needed to handle and repair it. Working quickly with short lead times is also crucial since diagnostic equipment is a critical tool for care and analyses in hospitals and laboratories. Since 1999 LGI operates a European repair center for a customer in diagnostic equipment. This allows the customer to focus on its core business which is developing and manufacturing advanced diagnostic equipment while LGI handles repairs, warehousing of spare parts and replacement products as well as deliveries to the end customer. Together with the customer LGI has made a unique journey from being merely a logistics supplier to a full service supplier with a repair center for advanced medical equipment.

## HEALTH CARE & LIFE SCIENCE



Maximilian Gamperling  
Division Manager / LGI  
Health Care & Life Science

### SERVICES

- ⚙️ Sourcing & Procurement
- ⚙️ Custom Configuration & Manufacturing
- ⚙️ Warehouse & Inventory Management
- ⚙️ Fulfillment & Distribution
- ⚙️ After Sales Services
- ⚙️ Value Recovery

At LGI's European repair center in Waghäusel in Germany advanced diagnostic equipment used in hospitals and laboratories is repaired and refurbished. The customer is one of the leading manufacturers worldwide of diagnostic equipment. When LGI founded the repair center in 1999 it only had a few processes to help the customer get through temporary rushes in the repairs flow. Today there are over 20 technicians working at the repair center. LGI has a profound knowledge of the customer's products and continuously offers the employees internal education and training in new products and updates.

The repair center is connected to LGI's logistics center, which means that necessary spare parts are close at hand and that the product flow back and forth to the end customer is the quickest possible.

LGI also offers the great advantage of onsite repairs at end customers in Germany, which means the end customer does not need to relinquish equipment crucial for operations.

LGI handles orders and deliveries of diagnostic equipment, spare parts and consumables, some of which are temperature controlled or frozen and therefore need to be maintained in an unbroken cold chain.

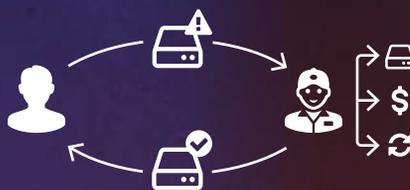
LGI also organizes the recycling of discontinued equipment. The customer receives the lion's share of the sales sum if an article is sold. Benefit of the overall system is the lean management that continuously improves the workflow while augmenting efficiency and reliability in operations.





#### WAREHOUSING

Storage and delivery of equipment, spare parts and consumables with customized transports.



#### REPAIR CENTER SERVICES

- Pick-up at customer
- 
- Service and repair
- 
- Returns
- 
- Sales
- 
- Re-use
- 
- Recycling



#### ON SITE SERVICES

Authorized on-site support at the customer.

*Our integrated offer*

# INTEGRATED OFFER

Elanders offers a broad spectrum of different services and solutions needed in order for our customer to be able to focus on its core business. We offer them separately or packaged in complete end-to-end solutions that include everything from purchasing and pick-up of the customer's components at the supplier, production, configuration, printed matter and other services that add value throughout the entire production chain to the delivery of finished product to retailers or end consumers. And all this with only one contact. Besides the offer to the B2B market the Group also sells photoproducts directly to customers through our own brands fotokasten and myphotobook.



PROCUREMENT LOGISTICS → PRODUCTION → TRANSPORTATION → AFTER SALES → RECYCLING

## SERVICES

### Custom Configuration & Manufacturing

The new supply chain paradigms that are emerging globally require regional capabilities that include various final touch manufacturing services. We are equipped to undertake all manufacturing processes, from simple packaging of semi-finished products, to complicated testing and assembling of high-technology products.

### Fulfillment & Distribution

Through our global network of fulfillment and distribution hubs we are able to offer our customers an efficient and fast way to markets around the world. We offer both simple Pick, Pack & Ship solutions as well as highly complex fulfillment services.

### Value Recovery

Elanders' returns management solution helps manufacturers and distributors to recover part or the whole value of returned products. Elanders' solution includes all parts of the returns process from receipt, inspection, testing, potential refurbishment and recycling of the product and all this in accordance with each individual customers' requirements.

### Global Order Management

Elanders' global network of fulfillment and distribution hubs enables our clients to deliver a variety of B2B and B2C products in the most time sensitive and cost effective manner. Our global fulfillment services are strategically located to take advantage of product postponement opportunities in region with the ability to focus on manufacturing areas for distribution.

### Warehouse & Inventory Management

Elanders help customers identify where costly inventory and warehouse space can be reduced. We are able to provide optimum solutions by managing both components and finished goods according to each customer's individual requirement.

### Freight Services

Elanders handles customer processes in our own warehouses, which are hubs of advanced carriage logistics. Thanks to years of industrial experience and competence we offer cost-efficient freight with full transparency and tracing functions online, in real time. Elanders has complex, supplier-neutral networks for carriage by land, air, and sea and our subsidiary LGI gives us access to our own carriage fleet.

### e-Commerce

E-Business is a vital element and key driver in all aspects of supply chain services. Elanders provides a custom solution that enables it clients to gain global visibility across their extended network of trading partners and help them respond quickly to a range of variables, from customer demand to resource shortages.

### Sourcing & Procurement

Elanders provides a collaborative solution for its customers that place a total supply chain perspective in their procurement processes. Our cross functional collaboration with clients and suppliers will produce an effective sourcing strategy that results in substantial cost savings while also achieving lean manufacturing or inventory management goals.

### Print & Packaging

We offer cost-efficient and innovative solutions that meet customers' needs for printed material and packaging both locally and globally. Elanders has developed advanced, user friendly and Internet-based order platforms that streamline the process of order to delivery and enable print-on-demand, sequenced and just-in-time deliveries.

### After Sales Services

Elanders' responsibility can continue even after end customers have received their goods. The Group offers services such as warehousing spare parts, accessories, replacement equipment and consumables. Our trained technicians can also offer repairs and service, both in our own repair centers and onsite at the end customer.

*Our integrated offer*

# A COMPREHENSIVE OFFER

Elanders is one of the leading companies in the world when it comes to global comprehensive solutions throughout the entire supply chain. This part of the business was developed after the acquisition of Mentor Media in 2014 which gave the Group a stronghold in Asia. Through the acquisition of LGI in 2016 Elanders continued to advance its positions in Supply Chain Solutions and now also have a very strong presence in Europe. Currently Elanders has operations on four continents with an emphasis in countries like Germany, Singapore, China and the USA as well as in strategically important countries such as Brazil and India.

Elanders' operations are divided into three business areas: Supply Chain Solutions, Print & Packaging Solutions and e-Commerce Solutions. Each business area is a stable and standalone business in itself and together they form a unity in which each section strengthens and complements the other.

### Supply Chain Solutions

Supply Chain is the flow of goods, money and information from manufacturer to end consumer through all parts of the production, from purchasing raw materials to final product. In most cases several players need to cooperate directly or indirectly in order for an ordered product to be delivered in the right way at the right time to its end destination. Efficient supply chain management creates a competitive edge and is critical to the survival of all producing companies, particularly in a global economy.

Elanders offers its customers global comprehensive solutions for the entire supply chain with one contact only. The flow includes the management of everything from order reception, purchasing, component purchasing and storage to manufacturing, configuration, quality control, value-added services and delivery. Elanders also handles payment flows, synchronization of purchasing and storage with demand and after sales services, including handling returned or outdated products destined to be recycled or resold.

Elanders often works within a tight timeframe but still must meet industrial standards and regulations. In addition, more and more stringent environmental demands heighten the complexity of the support chain which, in turn, requires more specialist knowledge. Through our advanced and flexible IT systems we are able to create individual solutions for each customer. Elanders' systems can be integrated with the customer's business system as well as be connected to e-commerce platforms for managing customer service and after sales services.

With the acquisition of LGI Elanders further broadened our offer in supply chain management. LGI is specialized in product and component flows with short lead times and supplies everything from simple logistics solutions to global supply chain management solutions.

An example of LGI using its specialist competence in module strategies and logistics is in assembling modules onsite at

the customer's plant, another is advanced end-to-end solutions where LGI handles the product directly from the supplier, adds value and then delivers it to its final destination.

Through the acquisition of LGI Elanders can also offer industrial value-added services such as installations, updating, tests, reparations and certification of electronic equipment, unloading and reloading products (so called cross-docking), packaging management and different kinds of packaging services. LGI is also a major player in transportation and offers, among other things, distribution, milk runs and return carriage, as well as advanced sequenced deliveries of large volumes to the automotive and manufacturing industries.

One of the major reasons why Elanders' customers choose to outsource operations is to turn overhead costs into variable costs and to avoid tying up capital in plants, personnel and different kinds of service obligations. Through LGI's many and large facilities throughout Europe Elanders is able to offer multi-sites where work for several customers is run under one roof achieving total cost-efficiency. Uncertainty factors due to, for instance, changes in volumes from different customer groups can be eliminated since LGI employees and resources inside the facilities can be moved between different jobs for customers depending on the work customers need done each day. This enables Elanders to raise efficiency in our plants while creating dynamics in customers' costs and enabling them to focus on their core business.

### E-commerce solutions for photoproducts

Elanders embraces the development in e-commerce and has through a number of strategic acquisitions become one of the leading players in Europe in online sales of personalized photoproducts. The services are marketed under three brands: fotokasten, myphotobook and dlo!m. fotokasten and myphotobook are primarily focused on consumers and with the help of dlo!m's e-commerce solutions they are able to offer a broad range of photoproducts such as photobooks, calendars, gifts and home accessories.

At present the majority of Elanders' sales are to consumers. dlo!m also offers so-called white label solutions allowing other companies to sell parts of Elanders' range of photo products under their own



**Efficient supply chain management creates a competitive edge and is critical to the survival of all producing companies, particularly in a global economy.**

brand. Elanders is responsible for the entire order flow, the production process and the delivery while the brand owner is responsible for marketing and sales. One of the largest retail chains in Europe is among our white label customers.

### Innovative printing services and customized packaging

An important part of the offer in both supply chain management and e-commerce consists of graphic services such as manual printing, labels and packaging for the products and components customers produce. Elanders has been active in the traditional graphic industry for over 100 years and today we offer cost-efficient and innovative solutions that fulfill customers' needs for printed material and packaging, locally and globally.

Through a number of niched acquisitions Elanders has become an important player with complex packaging solutions and luxury item packaging, sometimes in limited editions that help increase the demand for a product. Elanders has developed advanced, user-friendly and internet-based ordering platforms that streamline the process from order to delivery and enable customized just-in-time or sequence deliveries. Elanders is one of the few companies that can offer comprehensive global solutions that include printed matter, packaging and other related services such as kitting and packing.

# PRODUCTION LOGISTICS – A PART OF THE CUSTOMER’S CORE BUSINESS

Complexity in the automotive industry continues to grow and this requires major resources with extremely short lead times. The greatest challenge is to maintain top quality in spite of the enormous variation in production since each car is unique. Color scheme, surface materials, engine size, safety functions, fuel type, parking aids, automatic or manual transmission – each vehicle consists of thousands of unique components and modules for each individual model. LGI is very knowledgeable in production logistics and helps companies to focus on their core business without sacrificing quality or safety.

## AUTOMOTIVE



Volker Englert  
Division Manager / LGI  
Automotive

### SERVICES

- ⚙ Custom Configuration & Manufacturing
- ⚙ Warehouse & Inventory Management
- ⚙ Fulfillment & Distribution
- ⚙ Freight Services

Daimler’s factory produces over 1,000 finished Mercedes E-Class cars each day. No single car is like the other. Each vehicle has its own particular requirements and adaptations. In order to manage this the right components must be delivered to the production line at the right time in the right way. This is why Daimler has decided to focus on its core business and outsource parts of the production and actual assembly of some modules. Since 2016 LGI is responsible for preassembling two modules for the Mercedes E-Class in premises located inside Daimler’s production unit.

LGI assembles a front module and a display module used in the dashboard. These modules exist in up to 150 versions, each with specific properties and components.

LGI’s module assembly process is customized in every detail, from tools to shelves, and tweaked to maintain the highest quality as well as save space and be ergonomic to assemble. The assembly of the front module consists of seven consecutive workstations, each with an equal amount of time allotted for completion. In the last step six modules at a time are placed on a purpose-built cart that is then delivered to Daimler’s production line in exactly the right order. The modules are assembled a little over four hours before the final assembly takes place in Daimler’s main production line.

In addition to assembling the front and display modules LGI also delivers components to Daimler from over 25 different suppliers into the production unit and LGI supplies Daimler daily with about 15,000 units in the right order, directly into the production line from a warehouse close by.





"We have an extensive and successful partnership with Elanders and LGI. They are a reliable supplier that knows our operations. We have chosen to focus on our core business and with so many models we need external help in order to manage the large quantity of components."

*Thomas Glaser, Daimler Senior Manager*



**IN HOUSE PRE ASSEMBLY**

LGI has created a custom-made manufacturing process close to the customer's production line.



**QUALITY**

The production is characterized by high precision and security in every step.



**MINIMAL BUFFERS**

The modules are manufactured approximately four hours before final assembly.



**SEQUENCE DELIVERY**

The modules are inserted in the production line in exactly the right order.

**1,000/day**



**EFFICIENT PROCESS**

1,000 unique Mercedes E-Class are produced every day.

# INNOVATION FOR FUTURE SUCCESS

Innovation can be both costly and uncertain, and at the same time crucial for a company's future. Over 100 years of innovation and development has transformed the Swedish printer Elanders into a global service company with operations on four continents. Now Elanders is taking the next step and creating a common innovation strategy for the Group in order to develop ideas for profitable services and create organic growth.

The notion of industrial innovation was for a long time synonymous with product development, but lately it has come to include everything from new business models and distribution systems to design and unique customer solutions. The corporate view of innovation has gone from being focused mainly on technology to increasingly include consumer-focused perspectives. According to a survey by the analytical company Kairos Future<sup>1)</sup> 60 percent of companies use more resources for their innovation programs compared to five years ago, and two out of three company leaders that participated in the survey said that they will invest even more in innovation in five years' time. The survey also shows that it pays to have an ongoing innovation process that can handle new ideas. Companies that work systematically with innovation launch completely new products and services almost three times as often as companies that do not work systematically.

The Elanders Group services in supply chain management, print & packaging and e-commerce are seldom unique. Our strength lies instead in our integrated offer as well as in our broad spectrum

of knowledge and solutions. In order to continue growing profitably the Group therefore needs to continuously and systematically work to develop our value-added services and integrated offers. Now that Elanders has become a global group it is particularly important to enable innovations between companies and over geographic borders.

Elanders continuously works on this necessary innovation. In the past year we have chosen to focus on the innovation process and we have initiated work to develop a model that we can apply throughout the Group. With the help of the model the different companies in the Group will be able to work together in a more organized fashion in generating innovations, transferring information between companies, using evaluation models and realizing ideas. The plan also includes initiating teams in each company that will hold workshops and which will also be responsible for implementing the models above into the process.

Four clear areas have been identified and these will be developed further in 2017.

- **Business models** Completely new services within the Group's business, such as the digital service pakadoo work-life-logistics and operational area Life Cycle Services.
- **Services** A further development of the Group's existing services or new services as a result of existing cooperation. Good examples are services such as pre-assembly at the customer's plant and technical repair hubs.
- **Supply chain management** New methods and solutions to create value for our customers, from suppliers all the way to the end consumer which include, among other things, integrated supply chain management solutions.
- **Processes** Lean-based management strategies and new processes in order to continuously streamline work methods in the Group and thereby increase efficiency and reduce costs.

<sup>1)</sup> 5 Steps to Turn your Business into an Innovation Machine, 2015.



Scan the QR code  
and see the video clip  
about pakadoo.



**pakadoo enables the receipt and return of private parcels at the workplace in an easy, secure and comfortable way – no matter which parcel delivery service is used.**

## INNOVATIONS

### Unique supply chain management solutions

The combination of different Group operations provides a great potential to continue creating unique, integrated end-to-end solutions. From manufacturer to final destination for our customers, from print and packaging to kitting, storage, distribution and transportation. Well executed this will give the Elanders Group unique selling points that are not easily copied.

### pakadoo work-life-logistics

Private parcels straight to the office. Elanders' innovative service pakadoo enables the receipt and return of private parcels at the workplace in an easy, secure and comfortable way – no matter which parcel delivery service is used. The employee saves time and unnecessary journeys to neighbors or the local post office to collect his parcels. For the employer pakadoo is a caring benefit that allows employees to concentrate on work and have more spare time. The pakadoo software organizes the receipt and collection of parcels easily using the company's regular parcel management. Large internet-based stores that already support pakadoo include Amazon and Zalando in Germany. The service is already offered to the employees of more than 100 companies in Germany. [www.pakadoo.de](http://www.pakadoo.de)

### Innovative development of multi-sites

In the past year Elanders has developed two printing plants into complete supply chain management sites. Over the past few years the graphic industry in São Paulo in Brazil has been under heavy pressure. Elanders decided to develop the existing printing operation and implemented a supply chain management section to complement printed matter production. This generated organic growth in a region at the moment in recession, primarily from customers already in Elanders' global network that wanted these services in Brazil too. The introduction of the multi-site also created new business for printing operations.

Operations in Atlanta, USA, went through the same transformation last year, which lead to higher net sales of close to MUSD 6 on a yearly basis. Short-term, the largest gain is cuts in overhead costs now shared by the operational areas but long-term, Elanders is creating completely new platforms and developing current graphic business into comprehensive supply chain management business that includes print and packaging.

### Unique packaging

Elanders continually strives to broaden existing customers' business through innovation to include operations and companies in the Group they have not used before. A good example is the confectionary company Ritter Sport. In cooperation with Elanders they developed a unique packaging for a completely new chocolate flavor. The Unicorn Chocolate in a sparkling wrap was distributed in a very limited edition and became a large marketing success for the confectionary company.

### ONGOING INNOVATION PROJECTS IN THE ELANDERS GROUP

- Wirelessly connected fork lifts
- Picking robots for warehouses
- Integrated supply chain management solutions in real time
- Value-added services in the transportation section
- Better use of vehicle fleet by connecting it to management systems
- Selling advertising space on transportation packaging
- Packaging Innovation Center

## NOTES

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# 900,000 m<sup>2</sup>



In order to, in the best possible way, meet the daily needs of the customers Elanders has facilities of approximately 900,000 square meters spread all over the world. This corresponds to 126 soccer fields.



### ST ERIKS BRYGGERI

The world's most exclusive potato chips should naturally come in exclusive packaging! So Elanders has teamed up with Abbypriest to design exclusive packaging for St Eriks Bryggeri. The Swedish Culinary Team has been involved in the production of the chips, and there is a thought behind each of the ingredients used.

"The ingredients in the chips are carefully chosen and combined. It is therefore important that the whole experience has an air of exclusivity. The packaging is the first thing that the consumer sees, and we have therefore spent a lot of time creating an exclusive feel in every step of the experience."

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Elanders' site in Schwaig outside Munich, Germany, is mainly focused on the customer segment Fashion & Lifestyle. In the site you will find more than 100,000 square meters of warehouse space and a capacity for 500,000 hanging garments. After a big investment in infrastructure the whole pick and pack process of orders for a leading fashion brand is now almost fully automatized.

# 500,000

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# 1,343,000

Elanders sold/produced 1,343,000 customized photobooks and calendars in year 2016.





**pakadoo**

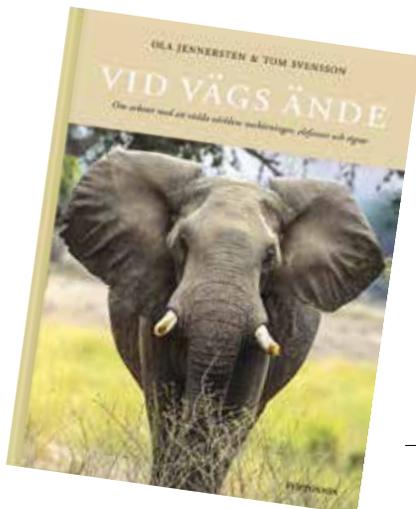
**111**

## PAKADOO POINTS REGISTERED

The 111th pakadoo point was registered in February 2017. A German company, just like 110 other companies, gave its employees the opportunity to have their private parcels delivered to their workplace. This saves employees time and eases some of their everyday stress while allowing the carrier to

consolidate transportation. At the same time the company offers their staff an important benefit. It's a win-win situation.

pakadoo is one of the innovation projects Elanders runs in Germany via its subsidiary LGI, which has won a number of awards for its innovative thinking.



## ELANDERS PRINTED THE PANDA BOOK THIS YEAR TOO

Just as in 2015 Elanders was entrusted with printing the Panda Book (Årets Pandabok, an award presented by the World Wildlife Fund, WWF). The editor at Symposium who published this year's Panda Book, Brutus Östling, told us what this award means: "Every year the Swedish section of the World Wildlife Fund, WWF, selects the Panda Book of the Year, that is the book they consider the best book about nature published that year. This is a prestigious award and the WWF also buys at least 12,000 copies of the book. The King of Sweden presents the award at the grand ceremony in October each year."

This year's Panda Book could be called a necessary book about evil. "Vid vägs ände" ("At the end of the road") is the story of elephants, tigers and rhinoceroses, a terrifying tale about how poachers, greedy businessmen and unscrupulous smugglers threaten their survival.

# INDUSTRIAL ORDERS WITH EXTREMELY SHORT LEAD TIMES

To sell radiators and heat pumps is a business with complex logistics and unwieldy goods on a B2B and B2C market that demands extremely short lead times. Previously a leading customer had 52 service centers all over Germany in order to meet customer demand, a time-consuming and costly operation. The large number of units spread out geographically often had a limited assortment as well. After a thorough analysis the logistics operations were concentrated to six locations and LGI took them over. Today all products and components are delivered within 24 hours to contract customers throughout Germany.

## INDUSTRIAL



Dr. Christian Huber  
Division Manager / LGI  
Industrial

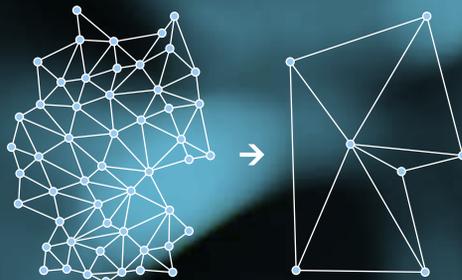
### SERVICES

- 🔧 Warehouse & Inventory Management
- 🔧 Fulfillment & Distribution

One of LGI's customers is a leading international player in heating products and hot water solutions. Since 2007 LGI handles all warehouse and logistics operations for the company's sales in Germany. When LGI took over these operations they went through a major overhaul. The 52 service centers became six local, and one regional, distribution centers. The reorganization generated significant synergy effects that led to lower costs and shorter lead times. Products are received, stored, delivered and exported and LGI also manages returns. LGI has a close and continuous communication with the customer which receives orders and forwards them to LGI. Orders received before 10:00 pm are delivered the next day.

One of the biggest challenges is that products in thermotechnology include everything from very small items to large and unwieldy parts such as heat pumps weighing hundreds of kilos or metal pipes several meters long. The wide variety of goods requires a variety of infrastructure, in terms of both warehousing and deliveries. Handling these diverse products also demands great flexibility in both personnel and warehouses as the business seasonally steered. Sales of spare parts are primarily in demand in late autumn. LGI's size makes it possible to offer the customer the extensive flexibility required. On average LGI delivers 17,000 order lines per day from the six distribution centers that together comprise 100,000 square meters in floor space, a surface bigger than 14 soccer fields. The cost efficiency, flexibility and 24 hour delivery guarantee LGI provides gives the customer a substantial advantage against the competition.





**INDUSTRIAL ORDERS**  
Previous: 52 service centers in Germany.  
Today: 6 local and one regional distribution centers.



**PRODUCTION**  
Goods supplied by customer manufacturers to LGI's warehouses.



**DISTRIBUTION CENTERS**  
Bondorf  
Hamburg  
Wetzlar  
Herten  
Berlin  
Manching



**SERVICES**  
Reception  
Warehousing  
Delivery  
Export  
Returns Management



**MARKET**  
17,000 order lines delivered daily.  
Cost-effective  
Flexible  
24-hour delivery

A photograph of a cable-stayed bridge at night, illuminated with warm lights. The bridge's cables and structure are reflected in the water below. In the background, a city skyline is visible with various buildings lit up. The sky is a deep blue, suggesting dusk or dawn.

# CORPORATE RESPONSIBILITY ON EVERY LEVEL

The demands on corporate responsibility in large, multinational companies also apply to their partners and therefore an important competitive advantage for suppliers. At the same time sustainability also creates opportunities and long-term value. Everyone in the Elanders Group has a responsibility to reduce the impact on the environment, improve working conditions and equality as well as counter corruption. Elanders follows guidelines for corporate responsibility and aims at contributing to societal development in the 18 countries where the Group has operations.

## ENVIRONMENT

Many multinational companies have high internal goals for their work with the environment and sustainability. Their own environmental and quality management systems set the standards their suppliers must meet. Because of this Elanders' sustainability work is mainly based on the high demands dictated by our global customers. Sony Green Partner Standards, for instance, was instituted already back in 2001 and nowadays Sony requires that all its suppliers qualify for this international environmental standard. Elanders' facility in Beijing, China met the demands for Green Partner in the beginning of 2014.

The connection between quality-ensured production and production with a lower environmental impact is becoming apparent to more and more companies. Environmental demands from customers and authorities vary greatly among the different geographic areas where Elanders operates, but the general trend is clear. Offering sustainable production on every level is becoming a competitive prerequisite, especially with global customers.

Sustainability work does not just entail demands, it offers opportunities as well. Actively working with sustainability provides the opportunity to create value. Active sustainability work can contribute to improved profitability through, for example, better use of resources and lower costs for raw material, energy, travel, etc.

Elanders works systematically to reduce its environmental impact and develop products, services and processes to achieve optimal quality. Our comprehensive environmental goal is to successively reduce the Group's environmental impact in all our companies, without compromising quality. As of 2010 all Elanders' Swedish printers are climate neutral and certified for the quality management standard ISO 9001 and the environmental management standard ISO 14001.

Elanders has a number of environmental certificates in our operations such as the Swan, FSC® responsible forestry and Climate neutral company. The graphic industry, where business area Print & Packaging Solutions operates, has been a pioneer in many countries with its proactive environmental work. The industry has also been able to show environmental improvements through reduced paper waste, less hazardous waste, lower energy use and emissions of greenhouse gasses. Over time environmental consideration has come to encompass storage and distribution. Customers with far-reaching environmental requirements take into account the entire lifecycle of a product.

In 2016 a number of environmental initiatives were taken at Elanders, from lower energy use and emission of greenhouse gases to generating less hazardous waste. Each individual company in the

Group is responsible for its own environmental and quality work necessary to comply with local regulations and the quality and environmental revisions that Elanders' customers initiate.

Transportation is a major prerequisite for current undeniable financial and social development, but at the same time transportation has a negative effect on health and the environment.

Elanders works continuously on developing different areas in order to reduce the negative effects of transportation, particularly in business area Supply Chain Solutions that has a fleet of close to 240 trucks. Through constant upgrading of its fleet Elanders has achieved drastic reductions in carbon dioxide emissions. In 2017 all trucks will meet the Euro 6 standard with carbon dioxide emissions of no more than 80 mg/km. The high quality of the vehicles has also significantly reduced fuel consumption in the past few years. Elanders also strives incessantly to increase transportation efficiency and thereby reduce our environmental impact. Efficient engines, well-functioning GPS systems, continuous drivers' training and rewards to those who drive the most energy efficient are all activities that help reduce fuel consumption. On average fuel use has diminished from 29 liters/100 km to 26 liters/100 km in the last two years.

## SOCIAL RESPONSIBILITY

Elanders has many social responsibility projects in the different companies in the Group. In Germany the Group supports, for example, the integration project *Wir zusammen*, a network that puts companies and refugees together to give them a good foundation for gaining a foothold in society. Within the program Elanders also offers internships, introduction courses and mentorship. At Elanders Americas employees can use 40 work hours per year to do volunteer work of their choice and funds are donated to organizations such as the mentor programs *Big Sister* and *Big Brother*. In Brazil Elanders supports the *Beija-Flor* program that helps young people from economically disadvantaged areas. The organization is given donations and printed matter and Elanders also receives young people on study visits and in training programs. Elanders Sweden supports *Médecins Sans Frontières* as an annual field partner and with special

efforts when needed. Elanders also continuously supports *Save the Children* and the *Red Cross*.

### Awards and professorships

One acclaimed initiative is *The Gothenburg Award for Sustainable Development* where Elanders is one of ten companies that contribute to the prize sum. Some of the more well-known laureates are Gro Harlem Brundtland (2002), Al Gore (2008) and Kofi Annan (2011). In 2016 it was awarded to Park Won-Soon, Mayor of Seoul. Under Park Won-Soon's leadership the South Korean capital has taken a leading role internationally when it comes to implementing a successful sharing economy by changing policies, mobilizing the city's little used resources and by making data available.

Another initiative worth mentioning is the visiting professorship Elanders is sponsoring at the University of Gothenburg,

School of Business Economics and Law. The goal of the *Visiting Professor Programme* is to support education, research and social development on an international level.

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### SELECTED CSR PROJECTS

- Médecins Sans Frontières
- Save the Children
- The Red Cross
- The immigration project *Wir zusammen* in Germany
- Beija-Flor for vulnerable youth in Brazil
- Bigs for Littles
- Domestic Violence Sheltering Services
- Blood donor projects
- Visiting Professor Programme at University of Gothenburg, School of Business Economics and Law
- The Gothenburg Award for Sustainable Development

## COMMON VALUES GOVERN OUR GLOBAL COMPANY

The Elanders Group is larger than ever. Through a number of acquisitions around the world the number of employees has quadrupled in a few years. We are now facing exciting challenges and tremendous opportunities in the creation of common values in the independent units.

At the end of the year 6,444 people were working in 18 countries on four continents. Most of the rise in employees came through the acquisitions of LGI in 2016 and Mentor Media in 2014.

### Values in independent companies

Elanders' companies are highly independent and follow the rules and regulations in their regions and countries. This also applies to their role as employer. Therefore a certain number of common values among our employees are needed in order to give the Group a stable base. Some of our common values are responsibility for one's own deliveries, a willingness to make changes and take initiative. Employees are encouraged to take responsibility, initiative and to be active, for instance by submitting suggestions for improvements. Employees should also take pride in always doing their best and taking responsibility for their own customer deliveries.

Another important aspect of Elanders' work climate is absence due to sickness. Low absence is highly beneficial for both employees and the company. Because

of this Elanders continuously works on improving in this area.

### Healthy work environment

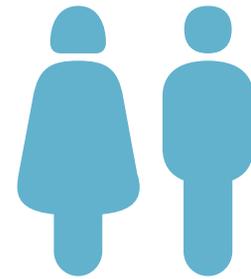
A healthy and successful work environment leads to happier employees that work safely, are more productive and contribute to society at large. There are many good examples in Elanders of how the work environment has been prioritized. Midland Information Resources in the USA has for an impressive 16th time in a row been awarded "Best of the Best Workplace" in the American graphic industry. The jury judges companies based on eight criteria such as work environment, health programs, safety instructions, and how well employees can puzzle the pieces of their lives together.

In Germany Elanders' 4,000 employees in LGI have one common employee policy and all employees are offered risk insurance, Benefit Card with a tax reduction and annual health checkups.

Elanders has chosen to implement OHSAS 18001, a health and safety management system, in our Asia operations. One of several goals of the management system is to reduce absence due to illness and thereby improve quality and profitability. Another area is being able to analyze and prevent health problems, diseases and accidents.

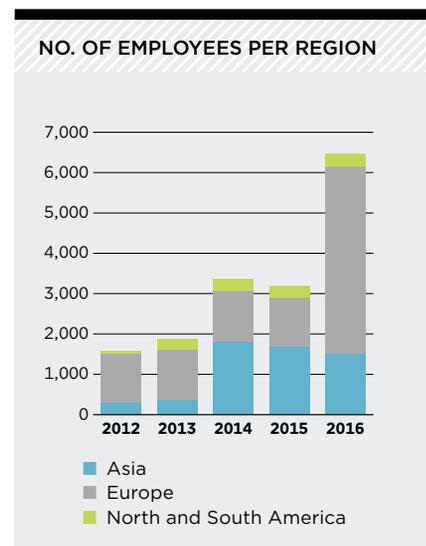
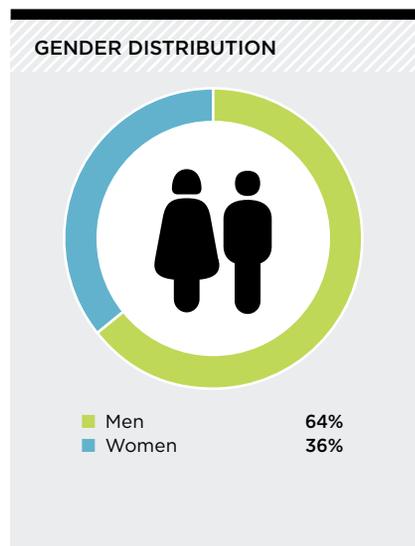
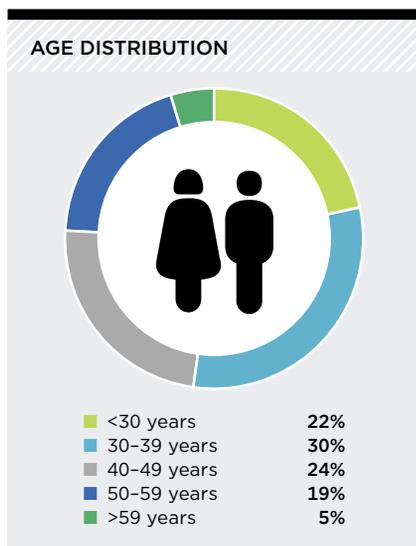
### CODE OF CONDUCT

Elanders has developed a code of conduct that governs actions in every part of the organization. Elanders' Code of Conduct contains clear-cut bans on child labor and any kind of discrimination based on, for example, race, gender, religion or ethnic background.



# 6,444

Elanders has 6,444 employees in 18 countries.





Hållbar utveckling



*Above:* In Germany the Group supports the integration project Wir zusammen, a network that puts companies and refugees together to give them a good foundation for gaining a foothold in society. Within the program Elanders also offers internships, introduction courses and mentorship.

*Left:* In Brazil Elanders supports the Beija-Flor program that helps young people from economically disadvantaged areas. The organization is given donations and printed matter and Elanders also receives young people on study visits and in training programs.

# ADDED VALUE FROM SUSTAINABLE RECYCLING

Handling IT equipment takes a lot of time and energy from big companies, particularly when it becomes old and needs replacing. Information safety is also an important factor as the equipment may contain unique and in some cases sensitive data about the company that needs to be handled with great care. In addition, there is a considerable sustainability factor in recycling equipment and giving it new life on the second hand market. Through its subsidiary LGI Elanders handles annually about 30,000 disposed units such as computers and printers representing a resale value of over MEUR 2 for an individual customer.

## ELECTRONICS



Matthias Moser  
Division Manager / LGI  
Electronics

### SERVICES

Value Recovery

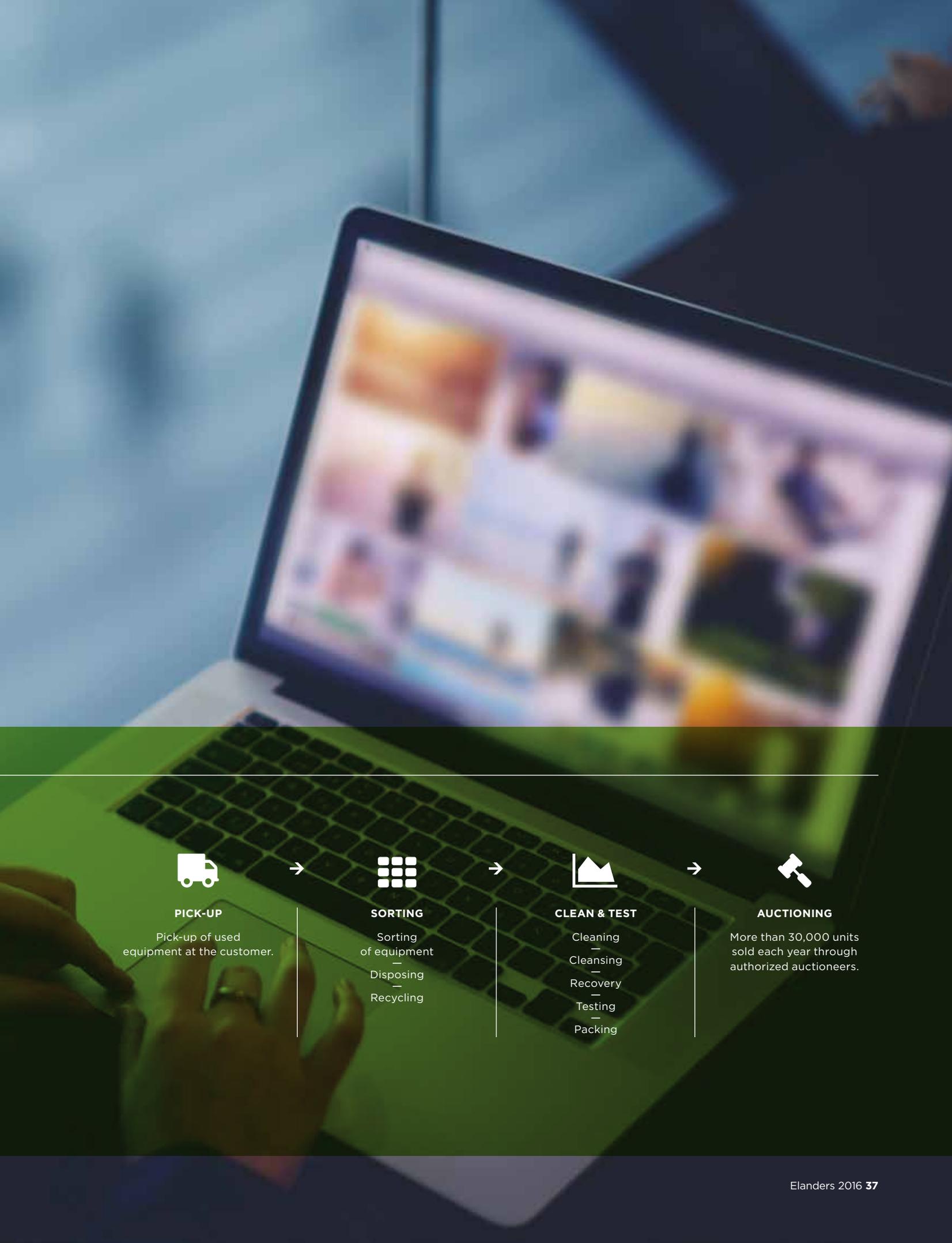
LGI has signed an agreement with an international company to handle parts of the life cycle for superannuated IT equipment. The agreement comprises portable and stationary computers, screens, printers and accessories. Superannuated equipment is collected at the different offices and locations of the customer all over Germany and then every unit is sorted and cleaned.

All information in the computer systems is completely erased using certified software, a service based on profound trust between the customer and LGI. Those parts that are up for destruction are sent to recycling.

All restored and reset equipment is packaged and categorized based on manufacturer, type, generation and condition. After that all restored units are sold using an authorized auction firm. In addition to the large savings from not having to handle the superannuated equipment the customer annually receives the lion's share of the resale value for around 30,000 units.

This amounts to a little over MEUR 2 per year. With its well-functioning process and necessary infrastructure for handling and warehousing along with well-developed routines and partnerships with external players, Value Recovery can easily be fitted to new customers.





#### PICK-UP

Pick-up of used equipment at the customer.



#### SORTING

Sorting of equipment  
—  
Disposing  
—  
Recycling



#### CLEAN & TEST

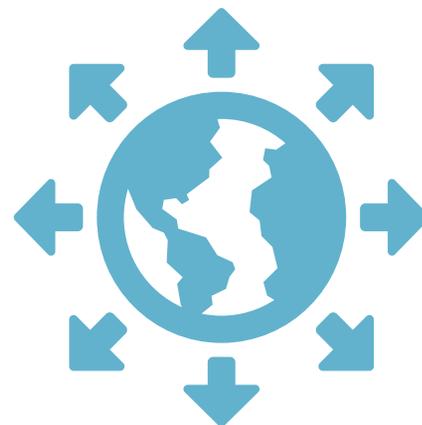
Cleaning  
—  
Cleansing  
—  
Recovery  
—  
Testing  
—  
Packing



#### AUCTIONING

More than 30,000 units sold each year through authorized auctioneers.

# CONTINUED GLOBAL EXPANSION



The past few years have been very eventful and Elanders has gone through a metamorphosis. Originally a 100 year-old traditional Swedish printing company it has now become a supplier of integrated comprehensive solutions in supply chain management on a global market.

## 2016

In the summer of 2016 Elanders made its greatest acquisition ever with the acquisition of the German contract logistics group LGI. At the beginning of the year LGI had close to 4,000 employees, including permanently hired personnel, and net sales of MEUR 430 in 2015. Together LGI and Elanders have a much broader customer base and the union creates a stable platform for continued organic growth with both existing and new customers. The Elanders Group is now larger than ever with over 6,400 employees and annual net sales of more than SEK 8 billion.

In 2016 Elanders presented its best result ever with an operating result of MSEK 383, excluding one-off items.

## 2015

2015 was one of the most profitable year ever in Elanders' history. The business area Supply Chain Solutions continued to grow. In spite of increased profitability business area Print & Packaging Solutions reported negative growth as printing volumes in general continued to decrease. Operations in the German company Schmid Druck were acquired in December and were consolidated from 1 January 2016.

Our focus in 2015 was on finding new business, increasing cross-sales between business areas, optimizing investments and consolidating production capacity.

The operating result for the full year was MSEK 292 (175), of which one-off items were MSEK -16 (-42).

## 2014

The highlight of 2014 was the successful integration of the Singapore-based company Mentor Media. The acquisition entailed a dramatic increase in net sales, operating result and number of employees. This allowed us to achieve one of our important goals, namely to build an Elanders with greater global presence and a broader offer. The Group now rests on a stable platform with three business areas that both balance and complement each other. The operating result for the full year was MSEK 175 (131) of which one-off items were MSEK -42 (1).

## 2013

2013 was a strong year for Elanders. We broadened our offer and increased both our result and net sales. The main factor behind the improved result is the fortuitous acquisitions of the past few years which have made a positive contribution to our result. Demand in Print & Packaging shrunk and Elanders decided to concentrate production facilities to fewer units in Sweden and Germany.

In the first quarter we acquired McNaughtan's in Scotland, a specialist in printing labels and exclusive packaging. The German company myphotobook GmbH, which is one of Europe's leading

e-commerce companies in the segment personalized photo products to consumers, was acquired in the third quarter. The fourth quarter saw a lot of activity, particularly the final negotiation of the Mentor Media acquisition. The operating result for the full year was MSEK 131 (119) of which one-off items were MSEK -1 (15).

## 2012

Uncertainty regarding the global economy characterized pretty much all of 2012 but Elanders did relatively well and the business grew with better profitability. All the shares in the German companies fotokasten GmbH and d|o|m Deutsche Online Medien GmbH were acquired in the first quarter. Through these acquisitions Elanders established itself on the e-commerce market for photo products. Both companies are forerunners when it comes to offering and developing advanced technical solutions.

Late in December the acquisition of the American company Midland Information Resources was made public. Through this acquisition Elanders continued its international expansion and increased its presence on the world's single largest graphic market.

The fourth quarter is usually Elanders' best and 2012 was no exception. The operating result for the full year was MSEK 119 (110), of which one-off items were MSEK 15 (25).

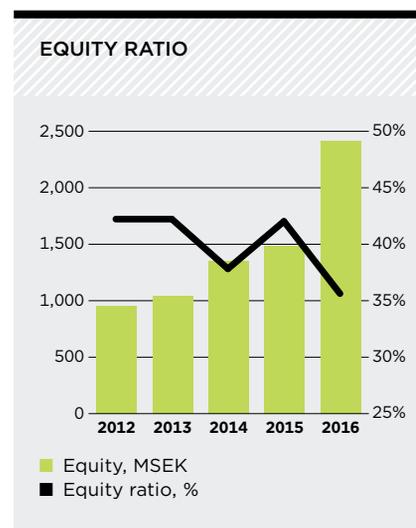
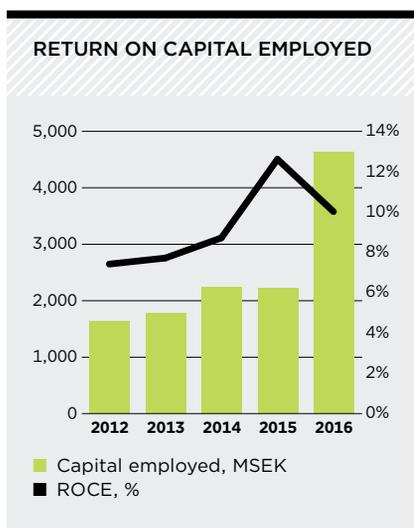
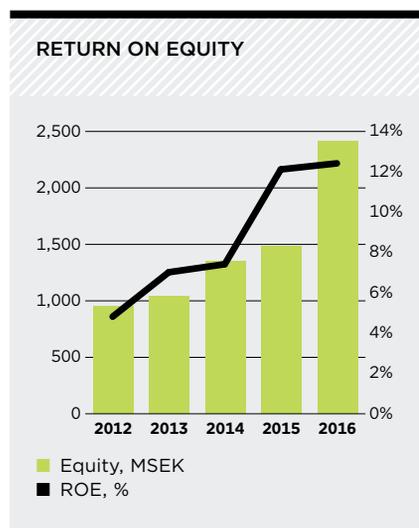


In 2016 Elanders presented its best result ever with an operating result of MSEK 383, excluding one-off items.

## KEY RATIOS

	2016	2015	2014	2013	2012
Operating margin, %	5.5	6.9	4.7	6.2	6.2
Profit margin, %	4.8	6.1	3.8	4.8	4.9
Equity ratio, %	35.6	42.0	37.8	42.2	42.2
Risk capital ratio, %	38.7	44.1	40.1	44.8	44.4
Interest coverage ratio, times	7.8	12.7	5.0	5.3	5.6
Debt/equity ratio, times	0.9	0.5	0.7	0.7	0.7
Return on equity, %	12.4	12.1	7.4	7.0	4.8
Return on capital employed, %	10.0	12.6	8.7	7.7	7.4
Return on total assets, %	6.7	8.2	5.9	5.6	5.6
Average number of employees	4,536	3,182	3,360	1,864	1,587
Number of employees at the end of the year	6,444	3,177	3,320	1,898	1,780
Net debt/EBITDA, times	4.3	1.7	3.1	3.2	3.3
Enterprise Value, MSEK	5,981	2,555	1,919	1,298	1,177
Risk capital, MSEK	2,625	1,568	1,431	1,104	1,004
Capital employed, MSEK	4,635	2,226	2,243	1,777	1,642
Net debt, MSEK	2,224	738	895	739	688

For Financial definitions and Reconciliation alternative performance measures, please see page 104 and page 103.



### INCOME STATEMENTS - SUMMARY

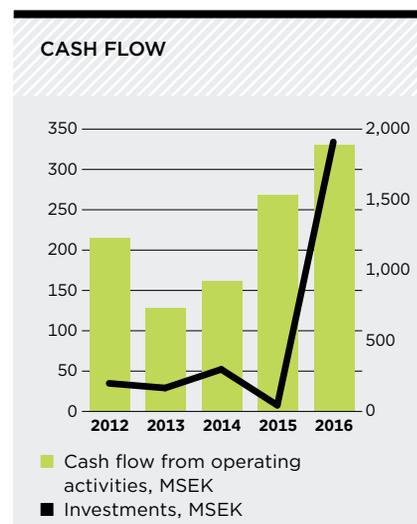
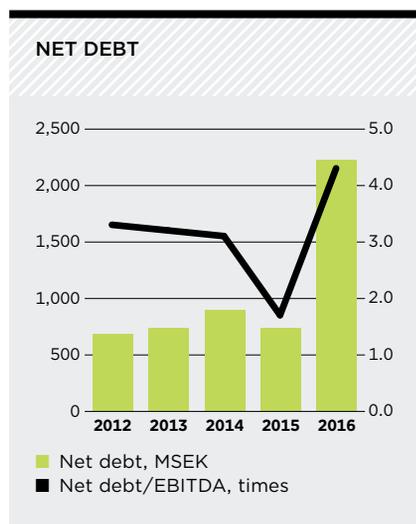
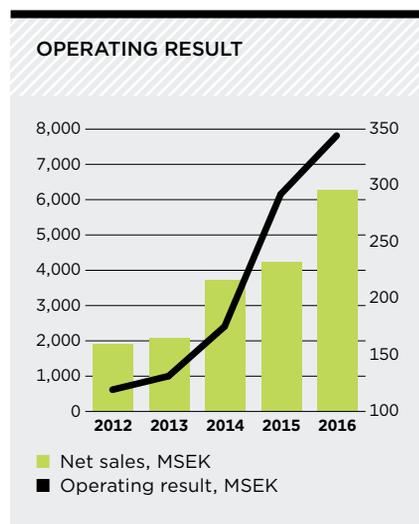
MSEK	2016	2015	2014	2013	2012
Net sales	6,285	4,236	3,730	2,096	1,924
Operating expenses	-5,943	-3,944	-3,555	-1,965	-1,806
EBIT	344	292	175	131	119
Financial items	-44	-33	-35	-29	-25
Result after financial items	300	259	140	102	93
Result for the year	217	175	88	70	45
EBITDA	516	428	292	229	209

### CASH FLOW - SUMMARY

MSEK	2016	2015	2014	2013	2012
Cash flow from operating activities	331	269	162	128	215
Paid taxes	-104	-85	-61	-57	-23
Investments	-1,907	-42	-296	-164	-197
Operating cash flow	-1,428	344	-38	50	67
Change in net debt	983	-198	174	69	24

### BALANCE SHEETS - SUMMARY

MSEK	2016	2015	2014	2013	2012
Goodwill	2,273	1,200	1,205	1,090	978
Other fixed assets	1,855	602	675	582	541
Inventory	295	266	253	107	116
Accounts receivable	1,396	825	844	387	393
Other current assets	312	139	136	82	66
Cash and cash equivalents	651	529	457	215	168
Equity	2,411	1,488	1,348	1,039	954
Interest-bearing liabilities	2,875	1,267	1,352	954	856
Non-interest-bearing liabilities	1,496	805	870	471	451
Total assets	6,782	3,560	3,570	2,464	2,261



## Share information and ownership structure

# A VERY EVENTFUL YEAR

The Elanders share increased dramatically in 2016 after the news about the acquisition of LGI, several good reports and Elanders' best year ever in terms of profitability and net sales. The greatest growth in value was in the fourth quarter, peaking on the 26th of October.

### History

Elanders' B shares were first listed on the Stockholm Stock Exchange on 9 January 1989. On 31 December 2016 the company had 33,542,938 (25,157,204) B shares listed on the NASDAQ OMX Nordic Exchange Small Cap list. As of 1 January 2017 Elanders' B share is included in the Mid Cap list under the ELAN B symbol.

### Development during the year

The market value of B shares rose by 55 (78) percent during 2016, developing significantly better than the Stockholm Stock Exchange index OMX Stockholm PI which grew by 6 (6) percent during the same period. During 2016 a total of 12,024,518 (5,368,759) Elanders shares were traded, which is equivalent to an average trading rate of approximately 0.44 (0.20) times.

The lowest share price during 2016 was SEK 53.61 on 18 January and the highest was SEK 114.50 on 26 October. The final share price in 2016 was SEK 106.25 (64.36), which means that Elanders' stock market value at year-end was approximately MSEK 3,757 (1,816).

### Share capital, class of shares and liquidity guarantee

In order to partially finance the acquisition of LGI a preferential new issue to existing shareholders was carried out in the late autumn of 2016. This generated MSEK 695 after new issue costs and a total of 8,839,437 new shares were

issued. At the end of 2016 there were a total of 35,357,751 (26,518,314) issued shares in the company, of which 1,814,813 (1,361,110) were A shares and 33,542,938 (25,157,204) were B shares. Each A share is worth ten votes and each B share one. The shares' quota value is SEK 10 and all shares are entitled to the same dividend. See the tables on the following page for share capital and voting disposition. The B share is covered by a liquidity guarantee and Remium AB is the guarantor.

### Share allocation

There were 3,576 (2,743) Elanders shareholders at year-end. The share of foreign shareholders amounted to 7 (7) percent of the capital. The allocation between shareholder type and share of capital is 10 (11) percent private owners and 30 (14) percent institutional owners. At the end of the year Carl Bennet AB controlled 66 (74) percent of the votes and 50 (63) percent of the capital and was the only owner who controlled more than 10 percent of the capital or 10 percent of the votes. In late autumn 2016 Carl Bennet AB and Peter Sommer, who is a member of Group Management, arranged a special placement of shares with several institutional investors. Through this placement Elanders attained several new large owners such as Lannebo Funds, Didner & Gerge Funds AB, SEB Investment Management and the Second Swedish National Pension Fund. As previously Carnegie Funds remains the

next largest shareholder with eight percent of the capital and six percent of the votes.

### Dividend policy

Regarding the proposed dividend in years to come, the Board of Directors has taken into account the Group's development potential, its financial position and the adopted financial goals relating to debt/equity ratio, equity ratio and profitability. The objective is to have dividends follow the long-term profit trend and, on the average, represent approximately 30–50 percent of profit after tax.

### Other information

Elanders' financial information can be found at the Group website [www.elanders.com](http://www.elanders.com), under the section Investors.

Questions can also be asked to Elanders directly via e-mail at [info@elanders.com](mailto:info@elanders.com). Annual Reports, quarterly reports and other information can be requested from Group headquarters at telephone number +46 31 750 00 00, our website or through the above e-mail address.

We are also happy to provide information about Elanders at events that are arranged by shareholder organizations, Swedish and foreign stockbrokers and banks.

One analyst continuously monitors our development and regularly publishes analyses of Elanders: Remium AB, Carl Ragnerstam.

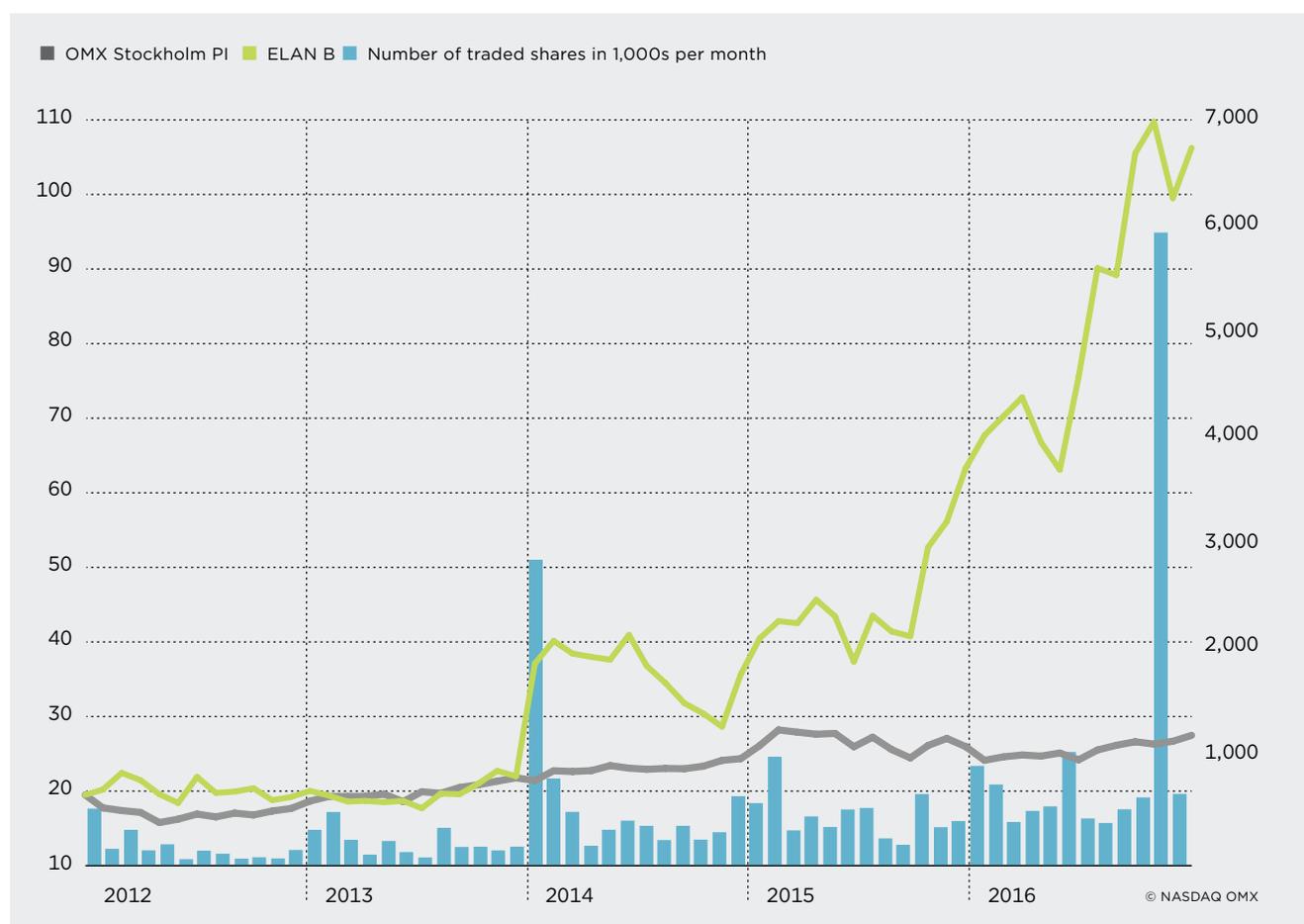
DATA PER SHARE

	2016	2015	2014	2013	2012
Net result, SEK	7.35	6.18	3.27	2.81	1.87
Share price at year-end, SEK	106.25	64.36	36.27	23.11	20.20
P/E ratio	14.5	10.4	11.1	8.2	10.8
P/S ratio	0.5	0.4	0.3	0.3	0.2
Dividend, SEK	2.60 <sup>1)</sup>	2.07	1.03	0.73	0.54
Dividend yield, %	3.1	4.5	2.9	3.6	2.6
Share price/equity, times	1.6	1.2	0.8	0.6	0.5
Equity, SEK	68.19	52.72	47.75	42.93	39.42
Risk capital, SEK	74.24	55.57	50.70	45.63	41.51
EBITDA, SEK	17.47	15.16	10.89	9.20	8.81
Operating cash flow, SEK	-48.32	12.19	-1.42	2.01	2.83
Cash flow from operating activities, SEK	11.19	9.52	6.03	5.15	9.06
Average number of outstanding shares, in thousands	29,555	28,224	26,825	24,900	23,713
Turnover rate	0.44	0.20	0.27	0.11	0.08

<sup>1)</sup> Proposed by the Board.

Historic number of shares and historic key ratios have been adjusted for the bonus issue element in the new share issues in 2014 and 2016. For Financial definitions and Reconciliation alternative performance measures, please see page 104 and page 103.

DEVELOPMENT OF THE ELANDERS SHARE



## SHARE CAPITAL DEVELOPMENT

	Number of A shares	Number of B shares	Accumulated number of shares	Accumulated share capital, SEK
At Stock Exchange introduction in 1989	200,000	1,380,000	1,580,000	15,800,000
1991 Directed share issue to acquire Fabritius A/S in Norway	-	252,000	1,832,000	18,320,000
1993 Bonus issue 1:1	200,000	1,632,000	3,664,000	36,640,000
1997 Directed share issue to acquire the Graphic Systems Group	-	650,000	4,314,000	43,140,000
1997 Directed share issue to acquire Skandinaviska Lithorex	-	250,000	4,564,000	45,640,000
1997 Directed share issue to acquire Gummessons	-	350,000	4,914,000	49,140,000
1997 New share issue 1:4 in connection with the acquisition of the Minab Group	100,000	1,128,000	6,142,500	61,425,000
1998 Directed share issue to acquire the Skogs Group	-	1,287,500	7,430,000	74,300,000
2000 Directed share issue to acquire the shares in KåPe Group	-	450,000	7,880,000	78,800,000
2000 Directed share issue to acquire the shares in Novum Group	-	490,000	8,370,000	83,700,000
2007 New share issue 1:6 in connection with the acquisition of Sommer Corporate Media	83,333	1,311,666	9,764,999	97,649,990
2010 New share issue 1:1	583,333	9,181,666	19,529,998	195,299,980
2012 Directed share issue to acquire d o m och fotokasten	-	3,200,000	22,729,998	227,299,980
2014 New share issue 1:6 in connection with the acquisition of Mentor Media	194,444	3,593,872	26,518,314	265,183,140
2016 New share issue 1:3 in connection with the acquisition of LGI	453,703	8,385,734	35,357,751	353,577,510
<b>Outstanding shares and share capital on 31 December 2016</b>	<b>1,814,813</b>	<b>33,542,438</b>	<b>35,357,751</b>	<b>353,577,510</b>

## MAJOR SHAREHOLDERS 31 DECEMBER 2016

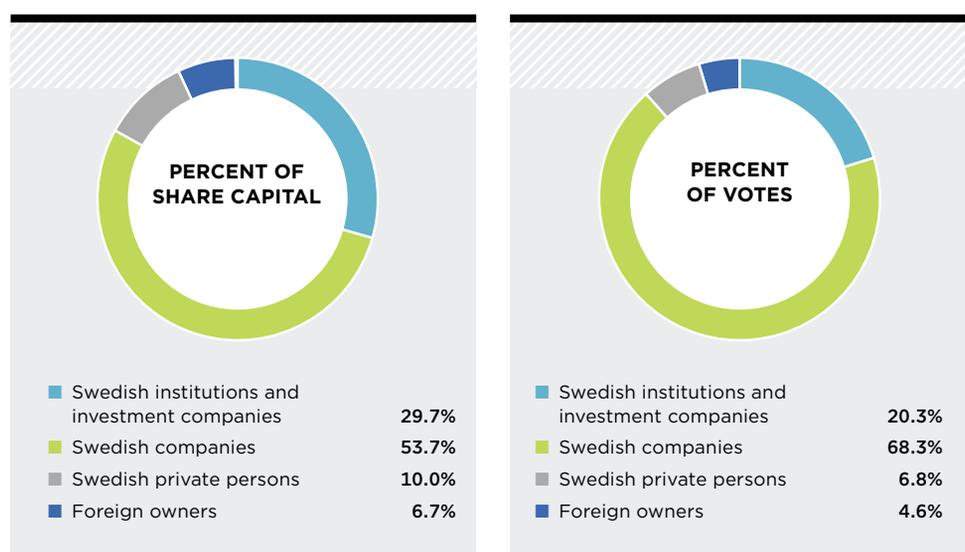
	Number of A shares	Number of B shares	Percent of votes	Percent of share capital
Carl Bennet AB	1,814,813	15,903,596	65.9	50.1
Carnegie Funds	-	2,886,713	5.6	8.2
Lannebo Funds	-	2,269,227	4.4	6.4
Didner & Gerge Fonder AB	-	1,468,887	2.8	4.2
SEB Investment Management	-	1,225,080	2.4	3.5
Andra AP-Fonden	-	544,570	1.1	1.5
Danica Pension	-	362,294	0.7	1.0
Försäkringsaktiebolaget Avanza Pension	-	344,518	0.7	1.0
P-A Bendt AB	-	340,000	0.7	1.0
Nordnet Pensionsförsäkring AB	-	337,995	0.7	1.0
Other shareholders	-	7,860,058	15.2	22.2
<b>Total</b>	<b>1,814,813</b>	<b>33,542,938</b>	<b>100.0</b>	<b>100.0</b>

Source: Euroclear Sweden AB.

SHAREHOLDER STATISTICS 31 DECEMBER 2016

Number of shares	Number of shareholders	Number of A shares	Number of B shares	Percent of share capital	Percent of votes
1-500	2,470	-	369,292	1.0	0.7
501-5,000	912	-	1,390,166	3.9	2.7
5,001-50,000	146	-	2,042,386	5.8	4.0
50,001-500,000	34	-	5,443,021	15.4	10.5
500,001-	6	1,814,813	24,298,073	73.9	82.1
<b>Total</b>	<b>3,568</b>	<b>1,814,813</b>	<b>33,542,938</b>	<b>100.0</b>	<b>100.0</b>

SHAREHOLDER CATEGORIES 31 DECEMBER 2016



Source: Euroclear Sweden AB.

# BOARD OF DIRECTORS' REPORT

The Board of Directors and the President and Chief Executive Officer of Elanders AB (publ), corporate identity no 556008-1621, herewith present their annual report and the consolidated financial statements for 2016.

Elanders AB (publ) is the parent company of the Elanders Group and the company's B shares are listed on NASDAQ OMX Stockholm's Mid Cap list. Elanders AB (publ) is a subsidiary to Carl Bennet AB, corporate identity no 556379-0715, registered in Gothenburg. Carl Bennet AB prepares consolidated financial statements that include Elanders.

## Our business

The Group operates in more than 18 countries on four continents. Our most important markets are China, Germany, Singapore, Sweden, United Kingdom and the USA. The major customers are active in Automotive, Electronics, Fashion & Lifestyle, Industrial Manufacturing and Life Science.

In June 2016 Elanders signed a contract for the acquisition of all the shares in the German company LGI Logistics Group International GmbH which is one of the leading players in Industrial Contract Logistics in Germany. The acquisition of LGI resulted in that the Group almost doubled in size. In 2015, LGI's net sales were around MEUR 430, its normalized EBITDA was approximately MEUR 29 and it operated in ten countries, primarily in Europe with Germany as its main market. The number of employees was around 4,000 including approximately 600 hired staff. LGI has been consolidated into Elanders from 26 July 2016. As part of the financing an Extra General Meeting decided on a rights issue with preferential rights for existing shareholders. The rights issue has now been completed and it raised MSEK 695 after issue costs.

Through the acquisition, Elanders takes a major step forward in global supply chain management and annual Group net sales will increase from around SEK 4.2 to 8.3 billion, while the number of employees will rise from about 3,200 to 6,600 (pro forma 2015 level). Around 600 of the personnel that come with LGI acquisition are hired staff and do not receive salary directly from LGI.

## Our offer

Elanders offers global integrated solutions in the areas supply chain management, print & packaging and e-commerce. Elanders can take an overall responsibility for complex and global deliveries encompassing procurement, warehousing, configuration, production and distribution. Our offer also includes order management, payment solutions and after sales services for our clients.

The services are provided by business-oriented employees. They use their expertise and our intelligent IT solutions to develop our customers' offers, which are often completely dependent on efficient product, component and service flows as well as traceability and information.

In addition to our offer to B2B markets the Group also sells photo products directly to consumers through its own brands fotokasten and myphotobook.

## Net sales and result

Net sales for the year increased by MSEK 2,049 to MSEK 6,285 (4,236). The increase is foremost related to the net sales that LGI has contributed with since the acquisition in July 2016. Cleared of exchange rate effects and acquisitions net sales grew by two percent.

The operating result increased to MSEK 344 (292), including one-off costs of some net MSEK -39 (-16). The improvement in the result is primarily due to the acquisition of LGI and Schmid Druck, the latter is consolidated in the Group since January 1, 2016. The one-off items mainly refer to the acquisition of LGI, for example advisory costs, provisions for the settlement of a dispute in the USA and book VAT recognized as revenue.

The result before tax which increased from MSEK 259 to 300 included one-off costs of some net MSEK -42 (-16).

The positive trend continued in business area Supply Chain Solutions and the business area grew organically by 4 percent. Focus has been on developing existing customers and generate new business with new and existing customers, which include services from all business areas. Since July the newly acquired LGI is a part of the business area which in 2016 accounted for 64 percent of the net sales for the Group. The coming year, this proportion will increase further when the LGI is consolidated for twelve months and not only five as in 2016. Integration is moving forward at full speed and several joint projects have already begun.

The market for Print & Packaging Solutions continues to be characterized by tough price pressure and overcapacity. Total print volumes are down on every Elanders' market and there is a clear shift towards digital print and more personalized products instead of traditional offset print in large volumes. However, there is growth in the segment packaging and labels. Some of the sites within Print & Packaging Solutions have during the year gone through a transition to combined print and supply chain management sites. So far the transition has gone well and contributed to developing the businesses and improving their earnings.

The business area e-Commerce Solutions has substantial seasonal sales variations and the fourth quarter is by far the strongest. Normally all earnings for the year occur in this quarter, which is evident in this year's figures as well. After three relatively weak quarters there was a recovery in the fourth quarter and which ended up in good result for the full year, even if the net

sales for the year was down somewhat. During the fourth quarter a strategic review regarding the business area e-Commerce's future as a separate business area was launched. Currently only around 3 percent of the Group's entire net sales are within e-Commerce.

### Significant events during the year

#### Acquisitions

##### *LGI Logistics Group International*

In June 2016 Elanders signed a contract for the acquisition of all the shares in the German company LGI Logistics Group International GmbH which is one of the leading players in Industrial Contract Logistics in Germany. In 2015, LGI's net sales were around MEUR 430, its normalized EBITDA was approximately MEUR 29 and it operated in ten countries, primarily in Europe with Germany as its main market. LGI has been consolidated into Elanders from 26 July 2016. As part of the financing an Extra General Meeting decided on a rights issue with preferential rights for existing shareholders. The rights issue has now been completed and it raised MSEK 695 after issue costs amounting to approximately MSEK 12.

LGI was created as an offshoot from Hewlett Packard Deutschland GmbH in 1995 and has grown considerably since. Currently LGI has more than 45 facilities worldwide, whereof 35 in Germany. In addition to Germany the company has operations in Austria, the Czech Republic, Great Britain, Hungary, the Netherlands, Poland, Russia, Sweden and in the USA. LGI has specialized in value-adding services to customers in Automotive, Electronics, Healthcare & Life Science, Industrial as well as Fashion & Lifestyle. The company has a particular focus on product and component flows with extremely short lead times and provides everything from simple logistic solutions to comprehensive supply chain management solutions. Customers in Fashion & Lifestyle were added to the customer base in 2013 when LGI acquired ITG GmbH from Deutsche Post.

The purchase price is around MEUR 257 on a cash and debt-free basis. Acquisition and one-off costs attributable to the acquisition amounted to MSEK 27 and charged the result before tax during the second and third quarters.

##### *Schmid Druck*

In December 2015 Elanders signed an agreement to acquire Schmid Druck, a niched packaging company in Germany. The business is consolidated into the Elanders Group as of 1 January 2016. In 2015 net sales in Schmid Druck were around MEUR 8.5 and the company reached an EBITDA level of MEUR 1.6.

The purchase price was EUR 4.5 on a cash and debt-free basis and almost all of it has been settled in the beginning of January 2016. Acquisition costs were around MSEK 2 and charged the result in 2015.

#### Rights issue

An Extra General Meeting in September decided on a rights issue with preferential rights for existing shareholders for a maximum of 8,839,437 new shares at a subscription price of SEK 80 per share. The rights issue was carried out in October and it was oversubscribed. The issue proceeds of MSEK 695 after issue costs have primarily been used to repay MSEK 610 in bridge financing connected to the acquisition of LGI.

#### Book VAT

In February 2010 the European Court of Justice handed down a decision in the so-called Graphic Procédé case. In Sweden this is of particular importance for the differentiating line between printing

companies production of products (printed matter) and services as well as applying so-called book VAT, i.e. a VAT rate of six percent. From 2010 to 2012 Elanders submitted claims for VAT refunds to the Swedish Tax Agency pertaining to the period 2004 to 2007. The reason for this is that some of Elanders' net sales subject to VAT during that period pertained to products and not services according to the differentiating line now considered correct. At the same time in the years from 2011 to 2013 the Swedish Tax Agency made consequential amendments regarding many of Elanders' customers who have then demanded compensation from Elanders.

On 22 December 2015 the Supreme Court of Sweden rendered a judgement which stated that customers have the legal right to demand compensation from the printing company as a result of the consequential amendments made by the Swedish Tax Agency on them. Nonetheless, this verdict is not expected to have any negative effect on either Elanders' result or financial position. The sum Elanders can be required to pay to customers has already been reported as an interest-bearing liability and is included in net debt.

Some of the book VAT was recognized as revenue in the third quarter since the company cannot foresee any further demands being made on it. The amount is included in one-off items for the year.

#### Disputes

As previously reported Elanders' subsidiary in California has been sued by a group of employees that demand indemnification because another employee from the same company installed a hidden camera in a changing room. They claim that the company knew or should have known about the situation. The company has denied any responsibility. Elanders has held negotiations with these employees in January and reached a settlement. Based on the result of the settlement another provision of around MSEK 30 was made, which charged the result for the fourth quarter. This dispute is now closed and no further claims are expected.

#### Changes in Group Management

The change in the focus of the company from print to supply chain services has given the Board reason to review the composition and areas of responsibility in Group Management. As a result Tom Sheehan will no longer be a member of Group Management although he will continue to be responsible for sections of Elanders' operations in the USA. As of 25 January 2017 Andreas Bunz and Eckhard Busch from LGI are members of Group Management. In connection with this some changes have been made regarding the delegation of responsibility.

After these changes Elanders' Group Management consists of the following people:

- Magnus Nilsson President & CEO
- Andréas Wikner CFO
- Dr. Andreas Bunz Supply Chain Solutions (LGI), President
- Eckhard Busch Supply Chain Solutions (LGI), Senior Vice President
- Kok Khoon Lim Supply Chain Solutions (Mentor Media), President
- Peter Sommer Print & Packaging Solutions, President
- Kevin Rogers Print & Packaging Solutions, Senior Vice President
- Martin Lux e-Commerce Solutions, President

### Investments and depreciation

During the year net investments amounted to MSEK 1,907 (42), of which MSEK 1,796 (0) were acquisitions. Depreciation, amortization and write-downs amounted to MSEK 171 (136).

### Financial position, cash flow and equity ratio

Net debt per 31 December 2016 was MSEK 2,224 compared to MSEK 738 at the beginning of the year. In the net change is an increase of MSEK 2,227 respectively 34 referring to paid purchase sum for the acquisition of LGI and Schmid Druck as well as net debt in the acquired companies. The rights issue that was carried out during the year raised MSEK 695 after issue costs. Elanders signed a new three year agreement with the two main banks regarding the financing of the acquisition. Operating cash flow, excluding acquisitions, for the year amounted to MSEK 368 (344) and MSEK -1,428 (344) including acquisitions. The difference is primarily due to the acquisition of LGI. The operating cash flow for the fourth quarter was MSEK 69 (237). The decrease is foremost due to increased working capital related to increased sales and a higher level investments compared to same period last year.

### Research and development

The Group continuously develops different offers that are usually developed in connection with specific customer projects. Continuous development of order platforms takes place in our e-commerce business where costs for most of the work is recognized as they occur.

### Personnel

The average number of employees during the year was 4,536 (3,182), of which 270 (276) were in Sweden. At the end of the period the Group had 6,444 (3,177) employees, of which 250 (277) in Sweden. Further information concerning the number of employees, as well as salaries, remuneration and terms of employment is given in note 4 to the consolidated financial statements.

### Parent company

During the year the parent company provided joint group services. No external sales took place. Investments amounted to MSEK 0 (0). The average number of employees during the year was 9 (9) and the number at year-end amounted to 9 (9). Other information concerning the number of employees, salaries, remuneration and conditions of employment is given in note 4 to the consolidated financial statements.

### Environmental impact

Historically the direct environmental impact of Elanders' operations has been through noise and emissions of solvents into the air, as well as some minor water emissions. With the acquisition of LGI Elanders now has a fleet of close to 240 trucks with trailers at its disposal. Through the carriage done for customers these trucks have a direct environmental impact. They particularly contribute to more noise, air pollution, acidification, over fertilization and a higher greenhouse effect. The truck fleet is very modern and all trucks have Euro 5 engines, or better, and more than 90 percent of the truck fleet have Euro 6 engines, which reduces their environmental impact. Elanders continuously works to reduce fuel consumption by, for instance, educating drivers and using more fuel-efficient engines. Through this work average fuel consumption has decreased from 29 to 26 liters per 100 kilometers in the past two years.

### Legal requirements and incidents

The Group strictly follows legal requirements concerning the environment to avoid events that can result in considerable business risks and/or fines. We therefore put great store in guaranteeing compliance with the law in our regular environmental audits according to ISO 14001 and in the due diligence carried out before an acquisition. Under the Environmental Act in Sweden and equivalent legislature in other countries several printing sites are required to have permits or submit reports, depending on their total consumption of solvents.

In 2016 the Swedish organization had operations in Mölnlycke that required permits. Outside Sweden Elanders has operations in varying degrees in China, Germany, Hungary, Poland, United Kingdom and the USA that require permits. No significant accidents or incidents occurred in 2016.

In 1999 a limited area of ground contamination was discovered under a building in one of Elanders' previous locations. The ground contamination is due to leaks in the drainage system previous to 1970 and mainly consists of heavy metals such as zinc, chrome and copper. The Environmental Court has on formal grounds sent the matter back to the Environmental Authority in Gothenburg for continued processing. The Environmental Authority in Gothenburg has deemed that, because of the location of the pollution, it does not present any risk to health or the environment. An investigation has been conducted to determine the cost of various decontamination measures and discussions are being held with the property owner on how to continue the process. Judging from the circumstances concerning responsibility and the limited scope of the contamination we believe that this matter will not result in any material financial risk for Elanders.

### Information concerning company shares

On 31 December 2016 there were 1,814,813 registered class-A shares and 33,542,938 registered class-B shares; in total 35,357,751 shares. The class-B shares are listed under the symbol ELAN B on the NASDAQ OMX Stockholm, Mid Cap list. Each class-A share represents ten votes and each class-B share represents one vote. Shareholders may vote for all the shares they own or represent. All shares receive the same dividend. The Annual General Meeting has not given the Board any authority to purchase shares or issue shares. There are no bonus programs with dilution effects.

### Transferability

There are no restrictions in class-B shares transferability according to the articles of association or current legislation. The articles of association do contain a pre-emption clause concerning the company's class-A shares.

The company knows of no other agreements between shareholders that limit the transferability of the shares.

### Shareholdings

The only direct or indirect shareholding exceeding a tenth of the votes in the company per 31 December 2016 was Carl Bennet AB with 66 (74) percent. No shares are owned by personnel through pension foundations or similar.

### Contracts with clauses regarding ownership changes

The company has certain contracts that can be terminated if there is a change in ownership.

There are no contracts between the company and Board members or employees that prescribe remuneration if they terminate their contract, are made redundant without reasonable grounds

or if their employment or assignment ceases to exist because of a public purchase offer.

#### **Guidelines for remuneration to senior officers**

The company's guidelines for remuneration to senior officers were adopted by the Annual General Meeting on 28 April 2016. The Board proposes that the Annual General Meeting 2017 adopt guidelines that to all extents and purposes correspond to the present guidelines.

The guidelines are:

Senior officers are persons who together with the Chief Executive Officer constitute Group Management. The guidelines are valid for employment contracts signed after the Annual General Meeting has adopted the guidelines as well as those cases in which changes are made in existing agreements after the decision by the Annual General Meeting.

The total compensation Elanders offers should be on par with market levels so that the company can recruit and keep qualified senior officers. Remuneration to senior officers will consist of a basic wage, variable remuneration, other benefits and a pension.

#### **Basic wage**

The basic wage will take into consideration the individual's responsibility and experience.

#### **Variable remuneration**

The division between basic wage and variable remuneration will be in proportion to the officer's responsibility and authority. The variable remuneration will be based on results in relationship to individual targets. Variable remuneration for the Chief Executive Officer and Chief Financial Officer may amount to, at most, 60 respectively 50 percent of the basic wage. For other senior officers variable remuneration may amount to, at most, 40 percent of the basic wage.

#### **Other benefits**

Senior officers have the right to other customary benefits such as company cars, company health care, etc.

#### **Pension**

Pension provisions may be no more than 35 percent of the basic wage or, if applicable, no more than the ITP cost and the legal general pension, or the equivalent. The Board has the right to renew already signed pension agreements with essentially unchanged conditions without the guidelines creating any hindrance. Salary pension is based on the basic wage.

#### **Severance pay etc.**

The period of notice for termination of the Chief Executive Officer by the company is 18 months. The period of notice from the Chief Executive Officer is 6 months. The period of notice for termination of other senior officers by the company normally varies between 3 to 18 months. Normal wages are paid during the period of notice. No severance pay is paid.

#### **Deviation from guidelines**

The Board has the right to deviate from the above mentioned guidelines if it believes an individual case warrants this.

#### **Outlook**

Elanders continues to have a strong position among the global customers in the manufacturing industry and this is where the greatest opportunities for both long and short term expansion can be found. The undeniable trend is that a growing number of global companies are centralizing their purchasing processes while requesting local deliveries. This means that Elanders' market position and global presence are perfectly in tune with the times.

#### **Events after the balance sheet date**

For the past several years LGI has used factoring as a form of financing and it has had the option to turn over up to MEUR 35 of LGI's accounts receivable to financial institutes. Per 31 December 2016 LGI had turned over MEUR 27.5 in receivables that were not reported in the balance sheet, which is in accordance with IFRS. These accounts receivable were repurchased in the middle of January 2017 and replaced with normal bank credits. As a result accounts receivable and net debt have increased by an equal amount in the same period.

In addition to the above, and the settlement of a dispute in the USA reported above, no other important events have taken place after the balance sheet date until the day this Annual report was signed.

#### **Appropriation of profits**

The Board of Directors and Chief Executive Officer propose that the profit and other unreserved funds of SEK 953,945,470 in the parent company at the disposition of the Annual General Meeting should be dealt with accordingly:

- SEK 2.60 per share is distributed to the shareholders SEK 91,930,153
- the remaining balance is to be carried forward SEK 862,015,317

The Board of Directors believes that the proposed dividends are justifiable in relation to the demands that the business' nature, scope and risks make on group equity and on the Group's consolidation needs, liquidity and its position in general.

## RISKS AND UNCERTAINTY FACTORS

*Elanders divides risks into circumstantial risks (business cycle sensitivity and the future of the products/services), financial risks (currency, interest, financing and credit risk) as well as business risks (customer concentration, operational risk, risks in operating expenses, contracts and disputes). For more detailed information than given below, as well as a sensitivity analysis, please see note 18 in the consolidated financial statements.*

### Circumstantial risk

The external factors that have the greatest impact on Elanders operations are global economy and the future for the group's products and services. Since these factors are outside of group control we continuously work to adjust operations to meet the new conditions.

### Business cycle sensitivity

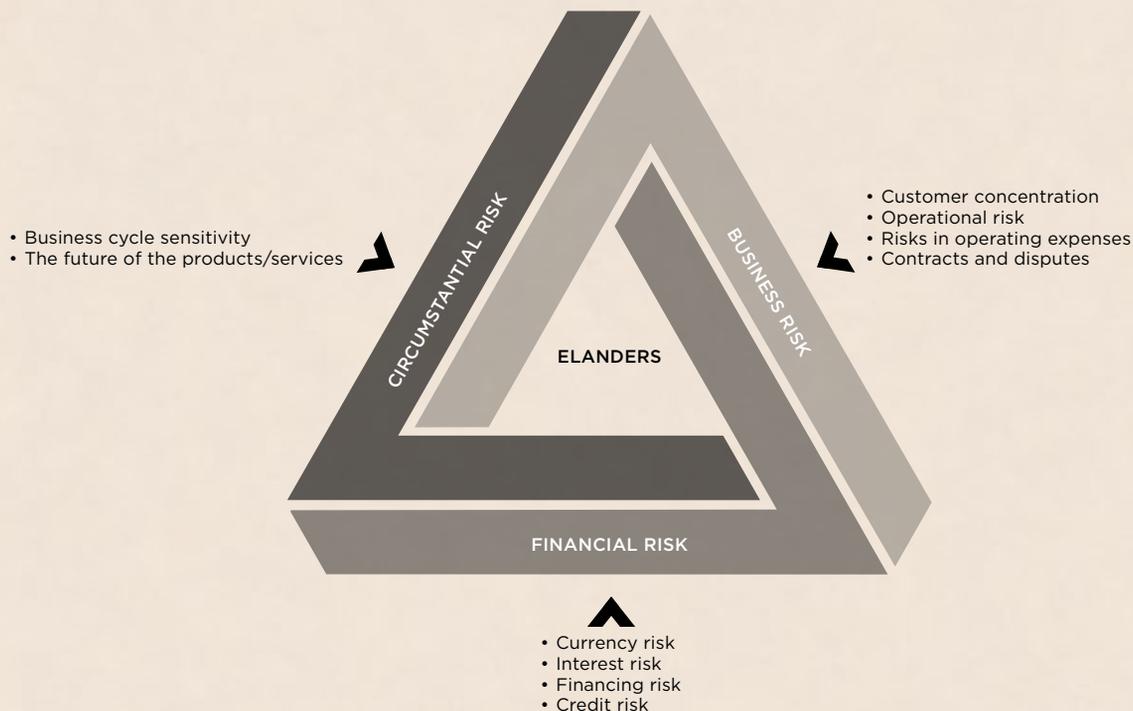
The most tangible business cycle sensitivity is in group operations that supply our customers in the manufacturing industry, particularly in automotive and consumer electronics. Sales to customers in food stuffs, cosmetics, pharmaceuticals and the public sector as well as to consumers are less affected by the general economic situation.

We work consciously to reduce the influence of business cycles by increasing sales to customers in less sensitive trades and customer groups as well as by increasing the geographic spread of sales.

### The future of the products/services

Increased outsourcing generates a demand for effective supply chain solutions. The automotive industry and global companies in consumer electronics have long outsourced a large part of their operations in order to focus on product development, production and marketing and other industries are following. Printed matter is going through a transition from traditional demand for large editions in offset print to shorter series in digital print and from printed to digital media. These changes are apparent in the use of fine paper that has decreased year after year in Western Europe and North America. Despite this printing volumes are rising globally but most of this growth is in packaging. The packaging markets everywhere in the world the Group is active continue to grow and the highest growth is expected in Asia.

Elanders' position as a supplier of global solutions in supply chain management, print & packaging and e-commerce balances the challenges that occur in certain sections of the Group's markets, both geographically as well as for some Group products and services.



### Financial risk

The greatest financial risks for Elanders are currency risk, interest risk and financing risk.

#### Currency risk

The Group runs into currency risk through transactions in currencies other than the companies local currency (transaction exposure) or when converting net result and net assets from foreign subsidiaries (translation exposure).

The transaction risk is foremost related to EUR and USD when companies with another functional currency have parts or sometimes all their sales in EUR or USD. Receivables and liabilities as well as in some cases purchase and sales orders are hedged mainly by using forward exchange contracts.

Elanders' translation exposure is primarily in EUR and USD. Exposure of net assets in foreign subsidiaries is mainly connected to EUR, USD and CNY and hedging has been made in part through loans in EUR and USD. Apart from this hedging no other hedging has been made to counter the translation risk.

#### Interest risk

Exposure in the form of changes in the interest rate stems mainly from group interest-bearing liabilities with floating interest. Outstanding liabilities are primarily in EUR, USD and SEK.

Elanders strives to achieve a balance between cost-effective financing and the risk exposure of a negative influence in the result if interest levels suddenly changed significantly. In light of the low interest rates expected by the market, no hedging have been made regarding interest rates. Elanders is following developments closely and may enter into hedging arrangements.

#### Financing risk

Elanders is dependent on obtaining financing from credit institutions. The Group's financing needs comprises current operations and preparedness for possible future investments. The availability of financing depends on factors such as the general availability of capital and Elanders' credit rating.

The Group currently has a three year credit agreement with two Swedish banks regarding operational financing that expires in July 2019.

#### Credit risk

The Group is exposed to losses through the risk of a counterparty not meeting their obligations. Credit risk can be divided into financial credit risk and commercial credit risk where the financial risk primarily concerns investing surplus liquidity and trading exchange derivative instruments and the commercial risk concerns accounts receivable. Elanders' commercial credit risk is spread out over a large number of customers and at the same time a few customers represent a large part of the Group's accounts receivable.

The financial credit risk is limited and controlled by the fact that financial transactions may only be carried out with financial institutions that are approved of by Group Finance. The commercial credit risk is primarily handled by each subsidiary through external checks on credit ratings, regular communication with customers, monitoring their ability to pay and following up their financial reports.

### Business risk

Elanders encounters risks in operations daily and normally these are within the Group's control. Group Management's close collaboration with the different group operations is a key factor in controlling these risks.

#### Customer concentration

The Group's major customers are primarily active in the manufacturing industry and agreements with these customers normally run over two or three years. Elanders' ten largest customers represent 56 (60) percent of net sales in 2016. Sales to the Group's largest customer represent (16) 21 percent of the total net sales. Sales to this customer is made to several of its divisions, on three continents and is based on multiple stand-alone agreements.

Elanders' strategy is not only to be a supplier to our larger customers but to be a strategic partner which builds the basis for long-term business relations. Elanders has worked together with several of the Group's largest customers for many years.

#### Operational risk

The risk that the Group will suffer a major stop in production is relatively small. There are now critical interdependencies between the units within the respective business area or between the business areas. There are only a few cases where there are no alternative suppliers of critical input goods.

Elanders work to identify and prevent risks that can lead to disturbances in production. The work involves regular controls of the production sites where identified improvement areas are the basis for action plans. The Group also has business interruption insurance that covers the loss of margins for up to twelve months.

#### Risks in operating expenses

Elanders' main operating costs are cost for goods for resale and personnel costs. These two categories represent 51 (59) percent of total operating costs in 2016.

The Group does not see any direct risk that any of these costs will rise in the near future to such a degree that it would have a material effect on group results.

#### Contracts and disputes

In business daily operations can give rise to disputes. In order to minimize the risk of disputes Elanders normally uses the contracts prepared by our trade organizations. Elanders is not aware of any dispute that may have any significant effect on the Group's financial position. The Group's insurance program contains global liability insurance that covers general liability, product liability, crime fidelity, business interruption and limited protection against environmental damage. The Group also has liability insurance for members of the Board and officers.

#### Sensitivity analysis

In note 18 to the consolidated financial statements there is a summarized analysis of how changes in the level of the variables described above would have affected group results after financial items.

# CORPORATE GOVERNANCE REPORT

*This corporate governance report, a part of the Board of Director's report in the Annual Report, describes Elanders' corporate governance, which comprise the management and the administration of the company operations as well as internal control over financial reporting.*

The role of corporate governance in Elanders is to create a good foundation for active and responsible ownership, a suitable distribution of responsibility between the different company bodies as well as good communication with all of the company's interested parties.

## Swedish Code of Corporate Governance

Elanders follows the Swedish Code of Corporate Governance ("the Code"). The Code is based on the principle "follow or explain", meaning that a company following the Code can deviate from certain rules, but then needs to explain why. The following deviations from the Code at Elanders are:

- The Chairman of the Board is the Chairman of the nomination committee.

This deviation is further explained in the section on the nomination committee. More information about the Code can be found at [www.corporategovernanceboard.se](http://www.corporategovernanceboard.se).

## Corporate governance in Elanders – a brief overview

Corporate governance in Elanders is based on legal requirements (primarily the Companies Act), accounting regulations, the articles of association, NASDAQ OMX Stockholm's issuer rules, internal regulations, policies and the Code.

The Elanders Group's corporate governance, management and control are shared by the shareholders at the Annual General Meeting, the Board of Directors and the Chief Executive Officer in accordance with the Companies Act, the articles of association as well as the Group Management. Shareholders appoint the company's nomination committee, Board and external auditors at the Annual General Meeting.

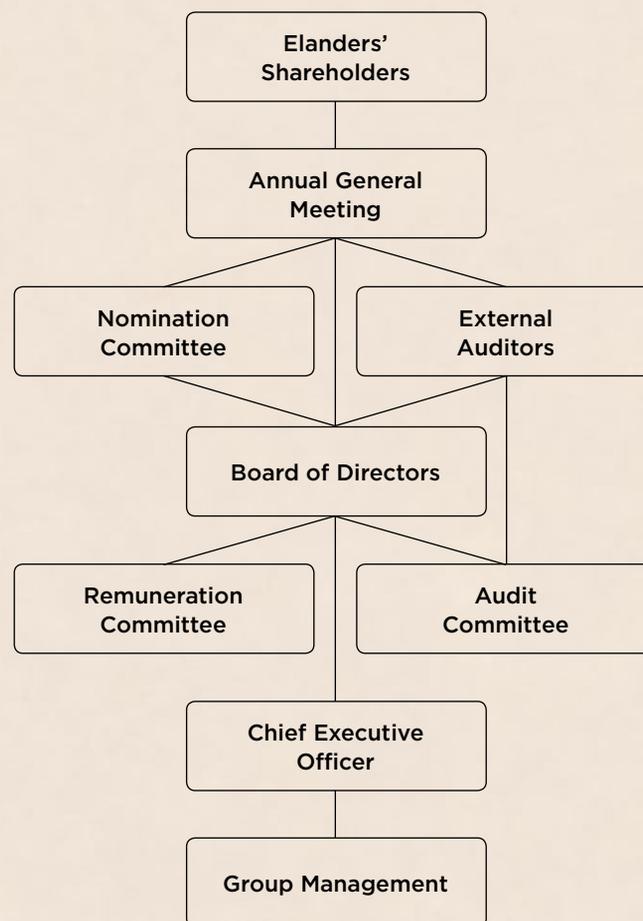
## Shareholders

On 31 December 2016 there were 3,576 (2,743) shareholders. The foreign ownership in Elanders was 7 (7) percent of shares and 5 (5) percent of votes.

The only direct or indirect shareholding exceeding a tenth of the votes in the company per 31 December 2016 was Carl Bennet AB with 66 (74) percent. No shares are owned by personnel through pension foundations or the like.

## Annual General Meeting

Shareholders execute their influence at the Annual General Meeting, the company's highest decision-making body, see figure above. All shareholders recorded in the share register that have declared their intention to participate in the Annual General Meeting within the stated time limit have the right to participate in the Meeting. Shareholders that cannot participate in person can elect a representative. At the Annual General Meeting a class-A share represents ten votes and a class-B share represents one vote. A shares and B shares have the same right to a share of company assets and profit. At the Annual General Meeting each person with voting rights is entitled to vote for their entire holding or represented holding without restrictions. Elanders'



class-A shares are included in pre-emption as stated in the articles of association.

The Annual General Meeting decides on changes in the articles of association, chooses a Chairman, the Board and external auditors, adopts the annual accounts, decides on dividends if any and any other disposition of the result as well as discharges the Board from liability. Furthermore the Annual General Meeting decides on guidelines for salaries and other remuneration for leading senior officers, any new share issue and the manner in which the nomination committee is to be elected. Any shareholder with a matter they would like the Annual General Meeting to deal with should present their proposal to the Chairman of the Board or present any nomination proposal to the nomination committee. Minutes from Elanders' Annual General Meetings can be downloaded from [www.elanders.com](http://www.elanders.com) under Corporate Governance.

### Annual General Meeting 2016

The Annual General Meeting 28 April 2016 decided:

- to adopt the Annual Report for 2015,
- to distribute a dividend of SEK 2.20 per share for the financial year 2015,
- to discharge the members of the Board of Directors and the Chief Executive Officer from liability for 2015,
- to grant according to a proposal in the summons the Board and committee remuneration for a total of SEK 3,440,000 to be divided within the Board,
- to appoint the following Board Members:
  - Carl Bennet (re-elected)
  - Pam Fredman (new member)
  - Erik Gabrielson (re-elected)
  - Linus Karlsson (re-elected)
  - Cecilia Lager (re-elected)
  - Anne Lenerius (re-elected)
  - Magnus Nilsson (CEO) (re-elected)
  - Johan Stern (re-elected)
  - Caroline Sundewall (re-elected)
- to appoint Carl Bennet Chairman of the Board,
- to elect PricewaterhouseCoopers as company auditors until the next Annual General Meeting,
- to authorize the Chairman of the Board to summon the nomination committee before the Annual General Meeting 2017,
- to adopt regulations for the nomination committee work etc. as stated in the summons to the Annual General Meeting,
- to approve the Board's suggestion in the summons for remuneration to leading senior officers.

### Annual General Meeting 2017

The next Annual General Meeting for shareholders in Elanders will take place at Gothia Towers, Mässans gata 24 in Gothenburg Wednesday 26 April 2017. Further information about the Annual General Meeting will be published at [www.elanders.com](http://www.elanders.com).

### Nomination committee

The nomination committee prepares proposals for the Annual General Meeting concerning the election of, and remuneration to, the Chairman of the Board, Board members, committee members and external auditors, the latter having been proposed by the audit committee. The nomination committee meets as needed and at least once a year. The nomination committee met twice last year and discussed the work of the Board, the independence of Board members, Board members' evaluation of the work of the Board, the work of the committees, the audit and the composition of the nomination committee. This year the committee has consisted of Carl Bennet, Chairman (Carl Bennet AB), Hans Hedström (Carnegie Funds) and Britt-Marie Årenberg (representative for the smaller shareholders). No remuneration has been paid to the nomination committee. The members' contact information is found on page 109 in the Annual Report and on [www.elanders.com](http://www.elanders.com) under Corporate Governance.

The Chairman of the Board is also the chairman of the nomination committee, which is a deviation from the Code. Elanders believes it is reasonable that the shareholder with the largest number of votes be the chairman of the nomination committee since he ought to have a decisive influence on the composition of the nomination committee because he has a majority of the votes at the Annual General Meeting.

### The Board of Directors and its work in 2016

The Board is elected by the Annual General Meeting and proposed by the nomination committee. The Board is ultimately responsible for the management of the company, monitoring the work of the Chief Executive Officer and continuously following developments in operations as well as the reliability of the company's internal control. The Board also decides on significant changes in the organization, investments and divestitures, adopts the budget and approves the annual accounts. The Board is ultimately responsible for ensuring that the Group has adequate systems for internal control, that the accounts are prepared and that they are reliable when published. The Group and its management have several methods to control the risks connected to operations. The Board supports Group Management by continually monitoring and identifying business risks in a structured manner as well as steering the work in the Group in how it handles the most significant risks. In conclusion this constitutes the Board's responsibility for corporate governance.

Elanders Board members are evaluated and appointed based on the company's business, development phase and other relevant circumstances. The diversity of education, knowledge and experience as well as age and gender represented in the Board is also taken into account. When considering the election and reelection of Board members these factors have been used to make the Board as diverse and efficient as possible.

In accordance with Elanders' articles of association the Board of Directors should consist of at least three and no more than ten members with a maximum of two deputies. In 2016 the Board consisted of nine members without deputies: Carl Bennet, Chairman, Johan Stern, Vice Chairman, Pam Fredman, Erik Gabrielson, Linus Karlsson, Cecilia Lager, Anne Lenerius, Magnus Nilsson and Caroline Sundewall. In addition, employees were represented by Eija Persson and Marcus Olsson with Martin Schubach and Ivan Taborsak as deputies to the employee representatives. All the members of the Board elected by the Annual General Meeting have an independent relationship to the company except Magnus Nilsson. Pam Fredman, Erik Gabrielson, Linus Karlsson, Cecilia Lager and Caroline Sundewall are independent in relationship to the company's largest owner. Carl Bennet is dependent with regards to the shareholder Carl Bennet AB where he is Chairman of the Board and owner. Johan Stern and Anne Lenerius are also dependent in relation to Carl Bennet AB where they are member of the Board and CFO respectively.

The Board has produced and adopted a work plan that regulates the division of responsibility between the Board, its Chairman and the Chief Executive Officer. It also includes a general meeting plan and instructions on financial reports as well as the other matters that must be put before the Board. The work plan is revised once a year or as needed.

The Board has seven ordinary meetings per year; four of them in conjunction with the year-end report and quarterly reports, one meeting dedicated to strategic matters, one meeting to adopt the coming year's budget and one constitutional meeting following the Annual General Meeting. In addition, the Board is called to further meetings as needed. The Group's external auditors participate in the meeting that deals with the report for the first nine months of the year as well as the meeting regarding the year-end report to inform the Board in its entirety about the result of their audit.

The Board followed the meeting plan for the year. The Board also met on nine occasions relating to acquisitions, financing and the new share issue that was carried out during the autumn.

At the constitutional meeting of the Board, the work plan and instructions for the Chief Executive Officer are reviewed and the customary decisions concerning authorized signatories are taken. In addition, the work plans for the remuneration and audit committees are adopted and their members appointed. At the constitutional meeting of the Board after the Annual General Meeting 2016 Johan Stern was made Vice Chairman. The Board in its entirety was authorized to sign for the company as well as two of the following persons together: the Chairman of the Board, the Chief Executive Officer and the Chief Financial Officer. At the meeting concerning the year-end report the Board met the auditors without the presence of the Chief Executive Officer or any other member from Group Management.

The Board travels as often as possible to visit and hold its meetings in one of the Group's subsidiaries. The Board members' remuneration and presence is presented in detail in the table below.

Further information about the Board and the members elected on the Annual General Meeting can be found on page 106.

### The Chairman of the Board

The Chairman leads and organizes the Board and is responsible for making sure the Board meets its responsibilities and that the members receive the information necessary to ensure the work done by the Board is of high quality and performed according to legal stipulations and the contract with the stock exchange. The Chairman of the Board must also make sure that during the

year an evaluation of the Board's work is carried out and that the nomination committee is informed of the results. The evaluation is carried out annually in the form of a questionnaire and encompasses the Board's composition, remuneration, materials, administration, work methods, meeting content, reports from the committees and education. The evaluation is on a scale of 1–5, where the highest grade is 5. The average score in 2016 was 4.78 (4.70). In addition, the Chairman of the Board represents the company in ownership matters and communicates viewpoints from the owners to the Board. The Chairman of the Board is elected by the Annual General Meeting. Carl Bennet has been the Chairman of the Board since 1997.

### Remuneration committee

The remuneration committee is composed of Board members with the highest competence in this field. It deals with matters concerning remuneration to the Chief Executive Officer and officers that report directly to him. Decisions concerning remuneration to other employees in management positions in the Group are made by each individual's closest superior in consultation with their closest superior, also known as the "grandfather principle". During the year the remuneration committee held one meeting during which they adopted their work plan and prepared a proposal for remuneration. During the year the remuneration committee consisted of Carl Bennet, Chairman, Pam Fredman, Erik Gabrielson, Linus Karlsson and Johan Stern. The guidelines

## Members of the Board, remuneration, attendance, etc.

Member	Board, attendance (number of meetings)	Remuneration Committee, attendance (number of meetings)	Audit Committee, attendance (number of meetings)	Total attendance, %	Remuneration Board + Committee work, SEK '000s	Shareholding <sup>1)</sup>	Independent
<b>Members chosen by the AGM</b>							
Carl Bennet, Chairman	14 (14)	1 (1)	Not member	100	640 + 68	1,814,813 A 15,903,596 B	No, owner
Johan Stern, Vice Chairman	14 (14)	1 (1)	3 (3)	100	320 + 130 + 34	107,000 B	No, owner
Pam Fredman	9 (11)	1 (1)	Not member	83	320 + 34	1,609 B	Yes
Erik Gabrielson	12 (14)	1 (1)	Not member	81	320 + 34	-	Yes
Göran Johnsson <sup>2)</sup>	3 (3)	Not member	1 (1)	100	-	-	Yes
Linus Karlsson	12 (14)	1 (1)	Not member	87	320 + 34	-	Yes
Cecilia Lager	13 (14)	Not member	2 (3)	88	320 + 65	37,521 B	Yes
Anne Lenerius	14 (14)	Not member	3 (3)	100	320 + 65	6,221 B	No, owner
Magnus Nilsson, CEO	13 (13)	Not member	Not member	100	Employee	73,577 B	No, company
Kerstin Paulsson <sup>2)</sup>	3 (3)	Not member	1 (1)	100	-	-	Yes
Caroline Sundewall	14 (14)	Not member	3 (3)	100	320 + 65	6,666 B	Yes
<b>Employee representatives</b>							
Eija Persson	3 (3)	Not member	Not member	100	Employee	666 B	No, company
Lilian Larnefeldt <sup>3)</sup>	8 (11)	Not member	Not member	73	Employee	-	No, company
Marcus Olsson	13 (14)	Not member	Not member	93	Employee	-	No, company
<b>Total</b>				<b>93</b>	<b>3,409</b>		

<sup>1)</sup> Shareholding as of December 31, 2016 for those Directors being on the Board at that moment.

<sup>2)</sup> Resigned at the AGM in April, 2016.

<sup>3)</sup> Replaced by Eija Persson in October, 2016.

for remuneration to leading officers adopted at the Annual General Meeting 2016 can be found in note 4 in the formal financial statements and on the company's website, [www.elanders.com](http://www.elanders.com) under Corporate Governance. The guidelines for remuneration to leading officers for 2016 and the Board of Director's proposal for guidelines for 2017 can be found on page 48 in the Annual Report 2016. The company has not issued, and will not issue any share-based payment obligation, or any similar incitement programs.

#### **Audit committee**

The audit committee is appointed from within the Board based on members' experience of, and expertise in financial reporting, accounting and internal control. The committee follows a work plan adopted by the Board. Its primary task is monitoring internal control, procedures for financial reporting, compliance of related laws and regulations as well as the external audit in the Group. The committee also evaluates the external auditors' qualifications and independence. The audit committee reports their observations on a regular basis to the Board and provides, as needed, external auditor candidates to the nomination committee.

The committee meets at least twice a year and as needed. The external auditors normally participate in committee meetings. The committee met three times in 2016. The auditors reported on the audit of the nine month report and the year-end report, the company's situation with the Code of Corporate Governance and internal control were discussed. The members of the audit committee were Johan Stern, Chairman, Cecilia Lager, Anne Lenerius and Caroline Sundewall.

#### **Chief Executive Officer**

The Chief Executive Officer is the President of the Group, a member of the Board and leads the Group's operations. The Chief Executive Officer's work is steered by the Companies Act, other laws and regulations, current laws for listed companies including the Code, the articles of association and the framework established by the Board in, among other things, the CEO instruction. The Chief Executive Officer is authorized to sign for the company in daily management in accordance with the Companies Act as well as sign for all subsidiaries. The Chief Executive Officer is responsible for providing the Board with continual reports on group results and financial position as well as the information the Board needs to make qualified decisions. The Chief Executive Officer also keeps the Chairman of the Board apprised of developments in operations. All the managing directors in the Group's subsidiaries receive written instructions. These instructions contain a division of responsibility between the Board and the managing director and guidelines the managing director must observe in the running of operations.

#### **Group Management**

The President and Chief Executive Officer lead the work performed by Group Management and make decisions in consultation with members of Group Management. Group Management is responsible for day-to-day financial and commercial management and follow-up in the Group. It also strives to continually achieve synergies, identify acquisition and structural opportunities as well as adapt group operations to market demands and short and long-term developments. Group Management makes sure that the competence and capacity of the Group is coordinated and adjusted to be as useful and profitable as possible in the short and long term. Group Management meets on a quarterly basis, often in conjunction with a visit to a unit within the Group.

Elanders' Group Management consists of:

- Magnus Nilsson President & CEO
- Andréas Wikner CFO
- Dr. Andreas Bunz Supply Chain Solutions (LGI), President
- Eckhard Busch Supply Chain Solutions (LGI), Senior Vice President
- Kok Khoon Lim Supply Chain Solutions (Mentor Media), President
- Peter Sommer Print & Packaging Solutions, President
- Kevin Rogers Print & Packaging Solutions, Senior Vice President
- Martin Lux e-Commerce Solutions, President

#### **The Board's report on internal control over financial reporting**

The purpose of internal control over financial reporting is to insure that it is reliable and that the financial reports follow generally accepted accounting principles and otherwise follow applicable laws and regulations concerning listed companies. According to the Swedish Companies Act and the Code of Corporate Governance the Board is ultimately responsible for an effective, functioning internal control in the Group. Internal control is based on the framework for internal control published by COSO (Committee of Sponsoring Organizations of the Treadway Commission) and which comprises the control environment, risk assessment, control activities, information, communication as well as follow-up. The Chief Executive Officer is responsible for an organization and processes that ensure the quality of financial reports to the Board and the market.

#### **Control environment**

The control environment at Elanders is characterized by the proximity between Group Management and the operating units. All members of Group Management, except the Chief Executive Officer and the Chief Financial Officer are also MDs in one or more of the larger operative units in the Group. The framework for internal control over financial reporting in Elanders consists of routines and distribution of responsibility that are clearly communicated in internal policies and different kinds of manuals. The Board has adopted a work plan that regulates the Board's responsibility and the manner in which work is done in committees. The Board also has an audit committee that is responsible for ensuring that established principles in financial reporting and internal control are complied with and developed. It also maintains regular contact with the external auditors. In order to maintain an effective control environment and good internal control the Board has delegated the practical responsibility to the Chief Executive Officer and established a CEO instruction which defines the division of responsibility between the Board and the Chief Executive Officer. From 2014 Elanders has an internal control function which reports to the CEO and the CFO. The internal control function performs audits of the entities within the Group. The procedures and processes in the entities are evaluated and testing performed regarding the entities' internal controls.

#### **Risk assessment**

It is the responsibility of the Board to identify and handle any major financial risks and the risk of mistakes in financial reporting. This includes identifying areas in financial reporting where the

risk of making a crucial mistake is higher as well as developing control systems to prevent and discover these faults. This is primarily done by identifying situations in operations and events in the outside world that could have an impact on financial reporting.

#### **Control procedures**

The aim of the control procedures is to ensure that financial reporting is correct and complete and that it is based on the Group's requirements for internal control over financial reporting. Control procedures consist of general and detailed controls and can be both preventive and detective. For instance, the Board continuously follows developments in the operations through monthly reports containing detailed financial information as well as the Chief Executive Officer's comments on operations and result and financial position. Representatives from Group Finance or Group Internal Control regularly visit the entities within the Group and evaluate internal control and financial reporting. The MD in each subsidiary is responsible for making sure group governance regulations are implemented and followed and that any deviations are reported. Companies in the Elanders Group also make an annual self-assessment of how internal control functions in relation to the Group's goals.

#### **Information and communication**

In order to make Elanders employees aware of the Group's policies and manuals the information is communicated yearly, and when changes are made, to all affected employees within the Group. To ensure that information communicated externally is correct and complete the Board has adopted an Information policy that dictates what should be communicated, by whom and how the information should be released.

#### **Follow-up**

The Board follow-up of the internal control over financial reporting is first and foremost handled by the audit committee. The observations and potential areas of improvement in internal control that have been identified in the external audit are processed by the audit committee together with the external auditors and the Chief Financial Officer. The results from the audits performed by Group Internal Control and the annual self-assessment of internal control in the entities within the Group is reported to the audit committee and the external auditors.

#### **External audit**

The Annual General Meeting 2016 chose the authorized public accounting company PricewaterhouseCoopers AB until the next Annual General Meeting. Head auditor is the authorized public accountant Magnus Willfors. Once a year the auditors meet the Board in its entirety without the Chief Executive Officer or any other member of Group Management present, normally at the meeting that deals with the year-end report. The auditors also participate in the Board meeting dealing with the report for the first nine months of the year.

## INCOME STATEMENTS

MSEK	Note	2016	2015
Net sales	2	6,285.3	4,236.1
Cost of products and services sold		-5,090.9	-3,252.0
<b>Gross profit</b>		<b>1,194.4</b>	<b>984.1</b>
Selling expenses		-314.9	-260.0
Administrative expenses		-567.2	-457.6
Other operating income	3	99.5	51.1
Other operating expenses	3	-67.8	-25.7
<b>Operating result</b>	4, 5, 6, 7, 25	<b>344.0</b>	<b>291.9</b>
Financial income	8	48.5	11.3
Financial expenses	8	-92.0	-43.8
<b>Result after financial items</b>		<b>300.4</b>	<b>259.3</b>
Taxes	9	-83.1	-84.8
<b>Result for the year</b>		<b>217.3</b>	<b>174.5</b>
Result for the year attributable to			
- parent company shareholders		217.3	174.5
Earning per share, SEK, <sup>1)</sup>	10	7.35	6.18

<sup>1)</sup> There have been no dilution effects.

## STATEMENTS OF COMPREHENSIVE INCOME

MSEK	2016	2015
<b>Result for the year</b>	<b>217.3</b>	<b>174.5</b>
<i>Items that not will be reclassified to the income statement</i>		
Actuarial gains/losses on defined benefit pensions plans	6.9	-
Tax effect on actuarial gains/losses on defined benefit pensions plans	-2.0	-
<i>Items that will be reclassified to the income statement</i>		
Translation differences	90.1	38.7
Change in value of cash-flow hedges, net	-0.7	0.2
Tax effect on change in value of cash-flow hedges, net	0.2	-0.0
Change in fair value of the hedge of the net investment abroad	-32.5	-56.3
Tax effect on the change in fair value of the hedge of net investments abroad	7.2	12.4
<b>Other comprehensive income</b>	<b>69.1</b>	<b>-5.0</b>
<b>Total comprehensive income for the year</b>	<b>286.4</b>	<b>169.5</b>
Total comprehensive income attributable to		
- parent company shareholders	286.4	169.5

## STATEMENTS OF CASH FLOW

MSEK	Note	2016	2015
<b>Operating activities</b>			
Result after financial items		300.4	259.3
Adjustments for items not included in cash flow	12	147.8	101.6
Paid taxes	9	-104.4	-84.9
<b>Cash flow from operating activities before changes in working capital</b>		<b>343.7</b>	<b>276.1</b>
<b>Cash flow from changes in working capital</b>			
Increase (-)/decrease (+) in inventory		-2.6	-5.3
Increase (-)/decrease (+) in operating receivables		56.7	32.0
Increase (+)/decrease (-) in operating payables		-67.2	-34.3
<b>Cash flow from operating activities</b>		<b>330.6</b>	<b>268.5</b>
<b>Investing activities</b>			
Investments in intangible and tangible assets	13, 14	-137.1	-54.5
Divestment of tangible assets	14	24.2	8.6
Acquisition of operations	26	-1,795.7	-
Payments received regarding long-term receivables		2.1	4.3
<b>Cash flow from investing activities</b>		<b>-1,906.5</b>	<b>-41.7</b>
<b>Financing activities</b>			
Amortization of loans		-692.2	-106.9
New loans		1,910.9	-
Other changes in interest-bearing liabilities	12	-189.6	-18.2
New share issue		695.2	-
Dividend to parent company shareholders		-58.3	-29.2
<b>Cash flow from financing activities</b>		<b>1,666.0</b>	<b>-154.3</b>
<b>Cash flow for the year</b>		<b>90.0</b>	<b>72.5</b>
Cash and cash equivalents at the beginning of the year		529.0	456.7
Translation difference in cash and cash equivalents		32.1	-0.3
<b>Cash and cash equivalents at year-end</b>	17	<b>651.1</b>	<b>529.0</b>
<b>Change in net debt</b>			
Net debt at the beginning of the year		737.7	895.3
Net debt in acquired operations		462.4	-
Translation difference		40.4	40.5
Change in interest-bearing liabilities and cash and cash equivalents		983.2	-198.1
<b>Net debt at year-end</b>		<b>2,223.7</b>	<b>737.7</b>
<b>Operating cash flow</b>			
Cash flow from operating activities excl. financial items and paid tax		478.6	386.0
Net investments		-1,906.5	-41.7
<b>Operating cash flow</b>	11	<b>-1,427.9</b>	<b>344.3</b>

## STATEMENTS OF FINANCIAL POSITION

MSEK	Note	2016	2015
<b>ASSETS</b>			
<b>Fixed assets</b>			
Intangible assets	13	3,081.4	1,268.8
Tangible assets	14, 24	805.8	333.9
Deferred tax assets	9	237.8	194.3
Other financial assets		3.0	4.6
<b>Total fixed assets</b>		<b>4,128.0</b>	<b>1,801.6</b>
<b>Current assets</b>			
Inventory	15	295.0	265.9
Accounts receivable	18	1,395.8	824.6
Current tax receivables	9	62.6	6.5
Other receivables		156.5	80.8
Prepaid expenses and accrued income	16	93.2	51.4
Cash and cash equivalents	17	651.1	529.0
<b>Total current assets</b>		<b>2,654.2</b>	<b>1,758.2</b>
<b>Total assets</b>		<b>6,782.2</b>	<b>3,559.8</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
<b>Equity attributable to parent company shareholders</b>			
Share capital	19	353.6	265.2
Other contributed capital		1,275.6	669.0
Hedging reserve		-0.6	0.0
Translation reserve		165.6	100.9
Retained earnings		616.8	452.9
<b>Total equity attributable to parent company shareholders</b>		<b>2,411.0</b>	<b>1,488.0</b>
<b>LIABILITIES</b>			
<b>Long-term liabilities</b>			
Other interest-bearing liabilities	18, 20, 24	2,560.7	5.2
Provisions for post-employment benefits	21	85.8	14.6
Other provisions	22	19.2	2.7
Deferred tax liabilities	9	213.7	80.4
<b>Total long-term liabilities</b>		<b>2,879.4</b>	<b>102.9</b>
<b>Short-term liabilities</b>			
Interest-bearing liabilities	18, 20, 24	228.4	1,247.0
Accounts payable	18	567.8	396.5
Current tax liabilities	9	61.2	28.1
Other liabilities		144.3	74.1
Accrued expenses and deferred income	23	450.9	215.3
Other provisions	22	39.2	7.9
<b>Total short-term liabilities</b>		<b>1,491.8</b>	<b>1,968.9</b>
<b>Total equity and liabilities</b>		<b>6,782.2</b>	<b>3,559.8</b>

## STATEMENTS OF CHANGES IN EQUITY

MSEK	Equity attributable to parent company shareholders					
	Share capital	Other contributed capital	Hedging reserve	Translation reserve	Retained earnings	Total
<b>Opening balance on 1 Jan. 2015</b>	<b>265.2</b>	<b>669.0</b>	<b>-0.1</b>	<b>106.1</b>	<b>307.6</b>	<b>1,347.7</b>
Dividend to parent company shareholders	-	-	-	-	-29.2	-29.2
Total comprehensive income for the year	-	-	0.1	-5.2	174.5	169.5
<b>Closing balance on 31 Dec. 2015</b>	<b>265.2</b>	<b>669.0</b>	<b>0.0</b>	<b>100.9</b>	<b>452.9</b>	<b>1,488.0</b>
Dividend to parent company shareholders	-	-	-	-	-58.3	-58.3
New share issue	88.4	606.6	-	-	-	695.0
Total comprehensive income for the year	-	-	-0.6	64.7	222.2	286.4
<b>Closing balance on 31 Dec. 2016</b>	<b>353.6</b>	<b>1,275.6</b>	<b>-0.6</b>	<b>165.6</b>	<b>616.8</b>	<b>2,411.0</b>

## NOTE 1. Accounting principles

### General information

Elanders AB (publ.), corporate identity number 556008-1621, is a limited company registered in Sweden. The parent company is registered in Mölnlycke. Elanders is listed on NASDAQ OMX Stockholm, Mid Cap (as of January 1, 2017). The company's primary business and its subsidiaries are described in the Board of Directors' Report in this Annual Report. The annual accounts for the financial year ending on 31 December 2016 were approved by the Board and will be presented to the Annual General Meeting on 26 April 2017 for adoption.

### Accounting principles

#### Financial reporting

The Group has prepared the annual accounts according to the Annual Accounts Act, the EU approved International Financial Reporting Standards (IFRSs) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) endorsed by the European Union as of 31 December 2015. In addition, the Group follows the Swedish Financial Reporting Board Recommendation RFR 1 Supplemental Accounting Regulations for Groups, which specifies the additions to IFRSs information that are required according to the provisions in the Annual Accounts Act. In group accounting all items are valued at acquisition value, unless otherwise specified. The Group reports in Swedish kronor. All amounts are given in millions of Swedish kronor, unless otherwise specified. The following is a description of the accounting principles considered elemental.

#### Consolidation

Group accounting comprises the parent company, Elanders AB, and companies in which Elanders AB directly or indirectly holds a controlling interest. Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. Equity in the Group is comprised of equity in the parent company and the part of the equity in subsidiaries generated after acquisition. All transactions and balances between group companies are eliminated in the consolidated accounts.

#### Business combinations

Subsidiaries are reported in accordance with the acquisition method. Acquired identifiable assets, liabilities and contingent liabilities are recorded at fair value based on the date of acquisition. The surplus arising from the difference between the cost of the shares in subsidiaries and the fair value of the acquired identifiable assets and liabilities is recorded as goodwill. Acquisition value is the fair value of the assets left as reimbursement to the seller as well as the liabilities taken over on the acquisition date. If the acquisition price is lower than the fair value of the acquired subsidiary's net assets, the difference is recorded directly in the income statement. Additional purchase sums are recorded as provisions until they are settled. All acquisition costs are expensed. Companies acquired in the current year are included in group accounting from the acquisition date. Divested companies are included in group accounting up until the divestiture date.

### Revenue recognition

Revenue is reported on delivery if ownership has been transferred to the buyer. Net sales represent the sales value less VAT, returns and discounts. Service contracts are normally recognized when final delivery is made, or when contractual partial deliveries are made. Net sales include product and service sales. Since all products are essentially integrated parts of service deliveries to customer, a split of revenues into products and services is not meaningful. Furthermore, there are no significant revenues from interests, royalties, rents or dividends.

### Lease agreements

A finance lease agreement involves a transfer of virtually all rights and obligations that normally characterize ownership from the lessor to the lessee. The leasing agreements that are not finance leases are classified as operating lease agreements. An asset possessed through a finance lease agreement is accounted for as a fixed asset in the balance sheet and an equivalent financial liability is entered as an interest bearing liability. The initial value of both of these items is the lowest of the asset's fair value or the current value of the minimum lease payments. The lease payments are divided into amortization according to plan and accrued interest on the amount of the liability and recognized so that each accounting period is charged with the fixed interest on the recorded liability for the respective period. Lease payments under an operating lease are expensed systematically over the leasing term.

### Foreign currency

Items that are included in the financial reports from the various units in the Group are originally recognized in the currency used in the primary economic environment where the respective unit chiefly operates (functional currency). In the consolidated financial statements all amounts are translated to Swedish kronor, which is the parent company's functional and reporting currency.

#### *Transactions and balance sheet items*

Transactions in foreign currency are reported in each unit based on the unit's functional currency according to the transaction day exchange rate. Monetary assets and liabilities in foreign currency are translated to balance sheet date rates and translation differences are reported under the result for the period. Translation differences in operating receivables and payables are recorded under operating results while differences in financial assets and liabilities are reported under financial items.

#### *Translation of foreign subsidiaries*

When preparing the consolidated financial statements the balance sheets of foreign operations are translated to Swedish kronor with balance sheet date rates while income statements are translated to the average exchange rates for the period. Translation differences are recognized as translation reserves under equity. The accumulated translation differences are redistributed and reported as part of capital gains/losses in the event of a divestiture of a foreign operation. Goodwill and adjustments to fair value attributable to acquisitions with another functional currency than Swedish kronor are reported as assets and liabilities in the acquired unit's currency and translated to balance sheet date rates.

## NOTE 1.

## Accounting principles (cont.)

**Remuneration to employees**

Remuneration to employees in the form of wages, paid vacation and sick leave, pensions and so forth is reported as it is earned. Pensions and other post-employment contributions are classified as defined contribution plans or defined benefit plans.

*Defined contribution plans*

In the case of defined contribution plans the company pays a fixed fee to a separate, independent legal entity and is not obligated to pay further fees. Group payments for defined contribution plans are recorded as an expense as they are earned, which is normally the same period the premium is paid.

*Defined benefit plans*

The liability reported in the balance sheet referring to defined benefit plans is equivalent to the defined benefit plan obligation on the balance sheet date less the fair value of plan assets. In the Elanders Group there are a number of employees that have defined benefit ITP plans in Alecta, which are classified as defined benefit multi-employer pension plan. This means that a company must report their proportional share of the defined benefit pension obligation and the plan assets and expenses that are connected to this pension plan. Since Alecta cannot provide the necessary information, these pension obligations are recognized as defined contribution pension plans according to point 34 in IAS 19.

**Taxes**

The period's tax expense or income consists of current tax and deferred tax. Current tax is based on the fiscal result for the year. The annual fiscal result differs from the result reported for the year due to adjustments for non-taxable and non-deductible items. Deferred tax is tax relating to taxable or tax deductible temporary differences that cause or reduce tax in the future. Deferred tax is calculated according to the balance sheet method based on temporary differences between recorded and fiscal values of assets and liabilities. Calculation of the amounts is based on how the temporary differences are expected to reverse using enacted tax rates or tax rates announced on the balance sheet date. Deferred tax liabilities that refer to tax deficits and deductible temporary differences are only reported in cases where it is probable that tax deficits can be recognized against tax surpluses in the future. Deferred tax is reported as an income or an expense in the income statement except in cases where it refers to a transaction that is recorded in other comprehensive income. Then the tax effect is recorded directly in other comprehensive income. Deferred tax assets and liabilities are offset against each other if they refer to income tax that is charged by the same tax authority and where the Group intends to pay the net amount in tax.

**Earnings per share**

Earnings per share is calculated by dividing the result for the year attributable to parent company shareholders with the average number of outstanding shares during the period. The average number of outstanding shares during the period is adjusted for all potential dilution of ordinary shares when calculating earnings per share after dilution.

**Tangible assets**

Tangible assets are reported at their acquisition value less accumulated depreciation and write-downs. Tangible assets are straight-line depreciated over the estimated useful life of the asset. Costs for repairs and maintenance are recorded

as expenses. The following useful lives are used to calculate depreciation:

• Buildings	25-30 years
• Service facilities in buildings	5-15 years
• Land improvements	20 years
• Printing presses, offset	7-10 years
• Printing presses, digital	3-5 years
• Other mechanical equipment	7-10 years
• Computer equipment and systems	3-5 years
• Vehicles	5 years
• Other equipment	5-10 years

The residual value and useful life of assets are tested on every closing day. Capital gains/losses from the sale of tangible assets are recorded as Other operating income respectively Other operating expenses.

**Intangible assets***Goodwill*

Goodwill is the difference between the acquisition value and the Group's share of the fair value of the acquired subsidiary's, associated company's or jointly controlled entity's identifiable assets, liabilities or obligations on the date of acquisition. If at acquisition the fair value of the acquired assets, liabilities or obligations exceed the acquisition price the difference is recorded directly as income in the income statement. Goodwill has an indefinite useful life and is recorded at acquisition value less accumulated write-downs. When a company is sold the portion of goodwill attributable to that company which has not been written-down is calculated in capital gains/losses.

*Other intangible assets*

Other intangible assets are customer relations, brands, favorable contracts identified at the time of an acquisition as well as the cost of purchasing and developing software. Internally created intangible assets are reported as an asset only in cases where an identifiable asset has been created, it is fairly certain that the asset will lead to financial gains and invested expenses for developments can be calculated reliably. If it is not possible to report an internally created intangible asset the costs for development are recorded as expenses in the period in which they occur. Other intangible assets, besides trademarks with indefinite useful life, are depreciated on a straight-line basis over a useful life period of 5-10 years. Trademarks with indefinite useful life is recorded at acquisition value less accumulated write-downs.

**Impairment losses**

Group assets are assessed at every reporting date to determine whether or not there are a potential need for a write-down. Potential impairment losses relating to goodwill is, however, tested at least once a year. If there is an indication the recoverable amount of the asset is calculated. Goodwill is allocated to the smallest cash generating unit, which corresponds to group operating segments. The recoverable amount is the highest of the value in use or the net realizable value of the asset. The value in use is the current value of all in and out payments attributable to the asset during its estimated useful life together with the current net realizable value at the end of the assets useful life. If the calculated recoverable amount is lower than the book value a write-down is made equivalent to the asset's recoverable amount. Prior write-downs are recovered when a change occurs in the premises that were the basis for deciding the assets' recoverable amount when it was written-down and which entails that the write-down is no longer considered

## NOTE 1. Accounting principles (cont.)

necessary. Recoveries of prior write-downs are tested individually and are recorded in the income statement. Impairment losses relating to goodwill are not recovered in a following period.

### Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is calculated in accordance with the First-in, First-out method (FIFO) or weighted average prices. Acquisition value includes the cost of materials, direct labor costs and overhead charges involved in production of the goods. Net realizable value is the calculated sales value less sales expenses.

### Financial instruments

A financial asset or liability is recorded in the balance sheet when Elanders becomes a party in the instrument's contractual conditions. A financial asset is derecognized from the balance sheet when the rights in the contract are realized, have matured or the company loses control over them. A financial liability is derecognized from the balance sheet when the obligation in the contract is met or resolved in some other way. Financial instruments are valued the first time at fair value plus transaction costs, which applies to all financial assets and liabilities not recognized at fair value through the result. Financial assets and liabilities recognized at fair value through the result are valued the first time at fair value, while attributable transaction costs are valued through the result. Acquisitions and divestitures of financial assets are recorded on the date of business, which is the date the company pledges to acquire or sell the asset, except in cases where the company acquires or sells listed securities, in which case settlement date accounting is applied. Financial assets are controlled at every external reporting instance to determine whether or not there are objective indications that one or a group of financial assets should be written-down. Financial instruments are recorded at their amortized cost or fair value depending on the initial classification.

### Calculation of fair value for financial instruments

Official quotations at year-end are used to determine the fair value of long-term derivative instruments. The market value of other financial assets and liabilities is determined by generally accepted methods such as discounting of future cash flows with the quoted interest rate corresponding to the period of the contract.

### Amortized cost

Amortized cost is calculated with the help of the compound interest method, which means that premiums or discounts together with directly related expenses or income is recorded over the period the contract is valid with the help of the calculated compound interest. The amortized cost is the value generated from a present value calculation with the compound interest rate as the discount factor.

### Offsetting financial assets and liabilities

Financial assets and liabilities are set off against each other and presented as net amount in the balance sheet where there exists a legal right to set off and where the intention is to settle the items with a net amount or realize the asset and liability at the same time.

### Cash and cash equivalents

Cash and cash equivalents are cash in financial institutions and short-term liquid placements with a term of less than three months that run no real risk of fluctuations in value. They are reported as Loans and receivables.

### Accounts receivable

Accounts receivable are categorized as Loans and receivables, which means they are recorded at amortized cost and are not discounted. Write-downs of accounts receivables are included in operating expenses.

### Long-term receivables, current receivables and other receivables

The receivables above are categorized as Loans and receivables, which means they are recorded at amortized cost. In the case the term of a receivable is short it is recorded at its nominal value without a discount according to the method for amortized cost.

### Derivative instruments

Derivative instruments are recorded at their fair value in the balance sheet. Changes in the value of cash flow hedges are reported in particular categories under other comprehensive results until the hedged item is recorded in the income statement. Any result on hedge instruments attributable to the effective part of the hedge are recorded as equity under hedge provisions. Any result on hedge instruments attributable to the ineffective part of the hedge are recorded in the income statement. Hedges of net investments in foreign subsidiaries are recorded in the same way as cash flow hedges, with the exception that any effects from the hedge is recorded in the translation reserve.

### Accounts payable

Accounts payable are categorized as Other financial liabilities which means they are reported at amortized cost. Accounts payable are recorded at their nominal value without a discount due to their expected short-term.

### Other financial liabilities

Liabilities to credit institutions are categorized as Other financial liabilities which means they are reported at amortized cost and directly related expenses such as arrangement fees are distributed throughout the period of the loan with the help of the compound interest method. Long-term liabilities mature after the period of one year while current liabilities fall due within one year.

### Provisions

Provisions are recorded in the balance sheet when a company has a formal or informal obligation as a result of a past event and it is likely that an outflow of resources will be necessary to resolve the obligation and a reliable estimation of the amount can be made. Provisions for restructuring costs are reported when the Group has an established, detailed restructuring plan that has been announced to the parties concerned. Provisions are reconsidered every time an external report is made. No discounting is made regarding recorded provisions.

### Reporting on segments

The three business areas are reported as reportable segments, since this is how the Group is governed and the President has been identified as the highest executive decision-maker. The operations within each reportable segment have similar economic characteristics and resemble each other regarding the nature of their products and services, production processes and customer types. Sales between segments are made on markets terms. When presenting geographical sales the customer's location has determined which geographic area sales are allocated to.

## NOTE 1.

## Accounting principles (cont.)

**Standards, amendments and interpretations of existing standards that came into effect during 2016**

During the year no interpretations or amendments of existing standards have come into effect and had a significant effect on Elanders' financial reports.

**Standards, amendments and interpretations of existing standards that have not yet come into effect**

International Accounting Standards Boards (IASB) has issued new and revised standards, such as IFRS 9, IFRS 15, and IFRS 16.

IFRS 9 "Financial Instruments" includes a model for classification, measurement and reporting of financial assets and liabilities and replaces IAS 39 regarding these areas. The mandatory effective date is 1 January 2018 and is not expected to have any significant effect on the Group financial reports the period it is applied for the first time.

IFRS 15 "Revenue from Contracts with Customers" has mandatory effective date 1 January 2018 and replaces IAS 18 "Revenue" and IAS 11 "Construction contracts". The principles that IFRS 15 is based on should give the user of the financial reports more information relating to the company's revenues. The increased disclosure requirements results in that information regarding the nature, timing, uncertainties of revenues and cash flow arising from contracts with customers should be disclosed. Revenue should according to IFRS 15 be recognized when the customer receive control over the goods or services and has the possibility to use and receive the benefit from the goods or service. The current assessment by the company's management is that the standard will not entail any material difference for the group.

IFRS 16 "Leases" has mandatory effective date 1 January 2019 and replaces IAS 17 "Leases". The standard requires assets and liabilities arising from all leases, with some exceptions, to be recognized in the balance sheet. This model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. Management is currently assessing the effects of applying the new standard on the group's financial statements. The standard will affect primarily the accounting for the group's operating leases where there are large commitments in terms of rental contracts for premises and leasing of machinery and equipment, often with agreement period between 3-10 years. For further information, please see note 7. Elanders has started to collect data, but has not yet determined to what extent these commitments will affect the balance sheet and income statement in terms of value of the use, present value of the liability of remaining payments and the allocation between depreciation and interest expenses. At this stage, the group does not intend to adopt the standard before its effective date.

**Alternative performance measures**

The Annual report includes alternative performance measures for monitoring the Group's operations. For reconciliations and definitions of the primary alternative measures see pages 103-104.

**Important estimations and assessments**

When preparing the financial reports estimations and assumptions are made about the future that effect balance sheet and income statement items in the annual accounts. These assessments are based on historic experience and the various assumptions that Group Management and the Board of Directors consider plausible under existing circumstances. In cases where it is not possible to ascertain the book value of assets and liabilities through information from other sources these estimations and assumptions form the basis of the valuation. If other assumptions are made or other circumstances influence the matter the actual outcome can differ from these assessments. Individual assessments can have a particularly significant effect on Elanders' result and position in the areas of goodwill impairment testing, valuation of tax loss carry forwards, provisions and book VAT.

**Goodwill and trademarks**

Goodwill and trademarks that has an indefinite useful life is subject to impairment tests annually or when there is an indication that a write-down may be needed. Testing is performed on the lowest identified cash generating level, which for Elanders is the operating segment level. The impairment test contains a number of assumptions that can, according to different assessments, have a significant impact on the calculation of recoverable values such as:

- operating margins/results
- discount interest
- growth/inflation

Essential assumptions when testing the need for write-downs and a description of the effect of plausible, possible changes in these assumptions that are basis of the calculations are found in note 13.

**Valuation of tax loss carry forwards**

Deferred tax assets concerning tax loss carry forwards reported by the Group amount to MSEK 193 (192) per 31 December 2016. The recorded value of these tax assets have been tested at year-end and it is deemed probable that these can be set off against taxable gains. The tax assets primarily refer to Swedish tax loss carry forwards that can be utilized for an unlimited amount of time. The Group's Swedish operations have historically been profitable and are expected to generate a substantial surplus in the future. Elanders therefore believes it is safe to say that it will be possible to set off the deficit deduction which the tax assets stem from, against future taxable surpluses.

## NOTE 2. Segment reporting

### NET SALES BY SEGMENT

MSEK	2016	2015
Supply Chain Solutions	3,998.0	2,045.0
Print & Packaging Solutions	2,145.9	2,053.7
e-Commerce Solutions	227.1	237.0
Group functions	26.8	26.9
Eliminations	-112.5	-126.5
<b>Total</b>	<b>6,285.3</b>	<b>4,236.1</b>

### OPERATING RESULT BY SEGMENT

MSEK	2016	2015
Supply Chain Solutions	257.7	181.9
Print & Packaging Solutions	127.2	122.3
e-Commerce Solutions	19.1	18.4
Group functions	-60.1	-30.7
<b>Total</b>	<b>344.0</b>	<b>291.9</b>

### INVESTMENTS BY SEGMENT

MSEK	2016	2015
Supply Chain Solutions	1,815.9	12.7
Print & Packaging Solutions	114.5	38.9
e-Commerce Solutions	1.9	2.9
Group functions	0.6	0.1
<b>Total</b>	<b>1,932.9</b>	<b>54.5</b>

The investments in 2016 are including acquisitions amounting to MSEK 1,762 within Supply Chain Solutions and MSEK 34 within Print & Packaging Solutions.

### DEPRECIATION AND WRITE-DOWNS BY SEGMENT

MSEK	2016	2015
Supply Chain Solutions	-83.7	-32.1
Print & Packaging Solutions	-76.9	-92.6
e-Commerce Solutions	-10.4	-9.9
Group functions	-0.2	-1.0
<b>Total</b>	<b>-171.2</b>	<b>-135.6</b>

### SALES BY GEOGRAPHIC AREA

MSEK	2016	2015
Germany	1,976.6	621.1
Singapore	1,254.6	1,129.5
China	666.8	685.6
Sweden	448.2	478.0
USA	423.1	407.7
United Kingdom	351.5	296.4
Switzerland	188.1	11.3
Hungary	137.9	37.4
Poland	119.5	109.8
India	80.7	66.6
Other countries	638.2	392.8
<b>Total</b>	<b>6,285.3</b>	<b>4,236.1</b>

### FIXED ASSETS BY GEOGRAPHIC AREA

MSEK	2016	2015
Germany	847.6	63.9
USA	74.6	60.7
Poland	65.3	47.0
Czech Republic	60.4	1.1
Hungary	50.2	45.9
United Kingdom	35.9	35.8
China	34.8	56.9
India	32.7	28.7
Singapore	28.4	35.3
Sweden	9.7	21.7
Other countries	8.8	5.9
<b>Total</b>	<b>1,248.5</b>	<b>403.0</b>

Fixed assets above include other intangible assets as well as tangible fixed assets. Goodwill and trademarks with indefinite useful life of MSEK 2,639 (1,200) have not been divided geographically since they are based on segments.

### Information concerning the Group's largest customers

In 2016 sales to the Group's largest customer represent 16 (21) percent of the total net sales. Sales to this customer is made to several of its divisions, on three continents and is based on multiple stand-alone agreements. Two other customers exceeded 10 percent of total net sales. The three largest customers are mainly attributable to the segment Supply Chain Solutions. The Group's ten largest customers together represents 56 (60) percent of total net sales.

### NOTE 3. Other operating income and other operating expenses

#### OTHER OPERATING INCOME

MSEK	2016	2015
Exchange rate gains	20.2	16.6
Capital gains from the sales of fixed assets	5.9	10.0
Income from sales of coupons	5.0	7.0
Other	68.4	17.5
<b>Total</b>	<b>99.5</b>	<b>51.1</b>

The item Other above consists mainly of income relating to VAT refund and sales of waste paper and used printing plates.

#### OTHER OPERATING EXPENSES

MSEK	2016	2015
Exchange rate losses	-11.1	-11.9
Capital losses from the sales of fixed assets	-1.1	-4.5
Other	-55.6	-9.3
<b>Total</b>	<b>-67.8</b>	<b>-25.7</b>

The item Other above includes in 2016 provision for settlement costs for a dispute in the USA.

### NOTE 4. Personnel

#### AVERAGE NUMBER OF EMPLOYEES

	Women		Men		Total	
	2016	2015	2016	2015	2016	2015
<b>Parent company</b>						
Sweden	3	4	6	5	9	9
<b>Subsidiaries</b>						
Germany	415	93	1,112	190	1,527	283
China	607	714	264	326	871	1 040
Singapore	223	223	265	260	488	483
Sweden	83	76	178	191	261	267
Hungary	105	91	142	124	247	215
USA	101	103	137	134	238	237
Poland	54	51	160	115	214	166
United Kingdom	52	49	152	146	204	195
India	30	24	166	133	196	157
Czech Republic	68	29	93	25	161	54
Brazil	20	20	20	18	40	38
Netherlands	4	-	19	-	23	-
Italy	15	13	7	5	22	18
Mexico	7	7	7	7	14	14
Austria	4	-	10	-	14	-
Taiwan	4	4	1	1	5	5
Japan	-	-	1	1	1	1
Russia	-	-	1	-	1	-
<b>Total</b>	<b>1,795</b>	<b>1,501</b>	<b>2,741</b>	<b>1,681</b>	<b>4,536</b>	<b>3,182</b>

## NOTE 4. Personnel (cont.)

## SALARIES AND OTHER REMUNERATION

MSEK	Board and CEO					
	Basic wage incl. other benefits		Variable remuneration		Other employees	
	2016	2015	2016	2015	2016	2015
Parent company	10.0	9.4	3.9	2.8	12.0	8.3
Subsidiaries	29.4	29.3	9.9	12.9	1,206.3	796.3
<b>Total</b>	<b>39.4</b>	<b>38.7</b>	<b>13.8</b>	<b>15.7</b>	<b>1,218.3</b>	<b>804.6</b>

MSEK	Salaries and remuneration		Social security contributions		Pension contributions	
	2016	2015	2016	2015	2016	2015
	Parent company	25.8	20.4	9.7	7.7	4.5
Subsidiaries	1,245.6	838.5	209.2	126.6	33.8	34.4
<b>Total</b>	<b>1,271.5</b>	<b>859.0</b>	<b>218.9</b>	<b>134.3</b>	<b>38.3</b>	<b>39.4</b>

## DIVISION OF MEN AND WOMEN IN MANAGEMENT

	Women		Men		Total	
	2016	2015	2016	2015	2016	2015
Board members	4	4	5	6	9	10
Group Management	-	-	7	7	7	7
Supervisors	81	66	169	118	250	184

The Board also includes two employee representatives.

## REMUNERATION TO THE BOARD, CHIEF EXECUTIVE OFFICER AND OTHER SENIOR OFFICERS 2016

SEK '000s	Basic wage/ Board-remuneration	Variable remuneration	Other benefits	Pension contributions	Total
Chairman of the Board	708	-	-	-	708
Board members (7 persons)	2,701	-	-	-	2,701
Chief Executive Officer	6,500	3,900	78	2,311	12,789
Other senior officers (6 persons)	22,291	9,311	1,681	1,479	34,763
<b>Total remuneration to the Board, CEO and senior officers</b>	<b>32,200</b>	<b>13,211</b>	<b>1,759</b>	<b>3,790</b>	<b>50,961</b>

## REMUNERATION TO THE BOARD, CHIEF EXECUTIVE OFFICER AND OTHER SENIOR OFFICERS 2015

SEK '000s	Basic wage/ Board-remuneration	Variable remuneration	Other benefits	Pension contributions	Total
Chairman of the Board	674	-	-	-	674
Board members (8 persons)	2,970	-	-	-	2,970
Chief Executive Officer	5,714	2,808	79	1,997	10,598
Other senior officers (6 persons)	23,368	12,249	1,881	1,126	38,623
<b>Total remuneration to the Board, CEO and senior officers</b>	<b>32,726</b>	<b>15,057</b>	<b>1,960</b>	<b>3,123</b>	<b>52,865</b>

For information on remuneration to Board members, see page 53.

## NOTE 4. Personnel (cont.)

### Basic wage/Board remuneration

The Chairman of the Board and Board members receive compensation for their participation on the Board and committee work from the total remuneration sum for the Board determined by the Annual General Meeting. Some of the Board members have chosen to invoice their remuneration from a company owned by them individually instead of receiving the remuneration as salary. They are allowed to do this under the condition that it is cost neutral for Elanders. Board members and deputies employed in the Group did not receive any fees or benefits in addition to those pertaining to their employment. The Chairman of the Board has not received any compensation other than Board and committee remuneration. Remuneration to the Chief Executive Officer, the former Chief Executive Officer and other senior officers consists of a basic salary, variable remuneration, other benefits and pension. Senior officers are the persons who, together with the Chief Executive Officer, comprised Group Management in 2016.

### Variable remuneration

The proportion between basic salary and variable remuneration corresponds to the officer's responsibility and authority. For the Chief Executive Officer and the Chief Financial Officer variable remuneration should not exceed 60 and 50 percent respectively of their annual salary. For the other senior officers variable remuneration may not exceed 40 percent of their annual salary. Variable remuneration is based on results in relation to individually targeted goals.

Pension benefits as well as other benefits to the Chief Executive Officer and senior officers are part of the total remuneration. Variable remuneration is carried as an expense for the financial year 2016 and paid out in 2017.

Bonus for the Chief Executive Officer is based on goals established by the Board. For other senior officers variable remuneration is based on goals established by the President together with the remuneration committee. No variable remuneration or any other kind of remuneration had a dilution effect.

### Other benefits

Other benefits refers to housing, company cars etc.

### Pensions

The Group has both defined benefit and defined contribution pension plans. Pension cost is the cost that affects the result for the year. One former employee and member of Group Management had defined benefit and defined contribution pension plans. The present value of the defined benefit obligation under those plans 31 December 2016 was MSEK 2.2 (2.2) on the balance sheet date. All pensions are fully vested, i.e. there is no dependency on future employment.

The current Chief Executive Officer only has a defined contribution pension corresponding to 35 percent of the salary pension. The salary pension is based on the basic wage. The retirement age is 65 years.

For the other senior officers the retirement age is 65 years. Pension provisions are no more than 35 percent of the basic wage or, if applicable, no more than the ITP cost and the legal general pension, or the equivalent.

### Financial instruments

There is no compensation or benefits in the form of financial instruments.

### Other remuneration

No other remunerations have been distributed.

### Severance pay

The period of notice for termination of the Chief Executive Officer by the company is 18 months. The period of notice from the Chief Executive Officer is 6 months. The period of notice for termination of other senior officers is normally 12 months. Usually no severance pay is paid no matter which party gives notice. Normal wages are paid during the period of notice.

### Deviations from the guidelines

The Board is entitled to deviate from the above guidelines if the Board determines that there is special reasons that in specific cases can justify this. The Board has during the year deviated from the guidelines for one of the senior officers regarding the variable remuneration and the limitation at 40 percent of the basic wage.

### Preparation and decision process

The remuneration committee has during the year presented the Board with recommendations concerning principles for the remuneration of senior officers. The recommendations have included proportions between fixed and variable remuneration as well as the size of possible raises. In addition, the remuneration committee has proposed criteria for deciding on variable remuneration as well as pension terms and severance pay. The Board has discussed the remuneration committee's proposals and made its decisions guided by their recommendations.

The Board has determined the remuneration for the Chief Executive Officer for the financial year of 2016 based on the remuneration committee's proposals. The Chief Executive Officer has determined the remuneration for other senior officers after consultation with the chairman of the remuneration committee.

Members of the remuneration committee during the year were Carl Bennet, Chairman, Pam Fredman, Erik Gabrielson, Linus Karlsson and Johan Stern. The remuneration committee meets when necessary but at least once a year to prepare proposals for the remuneration of the Chief Executive Officer and agree or disagree to his proposal for remuneration and conditions for senior officers who report directly to him. In addition, the remuneration committee draws up principles for salary levels and employment terms for Group Management. The remuneration committee proposes remuneration, terms and principles to the Board that then decides on these matters. The remuneration committee has met once in 2016. The committee has been supported by external expertise in matters concerning compensation levels and structures.

**NOTE 5. Fees to the auditors**

MSEK	2016	2015
<b>PwC</b>		
Audit assignment	6.3	4.6
Audit-related services	0.9	0.1
Tax advisory services	0.2	0.4
Other services	4.1	0.5
<b>Other</b>		
Audit assignment	1.4	1.0
Audit-related services	0.0	0.6
Tax advisory services	2.8	0.9
Other services	0.9	-
<b>Total</b>	<b>16.6</b>	<b>8.1</b>

Audit assignment is defined as the statutory audit, i.e. the work necessary to produce the auditors' report as well as so called audit consultation given in connection with the audit.

The item other services from PwC refers mainly to services in relation to acquisitions.

**NOTE 6. Expenses allocated per type of cost**

MSEK	2016	2015
Personnel costs	1,530.3	1,000.3
Goods for resale	1,497.5	1,386.2
Freight costs	739.7	94.3
Other production costs	647.5	293.9
Cost of sub-contracted work	412.9	232.6
Paper costs	401.8	392.9
Other production material	231.9	151.4
Depreciation and write-downs	171.3	135.6
Cost for advertising and marketing	112.9	91.1
Other costs	227.2	191.3
<b>Total</b>	<b>5,973.0</b>	<b>3,969.6</b>

The table shows the total cost for sold products and services, sales costs and administrative costs allocated per type of cost.

**NOTE 7. Operating lease agreements**

MSEK	Annual cost		Future lease payments and rental costs		
	2016	2015	2017	2018-2021	2022-
Computer equipment	4.1	1.6	3.9	4.3	-
Machinery and other equipment	89.3	59.4	106.7	103.6	0.5
Rental contracts, premises	237.7	49.8	412.3	734.0	110.5
<b>Total</b>	<b>331.1</b>	<b>110.8</b>	<b>522.9</b>	<b>841.9</b>	<b>111.0</b>

Lease agreements are normally 3-10 years.

**NOTE 8. Financial income and expenses****FINANCIAL INCOME**

MSEK	2016	2015
Interest income	1.0	1.0
Exchange rate gains	47.4	10.3
<b>Total</b>	<b>48.5</b>	<b>11.3</b>

**FINANCIAL EXPENSES**

MSEK	2016	2015
Interest expenses	-44.5	-23.0
Exchange rate losses	-35.7	-14.1
Other	-11.8	-6.7
<b>Total</b>	<b>-92.0</b>	<b>-43.8</b>

## NOTE 9. Taxes

### RECORDED TAX

MSEK	2016	2015
Current tax on the result for the year	-60.3	-70.5
Withholding tax on dividends and other taxes	-14.0	-14.3
Correction of previous years' current tax expense	1.3	0.1
Deferred tax	-10.2	0.0
<b>Recorded tax</b>	<b>-83.1</b>	<b>-84.8</b>

### RECONCILIATION OF RECORDED TAX

MSEK	2016	2015
Result before taxes	300.4	259.3
Tax according to Swedish tax rate of 22%	-66.1	-57.0
Tax effect of:		
Differences in tax rates for foreign subsidiaries	2.1	-9.4
Non-deductible costs	-12.1	-3.3
Change in unrecorded deferred tax assets	8.6	5.7
Tax losses carried forward not valued	-2.0	-6.8
Correction of previous years' tax expense	1.3	0.1
Withholding tax on dividends and other taxes	-14.0	-14.3
Other	-0.9	0.4
<b>Recorded tax</b>	<b>-83.1</b>	<b>-84.8</b>

### DUE DATE STRUCTURE - DEFERRED TAX ASSETS RELATING TO TAX LOSS CARRYFORWARDS

MSEK	2016	2015
Due within one year	0.5	-
Due within 2-5 years	3.9	-
No due date	188.7	191.6
<b>Closing value</b>	<b>193.1</b>	<b>191.6</b>

### DEFERRED TAX ASSETS AND LIABILITIES BY NATURE, NET

MSEK	2016	2015
Tax loss carryforwards	193.1	191.6
Fixed assets	-157.7	-54.6
Other items	4.3	-5.6
	39.7	131.5
Less:		
Unrecorded deferred tax assets	-15.6	-17.6
<b>Closing value, net</b>	<b>24.1</b>	<b>113.9</b>

Unrecorded deferred tax assets refer to not valued tax loss carryforwards. For information concerning the valuation of the tax loss carryforwards please see note 1, section Important estimations and assessments on page 63.

### ALLOCATION OF DEFERRED TAX ASSETS AND LIABILITIES IN THE STATEMENT OF FINANCIAL POSITION

MSEK	2016	2015
Deferred tax assets	237.8	194.3
Deferred tax liabilities	-213.7	-80.4
<b>Closing value, net</b>	<b>24.1</b>	<b>113.9</b>

### CHANGE IN DEFERRED TAX

MSEK	2016	2015
Opening value, net	113.9	98.6
Acquisitions of operations	-82.4	-
Recorded deferred tax on the result for the year	-10.2	0.0
Tax items charged directly against other comprehensive income	5.4	12.3
Effect from adjustment of previous years taxation	-	2.3
Translation differences	-2.6	0.8
<b>Closing value, net</b>	<b>24.1</b>	<b>113.9</b>

Tax items charged directly against other comprehensive income refer to the Group's hedge reserve and hedging of net investments abroad.

**NOTE 10. Earnings per share**

Earnings per share is calculated by dividing the result attributable to the parent company's shareholders with the average number of outstanding shares during the year.

	2016	2015
Result for the year attributable to parent company shareholders, MSEK	217.3	174.5
Average number of outstanding shares, in thousands	29,555	28,224
<b>Earnings per share, SEK<sup>1)</sup></b>	<b>7.35</b>	<b>6.18</b>

<sup>1)</sup> Earnings per share before and after dilution.

**NOTE 11. Operating cash flow**

Operating cash flow is defined as cash flow from operating activities, excluding financial items and paid taxes, and cash flow from investing activities.

MSEK	2016	2015
Cash flow from operating activities	330.6	268.5
Financial items	43.5	32.6
Paid taxes	104.4	84.9
Acquisition of operations	-1,795.7	-
Other items included in cash flow from investing activities	-110.8	-41.7
<b>Operating cash flow</b>	<b>-1,427.9</b>	<b>344.3</b>

**NOTE 12. Supplementary information to cash flow statements****Cash and cash equivalents**

Cash and cash equivalents consist primarily of cash and bank balances. Short-term placements are classified as cash and cash equivalents when:

- the risk of changes in their fair value is insignificant
- they are easily converted
- they mature in less than three months from the date they were acquired.

**ADJUSTMENT FOR ITEMS NOT INCLUDED IN CASH FLOW**

MSEK	2016	2015
Depreciation, amortization and write-downs of intangible and tangible assets	171.2	135.6
Changes in provisions that affect cash flow	-10.6	-36.2
Unrealized exchange rate gains and losses	-8.1	7.8
Result from disposal of tangible assets	-4.7	-5.6
<b>Total</b>	<b>147.8</b>	<b>101.6</b>

**PAID AND RECEIVED INTEREST**

MSEK	2016	2015
Paid interest	-44.5	-23.0
Received interest	1.0	1.0
<b>Total</b>	<b>-43.5</b>	<b>-22.0</b>

**Other changes in interest-bearing liabilities**

The item mainly refers to changes stemming from utilization of revolving credits.

## NOTE 13. Intangible assets

MSEK	Goodwill		Trademarks <sup>1)</sup>	
	2016	2015	2016	2015
Opening acquisition value	1,200.3	1,206.0	-	-
Investments	-	-	-	-
Acquired operations	1,031.1	-	363.8	-
Disposals	-	-	-	-
Translation difference	41.8	-5.7	2.4	-
<b>Closing acquisition value</b>	<b>2,273.2</b>	<b>1,200.3</b>	<b>366.2</b>	-
Opening accumulated amortization and write-downs	-0.7	-0.7	-	-
Accumulated amortization in acquired operations	-	-	-	-
Amortization of the year	-	-	-	-
Disposals	-	-	-	-
Translation difference	-	-	-	-
<b>Closing accumulated amortization and write-downs</b>	<b>-0.7</b>	<b>-0.7</b>	<b>-</b>	<b>-</b>
<b>Net residual value</b>	<b>2,272.5</b>	<b>1,199.6</b>	<b>366.2</b>	<b>-</b>

MSEK	Other intangible assets <sup>2)</sup>		Total	
	2016	2015	2016	2015
Opening acquisition value	195.2	190.4	1,395.5	1,396.4
Investments	5.4	3.6	5.4	3.6
Acquired operations	486.4	-	1,881.3	-
Disposals	-26.6	-	-26.6	-
Translation difference	12.1	1.3	56.2	-4.4
<b>Closing acquisition value</b>	<b>672.5</b>	<b>195.2</b>	<b>3,311.8</b>	<b>1,395.5</b>
Opening accumulated amortization and write-downs	-126.0	-99.0	-126.7	-99.7
Accumulated amortization in acquired operations	-75.8	-	-75.8	-
Amortization of the year	-48.2	-27.9	-48.2	-27.9
Disposals	26.3	-	26.3	-
Translation difference	-6.0	0.9	-6.0	0.9
<b>Closing accumulated amortization and write-downs</b>	<b>-224.0</b>	<b>-126.0</b>	<b>-224.0</b>	<b>-126.7</b>
<b>Net residual value</b>	<b>442.7</b>	<b>69.1</b>	<b>3,081.4</b>	<b>1,268.8</b>

<sup>1)</sup> Trademarks with indefinite useful life.

<sup>2)</sup> Customer relations, trademarks with defined useful life, software and leasehold.

**NOTE 13. Intangible assets (cont.)****AMORTIZATION AND WRITE-DOWNS SPECIFIED PER FUNCTION IN THE INCOME STATEMENT**

MSEK	2016	2015
Cost of products and services sold	-19.9	-2.4
Selling expenses	-23.8	-23.0
Administrative expenses	-4.5	-2.5
<b>Total</b>	<b>-48.2</b>	<b>-27.9</b>

**Impairment test**

Goodwill and trademarks with infinite useful life are subjected to impairment tests annually and when there are indications that a write-down may be necessary. Normally tests are made on the cash generating unit connected to the asset.

The recoverable amount for cash generating units is based on a calculation of value in use. Impairment tests are performed on the lowest identified cash generating level, which for Elanders corresponds to its segments.

The value in use attributable to Elanders' cash generating units is based on discounted endless cash flows. Cash flows for the first three years are based on budgets and strategic plans. Significant variables in the tests are for example growth rate, operating margin and investment level. In the following period cash flows are assumed to have a growth rate corresponding to inflation of 2.0 (2.0) percent, which is below the company's expectations. For the impairment test a discount

**INTANGIBLE ASSETS WITH INFINITE USEFUL LIFE DIVIDED BY CASH GENERATING UNIT**

MSEK	2016	2015
Supply Chain Solutions	1,441.2	41.1
Print & Packaging Solutions	1,042.8	1,010.7
e-Commerce Solutions	154.7	147.8
<b>Total</b>	<b>2,638.7</b>	<b>1,199.6</b>

rate after tax has been calculated based on the weighted average cost of capital (WACC) and was during the year 8.9 percent. Previous year the discount rate before tax was in the range 10.1–12.0 percent.

Based on the assumptions given above the useful value exceeds the recorded value for all cash generating units.

**Sensitivity analysis**

A number of sensitivity analyses have been made to evaluate whether or not feasible unfavorable changes could lead to write-downs. A reduction in the average growth rate or operating margin together with an increase in discount rate with 1 percentage would not imply any need for write-downs. If these two are combined there is an indication of a need for a write-down within Print & Packaging Solutions amounting to approximately MSEK 70.

**NOTE 14. Tangible assets****DEPRECIATION AND WRITE-DOWNS SPECIFIED BY FUNCTION**

MSEK	2016	2015
Cost of products and services sold	-107.2	-96.1
Selling expenses	-1.0	-0.4
Administrative expenses	-14.7	-11.2
<b>Total</b>	<b>-122.9</b>	<b>-107.7</b>

**Finance lease agreements**

The net residual value of tangible assets possessed through finance leases is MSEK 211.2 (6.0) of which MSEK 206.3 (-) refers to equipment, tools, fixtures and fittings and MSEK 4.7 (6.0) to plant and machinery.

**FUTURE MINIMUM LEASE PAYMENTS FOR FINANCE LEASES**

MSEK	2016	2015
Within 1 year	44.6	1.6
Between 1 and 5 years	159.4	3.9
More than 5 years	29.2	-
<b>Total</b>	<b>233.2</b>	<b>5.5</b>
Future interest expenses for finance leases	-18.2	-0.4
<b>Current finance lease liability</b>	<b>215.0</b>	<b>5.1</b>

## NOTE 14. Tangible assets (cont.)

MSEK	Buildings and land <sup>1)</sup>		Plant and machinery		Equipment, tools, fixtures and fittings	
	2016	2015	2016	2015	2016	2015
Opening acquisition value	154.4	132.4	950.5	945.4	233.1	238.6
Investments	1.2	0.2	27.4	25.9	60.0	17.7
Acquired operations	163.1	-	165.0	-	714.0	-
Disposals	-15.2	-	-163.0	-46.3	-42.1	-10.2
Reclassification	-	21.9	7.2	18.9	0.6	-16.1
Translation difference	10.0	-0.1	26.5	6.6	17.1	3.1
<b>Closing acquisition value</b>	<b>313.5</b>	<b>154.4</b>	<b>1,013.6</b>	<b>950.5</b>	<b>982.7</b>	<b>233.1</b>
Opening accumulated depreciation and write-downs	-49.0	-42.8	-768.6	-710.9	-197.8	-197.4
Accumulated depreciation in acquired operations	-92.9	-	-129.0	-	-352.0	-
Depreciation for the year	-7.8	-5.4	-63.4	-79.4	-51.7	-16.9
Write-downs for the year	-	-	-	-5.9	-	-
Disposals	10.3	-	149.9	43.7	40.6	9.8
Reclassification	-	-	-	-9.6	-	9.6
Translation difference	-4.8	-0.8	-23.6	-6.4	-12.1	-3.0
<b>Closing accumulated depreciation and write-downs</b>	<b>-144.3</b>	<b>-49.0</b>	<b>-834.7</b>	<b>-768.6</b>	<b>-572.9</b>	<b>-197.8</b>
<b>Net residual value</b>	<b>169.2</b>	<b>105.4</b>	<b>179.0</b>	<b>182.0</b>	<b>409.8</b>	<b>35.2</b>

MSEK	Fixed assets under construction <sup>2)</sup>		Total	
	2016	2015	2016	2015
Opening acquisition value	11.3	26.9	1,349.3	1,343.4
Investments	43.2	7.2	131.8	50.9
Acquired operations	0.9	-	1,043.0	-
Disposals	-	-	-220.2	-56.5
Reclassification	-7.8	-24.7	-	-
Translation difference	0.2	1.9	53.8	11.5
<b>Closing acquisition value</b>	<b>47.8</b>	<b>11.3</b>	<b>2,357.7</b>	<b>1,349.3</b>
Opening accumulated depreciation and write-downs	-	-	-1,015.4	-951.1
Accumulated depreciation in acquired operations	-	-	-573.8	-
Depreciation for the year	-	-	-122.9	-101.8
Write-downs for the year	-	-	-	-5.9
Disposals	-	-	200.8	53.5
Reclassification	-	-	-	-
Translation difference	-	-	-40.5	-10.1
<b>Closing accumulated depreciation and write-downs</b>	<b>-</b>	<b>-</b>	<b>-1,551.9</b>	<b>-1,015.4</b>
<b>Net residual value</b>	<b>47.8</b>	<b>11.3</b>	<b>805.8</b>	<b>333.9</b>

<sup>1)</sup> Buildings and land include land with a book value of MSEK 17.1 (12.2) Mkr.

<sup>2)</sup> Fixed assets under construction include advances related to tangible assets of MSEK 43.9 (7.5).

There were no significant investment obligations per 31 December 2016 or 2015.

**NOTE 15. Inventory**

MSEK	2016	2015
Raw materials and consumables	134.2	127.9
Work in process	35.4	28.9
Finished goods	125.5	109.0
<b>Total</b>	<b>295.0</b>	<b>265.9</b>

Costs relating to obsolescence expensed during the year amounted to MSEK 8.8 (13.3) and at year-end the obsolescence reserve was MSEK 12.6 (17.1).

**NOTE 16. Prepaid expenses and accrued income**

MSEK	2016	2015
Machine rent paid in advance	6.4	5.9
Premise rent paid in advance	7.7	7.7
Other prepaid expenses	38.5	16.6
Accrued income	40.6	21.2
<b>Total</b>	<b>93.2</b>	<b>51.4</b>

**NOTE 17. Cash and cash equivalents**

MSEK	2016	2015
Cash and bank	651.1	529.0
<b>Cash and cash equivalents</b>	<b>651.1</b>	<b>529.0</b>

Translation differences in cash and cash equivalents for the year were MSEK 32.1 (-0.3).

**NOTE 18. Financial instruments and financial risk management****Financial goals regarding capital structure**

The major financial goal of Elanders is to create value for the owners of the company. The purpose of the goals regarding group capital structure are to ensure the company's ability to continue operations and generate returns to its shareholders as well as be useful to other interested parties. Achieving a good balance between equity and loan financing ensures the flexibility the Group needs in order to be able to invest in operations while maintaining control over the cost of capital. Dividends to shareholders, redemption of shares, issuing new shares or divesting assets are examples of measures the Group can use to adjust its capital structure.

Elanders' goal is a debt/equity ratio under 1 times and on 31 December 2016 it amounted to 0.9 (0.5) times. Elanders' goal is a return on employed capital of at least 10 percent long-term. In 2016 it amounted to 10.0 (12.6) percent. Elanders' goal is an equity ratio of at least 30 percent and on 31 December 2016 it amounted to 35.6 (42.0) percent.

**Financial risk management**

The major purpose of group financial risk management is to identify, control and minimize the Group's financial risks. Risk management is centralized to Group Finance. All current or future financial risks in the Group's subsidiaries are managed by Group Finance that acts as an internal bank. The exception is commercial credit risks, which are handled by each subsidiary. The financial policy adopted by the Board steers which currency risks are hedged as well as how interest, financing and liquidity risks are handled. The greatest financial risks the Group is exposed to are currency risk, interest risk, financing risk and credit risk.

## NOTE 18. Financial instruments and financial risk management (cont.)

### Currency risk

Elanders runs into a currency risk primarily through transactions in another currency than that of the companies local currency (transaction exposure) and when converting net profit and net assets from foreign subsidiaries (translation exposure).

#### Transaction exposure

Actual receivables and payables along with contracted purchase and sales orders with payment flows within a twelve month period are hedged. Anticipated or budgeted flows are not hedged.

The Group uses forward exchange contracts to handle exchange risk exposure and hedge accounting for contracted future payment flows as well as translation of financial assets and liabilities. The hedge reserve for forward exchange contracts per 31 December 2016 amounted to MSEK -1 (-0) and will be returned to the income statements in 2017.

Translation differences on operating receivables and payables as well as forward exchange contracts that are held for hedging purposes are reported as other operating income or expenses. Translation differences on financial liabilities and assets and the associated hedging instruments are reported under financial items.

#### Translation exposure

Elanders' results from foreign subsidiaries in foreign currency consist primarily of USD and EUR and the Group result is sensitive to fluctuation in these currencies. Below is an analysis of how a positive or negative change of 10 percent of the average exchanges rates on these currencies should have affected the Group net sales and operating result in 2016:

MSEK	Estimated effect on net sales	Estimated effect on operating result
USD	+/- 250	+/- 19
EUR	+/- 266	+/- 15
USD & EUR	+/- 516	+/- 34

In regards to net assets in foreign subsidiaries the exposure is primarily in EUR, USD and CNY. Hedging of the net investments made in foreign subsidiaries has partly been made regarding the operations in Germany, Singapore and USA through loans in EUR and USD. If the exchange rates in EUR, USD and CNY changed by 10 percent it would affect equity by MSEK 93 (89), including the above described hedging.

### Currency hedges

The table below shows a compilation over the Group's outstanding forward exchange contracts per 31 December 2016. All the contracts are due within a year.

Currencies	Nominal amount MSEK	Average hedging rate
SEK/GBP	6.0	11.18
SEK/USD	107.9	9.09
PLN/SEK	2.0	2.16
EUR/SEK	609.6	9.57
EUR/PLN	25.7	4.42
USD/PLN	5.6	4.20
GBP/PLN	11.4	5.16

### Interest risk

Interest risk is defined as the risk of lower profits caused by a change in interest rates. The Group strives to achieve a balance between cost efficient borrowing and the risk exposure if a sudden, substantial interest rate change should occur and negatively influence profits and cash flow. A change in market interest rates by one percentage unit affects group profit after financial items by MSEK 22 (7), calculated on the outgoing net debt less liabilities with a fixed interest rate. The following table presents the allocation of interest-bearing and noninterest-bearing financial assets and liabilities. Reserves for pensions have been included in interest-bearing liabilities. In the table regarding dividing financial instruments into categories farther down in this note they are included in non-financial liabilities.

MSEK	Interest-bearing		Non-interest-bearing
	Fixed interest	Floating interest	
Long-term receivables	1.0	-	-
Current receivables	-	-	1,498.8
Cash and bank	-	651.1	-
Long-term liabilities	-	-2,560.7	-
Current liabilities	-	-228.4	-654.9
<b>Total</b>	<b>1.0</b>	<b>-2,138.1</b>	<b>-843.9</b>

## NOTE 18. Financial instruments and financial risk management (cont.)

### Financing risk

Financing risk is defined as the risk of not being able to meet payment obligations as a result of insufficient liquid funds or difficulties in finding financing. Currently the Group has a credit agreement with two Swedish banks that cover operational financing and runs until July 2019. Related to the Group's interest bearing liabilities there are covenants from the credit institutions. As of 31 December 2016 all covenants were fulfilled. See page 79 concerning due date structure regarding financial liabilities.

### Credit risk

Credit risk is defined as the risk of a counterparty not meeting their obligations. Credit risk can be divided into financial credit risk and commercial credit risk.

#### *Financial credit risk*

The most crucial financial credit risk for the Group arises when trading exchange derivative instruments and investing surplus liquidity. Hence, in order to reduce the risk, the financial policy stipulates that only approved financial institutions should be used. On 31 December 2016 total exposure regarding financial credit risks was MSEK 768 (578). The exposure is based on the recorded value of all financial assets except shareholdings and accounts receivable.

#### *Commercial credit risk*

The commercial credit risk consists of the payment ability of customers and is handled by the subsidiaries through careful monitoring of payment ability, follow up of customers' financial reports and good communication. The Group's total credit risk is spread out over many different companies. However, in actuality a few customers represent a large part of the Group's accounts receivable. These customers are for the most part large, listed companies that have been thoroughly investigated. The total commercial credit exposure is equivalent to the book value of accounts receivable and amounted to MSEK 1,396 (825) per 31 December 2016.

In 2016 credit losses amounted to MSEK 5 (4), of which MSEK 1 (1) were previously reserved.

### Hedge accounting

Financial instruments used to hedge currency and interest risks in contracted cash flows as well as net investments abroad have been recorded, in accordance with IAS 39, at market value in the balance sheet.

The hedging reserve per 31 December 2016 amounted to MSEK -6 (-0) and will be returned to the income statements in 2017. The hedging reserve consists of forward exchange contracts.

### Operational risks

In addition to the financial risks above Elanders is exposed to risks tied to daily operations. Handling operational risks is part of the day-to-day work in our subsidiaries and in Group Management. In terms of responsibility all group operations are represented in Group Management which meets and communicates on a regular basis.

### Sensitivity analysis

The table below presents how group results after net financial items would have been affected by a change of one percentage in the variables connected to Elanders various operational risks. Each variable has been treated individually under the condition that the others remain constant. It is assumed that a change in net sales will affect the value added on the margin which thereafter will presumably fall straight through the income statement. A change in the cost of material is multiplied with total material costs. A change in personnel costs is multiplied with total personnel costs. The analysis does not pretend to be exact. It is merely indicative and aims to show the most relevant, measurable factors in this connection. The figures are presented in MSEK.

• Net sales	+/- 30
• Cost of material	+/- 21
• Personnel cost	+/- 15

## NOTE 18. Financial instruments and financial risk management (cont.)

### Financial instruments - initial assessment

Financial instruments are valued the first time at fair value plus transaction costs, which applies to all financial assets and liabilities not recognized at fair value through profit or loss. Financial assets and liabilities recognized at fair value through profit or loss are valued the first time at fair value, while attributable transaction costs are valued through profit or loss.

#### RECEIVABLES OVERDUE BUT NOT WRITTEN-DOWN

MSEK	2016	2015
1-30 days overdue	137.1	54.0
31-60 days overdue	65.5	11.5
61-90 days overdue	25.7	3.9
91-120 days overdue	11.8	1.1
More than 120 days overdue	48.6	4.1
<b>Total</b>	<b>288.7</b>	<b>74.7</b>

Only accounts receivables are included in the table above. No other overdue receivables existed as of 31 December 2016 or 2015.

#### CHANGE IN PROVISION FOR DOUBTFUL RECEIVABLES

MSEK	2016	2015
Opening provision for doubtful receivables	-8.8	-8.9
Provision in acquired operations	-10.1	-
Reversal of provision from previous year	1.3	1.9
Confirmed losses	0.8	0.7
Provisions during the year	-4.7	-2.4
Translation difference	0.7	-0.1
<b>Closing provision for doubtful receivables</b>	<b>-20.8</b>	<b>-8.8</b>

#### INTEREST INCOME AND EXPENSES STEMMING FROM FINANCIAL ASSETS AND FINANCIAL LIABILITIES

MSEK	2016	2015
Interest income from financial assets	1.0	1.0
Interest expenses due to financial liabilities	-43.9	-22.6
<b>Total</b>	<b>-42.9</b>	<b>-21.6</b>

The reason the result is not the same as the interest result recorded under financial items is mainly due to the fact that financial items stemming from pensions have been excluded.

### Net profit/loss for financial instruments recorded in the income statement

The table below contains the following items that have been recorded in the income statement:

- Profits and losses stemming from exchange rate differences, including profits and losses attributable to hedge accounting.
- Profits and losses stemming from financial instruments where hedge accounting is applied.
- Profits and losses stemming from derivatives where hedge accounting is not applied.

MSEK	2016	2015
Loans and receivables	56.1	17.1
Other financial liabilities	-35.3	-16.2
<b>Total</b>	<b>20.8</b>	<b>0.9</b>

### Financial assets and liabilities measured at fair value

The financial instruments recognized at fair value in the Group's report on financial position are derivatives identified as hedging instruments. The derivatives consist of forward exchange contracts and are used for hedging purposes. Valuation at fair value of forward exchange contracts is based on published forward rates on an active market. All derivatives are included in level 2 in the fair value hierarchy. Since all the financial instruments recognized at fair value are included in level 2 there have been no transfers between valuation levels. The table below presents fair value respective booked value per class of financial assets and liabilities, which are recorded gross.

MSEK	2016	2015
Non-interest-bearing current liabilities - Derivative instruments in hedge accounting relationships	0.7	0.1

The fair value of other financial assets and liabilities valued at their amortized purchase price is estimated to be equivalent to their book value.

### Ineffectivity in hedge accounting

All hedging relations regarding cash flow and net investment hedging have been effective within a span of 80 percent to 125 percent. See the presentation of Other comprehensive income on page 56 for further information.

## NOTE 18. Financial instruments and financial risk management (cont.)

### CATEGORIZATION OF FINANCIAL INSTRUMENTS

The categorization of financial instruments and their book value in the balance sheets for 2016 and 2015 are presented in the tables below. For information regarding financial assets and liabilities valued at fair value see previous page. For other assets and liabilities shown below the fair value is estimated to be equivalent to their book value.

#### ASSETS 2016

MSEK	Loans and receivables	Non-financial assets	Total
<b>Intangible assets</b>	-	3,081.4	3,081.4
<b>Tangible assets</b>	-	805.8	805.8
<b>Financial assets</b>	1.0	239.8	240.8
<b>CURRENT ASSETS</b>			
Inventory	-	295.0	295.0
Accounts receivable	1,395.8	-	1,395.8
Current tax receivables	-	62.6	62.6
Other receivables	103.0	53.5	156.5
Prepaid expenses and deferred income	-	93.2	93.2
Cash and cash equivalents	651.1	-	651.1
<b>Total current assets</b>	<b>2,149.9</b>	<b>504.3</b>	<b>2,654.2</b>
<b>Total assets</b>	<b>2,150.9</b>	<b>4,631.3</b>	<b>6,782.2</b>

#### LIABILITIES 2016

MSEK	Derivative instruments in designated hedge accounting relationships	Other financial liabilities	Non-financial assets	Total
<b>Long-term liabilities and provisions</b>	-	2,560.7	318.7	2,879.4
<b>CURRENT LIABILITIES AND PROVISIONS</b>				
Interest-bearing liabilities	-	228.4	-	228.4
Accounts payable	-	567.8	-	567.8
Current tax liabilities	-	-	61.2	61.2
Other liabilities	0.7	87.1	56.5	144.3
Accrued expenses and prepaid income	-	-	450.9	450.9
Provisions	-	-	39.2	39.2
<b>Total current liabilities and provisions</b>	<b>0.7</b>	<b>883.3</b>	<b>607.8</b>	<b>1,491.8</b>
<b>Total liabilities and provisions</b>	<b>0.7</b>	<b>3,444.0</b>	<b>926.5</b>	<b>4,371.2</b>

## NOTE 18. Financial instruments and financial risk management (cont.)

### ASSETS 2015

MSEK	Loans and receivables	Non-financial assets	Total
<b>Intangible assets</b>	-	1,268.8	1,268.8
<b>Tangible assets</b>	-	333.9	333.9
<b>Financial assets</b>	2.4	196.6	199.0
<b>CURRENT ASSETS</b>			
Inventory	-	265.9	265.9
Accounts receivable	824.6	-	824.6
Current tax receivables	-	6.5	6.5
Other receivables	46.7	34.1	80.8
Prepaid expenses and deferred income	-	51.4	51.4
Cash and cash equivalents	529.0	-	529.0
<b>Total current assets</b>	<b>1,400.3</b>	<b>357.9</b>	<b>1,758.2</b>
<b>Total assets</b>	<b>1,402.7</b>	<b>2,157.0</b>	<b>3,559.8</b>

### LIABILITIES 2015

MSEK	Derivative instruments in designated hedge accounting relationships	Other financial liabilities	Non-financial assets	Total
<b>Long-term liabilities and provisions</b>	-	5.2	97.7	102.9
<b>CURRENT LIABILITIES AND PROVISIONS</b>				
Interest-bearing liabilities	-	1,247.0	-	1,247.0
Accounts payable	-	396.5	-	396.5
Current tax liabilities	-	-	28.1	28.1
Other liabilities	0.1	41.8	32.2	74.1
Accrued expenses and prepaid income	-	-	215.3	215.3
Provisions	-	-	7.9	7.9
<b>Total current liabilities and provisions</b>	<b>0.1</b>	<b>1,685.3</b>	<b>283.5</b>	<b>1,968.9</b>
<b>Total liabilities and provisions</b>	<b>0.1</b>	<b>1,690.5</b>	<b>381.2</b>	<b>2,071.8</b>

### DUE DATE STRUCTURE REGARDING FINANCIAL LIABILITIES

Due date structure regarding financial liabilities including interest expenses, excluding utilized bank overdrafts, is presented in the table below. The credit agreement with the Group's main banks expires July 2019.

MSEK	Jan.-Mar. 2017	Apr.-Dec. 2017	2018-2019	2020-2021	2022-
Borrowing debts	88.8	100.5	2,384.8	-	-
Finance lease liabilities	9.7	29.4	110.7	65.2	-
Accounts payable	567.8	-	-	-	-
Other financial liabilities	86.2	0.9	-	-	-
Interest	15.2	43.1	82.9	5.0	-
<b>Total</b>	<b>767.7</b>	<b>173.9</b>	<b>2,578.4</b>	<b>70.2</b>	<b>-</b>

**NOTE 19. Share capital**

Number of registered shares in the parent company	2016	2015
Issued per 1 January	26,518,314	26,518,314
New share issue	8,839,437	-
<b>Issued per 31 December</b>	<b>35,357,751</b>	<b>26,518,314</b>

2016	Number of shares	Number of votes	Share capital, SEK
A shares	1,814,813	18,148,130	18,148,130
B shares	33,542,938	33,542,938	335,429,380
	<b>35,357,751</b>	<b>51,691,068</b>	<b>353,577,510</b>

All shares are completely paid for. No shares are reserved for transfer according to option agreements or other contracts.

**NOTE 20. Interest-bearing liabilities**

The Group had a total of MSEK 3,870 (1,385) per 31 December 2016 in credit facilities of which MSEK 1,081 (136) were unutilized.

The financing cost is priced according to a fixed interest term and an agreed margin. The Group's average effective interest rate during the year was 2.2 (1.8) percent.

**LONG-TERM LIABILITIES**

MSEK	2016	2015
Finance lease liabilities	175.9	5.2
Borrowing debts	2,384.8	-
<b>Total</b>	<b>2,560.7</b>	<b>5.2</b>

**CURRENT LIABILITIES**

MSEK	2016	2015
Finance lease liabilities	39.1	1.3
Borrowing debts	189.3	1,245.7
<b>Total</b>	<b>228.4</b>	<b>1,247.0</b>

**CHANGES IN INTEREST-BEARING LIABILITIES**

MSEK	2016	2015
Opening liabilities	1,252.2	1,337.1
Liabilities in acquired operations	438.0	-
New loans	1,910.9	-
Amortization of loans	-692.2	-106.9
Other changes in interest-bearing liabilities	-189.6	-18.2
Translation difference	69.8	40.2
<b>Closing liabilities</b>	<b>2,789.1</b>	<b>1,252.2</b>

**BANK OVERDRAFT FACILITIES**

Utilized amounts and available credit in Group bank overdraft facilities are given below.

MSEK	2016	2015
Bank overdraft facilities, utilized amount	-	4.9
Bank overdraft facilities, granted amount	341.8	50.0
<b>Unutilized amount</b>	<b>341.8</b>	<b>45.1</b>

**Pledged assets**

See note 24 for information on pledged assets.

## NOTE 21. Provisions for post-employment benefits

### Defined benefit pension plans

Defined benefit pension plans mainly cover retirement pensions and widow pensions where the employer has an obligation to pay a lifelong pension corresponding to a certain guaranteed percentage of wages or a certain annual sum. Retirement pensions are based on the number of years a person is employed. The employee must be registered in the plan for a certain number of years in order to receive full retirement pension. For each year at work the employee earns an increasing right to pension, which is recorded as pension earned during the period as well as an increase in pension obligations. These plans are financed through payments made regularly by the employer.

The fair value of the plan assets in the Elanders' defined benefit pension plans amounted to MSEK 22.6 (3.5) as of 31 December 2016 and the present value of the pension obligations amounted to MSEK 108.4 (18.0). When LGI was acquired Elanders also took over a large pension obligation primarily attributable to Germany.

The actuarial measurement of pension obligations and costs for defined benefit plans are based on the following actuarial significant assumptions:

Percent	2016
Discount rate <sup>1)</sup>	1.70
Expected inflation	0.50
Expected return on plan assets	1.35

<sup>1)</sup> The discount rate is based on the anticipated returns from a high-quality company euro bond with AA rating (Bank of America/Merrill Lynch, ER00 index).

### PENSION PROVISIONS

MSEK	Funded plans	Unfunded plans	Total
Present value of pension obligations	92.0	16.4	108.4
The fair value of plan assets	-22.6	-	-22.6
<b>Provisions for pensions recognized in the statements of financial position</b>	<b>69.4</b>	<b>16.4</b>	<b>85.8</b>

### CHANGE IN CURRENT VALUE OF THE PENSION OBLIGATION

MSEK	2016
Opening balance	17.1
Pension obligations in acquired companies	95.0
Interest expense	0.6
Actuarial gains(-)/losses(+), net	-5.2
Current year service cost	1.0
Pensions paid out	-1.0
Translation difference	0.9
<b>Closing balance</b>	<b>108.4</b>

### CHANGE IN PLAN ASSETS FAIR VALUE

MSEK	2016
Opening balance	2.6
Plan assets in acquired companies	20.0
Interest income	0.1
Actuarial gains(-)/losses(+), net	-0.3
Translation difference	0.2
<b>Closing balance</b>	<b>22.6</b>

### NET EXPENSE RECOGNIZED IN THE INCOME STATEMENT REGARDING DEFINED BENEFIT PLANS

MSEK	2016
Current year service cost	1.0
Interest expense	0.6
Interest income	-0.1
<b>Pension costs for defined benefit plans</b>	<b>1.5</b>

### Defined contribution pension plans

These plans mainly cover retirement, sick and family pensions. The premiums are paid regularly during the year by individual group companies to different insurance companies. The size of the premiums is based on wages. Pension costs for the period are included in the income statement and amount to MSEK 24.7 (27.1).

The obligations for retirement and sick pensions for white-collar workers for several of the Swedish companies have been safeguarded through insurance in Alecta. According to an opinion from the Swedish Financial Reporting Board, UFR 10, this is a defined benefit multi-employer plan. The Group has not had access to the information necessary to report these plans as defined benefit pension plans for the financial year 2016 since at the moment Alecta cannot provide specific defined benefit pension for those insured. Pension plans that are safeguarded through insurance in Alecta are therefore reported as a defined contribution plan. Fees for 2016 for pension insurance from Alecta totaled MSEK 2.9 (2.9). For 2017 no significant changes are expected regarding the total costs for pension insurance from Alecta.

**NOTE 22. Other provisions**

MSEK	2016	Translation difference	Provided for during the year	Utilized during the year	Acquired operations	2015
Provisions for restructuring measures	10.9	0.4	-	-4.8	13.8	1.5
Other provisions	47.5	1.7	10.6	-6.4	32.5	9.1
<b>Total</b>	<b>58.4</b>	<b>2.2</b>	<b>10.6</b>	<b>-11.2</b>	<b>46.2</b>	<b>10.6</b>
Of which current	39.2					7.9

Provisions restructuring measures are foremost related to lease obligations within the business area Supply Chain Solutions.

**NOTE 23. Accrued expenses and deferred income**

MSEK	2016	2015
Holiday pay liability	48.9	25.5
Social security contributions	32.2	15.0
Accrued salaries and remuneration	117.2	77.9
Other accrued expenses and deferred income	252.6	97.0
<b>Total</b>	<b>450.9</b>	<b>215.3</b>

**NOTE 24. Pledged assets and contingent liabilities****PLEGDED ASSETS**

MSEK	2016	2015
Real estate mortgages	-	41.8
Floating charges	194.9	194.9
Other pledged assets	286.4	544.2
<b>Total</b>	<b>481.2</b>	<b>780.9</b>
Pledged to:		
Credit institutions	481.2	780.9
<b>Total</b>	<b>481.2</b>	<b>780.9</b>

Other pledged assets refer primarily to collateral in the form of shares in subsidiaries. The item also includes assets held under a retention of title clause, such as financial leasing. See note 14 for further information.

**CONTINGENT LIABILITIES**

MSEK	2016	2015
Other contingent liabilities	0.1	0.1
<b>Total</b>	<b>0.1</b>	<b>0.1</b>

**NOTE 25. Transactions with related parties**

The transactions between subsidiaries have taken place with normal business terms and at market prices. During the year intra-group sales of products and services amounted to MSEK 1,999 (516). Intra-group transactions and balances have been eliminated and are therefore not included in the figures below concerning the Group.

**Sales of products and services**

During 2016 and 2015 there have not been any sales of products and services to related parties.

**Purchase of products and Services**

During the year purchases has been made from Carl Bennet AB amounting to MSEK 0.6 (0.6). The transactions primarily concern cost stemming from Carl Bennet's role as Chairman of the Board in Elanders AB. As of 31 December 2016 liabilities to Carl Bennet AB amounted to MSEK 0.2 (-).

Related parties to Peter Sommer, who is member of Group Management and MD of Elanders GmbH, own the property where Elanders GmbH runs most of its operations. During the year Elanders GmbH has paid MSEK 12.0 (12.0) in rent for this property, which is on par with the market.

Erik Gabrielson, who is member of the Board, is partner in Vinge Law Firm that during the year has provided legal counsel and invoiced fees amounting to MSEK 4.4 (1.1).

No Board member or senior officer has or has had direct or indirect participation in any business transactions, between themselves or the Group that are or were of an unusual nature concerning the terms.

Remuneration to Board members and management is reported in note 4. This year some of the Board members have chosen to invoice their remuneration from a company owned by them, instead of receiving it as a salary. This had made under the condition that it should be cost-neutral for Elanders.

## NOTE 26. Acquisitions

Company	Acquisition date	Country	Number of employees
LGI Logistics Group International GmbH incl. subsidiaries	July 2016	Germany	Appr. 3,400
Schmid Druck & Medien GmbH	January 2016	Germany	75

No acquisitions have been made during 2015.

### LGI Logistics Group International GmbH

In June 2016 Elanders signed a contract for the acquisition of all the shares in the German company LGI Logistics Group International GmbH which is one of the leading players in Industrial Contract Logistics in Germany. In 2015, LGI's net sales were around MEUR 430, its normalized EBITDA was approximately MEUR 29 and it operated in ten countries, primarily in Europe with Germany as its main market. In addition to 3,400 employees LGI has more than 600 hired staff

but they do not receive salary directly from LGI. The purchase price amounted to around MEUR 257 on a debt-free basis. There is no additional purchase price. LGI was consolidated into the Elanders group from 26 July 2016. Acquisition and one-off costs attributable to the LGI acquisition were around MSEK 27 during the current year and have charged the result. Excluding one-off items LGI has contributed to with close to MEUR 195 in net sales and MEUR 8.5 in operating profit to the Group. The acquisition analysis below is preliminary.

### ASSETS AND LIABILITIES IN ACQUISITIONS

MSEK	Recorded values in acquired operation	Adjustments to fair value	Recorded value in the Group
Intangible assets	19.9	750.1	770.0
Tangible assets	455.2	-	455.2
Financial assets	43.4	-	43.4
Inventory	8.0	-	8.0
Accounts receivable	566.6	-	566.6
Other current assets	135.4	-	135.4
Cash and cash equivalents	47.8	-	47.8
Accounts payable	-161.7	-	-161.7
Other non-interest bearing liabilities	-431.8	-124.3	-556.1
Interest bearing liabilities	-513.3	-	-513.3
<b>Identifiable net assets</b>	<b>169.5</b>	<b>625.8</b>	<b>795.3</b>
Goodwill			1,014.5
<b>Total</b>			<b>1,809.8</b>
<b>Less:</b>			
Cash and cash equivalents in acquisition			-47.8
<b>Negative effect on cash and cash equivalents for the Group</b>			<b>1,762.0</b>

**NOTE 26. Acquisitions (cont.)****Schmid Druck & Medien GmbH**

In December 2015 Elanders signed an agreement to acquire Schmid Druck, a niched packaging company in Germany. The business is consolidated into the Elanders Group as of 1 January 2016. In 2015 net sales in Schmid Druck were some MEUR 8.5 and the company reached an EBITDA level of

MEUR 1.6. The purchase price was MEUR 4.5 on a cash and debt-free basis and almost all of it has been settled in the beginning of January 2016. Acquisition costs were around MSEK 2 and charged the result in 2015. During the first nine months 2016 Schmid Druck have contributed with MEUR 11 to the net sales and MEUR 1.4 to the operating result.

**ASSETS AND LIABILITIES IN ACQUISITIONS**

<b>MSEK</b>	<b>Recorded values in acquired operation</b>	<b>Adjustments to fair value</b>	<b>Recorded value in the Group</b>
Fixed assets	9.8	8.5	18.3
Inventory	4.9	-	4.9
Accounts receivable	6.3	-	6.3
Cash and cash equivalents	3.1	-	3.1
Accounts payable	-2.3	-	-2.3
Other liabilities	-4.7	-1.1	-5.8
<b>Identifiable net assets</b>	<b>17.1</b>	<b>7.4</b>	<b>24.5</b>
Goodwill			16.9
<b>Total</b>			<b>41.4</b>
<b>Less:</b>			
Unpaid purchase sum			-4.5
Cash and cash equivalents in acquisition			-3.1
<b>Negative effect on cash and cash equivalents for the Group</b>			<b>33.8</b>

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**NOTE 27.** Events after the balance sheet date

For the past several years LGI has used factoring as a form of financing and it has had the option to turn over up to MEUR 35 of LGI's accounts receivable to financial institutes. Per 31 December 2016 LGI had turned over MEUR 27.5 in receivables that were not reported in the balance sheet, which is in accordance with the IFRSs. These accounts receivable were repurchased in the middle of January 2017 and replaced with regular bank credits. As a result accounts receivable and net debt have increased by an equal amount in the same period.

In January 2017 a settlement have been made concerning the dispute in the USA reported in the board of directors report. Based on the result of the settlement another provision of around MSEK 30 was made, which charged the result for 2016. As soon as the settlement is signed this dispute will be closed and no further claims are expected.

## Parent company

### INCOME STATEMENTS

MSEK	Note	2016	2015
Net sales		28.1	26.4
Administrative expenses	2, 10, 12	-76.2	-57.3
Other operating income	3	8.7	2.2
Other operating expenses	3	-0.6	-0.6
<b>Operating result</b>	4, 7	<b>-40.0</b>	<b>-29.3</b>
Result from shares in subsidiaries		151.3	139.3
Interest income		63.2	27.1
Other financial income		77.7	1.5
Interest expenses		-35.9	-20.3
Other financial expenses		-121.7	-64.2
<b>Result after financial items</b>	5, 7	<b>94.6</b>	<b>54.2</b>
Taxes	6	6.9	15.3
<b>Result for the year</b>		<b>101.5</b>	<b>69.5</b>

### STATEMENTS OF COMPREHENSIVE INCOME

MSEK	2016	2015
<b>Result for the year</b>	<b>101.5</b>	<b>69.5</b>
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b>101.5</b>	<b>69.5</b>

## CASH FLOW STATEMENTS

MSEK	Note	2016	2015
<b>Operating activities</b>			
Result after financial items		94.6	54.2
Adjustments for items not included in cash flow from operating activities	16	-68.4	-110.3
Paid taxes		-0.2	-1.8
<b>Cash flow from operating activities before changes in working capital</b>		<b>26.0</b>	<b>-57.9</b>
<b>Cash flow from changes in working capital</b>			
Increase (-)/decrease (+) in operating receivables		-19.6	1.9
Increase (+)/decrease (-) in operating liabilities		5.9	3.9
<b>Cash flow from operating activities</b>		<b>12.3</b>	<b>-52.1</b>
<b>Investing activities</b>			
Acquisition of tangible assets and intangible assets	11, 12	-0.6	-0.1
Investments in subsidiaries	9	-5.7	-
Shareholders' contribution		-386.2	-
Received dividends from subsidiaries	16	151.3	139.3
Payments received regarding long-term holdings		1.2	3.5
Lending to and from subsidiaries		-1,670.3	0.3
<b>Cash flow from investing activities</b>		<b>-1,910.2</b>	<b>143.0</b>
<b>Financing activities</b>			
Amortization of loans		-670.1	-106.9
New loans		1,910.9	-
Other changes in interest-bearing liabilities		28.0	61.7
New share issue		694.8	-
Dividend to parent company shareholders		-58.3	-29.2
<b>Cash flow from financing activities</b>		<b>1,905.2</b>	<b>-74.4</b>
<b>Cash flow for the year</b>		<b>7.3</b>	<b>16.5</b>
Cash and cash equivalents at the beginning of the year		172.6	156.1
<b>Cash and cash equivalents at year-end</b>		<b>179.9</b>	<b>172.6</b>

## BALANCE SHEETS

MSEK	Note	2016	2015
<b>Assets</b>			
<b>Fixed assets</b>			
Intangible assets	11	1.2	1.0
Tangible fixed assets	12	0.3	0.3
Shares in subsidiaries	9	1,632.6	1,246.5
Receivables from group companies	7	2,272.0	673.2
Deferred tax assets	6	139.1	132.1
Other financial assets		1.0	2.5
<b>Total fixed assets</b>		<b>4,046.3</b>	<b>2,055.7</b>
<b>Current assets</b>			
Accounts receivable		0.0	0.3
Receivables from group companies	7	211.4	122.3
Other receivables		12.8	4.9
Prepaid expenses and accrued income		16.4	5.7
Cash and bank balances		179.9	172.6
<b>Total current assets</b>		<b>420.5</b>	<b>305.7</b>
<b>Total assets</b>		<b>4,466.8</b>	<b>2,361.4</b>

## BALANCE SHEETS (CONT.)

MSEK	Note	2016	2015
<b>EQUITY, PROVISIONS AND LIABILITIES</b>			
<b>EQUITY</b>			
<b>Restricted equity</b>			
Share capital		353.6	265.2
Statutory reserve		332.4	332.4
<b>Total restricted equity</b>		<b>686.0</b>	<b>597.6</b>
<b>Unrestricted equity</b>			
Retained earnings		852.5	235.0
Result for the year		101.5	69.5
<b>Total unrestricted equity</b>	<b>8</b>	<b>953.9</b>	<b>304.5</b>
<b>Total equity</b>		<b>1,639.9</b>	<b>902.0</b>
<b>PROVISIONS</b>			
Provisions for pensions and similar obligations		1.4	1.4
Other provisions	10	1.5	1.5
<b>Total provisions</b>		<b>2.9</b>	<b>2.9</b>
<b>LIABILITIES</b>			
<b>Long-term liabilities</b>			
Liabilities to credit institutions	14, 15	2,225.3	-
Liabilities to group companies		136.5	70.5
Other liabilities		0.1	0.1
<b>Total long-term liabilities</b>		<b>2,361.9</b>	<b>70.6</b>
<b>Current liabilities</b>			
Liabilities to credit institutions	14, 15	167.8	1,048.9
Accounts payable		8.7	2.8
Liabilities to group companies		256.9	305.4
Current tax liabilities		0.1	0.0
Other liabilities		3.0	1.7
Accrued expenses and deferred income	13	25.5	27.1
<b>Total current liabilities</b>		<b>462.0</b>	<b>1,385.9</b>
<b>Equity, provisions and liabilities</b>		<b>4,466.8</b>	<b>2,361.4</b>

## STATEMENTS OF CHANGES IN EQUITY

MSEK	Share capital	Statutory reserve	Unrestricted equity	Total
<b>Opening balance on 1 Jan. 2015</b>	<b>265.2</b>	<b>332.4</b>	<b>264.2</b>	<b>861.7</b>
Dividend	-	-	-29.2	-29.2
Total comprehensive income for the year	-	-	69.5	69.5
<b>Closing balance on 31 Dec. 2015</b>	<b>265.2</b>	<b>332.4</b>	<b>304.5</b>	<b>902.0</b>
Dividend	-	-	-58.3	-58.3
New share issue	88.4	-	606.6	695.0
Total comprehensive income for the year	-	-	101.5	101.5
<b>Closing balance on 31 Dec. 2016</b>	<b>353.6</b>	<b>332.4</b>	<b>953.9</b>	<b>1,639.9</b>

## NOTE 1. Accounting principles

A presentation of Elanders' accounting principles can be found in note 1 to Elanders' consolidated financial statements. The parent company has prepared its annual accounts according to the Annual Accounts Act and the Swedish Financial Reporting Board Recommendation RFR 2 Accounting for legal entities and where applicable statements made by the Swedish Financial Reporting Board. RFR 2 requires the parent company to, in the annual accounts for the legal entity, use all the EU approved IFRSs and interpretations as far as possible within the framework of the Annual Accounts Act and the Security Law, taking into consideration the connection between accounting and taxation. The parent company generally follows the same previously described principles as the Group. Differences between group and parent company accounting principles are presented below.

### Taxes

Tax laws allow provisions for special reserves and funds that are reported separately in the parent company. This allows companies within limits to allocate and retain recorded results in operations without them being immediately taxed. The untaxed reserves are not subject to taxation until they are dissolved. If companies lose money the untaxed reserves can be used to cover the losses without being taxed.

### Intangible assets

The parent company amortizes goodwill according to plan, which is not permitted for the Group. Goodwill is amortized on a straight-line basis over a twenty-year period since it relates to acquisitions of a strategic nature.

### Shares in associated companies and jointly controlled entities

Shares in associated companies, jointly controlled entities and subsidiaries are reported in the parent company according to the acquisition method. Acquisition-related costs for subsidiaries, which are expensed in group accounting, are included as part of the acquisition value for participation in subsidiaries. Reported values are tested on every balance sheet date in order to determine if the need for write-downs is indicated.

The parent company will issue a guarantee under section 479(C) of the UK Companies Act 2006 for the year ended 31 December 2016 in respect of the subsidiaries Elanders UK Ltd and Elanders McNaughtan's Ltd registered in the United Kingdom, listed in note 9. The parent company guarantees all outstanding liabilities to which the subsidiary companies are subject to at 31 December 2016, until they are satisfied in full and the guarantee is enforceable against the company by any person to whom the subsidiary companies are liable in respect of those liabilities. The subsidiaries have taken advantage of the exemption from audit by virtue of Section 479(A) of the Companies Act 2006.

### Pensions

The parent company's pension obligations have been calculated and reported based on the Swedish Security Law. Application of the Swedish Security Law is a prerequisite for fiscal deductions.

### Financial guarantee contracts

The parent company's financial guarantee contracts consist primarily of guarantees on behalf of subsidiaries. A financial guarantee contract is a contract in which the company has a commitment to reimburse the holder of a debt instrument for loss it incurs because a specified debtor fails to make payment when due according to the contract terms. The parent company applies RFR 2 p. 71 to account for financial guarantees, which is a relief compared to the rules in IAS 39 connected to reporting and taxation. The parent company recognizes financial guarantee contracts as a provision on the balance sheet when the company has a commitment.

### Group and shareholder contributions

Group and shareholder contributions are recognized according to the alternative rule in the Swedish Financial Reporting Board Recommendation RFR 2. This means that received and paid group contributions are reported as appropriations. Shareholder contributions are activated in shares and participations, as long as write-downs are not required.

### Financial instruments and hedge accounting

In view of the connection between accounting and taxation, the rules on financial instruments and hedge accounting in IAS 39 are not applied by the Parent Company as a legal entity.

In the Parent Company, financial assets are valued at cost, less any impairment and financial current assets at the lower value of cost or net realizable value. The acquisition cost for fixed-income instruments is adjusted for accrual difference between initial cost, less transaction costs, and the sum paid on the closing date (premiums and discounts).

### Standards, amendments and interpretations of existing standards that have taken effect in 2016

No new standards, amendments or interpretations that have had significant affect on the company's financial reports have come into effect during 2016.

## NOTE 2. Fees to the auditors

MSEK	2016	2015
<b>PwC</b>		
Audit assignment	2.5	0.9
Audit-related services	0.3	-
Tax advisory services	0.0	0.4
Other services	4.1	0.5
<b>Total</b>	<b>6.8</b>	<b>1.8</b>

No fees were paid to other auditing firms.

Audit assignment is defined as the statutory audit, i.e. the work necessary to produce the auditors' report as well as so called audit consultation given in connection with the audit.

## NOTE 3. Other operating income and expenses

### OTHER OPERATING INCOME

MSEK	2016	2015
Exchange rate gains	0.6	1.2
Other	8.0	1.0
<b>Total</b>	<b>8.7</b>	<b>2.2</b>

### OTHER OPERATING EXPENSES

MSEK	2015	2015
Exchange rate losses	-0.6	-0.6
<b>Total</b>	<b>-0.6</b>	<b>-0.6</b>

## NOTE 4. Personnel

Please see note 4 to the consolidated financial statements for personnel related information.

## NOTE 5. Result from financial items

### RESULT FROM SHARES IN SUBSIDIARIES

MSEK	2016	2015
Dividends from subsidiaries	151.3	139.3
<b>Total</b>	<b>151.3</b>	<b>139.3</b>

### INTEREST INCOME

MSEK	2016	2015
Interest income, external	-	0.2
Interest income, subsidiaries	63.2	27.0
<b>Total</b>	<b>63.2</b>	<b>27.1</b>

### OTHER FINANCIAL INCOME

MSEK	2015	2014
Exchange rate gains	77.7	1.5
<b>Total</b>	<b>77.7</b>	<b>1.5</b>

### INTEREST EXPENSES

MSEK	2016	2015
Interest expenses, external	-35.7	-20.2
Interest expenses, subsidiaries	-0.2	-0.1
<b>Total</b>	<b>-35.9</b>	<b>-20.3</b>

### OTHER FINANCIAL EXPENSES

MSEK	2016	2015
Exchange rate losses	-104.5	-57.7
Other financial expenses	-17.2	-6.5
<b>Total</b>	<b>-121.7</b>	<b>-64.2</b>

**NOTE 6. Taxes****TAX ON THE RESULT FOR THE YEAR**

MSEK	2016	2015
Withholding tax on income from foreign subsidiaries	-0.2	-1.8
Deferred tax	7.1	17.1
<b>Total</b>	<b>6.9</b>	<b>15.3</b>

**RECONCILIATION OF RECORDED TAX**

MSEK	2016	2015
Result before taxes	94.6	54.2
Tax according to Swedish tax rate of 22%	-20.8	-11.9
Tax effect of:		
Withholding tax on income from foreign subsidiaries	-0.2	-1.8
Correction of previous year's current tax expense	-	-0.8
Non-taxable dividends from subsidiaries	33.3	30.6
Contribution, representation and association costs	-0.3	-0.1
Non-deductible costs in relation to acquisitions of operations	-3.8	-0.4
Other	-1.4	-0.3
<b>Total</b>	<b>6.9</b>	<b>15.3</b>

**DEFERRED TAX RECEIVABLES**

MSEK	2016	2015
Tax loss carry forwards	134.1	126.3
Other	5.0	5.8
<b>Total</b>	<b>139.1</b>	<b>132.1</b>

**NOTE 7. Transactions with related parties****Sales of products and services**

The parent company reimburse its subsidiaries for services mainly relating to marketing, IT, auditing, insurance, etc. Besides this there have been no sales of products or services to related parties.

**PURCHASE OF PRODUCTS AND SERVICES**

MSEK	2016	2015
Subsidiaries	5.1	4.1
Carl Bennet AB	0.6	0.6
<b>Total</b>	<b>5.7</b>	<b>4.7</b>

The transactions with Carl Bennet AB and Elanders primarily concern costs stemming from Carl Bennet's role as Chairman of the Board in Elanders AB. As of 31 December 2016 liabilities to Carl Bennet AB amounted to MSEK 0.2 (0.0). Erik Gabrielson, who is member of the Board, is partner in Vinge Law Firm that during the year has provided legal counsel and invoiced fees amounting to MSEK 4.4 (1.1).

No Board member or senior officer has or has had direct or indirect participation in any business transactions, between themselves or the company that are or were of an unusual nature concerning the terms.

Remuneration to Board members and Group Management is reported in note 4 to the consolidated financial statements.

**NOTE 8. Proposed appropriation of profits**

Profit and other non-restricted equity at the disposition of the Annual General Meeting:

MSEK	2016
Retained earnings	852.5
Net result for the year	101.5
<b>Total</b>	<b>953.9</b>

The Board of Directors and the Chief Executive Officer propose that the profit and other non-restricted equity will be dealt with accordingly:

MSEK	2016
SEK 2.60 per share is distributed to the shareholders	91.9
Remaining balance to be carried forward	862.0
<b>Total</b>	<b>953.9</b>

## NOTE 9. Shares in subsidiaries

MSEK	2016	2015
Opening book value	1,246.5	1,246.5
Investment	5.7	-
Shareholders' contribution	386.1	-
Write-downs	-5.9	-
Closing book value	1,632.6	1,246.5

## SPECIFICATION OF SHARES IN SUBSIDIARIES

	Identity no.	Registered office	Number of shares	Book value of holding, MSEK
d o m Deutsche Online Medien GmbH	HRB265124	Waiblingen, Germany	-	23.8
myphotobook GmbH	HRB94377	Berlin, Germany	-	-
Elanders Anymedia AB	556559-5922	Stockholm, Sweden	6,000	13.6
Elanders (Beijing) Printing Company Ltd	77765103X	Beijing, China	-	186.6
Elanders (Beijing) Digital Development Ltd	110000450078296	Beijing, China	-	2.8
Elanders do Brasil Ltda	08.789.936/0001-55	São Paulo, Brazil	-	12.2
Elanders Reprodução de Imagens Ltda	08.849.405/0001-00	São Paulo, Brazil	-	9.4
Elanders GmbH	HRB722349	Waiblingen, Germany	-	108.6
Elanders International AB	556058-0622	Kungsbacka, Sweden	-	-
Mentor Media Ltd	199302450H	Singapore	-	-
Chengdu Mentor Media Co., Ltd	510100400032987	Chengdu, China	-	-
Mentor Internet Solution Pte Ltd	199508226M	Singapore	-	-
Mentor Media (Chongqing) Co., Ltd	500000400043355	Chongqing, China	-	-
Mentor Media (Kunshan) Co., Ltd	320583400027574	Kunshan, China	-	-
Mentor Media (Shenzhen) Co., Ltd	440301503229990	Shenzhen, China	-	-
Mentor Media (Songjiang) Co., Ltd	310000400385089	Songjiang, China	-	-
Mentor Media (Suzhou) Co., Ltd	320500400024026	Suzhou, China	-	-
Mentor Media (USA) Supply Chain Management Inc	C3095841	Ontario, USA	-	-
Mentor Media (Xiamen) Co., Ltd	350298400001789	Xiamen, China	-	-
Mentor Media CBZ (Chongqing) Co., Ltd	500000400065942	Chongqing, China	-	-
Mentor Media Czech s.r.o.	CZ27742270	Brno, Czech Republic	-	-
Mentor Media Japan Godogaisha	0100-03-017482	Tokyo, Japan	-	-
Mentor Media Juárez S.A. de C.V.	MMJ0810145N1	Juárez, Mexico	-	-
Mentor Media Logistics (Shenzhen) Co., Ltd	440301503351584	Shenzhen, China	-	-
Mentor Media Printing Pte Ltd	198400441M	Singapore	-	-
Mentor Printing and Logistics Private Limited	U72900TN2006PTC061596	Chennai, India	-	-
Mentor Shanghai Trading Co., Ltd	310000400765289	Shanghai, China	-	-
Shanghai Mentor Media Co., Ltd	310115400062371	Shanghai, China	-	-
Shanghai Mentor Media Printing Co., Ltd	310115400074709	Shanghai, China	-	-
Tristellar Graphic Sdn. Bhd.	64775T	Johor, Malaysia	-	-

## NOTE 9. Shares in subsidiaries (cont.)

### SPECIFICATION OF SHARES IN SUBSIDIARIES (CONT.)

	Identity no.	Registered office	Number of shares	Book value of holding, MSEK
Elanders Holding GmbH	HRB105591	Herrenberg, Germany	-	380.5
LGI Logistics Group International GmbH	HRB243806	Herrenberg, Germany	-	-
24 plus Systemverkehre GmbH & Co. KG	HRA880	Hauneck, Germany	-	-
Helix Software + Support GmbH	HRB226056	Herrenberg, Germany	-	-
LGI Austria GmbH	FN 349601 w	Laxenburg, Austria	-	-
LGI Espana s.l.	Tomo: 45598 Folio: 42 Hoja: 493152 Inscription: 6	Cabanillas del Campo, Spain	-	-
LGI Hungaria Logisztikai Kft.	13-09-140503	Páty, Hungary	-	-
LGI Logistics Group International AB	556727-7990	Arlöv, Sweden	-	-
LGI Logistics Group International Ltd.	GB 7251732	Milton Keynes, UK	-	-
LGI Polska Sp. Z.o.o.	KRS 0000246814	Wroclaw, Poland	-	-
LGI Czechia s.r.o.	CZ25204581	Zákupy, Czech Republic	-	-
LGI Bohemia Immobilien-Verwaltung s.r.o.	CZ29110483	Zákupy, Czech Republic	-	-
LGI Deutschland GmbH	HRB354685	Herrenberg, Germany	-	-
LGI Supply Chain Solutions GmbH	HRB739652	Herrenberg, Germany	-	-
ITG GmbH Internationale Spedition und Logistik	HRB 66157	Munich, Germany	-	-
ITG Global Logistics BV	34083373	Amsterdam, Netherlands	-	-
ITG Internationale Spedition Ges.mBH.	FN 139388h	Wien, Austria	-	-
ITG International Transports Inc.	43240627	Boston, USA	-	-
OOO ITG International Transports + Logistics	1127746350720 INN/ KPP 7731426502/773101001	Moscow, Russia	-	-
TRANSCONTAINER-UNIVERSAL GmbH & Co. KG	HRB 4665	Bremen, Germany	-	-
Logistik Lernzentrum GmbH	HRB246072	Böblingen, Germany	-	-
LOGworks GmbH	HRB246165	Böblingen, Germany	-	-
Elanders Hungary Kft	20-09-065122	Zalalövő, Hungary	-	146.1
Elanders Infologistics AB	556121-8891	Gothenburg, Sweden	314,330	286.8
Elanders Sverige AB	556262-1689	Härryda, Sweden	-	-
Falköping Karlavagnen 6 AB	556832-7844	Härryda, Sweden	-	-
Elanders NRS AB	556229-6938	Härryda, Sweden	1,000	0.1
Elanders FoH AB	556099-5663	Härryda, Sweden	30,000	50.3
Elanders Italy S.r.l.	5686620963	Ponzano Veneto, Italy	-	2.7
Elanders Ltd	GB 3788582	Newcastle, UK	-	31.4
Elanders McNaughtan's Ltd	SC 135425	Glasgow, UK	-	-
Elanders Polska Sp. z o.o.	KRS 0000101815	Płońsk, Poland	-	89.9
Elanders Taiwan Co. Ltd	53729508	Taipei, Taiwan	200,000	0.5
Elanders UK Ltd	GB 2209256	Harrogate, UK	-	0.9
fotokasten GmbH	HRB24050	Waiblingen, Germany	-	57.8
Midland Information Resources Company	42-1468885	Davenport, USA	10,000	223.0
ElandersUSA, LLC	58-1448183	Atlanta, USA	-	-
Schmid Druck + Medien GmbH	HRB18350	Kaisheim, Germany	-	5.5
<b>Total</b>				<b>1,632.6</b>

The parent company's ownership amounts to 100% for all group companies. No book value is stated for the companies not directly owned by the parent company.

## NOTE 10. Other provisions

MSEK	2016	2015
Environmental obligations	1.5	1.5
Other	0.0	0.0
<b>Total</b>	<b>1.5</b>	<b>1.5</b>

Provisions for environmental obligations are based on any future obligations that were not yet completed on the balance sheet date.

Other provisions primarily refer to costs for any future financial obligations.

## NOTE 11. Intangible assets

MSEK	Goodwill		Other intangible assets		Total	
	2016	2015	2016	2015	2016	2015
Opening acquisition value	2.0	2.0	11.4	11.4	13.3	13.3
Acquisitions	-	-	0.5	0.0	0.5	0.0
<b>Closing acquisition value</b>	<b>2.0</b>	<b>2.0</b>	<b>11.9</b>	<b>11.4</b>	<b>13.9</b>	<b>13.3</b>
Opening accumulated amortization and write-downs	-1.2	-1.1	-11.1	-10.2	-12.3	-11.3
Amortization of the year	-0.1	-0.1	-0.3	-0.9	-0.4	-1.0
<b>Closing accumulated amortization and write-downs</b>	<b>-1.3</b>	<b>-1.2</b>	<b>-11.4</b>	<b>-11.1</b>	<b>-12.7</b>	<b>-12.3</b>
<b>Net residual value</b>	<b>0.7</b>	<b>0.8</b>	<b>0.5</b>	<b>0.3</b>	<b>1.2</b>	<b>1.0</b>

Amortization has been charged entirely to administrative expenses. Other intangible assets refer to software.

## NOTE 12. Tangible fixed assets

MSEK	Equipment, tools, fixtures and fittings	
	2016	2015
Opening acquisition value	2.0	2.0
Acquisitions	0.0	0.0
Disposals	-	0.0
<b>Closing acquisition value</b>	<b>2.1</b>	<b>2.0</b>
Opening accumulated depreciation	-1.7	-1.7
Depreciation for the year	0.0	0.0
Disposals	-	0.0
<b>Closing accumulated depreciation</b>	<b>-1.7</b>	<b>-1.7</b>
<b>Net residual value</b>	<b>0.3</b>	<b>0.3</b>

Depreciation has been charged entirely to administrative expenses.

There has been no financial leasing.

## NOTE 13. Accrued expenses and deferred income

MSEK	2016	2015
Salaries and holiday pay	8.5	6.0
Social security contributions	7.4	5.6
Interest	0.2	-
Other accrued expenses and deferred income	9.4	15.5
<b>Total</b>	<b>25.5</b>	<b>27.1</b>

## NOTE 14. Liabilities to credit institutions

All liabilities to credit institutions are borrowing debts. Loans from Elanders' main banks follows the terms in the credit agreement and maturity is in July 2019. Elanders AB has loans in USD, EUR and PLN. The interest rate on the loans per 31 December 2016 was in the interval 2.00-3.73 (1.25-2.77) percent.

Please see note 18 to the consolidated financial statements for information regarding financial risk management.

### CHANGES IN INTEREST-BEARING LIABILITIES

MSEK	2016	2015
Opening liabilities	1,048.9	1,067.2
New loans	1,910.9	-
Amortization of loans	-670.1	-106.9
Other changes in interest-bearing liabilities	28.0	61.7
Translation difference	75.4	26.9
<b>Closing liabilities</b>	<b>2,393.1</b>	<b>1,048.9</b>

### BANK OVERDRAFT FACILITIES

Utilized amounts and available credit in group bank overdraft facilities are given below.

MSEK	2016	2015
Bank overdraft facilities, utilized amount	-	4.9
Bank overdraft facilities, granted amount	50.0	50.0
<b>Not utilized overdraft</b>	<b>50.0</b>	<b>45.1</b>

## NOTE 15. Pledged assets and contingent liabilities

### PLEGDED ASSETS

MSEK	2016	2015
Floating charges	3.3	3.3
Other pledged assets	286.8	286.8
<b>Total</b>	<b>290.1</b>	<b>290.1</b>
Given to:		
Credit institutions	290.1	290.1
<b>Total</b>	<b>290.1</b>	<b>290.1</b>

Other pledged assets primarily refer to collateral in the form of shares in subsidiaries.

### CONTINGENT LIABILITIES

MSEK	2016	2015
Surety and contingent liabilities given for subsidiaries	217.7	172.5
<b>Total</b>	<b>217.7</b>	<b>172.5</b>

## NOTE 16. Supplementary information to the statements of cash flow

### Cash and cash equivalents

Cash and cash equivalents consist primarily of cash and bank balances. Short-term investments are classified as cash and cash equivalents when:

- the risk for changes in their fair value is insignificant
- they are easily converted
- they mature in less than three months from the date they were acquired.

### ADJUSTMENT FOR ITEMS NOT INCLUDED IN CASH FLOW FROM OPERATING ACTIVITIES

MSEK	2016	2015
Depreciation, amortization and write-downs of intangible and tangible assets	0.4	1.0
Dividends from subsidiaries	-151.3	-139.3
Unrealized exchange rates gains and losses	75.2	27.2
Other items	7.4	0.8
<b>Total</b>	<b>-68.4</b>	<b>-110.3</b>

### PAID AND RECEIVED INTEREST

MSEK	2016	2015
Paid interest	-35.8	-20.4
Received interest	28.1	27.1
<b>Total</b>	<b>-7.7</b>	<b>6.7</b>

### DIVIDENDS RECEIVED FROM SUBSIDIARIES

MSEK	2016	2015
Elanders (Beijing) Printing Company Ltd	-	33.5
Elanders GmbH	-	83.8
Elanders Hungary Kft	32.1	16.3
Elanders Ltd	5.9	-
Elanders Polska Sp.z o.o.	3.8	5.7
Mentor Media Ltd	109.6	-
<b>Total</b>	<b>151.3</b>	<b>139.3</b>

# PROPOSED APPROPRIATION OF PROFITS

The Board of Directors and Chief Executive Officer hereby certify that the Annual Report has been prepared in accordance with good accounting practice in Sweden and that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), referred to in the European Parliament's and Council's directive 1606/2002 of 19 July 2002 regarding the application of International Financial Reporting Standards, and that they give a true and fair view of the parent company's and Group's financial position and result, and that the Board of Directors' Report provides a true and fair view of the development of the parent company's and Group's operations, financial position and result and describes significant risks and uncertainties that the parent company and the companies within the Group face.

The Board of Directors and Chief Executive Officer propose that the profit and other unreserved funds of SEK 953,945,470

in the parent company at the disposition of the Annual General Meeting should be dealt with accordingly:

- SEK 2.60 per share, a total of SEK 91,930,153 is distributed to the shareholders
- the remaining balance of SEK 862,015,317 is to be carried forward.

The Board of Directors believes that the proposed dividends are justifiable in relation to the demands that the business' nature, scope and risks make on Group equity and on the Group's consolidation needs, liquidity and its position in general.

This Annual Report will be presented at the Annual General Meeting 26 April 2017 for adoption.

Mölnlycke 3 March 2017

Carl Bennet  
Chairman of the Board

Johan Stern  
Vice Chairman of the Board

Pam Fredman

Erik Gabrielson

Linus Karlsson

Cecilia Lager

Anne Lenerius

Caroline Sundewall

Marcus Olsson

Eija Persson

Magnus Nilsson  
Chief Executive Officer

Our auditor's report was issued on 3 March 2017  
PricewaterhouseCoopers AB

Magnus Willfors  
Authorized Public Accountant

# AUDITOR'S REPORT

To the general shareholders' meeting of Elanders AB (publ),  
corporate identity number 556002-1621

## Report on the annual accounts and consolidated accounts

### Opinions

We have audited the annual accounts and consolidated accounts of Elanders AB for the year 2016 with the exception of the corporate governance report on pages 51–55. The annual accounts and consolidated accounts of the company are included on pages 45–99 of this document.

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 at 31 December 2016 and of its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as at 31 December 2016 and of its financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance report on pages 51–55. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

### Basis for opinions

We conducted our audit in accordance with the International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the section Auditor's responsibility. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

## Our audit approach

### Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. We paid particular attention to those areas where management made subjective judgements, such as significant accounting estimates that were based on assumptions and forecasts of future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

### Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures, and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

### Key audit matters

Key audit matters are those matters which, in our professional judgment, were of greatest significance for the audit of the annual accounts and consolidated accounts for the period concerned. These matters were addressed in the context of the audit of, and in the preparation of our opinion on, the annual accounts and consolidated accounts as a whole, but we do not present a separate opinion on these matters.

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## Key audit matters

## How the key audit matter was addressed in our audit

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### IMPAIRMENT TESTING OF INTANGIBLE ASSETS

Reference to Note 1 on page 63 in the annual report regarding Significant estimates and judgements and Note 13 Intangible assets on page 71 in the annual report.

The value of goodwill and trademarks with indefinite useful life was MSEK 2,639 at 31 December 2016. Under IFRS, management is required to test the assets for impairment annually.

No impairment has been identified by management. In our audit, we have focused on the risk that goodwill and other intangible assets with indefinite useful life are too highly valued and may be impaired.

Of the total value of MSEK 2,639, MSEK 1,043 is attributable to the reportable segment Print & Packaging Solutions. The market conditions for this segment is challenging with partly decreasing demand and high price pressure. The operations for Elanders within the segment has shown stable profitability, but only limited growth. The risk on which we have focused on is that there is no impairment requirement regarding the more traditional printing business within Print & Packaging Solutions.

Certain of the assumptions and judgements made by management concerning future cash flows and circumstances are complex and have a significant impact on the calculation of value in use. This applies particularly to estimates of the future growth rate, operating margin and discount rate, where small deviations have a significant impact on the calculation of value in use.

In our audit, we have assessed the calculation model used by management and have confirmed that the key assumptions applied in the model are consistent with the company's budget and strategic plan.

We have also assessed the reasonableness of management's assumptions and judgements, without arriving at a deviating view of such assumptions and judgements. This assessment took the form of an analysis of the outcome of assumptions applied in previous years and of any adjustments made to assumptions from previous years in response to operational changes and external factors.

We have also carried out independent sensitivity analyses to test the safety margins in the operating segment, with a view to determining the degree to which the key variables can change before giving rise to impairment. We concluded that the probability of changes of such a magnitude taking place is very limited, and that the disclosures on critical assumptions and sensitivity analyses in the annual report are correct.

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### VALUATION OF DEFERRED TAX ASSETS

Reference to Note 1 on page 63 in the annual report regarding Significant estimates and judgements and Note 9 Tax on page 69 in the annual report.

As per year end the group recognizes deferred tax assets of MSEK 238 whereof MSEK 193 are related to taxable losses. The recognition of deferred tax assets for taxable losses are only allowed under the circumstances that it is more likely than not that they will be offset against future taxable profits. The taxable losses that stand as a base for the deferred tax assets are mainly related to the Swedish business.

The assessment of the probability that future taxable profits will occur in the Swedish business to be offset against the taxable losses is highly based on management's estimates and judgements on future budgets and forecasts.

In our audit we have focused on the risk that the valuation of deferred tax assets is overstated and could consequently be subject to impairment requirements.

We have challenged management's estimates and audited the supporting documentation that form the basis for the assessment. Analysis has been made of the taxable profits that has been generated during the year and compared these to future profits needed to offset recognized taxable losses. In accordance with Swedish tax law there is currently no definite useful live of taxable losses. We have involved our tax specialists in these assessments. In addition to this we have assessed the completeness and accuracy in the disclosure described in Notes 1 and 9. Our examination did not result in any significant deviations from management's conclusions for the valuation of deferred tax assets recognized.

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### ACQUISITIONS - VALUATION OF INTANGIBLE ASSETS

As described in Note 26 in the annual report LGI Logistics Group International has been acquired during the year. The purchase price was MEUR 257 million on a debt free basis. The acquisition rendered an intangible assets including goodwill of MSEK 1,785.

The process to identify and assess completeness and valuation of separate intangible assets is complex and requires estimates and judgements. An error in either the purchase price allocation or valuation of intangible assets could lead to incorrect classifications in the balance sheet at acquisition date and subsequently in the income statement in cases where assets are deemed to have definite useful periods.

We have examined management's assessment for the valuation and recognition of acquired intangible assets. We have also examined management's estimates and established purchase price allocation based in the group's accounting principles by:

- Examination of the sales and purchase agreement,
- Examination of LGI's audited financial statements,
- With support from our valuation specialists we have independently examined models and estimates applied by management to identify and value intangible assets,
- Estimated the defined economic useful life of intangible assets (besides goodwill) and assessed that these corresponds to our understanding of the acquired asset and the group's accounting principles,
- Examined the disclosures in the annual report.

Our examination did not result in any significant deviations.

### Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 2–44 and 103–113. Responsibility for this other information rests with the Board of Directors and the Chief Executive Officer.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors and the Chief Executive Officer are responsible for the preparation of the annual accounts and consolidated accounts and for ensuring that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Chief Executive Officer are also responsible for such internal control as they 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.

In preparing the annual accounts and consolidated accounts, the Board of Directors and the Chief Executive Officer are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is, however, not applied if the Board of Directors and the Chief Executive Officer intend to liquidate the company, to cease operations, or have no realistic alternative but to do so.

The Audit Committee of the Board of Directors is tasked with monitoring, without prejudice to the other responsibilities and duties of the Board, the financial reporting of the company.

### Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high degree of assurance, but does not constitute a guarantee that an audit conducted in accordance with ISA and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on the website of the Swedish Supervisory Board of Public Accountants: [www.revisorsinspektionen.se/rn/showdocument/documents/rev\\_](http://www.revisorsinspektionen.se/rn/showdocument/documents/rev_)

[dok/revisors\\_ansvar.pdf](#). This description is part of the auditor's report.

### Report on other legal and regulatory requirements

#### Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Chief Executive Officer of Elanders AB for the year 2016 and the proposed appropriation of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Chief Executive Officer be discharged from liability for the financial year.

#### Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the section Auditor's responsibility. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

### Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors is responsible for the proposal for appropriation of the company's profit or loss. The preparation of a dividend proposal involves assessing whether the dividend is justifiable with regard to the equity, consolidation, liquidity and financial position requirements of the parent company and group arising from the nature, scope and risks of the operations of the parent company and group.

The Board of Directors is responsible for the company's organisation and the management of its affairs. This includes, among other things, continuous assessment of the company's and the group's financial situation, and ensuring that the company's organisation is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Chief Executive Officer shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and, among other matters, take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

### Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion on discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Chief Executive Officer in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective in respect of our audit of the proposed appropriation of the company's profit or loss, and thus for our opinion on the same, is to obtain reasonable assurance that the proposed

## *Auditor's report*

appropriation is consistent with the Companies Act.

Reasonable assurance is a high degree of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriation of the company's profit or loss is not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on the website of the Swedish Supervisory Board of Public Accountants: [www.revisorsinspektionen.se/rn/showdocument/documents/rev\\_dok/revisors\\_ansvar.pdf](http://www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf). This description is part of the auditor's report.

### **The auditor's review of the corporate governance report**

Responsibility for the corporate governance on pages 51–55 and for ensuring that it has been prepared in accordance with the Annual Accounts Act rests with the Board of Directors.

Our review has been conducted in Statement RevU 16 The Auditor's Examination of the Corporate Governance Report

issued by FAR, the professional institute for authorised public accountants. Our review of the corporate governance report has a different focus and significantly narrower scope than a full audit conducted in accordance with the International Standards on Auditing and generally accepted auditing standards in Sweden. We believe this review gives us a sufficient basis for making the following statements.

A corporate governance report has been prepared. Disclosures pursuant to Ch. 6 § 6 second paragraph points 2–6 of the Annual Accounts Act and Ch. 7 § 31 second paragraph of the same Act are consistent with the other parts of the annual report and consolidated accounts and comply with the Annual Accounts Act.

Mölnlycke, 3 March 2017

PricewaterhouseCoopers AB

Magnus Willfors

*Authorised Public Accountant*



## RECONCILIATION ALTERNATIVE PERFORMANCE MEASURES

MSEK	2016	2015	2014	2013	2012
Average total assets	5,132	3,559	3,017	2,363	2,133
Average cash and cash equivalents	-573	-418	-336	-192	-125
Average non-interest-bearing liabilities	-1,131	-816	-671	-461	-410
<b>Average capital employed</b>	<b>3,428</b>	<b>2,325</b>	<b>2,010</b>	<b>1,710</b>	<b>1,598</b>
Operating Result	344	292	175	131	119
<b>Return on capital employed %</b>	<b>10.0</b>	<b>12.6</b>	<b>8.7</b>	<b>7.7</b>	<b>7.4</b>
Interest-bearing long-term liabilities	2,647	20	25	432	47
Interest-bearing short-term liabilities	228	1,247	1,327	522	809
Cash and cash equivalents	-651	-529	-457	-215	-168
<b>Net debt</b>	<b>2,224</b>	<b>738</b>	<b>895</b>	<b>739</b>	<b>688</b>
Operating result	344	292	175	131	119
Depreciation and write-downs	172	136	117	98	90
<b>EBITDA</b>	<b>516</b>	<b>428</b>	<b>292</b>	<b>229</b>	<b>209</b>
<b>Net debt/EBITDA, times</b>	<b>4.3</b>	<b>1.7</b>	<b>3.1</b>	<b>3.2</b>	<b>3.3</b>
Share price at year-end, SEK <sup>1)</sup>	106.25	64.36	36.27	23.11	20.20
Number of shares as per balance sheet date, in thousands <sup>1)</sup>	35,358	28,224	28,224	24,192	24,192
<b>Enterprise value, MSEK</b>	<b>5,981</b>	<b>2,555</b>	<b>1,919</b>	<b>1,298</b>	<b>1,177</b>
Total assets	6,782	3,560	3,570	2,464	2,261
Cash and cash equivalents	-651	-529	-457	-215	-168
Non-interest-bearing liabilities	-1,496	-805	-870	-471	-451
<b>Capital employed, MSEK</b>	<b>4,635</b>	<b>2,226</b>	<b>2,243</b>	<b>1,777</b>	<b>1,642</b>
Average share price <sup>1)</sup>	82.78	45.79	35.78	20.25	20.82
Dividends per share, SEK <sup>1)</sup>	2.60 <sup>2)</sup>	2.07	1.03	0.73	0.54
<b>Dividend yield %</b>	<b>3.1</b>	<b>4.5</b>	<b>2.9</b>	<b>3.6</b>	<b>2.6</b>
Share capital	2,411	1,488	1,348	1,039	954
<b>Share capital per share, SEK <sup>1)</sup></b>	<b>68.19</b>	<b>52.72</b>	<b>47.75</b>	<b>42.93</b>	<b>39.42</b>
Cash flow from operating activities	331	269	162	128	215
Net financial items	44	32	36	29	26
Paid tax	104	85	61	57	23
Net investments	-1,907	-42	-296	-164	-197
<b>Operating cash flow</b>	<b>-1,428</b>	<b>344</b>	<b>-38</b>	<b>50</b>	<b>67</b>
Average number of shares, in thousands <sup>1)</sup>	29,555	28,224	26,825	24,900	23,713
<b>Operating cash flow per share, SEK <sup>1)</sup></b>	<b>-48.32</b>	<b>12.19</b>	<b>-1.42</b>	<b>2.01</b>	<b>2.83</b>
Volume on the stock market <sup>1)</sup>	13,025	5,714	7,306	2,557	1,957
<b>Turnover rate</b>	<b>0.44</b>	<b>0.20</b>	<b>0.27</b>	<b>0.11</b>	<b>0.08</b>

<sup>1)</sup> Historic number of shares and historic key ratios have been adjusted for the bonus issue element into the new share issues in 2014 and 2016.

<sup>2)</sup> Proposed by the board.



# FINANCIAL DEFINITIONS

**Added value**

Net turnover minus material costs and forward invoiced disbursements for outwork.

**Added value ratio**

Added value in relation to net turnover.

**Average number of employees**

The number of employees at the end of each month divided number of months.

**Average number of shares**

Weighted average number of shares outstanding during the period.

**Capital employed**

Total assets less liquid funds and non-interest bearing liabilities.

**Capital turnover rate**

Net sales in relation to average total assets.

**Cash-flow per share**

Cash-flow from operating activities divided by the average number of shares.

**Debt/equity ratio**

Net debt in relation to reported equity, including non-controlling interests.

**Dividend yield**

Dividends in relation to average share price.

**Earnings per share**

Result for the year divided by the average number of shares.

**EBIT**

Earnings before interest and taxes; operating result.

**EBITDA**

Earnings before interest, taxes, depreciation and amortization; operating result plus depreciation, amortization and write-downs of intangible assets and tangible fixed assets.

**EBIT-multiple**

Enterprise value divided by operating result.

**Enterprise value**

Market value plus net debt and non-controlling interests.

**Equity per share**

Equity divided by the number of outstanding shares at balance sheet date.

**Equity ratio**

Equity, including non-controlling interests, in relation to total assets.

**Interest coverage ratio**

Operating result plus interest income divided by interest costs.

**Net debt**

Interest bearing liabilities less liquid funds.

**Operating cash flow**

Cash flow from operating activities and investing activities, adjusted for paid taxes and financial items.

**Operating cash flow per share**

Operating cash flow divided by the average number of shares.

**Operating margin**

Operating result in relation to net sales.

**Operating result**

Earnings before financial items; EBIT.

**P/E ratio**

Share price at year-end in relation to earnings per share.

**Profit margin**

Result after financial items in relation to net turnover.

**Proportion of risk capital**

Risk capital in relation to total assets.

**P/S ratio**

Share price at year-end in relation to net turnover per share.

**Return on capital employed (ROCE)**

Operating result in relation to average capital employed.

**Return on equity**

Result for the year in relation to average equity.

**Return on total assets**

Operating result plus financial income in relation to average total assets.

**Risk capital**

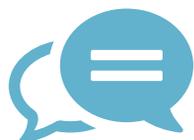
Equity plus deferred tax liabilities.

**Turnover rate**

Volume on the stock market divided by the average number of shares.



**Return on capital employed (ROCE) - Operating result in relation to average capital employed.**



## SPECIFIC TERMS

### After sales

Provision of services, support and spare parts after making an initial sale. This occurs for example in the provision of products which requires regular upgrades.

### Business-to-business (B2B)

Sale of goods and services between businesses, such as between a manufacturer and a wholesaler, or between a wholesaler and a retailer.

### Business-to-consumer (B2C)

Sale of goods and services between a company and consumers.

### Contract Logistics

Contract logistics is a business model within the framework of supply chain management, which is based on a long-term cooperation between a manufacturer or a dealer of goods and a logistics service provider. The model is normally regulated by a service contract, comprises a considerable business volume and is individually formed.

### Digital print

The transfer of information to paper via a digital file that is then printed out with the help of a high-speed printer. This technique is a prerequisite for Print-on-demand and makes quick deliveries in small editions possible. Offset technique is still more efficient for larger editions.

### e-commerce

Orders are made via Web shop platforms by end customers themselves. This includes cases where Elanders sells directly to consumers and where we are subcontractors to e-commerce companies.

### End-to-end solution

An end-to-end solution refers to a comprehensive solution, where all the middle layers or steps are eliminated to optimize performance and efficiency in a process.

### Fulfillment

This term used to describe a number of steps in the process between production and distribution. They can include assembly, configuration, bar-coding, packaging for end customers.

### Just-in-sequence (JIS)

Just-in-sequence is an inventory strategy that matches just-in-time (JIT). Components and parts arrive at an assembly line right in time, in the right order, and with the right version.

### Just-in-time (JIT)

Delivery precision – delivery exactly when the need arises. The concept also entails that customers do not need to store their products.

### Offset print

A printing method in which ink and water are spread out on a printing plate that is then pressed against a rubber blanket. This absorbs the ink and transfers it to the paper. The expression offset comes from the fact that the printing plate never touches the paper.

### Outsourcing

Companies or organizations choose to let an external party handle an activity or a process. This activity or process is then said to be outsourced.

### Packaging

A product manufactured to protect, handle, deliver and present an item.

### Print-on-demand

With the help of high-speed printers printed matter can be produced as needed and in very small editions.

### Reverse logistics

Normally, logistics deal with events that bring the product towards the customer. In the case of reverse logistics, the product goes back in the supply chain. For instance, goods move from the customer back to the distributor or to the manufacturer. The reverse logistics process includes the management of surplus equipment, returns as well as defective products including testing, dismantling, repairing, recycling or disposing the product.

### Supply chain

The movement and storage of goods and or information from point of origin to end-users. Supply chain management can be defined as the design, planning, execution, control and monitoring of activities with the objective of creating net value, building a competitive infrastructure, leveraging worldwide logistics, synchronizing supply with demand and measuring performance globally.

### White-labeling

This is a concept that is the equivalent of private labeling where retailers sell products under their own brand (for example Coop, ICA, Tesco) although the items are produced by a supplier to them. White-labeling is based on the suppliers' perspective when they provide this kind of service.

# BOARD OF DIRECTORS



## CARL BENNET

Chairman of the Board.

Born: 1951.

Bachelor of Science (Econ.) Dr. Technol. h.c.

Elected in: 1997.

**Appointments on the Elanders Board:** Chairman of the nomination committee and remuneration committee.

**Other appointments:** CEO of Carl Bennet AB. Chairman of the board of Getinge AB and Lifco AB. Member of the board of Holmen AB and L E Lundberg-företagen AB.

**Previous appointments:** President and CEO of Getinge AB.

**Shareholding through companies:** 1,814,813 class A shares and 15,903,596 class B shares.



## JOHAN STERN

Deputy Chairman of the Board.

Born: 1951.

Bachelor of Science (Econ.).

Elected in: 1998.

**Appointments on the Elanders Board:** Chairman of the audit committee and member of the remuneration committee.

**Other appointments:** Chairman of the board of HealthInvest Partners AB, Fädriften Invest AB, Harry Cullbergs Fund Foundation, Rolling Optics AB and Skanör Falsterbo Källbadhus AB. Member of the board of Carl Bennet AB, Getinge AB, Lifco AB, RP Ventures AB, Swedish-American Chamber of Commerce, Inc. and Estea AB.

**Previous appointments:** Active within SEB's operations in Sweden and the USA.

**Shareholding:** 107,000 class B shares.



## PAM FREDMAN

Member of the Board.

Born: 1950.

Civil Engineer.

Elected in: 2016.

**Appointments on the Elanders Board:** Member of the remuneration committee.

**Other appointments:** Member of the board of Sahlgrenska Science Park AB and for the project "Attractiveness for Sustainable Growth" within the Swedish Academy of Engineering Sciences (IVA). Vice-Chancellor Gothenburg University (until 30 June 2017).

**Shareholding:** 1,609 class B shares.



## ERIK GABRIELSON

Member of the Board.

Born: 1962.

Master of Laws.

Elected in: 2012.

**Appointments on the Elanders Board:** Member of the remuneration committee.

**Other appointments:** Lawyer and partner of the law firm Vinge. Member of the board of Generic Sweden AB, Lifco AB, Rosengård Invest AB and Storegate AB as well as Deputy board member in Lamiflex Group AB.

**Shareholding:** None.



## LINUS KARLSSON

Member of the Board.

Born: 1968.

Berghs School of Communication.

Elected in: 2014.

**Appointments on the Elanders Board:** Member of the remuneration committee.

**Other appointments:** Creative Chairman at McCann Global Brand. Member of the Board of the World Childhood Foundation and the Swedish-American Chamber of Commerce, Inc.

**Shareholding:** None.



#### **CECILIA LAGER**

Member of the Board.

Born: 1963.

Business Administration.

Elected in: 2009.

**Appointments on the Elanders Board:** Member of the audit committee.

**Other appointments:** Chairman of the board of Navigera AB. Member of the board of Altor Fund Manager AB, Capacent Holding AB, Collector AB, Collector Bank AB, Evolution Gaming AB, Intellecta AB and NC Lahega AB.

**Previous appointments:** CEO SEB Funds. Marketing Director Alecta. Member of the board of Eniro AB, Knowit AB, Oniva Online Group AB and Vardia Insurance Group ASA.

**Shareholding:** 37,521 class B shares.



#### **ANNE LENERIUS**

Member of the Board.

Born: 1956.

Business Administration.

Elected in: 2014.

**Appointments on the Elanders Board:** Member of the audit committee.

**Other appointments:** Chief Financial Officer of Carl Bennet AB.

**Previous appointments:** Group Controller at Ernström Holding AB. Finance Manager at JMS/Q Systemhydraulik AB. Chairman of the Board of Entercircle Konfektion AB.

**Shareholding:** 6,221 class B shares.



#### **MAGNUS NILSSON**

Member of the Board.

President and Chief Executive Officer of Elanders AB.

Born: 1966.

Education in Graphic Technology, Design, Business Administration and Marketing.

Elected in: 2010.

Employed in Elanders since 1999.

**Shareholding:** 73,577 class B shares.



#### **CAROLINE SUNDEWALL**

Member of the Board.

Born: 1958.

Master of Science in Business Administration, Stockholm School of Economics.

Elected in: 2015.

**Appointments on the Elanders Board:** Member of the audit committee.

**Other appointments:** Chairman of the board of the Streber Cup Foundation. Member of the board and CEO of Caroline Sundewall AB. Member of the board of Cramo (Finland), Hemfosa and Mertzig Asset Management.

**Previous appointments:** Chairman of the board of Cloetta and Svolder. Member of the Board of TeliaSonera, Electrolux, Lifco, Haldex, Pågen, Ahlsell and Södra Skogsägarna.

**Shareholding:** 6,666 class B shares.



#### **MARCUS OLSSON**

Employee representative.

Born: 1971.

Upper secondary education.

Elected in: 2014.

Work: Printer operator.

**Shareholding:** None.



#### **EIJA PERSSON**

Employee representative.

Born: 1959.

Higher Education Diploma in Informatics.

Elected in: 2014.

Work: Project manager IT development.

**Shareholding:** 666 class B shares.



#### **MARTIN SCHUBACH**

Deputy employee representative.

Born: 1974.

Upper secondary education.

Elected in: 2015.

Work: Prepare/Automation.

**Shareholding:** 267 class B shares.



#### **IVAN TABORSAK**

Deputy employee representative.

Born: 1965.

Upper secondary education.

Elected in: 2016.

Work: Sales.

**Shareholding:** None.

# GROUP MANAGEMENT



## **MAGNUS NILSSON**

President & CEO.

Born: 1966.

Employed since 1999. Education in Graphic Technology, Design, Business Administration and Marketing. Active within the graphic industry since 1987. Head of production Elanders in Hungary 2002. MD Elanders Berlings Skogs 2003–2005 and Elanders in China 2005–2009.

**Shareholding:** 73,577 class B shares.



## **ANDRÉAS WIKNER**

CFO.

Born: 1971.

Employed since 2007. Master of Science in Business Administration. Auditor during 1997–2007. Approved Public Accountant 2004. Authorized Public Accountant 2005.

**Shareholding:** 4,664 class B shares.



## **DR. ANDREAS BUNZ**

Supply Chain Solutions (LGI), President.

Born: 1958.

Employed since 2016. Diploma in Business Management (technically oriented), Ph.D. from Stuttgart University. Thirty years of experience within Supply Chain Management and Transportation Logistics, including 22 years as CEO of LGI Logistics Group International. Joined Elanders in connection with the acquisition of LGI Logistics Group International in 2016.

**Shareholding:** None.



## **ECKHARD BUSCH**

Supply Chain Solutions (LGI), Senior Vice President.

Born: 1960.

Employed since 2016. Diploma in Industrial Engineering from Karlsruhe Institute of Technology. Thirty years of experience within Supply Chain Management and Contract Logistics as Member of LGI's Executive Committee and Managing Director (COO). Joined Elanders in connection with the acquisition of LGI Logistics Group International in 2016.

**Shareholding:** None.



## **KOK KHOON LIM**

Supply Chain Solutions (Mentor Media), President.

Born: 1955.

Employed since 2014. Bachelor degree in Electrical & Electronics Engineering and Master of Science (Industrial Engineering). More than 30 years' of experience in world-class multinational corporations and positions such as General Manager for Hewlett Packard's Handheld Mobile Products Division, Vice President and Chief Technology Officer for Philips Consumer Electronics Home Entertainment Business Group and Managing Directors for Technology Solutions Business and Innovation Centre's at Wearnes Group. Joined Elanders in connection with the acquisition of Mentor Media in 2014, where he was CEO.

**Shareholding:** None.


**PETER SOMMER**

Print & Packaging Solutions,  
President.

Born: 1957.

Employed since 2007. Graphic engineer. Sole founder of Sommer Corporate Media. Joined Elanders in connection with the acquisition of Sommer Corporate Media in 2007, where he was CEO.

Shareholding: 170,666 class B shares.


**KEVIN ROGERS**

Print & Packaging Solutions,  
Senior Vice President.

Born: 1969.

Employed since 1999. Further education qualifications in; Mathematics, English, IT, Production planning and a member of the Chartered Institute of Marketing. More than 25 years' experience in digital print technologies, sales and marketing strategy, optimising workflow and effective leadership. Joined Elanders in connection with the acquisition of Hindson Print in 1999, where he was digital print manager.

Shareholding: None.


**MARTIN LUX**

e-Commerce Solutions,  
President.

Born: 1964.

Employed since 2012. Master in Electrical Engineering. 20 years experience within IT and e-commerce. Joined Elanders in connection with the acquisition of d|o|m and fotokasten in 2012, where he was CEO.

Shareholding: None.

# AUDITORS AND NOMINATION COMMITTEE

**AUDITORS**

PricewaterhouseCoopers AB  
with the authorized public  
accountant:

**Magnus Willfors**

Born: 1963.

Company auditor since 2015.

**Other appointments:**

Carl Bennet AB, Lifco AB,  
Midway Holding AB, Arise AB  
and E.ON Sverige AB.

**THE NOMINATION COMMITTEE**
**Carl Bennet**

Chairman and contact,  
represents  
Carl Bennet AB,  
telephone: +46 31 74164 00.

**Hans Hedström**

CEO and responsible for owner  
matters in Carnegie Funds,  
telephone: +46 8 69617 00.

**Britt-Marie Årenberg**

Representative for the smaller  
shareholders.

Nomination committee ques-  
tions can be submitted by  
e-mail or post mail to:

valberedning@elanders.com

**Elanders AB**

Att: Nomination Committee  
P.O. Box 137, 435 23 Mölnlycke  
Sweden



# CONTACT ELANDERS

## HEAD OFFICE

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E-mail: [info@elanders.com](mailto:info@elanders.com)  
Tel: +46 31 750 00 00  
President & CEO:  
Magnus Nilsson

## SUPPLY CHAIN SOLUTIONS

### LGI

Web: [www.lgi.de](http://www.lgi.de)  
E-mail: [info@lgi.de](mailto:info@lgi.de)  
President: Dr. Andreas Bunz  
Senior Vice President:  
Eckhard Busch

### LGI Logistics Group International GmbH Corporate HQ

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# Annual General Meeting and Calendar



Shareholders in Elanders AB (publ) are welcomed to the company's Annual General Meeting Wednesday 26 April 2017 at 3 p.m., Gothia Towers, Mässans gata 24, Gothenburg, Sweden.

Shareholders who wish to participate in the Annual General Meeting must be inscribed in the register of the shareholders held by Euroclear Sweden AB no later than Thursday 20 April 2017. Intent to participate must be reported by Thursday 20 April 2017.

Shareholders who have nominee registered their shares must, through the services of a nominee, register their shares in their own name with Euroclear Sweden AB. This reregistering, which may be temporary, must be carried out after having requested it from the nominee no later than Thursday 20 April 2017. This means that the shareholder must notify the nominee of this well in advance of this day.

Intent of participation can be made via the company website [www.elanders.com](http://www.elanders.com). Alternatively via e-mail [arsstamma@elanders.com](mailto:arsstamma@elanders.com), in writing to Elanders AB (publ), Annual General Meeting, Box 137, SE-435 23 Mölnlycke, Sweden or via telephone +46 31 750 07 21.

Please include name, personal or organization number, address and telephone number, number of shares and, if applicable, assistants (no more than two), that will assist at the Annual General Meeting.

The Annual General Meeting will handle the matters stipulated in the articles of association together with any other business named in a separate summons.

## NOTIFICATION OF PARTICIPATION, ANNUAL GENERAL MEETING 2017

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Intent to participate must be reported by Thursday 20 April 2017.

## CALENDAR

→ Annual General Meeting	26 April 2017
→ Quarterly Report Q1	26 April 2017
→ Quarterly Report Q2	13 July 2017
→ Quarterly Report Q3	19 October 2017
→ Year-end Report 2017	25 January 2018

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## INKJET

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## PHOTO

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LGI: pages 12-13, 14, 18, 24, 30, 35-36, 108.

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Rede Cultural Beija-Flor: page 35.

Shutterstock: pages 14-15, 16, 18-19, 22, 24-25, 27, 30-31, 32, 36-37.

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## ILLUSTRATIONS

Elanders and Narva.

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## TRANSLATION

Elanders and Camille Forslund.

This document is essentially a translation of the Swedish language version. In the event of any discrepancies between this translation and the original Swedish document, the latter shall be deemed correct.

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## DISTRIBUTION POLICY

Elanders' Annual Report is distributed to all shareholders that have not actively declined to receive a printed version. New shareholders are welcomed with their own copy of the Annual Report but it is possible to unsubscribe from future printed reports via Elanders' website or via e-mail: [arsredovisning@elanders.com](mailto:arsredovisning@elanders.com)

It is also possible to download the Annual Report both in Swedish and English from Elanders' website. Those interested can via the website read Elanders' Annual Reports from the last ten years and order printed Annual Reports five years back.

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## CLIMATE NEUTRAL ANNUAL REPORT

There have been tremendous developments concerning the environment in the past few years and ecolabeled printed matter has become standard. Elanders makes every effort to further this development. We do it for the environment, for our customers, for ourselves and for the future. This Annual Report is FSC® labeled. It is also a climate neutral product.





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