Press release from Elanders AB (publ) 2017-01-25

January - December

- Net sales increased by 48 percent to MSEK 6,285 (4,236) of which 2 percent was organic growth.
- The operating result excluding one-off items increased to MSEK 382 (308), which was an improvement of 24 percent. Including one-off costs the operating result increased to MSEK 344 (292).
- The result before tax excluding one-off items increased to MSEK 342 (275), which was an improvement of 24 percent. Including one-off items the result before tax increased to MSEK 300 (259).
- The net result increased to MSEK 217 (175) or SEK 7.35 (6.18) per share.
- Excluding the purchase price of acquisitions, the operating cash flow amounted to MSEK 368 (344). Including acquisitions, operating cash flow was MSEK -1,428 (344).
- In June 2016 Elanders signed a contract to acquire LGI Logistics Group International GmbH (“LGI”), a supply chain company with a strong presence in Europe, particularly in Germany. Through the acquisition Elanders doubles its size and the annual net sales increase from SEK 4.2 to around 8.3 billion (pro forma 2015 level). LGI is consolidated in the Elanders Group from 26 July 2016.
- One-off items during the period consisted primarily of advisory costs in connection with the acquisition of LGI, book VAT recognized as revenue and provisions for the settlement of a dispute in the US.
- The adopted rights issue was oversubscribed and concluded in October. It generated a total of MSEK 695 after issue costs.
- As a consequence of the acquisition of LGI the composition of Group Management will change and its size increase by one person.
- The Board proposes an increase in the dividend to SEK 2.60 per share. The dividend last year was SEK 2.20 per each outstanding share at the time.

Fourth quarter

- Net sales increased by 107 percent to MSEK 2,330 (1,124), of which 6 percent was organic growth.
- The operating result excluding one-off items increased to MSEK 153 (127), which was an improvement by 20 percent. Including one-off items the operating result increased to MSEK 123 (111).
- The result before tax excluding one-off items increased to MSEK 133 (121), which was an improvement by 10 percent. Including one-off items the result before tax was MSEK 103 (105).
- The net result increased to MSEK 79 (73) or SEK 2.37 (2.60) per share.
- Operating cash flow amounted to MSEK 69 (237).
- One-off items during the period were primarily provisions for the settlement of a dispute in the US.

COMMENTS BY THE CEO

For the second year in a row we are presenting 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. The reason for this development is the two major and strategically important acquisitions that have been carried out since 2014; Mentor Media and LGI Logistics Group International. Business area Supply Chain Solutions, which started with the acquisition of Mentor Media has grown to become the Group's largest business area, comprising 63% of total net sales. This share will grow even greater in 2017 when LGI will have been consolidated the entire year.

Supply Chain Solutions continues to have a very positive development and net sales in 2016 were higher than in 2015, in absolute numbers and organically. Also the newly acquired LGI has grown organically compared to last year. More investments will be required in 2017 for, among other things, new customer projects, further expansion of our customer base and to create the proper conditions for greater growth in the future.

Net sales in business area Print & Packaging Solutions were also higher, primarily in the US, but in Brazil as well. This is mostly due to the transformation these two units have gone through where the focal point of operations is gradually shifting from print to supply chain services.

As previously communicated Elanders has initiated a strategic review of business area e-Commerce Solutions' future in the Group. The business area, which currently only generates around 3% of the Group's entire net sales, ended the year with a very strong fourth quarter.

Regarding the dispute Elanders described in the report for the third quarter, our American subsidiary settled with the counterparts, some of the employees, earlier in January. The settlement, which awaits the final signed contract, ends the dispute and no further demands are to be expected. Settlement costs of around MSEK 30 have charged the result of the fourth quarter.

Magnus Nilsson
President and Chief Executive Officer

FINANCIAL OVERVIEW

		Full year			Fourth quarter	
MSEK	**2016**	**2015**	**2014**	**2016**	**2015**	**2014**
Net sales	6,285	4,236	3,730	2,330	1,124	1,099
Operating expenses	-5,941	-3,944	-3,555	-2,207	-1,013	-1,028
Operating result	**344**	**292**	**175**	**123**	**111**	**71**
Net financial items	-44	-33	-35	-20	-6	-8
Result before tax	**300**	**259**	**140**	**103**	**105**	**62**

GROUP

Our business
Elanders is a global supplier of integrated solutions in the areas supply chain management, print & packaging and e-commerce. 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.

Net sales and result

Full-year
Net sales for the year increased by MSEK 2,049 to MSEK 6,285 (4,236). Excluding exchange rate effects and acquisitions, net sales increased by 2.3%. The operating result increased to MSEK 344 (292), including one-off costs of some net MSEK -39 (-16). The result before tax which increased from MSEK 259 to 300 included one-off costs of some net MSEK -42 (-16). The one-off items almost entirely refer to the acquisition of LGI, for example advisory costs, provisions for the settlement of a dispute in the US and book VAT recognized as revenue. Not including one-off items the result after financial items increased to MSEK 324 compared to MSEK 275 last year. The improvement in the result is primarily due to the acquisition of LGI and Schmid Druck.

Fourth quarter
During the fourth quarter net sales increased by MSEK 1,206 to 2,330 (1,124) compared to the same period last year. This increase is primarily due to the new acquisition LGI. Cleared of exchange rate effects and acquisitions net sales grew by 6% foremost in Supply Chain Solutions. The operating result, excluding one-off items, improved and increased to MSEK 153 (127), which equals an operating margin of 6.6 (11.3)%. The reduction in the operating margin is primarily due to the acquisition of LGI, which has in general had a lower operating margin than Elanders. This is because, in addition to contract logistics, LGI is active in transportation and freight services where margins are lower. Including approximately MSEK 30 (16) in one-off costs in provisions for the settlement of a dispute in the US, the operating result increased to MSEK 123 (111).

Supply Chain Solutions
Elanders is one of the leading companies in the world in Global Supply Chain Management. Our services include taking responsibility for and optimizing customers' material and information flows, everything from sourcing and procurement combined with warehousing to after sales service.

	Full year		Fourth quarter	
Supply Chain Solutions	**2016**	**2015**	**2016**	**2015**
Net sales, MSEK	3,998	2,045	1,659	526
Operating result, MSEK	258	182	95	60
Operating margin, %	6.4	8.9	5.7	11.4
Average number of employees	2,832	1,430	4,830	1,423

The positive trend continued in business area Supply Chain Solutions and the business area grew organically by 3.9% for the full-year and 5.4% during the quarter. The increase stems mainly from added sales to new and existing customers. Since the end of July the newly acquired LGI is a part of the business area and it reports organic growth as well. Integration is moving forward at full speed and several joint projects have already begun.

Print & Packaging Solutions
Through its innovative force and global presence the business area Print & Packaging offers cost-effective solutions that can handle customers' local and global needs for printed material and packaging, often in combination with advanced order platforms on the Internet or just-in-time deliveries.

Print & Packaging Solutions	Full year 2016	Full year 2015	Fourth quarter 2016	Fourth quarter 2015
Net sales, MSEK	2,146	2,054	599	527
Operating result, MSEK	127	122	46	35
Operating margin, %	5.9	6.0	7.7	6.7
Average number of employees	1,632	1,676	1,577	1,669

The market for Print & Packaging Solutions continues to be characterized by tough price pressure and overcapacity. Excluding acquisitions and using constant exchange rates, net sales contracted for the full-year by 0.7% but increased in the quarter by 3.4%. Total print volumes are down on every Elanders' market which has a negative effect on the result and margin. On most of the markets 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.

The Brazilian, and parts of the American, operations are currently undergoing a transition from focus on print to focus on supply chain services. So far the transition has gone well and contributed to developing the businesses and improving their earnings.

e-Commerce Solutions
fotokasten, myphotobook and d|o|m are the Group's brands in e-Commerce. Through the technical solutions for e-commerce provided by d|o|m, fotokasten and myphotobook offer a broad range of photo products primarily to consumers.

e-Commerce Solutions	Full year 2016	Full year 2015	Fourth quarter 2016	Fourth quarter 2015
Net sales, MSEK	227	237	107	112
Operating result, MSEK	19	18	24	23
Operating margin, %	8.4	7.8	22.4	20.6
Average number of employees	63	67	64	69

The business area 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. Sales for the full-year and the quarter are slightly less than last year but the result is on the same level which led to an improved operating margin.

In view of Elanders' new strategic direction a review of the business area e-Commerce's future in the Group's has been launched. Despite the fact that net sales are currently only around 3% of the Group's entire net sales e-Commerce is reported as a separate business area all of its own.

Important events during the period

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.

LGI has as long-term vision to become one of the leading players in Europe. 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 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.

Through the acquisition, Elanders takes a major step forward in global supply chain management and annual Group net sales will increase from around 4.2 to 8.3 billion Swedish kronor, while the number of employees will rise from about 3,200 to 7,200 (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. The purchase price is around MEUR 257 on a 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 million. The purchase price was EUR 4.5 million 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 gave a judgement in the so-called Graphic Procédé case. In Sweden this is of particular importance for the distinction between printing companies' production of products (printed matter) and services as well as applying so-called book VAT, i.e. a VAT rate of 6%. 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 distinction 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, which awaits signing by the plaintiffs. Based on the result of the settlement another provision of around MSEK 30 was made, which charged the result for the quarter. As soon as the settlement is signed this dispute will be 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 US. 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
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
Martin Lux	e-Commerce Solutions, President
Kevin Rogers	Print & Packaging Solutions, Senior Vice President
Peter Sommer	Print & Packaging Solutions, President

Financial goals

In connection with the acquisition of LGI the Group doubled in size and the focal point of operations shifted dramatically. As a result Elanders will review the current financial goals and new goals will be communicated in connection to the Annual General Meeting 2017.

Investments and depreciation

Full year

Net investments for the period amounted to MSEK 1,907 (42), investments includes acquisitions amounting to MSEK 1,796 (0). Depreciation, amortization and write-downs amounted to MSEK 171 (136).

Fourth quarter

Net investments for the quarter amounted to MSEK 79 (14), of which acquisitions amounted to MSEK -4 (0). Depreciation, amortization and write-downs amounted to MSEK 65 (43).

Financial position, cash flow and financing
Group net debt as of 31 December 2016 amounted to 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.

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.

Personnel

Full year
The average number of employees during the period was 4,536 (3,182), whereof 270 (276) in Sweden. At the end of the period the Group had 6,444 (3,177) employees, whereof 250 (277) in Sweden. In addition, Elanders has around 600 hired staff in LGI but they do not receive salary directly from LGI.

Fourth quarter
The average number of employees during the quarter was 6,480 (3,170), whereof 256 (280) in Sweden.

PARENT COMPANY
The parent company has provided intragroup services during the period. The average number of employees during the period was 9 (9) and at the end of the period 9 (9).

OTHER INFORMATION

Elanders’ 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 comprising 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.

Goal and strategy
Elanders’ 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. Our strategy is to work in niches in each business area where the company can attain a leading position in the market. We will achieve this goal by being best at meeting customers’ demands for efficiency and delivery. Acquisitions play an important role in our company’s development and provide competence, broader product and service offers and enlarge our customer base.

Risks and uncertainties
Elanders divides risks into circumstantial risk (the future of our products/services and business cycle sensitivity), financial risk (currency, interest, financing and credit risks) as well as business risk (customer concentration, operational risks, risks in operating expenses as well as contracts and disputes). These risks, together with a sensitivity analysis, are described in detail in the Annual Report 2015. Circumstances in the world around us since the Annual Report was published are not believed to have caused any significant risks or influenced the way in which the Group works with these compared to the description in the Annual Report 2015.

Seasonal variations
The Group's net sales, and thereby income, are affected by seasonal variations. Historically the fourth quarter has been the strongest for Elanders before the acquisition of LGI.

Transaction with related parties
The following transactions with related parties have occurred during the period:

- In connection with the rights issue guarantee compensation has been paid in accordance with the published prospect to the principle owner Carl Bennet AB.
- One of the members of the Board, Erik Gabrielson, is a partner in the law firm Vinge, which provides the company with legal services.
- Related parties to Peter Sommer, a member of Group Management and Managing Director of Elanders GmbH, owns shares in a property where Elanders GmbH runs most of its operations.

Remuneration is considered on par with the market for all of these transactions.

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 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 US reported above no other important events have taken place after the balance sheet date until the day this report was signed.

Forecast
No forecast is given for 2017.

Review and accounting principles
The company auditors have not reviewed this report. The quarterly report for the Group has been prepared in accordance with the Annual Accounts Act and IAS 34 Interim Financial Reporting and for the parent company in accordance with the Annual Accounts Act. The same accounting principles and calculation methods as those in the last Annual Report have been used. The primary alternative performance measures that are presented in this report are EBITDA, return on capital employed, net debt and operating cash flow. Definitions of these performance measures are found on page 20 along with a reconciliation with financial information in accordance with IFRS on page 19 in this report.

Nomination committee
The nomination committee for the Annual General Meeting on 26 April 2017 is as follows:

Carl Bennet, Chair	Carl Bennet AB
Hans Hedström	Carnegie Funds
Britt-Marie Årenberg	representative for the smaller shareholders

Future reports from Elanders

Q1 2017	26 April 2017
Q2 2017	13 July 2017
Q3 2017	19 October 2017

Conference call

In connection to the issuing of the Year-end report 2016, Elanders will hold a Press and Analysts conference call on 25 January 2017 at 15:00 CET, hosted by President and CEO Magnus Nilsson and CFO Andréas Wikner. Please see below details in order to join the conference:

Sweden:	+46 8 5065 3942
Germany:	+49 69 2222 2018
UK:	+44 330 336 9411
USA:	+1 719 457 2086

Participant code: 9316787

Agenda

14:50	Conference number is opened
15:00	Review of the quarterly report
15:20	Q&A
16:00	End of the conference

During the telephone conference a presentation will be held. To access the presentation, please use this link:

http://www.livemeeting.com/cc/premconfeurope/join?id=9316787&role=attend&pw=pw9787

Contact information

Further information can be found on Elanders' website www.elanders.com or requested via e-mail info@elanders.com.

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This document is a translation of the Swedish original. In the event of any discrepancies between this translation and the Swedish original, the latter shall prevail

GROUP

Group - Income Statements

MSEK	Full year 2016	Full year 2015	Fourth quarter 2016	Fourth quarter 2015
Net sales	6,285	4,236	2,330	1,124
Cost of products and services sold	-5,091	-3,252	-1,893	-822
Gross profit	**1,194**	**984**	**436**	**302**
Sales and administrative expenses	-882	-718	-292	-191
Other operating income	100	51	41	13
Other operating expenses	-68	-26	-62	-12
Operating result	**344**	**292**	**123**	**111**
Net financial items	-44	-33	-20	-6
Result after financial items	**300**	**259**	**103**	**105**
Income tax	-83	-85	-23	-31
Result for the period	**217**	**175**	**79**	**73**
Result for the period attributable to:				
- parent company shareholders	217	175	79	73
Earnings per share, SEK [1) 2) 3)]	*7.35*	*6.18*	*2.37*	*2.60*
Average number of shares, in thousands [3)]	*29,555*	*28,224*	*33,549*	*28,224*
Outstanding shares at the end of the year, in thousands [3)]	*35,358*	*28,224*	*35,358*	*28,224*

1) Earnings per share before and after dilution.
2) Earnings per share calculated by dividing the result for the period attributable to parent company shareholders by the average number of outstanding shares during the period.
3) Historic number of shares have been adjusted for the bonus issue element in the new share issue in 2016.

Group - Statements of Comprehensive Income

MSEK	Full year 2016	Full year 2015	Fourth quarter 2016	Fourth quarter 2015
Result for the period	**217**	**175**	**79**	**73**
Translation differences, net after tax	95	39	53	-24
Cash flow hedges, net after tax	-1	0	-1	0
Hedging of net investment abroad, net after tax	-25	-44	-23	-6
Total items that may be reclassified to the income statement	**69**	**-5**	**29**	**-30**
Other comprehensive income, net after tax	**69**	**-5**	**29**	**-30**
Total comprehensive income for the period	**286**	**169**	**108**	**43**
Total comprehensive income attributable to:				
- parent company shareholders	286	169	108	43

Group - Statements of Cash Flow

MSEK	Full year 2016	Full year 2015	Fourth quarter 2016	Fourth quarter 2015
Result after financial items	**300**	**259**	**103**	**105**
Adjustments for items not included in cash flow	148	102	81	71
Paid tax	-104	-85	-34	-9
Changes in working capital	-13	-8	-55	69
Cash flow from operating activities	**331**	**269**	**95**	**235**
Net investments in intangible and tangible assets	-113	-46	-84	-15
Acquisition of operations	-1,796	-	4	-
Payments received regarding long-term holdings	2	4	1	1
Cash flow from investing activities	**-1,907**	**-42**	**-79**	**-14**
Amortization of loans	-692	-107	-639	-28
New loans	1,911	-	-	-
Other changes in long- and short-term borrowing	-190	-18	-60	-24
New share issue	695	-	695	-
Dividend to parent company shareholders	-58	-29	-	-
Cash flow from financing activities	**1,666**	**-154**	**-4**	**-52**
Cash flow for the period	**90**	**73**	**12**	**169**
Liquid funds at the beginning of the period	529	457	628	372
Translation difference	32	-0	11	-12
Liquid funds at the end of the period	**651**	**529**	**651**	**529**
Net debt at the beginning of the period	**738**	**895**	**2,921**	**951**
Translation difference in net debt	40	40	-2	9
Net debt in acquired operations	462	-	-	-
Change in net debt	983	-198	-695	-222
Net debt at the end of the period	**2,224**	**738**	**2,224**	**738**
Operating cash flow	**-1,428**	**344**	**69**	**237**

Group – Statements of Financial Position

MSEK	31 December 2016	2015
Assets		
Intangible assets	3,081	1,269
Tangible assets	806	334
Other fixed assets	241	199
Total fixed assets	**4,128**	**1,802**
Inventories	295	266
Accounts receivable	1,396	825
Other current assets	312	139
Cash and cash equivalents	651	529
Total current assets	**2,654**	**1,758**
Total assets	**6,782**	**3,560**
Equity and liabilities		
Equity	**2,411**	**1,488**
Liabilities		
Non-interest-bearing long-term liabilities	233	83
Interest-bearing long-term liabilities	2,646	20
Total long-term liabilities	**2,879**	**103**
Non-interest-bearing current liabilities	1,263	722
Interest-bearing current liabilities	228	1,247
Total current liabilities	**1,492**	**1,969**
Total equity and liabilities	**6,782**	**3,560**

LGI was acquired in 2016 which explains most of the increase in all the balance items. At the same time the Group has refinanced resulting in a three-year financing plan with Elanders' main banks. This has led to shift from current interest-bearing liabilities to long-term. A large part of the financing of the acquisition has also been accounted for as long-term interest-bearing liabilities.

Group – Statements of Changes in Equity

MSEK	Equity attributable to parent company shareholders	Total equity
Opening balance on 1 Jan. 2015	**1,348**	**1,348**
Dividend to parent company shareholders	-29	-29
Total comprehensive income for the year	169	169
Closing balance on 31 Dec. 2015	**1,488**	**1,488**
Opening balance on 1 Jan. 2016	**1,488**	**1,488**
New share issue	695	695
Dividend to parent company shareholders	-58	-58
Total comprehensive income for the period	286	286
Closing balance on 31 Dec. 2016	**2,411**	**2,411**

Segment reporting

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.

Net sales

	Full year		Fourth quarter	
MSEK	**2016**	**2015**	**2016**	**2015**
Supply Chain Solutions	3,998	2,045	1,659	526
Print & Packaging Solutions	2,146	2,054	599	527
e-Commerce Solutions	227	237	107	112
Group functions	27	27	6	8
Eliminations	-113	-126	-40	-50
Group net sales	**6,285**	**4,236**	**2,330**	**1,124**

Operating result

	Full year		Fourth quarter	
MSEK	**2016**	**2015**	**2016**	**2015**
Supply Chain Solutions	258	182	95	60
Print & Packaging Solutions	127	122	46	35
e-Commerce Solutions	19	18	24	23
Group functions	-60	-31	-41	-7
Group operating result	**344**	**292**	**123**	**111**

During the year the operating result in Group functions has been charged with one-off items attributable to acquisitions, book VAT recognized as revenue and provision for settlement costs for a dispute in the US amounting to net MSEK 39. Of these MSEK 30 has charged the operating result in the fourth quarter.

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 contracts and are used for hedging purposes. Valuation at fair value of forward contracts is based on published forward rates on an active market. All derivates are therefore 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.

Derivative instruments in hedge accounting relationships recognized at fair value is presented under other current assets and non-interest bearing current liabilities. These items gross are below MSEK 1 both per 31 December 2016 and the comparison periods.

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

Acquisition of operations in 2016

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

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 MEUR 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	Adjust-ments to fair value	Recorded value in the Group
Intangible assets	20	750	770
Tangible assets	455	-	455
Financial assets	43	-	43
Inventory	8	-	8
Accounts receivable	567	-	567
Other current assets	135	-	135
Cash and cash equivalents	48	-	48
Accounts payable	-162	-	-162
Other non-interest bearing liabilities	-432	-124	-556
Interest bearing liabilities	-513	-	-513
Identifiable net assets	**169**	**626**	**795**
Goodwill			1,015
Total			**1,810**
Less:			
Cash and cash equivalents in acquisition			-48
Negative effect on cash and cash equivalents for the Group			**1,762**

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

MSEK	Recorded values in acquired operation	Adjust-ments to fair value	Recorded value in the Group
Fixed assets	10	8	18
Inventory	5	-	5
Accounts receivable	6	-	6
Other current assets	0	-	0
Cash and cash equivalents	3	-	3
Accounts payable	-2	-	-2
Other liabilities	-5	-1	-6
Identifiable net assets	**17**	**7**	**24**
Goodwill			17
Total			**41**
Less:			
Unpaid purchase sum			-4
Cash and cash equivalents in acquisition			-3
Negative effect on cash and cash equivalents for the Group			**34**

PARENT COMPANY

Parent Company – Income Statements

MSEK	Full year 2016	Full year 2015	Fourth quarter 2016	Fourth quarter 2015
Net sales	28	26	5	8
Operating expenses	-68	-56	-18	-16
Operating result	**-40**	**-29**	**-13**	**-8**
Net financial items	135	83	91	-8
Result after financial items	**95**	**54**	**78**	**-16**
Income tax	7	15	6	2
Result for the period	**101**	**69**	**83**	**-14**

Parent Company - Statements of Comprehensive Income

MSEK	Full year 2016	Full year 2015	Fourth quarter 2016	Fourth quarter 2015
Result for the period	**101**	**69**	**83**	**-14**
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	**101**	**69**	**83**	**-14**

Parent Company - Balance Sheets

MSEK	31 December 2016	31 December 2015
Assets		
Fixed assets	4,046	2,056
Current assets	299	306
Total assets	**4,345**	**2,361**
Equity, provisions and liabilities		
Equity	1,640	902
Provisions	3	3
Long-term liabilities	2,362	71
Current liabilities	340	1,386
Total equity, provisions and liabilities	**4,345**	**2,361**

Parent Company - Statements of Changes in Equity

MSEK	Share capital	Statutory reserve	Unrestricted equity	Total equity
Opening balance on 1 Jan. 2015	**265**	**332**	**264**	**862**
Dividend	-	-	-29	-29
Total comprehensive income for the year	-	-	69	69
Closing balance on 31 Dec. 2015	**265**	**332**	**304**	**902**
Opening balance on 1 Jan. 2016	**265**	**332**	**304**	**902**
New share issue	88	-	606	695
Dividend	-	-	-58	-58
Total comprehensive income for the year	-	-	101	101
Closing balance on 31 Dec. 2016	**354**	**332**	**953**	**1,640**

QUARTERLY DATA

MSEK	2016 Q4	2016 Q3	2016 Q2	2016 Q1	2015 Q4	2015 Q3	2015 Q2	2015 Q1	2014 Q4
Net sales	2,330	1,878	1,079	998	1,124	1,041	1,066	1,006	1,099
EBITDA	187	152	92	85	154	95	93	85	101
Operating result	123	100	66	56	111	64	63	54	71
Operating margin, %	5.3	5.3	6.1	5.6	9.9	6.2	5.9	5.4	6.4
Result after financial items	103	86	61	51	105	55	55	44	62
Result after tax	79	58	45	36	73	36	38	27	45
Earnings per share, SEK 1)	2.37	2.04	1.59	1.26	2.60	1.27	1.34	0.98	1.60
Operating cash flow	69	-1,565	64	3	237	-24	116	16	175
Cash flow per share, SEK 2)	2.83	6.30	1.16	0.89	8.32	-1.87	3.72	-0.67	5.64
Depreciation and write-downs	65	52	26	29	43	31	30	31	30
Net investments	79	1,787	-3	43	14	7	19	2	7
Goodwill	2,272	2,274	1,228	1,211	1,200	1,217	1,209	1,224	1,205
Total assets	6,782	6,713	3,510	3,524	3,560	3,547	3,504	3,629	3,570
Equity	2,411	1,607	1,512	1,505	1,488	1,445	1,409	1,433	1,348
Equity per share, SEK	71.87	56.93	53.58	53.33	52.72	51.19	49.92	50.77	47.75
Net debt	2,224	2,921	785	750	738	951	882	945	895
Capital employed	4,635	4,528	2,297	2,255	2,226	2,396	2,291	2,378	2,243
Return on total assets, % 3)	7.3	7.8	7.5	6.4	12.6	7.3	7.1	6.0	8.2
Return on equity, % 3)	15.8	14.8	11.8	9.5	20.0	10.0	10.7	7.9	14.0
Return on capital employed, % 3)	10.7	11.7	11.6	10.0	19.2	10.9	10.8	9.3	12.5
Debt/equity ratio	0.9	1.8	0.5	0.5	0.5	0.7	0.6	0.7	0.7
Equity ratio, %	35.6	23.9	43.1	42.7	42.0	40.7	40.2	39.5	37.8
Interest coverage ratio 4)	7.8	11.0	16.1	14.3	12.7	10.0	7.2	5.9	5.0
Number of employees at the end of the period	6,444	6,472	3,101	3,173	3,177	3,182	3,166	3,146	3,320

1) There is no dilution.
2) Historic number of shares have been adjusted for the bonus issue element in the new share issue in 2016.
3) Cash flow per share refers to cash flow from operating activities.
4) Return ratios have been annualized (the result has been recalculated to correspond to the result for a 12 month period).
5) Interest coverage ratio calculation is based on a moving 12 month period.

FIVE YEAR OVERVIEW – FULL YEAR

	2016	2015	2014	2013	2012
Net sales, MSEK	6,285	4,236	3,730	2,096	1,924
Result after financial items, MSEK	300	259	140	102	93
Result after tax, MSEK	217	175	88	70	45
Earnings per share, SEK [1] [2]	7.35	6.18	3.27	2.81	1.87
Cash flow from operating activities per share, SEK [2]	11.19	9.52	6.03	5.15	9.06
Equity per share, SEK [2]	81.58	52.72	47.75	41.71	38.31
Dividends per share, SEK [2]	2.60 [3]	2.07	1.03	0.73	0.54
Operating margin, %	5.5	6.9	4.7	6.2	6.2
Return on total assets, %	6.7	8.2	5.9	5.6	5.6
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
Debt/equity ratio	0.9	0.5	0.7	0.7	0.7
Equity ratio, %	35.6	42.0	37.8	42.2	42.2
Average number of shares, in thousands [2]	29,555	28,224	26,825	24,900	23,712

FIVE YEAR OVERVIEW – FOURTH QUARTER

	2016	2015	2014	2013	2012
Net sales, MSEK	2,330	1,124	1,099	598	527
Result after tax, MSEK	79	73	45	35	8
Earnings per share, SEK [1] [2]	2.37	2.60	1.60	1.40	0.33
Cash flow from operating activities per share, SEK [2]	2.83	8.32	5.64	3.98	5.09
Equity per share, SEK [2]	71.87	52.72	47.75	41.71	38.31
Return on equity, % [4]	15.8	20.0	14.0	9.1	3.5
Return on capital employed, % [4]	10.7	19.2	12.5	12.1	11.9
Operating margin, %	5.3	9.9	6.4	9.0	9.0
Average number of shares, in thousands [2]	33,549	28,224	28,224	24,900	24,900

[1] There is no dilution.
[2] 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. No adjustment of the historic number of shares has been made for the new share issue in 2012 since it did not entail any bonus issue element.
[3] Proposed by the board.
[4] Return ratios have been annualized.

RECONCILIATION ALTERNATIVE PERFORMANCE MEASURES – QUARTERLY DATA

MSEK	2016 Q4	2016 Q3	2016 Q2	2016 Q1	2015 Q4	2015 Q3	2015 Q2	2015 Q1	2014 Q4
Operating result	123	100	66	56	111	64	63	54	71
Depreciation, amortization and write-downs	65	52	26	29	43	31	30	31	30
EBITDA	**187**	**152**	**92**	**85**	**154**	**95**	**93**	**85**	**101**
Cash flow from operating activities	95	178	33	25	235	-53	105	-19	159
Net financial items	20	14	5	6	6	9	8	10	8
Paid tax	34	30	24	16	9	27	21	27	15
Net investments	-79	-1,787	3	-43	-14	-7	-19	-2	-7
Operating cash flow	**69**	**-1,565**	**64**	**3**	**237**	**-24**	**116**	**16**	**175**
Average total assets	6,748	5,112	3,517	3,542	3,543	3,526	3,567	3,600	3,453
Average cash and cash equivalents	-639	-558	-505	-526	-451	-389	-403	-429	-397
Average non-interest-bearing liabilities	-1,527	-1,141	-736	-776	-782	-794	-829	-860	-804
Average capital employed	**4,581**	**3,412**	**2,276**	**2,240**	**2,311**	**2,344**	**2,334**	**2,311**	**2,252**
Annualized operating result	490	398	263	224	444	256	252	216	282
Return on capital employed, %	**10.7**	**11.7**	**11.6**	**10.0**	**19.2**	**10.9**	**10.8**	**9.3**	**12.5**
Interest-bearing long-term liabilities	2,647	2,666	20	20	20	23	23	25	25
Interest-bearing current liabilities	228	883	1,254	1,252	1,247	1,301	1,264	1,322	1,327
Cash and cash equivalents	-651	-628	-489	-522	-529	-372	-405	-401	-457
Net debt	**2,224**	**2,921**	**785**	**750**	**738**	**951**	**882**	**945**	**895**

RECONCILIATION ALTERNATIVE PERFORMANCE MEASURES – FULL YEAR

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
Average capital employed	**3,428**	**2,325**	**2,010**	**1,710**	**1,598**
Annualized operating result	344	292	175	131	119
Return on capital employed, %	**10.0**	**12.6**	**8.7**	**7.7**	**7.4**

RECONCILIATION ALTERNATIVE PERFORMANCE MEASURES – FOURTH QUARTER

MSEK	2016	2015	2014	2013	2012
Average total assets	6,748	3,543	3,453	2,411	2,174
Average cash and cash equivalents	-639	-451	-397	-166	-157
Average non-interest-bearing liabilities	-1,527	-782	-804	-457	-414
Average capital employed	**4,581**	**2,311**	**2,252**	**1,789**	**1,602**
Annualized operating result	490	444	282	216	191
Return on capital employed, %	**10.7**	**19.2**	**12.5**	**12.1**	**11.9**

DEFINITIONS

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.
Debt/equity ratio	Net debt in relation to reported equity, including non-controlling interests.
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.
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 margin	Operating result in relation to net sales.
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.